

RESEARCH BRIEF

Who is Screened Out? Application Costs and the Targeting of Disability Programs

Based on BFI Working Paper No. 2019-27, "[Who is Screened Out? Application Costs and the Targeting of Disability Programs](#)," by Manasi Deshpande, UChicago assistant professor in economics, and Yue Li, assistant professor in economics, University of Albany

KEY TAKEAWAYS

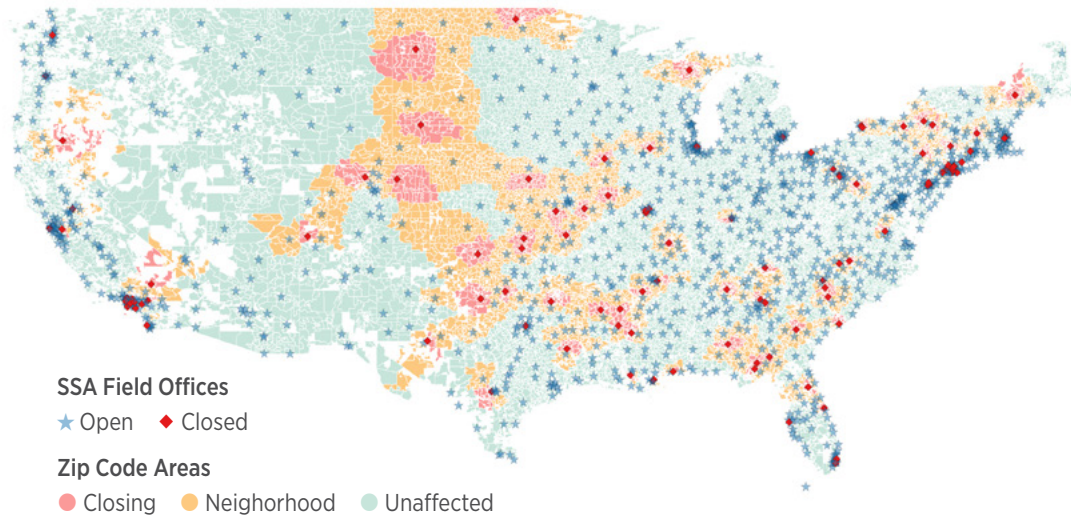
- ✓ Applications for Social Security disability payments are complex
- ✓ New research reveals that closing Social Security Administration field offices has a costly effect on some applicants
- ✓ Field office closures reduce disability applications by 10 percent, and the number of new recipients by 16 percent in affected areas

For those who have never needed the aid provided by Social Security disability programs, the process might seem straightforward: go online, fill out a form, attach a doctor's letter, and wait for the assistance to arrive.

However, the process is much more complicated. The forms are long and complex, including detailed medical statements, and government screeners carefully adjudicate who is allowed benefits based on a number of criteria. The whole procedure takes considerable attention, appropriately so, and as a measure of time is costly for both the applicant and the government agency.

This process raises a number of questions about its effectiveness and impact. Do complicated applications weed out those who, perhaps, do not truly need assistance? Or do such processes impede those in need from the aid they require? For example, are those with limited cognitive skills unnecessarily hampered by an application's complexity?

Figure 1 • Field Office Closings and ZIP Classification in the US



Notes: This map gives the locations of Social Security field offices, including both open and closed offices as of 2016. In addition, map codes different types of ZIPs: ZIPs whose nearest office was closed (“closing” ZIPs), ZIPs whose nearest office is the second or the third nearest field office of a closing ZIP prior to the closing event (“neighboring” ZIPs), and all remaining ZIPs (“unaffected” ZIPs). Source: Authors’ mapping based on Social Security Administration and Census Bureau data.

However, these questions have largely escaped empirical analysis as researchers have relied on hypothetical suppositions and theoretical analysis, including insights from behavioral economics. In “Who is Screened Out? Application Costs and the Targeting of Disability Programs,” Manasi Deshpande, UChicago assistant professor in economics, and Yue Li, assistant professor in economics, University of Albany, provide the first empirical framework for determining how the application process shapes disability programs. By reviewing how the closure of Social Security Administration (SSA) field offices impacts disability applicants, Deshpande and Li are able to determine the effect of an increase in application costs, and the results are unambiguous: field office closures reduce disability applications by 10 percent — and the number of new recipients by 16 percent in affected areas.

Putting a price on paperwork

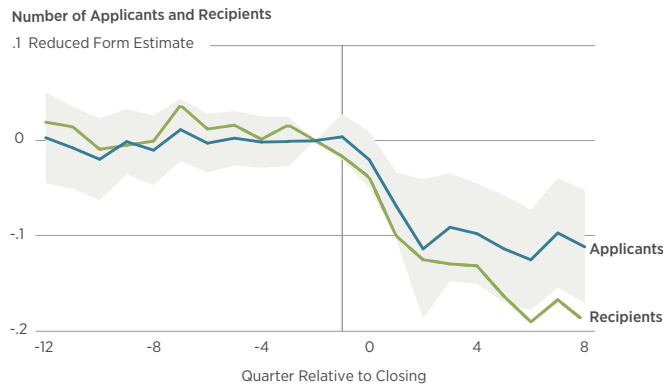
As suggested above, it is not easy to apply for Social Security disability payments. Indeed, the process is arduous enough that the SSA has established field offices to aid possible recipients in the application process (these field offices do not make medical decisions about disability awards). Even in an age of online services or with the option of telephone counseling, onsite locations provide valuable guidance for navigating the application process. What happens, then,

when a field office closes and applicants are suddenly confronted with longer and otherwise more costly commutes to new locations?

