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Income Protection Trends by Cause of Disability in the United States

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Income Protection Trends by Cause of Disability in the United States

Agenda

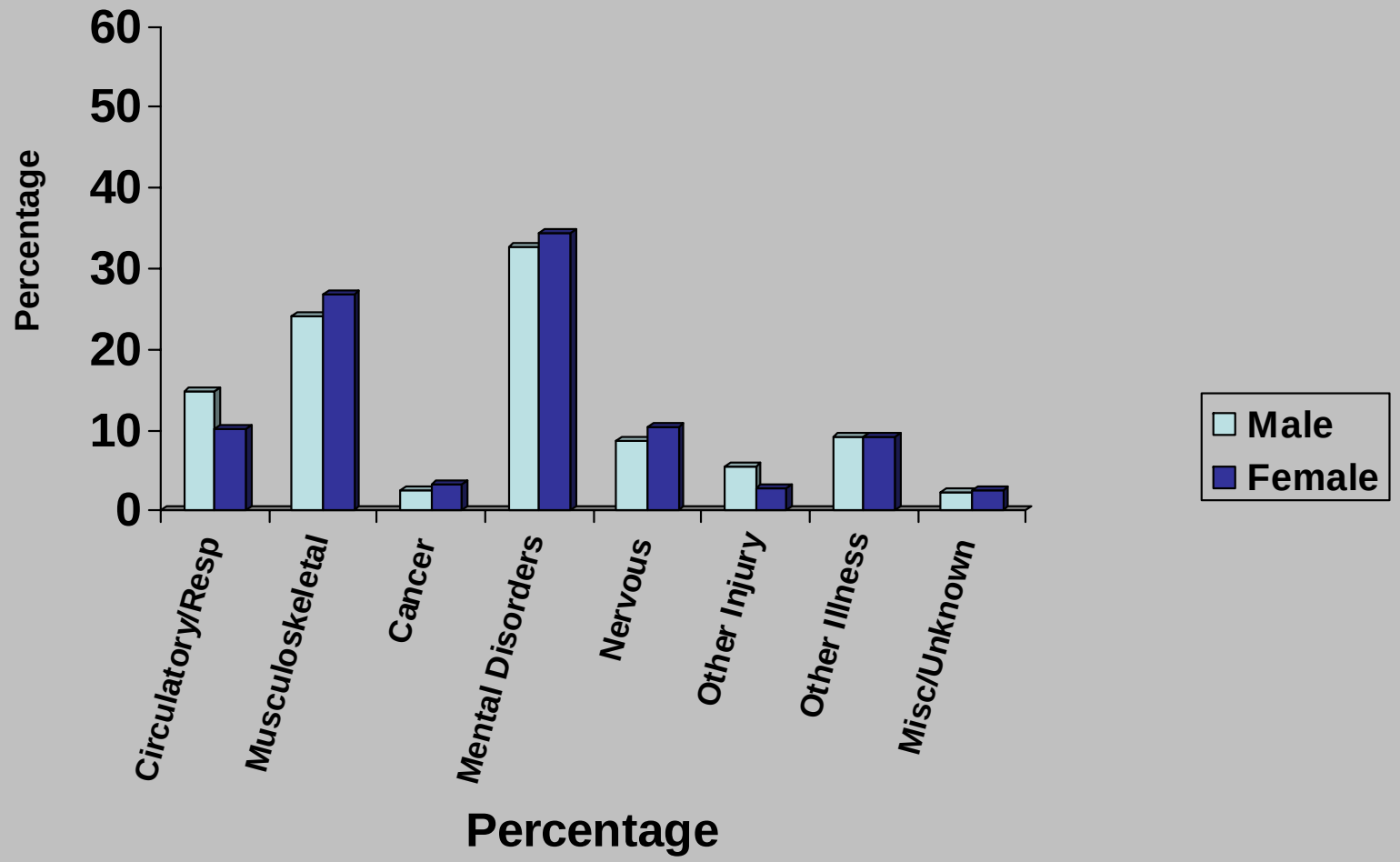
- Social Security Data
- Individual Disability Industry Data
- Other Trends
- HIV and AIDS in the United States
- The Rising Cost of Obesity

