What is the Long-Term Impact of *Zebley*?

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Extended Abstract: This paper evaluates the long-term impact on educational attainment, earnings, and on SSI and DI rolls of the 1990 Supreme Court case *Sullivan vs. Zebley* and concurrent changes in the procedures for evaluating mental illness in children. This decision fundamentally changed the criteria under which children qualified for the Supplemental Security Income (SSI) program. Instead of a pure impairment-based system, children's eligibility became tied to school performance. After 1990, the number of applications more than quadrupled, and the allowance rate increased from one-third to over one-half. This growth was accompanied by considerable change in the case mix; most of the growth came from children suffering from mental conditions other than mental retardation, such as Attention Deficit Hyperactivity Disorder (ADHD) and behavioral problems (National Academy of Social Insurance 1995).

The dramatic growth in the caseload spurred a tightening of SSI eligibility rules as part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The eligibility of child recipients was re-evaluated in 1997, leading to the termination of benefits for over 90,000 children. Davies, Rupp, and Wittenburg (2009) find that the SSI termination rate is disproportionately higher for the 1990 and 1995 SSI child cohorts. Hemmeter and Gilby (2009) also show that the age-18 redetermination rejection rate is highest for those originally entitled to benefits between 1991 and1996.

This paper examines what happens to SSI children after the age of 18, and how these outcomes are related to the screening criteria for SSI benefits. Theoretically, SSI receipt could have either a positive or negative impact on later-life outcomes. First, SSI increases income for

recipient households; Duggan and Kearney (2007) find that for every $100 increase in SSI income, total household income increased by $72, indicating only modest income crowd-out from other sources. Second, the financial benefit of receiving SSI may encourage parents to diagnose and treat their children. Indeed, Kubik (1999) and Garrett and Glied (2000) find that the take-up of SSI after 1990 is related to the financial gain to SSI enrollment compared to the Aid to Families with Dependent Children (AFDC) benefits. One would presume increases in household income and treatment for disorders would be beneficial to children. On the other hand, labeling children with relatively mild behavioral problems as disabled may lead to lower expectations and lower educational attainment for the child. This outcome, in turn, could lead to an increased dependency on the welfare and disability systems, or lower earnings.

We use the 1994-2005 years of the *National Health Interview Survey* (NHIS), matched to SSA administrative data. With over 100,000 respondents each year, approximately 25,000 of them school-aged children, the NHIS is one of the few surveys with detailed information about the health, disability status, and medical care usage of children. The linked SSA data contain detailed SSI information, including the date of acceptance of claim and the medical determination for eligibility, as well as longer-term outcome measures such as number of Social Security covered quarters.

The measurable outcomes are self-reported earnings, Social Security covered quarters of work, SSI and SSDI participation at various ages, and the probabilities of earning high school and college degrees. First, we determine whether there are any systematic differences between the outcomes of children admitted to the SSI rolls during the *Zebley* period and those admitted previously or subsequently. We use a difference-in-difference framework, by comparing children when they get on SSI (pre-*Zebley*, *Zebley* period, post-*Zebley*), the age at which they

started receiving SSI (pre-school age or school-age), as well as their diagnosis. *A priori*, we expect no differential outcomes for children admitted to SSI before school age, since *Zebley* did not change the basis of determination of such claims. We also do not expect differential outcomes for children with physical disabilities or mental retardation, since the growth in the caseload after *Zebley* was in other diagnostic areas. We expect to find a differential impact of SSI receipt for children accepted onto the SSI rolls during the 1991-1996 period for other mental conditions. We estimate both linear and quantile regressions in order to measure the difference in outcomes at the mean and other points in the distribution; however, this difference could reflect differences in both the average severity of the disability of the applicants and the criteria used to evaluate those disabilities, and therefore cannot be interpreted as causal relationships.

In order to overcome this problem, we construct a measure of the financial gain of enrolling in SSI, following Kubik (1999), to identify those who were likely induced onto the SSI program by the more-generous screening policies that were in place between 1991 and 1996. We then use these financial measures as instruments to measure the causal impact of SSI receipt on outcomes.

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