**2011**

**Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants, WP 2011-258**
*David Autor, Nicole Maestas, Kathleen Mullen and Alexander Strand*

- We find that longer processing times of disability applications reduce the employment and earnings of SSDI applicants in the years after their initial decision.
- We estimate that the SSDI determination process directly reduces the post-application employment of denied applicants by approximately 7 percent and allowed applicants by approximately 33 percent.
- The mean determination time for allowed applicants significantly exceeds that of denied applicants (14.1 versus 9.7 months) because half of beneficiaries are allowed only after a lengthy appeal.

**The Importance of State Anti-Discrimination Laws on Employer Accommodation and the Movement of their Employees onto Social Security Disability Insurance, WP 2011-251**
*Richard V. Burkhauser, Lauren Nicholas and Maximilian D. Schmeiser*

- Using Health and Retirement Study data with linked Social Security Administration records, we find that 28 percent of individuals who experienced a work limitation while employed received an accommodation.
- The probability of receiving an accommodation increased following the implementation of the Americans with Disabilities Act (ADA) in 1992.
- Our estimates confirm that accommodation effectively reduces the probability of application for SSDI following the onset of a work limitation.
- Providing an employee with an accommodation following the onset of a work limitation would reduce applications to the SSDI program by 27 percent within one year of onset and 30 percent within five years of onset.
- These findings suggest that the provision of workplace accommodations would be an effective strategy for reducing application for SSDI benefits, and potentially the number of people receiving SSDI.

**Consumption and Differential Mortality, WP 2011-254**
*Michael Hurd and Susann Rohwedder*

- We find that those who are wealthier tend to live longer.
- Analysis of HRS data for 2000-2004 showed that among single persons, average wealth two years prior to death was 81 percent of that of survivors. The median wealth of single people who died was only 45 percent that of survivors.
- The mean wealth of couples where one member became deceased was 66 percent that of couples where both survived. The disparity in median wealth was 65 percent.
- While those who consume more tend to be wealthier and live longer, the dying spend a greater proportion of their wealth than do those who survive. This proportion of wealth spent is greater for singles than for married persons.
- We find that cross-sectional data on consumption does not accurately reflect life-cycle spending trajectories: The cross-sectional profiles decline much more slowly with age than the panel profiles. The results of cross-sectional profiles overestimate the needs of individuals and households for economic resources in retirement.
- Synthetic panels provide a fairly close approximation to true panels, which means that studies based on the CEX are likely to approximate studies based on panel data.
Comparing the health and economic outcomes of those who receive elective surgery after the onset of chronic conditions with those who do not, this study finds that angioplasty and joint replacement surgery reduce the probability of applying for Social Security Disability Insurance by up to 22 percentage points.

Elective angioplasty and joint replacement surgery also delay the age at which a respondent first claims Social Security benefits by 1.3–3.5 years.

Periods of uninsurance after condition onset are associated with lower probability of receiving surgery for patients with heart disease, but not arthritis.

Increasing access to medical care amongst chronically ill workers may help to reduce new SSDI applications.

Temporary benefit programs to provide income support to workers taking medical leave to receive surgery, for example, could help to reduce permanent transitions to SSDI.

Reduction of elective procedure utilization in Medicare could adversely impact the health and economic outcomes of those who have chronic illnesses such as heart disease and arthritis. Cost-effective analysis should factor in savings from elective procedures that prevent or delay health impairment or disability.

The needs of both generations are likely reflected in moves that result in co-residence.
Reconciling Findings on the Employment Effect of Disability Insurance, WP 2010-239

John Bound and Timothy A. Waidmann

- Over the last 25 years, the Social Security Disability Insurance program (DI) has grown dramatically. During the same period of time, employment rates for men with work limitations showed substantial declines in both absolute and relative terms.
- While these trends coincide, we find that the decrease in employment among those with work limitations during the early 1990s can only be partly explained by the growth of DI.
- For the period after the mid-1990s, we find little role for the DI program in explaining the continuing employment decline for men with work limitations.

