Transitions from Workers' Compensation and State Temporary Disability Insurance to Social Security Disability Insurance: Predictive Characteristics and Options for Early Intervention

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1. Introduction

In its 2006 report on a "Disability System for the 21st Century," the Social Security Advisory Board (SSAB) suggested providing employment services, training, and other early interventions to people before providing them disability benefits (SSAB 2006). SSAB also recommended studying the potential for early interventions to stem the flow of workers out of the labor force and into Social Security Disability Insurance (SSDI) in the five states with mandatory short-term disability insurance (STDI). Presumably a very large share of SSDI entrants from these states claim either STDI or workers' compensation (WC) benefits first, while they are still connected to an employer. Hence, for early intervention purposes, it might be possible to use the STDI and WC benefit systems to identify those workers most likely to enter SSDI soon after they experience a significant medical problem but before they are separated from their employer. As a first step, it would be useful to identify people in such programs who may benefit from early intervention and to understand the services and supports available to them now.

The prospect of identifying STDI or WC claimants who are likely to enter SSDI while still connected to their employers is intriguing—numerous studies point to employer cooperation as key to keeping the worker in the labor force.[1]In this paper, we examine this prospect specifically for California, which has the largest mandatory STDI program, simply called State Disability Insurance (SDI). According to the annual report on the SSDI program, over 70,000 California residents began receiving SSDI benefits as disabled workers in 2013—over 8 percent of all awards that year, and more than any other state (SSA 2014a). In addition, more than 60,000 Californians began receiving Supplemental Security Income (SSI) (SSA 2014b). Many SSDI beneficiaries from California remain connected to WC or California's STDI program for some period after SSDI entry. In December 2008, over 17 percent of the 617,080 SSDI disabled worker beneficiaries from California were receiving WC, STDI, or both, or they had a pending application to receive those benefits (Parent et al. 2012). Other Californians presumably entered SSDI sometime after they had exhausted their WC or STDI benefits.

Identifying the characteristics and medical conditions of workers who transfer from STDI and WC to SSDI and SSI, as well as improving our understanding of the services and supports available to them, can help policy makers develop early interventions designed to help such workers stay in the labor force rather than enter SSDI.

2. California's WC and STDI Programs

California's WC program, which is financed by employers, pays temporary disability benefits to workers who cannot work due to an occupational injury or illness. Benefits are two-thirds of the worker's average weekly wage over the past 12 months. In 2015, the minimum and maximum weekly benefits are $161 and $1,075, respectively. Benefits in most cases are paid for up to two years (104 weeks), with certain conditions eligible for up to five years of payments (260 weeks). WC also pays all medical costs related to an injury, and a worker can receive other indemnity benefits, such as permanent disability, job training, and job placement. In 2013, across all industries and government agencies in California, close to 470,000 nonfatal occupational injuries were reported, with about 150,000 of them resulting in one or more days away from work (U.S. Bureau of Labor Statistics 2014).

[1] See, for instance, the review by Bevans (2015).

California's STDI program was established in 1946 and is financed through employee payroll deductions. The program pays temporary disability benefits for nonoccupational conditions. It pays for up to 52 weeks at 55 percent of a worker's base period wages—a lower replacement rate than for WC and for a shorter period. In 2015, the minimum and maximum weekly benefits are $50 and $1,104, respectively. The program does not pay medical benefits. If a worker with an occupational condition exhausts the 104 weeks of WC benefits, he or she can qualify for up to an additional 52 weeks under the STDI program. From July 1, 2013, through June 30, 2014, close to 470,000 nonpregnancy STDI claims where paid.

To better understand the nature of California's WC and STDI programs, the extent to which they already provide return-to-work services, and the potential for early intervention, we interviewed, in person, representatives of the following organizations in California:

- Employment Development Department (STDI administrator)
- Department of Industrial Relations (WC administrator)
- Department of Rehabilitation
- State Compensation Insurance Fund
- World Institute on Disability
- Integrated Benefits Institute

Based on these interviews, we conclude no return-to-work services are systematically provided to California's STDI claimants—the program just administers the payments. In WC, the State Fund (the WC insurer of last resort) is implementing an innovative and promising approach to early intervention, but otherwise there is very little in terms of supporting or encouraging return to work beyond efforts to control the cost of temporary disability indemnity.

3. Preliminary Quantitative Findings

To effectively identify WC and STDI claimants who are likely to enter SSDI, we would ideally have access to administrative records for WC and STDI claimants that are matched to their SSA records.[2] In lieu of such data, we used WC and STDI administrative data to identify the characteristics and medical conditions associated with three proxy measures: receipt of benefits for at least 3 months, 6 months, and 12 months.[3] Because we are waiting to receive the STDI administrative data, we can only present results for WC claimants.

The file we received from the California Division of Workers' Compensation contains 3.7 million WC claims with months of injury from January 2007 to June 2012. Of these, close to 650,000 (17.7 percent) received temporary disability payments for lost time, with mean durations of 139 days for men and 152 days for women. Mean durations were highest for those ages 45–54 and for those with musculoskeletal or psychiatric conditions; mean durations generally fell with the weekly wage.

[2] At this point, due to legal impediments, we have stopped pursuing data match agreements between WC and SSA or SDI and SSA.

[3] Three months is likely the earliest point at which early intervention is possible without including many who would return to work without assistance.

Preliminary descriptive statistics suggest the following:

- Musculoskeletal or psychiatric conditions are associated with relatively long periods of disability and are much more likely than than other medical conditions to exceed 12 months of temporary disability payments.
- Within each of those two categories, certain subdiagnoses (such as lower-back pain illnesses, depression, or post-traumatic stress disorder) are associated with much longer periods of disability than other subdiagnoses.
- Having a secondary psychiatric condition is associated with much longer-lasting disability and a 50 percent higher chance that the disability will exceed12 months.
- Some traumatic conditions, notably burns and concussions, are associated with short periods of disability on average, but the probability of exceeding 12 months is much greater once the duration exceeds 3 months.

4. Conclusions

WC and STDI programs in California and other states area promising venue for identifying people who (1) would benefit from early intervention to prevent SSDI entry and (2) are still connected to their employers. Although California is making a systematic effort to help more WC claimants return to work, it is not doing the same for STDI claimants. The state might benefit from such an effort, presumably via better economic outcomes for workers, increases in state tax revenues, and lower Medicaid spending, but the costs might well exceed the gains to the state. The federal government may have a larger incentive to support an early intervention effort: the potential savings in terms of SSDI/SSI benefits and Medicare/Medicaid expenditures. In either case, successful early intervention will require timely identification and effective targeting, recruiting, and provision of services and supports. Our findings suggest that timely identification and effective targeting are possible. Access to state administrative records matched with SSA records would help design even more effective identification and targetingstrategies.

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