Income Replacement During the SSDI Waiting Period

NBER RDRC Proposal

Gopi Shah Goda, Gina Li, David Molitor

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Focal Areas

1. Addressing Barriers to Disability Program (Area 2)

2. Economic Security of Program Applicants and Beneficiaries (Area 3)

Abstract

The Social Security Disability Insurance (SSDI) program generally requires individuals to serve a 5-month waiting period after disability onset before receiving benefits. The waiting period, which has been a feature of SSDI since the inception of the program, aims to target benefits towards those with longer-term and work-limiting disabilities. During this period, individuals may receive income support from other programs, such as Supplemental Security Income (SSI), State Temporary Disability Insurance and Paid Medical Leave (TDI/PML), Workers Compensation (WC), Unemployment Insurance (UI), and Private Disability Insurance, yet little is known about the extent to which these programs support SSDI beneficiaries during the waiting period and how their roles vary by geography and over time. In this project, we will collect data on the availability and generosity of these programs, including information on their onset, eligibility criteria, benefit duration, and maximum benefit amounts for each state in 2000–2022. We will then merge these data with survey information from the Survey of Income and Program Participation (SIPP) and the American Community Survey (ACS) to simulate the expected income replacement during the waiting period. Additionally, we will examine how this replacement rate varies across locations, over the sample period, and based on observable characteristics. Finally, we will generate descriptive statistics using publicly available data from the SIPP to show individual income sources during the waiting period.

We see this project as a first step in understanding the potential fiscal externalities of these programs on the SSDI program. For example, access to supplemental health insurance through Medigap imposes externalities on Medicare spending by reducing the cost-sharing that Medicare beneficiaries pay (Cabral and Mahoney, 2019). If adequate exogenous variation in income replacement during the waiting period exists, we plan to undertake future follow-on projects that investigate how income support programs alter the incentives to enroll in SSDI and quantify the externalities these programs have on the SSDI program.