Disability Research and Policy:
New Evidence and Promising Ideas

October 15–16, 2013
Washington, DC

Agenda: Wednesday, October 16

10:00–11:45	**Disability-Related Supports and Program Interactions**
11:45–12:30	Lunch (provided by Mathematica)
12:30–2:15	**Foreign Experience and Lessons Learned Abroad for U.S. Disability Policy**
2:15–2:30	**Closing Remarks**

Note: Individual research projects are at varying stages of completion; not all findings are final

Center for STUDYING DISABILITY POLICY

NBER
National Bureau of Economic Research

Disability-Related Supports and Program Interactions

Moderator: Jody Schimmel, Mathematica

Programmatic Interactions Among Federal Benefits for Veterans with Disabilities Seeking and Entering Employment
John Kregel, Virginia Commonwealth University

Employment-Related Health Insurance and Service Delivery Needs of Persons with Disabilities
Alexis Henry, University of Massachusetts Medical School

Unemployment Insurance and Disability Insurance in the Great Recession
Andreas Mueller, Columbia University

Discussant: Michael Wiseman, George Washington University

Center for STUDYING DISABILITY POLICY

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Programmatic Interactions Among Federal
Benefits for Veterans with Disabilities
Seeking and Entering Employment

John Kregel
WIPA National Training Center
Virginia Commonwealth University

2013 Disability Research Consortium Annual Meeting
Washington, DC
October 16, 2013

Purpose of the Presentation

- Describe the financial benefit programs available to military veterans through the Department of Defense (DoD) and the Department of Veterans Affairs (VA).

- Compare and contrast these programs with Social Security Administration (SSA) disability benefit programs.

- Identify program interactions that may affect beneficiaries' program eligibility and benefit amounts.

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Five Basic Programs

- DoD Military Separation and Retirement Based on Disability

- VA Veterans Compensation

- VA Veterans Pension

- SSA Social Security Disability Insurance (SSDI)

- SSA Supplemental Security Income (SSI)

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DoD Military Separation and Retirement Based on Disability

- DoD evaluates disability to determine if a service member is fit to perform the duties required of active military service. If the member is determined to be "unfit" and is separated from service, the disability benefits are intended to compensate the individual for the loss of the military career.

- Disability may be identified as partial or total.

- Payments may take the form of Separation with Severance Pay, Permanent Disability Retirement, or Total Disability Retirement.

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VA Disability Compensation

- Eligibility for VA Disability Compensation is based on how an individual's presenting medical conditions are expected to diminish his or her future earnings capacity in the civilian economy.

- Disability Compensation is only available to individuals who have sustained a "service connected" disability.

- Disability is rated by percentages on a continuum of 0%–100%. The higher the disability rating, the greater the benefit paid.

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VA Disability Compensation

- The monthly amount of disability compensation varies with the degree of disability and the number of the veteran's dependents. The 2013 compensation rates range from a low of $129 per month for a veteran with no dependents who has a 10% disability rating, to over $3,000 a month for a veteran rated at 100% disability with a spouse and children.

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VA Disability Pension

- Disability Pension is a needs-based benefit paid to a veteran because of permanent and total non-service-connected (NSC) disability, or to a surviving spouse or child because of a wartime veteran's NSC death.

- Disability Pension payments are made to bring the veteran's total income, including other retirement or Social Security income, up to a minimum level set by Congress.

- Maximum benefit for an eligible veteran with no dependents was $12,465 in 2011.

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Individually Unemployable

- Total disability ratings for VA Disability Compensation may be assigned in certain instances where the disability rating is actually less than 100%—the usual standard for the designation of "total disability."

- If the VA determines that an individual with the disability is unable to secure or maintain "substantially gainful employment" as a result of service-connected disabilities, that individual may be deemed to have total disability for the purposes of VA compensation.

- In this case, the veteran is determined to be "individually unemployable," which bears some similarity to SSA's concept of being unable to engage in substantial gainful activity.

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Effect of Employment on VA Benefits

- Disability Compensation benefits are not means tested, so they are not affected by income or resources.

- Employment in some instances MAY lead to a reassessment of a veteran's disability.

- The Disability Pension program is means tested, and earned income from employment significantly impacts a veteran's eligibility for this program as well as the amount of payment due each month.

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Interactions Between Social Security and DoD/Veterans Benefits

- Receipt of Veterans Compensation does not affect the amount of monthly SSDI benefits.

- Receipt of DoD Separation or Retirement benefits will result in an offset of the veteran's monthly SSDI benefit.

- The SSI program is means tested and in most cases, eligibility for SSI and/or the SSI payment amount would be affected by receipt of VA disability benefits. In general, VA disability payments would be counted as a form of unearned income for SSI purposes.

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Finding

- Complexity of the differing eligibility standards makes it challenging for potential SSA applicants to comprehend the fact that lack of eligibility for one program does not automatically mean that the individual will be found eligible or ineligible for both programs.

- It seems reasonable to hypothesize that a significant number of veterans may be found eligible for SSDI benefits but fail to apply because they are unaware of the program or believe that a failure to receive Disability Compensation will automatically preclude them from SSA benefits.

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Finding

- SSA has increased its efforts to expand outreach activities to DoD and VA facilities.

- SSA has also attempted to prioritize and expedite the processing of veterans' applications.

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Finding

- Those veterans with a designation of individually unemployable may face significant financial disincentives if they choose to pursue employment.

- Current program rules make it virtually impossible for veterans who receive Disability Pension to improve their overall financial situation through employment.

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Relationship of ACA to Veterans Health Care Coverage

- The Medicaid expansion component of the law may benefit a sizable number of the 535,000 **uninsured** veterans who earn less than 138% of the federal poverty level.

- A key component of the law for veterans who receive Medicaid is the access to essential long-term services and supports for community-based living. The Money Follows the Person and the new Community First Choice Option allow states the opportunity to increase community-based opportunities for individuals who meet eligibility criteria.

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Conclusion

It <u>IS</u> possible to understand all this stuff!!!

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The Employment-Related Health Insurance and Service Delivery Needs of Persons with Disabilities

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John (Jack) Gettens

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SSA Disability Research Consortium Annual Research Meeting
October 16, 2013

Background

- Health care services and related supports can play a critical role in helping people with disabilities to work[1]
  - o DME, PAS, PT/OT, mental health, medications

- ACA will expand access to insurance and reduce uninsurance among persons with disabilities
  - o About 2 million people with disabilities will be newly covered[2]

- New Coverage—Medicaid expansion and Marketplace plans
  - o May not sufficiently cover employment-related services that help people work

- Other coverage may be needed
  - o "Wrap-around" coverage may be a solution

Study Goals

- Describe employment-related health care needs of people with disabilities
  - Use of services, unmet needs, out-of-pocket expenses, provider and service delivery concerns

- Inform policy development

- Massachusetts context
  - MA 2006 health reform resulted in very low rates of uninsurance among people with disabilities[3]

- Focus group methodology to address goals

Focus Group Methods

- Six groups in varied locations in MA

- Participant criteria
  - 21 to 64 years, English speaking, community dwelling
  - Self-reported physical or psychiatric disability, sensory impairment, or chronic illness
  - Employed or actively looking for work
  - Private health insurance or Medicare
    - Medicaid could be secondary coverage

- Participant recruitment
  - State agencies, community-based and disease-specific organizations

Focus Group Methods

- Approach
  - Structured guide with open-ended questions
  - 2 hours, audio-recorded
  - Refreshments, $50 stipend
  - Accommodations as needed

- Data analysis
  - Audio recordings transcribed verbatim
  - Transcripts coded using ATLAS.ti
  - Thematic analysis, constant-comparative approach

Participants (n = 54)

- 54% female
- Age 29 to 63 (mean = 46)
- 84% white
- 8% Hispanic
- Education
  - 16% high school or less
  - 29% some college
  - 55% college grad or more
- Disability (ACS questions)
  - 80% physical, mental, emotional
  - 52% use equipment
  - 59% learning, concentrating
  - 20% ADL limitations
  - 48% IADL limitations

- 65% employed
  - 45% 21 hrs/week or more
- Earned income
  - 47% less than $10,000
  - 18% $10,001 to $40,000
  - 32% $40,001 or more
- Insurance
  - 29% private only
  - 4% private + Medicaid
  - 14% Medicare only
  - 46% Medicare + Medicaid
  - 7% other

Results: Use of Health and Other Services

- Many described overall health care experience as "*fragmented, complicated, inadequate*"

- Most reported high levels of service utilization

"I had back surgery, so I had durable equipment; I had a hospital bed. I had a back brace. I have PAS that helps me with lower ADL management on a daily basis. Also my medicine. I have MS, so I have a walker that I use at times. I have a cane and a mobile wheelchair that I use at times."

- General health care services
    - Inpatient, outpatient, physician, medications, behavioral health

- Long-term services and supports
    - Personal assistance services, home health care

- Other disability services
    - Supported employment, vehicle modifications, training, peer supports

Results: Services Critical for Work

- Services typically covered by private insurance

"Yeah, I see [provider] over here…. My nurse practitioner is there, so without the antidepressants she gives me, I would not be able to work. There is no way that I could get through the day without them."

- Services typically covered by Medicaid

"I do need it [Medicaid] to cover the [PAS] primarily, but also to cover durable medical equipment. You see, I use a chair, I use a walker, and that's not something that primary insurance would typically cover."

Results: Unmet Needs for Services

- ## Higher among those without Medicaid
  - ### Limitations on services
    - Physical therapy sessions, certain DME, medications not in the formulary, length of stay in psychiatric hospital

  - ### Uncovered services
    - Dental and vision services, chiropractic care, PAS, acupuncture, vitamins

- ## Lower among those with Medicaid

"I have Medicare and Medicaid. I went to the doctor today and the endocrinologist two weeks ago; everything is covered. I have to get a bone scan, and that is covered. I am there all the time, so I feel lucky. I have no problems with my medications; they cover everything."

Results: Out-of-Pocket Costs

- Premiums, co-pays, deductibles, non-covered services
  - Greater for those with higher income

"Professionals with a good salary also face difficulty. It's a constant juggling deciding what to pay for, what food you eat, what bills to pay. I don't live lavishly, but it is definitely hard to live up there. My rent is quite high, but where else am I going to live?"

  - Less for those with Medicaid (generally lower income)

"In the discussion, I haven't been able to say much because I don't have that many problems coordinating my health care. Mass Health and Medicare pay for everything for me practically. And I have no trouble with co-pays."

Results: Service Delivery

- Most manage their own care

"I am my own case manager; that's a full-time job in and of itself."

- Complexities of coordinating care were most burdensome for full- or near full-time workers

"I definitely agree that there is a piece that gets very wearing. It's so unstable; you work and work and work and finally get it to come together, and the next thing you know it is falling apart. Hearing all this reminds me of how hard we work on trying to do the medical aspects of things. How do we find time to work on top of this?"

- Few participants had discussions with primary care providers about work
  - Some providers discouraged work
  - More common for psychiatrists/therapists to encourage work

Summary

- Health care services can be critical to employment
    - Covered by private insurance—e.g., medications
    - Covered by Medicaid—e.g., PAS
    - Not typically covered by insurance—e.g., job coach

- People with disabilities who want to work experience multiple health care-related challenges
    - Limitations on services
    - Unmet service needs
    - High out-of-pocket costs
    - Difficulty managing employment, health care, disability demands

- Challenges seemed greatest for full- and near full-time workers with only private insurance
    - May function as a work disincentive

Policy Questions for Wrap-Around Coverage

- Can wrap-around coverage alleviate disincentives and "make work pay"?
    - Who should be eligible?
    - What employment supportive services should be covered?
    - Can wrap-around coverage provide care coordination?
    - What cost protections should wrap-around coverage offer?

- Additional research and policy analysis
    - Quantify employment-related health care needs
    - Assess feasibility and design options of wrap around

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References

1. Henry, A. D., Long-Bellil, L., Zhang, J., & Himmelstein, J. (2011). Unmet needs for disability-related health care services and employment status among adults with disabilities in the Massachusetts Medicaid program. *Disability and Health Journal, 4*, 209-218.

2. Gettens, J., Henry, A. D., & Himmelstein, J. (2012). Assessing health care reform: Potential effects on insurance coverage among persons with disabilities. *Journal of Disability Policy Studies, 23*(1), 3-13.

3. Gettens, J., Mitra, M., Henry, A. D., & Himmelstein, J. (2011). Have working-age people with disabilities shared in the gains of Massachusetts health reform? *Inquiry, 48*, 183-196.

