THE DECLINE IN SSDI AWARDS: REASONS, IMPLICATIONS AND FUTURE OUTLOOK

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NBER Summer Institute
Symposium on Disability Insurance
Cambridge, MA
July 25, 2018
Biggest Reasons for the Recent Decline in DI Awards

- Demographics
- The Economy
- SSA Policy: ALJ Hearing Reform
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THE ECONOMY
SSDI Applications Are Countercyclical

- Universe of applications filed each month between 2006-2012
- Claims organized by filing date

And So Are Awards

- Follow claims from filing to Sept 2016 to see if ever awarded
- Awards also organized by initial filing date

What Did We Learn from the Great Recession?

Maestas, Mullen & Strand 2018 used state-month variation in unemployment from 2006-2012 to estimate effect of business cycle on SSDI applications and awards

1. Great Recession led 1.4 million former workers to apply for SSDI benefits
   • 1 million (72%) were induced (otherwise would not have applied)
   • 400,000 (28%) were accelerated (would have applied anyway, but only a few months later)
   • Induced apps were 11.6% of all apps in 2008-2012

2. Over 500,000 induced applicants were awarded benefits (accounting for appeals)
   • 400,000 awards were induced
   • 100,000 awards were accelerated, but only by 1-2 months
   • Induced awards were 8.9% of all awards made to applications filed in 2008-2012

Elasticity of application with respect to unemployment rate is 0.25; award elasticity is 0.19 → just as applications and awards rise when unemployment rises, they decline when unemployment falls
What Did We Learn from the Great Recession?

3. GR had little effect on initial awards; increased appellate awards
   • Recon awards rose by 5%; Hearing awards rose by 3.3%—for every one-point increase in unemployment rate
   • Induced applicants more likely to appeal if denied
   • As a result, 53% of induced beneficiaries allowed on appeal, compared to 37% of all new beneficiaries in 2006-2012

4. Induced applicants had less severe impairments than average
   • Lower allowance rate (42% v. 54% on average)
   • Increase in med-vocational allowances, little change in listing allowances
   • Overall, 44% applicants allowed for med-voc, 9% for listings, 58% denied
Turnaround in Employment of People with Disabilities

Employment Rate of People with Disabilities
Ages 16-64
Turnaround Similar for Men and Women (Monthly Data)
SSA POLICY
ALJ Hearing Reforms

• A bigger deal than the business cycle; possibly the most important (and least heralded) SSDI policy reform of our time
• What did SSA do?
  • Appeals Council used data analytics to identify ALJs making “non-policy-compliant” decisions, and those with outlier allowance rates; gave feedback
  • New training for ALJs introduced in 2011, rolled out to judicial corps over several years
  • All newly hired ALJs trained under the new system
• What was the result? (Hoynes, Maestas and Strand, Preliminary Work in Progress)
  • Some ALJs left, many new ALJs hired
  • ALJs that stayed had lower pre-period allowance rates than leavers
  • New ALJs had lower allowance rates than leavers
  • Peers of an ALJ (same office) who received feedback reduced allowance rate
Great Recession Obscured Sharp Decline in Hearing Allowance Rate

Source: Maestas, Mullen and Strand 2018.
IMPLICATIONS FOR RESEARCH
Implications

1. Internal policy changes can make a big difference

2. Many people with disabilities have work capacity
   - 40% of SSDI applicants have some work capacity (Maestas, Mullen, Strand 2013)
   - Need better measurement of specific work capacities (RFC), link to specific job demands

3. (Increasingly) many people with disabilities work, and work is an alternative to SSDI participation for some
   - People with disabilities benefit from excess labor demand
   - Demand pressures will continue as population aging intensifies

4. Need for understanding the employer role
   - Two-sided moral hazard
   - Large differences across industries in DI entry rates of former workers
Future Outlook

- Some employment gains could be reversed during next downturn
- But expect less impact on SSDI program, due to appellate reforms
  - ALJ’s responsible for most recession-induced awards in the Great Recession
  - Improvement in judicial decision-making is permanent
  - This in turn has affected attorney activity (a consequence not a cause)
- Technological progress should make it easier for some people with disabilities to work, but understanding how that is playing out needs investigation
THANK YOU

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