Health Heterogeneity Among SSDI Recipients: Evidence from Medicare

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In this project, we study groups of SSDI recipients who join the program under different circumstances and characterize their health status and medical costs using Medicare claims for the universe of SSDI beneficiaries from 1993 to 2013.[1] Our study has two aims. The first is to examine induced entry into SSDI due to sharp changes in program entry rules that occur at ages 50 and 55. At those ages, the "grid rules" in use by the Social Security Administration lower the threshold for eligibility due to skill transferability but do not change the threshold for medical eligibility. Thus, for individuals at or slightly older than the grid rule age cutoffs, this policy increases the number of individuals who may be deemed eligible for SSDI even though their underlying rate of medical eligibility is similar to individuals slightly younger than the grid rule cutoffs. Using Medicare administrative records, we identify the degree of entry into SSDI induced by the grid rules and characterize the health status of the additional beneficiaries induced by this policy by comparing individuals on either side of the age discontinuity. Specifically, we measure health status based on medical conditions inferred from diagnoses on medical claims and also explore how these individuals differ in their health care utilization patterns (e.g., number of office visits or hospitalizations). By identifying the health conditions of induced entrants, our result will provide guidance on how to design policies aimed at reducing induced entry or helping these individuals return to work.

The second aim of the project is to characterize individuals who join in good vs. bad economic times. The finding that SSDI applications and awards are countercyclical is well-established in the literature. We build on this finding by measuring the Medicare expenditure of individuals who joined DI under different national and local economic conditions. Some of the additional entrants who join under poor economic conditions may be people who have experienced health shocks, but others may be induced into applying for SSDI due to loss of economic opportunity. To separate these channels, we will compare entrants induced into SSDI during economic downturns to entrants induced by the grid rule changes in skill transferability thresholds. This allows us to decompose changes in SSDI entry in an economic downturn into the part due to reductions in health and the part due to lost economic opportunity. Separating these two channels is important for designing policies that address the underlying cause of additional SSDI entry.

Program areas: Induced Entry, Trends in Disability and Survey Issues

[1] These claims have already been obtained and approved for use on this research under DUA RSCH-2016-50377.