

Title: Disability insurance between fiscal goals and individual outcomes

Abstract: Public disability insurance (DI) systems face growing financial pressure, prompting reforms that restrict access or remove claimants. We study a major Danish DI reform that introduced a mandatory activation protocol for individuals with severe health conditions before they can claim DI benefits, effectively tightening screening. Using administrative data and exploiting the timing of the reform in event-studies, we estimate the causal effects on DI cases, income, wealth and health at the individual and household level. We find that the reform succeeded at reducing DI inflow and increasing labor market participation, leading to reduced fiscal spending. However, disposable income and wealth in treated cohorts decreases, despite increased labor supply and benefit substitution. At the same time, we find notable reductions in health care utilization. Our findings highlight the trade-off between fiscal goals and individual consequences of tighter DI screening.