



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Audit Report*

# State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund

*A-02-19-50867 September 2023*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** September 18, 2023

**Refer to:** A-02-19-50867

**To:** Kilolo Kijakazi  
Acting Commissioner

**From:** Gail S. Ennis *Gail S. Ennis*  
Inspector General

**Subject:** State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund

The attached final report presents the results of the Office of Audit's review. The objective was to determine the impact of state workers' compensation and public disability benefits' reverse offset on SSA's Disability Insurance Trust Fund.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

# State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund

## A-02-19-50867



September 2023

Office of Audit Report Summary

### Objective

To determine the impact of state workers' compensation (WC) and public disability benefits' (PDB) reverse offset on the Social Security Administration's (SSA) Disability Insurance (DI) trust fund.

### Background

The *Social Security Act* requires that SSA reduce, or offset, DI beneficiaries' benefits when they also receive WC/PDB to ensure their combined DI and WC/PDB payments do not exceed 80 percent of their average current earnings or total family benefits. The *Act* further requires that SSA exclude beneficiaries from its offset when they receive WC/PDB payments from reverse offset plans in effect on or before February 18, 1981. SSA recognizes reverse offset plans in 16 states and Puerto Rico. When beneficiaries receive WC/PDB payments from reverse offset plans, SSA pays the full DI payment amount and states reduce WC/PDB payments.

Using SSA and state records, we identified DI beneficiaries paid from reverse offset plans in Calendar Year 2019 and calculated how much more SSA paid than it would have had it been able to impose WC/PDB offset. We also compared the WC/PDB information in SSA's records to state records we reviewed of DI beneficiaries who had WC/PDB payments (regardless of whether from a reverse offset plan) to assess the accuracy of SSA records and determine whether inaccurate information placed beneficiaries at risk for improper payments.

### Results

SSA's DI trust fund was impacted by State WC/PDB reverse offset plans as follows:

- SSA paid an estimated \$138 million more from the DI trust fund in Calendar Year 2019 than it would have if it had been able to impose WC/PDB offset on the DI payments for over 22,000 beneficiaries who received WC/PDB payments from reverse offset plans.
- SSA may have improperly paid over 13,000 beneficiaries more or less from the DI trust fund than they were due because it did not consider WC/PDB offset when it should have, applied reverse offset when it should have considered WC/PDB offset, or considered WC/PDB offset when reverse offset applied.

Errors occurred because SSA lacked or did not maximize data it had regarding WC/PDB. SSA lacked the state WC/PDB payment information it needed to determine more accurately when WC/PDB or reverse offset applied to DI payments because it had not established data-matching agreements with states to obtain it, but SSA instead primarily relied on information beneficiaries provided. SSA did not fully leverage information it had to determine whether WC/PDB or reverse offset applied to DI payments because it had not established systems controls to identify when its data indicated wrong offset determinations may have been applied.

In addition to impacting the DI trust fund, reverse offset programs increase the complexity of SSA's WC/PDB workload. Reverse offset plans differ from state to state, and most states' plans only cover some types of WC/PDB payments and/or apply to WC/PDB payments for a certain period of time, resulting in SSA employees needing to understand and correctly apply many different rules.

### Recommendations

We made three recommendations including that SSA negotiate with the states to establish data matches to obtain WC/PDB information and establish system controls to identify cases likely to have incorrect WC/PDB offsets and/or reverse offset determinations. SSA agreed with two recommendations and disagreed with one.

## TABLE OF CONTENTS

|   |     |
|---|-----|
| Objective.....  | 1   |
| Background.....   | 1   |
| Scope and Methodology .....   | 2   |
| Results of Review .....   | 3   |
| Reverse Offset Plans Impacted the Disability Insurance Trust Fund .....       | 3   |
| Lack of State Data Impacts the Disability Insurance Trust Fund.....           | 3   |
| Leveraging Available Data to Ensure Accurate Offset Determinations .....      | 5   |
| Reverse Offset Complexities .....   | 5   |
| Conclusion .....  | 7   |
| Recommendations .....   | 7   |
| Agency Comments and Office of the Inspector General Response .....            | 7   |
| Appendix A – Scope and Methodology .....                                      | A-1 |
| Appendix B – Financial Impact of Reverse Offset .....                         | B-1 |
| Appendix C – Accuracy of Workers’ Compensation/Public Disability Benefit..... | C-1 |
| Appendix D – Questionnaire Sent to States .....                               | D-1 |
| Appendix E – Agency Comments.....   | E-1 |

