RESEARCH IN BRIEF | September 23, 2024

The impact of Medicaid expansion on disability benefit take-up

Research brief summarizing work by O-Lab affiliate Becky Staiger (UC Berkeley School of Public Health), Madeline Helfer (National Bureau of Economic Research) and Jessica Van Parys (Hunter College).

Background

The programs making up the US social safety net provide economic support to individuals and families through a variety of mechanisms, spanning both in-kind and cash transfers. However, because of varying eligibility criteria and different rules around how to access benefits, the overall effectiveness of the system is limited – and there are serious concerns about how well benefit programs reach the communities they are designed to serve. The patchwork structure of the US social safety net also means that changes to one program can have dramatic implications for others, as changes in families' economic statuses shift their incentives and eligibility for other benefits.

While the fact that many eligible individuals fail to enroll in income support programs is well-documented, there is limited research on how changes to rules and eligibility criteria in one program impact participation across other programs, and how these impacts vary across racial groups. In "The effect of Medicaid expansion on the take-up of disability benefits by race and ethnicity," Becky Staiger, Madeline Helfer, and Jessica Van Parys examine these questions, with a focus on how Medicaid expansion under the Affordable Care Act (ACA) has shifted participation in two core programs serving people with disabilities: **Supplemental Security Income (SSI)** and **Social Security Disability Insurance (SSDI)**.

How Medicaid expansion could impact SSI and SSDI participation

While both SSI and SSDI support those who are unable to work, their target populations, eligibility rules, and incentives function very differently. Whereas SSI functions as a "safety net of last resort" for low-income, disabled people with limited employment history, SSDI requires significant prior work experience and typically provides larger benefit payments. Figure 1 outlines key distinguishing features of the two programs.

SSI and SSDI also have different processes for providing healthcare coverage, and the expansion of Medicaid availability is thought to affect program enrollment in different ways. In many states, enrollment into SSI automatically triggers enrollment into Medicaid. But to qualify, one must have a very limited employment history. This suggests that, for low-income people who may not have previously qualified for Medicaid based on income alone, the expansion of Medicaid could offer a pathway to healthcare while allowing recipients to continue to

KEY QUESTIONS

How might Medicaid expansion impact the takeup of the Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) programs?

How do the effects of Medicaid expansion on disability program takeup vary among different racial and ethnic groups?

Can the effects of Medicaid expansion offer insight into whether eligible individuals forgo SSDI to retain employer-sponsored health insurance coverage?

FIGURE 1:
Comparing features of SSI and SSDI

SUPPLEMENTAL SECURITY INCOME (SSI)	SOCIAL SECURITY DISABILITY INSURANCE (SSDI)
• 7.6 million recipients; 25% derive 90-100% of income from payments • Available to disabled individuals with limited employment history • Recipients must earn less than minimum income threshold • Often triggers automatic enrollment in Medicaid • Typically, **smaller** benefit amounts	• 9.9 million recipients — 29% derive 90-100% of personal income from benefit payments • Enrollment requires significant work history (5 out of the past 10 years) • Recipients must earn less than minimum income threshold • Recipients are eligible for Medicare coverage, usually after 2 year waiting period • Typically, **larger** benefit amounts
↓ Predicted effect of Medicaid expansion: reduced takeup	↑ Predicted effect of Medicaid expansion: increased takeup

work or start working. In this case, expansion of Medicaid could lead to a **reduction in SSI takeup.**

By contrast, people who receive SSDI become Medicare-eligible, even if they are under the age of 65. However, most SSDI recipients must first go through a 2-year waiting period before receiving benefits. Many researchers believe that this waiting period creates "job lock" – a phenomenon in which individuals who would be eligible for SSDI choose to forgo enrolling in the program. Instead, they continue working to maintain their employer-sponsored health insurance (ESHI), rather than lose coverage during the waiting period. For this group, Medicaid expansion could lead to an **increase in SSDI takeup**, as individuals can enroll in Medicaid to fill their 2-year coverage gap.

Evaluating the impact of Medicaid expansion of SSI and SSDI participation

To examine how Medicaid expansion impacted SSI and SSDI take-up across different populations, Staiger and coauthors used data from the Annual Social and Economic Supplement (ASEC) of the Current Population Survey (CPS), which covers 60-90 thousand households annually via field and telephone interviews. The team restricted their sample to the time period of 2009 – 2020, and focused on respondents from ages 18 to 64, to capture working-age individuals. Altogether, the team's dataset features over 2 million respondent-years, and captures information on disability status, racial and ethnic demographics, socioeconomic status, employment, and benefit enrollment of each recipient.

FIGURE 2:
Variables captured by CPS data

VARIABLES CAPTURED BY CPS DATA	
• Race and Ethnicity	• SSI & SSDI Participation
• Household income	• Medicaid enrollment
• Employment	• Insurance status
• Earnings	• Self-reported disability

Using a seven-question sequence to identify the population of disabled respondents, the research team characterized 158,078 respondents (11.38%) as having one or more disabilities. They then compared changes in responses (regarding receipt of Medicaid, SSI, and/or SSDI) among individuals with disabilities before and after the expansion, in states that expanded Medicaid in 2014 relative to states that did not.