Social Security Experience

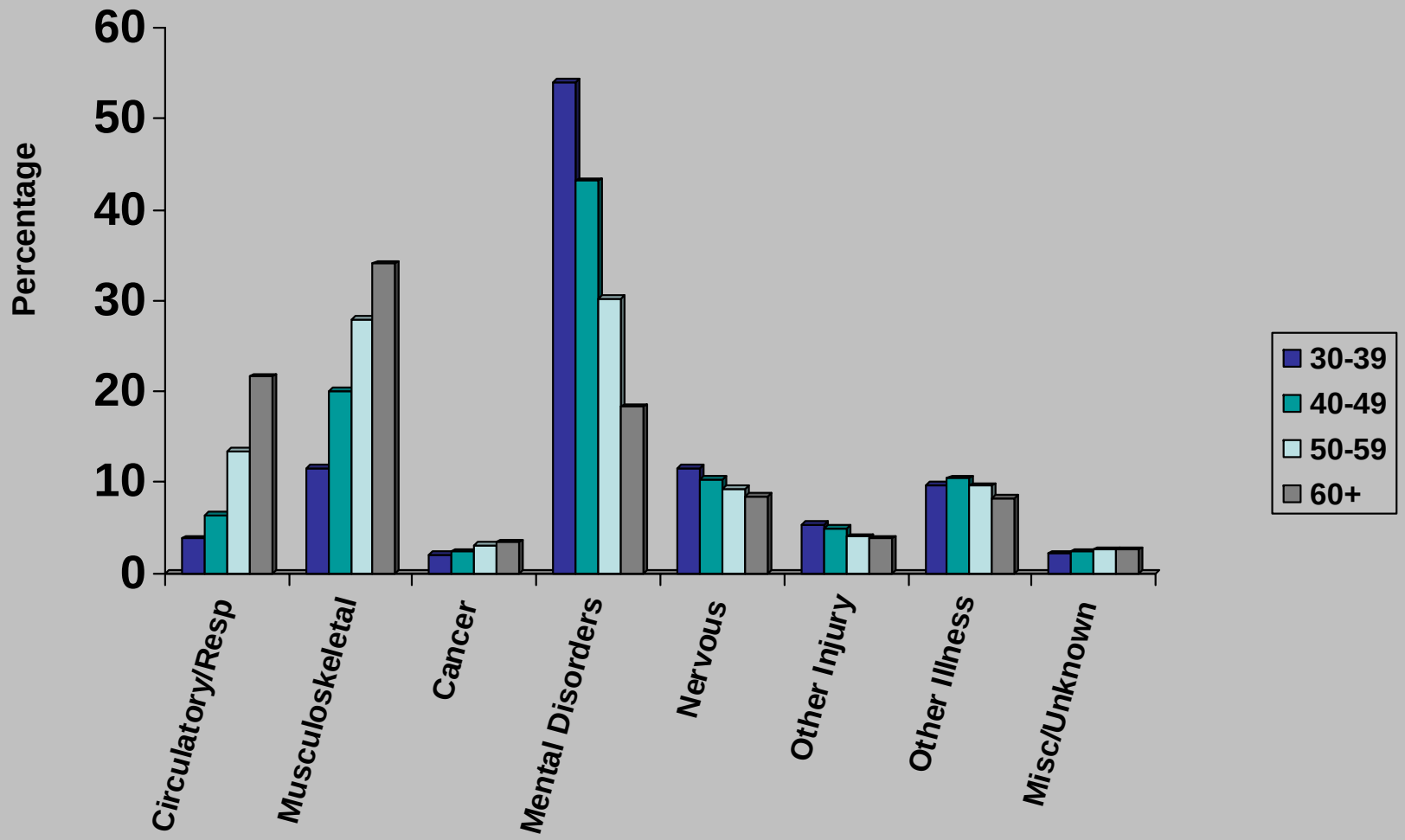
Social Security Disability Income in the US

- Covers nearly all American workers
- Pays primary and dependent benefits
- Maximum benefits: About $2,000 primary and $1,000 dependent
- 5-Month benefit waiting period
- Benefits payable to normal retirement age (65-67)
- “Any occupation” definition of disability
- No underwriting

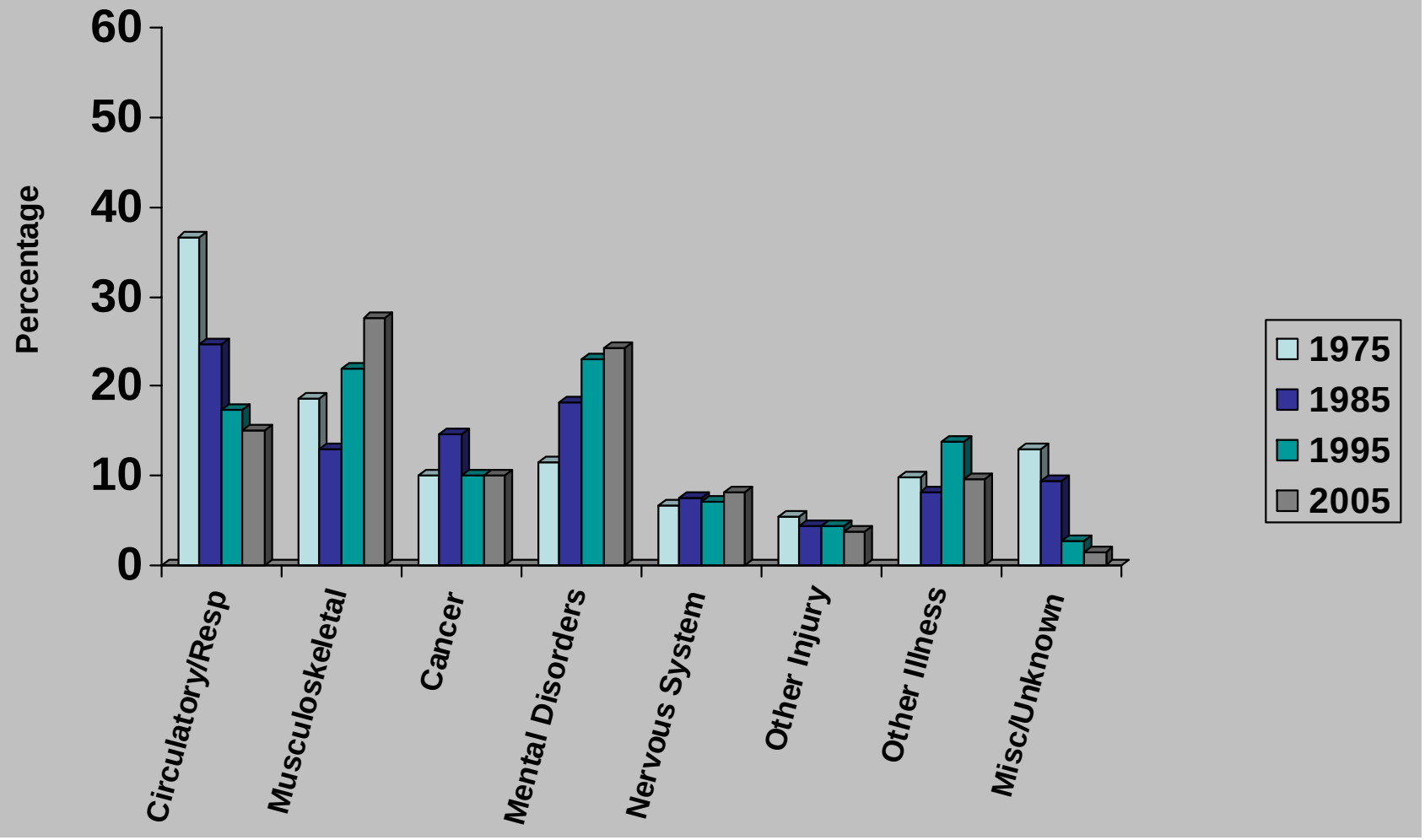
Social Security Experience Claim Distribution by Gender



