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Center on
**KNOWLEDGE TRANSLATION FOR
DISABILITY & REHABILITATION RESEARCH**

at American Institutes for Research ■

Disability Policy in the United States: Evidence and Implications

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A sample of proposed reforms

- Introduce temporary disability benefits
- Mandate private disability insurance/experience-rate employer contributions
- Changes in disability insurance (DI) screening/integration with vocational rehabilitation
- Changes in benefit structure, five-month waiting period for Social Security Disability Insurance (SSDI) benefits, two-year waiting period for Medicare

What factors affect DI participation?

Push Factors (Out of Work)

Lack of economic opportunities

Lack of employer accommodation

Discrimination

Human capital loss from long application process

Pull Factors (Into DI)

Benefit level/replacement rate

Health insurance

Ease of application process

Social norms/networks

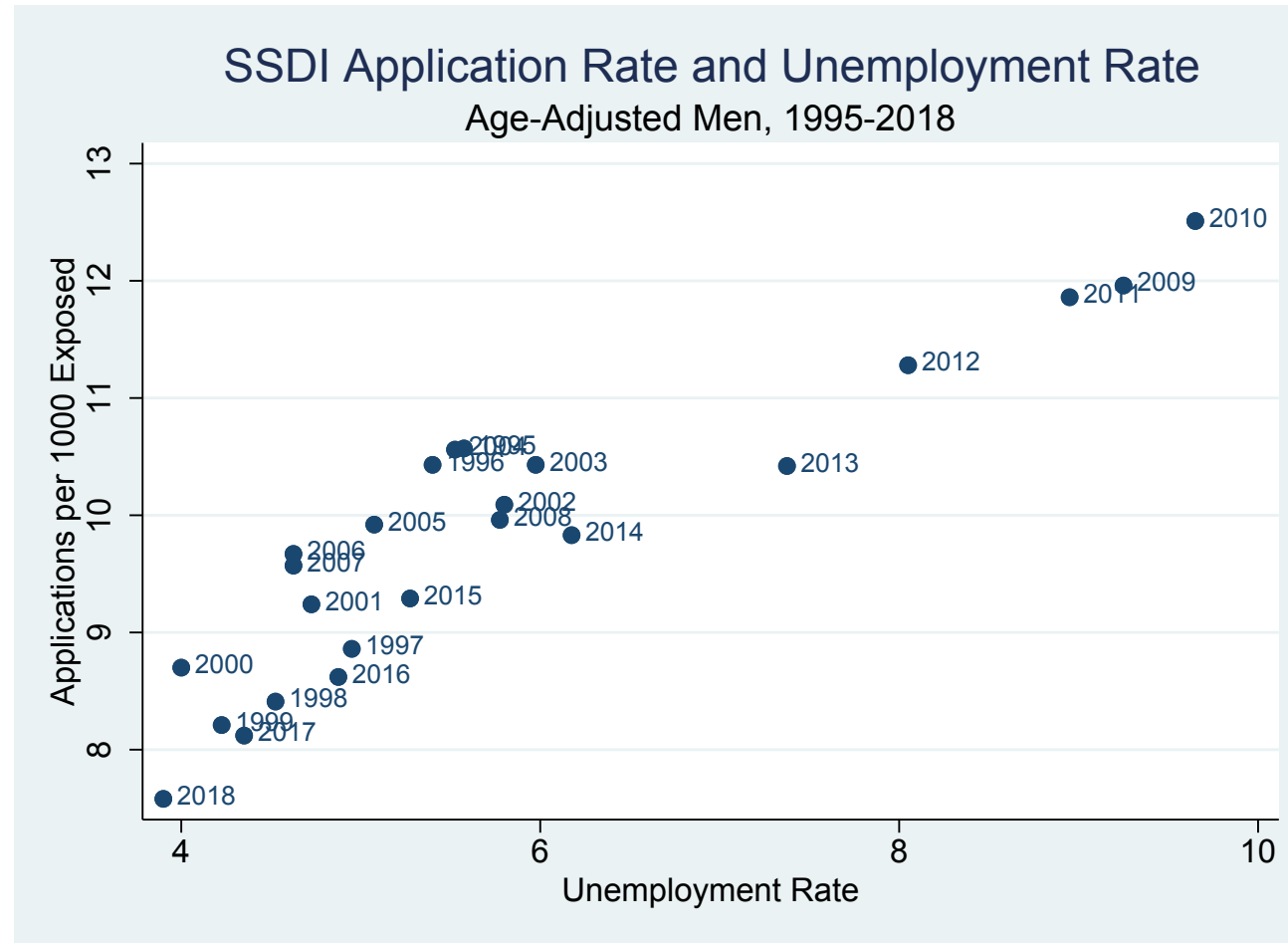
Push Factors

What factors push people with disabilities out of labor force?

