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Big Social Security Bills in the Works With 2016 Cliff Approaching

Yes, it's early, but Republicans in House and Senate want to lay the groundwork for action next year.

BY DYLAN SCOTT



July 26, 2015 Congress is working on legislation that would package together various reforms to the Social Security disability program with the aim of avoiding a big benefit cut next year, according to lawmakers, congressional aides, and lobbyists interviewed by *National Journal*.

But many tracking and working on the issue expect things to go down to the wire, and tempers are sure to flare over the third rail of American politics.

No final product exists, and the House and Senate likely will release separate bills, but there is an emerging picture of what the reform legislation ultimately would look like. Changes to the administrative-review process, work incentives, fraud provisions, and

some pilot projects are among the items expected to make it into a bill that Congress hopes to pass to avoid a catastrophic 20-percent cut for those who receive disability insurance.

Social Security's disability fund, which covers 10 million Americans, will be unable to pay its full benefits starting in late 2016, the program's trustees said last week. Republicans on Capitol Hill have said that they won't simply shift revenue from the much-larger retirement fund to avoid the coming shortfall—they want to pursue changes to make Social Security more solvent.

Work is under way in both chambers, but those involved acknowledge that Congress is likely to push right up against the deadline. Some lobbyists following the issue said they don't expect action until the lame-duck session next year.

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"It may be," said Sen. James Lankford of Oklahoma in an interview at his office. He plans to unveil a reform package in the early fall. "I couldn't begin to guess the timing on that, but I don't anticipate we're going to pass something in 2015. Because everybody will say we still have six months to go or eight months to go. Why are we doing it this early?"

"I have zero confidence we will do anything early in Congress," Lankford said. "The assumption for me is this is still going to press till the end."

Lankford's starting point is a bill introduced in last year's lame-duck session by his predecessor, Tom Coburn. The Coburn bill would have made a range of reforms to the administrative review process, from how attorneys are paid to new rules for judges who oversee the proceedings.

It also would have created a work-incentive program that would adjust how much disability insurance a person receives if they go back to work part-time. Lankford said he plans to incorporate proposals from his work on the House Oversight Committee prior to his Senate election, though he declined to be more specific.

On the House side, Rep. Sam Johnson, who chairs the Ways and Means subcommittee on Social Security, already has introduced some smaller bills, and Lankford said his staff is in regular contact with the Texas congressman. Johnson's bills would, for example, prevent people from receiving disability and unemployment insurance at the same time, tighten rules for who can provide medical evidence for disability determinations, and increases penalties for fraud.

Rep. Tom Reed, a New York Republican who sits on the panel and has taken an active interest in the disability cliff, said he anticipated that a more-comprehensive bill would be introduced toward the end of this year or early next year.

"I think that gives plenty of time to avoid that insolvency date and protect beneficiaries from that 20-percent cut," Reed said, "but at the same time, reform this program and make it secure and bring back integrity."

Combined, Lankford and Johnson's proposals point to what the Republican Congress is looking to do. Ways and Means Chairman Paul Ryan, who is likely to be a major player as the conversation continues, has made work incentives a priority; the full committee held a hearing on the issue this month. Add in the administrative reforms, fraud provisions, and some pilot projects, and the framework of a bill starts to emerge.

The other expected piece would be moving tax revenue from the retirement trust fund to the disability program to actually avoid the 20-percent cut in 2016. That will still be necessary even if Congress agrees on these reforms, which one lobbyist said would be among the most ambitious that Congress has attached to so-called reallocation. Shifting money between the programs has been done multiple times in the past.

"There is no set of solutions that currently exist that I have seen anywhere that keep us from going insolvent next year," Lankford said. He added that Senate Finance Chairman Orrin Hatch and Democratic Sen. Thomas Carper have also been involved on the issue.

"If we implemented all of the reforms that I have and Sam Johnson has and Orrin Hatch has and Tom Carper has, if you took all of those and implemented today, we would still be insolvent next year because it takes so long to be able to roll those things out and

get them in place," he continued. "So whatever we do, there will have to be some way to be able to add funding or we'll have a 20-percent cut to those that are in disability."

Whatever legislation they come up with will face two tests: Does it do enough to convince Republicans to support reallocating money and can it attract any Democratic support?

House Democrats released a bill last week that would combine the disability and retirement funds to avoid next year's cliff. The White House and other outside groups have also expressed support for a so-called 'clean' reallocation, without any strings attached.

One Democratic aide said they were unnerved by recent comments from the AARP and what it might mean for the GOP's plans. In a statement to *National Journal* last week, the influential seniors group indicated it was open to the idea of "authorizing a loan between the trust funds" to avoid the 2016 cliff. The disability program would borrow money from the retirement fund and have to eventually pay it back.

That concept is vigorously opposed by Democrats and others because it would likely result in the disability program facing another cliff soon. Some conservative wonks, however, support the policy for the same reason, hoping it would be the impetus to a bigger overhaul of Social Security.

"That's definitely our fear," the Democratic aide said. "We were hoping it wasn't on the table because it's such a terrible idea ... It digs the hole deeper."

The other likely concerns for Democrats and advocates are changes to the bigger retirement program and any cuts to benefits. Reed addressed the former. "Right now, the focus is on DI. Nothing going onto the Social Security retirement side as of right now," he said. "Just really focusing on this initial issue because of the time-constraint coming up in 2016."

And Lankford addressed the latter.

"We're not proposing that and I don't hear people proposing, 'Gosh, we're giving the disabled families too much money,' " he said. "I just don't hear that."