Cognitive Ability and Retiree Health Care Expenditure, WP 2010-230

Hanming Fang, Lauren Nicholas and Daniel Silverman

- Those with less cognitive ability spend more on health care because they are in worse health.
- Using Health and Retirement Study records linked to Medicare data, we find no evidence that those with lower cognitive ability are differentially receiving unnecessary procedures or care.
- Much, but not all, of the relationship between cognitive function and health expenditure can be explained by observable health conditions, such as chronic conditions, physical limitations, and self-reported health.

The Social Security Early Retirement Benefit as Safety Net, WP 2010-240

John Bound and Timothy A. Waidmann

- We use Health and Retirement Study data to analyze the health and economic status of those who apply for early retirement benefits and find that 1 in 5 of early retirees match the characteristics of Disability Insurance recipients.
- The pattern of using early retirement benefits as a response to poor health is most evident for men and unmarried women. Married women who retire early appear to weigh other factors in that decision.
- Early Social Security benefits likely provide a safety net for those in poor health, who are either not in poor enough health to be eligible for disability benefits or who, for whatever reason, did not apply for them.
- If the early retirement age for Social Security were to increase without an alternative safety net in place, it seems likely that this group of early retirees who are least able to work would either attempt to qualify for DI or face substantial income losses.


Michael Hurd and Susann Rohwedder

- In prior work, we developed a framework to analyze economic preparation for retirement, taking into account the risk of living to an advanced old age and the concomitant risk of running out of resources. We augment our previous model to account for the risk of out-of-pocket spending for health care and find:
  - The risk of out-of-pocket health care spending reduces economic preparation for retirement from about 72 percent of persons aged 65–69 to about 63 percent.
  - However, the effects of taking into account health-related out-of-pocket expenditure risk differ sharply across the population.
  - For example, among singles it reduces the fraction with adequate economic retirement resources disproportionately (from 57 percent to 44 percent). Among single women who did not graduate from high school, the percentage adequately prepared declines from 33 percent to 15 percent.
  - The results suggest a role for better insurance: with perfect insurance, out-of-pocket spending would be at the mean level of our baseline simulations, resulting in an increase of about nine percentage points of persons adequately economically prepared for retirement.

Earnings Growth versus Measures of Income and Education for Predicting Mortality, WP 2010-257

Harriet Duleep and David A. Jaeger

- Earnings growth, measured over the entire career of individuals, appears to supersede income's effect as a predictor of mortality.
- Both education and earnings growth are useful for predicting mortality.
- Earnings growth measured at the beginning of the working career appears to be a viable predictor of subsequent mortality.

MRRC Working Papers 2011 Disability Key Findings
Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt, WP 2010-241
Nicole Maestas, Kathleen Mullen and Alexander Strand

Determining the impact of Social Security Disability Insurance on the labor force participation and earnings of beneficiaries has been difficult since unobserved severity is likely positively correlated with DI receipt.

We take advantage of a unique workload management database to match SSDI applicants to disability examiners, and use systematic variation in allowance rates by disability examiner that is uncorrelated with individual applicants’ severity in order to estimate the labor supply effects of SSDI.

We find that the labor force participation rate of the marginal entrant would be on average 21 percentage points greater in the absence of SSDI benefit receipt. His or her likelihood of engaging in substantial gainful activity as defined by the SSDI program would be on average 13 percentage points higher, and he or she would earn $1,600 to $2,600 more per year on average in the absence of SSDI benefit receipt.

Importantly, the disincentive effect of SSDI on labor force participation varies across individuals with impairments of different degrees of unobservable severity, ranging from a low of 10 percentage points for those with more severe impairments to a high of 60 percentage points for entrants with relatively less severe impairments.

Nicole Maestas and Jae Song

Surprisingly, labor supply increases when the strict DI work rules are abruptly relaxed as DI beneficiaries age out of the DI program at their Full Retirement Age (FRA) and are automatically converted to the OA program.

The increase in labor supply is pronounced for DI beneficiaries with recent work activity, and is evident in terms of both labor force participation and earnings.

An increase in labor supply at FRA is evident for beneficiaries with recent work activity in the six largest impairment categories, and particularly those with musculoskeletal or mental disorders.