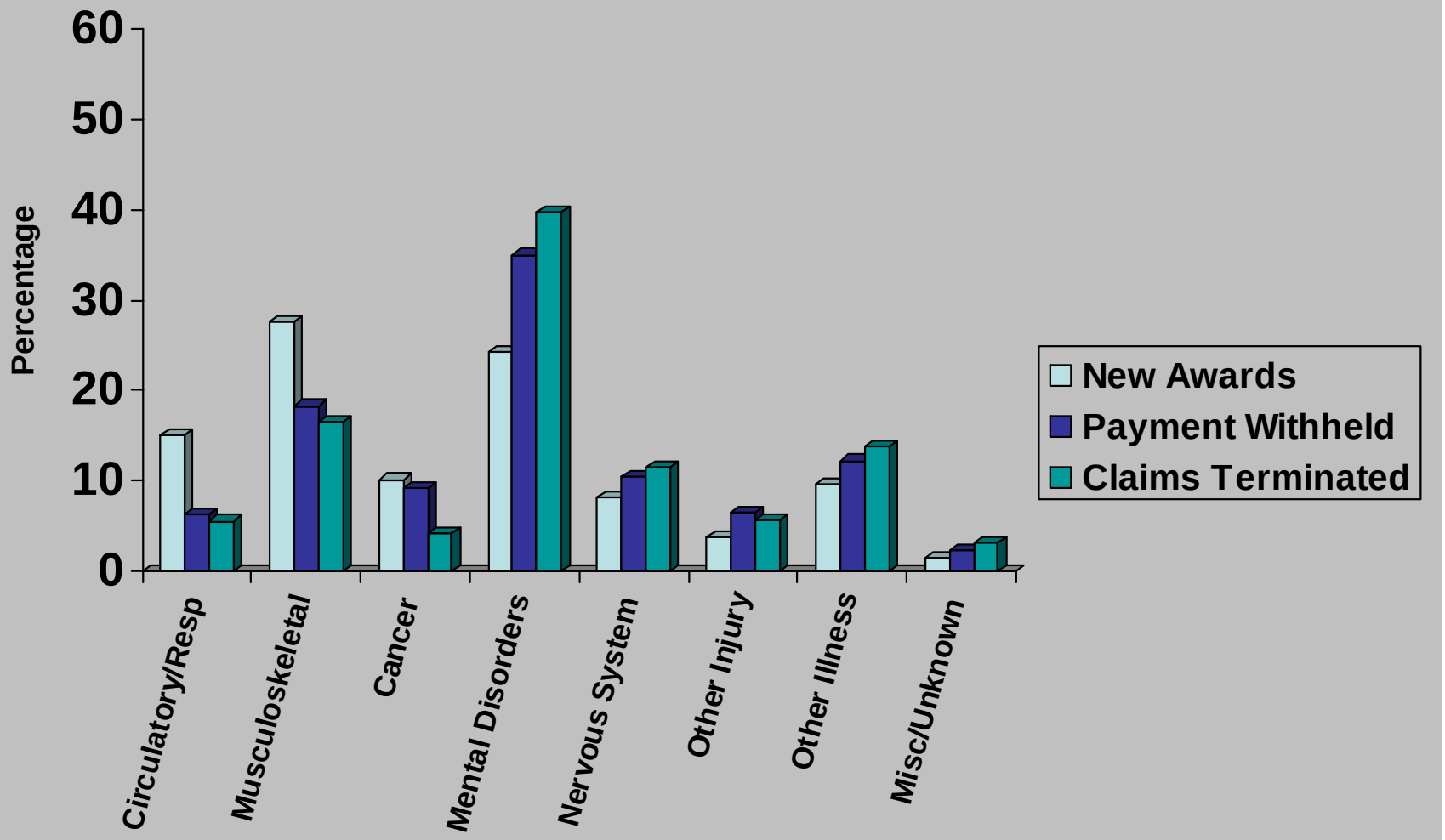
Social Security Experience Claim Distribution by Age



