

Policy Options for Older Adults Experiencing the Onset of Work- Limiting Medical Conditions

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Background and Policy Problem

- **Under current policies, workers who experience the onset of a work-limiting medical condition:**
 - Experience large losses in earnings and household income
 - Very little of these losses are not offset by other public or private sources
 - Workers are more likely to experience poverty after disability onset
- **Need policies to protect against hardship after onset while also promoting work**

Our Approach: An Exploratory Analysis

- **Identify a population of older adults who experience onset and have earnings losses as a result**
- **Specify policies that protect against hardship while promoting work**
 - **Health insurance subsidy**
 - **Employment services allowance**
 - **Earned income tax credit (EITC)**
- **Simulate costs under various scenarios and compare to the cost of existing programs**

Data and Sample Selection

- **Cohort of older adults from the Health and Retirement Study (HRS)**
 - Age 51 and 52 in the 1992 wave of the HRS
 - Observe through age 63 and 64
 - Construct estimates for age 51–64 population in 2010
- **Self-reports of work-limiting medical conditions increase over time**
 - 16.9% at age 51 and 52 (12.5% without DI/SSI)
 - 27.0% at age 63 and 64 (18.5% without DI/SSI)

Identifying the Target Population

- Not all who report a work-limiting medical condition experience hardship as a result
- Program targeted to those who experience earnings losses after onset *and* fall into economic hardship
- Hardship defined as household income less than 200% of the federal poverty level (FPL) after onset

Modeling Eligibility Based on Likelihood of Hardship

- If eligibility among those with work limitations was based on hardship alone, individuals could modify their behavior in response
- To prevent “gaming,” eligibility could be based on factors that predict hardship but are not easily changed
 - Age, education, occupational category of job held for longest time, and marital status
 - Eligible for program if the probability of hardship predicted by the model exceeds a set threshold



Size of Eligible Population

Eligibility Threshold	Age of Eligibility	Time-Limited Program	Estimated Size of Eligible Population
Report of work limitation, no DI/SSI	51–64	No	8.3 million
Modeling eligibility with cut-off ($Pr > 0.3$)	51–64	No	3.7 million
Modeling eligibility with cut-off ($Pr > 0.3$)	55–64	No	2.0 million
Modeling eligibility with cut-off ($Pr > 0.3$)	55–64	Yes, two years after first onset	1.9 million
Modeling eligibility with cut-off ($Pr > 0.3$)	60–64	No	1.6 million

Source: Authors' calculations based on the 1992–2008 HRS.

Health Insurance Subsidy

- Modeled after provisions in the Affordable Care Act (ACA)
 - For those with income $< 400\%$ FPL, the amount to be paid is tied to income relative to FPL
- Premium for non-employer-based individual coverage (\$4,822 in 2010)
- Subsidy amount calculated based on the premium relative to the ACA guideline



Employment Services Allowance

- **Intended to pay for employment-related services**
- **Modeled after outcome payments in Ticket to Work program**
 - **\$711 per month in 2010; \$8,532 annually**

EITC for Older Adults with Work Limitations

- **Use 2010 EITC category for households with three children**
 - Phase-in up to \$12,690 (\$0.45 per dollar of earnings)
 - Phase-out from \$16,450 to \$43,352 (\$0.21 per dollar of earnings)
 - Maximum credit of \$5,666
- **Could replace up to 40 percent of average earnings losses resulting from onset of new medical condition**

Variants of Proposed Policies

Subsidy	Lower Cost	Higher Cost
EITC	No policy-induced change in earnings	Policy induces 50% change in earnings ¹
Health insurance	None	Full
Employment services	25%	Full
Total cost (billions)	\$6.3–\$16.3	\$28.1–\$78.1
Average cost	Approx. \$3,200	Approx. \$14,600
Poverty rate among eligible population	Approx. 32%	Approx. 8%

Source: Authors' calculations based on the 1992–2008 HRS.

¹ The change in earnings is calculated as the difference in mean earnings between matched treatment and comparison cases from earlier analyses, averaged across the onset wave and the two waves after onset.

Summary

- **Current programs do not offset the earnings losses resulting from work-limiting medical conditions**
 - Problem would be worse with an increase in SSA's early eligibility age
- **It is possible to design a new program that protects against hardship while promoting employment that:**
 - Costs less per person than a DI expansion
 - Reduces poverty rates among those with medical conditions limiting their ability to work

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