Lack of economic opportunities

- The cyclical pattern in DI claiming has long been recognized.
 - See e.g., Stapleton, Coleman, Dietrich, and Livermore (1988), Black, Daniel, and Sanders (2002), Autor and Duggan (2003), Duggan and Imberman (2009), Cutler, Meara, and Richards-Shubik (2012), Liebman (2015), Maestas, Mullen, and Strand (2014, 2018), Charles, Li, and Stephens (2018).

Lack of economic opportunities



Source: Authors' calculations using data provided by SSA Office of Actuary.

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- Few DI recipients (3.7%) exit the program to return to work (Stapleton and Li, 2010).
- Autor and Duggan (2003) introduced the concept of *conditional applicant*—someone who is medically eligible for DI but works *until* she loses her job.
 - The applicant may need accommodation to work in the first place.
 - Discrimination may make it harder to find new job if lose current job.

Lack of employer accommodation

- The Americans with Disabilities Act (1990) requires employers to provide “reasonable accommodation” which can be “any change or adjustment to a job, work environment, or the way things are usually done that would allow an individual with a disability to apply for a job, perform job functions, or enjoy equal access to benefits available to other employees” (ODEP, 2017).
- Empirical question: What is unmet need for workplace accommodation?
- Previous studies have provided wide range of estimates depending on how “at risk” population defined.
- Maestas, Mullen, and Rennane (2019) find that 22.8% of working age adults are “accommodation-sensitive” and that 50–60% of these individuals lack—and would benefit from—accommodation.

Discrimination

- The ADA also prohibits discrimination in hiring of those with disabilities.
- Theoretical effects are ambiguous—employers may react by reducing hiring of those who are more likely to develop a disability.
- Empirical findings of effects of anti-discrimination legislation are mixed and sensitive to definition of “disabled.”
 - See e.g., DeLeire (2001), Acemoglu and Angrist (2001), Kruse and Schur (2003), Houtenville and Burkhauser (2004), Armour, Button, and Hollands (2018).
- Recent audit study by Ameri et al. (2018) found that fictional applicants with disabilities received 26% fewer expressions of employer interest (with mixed findings relating to effects of ADA thresholds and state laws).

Human capital loss from app. process

- Applying for SSDI entails reducing earnings below threshold for substantial gainful activity (\$1,220/month for non-blind in 2019).
- Though initial processing times are on the order of a few months, many applicants are initially denied and appeal their decision—sometimes waiting as long as two years or more.
- During this time, their human capital (productivity) may depreciate, making it harder for rejected applicants to find jobs after the process is over.
- Autor, Maestas, Mullen, and Strand (2015) use random variation in examiner processing times to study the “scarring” effect of the application process itself and find that the post-decision employment rate of SSDI applicants is reduced by 19% in the short run and 9.5% in the long run.

Pull Factors

What factors make DI an attractive alternative to working?