## **ABBREVIATIONS**

|             |                                  |
|-------------|----------------------------------|
| CY          | Calendar Year                    |
| DI          | Disability Insurance             |
| MBR         | Master Beneficiary Record        |
| OIG         | Office of the Inspector General  |
| PDB         | Public Disability Benefits       |
| POMS        | Program Operations Manual System |
| Pub. L. No. | Public Law Number                |
| SSA         | Social Security Administration   |
| SSN         | Social Security Number           |
| U.S.C.      | United States Code               |
| WC          | Workers' Compensation            |

## OBJECTIVE

To determine the impact of state workers' compensation (WC) and public disability benefits' (PDB) reverse offset on the Social Security Administration's (SSA) Disability Insurance (DI) trust fund.

## BACKGROUND

The Old-Age, Survivors and Disability Insurance program provides disability benefit payments to workers and their families to protect against the economic consequences of prolonged and severe disability.<sup>1</sup> Individuals who receive DI payments may also be eligible for disability benefits from other sources. For example, workers who were injured on the job or contracted work-related illnesses may receive Federal or state WC payments and workers with disabilities, whether job-related or not, may receive Federal, state, or local PDB.

The *Social Security Act*<sup>2</sup> requires that SSA reduce, or offset, DI benefit payments for beneficiaries who also receive WC/PDB payments to ensure their combined amount of DI and WC/PDB payments do not exceed whichever is greater of (1) 80 percent of the beneficiaries' average current earnings or (2) the total family benefits.<sup>3</sup> The *Social Security Act* further requires that SSA excludes beneficiaries from WC/PDB offset when they receive WC/PDB payments from reverse offset plans, which require states to reduce the WC/PDB payments rather than SSA reduce DI payments.<sup>4</sup> SSA recognizes reverse offset plans from 16 states and Puerto Rico (see Table 1).<sup>5</sup>

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<sup>1</sup> 42 U.S.C. §§ 402 and 423.

<sup>2</sup> 42 U.S.C. § 424a.

<sup>3</sup> SSA, *POMS*, DI 52150.015, A. (September 25, 2008). The total family benefits are the total of all DI monthly amounts for the primary beneficiary and any beneficiaries entitled on the record on the first month of concurrent DI and WC/PDB payments, when offset is first considered.

<sup>4</sup> SSA only applies WC/PDB offset or reverse offset for months when beneficiaries are receiving concurrent DI and WC/PDB payments.

<sup>5</sup> SSA recognizes reverse offset plans in effect on or before February 18, 1981 per *Omnibus Budget Reconciliation Act of 1981*, Pub. L. No. 97-35. SSA does not recognize new reverse offset plans or expansions of prior plans put into effect after February 18, 1981.

**Table 1: States and Payments Under Reverse Offset Plans<sup>6</sup>**

| <b>State</b> | <b>WC/PDB Paid Under a Reverse Offset Plan</b> |
|--------------|--|
| Alaska       | Some Types of WC Payments                      |
| California   | Some Types of WC Payments                      |
| Colorado     | All WC Payments                                |
| Florida      | Some Types of WC Payments                      |
| Hawaii       | All PDB Payments                               |
| Illinois     | Some Types of PDB Payments                     |
| Louisiana    | Some Types of WC Payments                      |
| Minnesota    | Some Types of WC Payments                      |
| Montana      | Some Types of WC Payments                      |
| New Jersey   | All PDB, some WC                               |
| New York     | All PDB <sup>7</sup> , some WC                 |
| North Dakota | Some Types of WC Payments                      |
| Ohio         | Some Types of WC Payments                      |
| Oregon       | Some Types of WC Payments                      |
| Puerto Rico  | Some Types of PDB Payments                     |
| Washington   | Some Types of WC Payments                      |
| Wisconsin    | All WC Payments                                |

SSA employees must determine whether the payments of DI beneficiaries who receive WC/PDB payments should be offset. When DI beneficiaries received WC/PDB payments from states with reverse offset plans that do not pay all WC/PDB payments from those plans, employees must consider the type of WC/PDB received by the beneficiaries and whether it is a type of payment that is subject to reverse offset by the state plan.