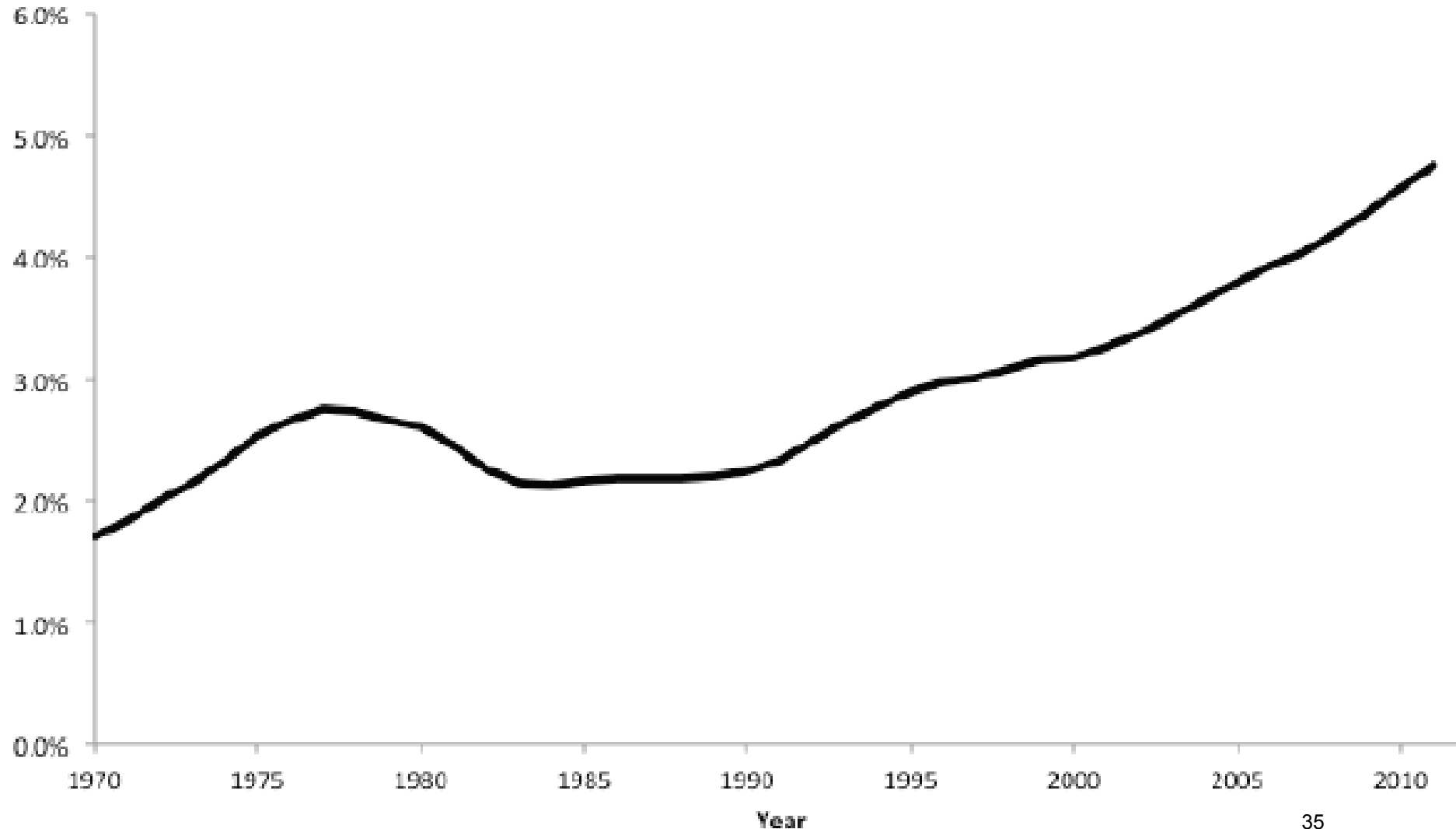# Unemployment Insurance and Disability Insurance in the Great Recession

Andreas I. Mueller (Columbia University and IZA)

Jesse Rothstein (UC Berkeley and NBER)

Till M. von Wachter (UCLA, NBER, and IZA)

SSDI Caseloads Keep Rising

Figure 1. DI recipients as share of civilian noninstitutional population aged 20-64, 1970-2011

Cyclicality of DI, 1978–2003
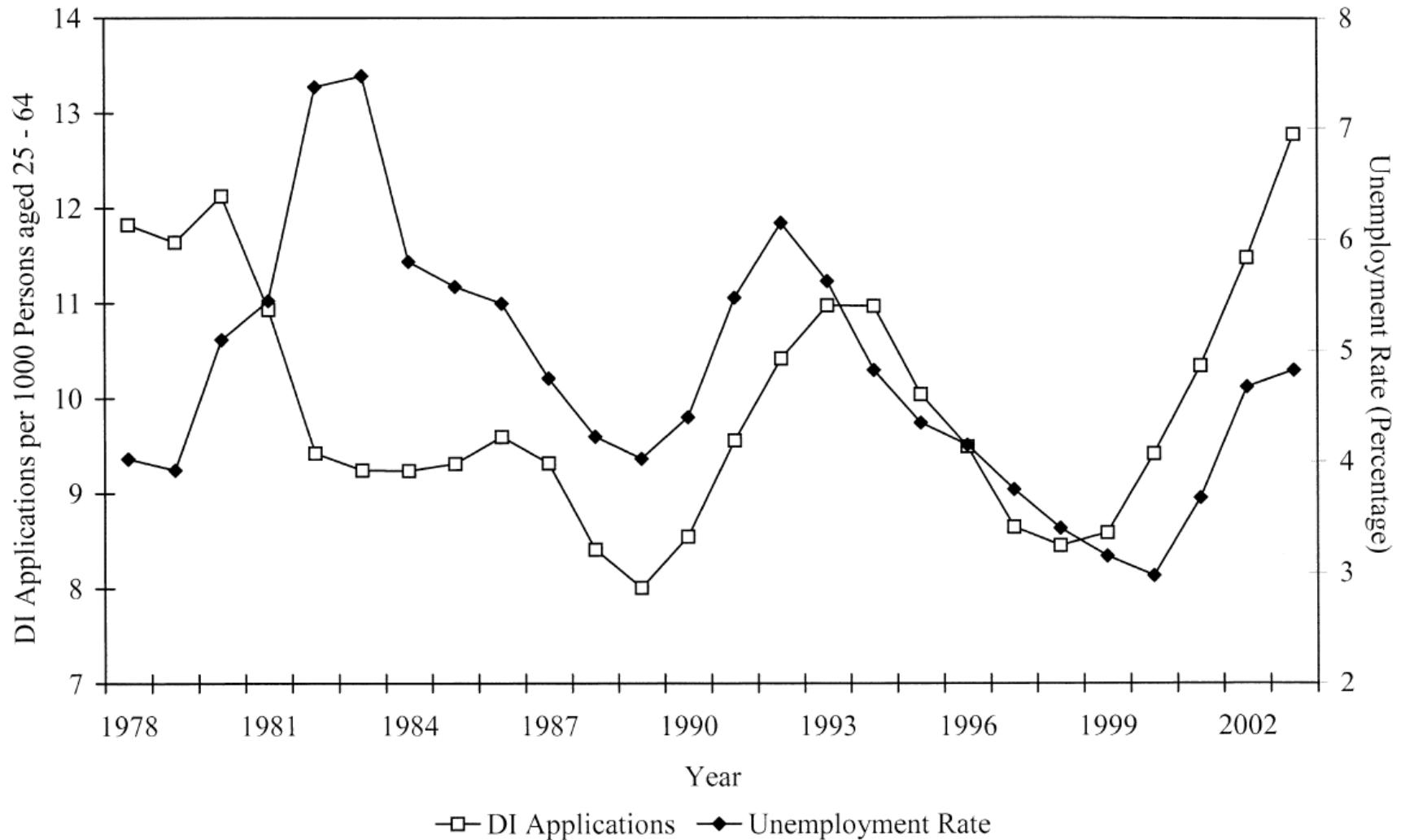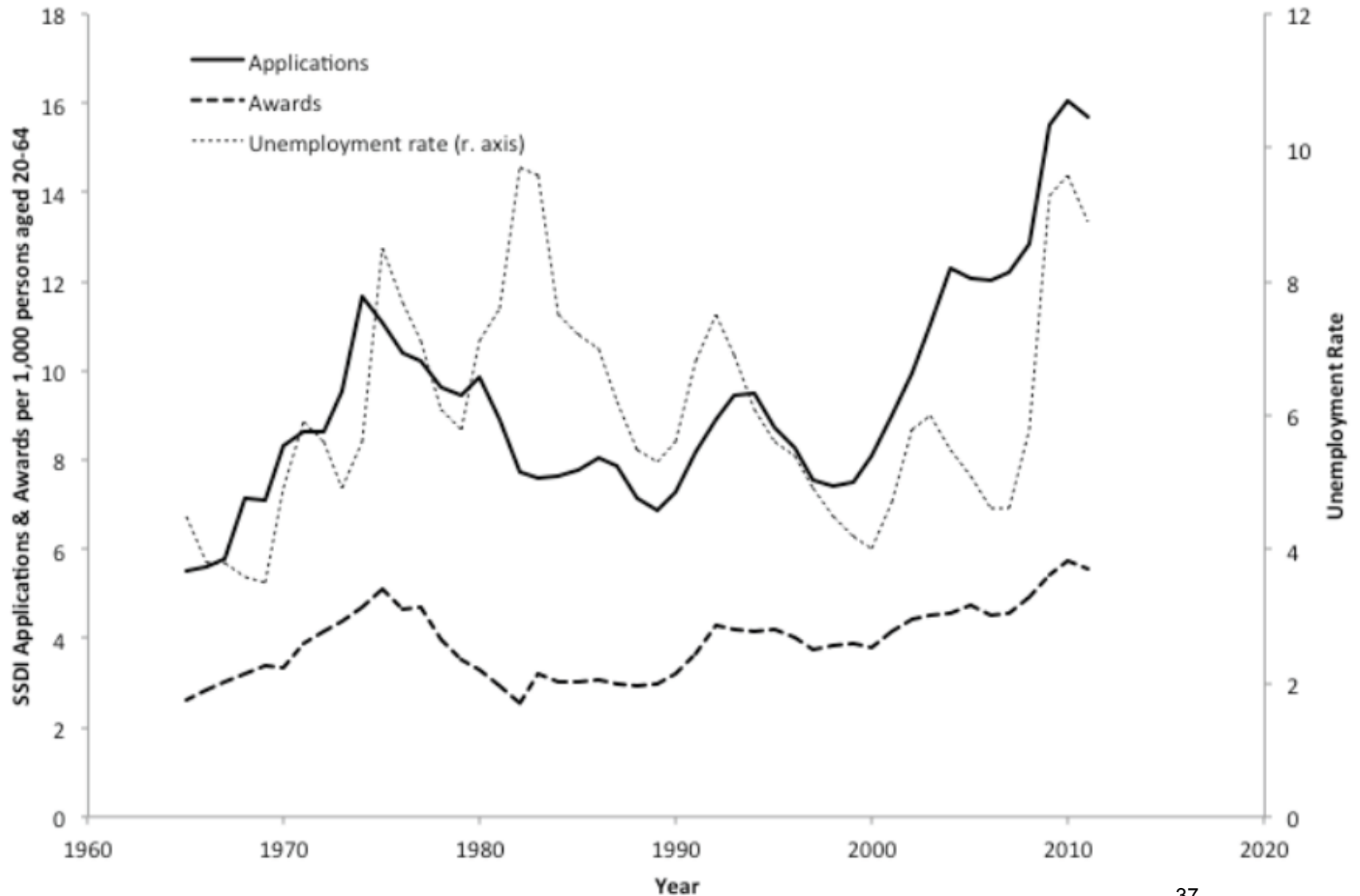# (from Duggan & Imberman 2009)

Fig. 11.5   DI applications and unemployment rate

Cyclicality of DI, 1965–2011

Figure 2. SSDI applications and awards as share of population aged 20-64, 1965-2011

Why the cyclical pattern?

Possible explanations:

1. In loose labor markets, employers are less willing to make accommodations, or suitable jobs are less available.

2. Marginally eligible workers prefer DI when market wage falls.

3. DI is being used as an alternative form of unemployment insurance, without time limits.

A Model of UI-DI Interactions

- Displaced workers can:
  - Search for work, at cost c_s with pr(find job) = f, and draw UI benefits b_{UI} for N periods.
  - Exit labor force, with no income and pr(find job) = 0.
  - Apply for DI, at cost c_A, with pr(awarded DI) = p & benefit b_{DI}. Application requires (temporary) LF exit. Rejected applicants cannot reapply.

- Five optimal strategies upon job loss:
  1. Exit LF immediately.
  2. Job search until UI is exhausted, then exit LF.
  3. Job search until find job, regardless of UI.
  4. Apply for DI immediately. If rejected, search or idleness.
  5. Job search until UI is exhausted, then apply for DI.

- Strategy 5 → causal effect of UI durations on DI.

Simulation

Assume b_{DI} = 0.5w, b_{UI} = 0.4w, c_U = 0.2, c_A = 3, 5% (weekly) discount rate, {f, p} ~ U([0, 0.1] x [0, 1]) among displaced workers.

UI-then-DI workers comprise:

- 17% of displaced workers.

- 35% of UI exhaustees (26 weeks).

- 83% of DI applicants.

- 79% of DI awardees.

The average DI applicant from this group has a per-period job-finding rate of 1.5%. With 26 extra weeks of UI:

- 1/3 would find jobs.

- UI payments would rise 40%.

- DI applications and awards would fall by 25%.

At $300K / DI case and $300/week in UI payments, DI savings would be triple the cost of a UI extension.

Empirical Analysis

- Do UI exhaustions cause DI applications?

- Four approaches:
  - Time series—exploit discrete changes in UI durations.
  - State-by-month panel—exploit variation across states in UI extensions.
  - Event analysis in weeks before and after state-level UI extensions.
  - CPS microdata: is UI exhaustion in year t associated with DI income in year t?

- Measuring UI exhaustion:
  - Build database of UI rules and simulate spells.
  - To count exhaustees, start with entering cohort and age it until it exhausts.
  - Alternative measure from admin data.

- Data sources on SSDI applications and awards:
  - Publicly available tabulations from SSA by state and month (2004–2012).
  - SSA's disability research file for the years 2008–2010, used to construct state-by-week application counts and award rates.

