Healthcare Cost-Sharing and the Economic Security of Social Security Disability Insurance Beneficiaries: An Examination of Medicaid Expansion's Impact on the Disabled Under-65 Medicare Population

Philip Armour and Claire O'Hanlon, RAND Corporation

After 24 months of cash-benefit eligibility, SSDI beneficiaries become eligible for Medicare to support their healthcare expenditures. However, traditional Medicare contains substantial cost-sharing, an expensive proposition for a population defined by persistent health conditions. Although SSDI beneficiaries with limited assets have traditionally also qualified for Medicaid under Supplemental Security Income (aka "dual eligibles"), thereby eliminating their out-of-pocket expenditures, the majority of SSDI beneficiaries do not have Medicaid coverage due to Medicaid's asset limits, requiring either alternative versions of supplemental coverage. However, under-65 Medicare beneficiaries seeking supplemental coverage face substantial barriers, since employer-provided coverage for this population is rare, Medicare Advantage plans often limit access to classes of care that screen out SSDI beneficiaries, and Medigap coverage for the under-65 population is not generally guaranteed issue, the latter of which has been shown to have negative health consequences for the under-65 Medicare population in work previously funded by NBER's RDRC (Armour and O'Hanlon 2019).

Enter ACA-driven state Medicaid expansions with just income-based eligibility, which resulted in an increase of 5 percentage points from 2013 to 2015 in the overall fraction of Medicare-SSDI beneficiaries who were dually eligible. However, not all states expanded Medicaid; this study proposes to use this variation in state-level Medicaid expansions to estimate the impact of changes in cost-sharing on Medicare-covered SSDI beneficiaries' health care utilization and expenditures, both overall, by beneficiary characteristic (e.g., type of disability), and by type of utilization. We will apply a difference-in-differences approach in estimating the impact of Medicaid expansion, taking into account states' pre-existing Medicaid policies for the disabled population (e.g., Medicaid buy-in options), and drawing on the 2014 Survey of Income and Program Participation data matched to the SSA Supplement and the Health and Retirement Study matched to restricted-use geocodes to facilitate panel analyses. Beyond the specific estimation of the impact of Medicaid expansions on the health of the SSDI population, this analysis has direct implications for the role of cost-sharing in utilization decisions among SSDI beneficiaries and the importance of the quality of healthcare coverage on beneficiaries' economic well-being.

Focal Area #6: Economic Security of SSA Beneficiaries