## **SCOPE AND METHODOLOGY**

We used SSA records to identify beneficiaries who received DI and WC/PDB payments from reverse offset plans in Calendar Year (CY) 2019.<sup>8</sup> We also subpoenaed WC/PDB information from states that had reverse offset plans for individuals paid WC/PDB in CY 2019 (regardless of whether from a reverse offset plan). For DI beneficiaries whom SSA and state records stated were being paid from reverse offset plans, we calculated how much more DI payments SSA paid than it would have had it been able to impose WC/PDB offset.<sup>9</sup> We also compared the

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<sup>6</sup> SSA, *POMS*, DI 52105.001, B.1 and B.2. (April 6, 2017) contains the list of specific *POMS* sections that apply to 14 states with recognized reverse offset plans for WC payments as well as Puerto Rico and 4 states with recognized reverse offset plans for PDB payments. While Nevada is included in the list of states in *POMS*, it enacted a reverse offset plan after February 18, 1981. Reverse offset plans or expansion of prior plans put into effect after February 18, 1981 are not recognized as reverse offset plans. Therefore, we did not include Nevada in our review.

<sup>7</sup> SSA, *POMS*, DI 52135.175, A. (August 5, 2015) explains that the state reduces PDB payments if both DI and PDB are for the same impairment or disability.

<sup>8</sup> The SSA records described are Master Beneficiary Records.

<sup>9</sup> We reviewed records received from Alaska WC, California WC, Florida WC, Louisiana WC, Montana WC, New Jersey WC and PDB, North Dakota WC, Oregon WC, Washington WC, and Wisconsin WC.

WC/PDB information in SSA records with state records of DI beneficiaries who had WC/PDB payments (regardless whether from a reverse offset plan) to assess the accuracy of SSA records and determine whether inaccurate WC/PDB information placed beneficiaries at risk for improper payments. Additionally, we sent questionnaires to the 16 states and Puerto Rico to learn more about how they processed offsets to WC/PDB payments.<sup>10</sup> See Appendix A for additional information on our scope and methodology.

## **RESULTS OF REVIEW**

We estimate SSA paid \$138 million more from the DI trust fund in 2019 than it would have had it had been able to impose WC/PDB offset on the DI payments for over 22,000 beneficiaries who received WC/PDB payments from reverse offset plans.

In addition, SSA may have improperly paid over 13,000 beneficiaries because it did not consider WC/PDB offset when it should have, applied reverse offset when it should have considered WC/PDB offset, or considered WC/PDB offset when reverse offset applied. This occurred because SSA lacked the state WC/PDB payment data it needed because it had not established data matching agreements with states to obtain it, and it instead primarily relied on beneficiaries to provide the information. SSA also did not fully leverage available information to determine whether WC/PDB or reverse offset applied to DI payments because it has not established system controls to identify when its data indicated wrong offset determinations may have been applied. Finally, reverse offset plans increased the complexity of SSA's WC/PDB workload.

### **Reverse Offset Plans Impacted the Disability Insurance Trust Fund**

SSA is legally required<sup>11</sup> to exclude beneficiaries' DI payments from WC/PDB offset when they receive WC/PDB payments from state reverse offset plans, which impacts the DI trust fund. We found 22,484 DI beneficiaries received \$138 million more from the DI trust fund in 2019 than they would have received had SSA been able to impose WC/PDB offset to their DI payments. See Appendix B for additional information on how we estimated the reverse offset's impact.