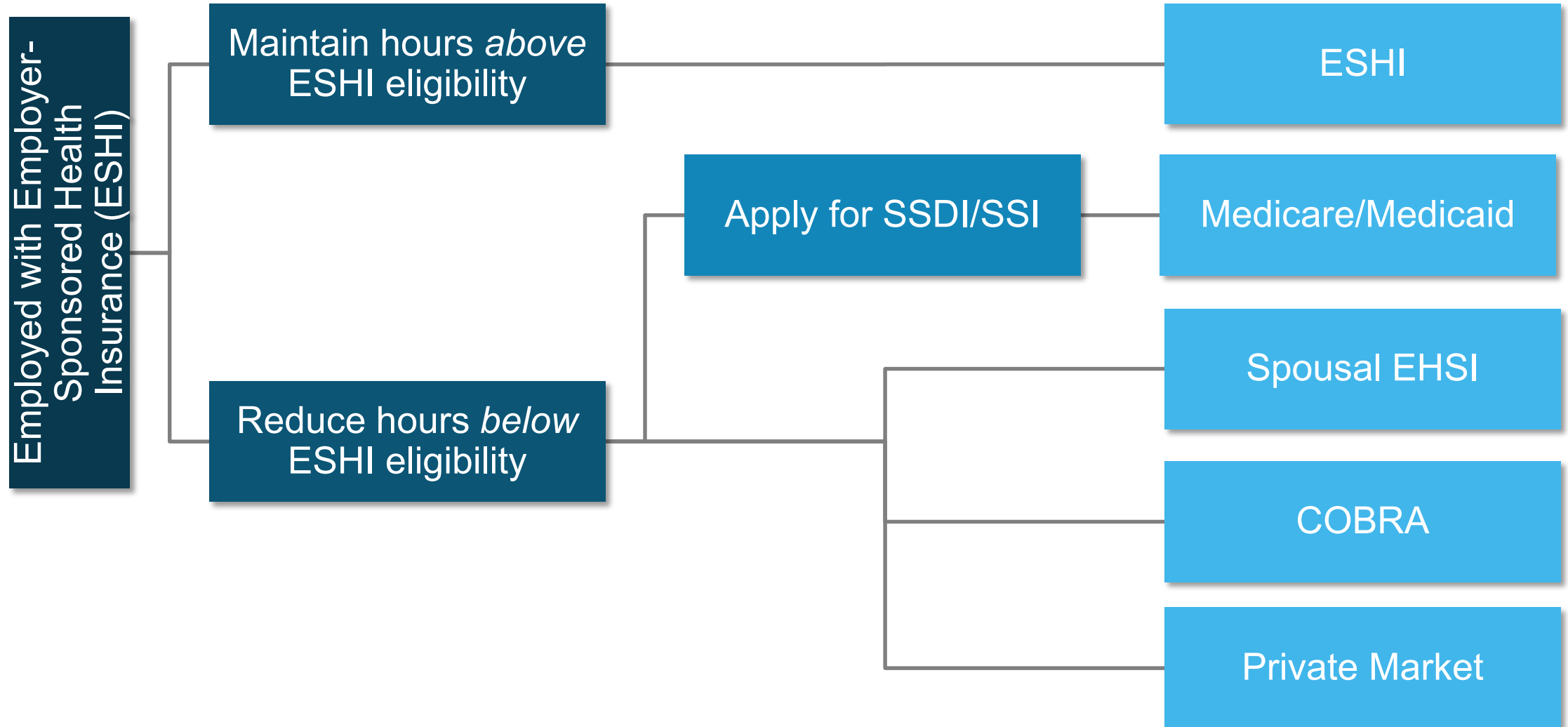
Benefit level/replacement rate

- The optimal level of benefits in social insurance balances the trade-off between insurance and incentives (moral hazard).
- Meyer and Mok (2019) apply classic Baily-Chetty model (Baily, 1978; Chetty, 2006) to DI and find that for a wide range of plausible parameterizations the current level of disability benefits is less than optimal.
- Deshpande, Gross, and Su (2019) modify the model to incorporate tail consumption risk (i.e., bankruptcy) and consider the optimal timing of benefits. They find that DI programs could avert more financial distress if benefits were awarded earlier.

Health insurance

- The Affordable Care Act (2010) reduced uninsured rate from 20% in 2010 to 12% in 2018 (Commonwealth Fund, 2019)
- Increased healthcare access should improve health but often doesn't (Newhouse et al., 1993, Baicker et al., 2014).
- But it's not just about health. Even with ACA, the best way to get affordable health insurance is through an employer or SSDI.

Health insurance in U.S. is complicated



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- Increased healthcare access should improve health but often doesn't (Newhouse et al., 1993, Baicker et al., 2014).
- But it's not just about health. Even with ACA, the best way to get affordable health insurance is through an employer or SSDI.
- The theoretical effects of health insurance expansions are ambiguous, and most studies find null or mixed effects (e.g., Maestas, Mullen, and Strand, 2014; Baicker et al., 2014; Anand et al., 2016; Heim et al., 2019; Schmidt et al., 2019).

Ease of application process

- The application process involves several costs—mostly in the form of foregone time, for example: travel time and walk-in-wait time at field office.
- If these costs deter applications from individuals with lower severity disabilities, then they can increase the targeting efficiency of the program—the ability of the program to serve those most in need.
- Deshpande and Li (in press) found that field office closings led to large and persistent decreases in the number of disability recipients, concentrated among those with moderately severe conditions. Evidence points to increased congestion at neighboring field offices as the main channel.
- Foote, Grosz, and Rennane (2019) show that post-2009 SSDI applications increased more in counties with better access to high-speed internet.

Social norms/networks

- The decision to apply for DI benefits may depend on social norms.
- These may take many forms, e.g., values about the importance of work or feelings about the government, and be amplified in one's social network.
- Social networks also facilitate information sharing.
- Furtado and Theodoropoulos (2016) show that immigrants residing amidst a large number of co-ethnics are especially likely to receive disability payments when their ethnic groups have higher DI take-up rates.
- They also find that immigrants from countries with stronger work norms are less sensitive to exposure to DI take-up within their communities.

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A sample of proposed reforms

- Introduce temporary disability benefits
 - Economic opportunities
- Mandate private disability insurance/experience-rate employer contributions
 - Employer accommodation, discrimination
- Changes in DI screening/integration with vocational rehabilitation
 - Human capital loss, ease of application process
- Changes in benefit structure, five-month waiting period for SSDI benefits, two-year waiting period for Medicare
 - Benefit level, health insurance, social norms/networks

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Disclaimer

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