



SOCIAL SECURITY

MEMORANDUM

July 7, 2011

Refer To: TCA

Michael J. Astrue
Commissioner

Scott Frey
Deputy Commissioner for
Legislation and Congressional Affairs

Stephen C. Goss
Chief Actuary

Estimates of the Financial Effects on the Disability Insurance Trust Fund of Determinations by Administrative Law Judges with the High and Low Allowance Rates—**INFORMATION**

Administrative Law Judges (ALJs) make disability determinations after a claimant has been found not disabled by disability examiners of the State Disability Determination Services (DDS) at both the initial and reconsideration steps in the adjudication process. In total, ALJs find that claimants are disabled in somewhat over 60 percent of the cases they decide. We refer to this percentage as the “allowance rate.” However, there is considerable variation in allowance rates among ALJs. In this memorandum, we analyze data on allowance rates for ALJs, focusing on those with the highest and the lowest allowance rates.

In the background section of the Hearing Advisory for the July 11, 2011 Joint Oversight Hearing on the Role of Social Security Administrative Law Judges announced by Chairman Johnson and Chairman Coble, they make reference to 54 administrative law judges (ALJs) who awarded benefits in 85 percent or more of their cases in FY 2010 and 2 ALJs who denied benefits in at least 80 percent of their cases. You have asked us to assess the potential effects on the financial status of the Disability Insurance (DI) program if ALJs with allowance rates at these extremes had, instead, made allowances at rates equal to the national average.

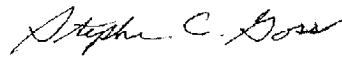
Glenn Sklar, Deputy Commissioner for Disability Adjudication and Review, provided us with data on ALJ determinations for fiscal years 2009 and 2010. The overall allowance rate for all ALJs combined was 63.32 percent for FY 2009 and 62.21 percent for FY 2010 for Social Security determinations. For each year, we considered all ALJs who had at least one Social Security disability determination. In 2009, 1,346 ALJs made at least one Social Security disability determination. In 2010, 1,394 ALJs made at least one Social Security disability determination.

The attached table provides our findings for ALJs with allowance rates of 85 percent or higher, and for ALJs with allowance rates of 20 percent or lower (and thus denying or dismissing 80 percent or more of their cases) in these two years. We find that the number with allowance rates of 85 percent or higher declined from 124 ALJs in 2009 to 83 ALJs in 2010. The number with allowance rates of 20 percent or lower declined from 22 ALJs in 2009 to 15 ALJs in 2010.

In order to quantify the effect on DI program cost of potentially altering the outcomes for ALJs with these high and low allowance rates, we assumed that the relative distribution of ALJ dispositions by allowance rate has been in the past and will be in the future about the same as in the FY 2010 experience. The attached table shows that if the high-allowance ALJs in FY 2010 had instead allowed the same percentage of their cases as the average for the year, total DI disability allowances would have been about 0.79 percent lower. If the low-allowance ALJs in FY2010 had instead allowed the same percentage of their cases as the average for the year, total DI disability allowances would have been about 0.12 percent higher.

On the assumption that the FY 2010 distribution of ALJ dispositions by allowance rate is typical of the past, on average, we estimate that if the high-allowance ALJs (85 percent or higher) had instead been average (62 percent allowance rate), the 0.79 percent reduction in overall allowances for the DI program would lower the program cost of \$129 billion for calendar year 2011 by about \$1.0 billion. Over the long-range 75-year period, assuming a similar change in future ALJ allowance rates for those with high allowances, we estimate the long-range DI program cost of 2.21 percent of taxable payroll would be reduced by about 0.02 percent of payroll.

On the assumption that the FY 2010 distribution of ALJ dispositions by allowance rate is typical of the past, on average, we estimate that if the low-allowance ALJs (20 percent or lower) had instead been average (62 percent allowance rate), the 0.12 percent increase in overall allowances for the DI program would increase the program cost of \$129 billion for calendar year 2011 by about \$0.2 billion. Over the long-range 75-year period, assuming a similar change in future ALJ allowance rates for those with low allowances, we estimate the long-range DI program cost of 2.21 percent of taxable payroll would be increased by a negligible amount (less than 0.005 percent of payroll).



Stephen C. Goss

cc:

Jo Tittel
Glenn Sklar
Dean Landis
Tom Parrott

Attachment

Administrative Law Judge OASDI Dispositions			
ALJs with At Least One OASDI Disposition in the Fiscal Year			
	All ALJs	ALJs with 85 Percent or Higher Allowance Rate	ALJs with 80 Percent or Higher Denial/Dismissal Rate
Fiscal Year 2009			
Number of ALJs	1,346	124	22
Number of Dispositions	460,201	37,788	2,710
Number of Allowances ^{1/}	291,384	33,723	408
Number of Denials/Dismissals	168,817	4,065	2,302
Allowance Rate	63.32%	89.24%	15.06%
<i>Change If Had Average Allowance Rate</i>			
Change in Number Allowed		-9,797	1,308
Percent Change in---			
Total ALJ Allowances		-3.36%	0.45%
Total All DI Allowances		-1.03%	0.14%
Fiscal Year 2010			
Number of ALJs	1,394	83	15
Number of Dispositions	490,384	30,102	2,617
Number of Allowances ^{1/}	305,071	26,765	414
Number of Denials/Dismissals	185,313	3,337	2,203
Allowance Rate	62.21%	88.91%	15.82%
<i>Change If Had Average Allowance Rate</i>			
Change in Number Allowed		-8,038	1,214
Percent Change in---			
Total ALJ Allowances		-2.63%	0.40%
Total All DI Allowances		-0.79%	0.12%

^{1/} Fully or partially favorable award

Office of the Chief Actuary
Social Security Administration
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