Social Security Experience
Claim Distribution by Incurral Year



Social Security Experience Claim Distribution by Status

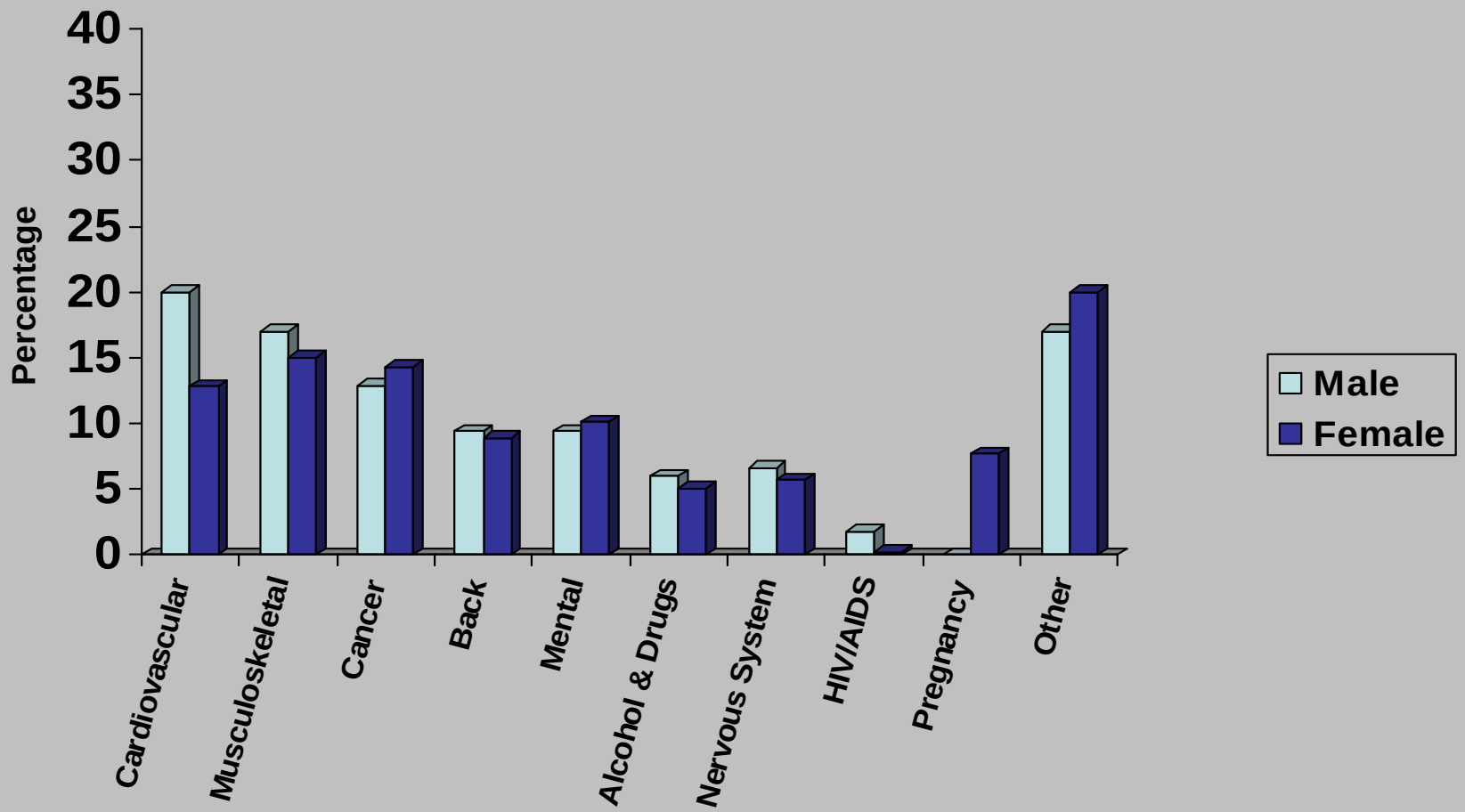


Individual Disability Insurance Experience

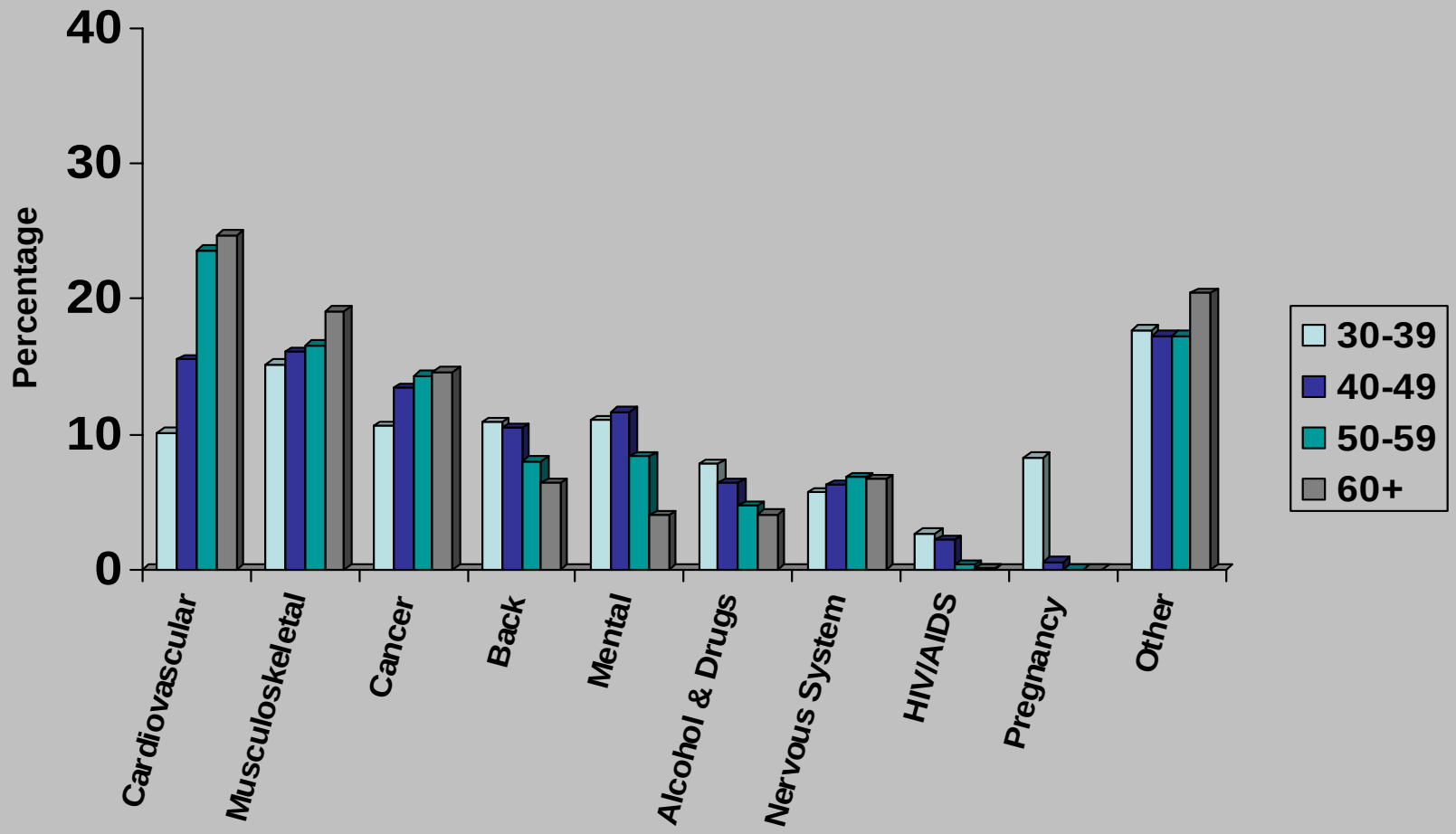
Society of Actuaries Study, 1990-1999

- Intercompany Experience Study
- Twelve contributing companies
- 64% of total inforce premium
- Incidence Study: Claims incurred 1990-1999
- Claim Termination Study: Claims paid 1990-1999
- Cause of Disability: From termination study after 90 days of disability

