

The Effect of Economic Conditions on the Disability Insurance Program: Evidence from the Great Recession

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Key Findings and Policy Implications

This paper examines the effect of cyclical job displacement during the Great Recession on the Social Security Disability Insurance (SSDI) program. The study uses administrative data on all SSDI applications filed between October 2006 and December 2012 that received medical review by a state DDS, extracted from SSA's "831" files. The effect of economic conditions on program application and enrollment is estimated, based on variations in the unemployment rate across states, as measured by the Bureau of Labor Statistics. The paper finds that:

- The Great Recession led 1.4 million former workers to apply for SSDI benefits during 2008-2012; nearly 1 million (72 percent) were induced in the sense they otherwise would not have applied, while the rest (28 percent) would have applied anyway, and the timing of their application was accelerated.
- The induced applicants (excluding the accelerated applicants) accounted for 11.6 percent of all applications filed during 2008-2012, and 8.9 percent of all SSDI entrants during this period. This amounts to over 400,000 incremental beneficiaries whose participation resulted from the Great Recession.
- More than one-half of the recession-induced awards were made on appeal. The induced applicants had less severe impairments than the average applicant. Only 9 percent of the incremental applicants had the most severe, automatically-qualifying impairments, 33 percent had functional impairments and no transferable skills, and the rest were denied for having insufficiently severe impairments and/or transferable skills.

The impact of the Great Recession on the SSDI program is economically significant, and important to disability policy and finances. For example, the estimates imply the Great Recession incrementally increased claims processing costs by about \$3 billion during 2008-2012, and SSDI benefit obligations by \$55 billion in present value, or by nearly \$100 billion including both SSDI and Medicare.

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