The Effects of Medicaid and Medicare Reforms on the Elderly’s Savings and Medical Expenditures, WP 2010-236
Mariacristina De Nardi, Eric French and John Bailey Jones

We create a model to analyze the effects of recent changes in Medicaid and Medicare on out-of-pocket and total medical expenditures, and savings for retired single people.

Households in the lower income quintiles are much more likely to receive Medicaid transfers, but the transfers that they receive are on average relatively small.

Households in the higher income quintiles are much less likely to receive any Medicaid pay-outs, but when they do, these pay-outs are often very big and correspond to severe and expensive medical conditions.

Reforms to make Medicaid more generous reduce the elderly’s savings at all income levels, including the highest.

Reforms that reduce Medicare copays that elderly people incur when consuming medical goods and services benefit higher income people more than poorer ones, because the poor are already well-insured by Medicaid.

Protecting the Household Incomes of Older Workers with Significant Health-Related Work Limitations in an Era of Fiscal Responsibility, WP 2010-244
Jody Schimmel and David Stapleton

Policy proposals designed to encourage later retirement often include components to preserve existing benefits for those who have medical conditions that limit work.

We explore a set of policy options that favor work “support” — options designed to encourage and help workers continue to work if they can, perhaps with reduced hours or at lower paying jobs.

We consider three specific work-support options for eligible workers:

- An expanded earned income tax credit (EITC), comparable to the credit currently available to parents with three children;
- An employment support allowance (ESA) — a payment to eligible workers provided that they do not apply for SSDI benefits;
- A health insurance subsidy, designed to be comparable to that specified in the Affordable...
Care Act (ACA) for those who purchase insurance through a health insurance exchange — an option that will presumably become available to all persons without employer coverage as health care reform is implemented.

Our expectation is that work-support options, on average, would cost less per capita than SSDI benefits, especially if the ACA health insurance subsidy is already in place. The relative cost of these options is even lower once the cost of Medicare for SSDI beneficiaries is factored in.

These options would substantially reduce poverty among the families of qualified workers — by 80 percent under the most costly option.

A work-support program is likely to reduce hardship by more than would a program that preserves existing benefits for the same workers at comparable cost.

**Health and Wealth in a Life-Cycle Model**, WP 2010-224
*John Karl Scholz and Ananth Seshadri*

- We develop an economic model that allows us to examine the effects of hypothetical policy changes to social insurance on longevity.
- Our model assumes that households possess health stock and that investments in health stock prolong life.
- Our model is tested using real-life data. We find that it matches the distribution of wealth, total medical expenditures, and survival patterns of respondents in the Health and Retirement Study.
- Since most accumulation of health capital and wealth occurs well before retirement, and health status is largely fixed by ages 60–65, we find minimal effects of repeal of Medicare on the health and wealth of the elderly in the short run.
- In the long run, however, we find Medicare repeal would have a large effect on survival probabilities, particularly in the lowest lifetime income quartile.

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**2009**

**The Level and Risk of Out-of-Pocket Health Care Spending**, WP 2009-218
*Michael Hurd and Susann Rohwedder*

- Health and Retirement Study data from 2004 and earlier overstates the average and the range in out-of-pocket spending on health care when compared to other studies.
- Very large out-of-pocket spending occurs less often than what is reported in the HRS.
- Much of the overestimation is due to how spending on prescription drugs is measured.
- In 2006, the situation will be different due to Medicare Part D.

**Work Disability, Work, and Justification Bias in Europe and the U.S.,** WP 2009-207
*Arie Kapteyn, James P. Smith and Arthur van Soest*

- American workers are more likely to suffer from chronic conditions than their European counterparts.
- Overall, Americans are less likely to see themselves as work disabled than Europeans.
- However, to justify not working, nonworking Americans tend to classify health problems as more serious work limitations than those who are working.
- In contrast, Europeans classify the work limitations of health problems the same regardless of whether they are working or nonworking.
- Not working is more acceptable in Europe than in the United States, regardless of health status.
- Work disability increases with age, decreases with schooling, and is lower for married respondents in all countries.