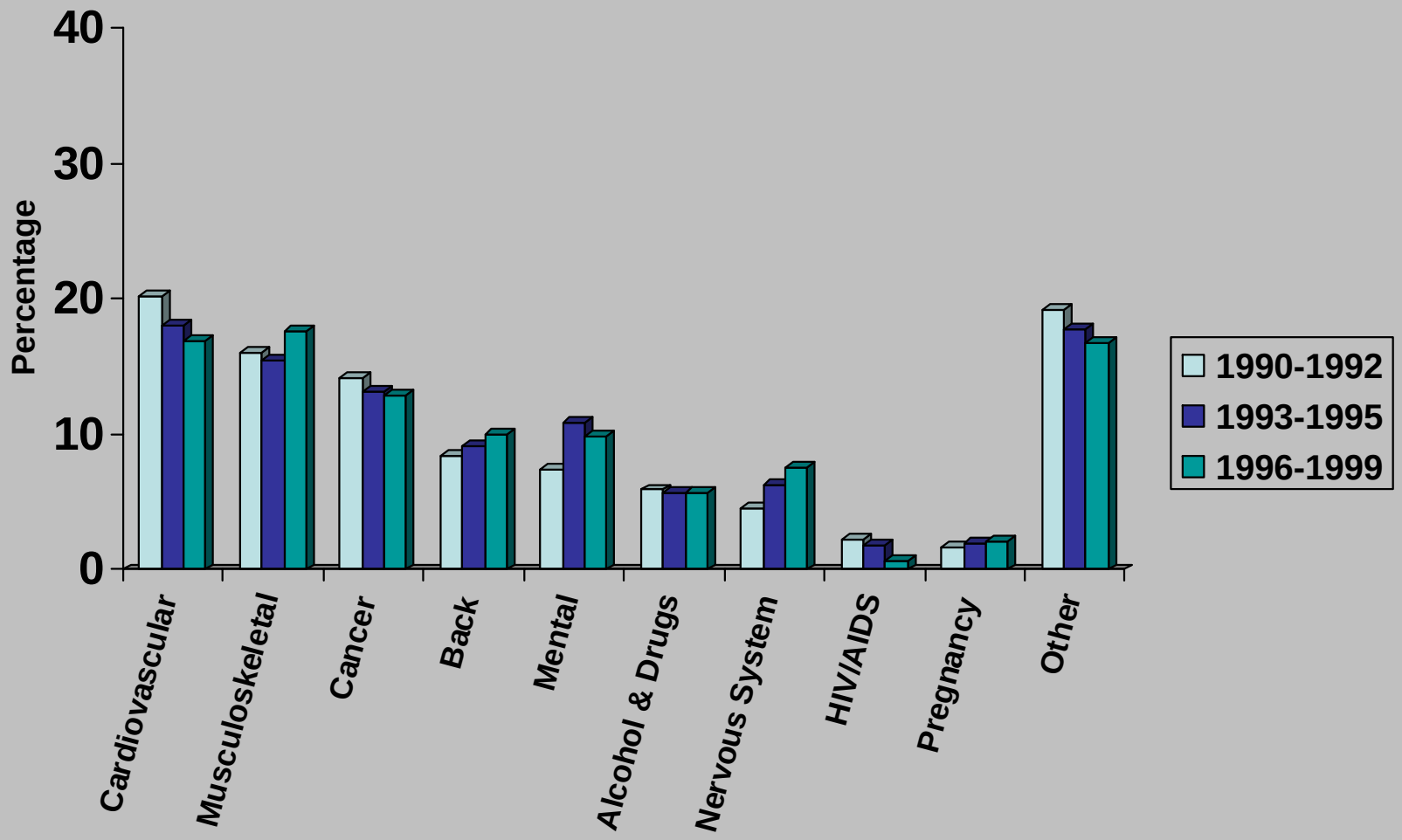
Individual Disability Insurance Experience Claim Distribution by Gender



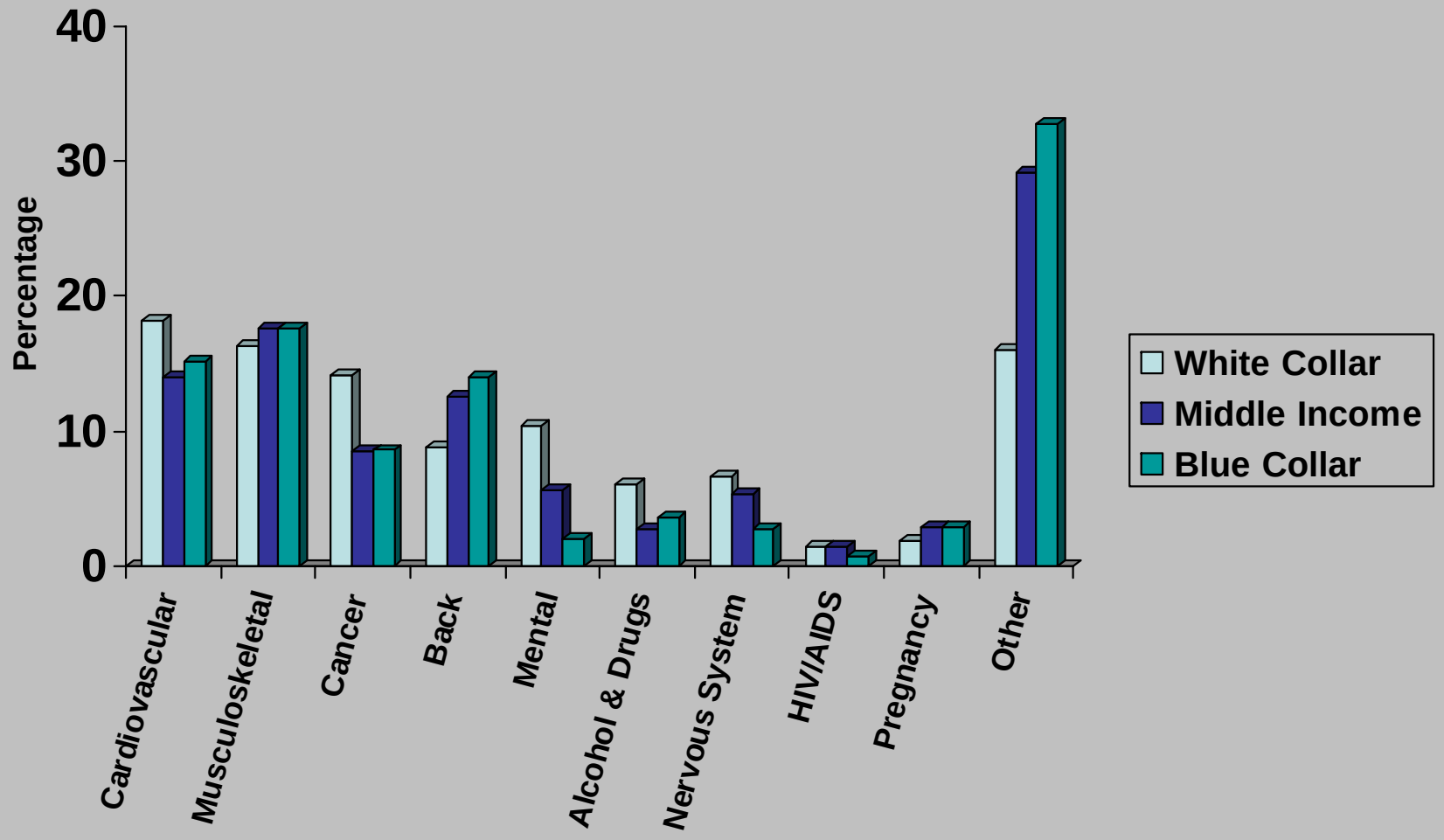
Individual Disability Insurance Experience Claim Distribution by Age



