Plymouth Institute for Free Enterprise

Allow a Private SSDI Option

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ADVANCING AMERICAN FREEDOM

TOPLINE: The Social Security Disability Insurance (SSDI) program doesn't serve individuals with disabilities or taxpayers well. There should be a private alternative.

BACKGROUND: Despite a recent reduction in the Disability Insurance rolls, the program's inefficiencies and perverse incentives fail both taxpayers and individuals with disabilities. Although processing times have declined, most SSDI applicants have to go through multiple appeals and wait 18 months or more for a decision. If individuals are approved for benefits, SSDI does nothing to help them recover and return to work. Instead, people have to wait two years for Medicare coverage that might have helped them recover. In contrast, private disability insurance (DI) issues benefit determinations within 45 days, and the incentives are such that insurers work closely with employees, their doctors, and employers to achieve return-to-work success through early intervention and workplace accommodations. Private DI includes legal protections that are absent in SSDI, including disclosures on plan benefits and rights; investigation, audit, and enforcement; and employee-participants' right to sue insurers. This leads to more accurate determinations. More than 50% of SSDI denials are appealed, compared with a tiny fraction of private DI decisions.

Private long-term disability (LTD) also provides more comprehensive coverage based on an individual's inability to perform their *own* occupation as opposed to the SSDI system, which is based on an individual's inability to perform *any* job in the economy. A 2013 report commissioned by America's Health Insurance Plans (AHIP) estimated that private DI reduced the SSDI rolls by at least 65,000 and federal expenditures on SSDI and other transfer programs by more than $2 billion annually. Congress could incentivize greater private DI coverage by providing a payroll tax cut of up to half of employers' 0.9% portion of the 1.8% SSDI payroll tax if they provide qualified private DI covering the first two years of disability. Beyond two years, SSDI would take over.

Action Items (Congress):

- **Provide a payroll tax cut to employers who offer qualified private DI** to cover the first two years of employees' disability benefits.

How It Would Make Life More Affordable:

- Private DI's efficiencies and rehabilitative supports help more people return to work and maintain higher earnings.
- It would reduce costs for employers who offer private DI and reduce SSDI costs.

BOTTOMLINE: Congress should capitalize on the advantages of private DI—faster and more efficient determinations, higher return-to-work success, and more coverage for lower costs—by providing a payroll tax cut for employers who provide private DI.