

Does Veterans' Disability Compensation Benefit Receipt Affect the Use of Disability and Social Security Programs?

COURTNEY COILE, MARK DUGGAN

Key Findings and Policy Implications

This paper examines how the receipt of benefits from the Veterans' Disability Compensation (VADC) program affects participation in SSDI and SSI, as well as the claiming age for Social Security retirement benefits. The analysis uses data from the Current Population Survey and the Survey of Income and Program Participation, combined with county-level beneficiary data from the SSA and VA. The study finds that:

- Counties with higher levels or faster growth in VADC receipt in recent years have higher levels or growth in SSDI participation as well. The coefficients imply that about one-third of new VADC recipients enroll in SSDI.
- Veterans who are receiving VADC benefits are more likely to also participate in SSDI. Among military cohorts that have experienced rapid growth in VADC enrollment, notably Vietnam-era veterans and veterans of the Gulf war era, the relationship between VADC and SSDI participation has strengthened. It has not strengthened for veterans who served in the "peacetime" era between these wars.
- In recent years, VADC receipt has been associated with an estimated 14 percentage point increase in the probability of receiving SSDI for Vietnam Era veterans and a 4 percentage point increase for Gulf War Era veterans. These effects are several times the mean rate of SSDI receipt in these groups.
- There is some evidence that VADC receipt is related to early Social Security claiming for Vietnam-era veterans, but these results are less robust. There is no evidence that VADC receipt is related to participation in SSI.

VADC enrollment has grown rapidly, with one in four veterans now receiving benefits, or about 4.7 million VADC recipients in 2018, compared with 8.6 million disabled-worker beneficiaries in SSDI. VADC benefits are not taxed, nor means-tested against earnings, SSDI or Social Security benefits, or (in some cases) a military pension, and they typically continue until death. Of direct relevance to Social Security policy and projections, the study finds considerable interaction across these programs.

COURTNEY COILE is Professor of Economics at Wellesley College and is Co-director of the NBER ISS project, Associate Director of the NBER Retirement Research Center, and an NBER Research Associate.

MARK DUGGAN is the Trione Director of the Stanford Institute for Economic Policy Research, the Wayne and Jodi Cooperman Professor of Economics at Stanford University, and an NBER Research Associate.

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