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Of Disability Advocacy
1973-2013

Comments on: “Using the Chained Consumer Price Index to Determine Social Security Cost-of-Living Adjustments and Benefit Increases for Long-Time Social Security Beneficiaries”

August 9, 2013

Submitted to the Committee on Ways and Means, U.S. House of Representatives on behalf of the undersigned members of the Consortium for Citizens with Disabilities:

ACCSES

American Association on Health and Disability

American Council of the Blind

American Music Therapy Association

Association of Assistive Technology Act Programs

Association of University Centers on Disabilities

Attention Deficit Disorder Association

Autism National Committee

Bazelon Center for Mental Health Law

Brain Injury Association of America

Children and Adults with Attention-Deficit/Hyperactivity Disorder

Community Access National Network

Community Legal Services

Council of State Administrators of Vocational Rehabilitation

Disability Rights Education and Defense Fund

Disability Rights Legal Center

Easter Seals

Epilepsy Foundation

Goodwill Industries International

Health and Disability Advocates

Lupus Foundation of America

Lutheran Services in America Disability Network

National Alliance on Mental Illness

National Association of Councils on Developmental Disabilities

National Association of County Behavioral Health & Developmental Disability Directors

National Association of Disability Representatives

National Association of State Head Injury Administrators

National Committee to Preserve Social Security and Medicare

National Council for Community Behavioral Healthcare

National Council on Independent Living

National Down Syndrome Congress
National Down Syndrome Society
National Industries for the Blind
National Organization of Social Security Claimants' Representatives
National Respite Coalition
Paralyzed Veterans of America
SourceAmerica
Special Needs Alliance
The Arc of the United States
United Spinal Association

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The Consortium for Citizens with Disabilities (CCD) is a working coalition of national organizations working together to advocate for national public policy that ensures the self-determination, independence, empowerment, integration and inclusion of the 57 million children and adults with disabilities in all aspects of society.

The undersigned members of CCD submit these comments in response to the Ways and Means Committee's request for comments on "Using the Chained Consumer Price Index to Determine Social Security Cost-of-Living Adjustments and Benefit Increases for Long-Time Social Security Beneficiaries." The Committee's request covers proposals made in the Administration's FY 2014 budget; in the report filed by the co-chairs of the National Commission on Fiscal Responsibility and Reform, Alan Simpson and Erskine Bowles; and in the report issued by the Domenici-Rivlin Debt Reduction Task Force. Our comments address all three proposals.

The undersigned organizations strongly oppose the use of the chained Consumer Price Index for All Urban Consumers ("chained CPI-U") to determine the Social Security cost-of-living adjustment (COLA). We also strongly oppose using the chained CPI-U to determine COLAs for other benefit programs such as veterans' benefits, to calculate the federal poverty guidelines, and for other vital anti-poverty programs including the Earned Income Tax Credit.

We support thoughtful efforts to strengthen the Social Security system's long-term financing but changes to the programs should not be made in the context of deficit reduction, and should ensure a benefit formula that provides adequate protection against inflation and does not push more people into poverty. The Social Security system is a vital part of our social insurance safety net and protects some of the poorest and most vulnerable Americans. Careful consideration should be given to the potential impact on seniors and people with disabilities before making any changes to such critical programs.

The Chained CPI-U and People with Disabilities

Although some might describe use of the chained CPI-U as a mere technical change, it would likely have dramatic impacts on current and future Social Security and Supplemental Security Income (SSI) beneficiaries. In fact, as noted by the Congressional Budget Office, the impact of the chained CPI-U "would be especially large for some disabled beneficiaries; they

generally become eligible for Social Security benefits before age 62 and thus can receive COLAs for a longer period of time.”¹ As discussed below, many beneficiaries with disabilities rely on Social Security or SSI for most or all of their income. Additionally, like many seniors, people with disabilities often spend a disproportionate amount of their monthly budget on out-of-pocket medical expenses and on housing. Most beneficiaries with disabilities have already economized as much as possible and have little room in their budgets to make additional substitutions as envisioned under the chained CPI-U.

For a Social Security beneficiary receiving the average 2012 Disability Insurance benefit, the chained CPI-U would result in benefit cuts of about \$347 per year (2.6%) after 10 years, \$720 (5.4%) after 20 years, and \$1,084 per year (8.13%) after 30 years. These cuts could be devastating and force people to make terrible life and death choices between paying for a prescription or buying food.

In addition, using the chained CPI-U to calculate the Social Security COLA would result in a significant, two-part cut in SSI benefits. Unlike Social Security, where initial benefits are based on a worker’s wage history, the SSI initial payment levels are based on a federal benefit rate that is adjusted using the CPI-W. Using the chained CPI-U, the SSI initial payment levels would grow at a lower rate, meaning that a person’s benefits would be cut even prior to application – and then would be cut a second time through lower cost-of-living adjustments.