The "Treatment"—UI Extensions

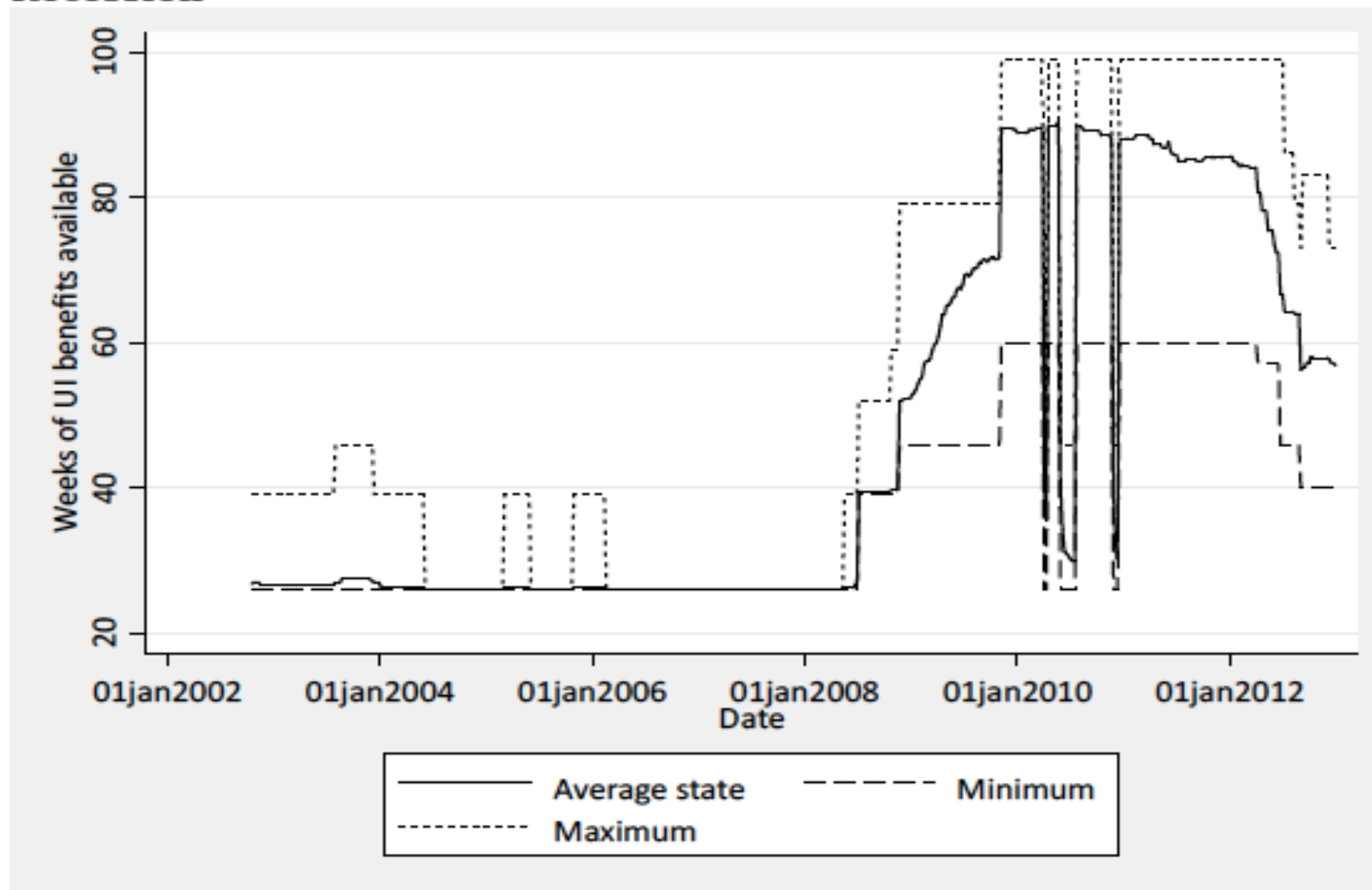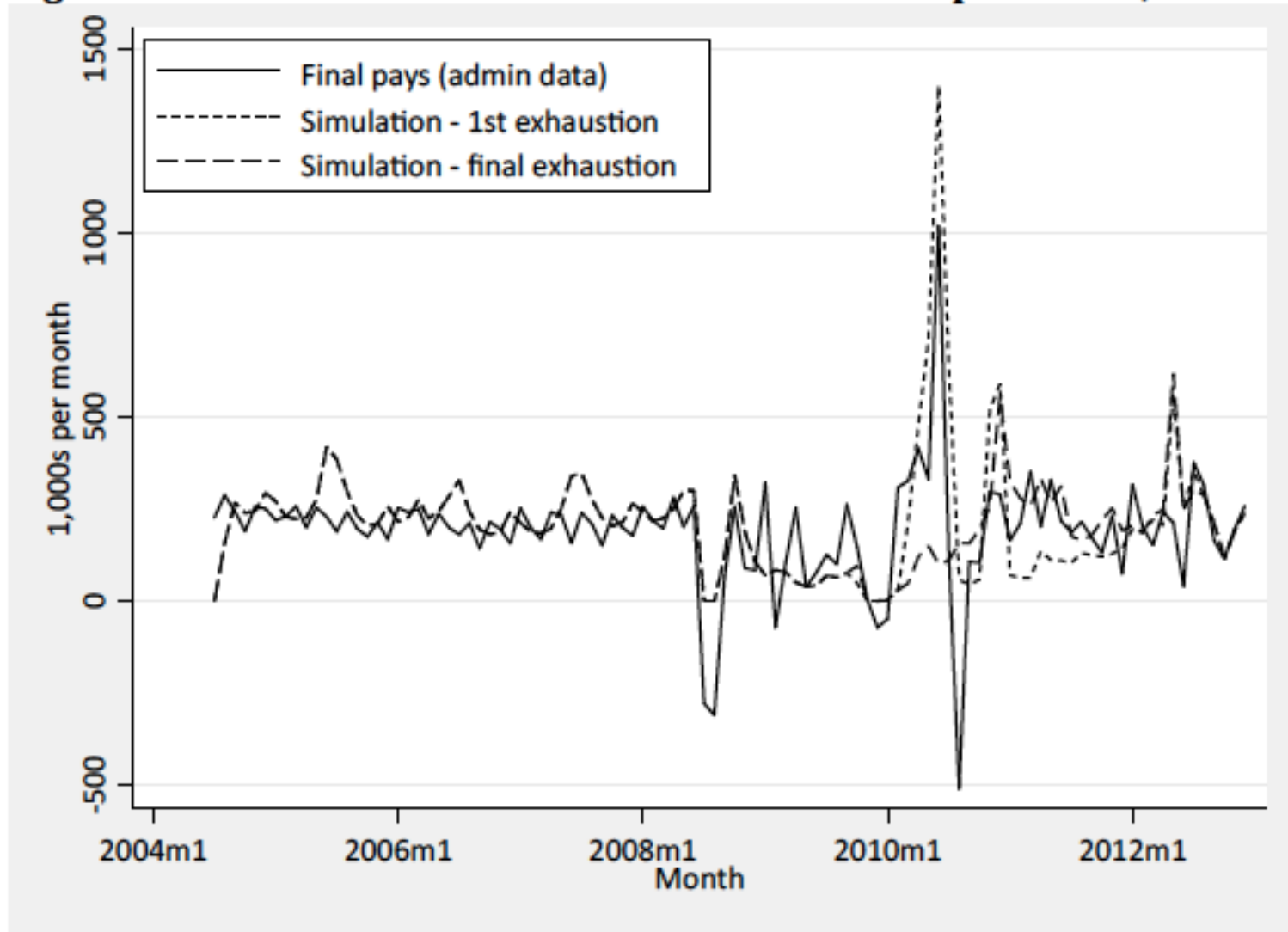**Figure 5. Unemployment insurance benefit availability over the Great Recession**

Figure 6. Estimates of the number of UI exhaustions per month, 2004-2012.

Notes: "Simulation – 1st exhaustion" series is censored at 1.4 million in June 2010; true value is 2.46 million.

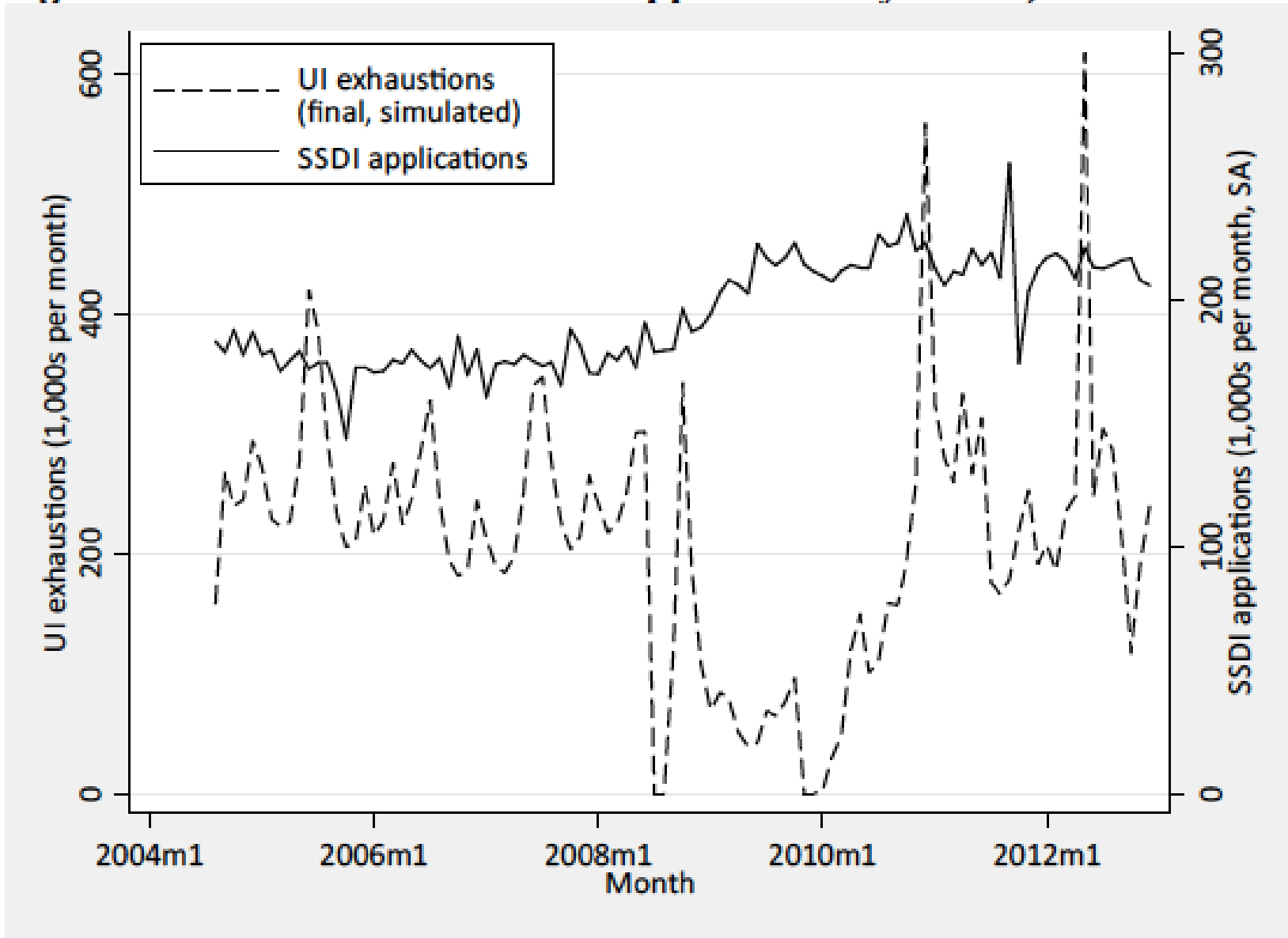# Figure 7. UI exhaustions and SSDI applications by month, 2004-2012

Table 1. Time series analysis of national DI applications

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Final UI exhaustions (index: multiple of 2005-7 avg.)	-0.053 (0.042)	-0.038 (0.024)	0.015 (0.008)	0.014 (0.008)	0.018 (0.009)			
Exhaustions index (avg., prev. 3 months)					-0.022 (0.020)			
Exhaustions index (avg., next 3 months)					0.015 (0.014)			
Initial UI exhaustions (index)						-0.001 (0.004)		
UI final pays (index)							0.001 (0.005)	
1(No exhaustions this month)								-0.019 (0.007)
Unemployment rate (SA)			0.039 (0.003)	0.037 (0.005)	0.031 (0.005)	0.036 (0.005)	0.036 (0.005)	0.037 (0.006)
ln(initial UI claims)				-0.021 (0.019)		-0.025 (0.018)	-0.025 (0.019)	-0.025 (0.018)
1(June, July, August 2010)				0.023 (0.008)		0.025 (0.015)	0.022 (0.008)	0.020 (0.008)
Post-ARRA				0.018 (0.017)	0.031 (0.015)	0.018 (0.017)	0.018 (0.017)	0.013 (0.017)
Quadratic time trend	n	y	y	y	y	y	y	y
N	101	101	101	101	95	101	101	101

Table 2. Panel data regressions for SSDI applications at the state-month level

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Unemployment rate (SA)	0.017		0.016	0.016	0.016	0.017	0.017	0.018	0.017
	(0.006)		(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Final UI exhaustions (index:	-0.002	-0.003	-0.003	-0.004	-0.003	0.000			
multiple of 2005-7 avg.)	(0.003)	(0.004)	(0.003)	(0.003)	(0.002)	(0.004)			
Exhaustions index (avg.,					0.003				
prev. 3 months)					(0.005)				
Exhaustions index (avg.,					0.005				
next 3 months)					(0.007)				
ln(initial UI claims)			0.038						
			(0.032)						
Initial UI exhaustions (index)							0.002		
							(0.002)		
UI final pays (index)								0.001	
								(0.002)	
1(No exhaustions this month)									0.010
									(0.007)
State FE	y	y	y	y	y	y	y	y	y
Month FE	y	y	y	y	y	y	y	y	y
Cubic UE rate control		y							
3 leads and lags of exhaustion index					y				
Exclude June-Aug 2010						y			
N	5,151	5,151	5,151	4,845	4,845	4,998	5,151	5,151	5,151
R2	0.991	0.991	0.991	0.991	0.991	0.991	0.991	0.991	0.991

Table 3. Panel data regressions for approval rate at the state-month level

	(1)	(2)	(3)	(4)
Unemployment rate (SA)	-0.009	-0.008	-0.009	-0.009
	(0.004)	(0.004)	(0.004)	(0.004)
Final UI exhaustions	0.001	0.000		
	(0.001)	(0.001)		
Exhaustions index (avg., prev. 3 months)		0.008		
		(0.003)		
Exhaustions index (avg., next 3 months)		0.000		
		(0.002)		
Initial UI exhaustions (index)			-0.001	
			(0.001)	
UI final pays (index)				0.000
				(0.000)
State FE	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes
N	1836	1836	1836	1836
R2	0.883	0.884	0.883	0.882

Notes: Dependent variable is the approval rate of SSDI applications filed, measured at the state-by-month level. Panel ranges from January 2008 - December 2010. Standard errors, clustered on the state, in parentheses.