### **Lack of State Data Impacts the Disability Insurance Trust Fund**

When SSA pays beneficiaries more or less in DI benefits than they are due, inaccurate amounts of funds flow from the DI Trust Fund. SSA's lack of access to state WC/PDB data prevented SSA employees from having the data needed to make accurate WC/PDB offset determinations. Without the data, SSA did not consider WC/PDB offset when it should have, considered WC/PDB offset when reverse offset should have applied, or applied reverse offset when

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<sup>10</sup> The questionnaires were sent to the offices that oversee the states' WC/PDB programs.

<sup>11</sup> 42 U.S.C. § 424a.



WC/PDB offset should have been considered.<sup>12</sup> This placed 13,033 beneficiaries at risk of being improperly paid DI benefits.<sup>13</sup> SSA still primarily relies on beneficiaries to self-report WC/PDB claims and payments. While we have reported that SSA has the authority to collect WC information as necessary to administer its programs, to date, SSA has not established data-matching agreements with states to do so.<sup>14,15</sup>

States could also benefit from data-matching agreements because they often need DI payment information to determine state WC/PDB payment eligibility and payment amounts. State records for 9,429 beneficiaries paid from reverse offset plans did not indicate state WC/PDB payment reductions, which may have occurred because the states were unaware of the beneficiaries' DI payments.<sup>16</sup> For example, New Jersey PDB payments should stop when individuals receive DI payments, but we identified 1,105 beneficiaries who received New Jersey PDB and DI payments concurrently for at least 1 month in 2019.

State employees reported challenges with obtaining DI beneficiary payment information from SSA. While SSA has data-exchange agreements with four reverse offset states that allows them access to case-level SSA data, other states do not have similar access.<sup>17</sup> State employees who do not have access to the data exchange must contact SSA employees to obtain information on DI payments when determining whether they should offset individuals' WC/PDB payments, but states reported a lack of established contacts at SSA. See Appendix D for the questionnaire we sent to states.

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<sup>12</sup> SSA considered WC/PDB offset when it applied WC/PDB offset computations to conclude whether the combined DI and WC/PDB payments exceeded 80 percent of the DI beneficiaries' average current earnings or total family benefits and resulted in reduced DI payments or did not result in reduced DI payments. When SSA records do not contain this information, such as cases where SSA was unaware a beneficiary had a WC/PDB claim, or incorrectly determined reverse offset applied when it should not have applied, we determined SSA had not considered WC/PDB offset. Where SSA considered WC/PDB offset when reverse offset should have applied, this determination is incorrect, even if it did not result in reduced DI payments because it placed beneficiaries in a position where their DI payments could have been reduced had their combined DI and WC/PDB payments exceeded the limit.

<sup>13</sup> When we compared the WC/PDB information in SSA's records to 10 reverse-offset states' records, we determined SSA had inaccurate WC/PDB data in 15,491 beneficiaries' records, 13,033 of which were at risk for improper payments. The remaining 2,458 beneficiaries had inaccurate information that did not place them at risk for improper payments. An example of beneficiaries not at risk for improper payments would be those for whom SSA records did not indicate the beneficiaries had WC payments paid from reverse offset plans. Although SSA records were inaccurate, their DI payments would not have been affected by their WC payments even if SSA had known about these payments because reverse offset applied. See Appendix C for additional information on our review of the accuracy of SSA records.

<sup>14</sup> SSA, OIG, *The Social Security Administration's Challenges in Obtaining Data to Determine Eligibility and Payment Amounts*, A-01-21-51029, (September 2022). We noted SSA has legal authority to collect WC information as necessary to administer SSA's programs; states need to make their own determinations on whether they can or should share their WC information with SSA.

<sup>15</sup> SSA has established SSA Access to State Records Online agreements with some states that allow SSA employees to receive WC/PDB information requested from state WC/PDB agencies for individual cases. However, as information is only provided for individual cases, and only when requested, these agreements do not allow SSA to obtain WC/PDB information from states on all individuals with payments.

<sup>16</sup> Some states reported their records may not show reductions because WC/PDB payers are not required to report them or are supposed to report them but may not have done so. Also, WC/PDB payers may have determined payment reductions were not needed after considering the WC/PDB recipients' DI payments. However, some state information demonstrated that WC/PDB payments were not reduced or stopped when they should have been.