Using the chained CPI-U to calculate the Social Security COLA would also result in a significant benefit cut for the Military Retirement and Veterans’ Pension Benefit Programs, which by law receive a COLA based on the Social Security COLA. Finally, it would likely impact Veterans’ Disability Compensation, which receives a COLA enacted each year by Congress that typically provides an adjustment equal to the Social Security COLA.

Furthermore, if applied government-wide, the chained CPI-U would affect many other programs that are vital to people with disabilities. For example, income eligibility standards for many parts of Medicaid, for the Supplemental Nutrition Assistance Program (SNAP; formerly known as the food stamp program), and for over 30 vital anti-poverty programs are based on the federal poverty guidelines. Applying the chained CPI-U to the federal poverty guidelines would likely result in fewer adults and children with disabilities qualifying for Medicaid, SNAP, and essential programs such as the Child Nutrition Programs, Head Start, and the Low-Income Home Energy Assistance Program (LIHEAP).

Proposed “Benefit Enhancements” Offer Inadequate Protections

As noted earlier, we support thoughtful efforts to strengthen the Social Security system’s long-term financing but believe changes should not harm beneficiaries or be made in the context of deficit reduction.

¹ Testimony of Jeffrey Kling, Congressional Budget Office, April 18, 2013, before the Committee on Ways and Means Social Security Subcommittee, on “Using the Chained CPI to Index Social Security, Other Federal Programs, and the Tax Code for Inflation.”

All three proposals considered by the Ways and Means Committee include provisions intended to soften the impact of the chained CPI-U – but the fact that such protections are being considered highlights the reality that the chained CPI-U is not the right policy for Social Security. The proposed protections are well-meaning, but inadequate to address the needs of extremely vulnerable beneficiaries.

Switching to the chained CPI-U would mean that the spending capacity of Social Security disability beneficiaries would fall even further behind annual increases in health-care and related costs that disproportionately impact people with disabilities. Yet, a proposed "benefit enhancement" would provide no relief for many years – and would offer only limited relief for individuals who live to an advanced age or who receive benefits for a prolonged period. For example, some beneficiaries with severe, lifelong disabilities can begin receiving Social Security as young as age 18. Even with the proposed "benefit enhancements" the chained CPI-U could have severe, harmful effects on many beneficiaries.

The Importance of Preserving Social Security, SSI, and other Vital Programs for People with Disabilities

Millions of people with disabilities and their families rely on the Social Security Old-Age, Survivors, and Disability Insurance programs; SSI; Veterans' Disability Compensation; and other programs that could be affected by the chained CPI-U to meet their basic needs. The undersigned groups strongly support taking steps to achieve the long-term financial solvency of Social Security. We understand that it is vitally important to take steps to strengthen the long-term financing of the Social Security system so that it can continue to provide the critical income support on which many of the most vulnerable members of our society depend.

Social Security benefits, however, are already very modest and should not be cut. In July, 2013 the average Disability Insurance benefit for a disabled worker was about \$1,130 – just over the federal poverty line – and the average SSI benefit was just \$527 per month – about half the federal poverty level for a single person, and only \$17.56 per day.

Social Security beneficiaries rely on these benefits for a significant portion of their income. Social Security disability benefits comprise more than 90 percent of the total income for almost half of non-institutionalized disabled workers, and more than 75 percent of total income for the vast majority of disabled worker beneficiaries. Social Security benefits equal half or more of the **total** family income for about half of disabled worker beneficiaries, and over 57% of SSI beneficiaries have no other source of income. Poverty rates among disabled worker beneficiaries are twice as high as for other Social Security beneficiaries but would be even higher if not for Social Security Disability Insurance benefits.

The same is true for beneficiaries of Social Security retirement benefits. The average yearly benefit for the lowest 20% of income earners receiving retirement benefits in 2008 was \$10,206 and that represented 94% of their family income. Any cut to benefits will likely mean that a basic need (like food, medicine, or shelter) will not be met for the people who depend almost entirely on Social Security benefits.

Conclusion

The undersigned members of CCD strongly support thoughtful efforts to strengthen the Social Security system's long-term financing. The sooner such action is taken the better as the modest changes that are required to restore long-term actuarial balance to the program can be made gradually and fairly given enough time to implement the changes. Strengthening Social Security does **not** require cutting benefits. Changing the Social Security COLA to be based on the chained CPI-U would do just that.

We urge the Subcommittee to oppose the use of the chained Consumer Price Index for All Urban Consumers ("chained CPI-U") to determine the Social Security COLA.

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