Figure 8. UI event studies

(b) Log(SSDI Applications) − 13+ Week Extensions
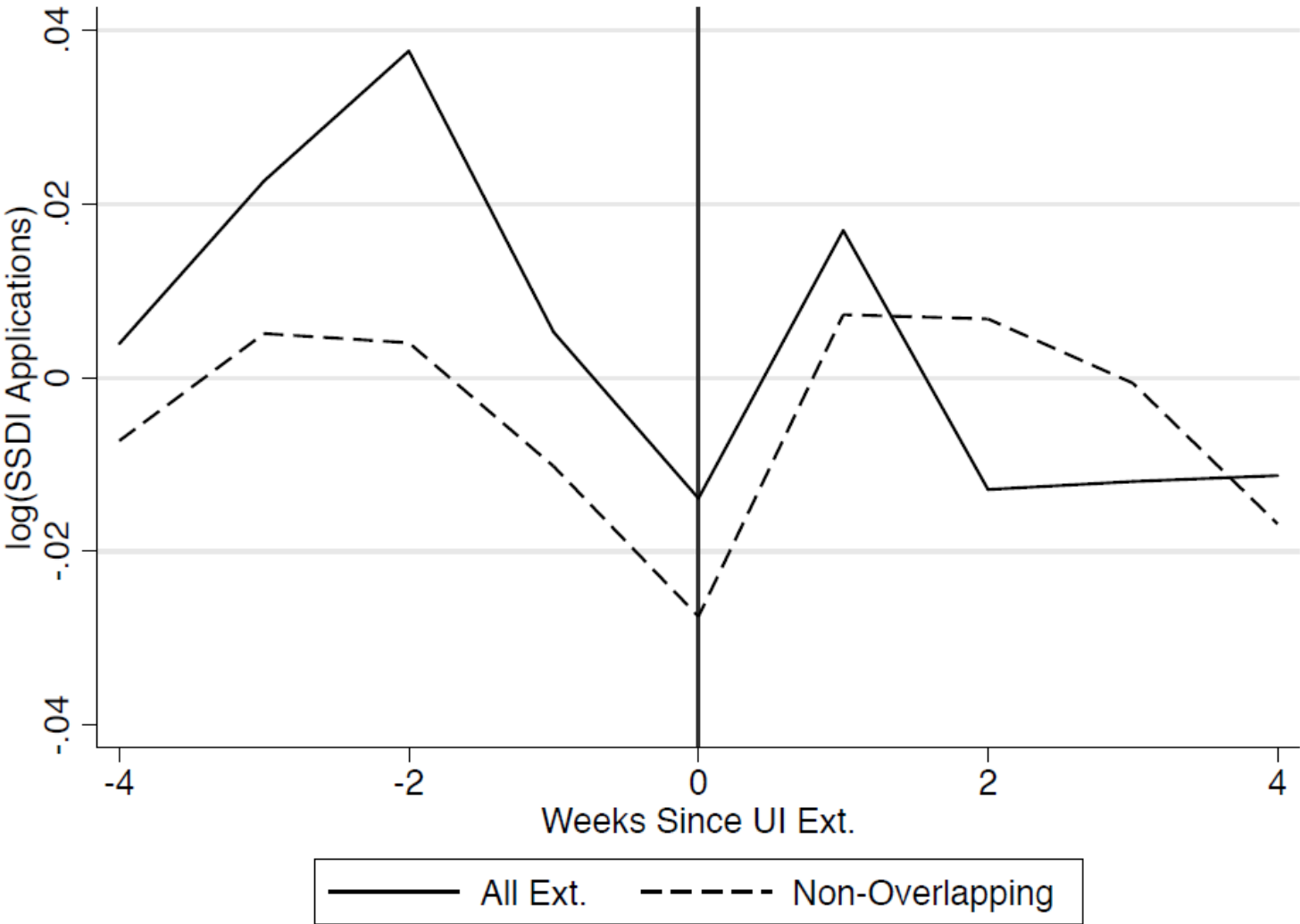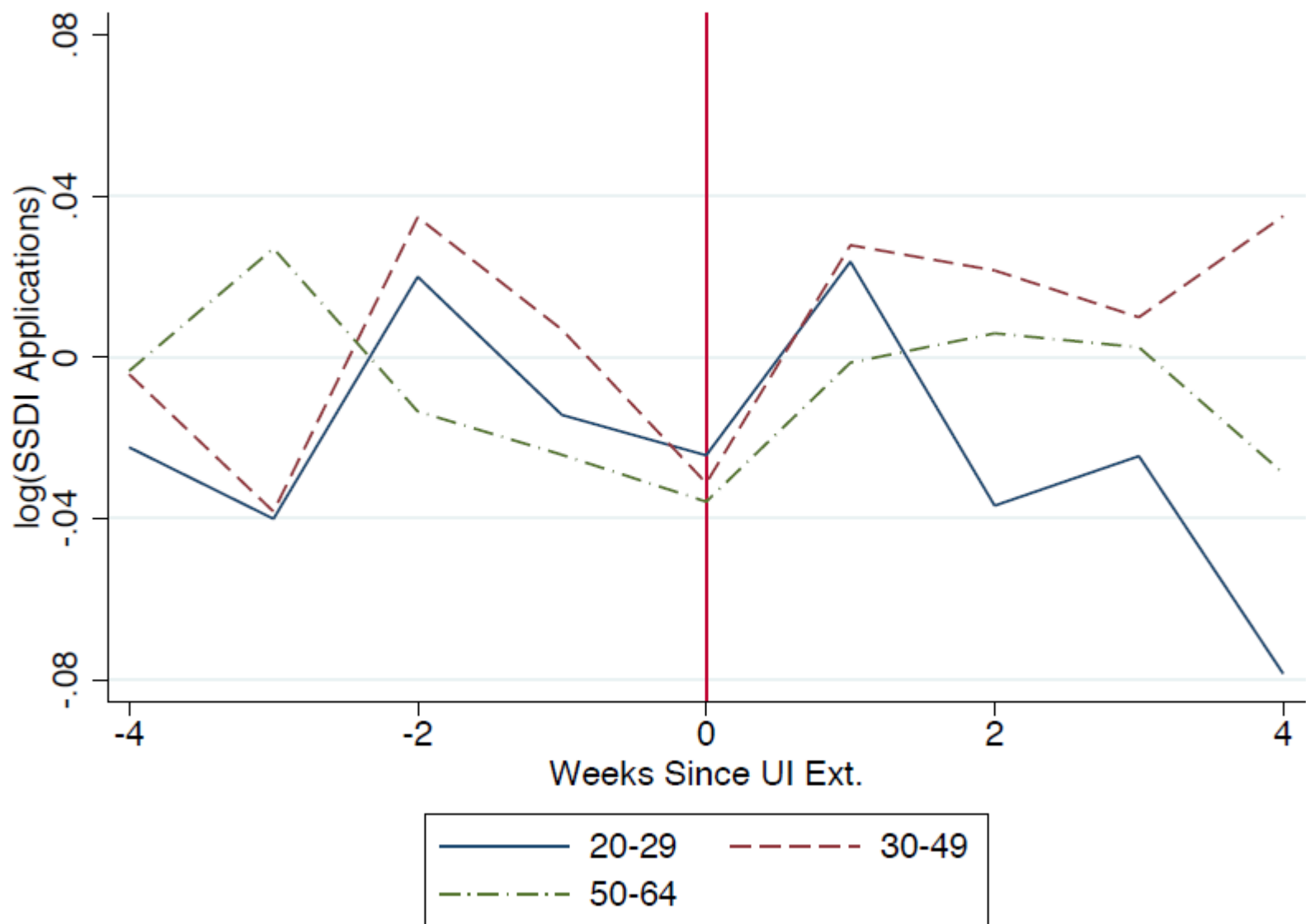
Figure 9. UI event studies (13+ week non-overlapping extensions), by age

(a) Log(SSDI Applications)

CPS Microdata Analysis

- Start with MIS 1-4 from the Feb.-Apr. basic monthly CPS from year t.

- Merge to UI database to identify date of UI exhaustion for those unemployed at base survey.

- Merge to March supplement from year t+1 to measure DI income receipt.

  $$DI_{isy} = logit(UR_{sy} \beta + LF_{isy} \gamma + X_{isy} \delta + D_{isy} \theta + \kappa_s + \pi_y)$$

  where:
  - UR = Unemployment rate.
  - LF = Labor force status (unemployment vs. employment vs. participation, reason for unemployment, duration of unemployment).
  - X = Measure of exhaustion date relative to end of year t.
  - D = Demographic controls.

- Note: Pr(DI | initially unemployed) ~ 1%. ~ 50 "successes."

	All						Unemp.	UI elig.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Economic conditions								
Unemployment rate	-0.003	-0.014	-0.018	-0.019	-0.019	0.400	-0.339	-0.345
	(0.008)	(0.028)	(0.030)	(0.030)	(0.030)	(0.246)	(0.139)	(0.184)
UR squared						-0.062		
						(0.033)		
UR cubed						0.003		
						(0.001)		
Individual labor force status (measured in spring)								
Unemployed*UI elig			1.09	0.05	-0.02	-0.02		
			(0.14)	(0.32)	(0.40)	(0.40)		
Unemployed*UI inelig			1.49	1.19	1.19	1.19	1.00	
			(0.19)	(0.45)	(0.45)	(0.45)	(0.59)	
NILF - disabled			4.56	4.56	4.56	4.56		
			(0.06)	(0.06)	(0.06)	(0.06)		
NILF - non-disabled			2.09	2.09	2.09	2.09		
			(0.07)	(0.07)	(0.07)	(0.07)		
Unemp. duration (years)*UI elig				0.72	0.75	0.75	0.54	0.16
				(0.18)	(0.32)	(0.32)	(0.40)	(0.45)
Unemp. duration (years)*UI inelig.				0.21	0.21	0.21	0.16	
				(0.27)	(0.27)	(0.27)	(0.30)	
UI expiration								
Time since UI expiration, years					-0.17	-0.17	0.07	0.32
(as of 12/31)					(0.43)	(0.43)	(0.53)	(0.55)
UI expired before 6/30					0.25	0.25	0.14	0.26
					(0.43)	(0.43)	(0.46)	(0.49)
N	232,998	232,998	232,998	232,998	232,998	232,998	9,217	4,832
Average probability of DI receipt among (initially) unemployed, in p.p.								
	0.97	0.97	0.97	0.97	0.97	0.97	1.06	1.27
Effect of (in p.p.):								
UI expiration					0.01	0.01	0.07	0.32
Own unemployment			0.68	0.68	0.67	0.67	0.59	0.19

Conclusions

- In a simple model, UI extensions should *reduce* DI applications.
  - Sources of interaction effects:
    - DI awards to people who have a positive probability of job-finding.
    - UI awards to people who have zero probability of job-finding.
  - Implications:
    - Former implies that UI extension would permanently divert some potential DI cases.
    - Latter is mere relabeling.
- Our analysis indicates no effect. Rules out elasticity of DI applications with respect to UI exhaustions bigger than 0.02. At this elasticity:
  - One extra month of UI for 10,000 would-be exhaustees ($12m) prevents ~ 200 DI applications.
  - ~ 50% of these applications (~ 100) would eventually lead to awards.
  - ~ 10% of these (~ 10) would find jobs in that month, reducing long-run DI costs by ~ $3m.
  - Trivial effect on DI caseloads.
  - Look elsewhere for explanation of DI cyclicality.

Discussant Remarks

**Michael Wiseman
George Washington University**

Stay Tuned!

Our next session begins at 12:30 p.m. ET

"Foreign Experience and Lessons Learned Abroad for U.S. Disability Policy"

Foreign Experience & Lessons Learned Abroad for U.S. Disability Policy

Moderator: Crystal Blyler, Mathematica

The Efficiency of Disability Insurance in Europe and the U.S.
Jonathan Skinner, Dartmouth College and NBER

International Efforts to Serve Youth and Young Adults with Disabilities
Lorenzo Moreno, Mathematica

Discussant: Daniel Mont, University College London

How Financial Incentives Induce Disability Insurance Recipients to Return to Work
Magne Mogstad, University College London

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National Bureau of Economic Research

International Efforts to Serve Youth with Disabilities

Lorenzo Moreno and Todd Honeycutt

Presented at DRC Year 1 Annual Meeting
Washington, DC

October 16, 2013

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Goals of the Study

- **Identify policies and programs of 10 OECD countries that promote the transition of youth with disabilities to adulthood and could potentially be applied in the United States**

- **Based on policies in two countries, assess the transferability of promising policies and programs from other countries to the United States**

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Limitations of the U.S. System

- **Youth with disabilities face numerous challenges (poor health, social isolation)**

- **Policy barriers include:**
  - **Insufficient employment supports**
  - **Few services for youth**
  - **Poor access to adult services**
  - **Poor coordination between youth and adult services**

- **Solutions to these problems have been tested in demonstrations such as the Youth Transition Demonstration**

Study Approach

- **Selected countries with well-developed benefit and rehabilitation programs**
  - **Income support**
  - **Vocational rehabilitation**

- **For each country, reviewed:**
  - **Published literature in peer-reviewed journals**
  - **OECD cross-country studies**
  - **Government publications and websites**
  - **Suggestions from international and local experts**

- **Conducted in-depth case studies of promising programs and policies in two countries**

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OECD Countries in the Study

- **Overview countries**
  - **Australia**
  - **Canada**
  - **Denmark**
  - **France**
  - **Ireland**
  - **Norway**
  - **Sweden**
  - **United Kingdom**

- **In-depth case studies**
  - **Germany**
  - **The Netherlands**

- **Contrasted with the United States**

Types of Policies Examined

- **Promoting employment for people with disabilities**

- **Targeting youth and young adults with disabilities**

- **Promoting access to adult services**

- **Promoting coordination of the transition from youth to adult services**

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Policies Promoting Employment for People with Disabilities

Policies	Country Examples
Promotion of supported employment over sheltered employment	Access to job coaches: *Ireland, Netherlands*
Financial incentives offered to employers	Wage subsidies: *Denmark, Ireland*
Financial incentives offered to workers with disabilities	Wage supplement: *Netherlands, United Kingdom*
Financial incentives and mandates for vocational training	Vocational training requirements: *Australia, United Kingdom*
Innovative policies to promote employment	Employer quota: *Germany* Vouchers: *Germany and Netherlands*

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Policies Promoting Coordination of Transition from Youth to Adult Services

Policies	Country Examples
Improved transition planning efforts	Self-development of transition plans, access to guidance counselors: *Denmark, France*
Increased supports for postsecondary education	Educational allowances: *Ireland, United Kingdom* In-school supports: *Norway*
Increased vocational supports	Transition program to connect youth to employment: *Australia, United Kingdom*

Case Study Countries

- **Germany and the Netherlands**

- **Policies supporting the transition of youth with disabilities to adulthood that:**
  - **Were more closely aligned with U.S. programs**
  - **Seemed the most promising for transferability to the United States**

- **Assessed policies based on efficiency, adaptability, and applicability for the United States**

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System Contrasts for Program Transfer Consideration

Germany	The Netherlands	United States
Guides all youth through transition		Leaves youth to their own path
Guarantees income support while in vocational training		Does not offer income support while in vocational training
	Guarantees services and opportunities, and coordinates delivery	Neither guarantees nor coordinates targeted services
Emphasizes employment support for youth and employers within a broader set of supports		Ambiguous about integrating employment supports with other supports

