

The Effect of the Receipt of Disability Insurance Benefits on Health

FLORIAN HEISS, STEVEN VENTI, AND DAVID A. WISE

KEY FINDINGS

This paper examines the relationship between participation in the Social Security Disability Insurance program and the evolution of people's health over time. It explores the issue by comparing the long-term health trajectories of three groups: (1) those who do not apply for disability insurance benefits, (2) those who apply for benefits but are denied enrollment, and (3) those who apply for benefits and are accepted into the program. The analysis is based on people between ages 50 and 65, surveyed in the first 10 waves of the Health and Retirement Study (HRS). The paper finds that:

- As one would expect, there are large differences between the health of people who apply for DI benefits and those who do not apply. By the time applicants apply for DI, our index of health status is 31 percentile points lower for applicants than non-applicants at ages 50-54, 29 percentile points lower at ages 55-59, and 22 percentile points lower at ages 60-64. The most precipitous decline in the health of applicants compared with non-applicants occurs just before and during of the application period.
- Somewhat surprisingly, approved applicants have marginally better health status than denied applicants in the pre-application period (up to one year before applying for DI). But the decline in health of approved applicants is much more dramatic during the period spanning the application date. Between one year before application and one year after application, the decline in health status was 23 percentile points for approved applicants, compared with 13 percentile points for denied applicants.
- Following people's health trajectories in the subsequent 12-years after the application period, the health status of approved applicants remains essentially flat, while the health status of denied applicants improves by an estimated one-quarter of one percentile point in each year following application. As a result, those who receive benefits have lower post-application health than those who were denied benefits.
- The results may be affected by mortality selection, as those in poorer health die and leave the sample sooner than those in better health. The small number of deaths in the sample, however, prevented our being able to correct for mortality selection in the estimation, but also suggest that mortality selection is not a serious concern in this application.

POLICY IMPLICATIONS

This research provides a long-term trajectory of how the health status of DI participants evolves over a period beginning 8-years before DI application, and continuing 13-years after DI application. The long-term perspective is useful for understanding the health declines that lead to DI application and how DI participation in turn relates to health changes after enrollment in the program.

FLORIAN HEISS is Professor of Economics at Heinrich Heine University of Dusseldorf.

STEVEN VENTI is the DeWalt Ankeny Professor of Economic Policy and Professor of Economics at Dartmouth College and an NBER Research Associate.

DAVID A. WISE is the Stambaugh Professor of Political Economy at Harvard's Kennedy School, Area Director of Health and Retirement Programs at the National Bureau of Economic Research, Director of the NBER Retirement Research Center, and an NBER Research Associate.

Complete DRC Working Papers available on our website: <http://www.nber.org/aging/drc/papers/>

This research was supported by the U.S. Social Security Administration through grant #DRC12000002-02 to the National Bureau of Economic Research as part of the SSA Disability Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.

This research was supported by the U.S. Social Security Administration through grant #RRC08098400-05-00 to the National Bureau of Economic Research as part of the SSA Retirement Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.