**How Common is “Parking” Among Social Security Disability Insurance (SSDI) Beneficiaries? Evidence from the 1999 Change in the Level of Substantial Gainful Activity (SGA),** WP 2009-220
*Jody Schimmel, David Stapleton and Jae Song*

- We estimate that 0.2 to 0.4 percent of disability beneficiaries "parked" their earnings below the $700 "substantial gainful activity" cap during 2002–2006.
- Those who park keep earnings low in order to retain disability benefits.
- The fraction of beneficiaries who park earnings is large relative to the number of individuals whose benefits are suspended because of work in a typical month (0.5 percent) or terminated in a typical year (0.5 percent).
2008

The Ability of Various Measures of Fatness to Predict Application for Disability Insurance, WP 2008-185
Richard V. Burkhauser, John H. Cawley and Maximilian D. Schmeiser

- The measure of fatness that best predicts application for DI varies by race and gender.
- For white men, BMI consistently predicts future application for DI. For white women, almost all measures are consistently predictive. For black men, none predict application. For black women, waist circumference and waist-to-hip ratio are the only significant predictors of DI application.
- This variation across race and gender suggests that the inclusion of alternative measures of fatness in social science datasets should be considered.

The Transformation in Who is Expected to Work in the United States and How it Changed the Lives of Single Mothers and People with Disabilities, WP 2008-187
Richard V. Burkhauser, Mary C. Daly, Jeff Larrimore and Joyce Kwok

- This study demonstrates that, despite the dramatic decline in AFDC/TANF funding, single mothers’ economic well-being, labor earnings and employment all have risen substantially.
- In contrast, despite the dramatic increase in SSDI/SSI funding, the economic well-being of working age men and women with disabilities remained stagnant, as their labor earnings and employment plummeted.

Curing the Dutch Disease: Lessons for United States Disability Policy, WP 2008-188
Richard V. Burkhauser, Mary C. Daly and Philip R. de Jong

- Public policy shifts that offer the best chance of increasing employment rates and economic well-being of U.S. workers with disabilities include:
  - Changes in SSDI policies that focus on integrating working age men and women with disabilities into the work force along the lines of those implemented for single mothers in the 1990s.
  - SSDI program changes that better integrate private and public disability insurance programs along the lines of recent reforms in the Netherlands.

2007

Estimating the Health Effects of Retirement, WP 2007-168
John Bound and Timothy Waidman

- Research examining the effect of health on retirement typically compares the health of individuals before and after they retire and finds negative effects of retirement on health.
- However, if deteriorating health leads individuals to retire, this approach will tend to exaggerate the negative effects of retirement on health.
- Using a method that avoids this pitfall, we find that retirement actually has a small positive effect on health in men.

The Effects of Health Insurance and Self-Insurance on Retirement Behavior, WP 2007-170
Eric French and John Bailey Jones

- Workers value health insurance well in excess of its actuarial cost, and access to health insurance has a significant effect on retirement behavior.
- Shifting the Medicare eligibility age to 67 would cause a significant retirement delay — as large as the delay from shifting the Social Security normal retirement age from 65 to 67.

The Impact of Private Participation on Disability Costs: Evidence from Chile, WP 2007-161
Estelle James, Alejandra Cox Edwards and Augusto Iglesias Palau

- The public disability insurance system in Chile differs from the traditional one in that it is largely pre-funded and the disability assessment procedure includes participation by private pension funds and
insurance companies, who finance the benefit and have an interest in controlling costs.

- We hypothesize that these procedures and incentives will keep system costs low, by cutting the incidence of successful disability claims.
- Disability hazard rates are only 20–35 percent as high in the new system as in the old. Mortality rates among disabled pensioners suggest that the new system has accurately targeted those with more severe medical problems.

A Longitudinal Analysis of Entries and Exits of the Low-Income Elderly to and from the Supplemental Security Income Program, WP 2007-156

Elizabeth Powers and Todd Elder

- The SSI (Supplemental Security Income) participation rate in the aged is strongly positively associated with eligibility length.
- The take-up rate among those who have been eligible for SSI for 3 years or more is 80 percent, suggesting that those who are persistently poor are being helped by the program.