Potentially Transferable German Programs

- **Specialist Integration Services**
  - **Federal-state program**
  - **Resource for employers and people with disabilities on vocational supports for workers**

- **National goals and policies**
  - *Job4000* **and** *Initiative Inklusion* **set national goals (such as 4,000 new jobs for people with disabilities) and provided resources to attain goals**

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Potentially Transferable Dutch Programs

- **Private-sector reintegration companies**
  - Market-based approach for private vendors to deliver services for beneficiaries

- **Improved long-term employment supports and program rules on earnings for disability beneficiaries**
  - *Wajong* is disability program for young adults
  - Employment supports include work expectations, participation plans, access to job coaches, and trial work placements

Discussion

- **Nearly all countries have policies that address barriers similar to those faced by U.S. youth with disabilities**

- **Germany and the Netherlands have a number of comprehensive, coordinated, efficient, and inclusive programs with high transferability to the United States**

- **U.S. policymakers could consider these programs as part of the evidence-building process**

- **However, it is naïve to assume that U.S. policymakers will embrace the transferable programs given the system contrasts**

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Working Paper Available

- **"Lessons for Programs Serving Transition-Age Youth: A Comparative Analysis of the U.S. and 10 Other Countries in the Organisation for Economic Co-Operation and Development (OECD)," April 2013**

  - **Lorenzo Moreno, Todd Honeycutt, Stephanie McLeod, and Claire Gill**

  - **http://www.mathematica-mpr.com/publications/PDFs/disability/Youth_Transition_WP.pdf**

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Appendix:
Supplemental Slides

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Case Study Programs, by Country

Germany	The Netherlands
1. Transitional vocational income supports	1. Wajong
2. Vocational training centers	2. Reintegration companies
3. Supported employment	3. Targeted vocational supports for Wajong participants
4. Job4000	4. Special financing for education
5. Specialists Integration Services (IFD)	5. Centralized agency for income and work supports
6. Act on Promoting Vocational Training	6. Local transition collaborative agreements
7. Personal budget	7. Wage subsidies and dispensations
8. Employer quota system	8. Expanding program rules on earnings

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How Financial Incentives Induce Disability Insurance Recipients to Return to Work

Forthcoming in *American Economic Review*

Andreas Ravndal Kostøl
Statistics Norway & University of Bergen

Magne Mogstad
University College London & Statistics Norway

DRC Annual Research Meeting

Introduction

Growth in DI rolls fuels a recent policy debate about how to incentivize DI recipients

- Pathways to work program in the UK
- "$1 for $2 offset" policy proposal in the US
  - DI recipients keep some of their benefits if they return to work

Advocates of such reforms claim that:

- Many DI recipients would return to work (or exit DI entirely)
- The welfare of DI recipients would be enhanced
- Program costs could be reduced

Yet, such reforms might instead reduce exit/labor supply and induce entry:

- DI becomes more attractive to current and potential recipients

This paper

Analyzes the consequences of providing
- financial incentives for DI recipients to return to work
- by exploiting a sharp discontinuity in DI policy in Norway

Policy change:
- January 2005: Allowed DI recipients to keep 40% of their benefits if they return to work
- Treated: Only persons admitted to DI before Jan. 2004
  - Manipulation unlikely: Eligibility date was set retroactively

Apply a RD design to study this local randomized experiment
- First difference: Dec. 2003 vs. Jan. 2004
- Local linear regression

Budget constraints

(a) Budget constraints
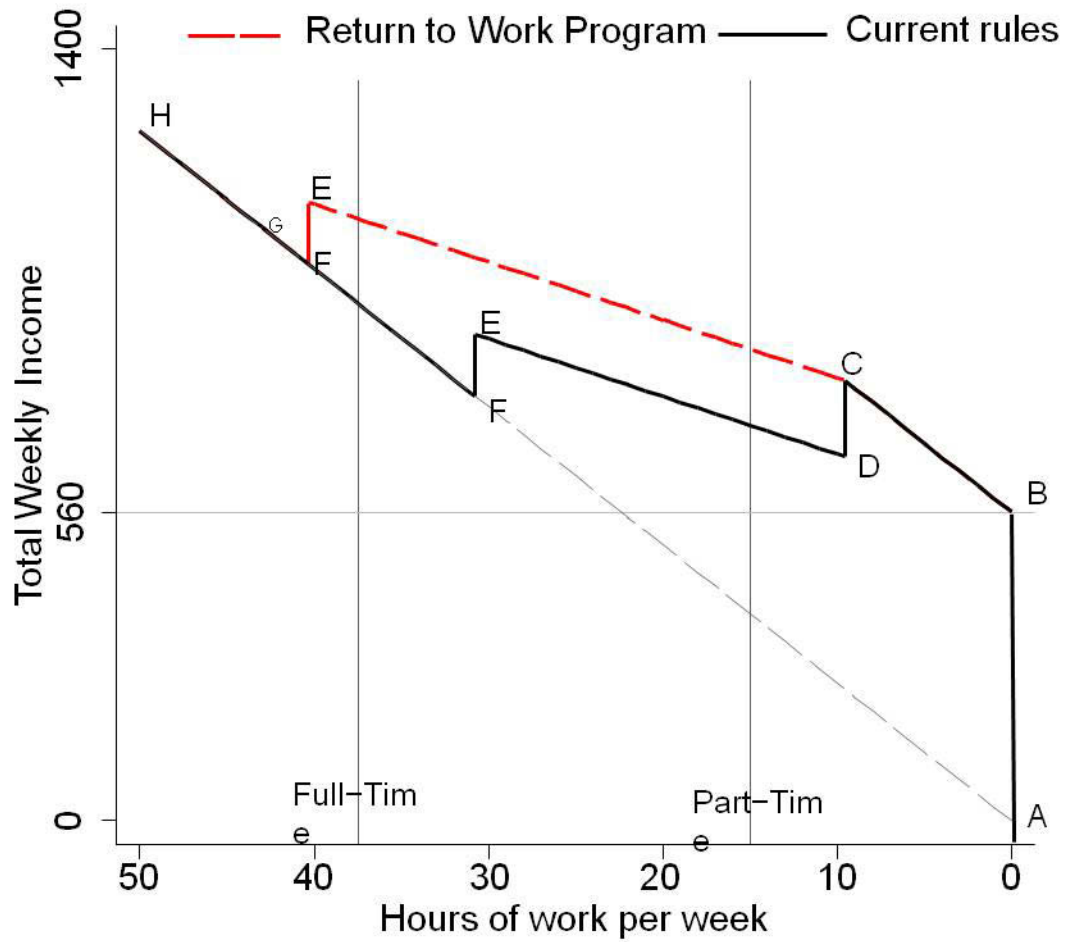
Summary of findings

1) Many DI recipients have considerable capacity to work that
can be effectively induced by financial work incentives:
- LFP (+3 years) increases from 3.4 to 11.9 percent
- Implies an elasticity of labor-force non-participation to participation
tax rate of 0.3

2) Policy change was successful in:
- Lowering program costs and increasing disposable income
  - Gains in earnings ≫ reduced benefits and extra taxes paid

Summary of findings

3) Substantial heterogeneity in policy impact:
- Much is missed if averaging together the labor supply responses of younger and older DI recipients
  - DI recipients aged 18-49: Sizeable positive effects
  - Older DI recipients: No impact

- Within group of DI recipients aged 18-49
  - Males, high educated, and individuals from areas with low unemployment rates are most responsive

Indicates that targeted policies may be most effective in
- inducing DI recipients to return to work

Relevance: Policy debate

Much debate but little evidence
- on policy aimed at incentivizing DI recipients

Clinton administration mandated SSA to
- undertake a randomized experiment of "$1 for $2 offset"

Observational studies
- Hoynes & Moffit (1999) provide numerical simulations of reforms aimed at incentivizing DI recipients
- Benitez-Silva et al. (2010) use a calibrated life-cycle model to forecast the effect of "$1 for $2 offset"
- Adam et al. (2011) study the effects of the reform package "Pathways-to-work" on people claiming "incapacity benefits"

Relevance: DI literature

We show that many young individuals deemed "totally and permanently" disabled by SSA:

- indeed have considerable work capacity and
- their labor supply is fairly elastic with respect to changes in financial incentives

Supports Autor and Duggan's (2006) argument of a blurred divide

- between "totally and permanently disabled"
- "disabled but retain some work capacity"

  $\Rightarrow$ calls for (targeted) reforms of DI policy

Our results complement existing studies of the work capacity and labor supply elasticity of DI recipients
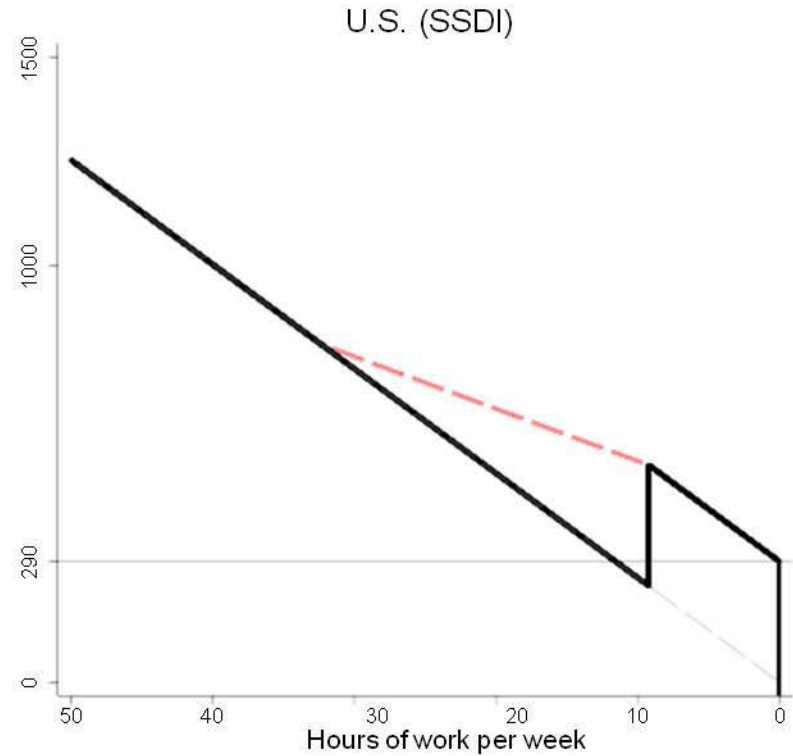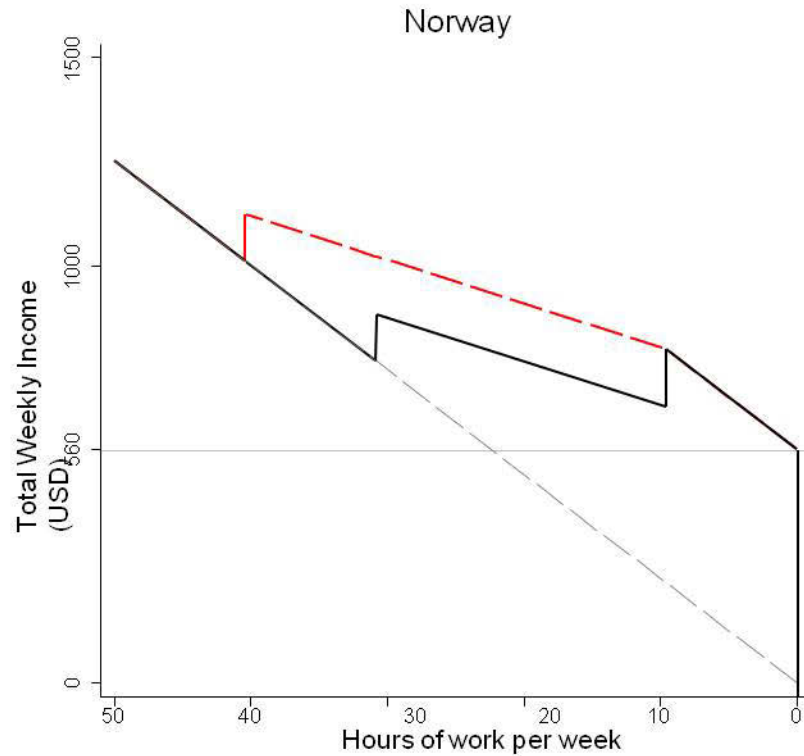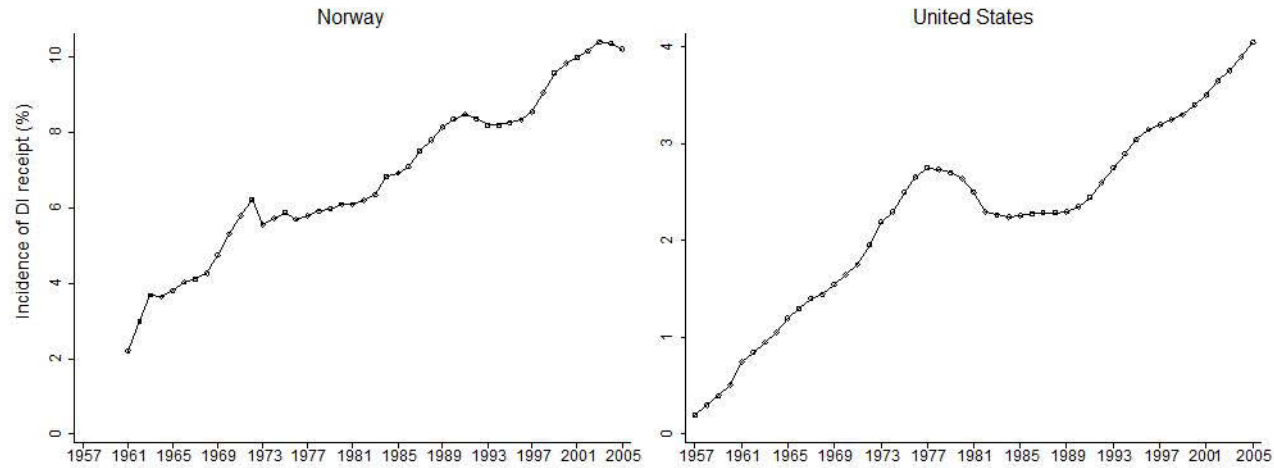
Comparison with U.S. program: Characteristics

