Thoughts on Disability Assumptions

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MAY 2019
New DI Beneficiaries, by age and gender

From 2011 Tech Panel Report:

\[
\text{Change in } DI_{\text{agt}} = POP_{\text{agt}} \times INS_{\text{agt}} \times INC_{\text{agt}} - DI_{\text{ag,t-1}} \times TERM_{\text{agt}}
\]

where

- \( DI \) = disabled worker beneficiaries
- \( POP \) = number of people in age-gender group
- \( INS \) = fraction insured for DI benefits
- \( INC \) = incidence of claiming DI benefits
- \( TERM \) = termination rate (death, recovery or conversion to OA benefits)
Let’s focus on incidence for now

Ultimate age-sex adjusted DI incidence rate:
- 2008-2011: 5.2
- 2012-2018: 5.4
- 2019: 5.2

Note 2011 Tech Panel recommended increasing to 5.6; 2015 Panel agreed with 5.4.

Projected DI Trust Fund Depletion Date:
- 2018: 2032
- 2019: 2052
Age-Sex Adjusted DI Incidence Rate and Unemployment Rate

Age-Sex Adjusted Disabled Worker Incidence Rate vs. Unemployment Rate
Age-Sex Adjusted DI Incidence Rate and Unemployment Rate

Unemployment Rate
Linear Trend Prediction (UR=5.96)
Given the continuing decline in the unemployment rate, does the experience of the last 8 years really tell us anything new about DI incidence? DI incidence at historic low...but so is unemployment rate.

On the other hand, there’s something about the Great Recession... UR increased about twice as much in Great Recession vs. previous two recessions (5pp in GR vs. ~2.2pp in early 90s/2000s) but DI incidence increased about the same.

Parallel declines in private sector suggest whatever’s going on is not specific to Social Security (e.g., due to ALJ reforms, or field office closings)

Could the Great Recession be masking underlying population changes in health (probably not) or nature of work (jury’s still out)?