Greater Prevalence of Illicit Opioids Reduces Labor Supply and Increases Claims for Disability Insurance

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THE ISSUE

Since the $143 billion annual expenditure for Social Security Disability Insurance (SSDI) represents 4 % of the federal budget, policymakers are eager to understand what drives SSDI enrollment. Some studies suggest that the opioid crisis may affect both labor supply and social insurance programs. However, that work typically focuses on prescribing rates for opioids, not the growth of illegal markets.

STUDY FOCUS

Center researchers examined how increased use of illicit opioids such as heroin and fentanyl affected labor market participation and claims for disability insurance. In particular, the team focused on how the **reformulation of OxyContin** in 2010 triggered a transition from abusable prescription opioids to these illicit opioids and accelerated growth in the illicit market. The team constructed measures of labor supply from multiple complementary sources and used data from the Social Security Administration to assess disability claiming.

KEY FINDINGS

Compared with other states, states that had higher rates of OxyContin misuse before the drug was reformulated in 2010 subsequently experienced higher rates of heroin and fentanyl overdoses, and those states also had greater relative reductions in labor supply.

States with greater growth in use of these illicit drugs also has higher rates of disability claiming among their population 18-64.

IMPLICATIONS FOR POLICY

Policies intended to reduce the harms of the opioid crisis by limiting the supply of drugs can be a double-edged sword. Reformulation of OxyContin did reduce non-medical use of opioids and other pain relievers, but it also stimulated growth in the market for illicit drugs, which had associated effects on national labor supply and the number of individuals claiming disability insurance. We can anticipate that as the market for heroin and fentanyl grows, economic harms will also grow.

Is the Rise in Illicit Opioids Affecting Labor Supply and Disability Claiming Rates? Sujeong Park, David Powell. *Journal of Health Economics*, Volume 76 (March 2021). doi: 10.1016/j.jhealeco.2021.102430.

Funded by the National Institute on Drug Abuse P50 DA046351