

SHORT-TERM DISABILITY UTILIZATION: EVIDENCE FROM WISCONSIN PUBLIC EMPLOYEES

Adibah Abdulhadi, University of Wisconsin-Madison

J. Michael Collins, University of Wisconsin-Madison

Madelaine L'Esperance, University of Alabama

Employer-provided disability coverage offers employees both a way to insure against short-term spells of disability that prevent work and a way to supplement public long-term disability coverage. This study examined employee enrollment and claims behavior for optional disability insurance.

Enrollment and Claims for Employer-Provided Disability Insurance

In 2018, more than 25 percent of local and state government workers had access to short-term disability coverage and 38 percent had access to employer-provided long-term disability benefits (Bureau of Labor Statistics, 2018). Despite their prevalence, little is known about how employees utilize these disability programs.

Using administrative enrollment and claims data from 2009-2018 for the Wisconsin Department of Employee Trust Funds (ETF) Income Continuation Insurance (ICI) program, this study examined state employee enrollment and use of optional disability insurance. ICI benefits replace three-quarters of employee earnings while they are unable to work due to a disability.

This study had three main research questions:

1. What types of employees (in terms of their age, gender, earnings, etc.) enroll in ICI? How sensitive are employees to premiums?
2. How long do employees stay on short-term benefits? Does the duration of use vary depending on employee type?
3. Do employees who claim short-term disability transition to long-term disability benefits?

Employee Enrollment Sensitive to Premium, Age, Gender, and Earnings

Employees pay a portion of the monthly premium, which varies by year, earnings, employee category, and tenure. While all employees who work for employers that offer the program choose whether or not to enroll, University of Wisconsin System faculty, academic staff, and limited appointees have a different premium structure and waiting period options, providing a useful comparison group.

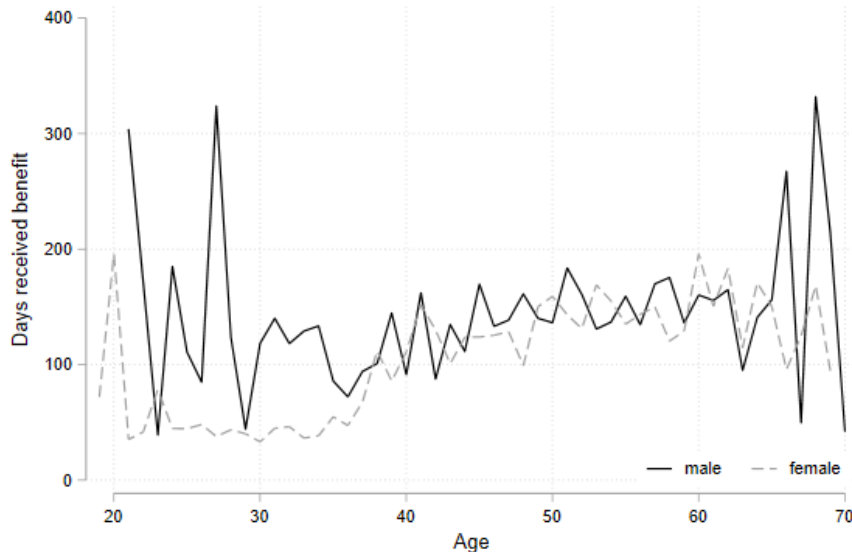
- About sixty percent of employees who work for state agencies that offer optional disability coverage enroll in the ICI program.
- Women, older workers, higher-earnings workers, and protective occupation employees are more likely to enroll.
- Enrollment is sensitive to the employee's share of the ICI premium.
- Once employees choose whether to enroll or to decline enrollment into the ICI program, they are unlikely to alter their coverage, even when they have high levels of accumulated sick leave.

Short-Term Disability Use and Duration Differs by Age and Gender

As intended, ICI benefits appear to be largely used as a transitional temporary benefit. Younger workers and women, especially those of childbearing age, are more likely than other employees to receive short-term ICI benefits, as shown in Figure 1. Other findings include:

- More than 25 percent of claimants received ICI benefits for one month or less.
- Only a small share of claimants received benefits for more than four months.
- Older workers tended to stay on ICI benefits longer than their younger counterparts.
- Approximately 20 percent of short-term ICI beneficiaries transitioned to long-term benefits.

Figure 1: Short-term ICI Duration by Age and Gender



Implications

Employer-provided disability coverage is important to study in order to determine how it might complement or substitute for Social Security Disability Insurance (SSDI). The ICI coverage offers employees a way to manage short-term disability as well as to bridge to public SSDI long-term disability coverage. Understanding how well employees can manage issues like health care, sick leave, and family caregiving is especially made salient by the COVID-19 pandemic, which underscores the significance of ICI and similar programs. Using administrative data, this study showed:

- Employees more at risk of a short-term disability, including younger women and older workers, are more likely to enroll in and use short-term coverage, at least before retirement ages. These workers may be likely to remain covered as they age, however, since few employees change their policies over time.
- Employees are sensitive to the cost of optional disability coverage and may struggle to make choices about coverage when faced with complex plan design. Plan design, communication, and education around how disability insurance works are important to consider when offering employer-based coverage.
- For women, maternal health is a key driver of the use of short-term disability coverage. Benefits for pregnancy and childbirth are used to cover wages for between a few weeks to just over four months. These patterns are quite distinct from other health issues.