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Hatch Statement at Finance Committee Hearing on Social Security Disability Insurance

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing on Social Security Disability Insurance:

Thank you Chairman Wyden for holding today's hearing. This is an important topic that deserves our immediate attention.

In 2013, the Social Security Disability Insurance – or DI – program provided over \$140 billion in benefit payments to nearly 11 million disabled workers and dependents.

According to CBO, the number of DI beneficiaries increased nearly six-fold between 1970 and 2012 and, over the past 40 years or so, outlays for benefits have grown by more than nine times. There are various reasons for the growth, including demographics, changes in the composition of the workforce, relaxation of benefit eligibility criteria, and others.

I hope that we can begin to explore those areas today.

DI benefits are funded from payroll tax receipts and assets in the DI Trust Fund, which are projected to be exhausted sometime around 2016. At that point, under current law, there will be abrupt, across the board benefit cuts of around 20 percent.

No one wants that to happen, which is one reason why we are here today to begin responsibly looking at the DI program. Indeed, it is our responsibility to fully examine this system and work to improve it and its finances where we can.

Some believe that we could solve all or most of the financial challenges facing the DI program and Social Security in general through higher taxes.

I made several requests to the Congressional Budget Office regarding this strategy. And, recent analysis performed in response to those requests shows how difficult this approach can be.

Most proposals to reform Social Security by raising payroll taxes would result in massive tax increases, particularly on middle class Americans, negatively impacting job growth and harming middle income families.

That is hardly what our economy needs.

I think there is definitely more we can do on the program integrity side.

While I don't think that the DI program is rife with fraud, we should work to prevent whatever instances of fraud we can.

And, while I don't think that Administrative Law Judges in the DI program, who hear decision appeals cases, are all bad actors, each erroneous decision can cost the Trust Fund hundreds of thousands of dollars. That being the case, we need to protect against frivolous decision making that can quickly add up to billions of dollars in improper DI benefit payments. Sadly, the Obama Administration's approach to DI and Social Security in general has largely been to remain silent, even in the face of the impending DI Trust Fund exhaustion.

The only major structural change that the administration briefly considered was adoption of the chained CPI in government-wide price indexation coupled with benefit enhancements for vulnerable populations.

However, the President has since withdrawn even that modest proposal and has publicly stated that he would not even discuss the idea unless he was assured of getting yet another tax hike to go along with it.

Mr. Chairman, I come to today's hearing in the interest of having us responsibly examine the DI program to see what can be done, and what we can agree upon, to help improve the program and its finances for today's beneficiaries and future generations.

I also believe that it would be irresponsible to simply take the expedient route of agreeing at this time to merely rubber stamp a payroll tax reallocation without examining the DI program to see what could be changed, what innovations could be considered, and what could be done in the face of projected Trust Fund exhaustion and over \$23 trillion in unfunded obligations in the Social Security system.

It is premature to agree on some payroll tax reallocation as a patch of convenience and to kick the can down the road yet again.

I am willing to work with you, Mr. Chairman, and anyone in Congress to see what we can do before DI Trust Fund exhaustion in 2016.

There are many options that we already know about, and we could also examine more innovative ideas.

For example, it could be worth looking at pay-for-success funding models to help fund one of the DI proposals in the President's budget. I am also willing to see if there are ways to improve funding flows for Continuing Disability Reviews in the DI program, another concept found in the President's budget.

In the end, it seems to me that we have two paths to choose from.

One is what I have just traced out, involving inquiry, research, and examination of what we can do to enhance the DI program and its finances and what we can agree upon. The other is to engage in divisive political rhetoric and demagogue the issue even further, which is irresponsible in my view and not what disabled American workers and all workers insured by DI should tolerate.

As I have tried to make clear, my preference is for the first path of cooperation, bipartisanship, and responsibility. I hope that, in the end, that is the path we take. Thank you again, Mr. Chairman, for agreeing to hold today's hearing.

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