Individual Disability Insurance Experience Claim Distribution by Incurral Year



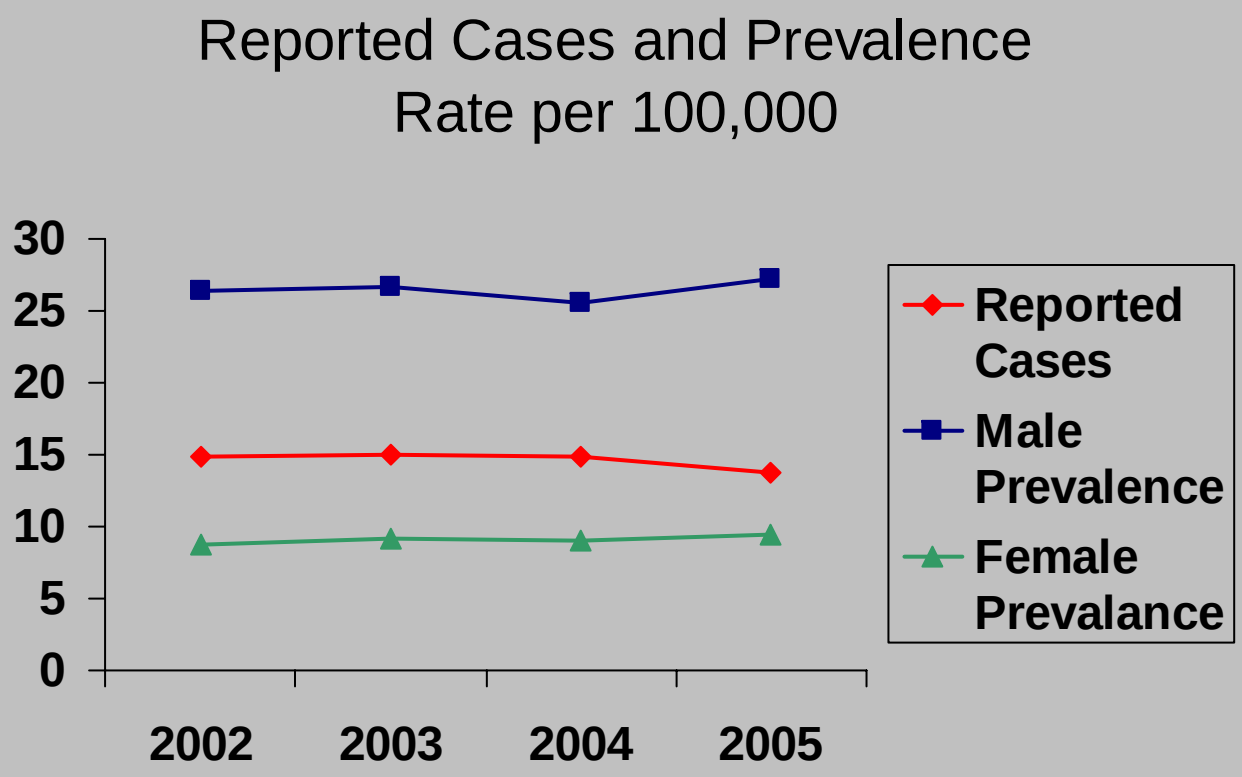
Individual Disability Insurance Experience Claim Distribution by Occupation Class



Other Trends in Cause of Disability

- Lower frequency of cardiovascular and cancer claims
- Lower frequency and severity for AIDS/HIV claims
- Higher frequency and severity of psychiatric claims
- Higher frequency of other “subjective” claims
- Higher frequency of obesity-related claims

