



Recent Trends in Disability and the Implications for Use of Disability Insurance

*Timothy A. Waidmann, HwaJung Choi, Robert F. Schoeni, and John Bound **

Social Security Disability Insurance (DI) is the nation's most important public support for the working-age population with disabilities: In December 2017 DI made payments totaling \$11.5 billion to 10.4 million beneficiaries. In addition, the Supplemental Security Insurance (SSI) program made payments totaling \$3.0 billion to 4.8 million disabled adults ages 18 to 64, including 1.4 million who concurrently received DI benefits. The number of disabled workers receiving DI benefits has more than doubled since the mid- to late-1990s, with the disability component of the SSI program growing somewhat less rapidly. The working-aged population's health is a key driver of enrollment in and, thus, spending by these two programs. Studies have found that, during this same time period, some dimensions of health of the population approaching retirement have worsened. For at least some segments of the working-aged population, unfavorable trends have been documented for obesity, diabetes, having multiple

chronic conditions, respondent-assessed fair or poor health, disability, and mortality. In addition, working-aged men's labor force participation has been falling, while the fraction insured for disability has remained constant, and the historic rise in labor force participation among women has leveled off. While multiple factors have undoubtedly contributed to these trends, there is some evidence that they have been driven, in part, by those in poor health. Other things equal, these unfavorable trends would be expected to cause both applications and disability awards to increase and portend fiscal challenges for DI and SSI.

Using two complementary, nationally representative surveys, this study examines adults ages 51 to 61, when participation rates in DI and SSI are high and workers are not yet eligible for Social Security retired-worker benefits. In addition to recording application and receipt of disability benefits, the surveys permit assessment of nine chronic health conditions, physical

***Timothy A. Waidmann** is a senior fellow at the Urban Institute. **HwaJung Choi** is an assistant research professor at the University of Michigan Medical School's Department of Internal Medicine. **Robert Schoeni** is a research professor at the Institute for Social Research and an economics and public policy professor at the University of Michigan. **John Bound** is the George E Johnson Collegiate Professor of Economics at the University of Michigan and research professor at the Institute for Social Research. This research brief is based based on MRDRC working paper WP 2019-406, project number UM19-01.

functional limitations, depression and psychological distress, limitations in activities of daily living (ADL) and instrumental activities of daily living (IADL), general health status, and work limitations.

We first calculated the prevalence of each health problem in each year, controlling for changes in the age and race/ethnicity composition of the samples. We then estimated the annual growth rate of these adjusted prevalence estimates. These analyses found that by most measures across all domains, the health and functioning of older working-aged men and women worsened over this period.

Using the subset of these measures least likely to be vulnerable to improved diagnostic technologies over time, we then simplified multiple indicators of health by constructing two indices of health-related demand for disability benefits: the simulated probabilities of having applied for benefits and of having received benefits. To calculate the indices, we first estimated the effect of individual health indicators on DI/SSI application and receipt, finding strong positive effects of health problems on both outcomes. Based on these estimates we simulated the rates of DI/SSI application and receipt in each year if only the health indicators were changing over time, and holding constant other social, economic, and programmatic factors that may influence the demand for disability benefits.

Combining the findings of worsening health as measured by trends in individual indicators and the largely positive and significant effects of those indicators on the demand for DI/SSI benefits, the simulated indices of demand for disability benefits rise as well. For men our models predict a growth in disability-benefit demand of between 0.41 and 0.55% per year. For women, estimates of annual change are insignificant.

Estimates for men in the broader 51- to 61-year old age group tend to be larger than for the 55- to 61-year-old subgroup. Over the 20-year period studied, we find an increase in the health-based demand for benefits of roughly 10% for men ages 55 to 61 and 15% for men ages 51 to 61. Among women, we find a higher estimate of annual growth among the broader age group than in the narrower group, but these estimates are still statistically insignificant .

Our analyses confirm findings in other studies showing evidence of worsening health among older, working-aged adults as measured by chronic disease prevalence, symptoms of mental illness, self-rated health, as well as the prevalence of limitations in physical function, ADLs, and IADLs. These findings are broadly consistent with studies showing recent increases in death rates in this age range.

These implied changes in demand for DI and SSI are by no means small, at least for men. If these trends continue, they may require adjustments in planning for the future of important social insurance programs. However, as other studies have demonstrated, there are many factors beyond health that influence the demand for disability benefits. Economic factors that drive short-term fluctuations and long-term trends in labor demand can have a large influence on disability benefit demand: The swings in demand for benefits associated with business-cycle fluctuations are often much greater in magnitude than the estimates here imply about health's effect. For the most part, the demand changes driven by these cyclical conditions are by their nature temporary. Addressing worsening health and the structural changes in the economy affecting low-skill workers, on the other hand, likely requires the development of more significant long-term solutions. ❖

Michigan Retirement and Disability Research Center

Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321

Phone: (734) 615-0422 **Fax:** (734) 615-2180
mrdrcumich@umich.edu www.mrdrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center (MRDRC). The findings and conclusions expressed are

solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.

Regents of the University of Michigan: Jordan B. Acker; Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Shauna Ryder Diggs, Grosse Pointe; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Mark S. Schlissel, *ex officio*