To answer this question, the authors use detailed data on disability applicants and compare the number and composition of applicants and recipients in areas where a field office has closed to areas where a closing occurs several years later. In each case, they analyze data before and after the closing. Further, they determine and evaluate the effect of different costs imposed by the closings, including travel time to the new location and wait times at those offices.

Importantly, the authors investigate how the cost of application affects individuals across four key measures: the applicant’s level of disability, the type of disability, socioeconomic status, and the applicant’s age. In the first case, regarding levels of disability, the authors find that applications decline 4.8 percent among those with “low” severity disabilities and 3.3 percent among those with “very high” severity; the biggest impact occurs among those with “medium” severity disabilities, 34 percent, and “high” severity, 17 percent. The authors hypothesize that very high severity applicants have a low opportunity cost of applying because of poor health, while low severity applicants have a low opportunity cost of applying because of poor skills.

Figure 2 • Effect of Closings on Number of Disability Applications and Allowances



Notes: Figure plots estimates of the effect of the closing on applications (recipients) in closing ZIPs in the event quarters before and after the closing. The dependent variable is the log number of disability applications (blue) or the log number of disability recipients (green). Shaded region is 95 percent confidence interval for disability applications. Sample is ZIP codes whose nearest office closes after 2000 and that have an average of at least four disability applications per quarter in the year before the closing. Regressions are weighted by application or recipient volume in the year before the closing.

In terms of disability type, the authors categorize applicants based on SSA’s “body system code,” including mental conditions, musculoskeletal conditions like back pain, and other physical conditions. Field office closings result in a larger decrease in applications among those with mental (12 percent) and physical (11 percent) conditions, compared to musculoskeletal (6 percent) conditions.

Regarding socioeconomic status, the authors find that the closings disproportionately discourage low-education and low-earning applicants from applying. The authors measure education and income levels among adult applicants and find that applications decline by 14 percent for high school dropouts, 7 percent for high school

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graduates, and 5 percent for college graduates. When considering income (measured as annual earnings in the five years previous to application), the authors reveal that applications decline more for those with the lowest income. For those earning \$0-\$5,000 the application rate drops by 11 percent, while the decline for those earning more than \$25,000) is just 4 percent.

Finally, older applicants are more inclined to apply for disability payments despite a field office closing: the drop-off in applications for those over 50 is 5 percent, compared with 13 percent for younger applicants.

What factors may be motivating these declines in applications and what are the ultimate costs for applicants? To estimate the cost of congestion, the authors use wait times for walk-in applicants and application processing times. These data reveal that SSA field office closings result in the following increases for neighboring offices:

- 36 percent in walk-in wait time (4.8 minutes),
- 12 percent in processing time (3.4 days), and
- 70 percent in the number of applications (5.1) that take longer than 40 days to process.
- As for travel times, the authors use calculations from Google Maps to estimate an increase of about 40 percent in driving and public transit time (10 minutes for driving and 37 minutes for public transit).

How do such increases in field office congestion and travel times affect applicants? Deshpande and Li find that 54 percent of the reduction in applications is driven by congestion, 4 percent by increased travel distance, and 42 percent by other factors. One reason that congestion has a much larger impact than travel distance, the authors suggest, is that congestion affects both in-person visits and phone contacts.

Finally, the authors put a dollar amount to the costs and benefits experienced by those applicants facing a location change. Comparing how much applicants give up in benefits when they do not apply for disability benefits to the extra amount of time required to complete the application after the field office closings, the authors find that applicants behave as though their time is worth \$100 per hour. Potential

applicants behave as though they are willing to lose \$670 in expected benefits to avoid increased congestion, \$50 to avoid longer driving distance, and \$510 to avoid other costs of switching offices.

In the end, the authors find that the discouragement effect of an SSA field office closing—10 percent reduction in applications and 16 percent reduction in new recipients—falls on those with moderately severe conditions, low education levels, and low pre-application earnings. These discouragement effects persist for at least two years and can also spill over into neighboring offices that experience more congestion as applicants seek new field office locations.

In the end, the authors estimate that the cost (loss of social welfare) and benefit (government savings) ratio for the 118 SSA field office closings in their study as 5.4 to 1, with a total net social cost of \$1.2 billion. That number turns positive,

CLOSING TAKEAWAY

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though, when the authors use a standard in which only “severe” applicants are considered deserving.

Conclusion

Disability is hard to observe and quantify, and the SSA application process is the only means the government has to determine who needs disability payments and how much they require. This means that the application process should be rigorous enough to weed out those who do not actually require disability payments to maintain a healthy standard of living. However, if the application process is too onerous, some individuals with severe disabilities can fall through the cracks and miss out on necessary benefits.

This paper provides the first empirical evidence for determining the cost of a key factor in the application process: the presence of SSA field offices. Closing an office reduces the number of applicants by 10 percent and the number of new recipients by 16 percent in affected neighborhoods; a similar, though smaller, effect is also noted in areas surrounding the impacted neighborhoods as applicants move to new, and ultimately more crowded, locations. These effects persist through at least eight quarters after closing — and disproportionately discourage those with lower educations and incomes, as well as those with moderately severe conditions.

Policymakers charged with the effective and efficient distribution of disability payments need to consider the impact of SSA field office closings on applicants with affected and surrounding neighborhoods. Balancing the requirement for thorough applications to determine true hardship with the need to deliver payments to deserving applicants means that policymakers must weigh the full costs and benefits of their decisions.

READ THE WORKING PAPER

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