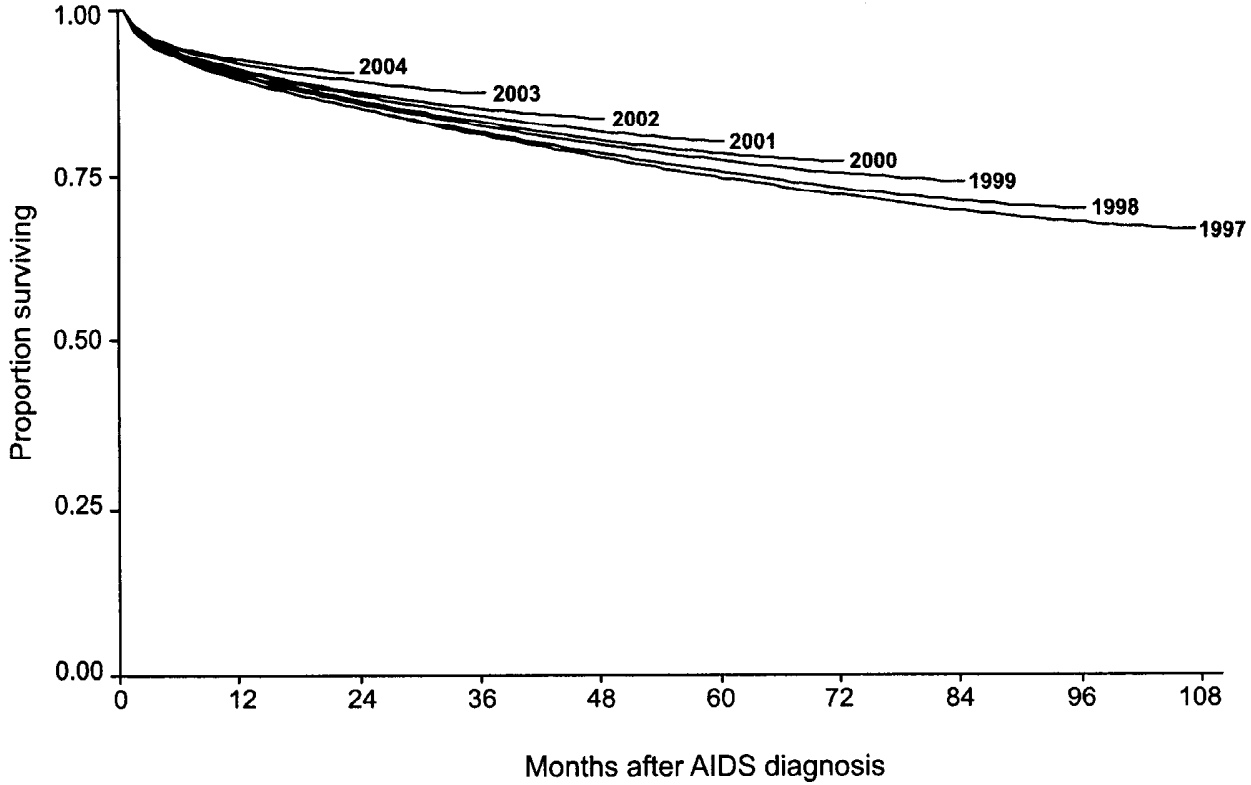
AIDS in the United States



Source: CDC HIV/AIDS Surveillance Reports

Estimated AIDS Survival Rates by Year of Diagnosis

Figure 2. Proportion of persons surviving, by months after AIDS diagnosis during 1997–2004 and by year of diagnosis—United States and dependent areas



Source: CDC HIV/AIDS Surveillance Report, 2005

The Rising Cost of Obesity

Body Mass Index

$$BMI = \frac{Weight(kg)}{Height(m)^2} = 703 \cdot \left[\frac{Weight(lbs)}{Height(inches)^2} \right]$$

Measuring Obesity	BMI
Underweight	<18.5
Normal	18.5 – 24.9
Overweight	25.0 – 29.9
Obese	30.0 – 39.9
Extremely Obese	> 40.0

Body Mass Index??

The Rising Cost of Obesity

The Prevalence of Obesity is Rising

	1988-1994	1999-2000
Overweight	55.9%	64.5%
Obese	22.9%	30.5%
Extremely Obese	2.9%	4.7%

Obesity Increases Other Health Risks

- Hypertension
- High Cholesterol
- Diabetes
- Heart Disease
- Stroke
- Arthritis
- Gallstones
- Sleep Apnea
- Cancer

Source: Milliman Research Report (3/2004)

The Rising Cost of Obesity

Proportion of Health Insurance Claims with Obesity Code

Chronic Obstructive Pulmonary Disease	2.0%
Heart Failure and Shock	3.0%
Chest Pain	2.0%
Stomach and Intestinal Procedures	21.0%
Hernias	6.0%
Hip & Knee Replacement	5.0%
Bone Disease and Arthropathy	7.0%
Cellulitis	4.0%
All Claims	**0.3%**

Note: Obesity is vastly undercoded for health claims since it is a secondary diagnosis

Source: Milliman Research Report (3/2004)

Cause of Disability in the U.S. Conclusions

- Variation by age and sex
- Proportion of cancer and cardiovascular claims is decreasing
- Proportion of musculoskeletal and psychiatric claims is rising
- AIDS and HIV costs are small and stable
- Obesity costs, while hard to measure directly, are rising