

Down, or Down and Out? Health Shocks and the Disability Spiral

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Key Findings and Policy Implications

As people age, they experience a variety of events, both good and bad. Jobs change, families grow or fall apart, and health improves or deteriorates. While shocks are common, the response to these shocks is quite variable across individuals. In response to a bad shock, for example, some people are affected only mildly, while others spiral out of control: they may have follow-on health conditions (e.g., depression), become divorced or separate, and initiate or re-initiate use of legal or illegal substances. The goal of this paper is to see what divides those who are ‘down’ from those who are ‘down and out.’ The paper uses data from the 1996 through 2010 health and retirement survey (HRS). It finds that:

- A surprisingly large number of people go through a downward spiral in their near-retirement years. Out of a sample of roughly 10,000 people in their 50s who we can follow over time, 50 percent will be hit by a series of two or more adverse events over a six year period. Adverse events include divorce or separation, loss of social networks, substance abuse, depression, or losing a job.
- Both low socioeconomic status and having a major health shock are associated with a large number of subsequent adverse events. Major health shocks – defined as new diagnoses of heart disease, lung disease, cancer, stroke, or a psychiatric condition – are associated with a large number of subsequent adverse events. Having health insurance does not substantially mitigate the role of health shocks in leading people to being down and out.
- Low socioeconomic status is also associated with a large number of subsequent adverse events. Following a major health shock, however, high socioeconomic status does not substantially mitigate subsequent adverse events.

The policy implications of the study are very important to disability policy, because of the tendency of those entering the SSDI program today to remain there permanently. Developing a better understanding of the factors that lead to recoveries following health shocks – versus a cycling of multiple adverse events – may be very important to policy reforms that facilitate program departure for those whose disabilities can be managed or improved.

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