Characteristics	Norway	U.S. (Maestas et. al)
Age at award decision	51.69	47.8
Avg. earnings, 3-5 years before	27,143	25,503
Musculoskeletal system	32.8	35.1
Mental disorder	28.6	22.3
Cardiovascular system	9.8	8.9
Other diagnosis groups	28.8	33.7

Comparison with U.S. program: Trends

(a) Incidence of DI receipt

(b) Award and Exit Rates
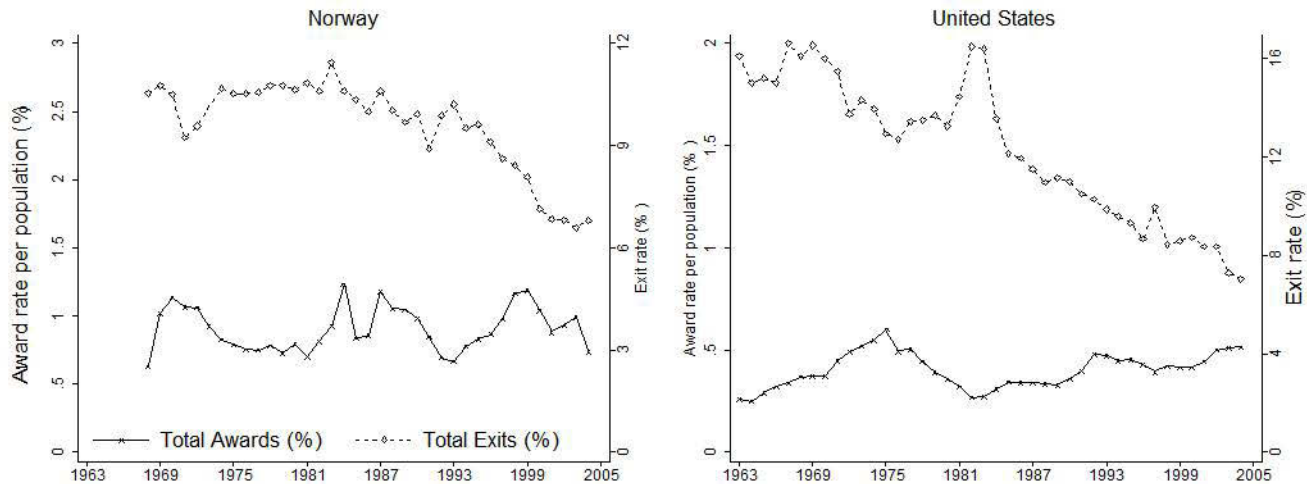
Comparison with U.S. program: Upper-bound estimates

Outcome	Mean difference in LFP Rejected - Awarded	
LFP(2005)	0.246***	0.264***
	(0.031)	(0.034)
LFP(2006)	0.298***	0.318***
	(0.033)	(0.036)
LFP(2007)	0.298***	0.034***
	(0.033)	(0.037)
Controls	NO	YES

Conclusion

The growth in disability rolls:

- Poses significant risks to the finances of the DI programmes and the broader Social Insurance systems
- raises serious questions about whether the programs are misused by recipients

We show that many young individuals deemed "totally and permanently" disabled by SSA:

- indeed have considerable work capacity and
- their labor supply is fairly elastic with respect to changes in financial incentives

The Efficiency of Government Disability Programs in Europe and the U.S.

Enrica Croda

Ca' Foscari University of Venice

Jonathan Skinner

Dartmouth and NBER

Laura Yasaitis

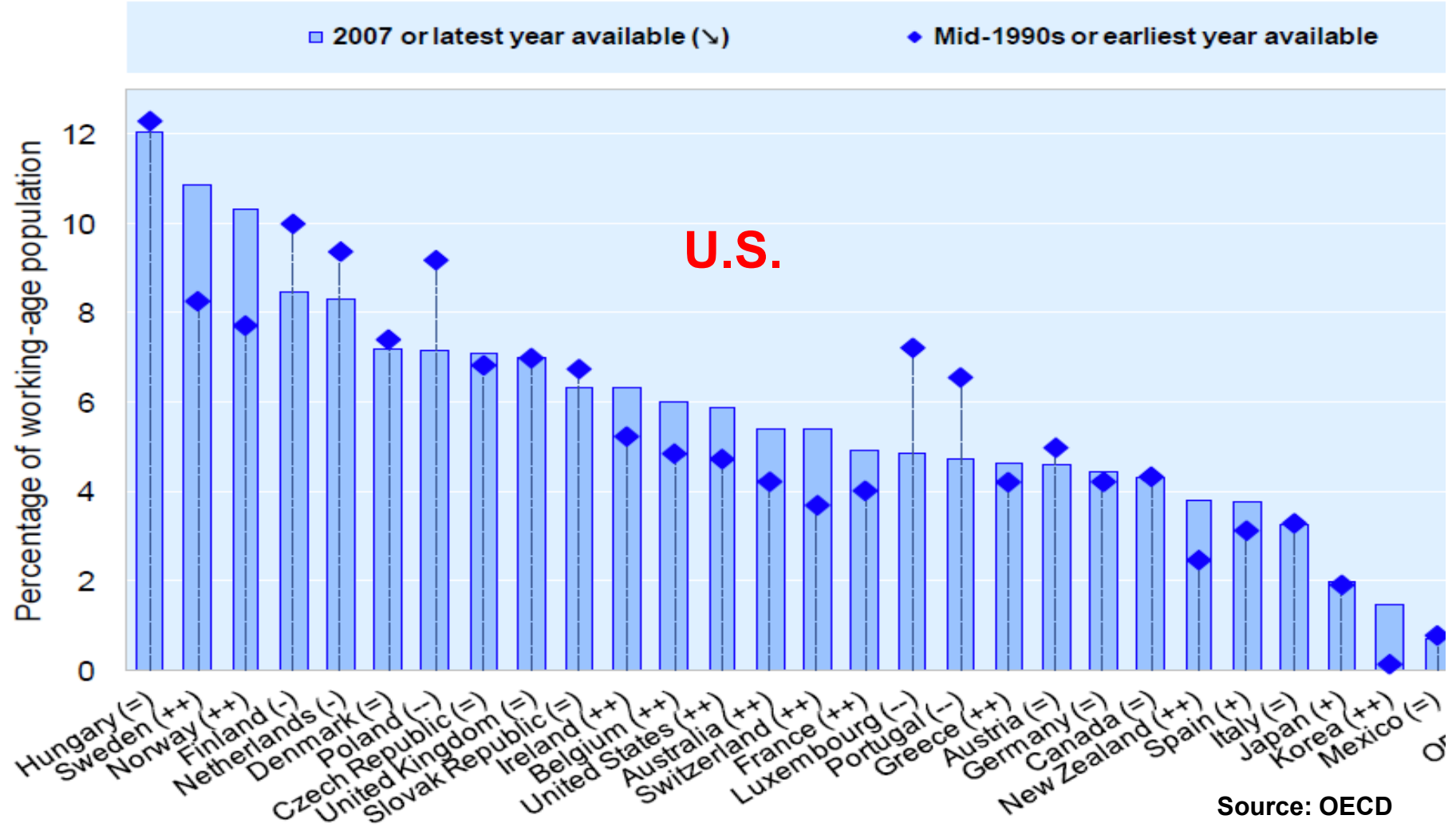Harvard Center for Population and Development Studies

Background

- Rising disability insurance (DI) enrollment rates pressuring budgets (Milligan and Wise, 2012)

- Wide variations across countries in DI spending (Börsch-Supan & colleagues)

Institutional factors explain these trends & differences—not health

DI enrollment rates across countries

Disability benefit recipients in percent of the population aged 20-64 in 28 OECD countries, mid-1990s and latest year available[a,b]

☐ 2007 or latest year available (↘)   ◆ Mid-1990s or earliest year available

U.S.

Percentage of working-age population

Hungary (=), Sweden (++), Norway (++), Finland (-), Netherlands (-), Denmark (-), Poland (=), Czech Republic (-), United Kingdom (=), Slovak Republic (=), Ireland (++), Belgium (++), United States (++), Australia (++), Switzerland (++), France (++), Luxembourg (++), Portugal (-), Greece (-), Austria (++), Germany (=), Canada (=), New Zealand (++), Spain (+), Italy (=), Japan (+), Korea (++), Mexico (=), O

Source: OECD

In this paper, we ask a related question

- How efficient is a given DI program in choosing enrollees for financial assistance?

  ▫ Should avoid *Type I* error:
    Pays DI benefit to <u>healthy people who can work</u>

  ▫ Should avoid *Type II* error:
    Does not pay DI benefits to <u>sick people who cannot work</u>

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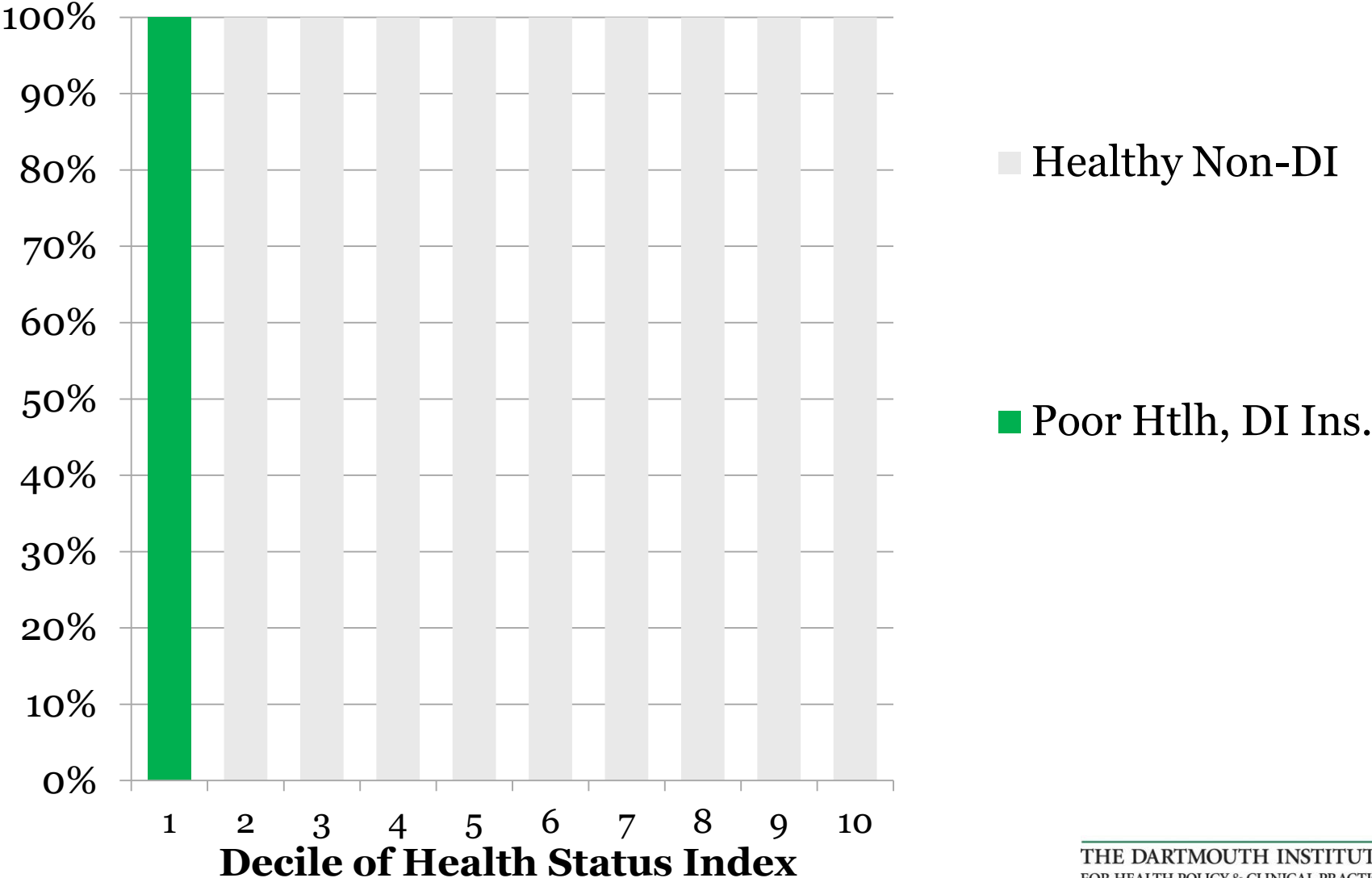*Where Knowledge Informs Change*

Alternative measure:

