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WHAT IS THE LONG-TERM IMPACT OF *ZEBLEY* ON ADULT AND CHILD OUTCOMES?

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The last 20 years have seen dramatic growth in the Supplemental Security Income program (SSI), the means-tested program for age, blind, and disabled individuals in the United States. Programmatic changes and welfare reform are widely cited as the underlying reasons for the particularly dramatic growth in the disabled child caseload.

In 1990, the U.S. Supreme Court decision in *Sullivan vs. Zebley* fundamentally, albeit temporarily, changed the criteria under which children qualified for SSI based on disability, and resulted in a dramatic increase in program costs. After the *Zebley* decision, the number of child applications more than quadrupled, and the acceptance rate increased from one-third to over one-half. This growth was accompanied by considerable change in the case mix: most of the growth came from children suffering from mental conditions other than mental retardation, including Attention Deficit Hyperactivity Disorder (ADHD) and behavioral problems (National Academy of Social Insurance 1995).

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which changed the SSI definition of disability for children, also fundamentally transformed the cash welfare system. There was a mandatory re-evaluation in 1997, which led to the termination of payments for over 90,000 children. Davies, Rupp, and Wittenburg (2009) find that the SSI termination rate is disproportionately higher for the 1990 and 1995 SSI child cohorts. Hemmeter and Gilby (2009) also show that the age-18 redetermination rejection rate was highest for those originally entitled to payments between 1991 and 1996. These findings suggest that these programmatic changes influenced both the acceptance into and exit from the SSI program.

Theoretically, SSI receipt could have either a positive or negative impact on later-life outcomes. First, SSI increases income for recipient households. Duggan and Kearney (2007) find that for every \$100 increase in SSI income, total household income increased by \$72, indicating only modest crowd-out of income from other sources. Second, the financial benefit of receiving SSI may also encourage parents to seek treatment for their children's conditions. Presumably, increases in household income that improve children's physical and emotional environments or provide treatment for disorders would benefit children. On the other hand, labeling a child as "disabled" may lower expectations and, in turn, combine with other factors that could lead to lower overall educational attainment for the child. This outcome, in turn, could lead to an increased dependence on the welfare system, disability system, or lower earnings later in life.

We use the 1994-2005 *National Health Interview Survey*, matched to Social Security administrative data, to gain large samples of the 1970-1994 birth cohorts – children affected, or potentially affected, by the change in the SSI eligibility criteria while they were in school. We compare SSI recipients who entered the program before, during, or after the *Zebley* reforms on a range of childhood and adult outcome. The childhood outcomes include health limitations, health insurance coverage, welfare receipt, and whether the child was behind the expected grade-level for his age. The adult outcomes include labor market outcomes, propensity to participate in public programs for the poor or disabled, health outcomes, and lifestyle outcomes, such as living with parents, homeownership status, and educational attainment.

Overall, we find that SSI recipients who entered during the *Zebley* era had more work experience and were less likely to receive welfare as an adult, and were less likely to have routine care limitations as a child. But two caveats appear. First, these individuals are less likely to have health insurance at any age. Second, individuals who entered SSI as children with a mental, endocrinal, or respiratory condition – the health conditions that are most affected by a transition to evaluating cases by age-appropriate functioning – appear to substitute welfare benefits for Social Security Disability Insurance (SSDI) or SSI benefits when they are adults. This latter effect could be due to increased awareness of the program and its disability determination process, or a decreased stigma effect of being on the program, which has been previously documented in the Supplemental Nutritional Assistance Program (SNAP) (Wu 2009).

While the SSI program was clawed back with PWRORA, our estimates suggest that the families enrolled in SSI during the *Zebley* years are still reaping positive benefits from the SSI program. We do not appear to have reached the “flat of the curve” within the SSI program. Further work should examine the costs of the *Zebley* extensions in order to do a full cost-benefit analysis to see if the gains achieved are worth the money spent.

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