

WORKING PAPER

Executive Summary

JUNE 2013, WP 2013-12

CENTER for
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at BOSTON COLLEGE

HOW DO THE DISABLED COPE WHILE WAITING FOR SSDI?

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A disabled worker seeking Social Security Disability Insurance (SSDI) benefits must first undergo a multi-layered and potentially lengthy disability determination process. Approximately one-third of SSDI applicants are awarded benefits during the first stage of the application process, with an average processing time of 4.3 months; for those few who appeal all the way through to the deferral courts, the average processing time is 57 months (Autor and Duggan 2010).¹ During the application and appeals processes, SSDI applicants receive no income support or medical benefits from the SSDI program. However, they face strong incentives to remain out of the labor force because evidence of gainful employment would disqualify their application.²

While considerable attention has been paid to how applicants fill the health insurance coverage gap, much less is known about how disabled individuals fund their consumption during the application process. Two notable exceptions include Bound, Burkhauser, and Nichols (2003) and Honeycutt (2004). They find that income from government transfers and temporary disability insurance programs partially offset the decline in SSDI applicants' own labor earnings. However, while the wait time for SSDI has drawn increased attention from research and the policy-making arenas, how waiting time is correlated with how individuals fund consumption remains unexplored.

Using the 1990 to 2008 *Survey of Income and Program Participation* (SIPP) linked to the SSA's *831 file*, this paper explores how the disabled cope financially while waiting for SSDI. The analysis starts with documenting the evolution of applicants' income and income sources, before SSDI application, during application, and after the final SSDI determination. The study focuses on seven coping strategies that applicants may rely on, including: (1) government transfers [Supplementary Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP), Temporary Disability Insurance (TDI), Workers' Compensation, and Unemployment Insurance (UI)], (2) earnings of the spouse, (3) financial assistance from family and friends, (4) changing living arrangement, (5) borrowing from credit, (6) withdrawals from their savings or 401(k) accounts, and (7) liquidation of housing assets. The study extends previous research by focusing on the relationship between the wait time and coping strategy usage. To do so, three

¹ Autor and Duggan (2010) include Compassionate Allowance cases, who receive priority in the disability determination process, in their sample. Maestas, Muller, and Strand (2011) eliminate Compassionate Allowance cases, and find the average wait time to be much longer: 6-20 months between application and the first stage determination.

² Gainful employment is defined here as earning over the Substantial Gainful Activity (SGA) amount, or more than \$1,010 (\$1,690) a month for non-blind (blind) disability beneficiaries in 2012..

different regression models are estimated, examining how wait time is associated with the initial coping strategies used in the month of the application, the average use of coping strategies over the duration of the application, and how the coping strategies change over time as the waiting continues.

Our analysis shows, with the exception of being married and changes in address, no strong relationship between application duration and initial or average coping strategy use. However, when we focus on the time since application, we find that some coping strategies are positively related to a longer time since application (e.g., spousal employment, SNAP and SSI take-up, selling a home), whereas other coping strategies are negatively related to the time since application (e.g., UI take-up, change in address).

Together, these findings suggest that being married at the onset of an application is an important precondition for being able to sustain a long application period. However, the cause of this correlation remains unknown. Spouses may provide important intra-household disability insurance, or they may just allow individuals to undertake more rounds of appeal. Aside from spousal employment, there are important dynamics at play concerning government sources of income. As wait time lengthens, applicants are less likely to report receiving UI and worker's compensation benefits. Benefits from these programs are relatively high, but access for these programs is restrictive and temporary. As the application duration continues, applicants are also more likely to report income from SNAP and SSI, which are two means-tested, relatively accessible income resources with relatively small benefits (e.g., Lindner and Austin 2013). While SSDI benefits are paid to the applicant retroactively, it would be interesting to further examine how much money from these other benefit programs support long wait times within the SSDI program.

Another interesting finding is the apparently different methods for which homeowners and renters finance consumption during a long wait period. Homeowners are more likely to sell and tap into their home equity, while renters are less likely to move to avoid the cost of moving.

Our study provides a first and important step to better understanding how various coping strategies may affect application duration. However, our analysis cannot address which of the causal mechanisms underlying the found relationships are relevant. For example, applicants may decide to use more means-tested benefits as the application process continues and as other means to support their consumption dwindle, or individuals who can tap these alternative sources of income may be more likely to file appeals and lengthen their wait time. Further work to disentangle the causal mechanism is important to determine the optimal resource allocation. For instance, if long wait times cause individuals to use means-tested programs, a reallocation of funds to decrease SSDI wait would also decrease outlays for these means-tested programs. If the availability of these coping strategies is leading to more appeals, causing a longer wait time, then the decision to appeal and eventual final SSDI determination could be a function of state welfare generosity or individual characteristics, such as home ownership, not related to one's medical conditions.

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