- How efficient is a given DI program in choosing enrollees for financial assistance?
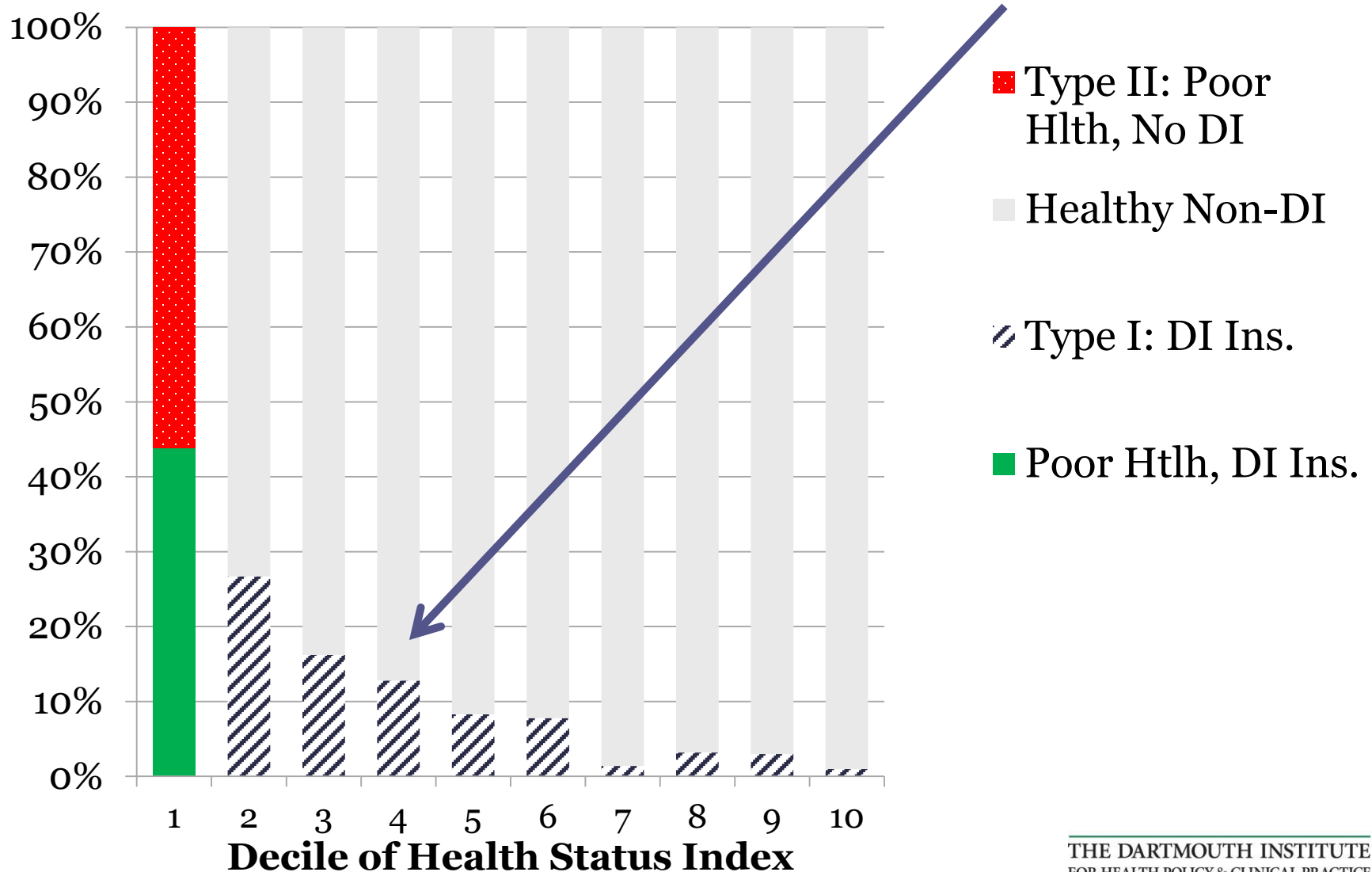
  The fraction of total DI enrollees in the
  bottom quintile of the disability health scale
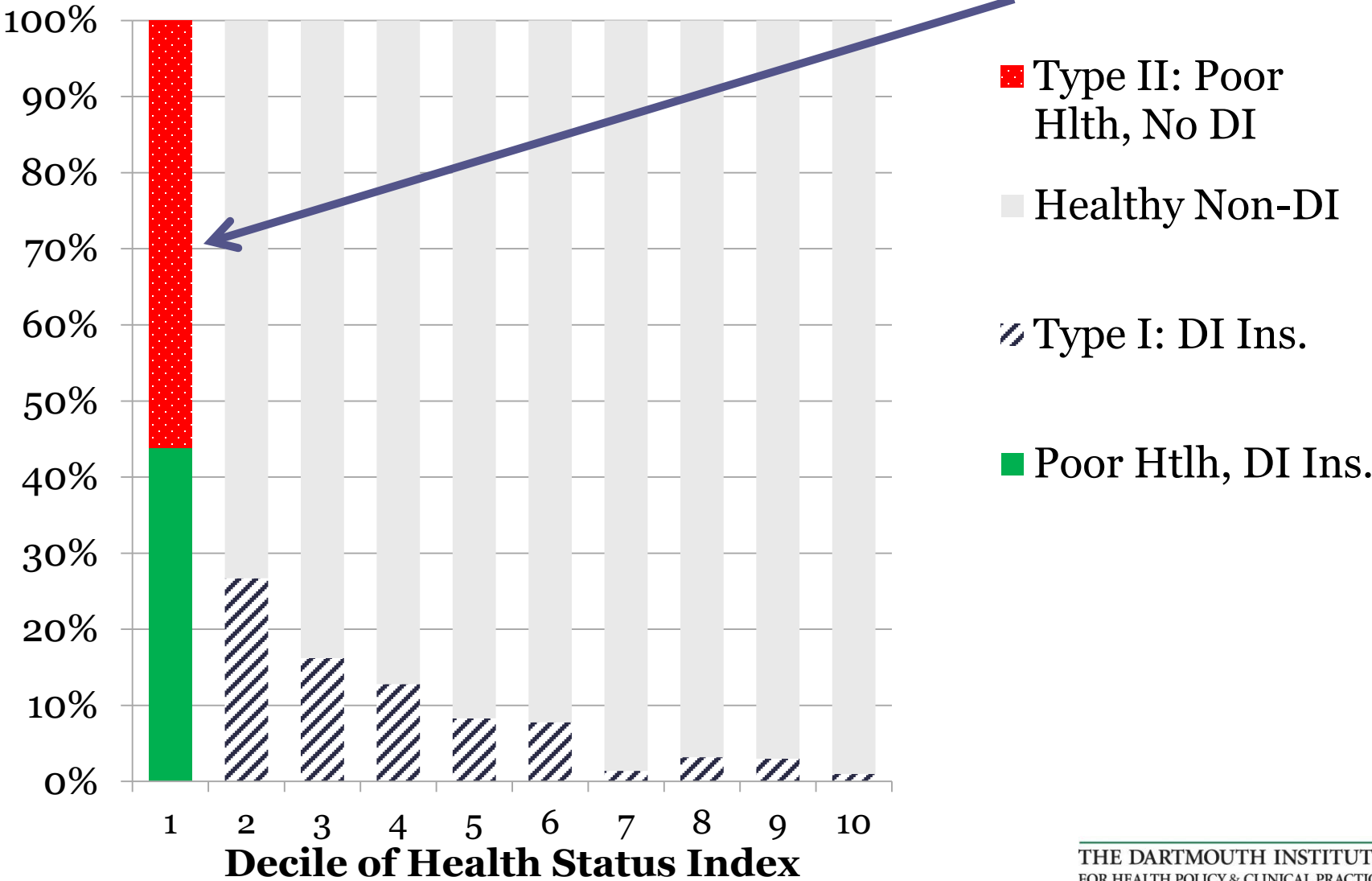
Example of Type I/II Error

A perfect world: Sickest 10% get DI

Healthy Non-DI

Poor Htlh, DI Ins.

Decile of Health Status Index

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An imperfect world: Type I Error

Legend:
- Type II: Poor Hlth, No DI
- Healthy Non-DI
- Type I: DI Ins.
- Poor Htlh, DI Ins.

Y-axis: 0% to 100%

X-axis: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 — **Decile of Health Status Index**

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An imperfect world: Type II Error

Legend:
- Type II: Poor Hlth, No DI (red)
- Healthy Non-DI (gray)
- Type I: DI Ins. (hatched)
- Poor Htlh, DI Ins. (green)

X-axis: **Decile of Health Status Index** (1–10)
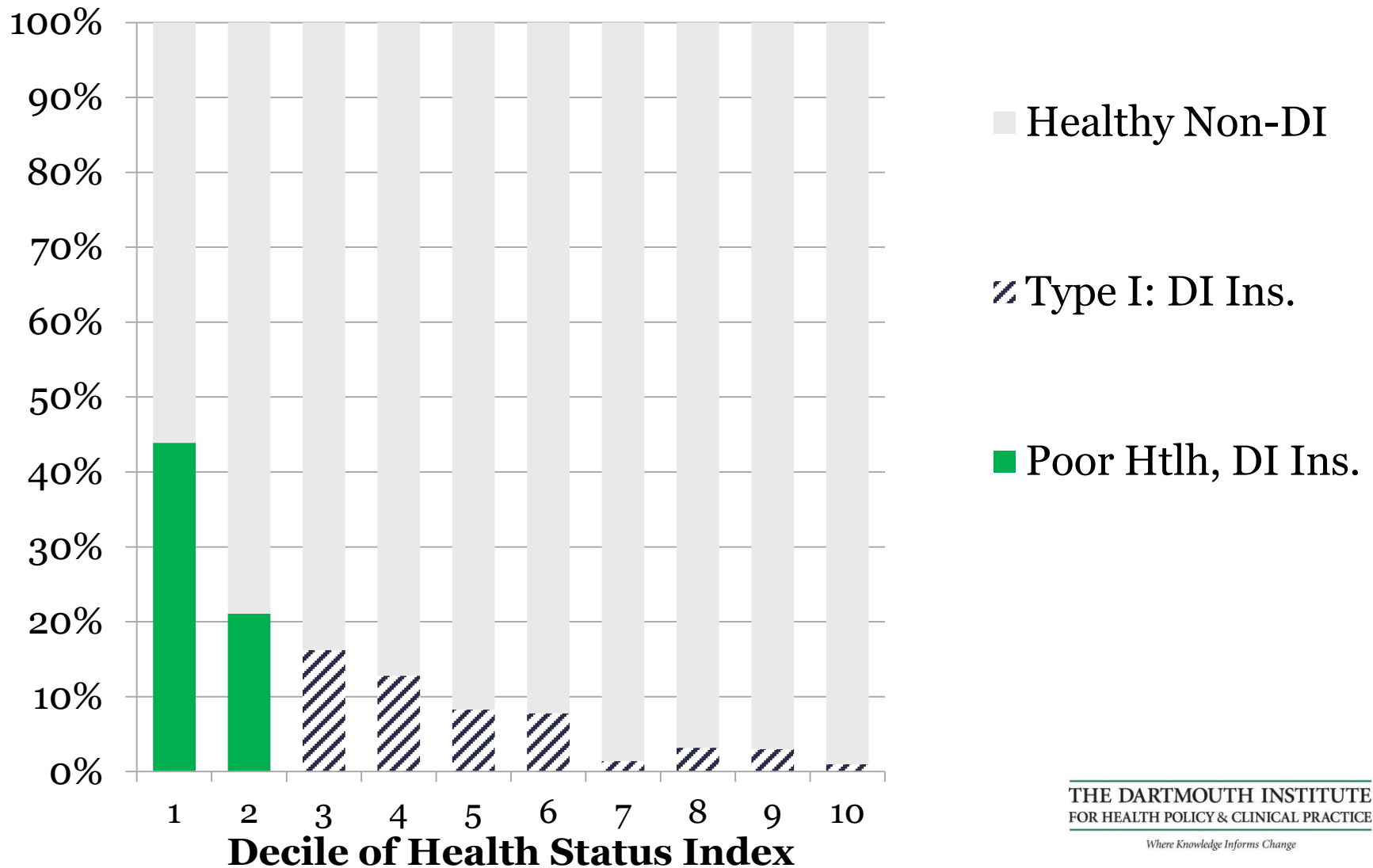
Y-axis: 0% to 100%

In our experiment, Type I = Type II error
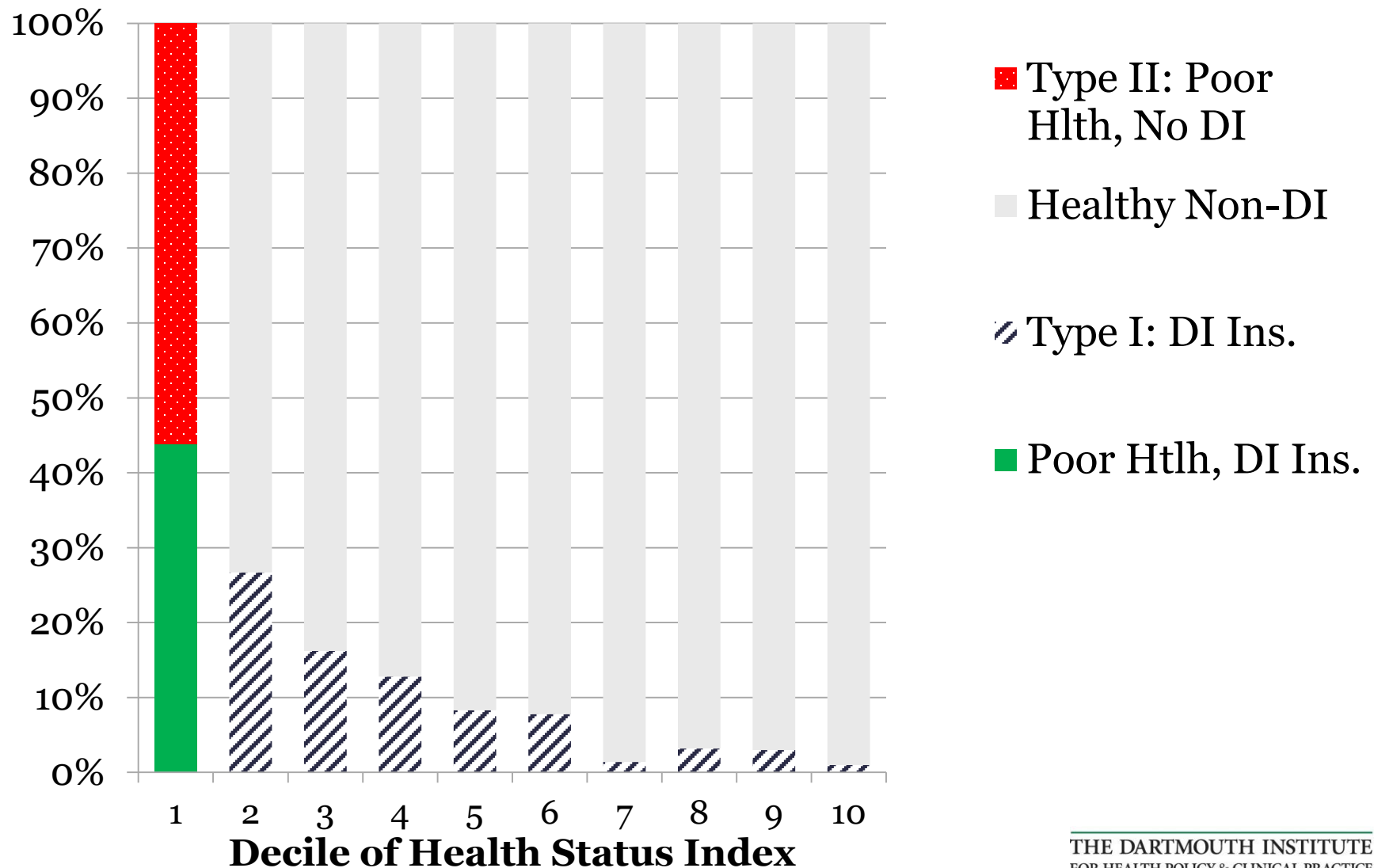
Another measure:
% on DI in the bottom health quintile