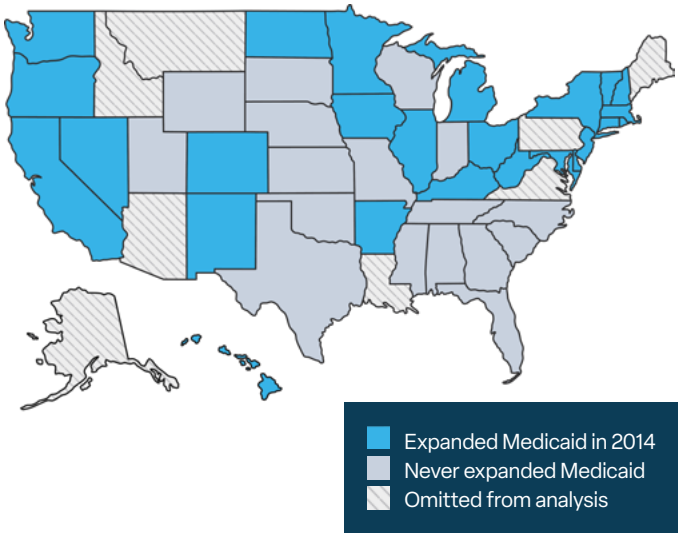
The team identified 26 states that expanded Medicaid access in 2014 and 17 states that did not. (See Figure 3.) Due to data reporting issues, or to variation in the timing of expansion, 7 states were excluded from the analysis.

To determine whether the effects of Medicaid expansion differed by racial and ethnic groups, the authors further compared changes in responses among individuals with disabilities of a particular race/ethnicity living in an expansion state, before and after the expansion, relative to the change in responses among individuals with disabilities of the same race/ethnicity living in non-expansion states.

Findings

Staiger and her colleagues found variation in a few different areas. First, they documented racial and ethnic variation in who qualifies as disabled. Second,

FIGURE 3:
Mapping state Medicaid expansion



they found racial and ethnic variation in the rates at which disabled respondents enrolled in SSI and SSDI. Third, they found significant differences in how the expansion of Medicaid in the 14 "expansion states" shifted enrollment levels in SSI and SSDI, both overall and by race. Finally, the team presented evidence on how the job lock phenomenon might be influencing enrollment in SSDI. These key findings are shown in Figures 4 and 5, and are outlined in more detail below.

Prior to Medicaid expansion, the team found that American Indian and Alaska Native (AIAN) respondents reported the highest rates of disability (21%), followed by Black (16.9%) and Other (16.6%) respondents, with white, Hispanic, and Asian respondents exhibiting lower levels (13%, 9%, and 6%, respectively).

Out of this population of working-age respondents with disabilities, Black respondents demonstrated the highest rates of SSI enrollment (26% of eligible Black respondents), followed by AIAN (24%), white (15%) and Asian respondents (13%). For SSDI enrollment, Black respondents still reported the highest rates (27%), followed by white (25%) and AIAN respondents (22%).

Evaluating the effect of Medicaid expansion on SSI and SSDI enrollment rates, the research team found that the expansion reduced overall SSI take-up by 10% and increased overall SSDI take-up by 8%. These effects also varied by race and ethnicity: the decrease in SSI take-up was only statistically significant for white and Hispanic respondents (10% and 21%, respectively), and the increase in SSDI take-up was only significant for white and Black respondents (9% and 11%, respectively). They also found that, following Medicaid expansion, respondents with disabilities in expansion states were 8% less likely to have ESHI, consistent with the hypothesis that job lock is, at least in part, a driving factor in SSDI-eligible individuals opting out of the program when they would otherwise enroll.

FIGURE 4:
Rates of SSI and SSDI receipt among respondents

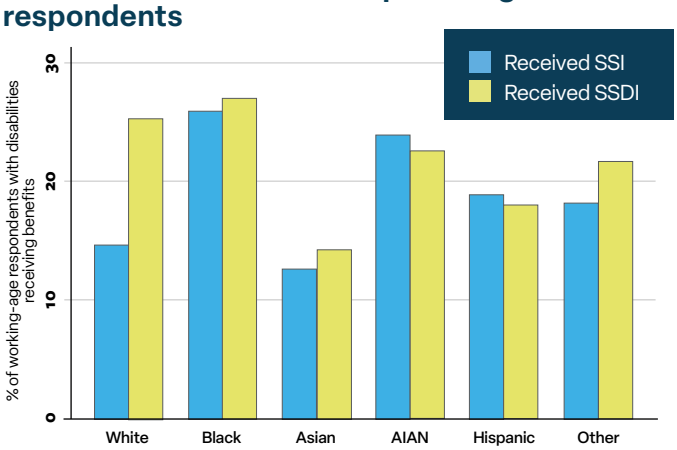


FIGURE 5:
Key findings

21% ↑ likelihood to enroll in Medicaid post-expansion, compared to non-expansion states

10% ↓ in overall SSI takeup, with reductions driven by white and Hispanic respondents

8.1% ↑ in SSDI takeup across all racial groups, with increase driven by white and Black respondents

Suggestive evidence that job-lock is a factor limiting eligible, disabled people from receiving disability benefits

Implications for policy and future research

This work provides important new evidence on how the rules and eligibility criteria of income support programs can shift the behavior of those who may be most likely to benefit from them. Specifically, Staiger and colleagues have shown that expanding access to health insurance through Medicaid reshapes the population of people who enroll in SSI and SSDI. It does so in two directions: by (a) leading some people to not enroll in SSI who would otherwise use the program to access healthcare, and (b) leading others to enroll in SSDI who would otherwise not, due to lacking healthcare coverage during the enrollment waiting period. This finding has particular relevance for the Social Security Administration as it considers potential changes to either of these policies. More broadly, the work points to the fundamental role that healthcare coverage plays in shaping economic decision-making, and the urgent need for more clarity in how we provide assistance to individuals and families with disabilities.

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