

Effects of Employer Health Insurance on Disability Insurance Claiming

Health insurance and employment decisions often go hand in hand in the United States because most health insurance is provided by employers. The Affordable Care Act (ACA), however, will change the way some workers think about their health care because they will now be able to find guaranteed coverage through insurance exchanges regardless of health or employment status.

Commentators are already concerned that health care reform could influence large numbers of people to leave the workforce under certain circumstances. A related concern is that more workers with disabling health conditions could turn to disability insurance for their medical needs. Because the Social Security Disability Insurance (SSDI) program has a 29-month waiting period from the onset of the disability to the determination of eligibility for benefits, workers who become disabled have faced a difficult dilemma (often called “employment lock”): They



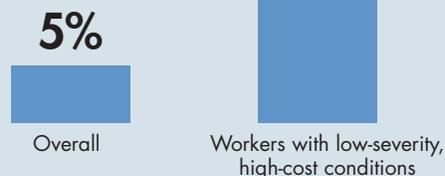
can attempt to keep working in spite of their impairment to maintain health insurance from their employer or they can stop working in order to apply for SSDI and risk an extended period of time without insurance. The ACA changes that calculation by making health insurance available to the unemployed at a reasonable cost.

Is this change likely to lead to sharp increases in SSDI applications? If so, it could hobble a system that is already oversubscribed. Indeed, according to the Social Security Trustees, the SSDI system will begin paying out more in benefits than it receives in payroll contributions as soon as 2016.

A new RAND study offers rigorous analysis of the effect of employer-provided health insurance on workers' decisions to leave the workplace and apply for disability insurance when they become disabled. Specifically, it tests whether individuals who rely on their employers for health insurance are more likely to continue working after the onset of a disabling health condition than are those with other health insurance options, such as coverage from a spouse's employer.

The study finds that employer-provided insurance has a strong influence on a certain type of newly disabled worker—those who largely retain their physical functional capacity and whose disability is expected to have high medical costs, such as cancer. These workers are 23 percent more likely to continue to work in the years immediately following disability onset (see the figure) if they rely on their employer

Workers with low-severity, high-cost conditions are 23 percent more likely to continue to work if they rely on their employer for insurance



for health insurance than are those with the option of obtaining health insurance through a spouse. Workers with these types of health problems represent 20 percent of newly disabled workers aged 51 or older.

By contrast, there is little evidence of employment lock for other types of workers with disabilities, such as those with more severe disabilities or lower expected medical costs. The researchers hypothesize that the reason most workers do not continue to work to retain their employer-based insurance is that they may be physically or mentally unable to work: i.e., the effort cost of work is so large that it outweighs the influence of other factors, such as retaining health insurance. Another reason could be that the value of health insurance may be low for some conditions.

At the same time, researchers do not find evidence of an effect on disability claiming, even among workers with low-severity and high-cost conditions: i.e., they do not find that workers who decide to stay employed would have applied for disability insurance benefits if they had other options for their health insurance.

In sum, the study suggests that having an alternative to employer-based health insurance does alter the decision of some workers with disabilities: Those with low-severity, high-cost conditions are more likely to leave their jobs if they are covered by another health insurance option, such as their spouse's insurance. However, researchers find no evidence that this reduction in continuing employment leads to a corresponding increase in SSDI claiming. This suggests that the ACA may substantially alter the employment—but not necessarily the SSDI claiming—decisions of some newly disabled workers.



www.rand.org

HEADQUARTERS
CAMPUS

1776 Main Street
P.O. Box 2138
Santa Monica, California
90407-2138
TEL 310.393.0411
FAX 310.393.4818

© RAND 2014

This brief describes work funded by the Alfred P. Sloan Foundation, conducted within the RAND Center for Disability Research, and documented in *Source of Health Insurance Coverage and Employment Survival Among Newly Disabled Workers: Evidence from the Health and Retirement Study*, by Matthew J. Hill, Nicole Maestas, and Kathleen J. Mullen, WR-1040 (available at http://www.rand.org/pubs/working_papers/WR1040.html), 2014. This brief is designed to communicate emerging research to policymakers and the public. Although the working paper on which this is based has undergone peer review, the research should be treated as work in progress. Conclusions are preliminary and subject to change.

The RAND Corporation is a nonprofit research institution that helps improve policy and decisionmaking through research and analysis. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

RAND® is a registered trademark.

PHOTO CREDITS Front pg. © defun - Fotolia.com ; pg 2. © JackF - Fotolia.com

RB-9776 (2014)



CHILDREN AND FAMILIES
EDUCATION AND THE ARTS
ENERGY AND ENVIRONMENT
HEALTH AND HEALTH CARE
INFRASTRUCTURE AND
TRANSPORTATION
INTERNATIONAL AFFAIRS
LAW AND BUSINESS
NATIONAL SECURITY
POPULATION AND AGING
PUBLIC SAFETY
SCIENCE AND TECHNOLOGY
TERRORISM AND
HOMELAND SECURITY

The RAND Corporation is a nonprofit institution that helps improve policy and decisionmaking through research and analysis.

This electronic document was made available from www.rand.org as a public service of the RAND Corporation.

Support RAND

[Browse Reports & Bookstore](#)

[Make a charitable contribution](#)

For More Information

Visit RAND at www.rand.org

Explore the [RAND Corporation](#)

View [document details](#)

Research Brief

This product is part of the RAND Corporation research brief series. RAND research briefs present policy-oriented summaries of individual published, peer-reviewed documents or of a body of published work.

Limited Electronic Distribution Rights

This document and trademark(s) contained herein are protected by law as indicated in a notice appearing later in this work. This electronic representation of RAND intellectual property is provided for non-commercial use only. Unauthorized posting of RAND electronic documents to a non-RAND website is prohibited. RAND electronic documents are protected under copyright law. Permission is required from RAND to reproduce, or reuse in another form, any of our research documents for commercial use. For information on reprint and linking permissions, please see [RAND Permissions](#).