The Data

- For Europe:
  SHARE 2004, 2006, 2010 waves
  10 original countries:
  Sweden, Denmark, Netherlands, Belgium, France, Germany, Switzerland, Austria, Spain, and Italy

- For the U.S.:
  HRS 2004, 2006, 2010 waves

- Sample:
  Respondents aged 50 through 64 in each wave
  41,337 person-years in SHARE, 16,485 in the HRS

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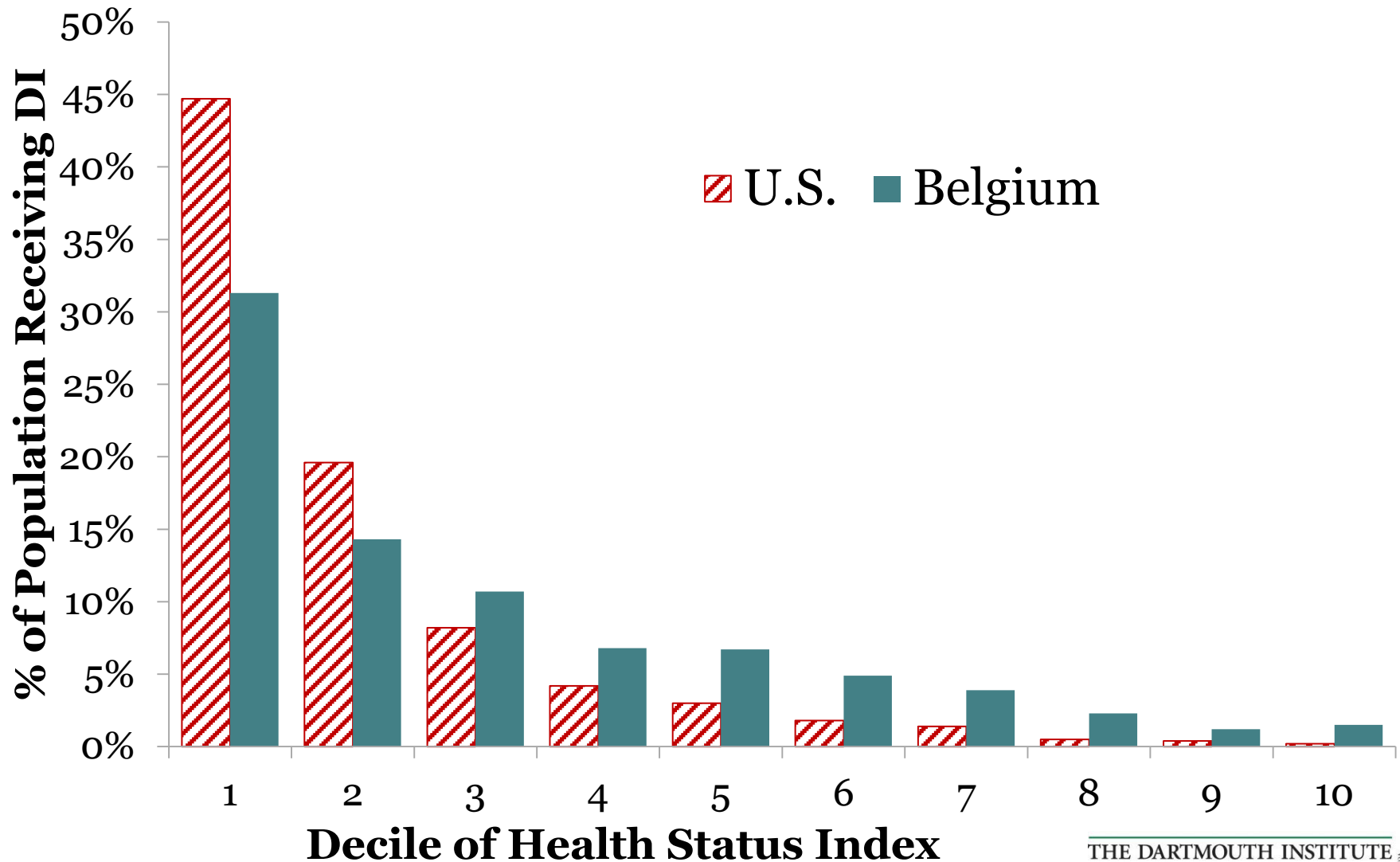*Where Knowledge Informs Change*

Two health indices

- Poterba, Venti, Wise health index:
  - BMI, hospital/nursing home stays, MD visits, any ADL limitation, mobility and physical function (9 questions), previous diagnoses or health problems (9 questions)

- An alternative index of functionality:*
  - ADL questions (eating, dressing, bathing, etc.), mobility and physical function (9 questions), context (using map, phone, managing money, shopping for groceries), health problems that limit work
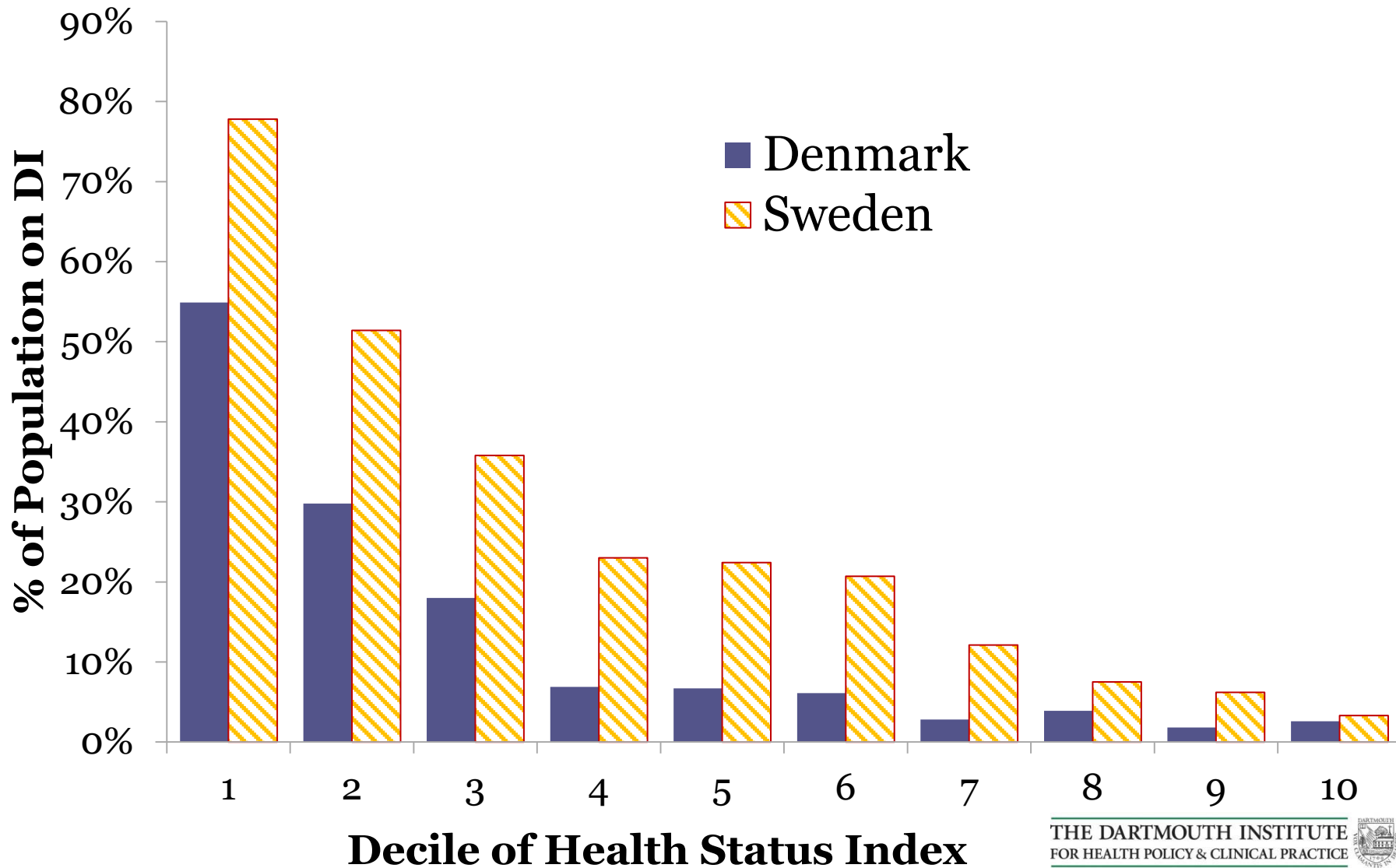
Each estimated using principal component analysis

* Following Daniel Mont's suggestion….

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Belgium vs. the U.S.

Denmark vs. Sweden

Consistent with 2009 OECD study…

Sweden is a nation with a historically strong ethos of social protection, and it is seeking to tackle the capacity assessment challenge…

[In Denmark]…a disability benefit is only granted where capacity is held to be permanently reduced to the extent that a flex-job cannot be performed…. In this respect, Denmark is a best-practice example within the OECD.*

*OECD, 2009. "Sickness, Disability, and Work: Keeping on Track in the Economic Downturn," Stockholm, 14-15, May 2009.

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	% on DI	Type I/II Error	Standard Quintile Measure	Functional Quintile Measure
Austria	6.9	5.1	53.1	51.2
Belgium	8.4	5.7	54.9	55.9
Denmark	13.9	7.2	62.8	63.2
France	2.8	2.3	59.1	61.1
Germany	6.7	5.6	48.8	51.7
Italy	5.0	3.5	67.4	65.2
Netherlands	13.7	8.0	56.7	53.1
Spain	8.2	5.7	54.8	54.8
Sweden	26.4	11.1	49.7	50.1
Switzerland	6.9	4.2	73.6	82.0
U.S.	8.6	4.8	77.1	77.0

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What about other pensions? Italy:

■ DI benefits   ▨ Other Public   ■ Non-Public Pension   ☐ No Pension

Health Status Index

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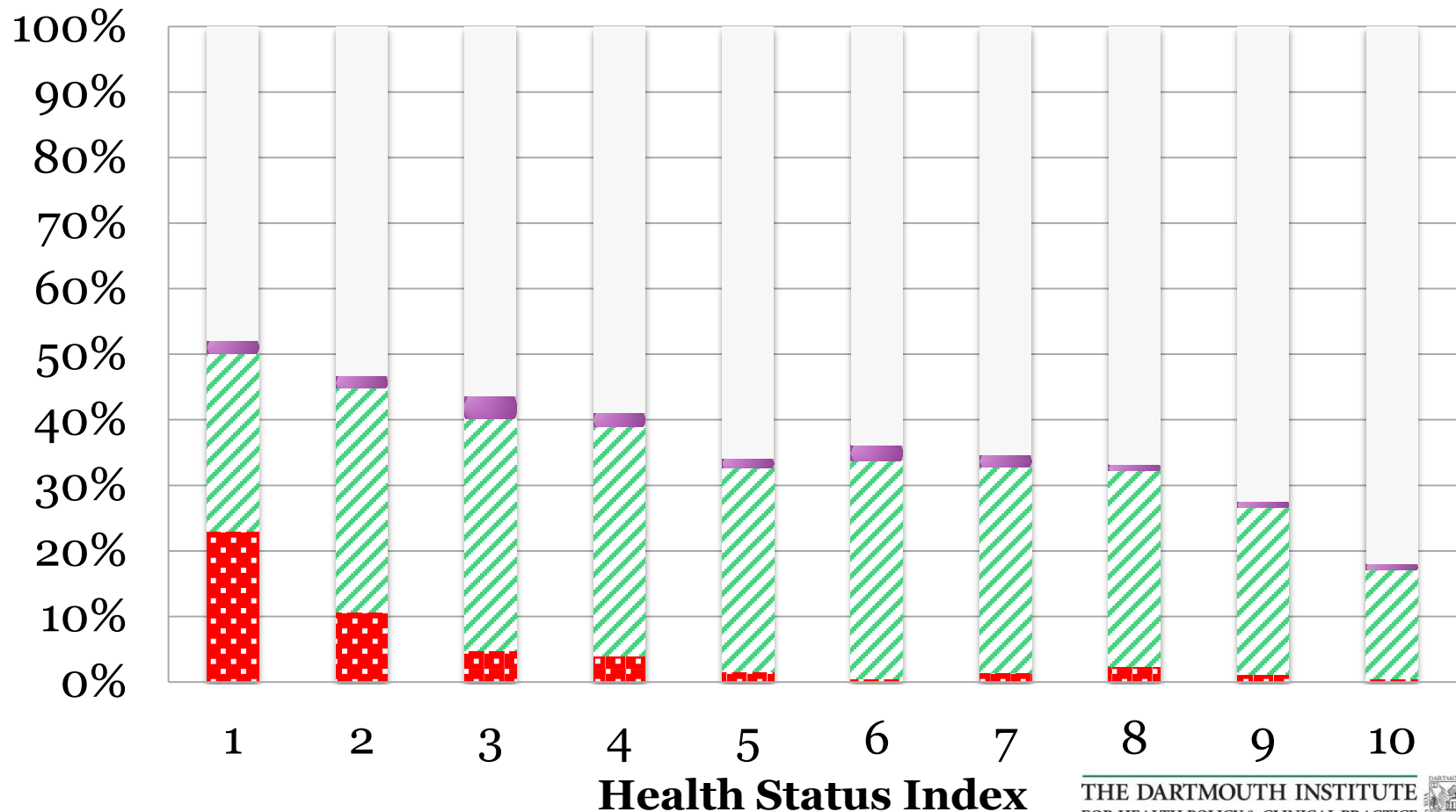
Conclusions

- Difficult to measure efficiency of DI programs—how well do they target those most in need?

- New approach using micro-level data of health and DI for 11 countries

- U.S., Denmark, and Switzerland do pretty well; France, Sweden, and Netherlands not as well

- Augmented model (not presented): DI insures against poor labor markets as well as poor health

The Efficiency of Government Disability Programs in Europe and the U.S.

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Discussant Remarks

Daniel Mont
University College London

Closing Remarks

**David Stapleton
Senior Fellow, Mathematica
Director, Center for Studying
Disability Policy**

What's Next

- **Be part of the conversation! Complete the DRC meeting survey to offer your input**

- **Videos, slides, and other materials for the DRC Annual Research Meeting will be available at www.disabilitypolicyresearch.org**

- **Save the date: the next CSDP Disability Policy Forum will be December 12, 2013**

    "Did the 2008 Regulatory Changes Resuscitate the Ticket to Work Program?"

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