2006

The Importance of Objective Health Measures in Predicting Early Receipt of Social Security Benefits: The Case of Fatness, WP 2006-148

Richard V. Burkhauser and John Cawley

- It is only body fat, not fat-free mass like muscle, that predicts early receipt of Social Security Old-Age benefits (OA).
- An extra standard deviation of total body fat is associated with a 19.3 percentage point higher probability of early receipt of OA benefits.
- The impact of policy changes that could decrease the uptake of Social Security disability benefits at 62 may be overwhelmed by the potential impact of increased obesity.

2004

Using a Structural Retirement Model to Simulate the Effects of Changes to the OASDI and Medicare Programs, WP 2004-091

John Bound, Todd Stinebrickner and Timothy Waidman

- Raising the earliest entitlement age for Social Security retirement to 65 would reduce exits from the work force at age 62 by nearly 20 percent with little change in SSDI applications.
- There would be considerable difference in changed work behavior by current health status.

A Cross-National Comparison of the Employment for Men With Disabilities: The United States and Germany in the 1980s and 1990s, WP 2004-071

Richard V. Burkhauser and Johan Mathis Schröder

- Relative employment rates for German men with disabilities fell in the late 1980s but were constant over the 1990s, while the opposite occurred in the United States.
- These differences in timing are more likely to be caused by differences in the timing of changes in the social environment these men faced than in differences in the timing of changes in the severity of their work limitations in the two countries.

Obesity, Disability and Movement Onto the Disability Insurance Rolls, WP 2004-089

Richard V. Burkhauser and John Cawley

- Between the early 1980s and 2002, both the prevalence of obesity and the number of beneficiaries of the Social Security Disability Insurance program doubled. We test whether obesity causes disability and movement onto the disability rolls.
- The results are mixed, but we find evidence that weight increases the probability of health-related work limitations and the probability of receiving disability-related income.

2003

The Impact of Poor Health Behaviors on Workforce Disability, WP 2003-057

Caroline Richardson, Jennifer Hanlon, Hillary Mull, Sandeep Vijan, Rodney Hayward, Linda Wray and Kenneth Langa

- Both baseline smoking status and a sedentary lifestyle predict workforce disability six years later.
If this relationship is causal, cost-benefit analyses of health behavior intervention that neglect workforce disability may substantially underestimate the benefits of such interventions.

The Impact of Diabetes on Work-force Participation: Results from a National Household Sample, WP 2003-034
Sandeep Vijan and Kenneth Langa

- Diabetes is a significant predictor of self-rated disability, of not working due to health impairments, and of receiving Social Security Disability.
- Those with diabetes had more days of missed work than those without the disease.
- These changes in work-force participation equate to a loss of $57.8 billion in income, and another $7.8 billion in disability payments.

Applications, Denials, and Appeals for Social Security Disability Insurance, WP 2002-032
Olivia S. Mitchell and John W. R. Phillips

- This project explores the process by which older workers apply for, and are awarded, Social Security Disability Insurance (DI) benefits.
- Those in poor health and with low levels of education and income are more likely to apply for SSDI, but few factors distinguish those who are or are not awarded benefits.

Tracking the Household Income of SSDI and SSI Applicants, WP 2001-009
John Bound, Richard V. Burkhauser and Austin Nichols

- The average applicant’s labor earnings decline in the months before application, but the income of the applicant’s household drops much less in the months before and after application and over the next three years — even for those denied benefits.
- A patchwork of temporary disability benefits (e.g., workers’ compensation, employer pension benefits, etc.) seem to offset declines in labor earnings.
- While SSI applicants also experience declines in labor earnings, their household income holds up much better because, on average, labor earnings play a less important role for them.

Eligibility for Social Security Disability Insurance, WP 2001-011
Olivia S. Mitchell and John W. R. Phillips

- The majority of the pre-retirement population is eligible to apply for SSDI, but some men, and 20 percent of women in this cohort, are not.
- A disproportionate share of the uncovered population has a health problem and is in a lower socioeconomic group.