<sup>17</sup> New Jersey, North Dakota, Ohio, and Washington have data-exchange agreements with SSA.

## Leveraging Available Data to Ensure Accurate Offset Determinations

SSA did not make accurate WC/PDB offset determinations because it did not have system controls that leveraged information in SSA records to identify when wrong offset determinations may have been applied. While SSA records had information on the source and state paying the WC/PDB and whether WC/PDB offset was applied to DI benefits, SSA had not established systems alerts to leverage this information to prevent or identify cases where employees incorrectly applied WC/PDB offset or reverse offset. For example:

- We identified 37 beneficiaries were underpaid over \$408,000 when SSA incorrectly applied WC/PDB offset to their DI payments because the beneficiaries received WC payments from Wisconsin or PDB payments from New Jersey. All WC payments from Wisconsin and all PDB payments from New Jersey are paid under a reverse offset plan.
- Reverse offset does not apply for DI beneficiaries receiving Florida, New Jersey, and Washington WC payments after the beneficiaries turn 62-years-old.<sup>18</sup> While SSA records have dates of birth and other information that can identify beneficiaries age 62 or older, we identified cases where SSA continued incorrectly applying reverse offset and not considering WC/PDB offset of Florida, New Jersey, and Washington WC payments. SSA had not leveraged this information and established system alerts to ensure employees consider WC/PDB offset to the beneficiaries' DI payments when they turn 62-years-old.<sup>19</sup>

## Reverse Offset Complexities

The types and/or duration of WC/PDB payments subjected to reverse offset vary from state to state, which increases the complexity of SSA's WC/PDB workload, as its employees must understand and correctly apply different state-based rules.<sup>20</sup> For most states with reverse offset plans, only some types of WC/PDB payments are paid under the plans. This requires that SSA employees follow state-specific policies to determine the type of payments beneficiaries can receive and whether WC/PDB offset or reverse offset applies to the payments (see examples in Table 3).

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<sup>18</sup> SSA, *POMS*, DI 52105.001, G.1 (April 6, 2017).

<sup>19</sup> Instead of system alerts, SSA relies on its staff to establish manual reminders to review these cases.

<sup>20</sup> SSA has general policies on WC/PDB and reverse offset, and additional state-specific policies its employees must follow once they have identified the state and type of WC/PDB payment beneficiaries are receiving. SSA has 19 sets of state-specific policies for states with reverse offset plans, including Puerto Rico.

**Table 2: Examples of Types of Payments Paid and Not Paid Under Reverse Offset Plans**

| State and Payment           | WC Payment Types Paid Under Reverse Offset Plans        | WC Payment Types Not Paid Under Reverse Offset Plans |
|-----------------------------|---|--|
| Washington WC <sup>21</sup> | Permanent Total, Temporary Total                        | Permanent Partial, Temporary Partial                 |
| New Jersey WC <sup>22</sup> | Permanent Total, Second Injury Fund                     | Permanent Partial, Temporary Total                   |
| Florida WC <sup>23</sup>    | Permanent Total, Temporary Partial, and Temporary Total | Permanent Impairment                                 |

Because the types of payments beneficiaries receive can change over time, SSA’s initial determination of the applicability of WC or reverse offset may also require a revision. For example, a beneficiary paid temporary partial or temporary total WC payments may convert them to permanent partial or permanent total payments if they are still disabled after their temporary payment ends. If SSA is not aware of the change in the type of payments paid, it will not know whether WC payments that were subject to WC offset may have converted to WC payments subject to reverse offset, or vice versa, and make any necessary adjustments to DI payments.

SSA employees must also comply with varying policies on the duration of reverse offset. In four states, WC/PDB offset applies when WC payments from reverse offset plans are paid outside of the reverse offset period. For DI beneficiaries with WC/PDB payments from these states, SSA employees must apply WC/PDB offset or reverse offset based on when the beneficiaries were awarded their DI payments and/or when they turned age 62 (see Table 4).<sup>24</sup>

**Table 3: First and Last Month of the Reverse Offset Period**

| State and Payment | First Month of Reverse Offset Period | Last Month of Reverse Offset Period |
|-------------------|--------------------------------------|-------------------------------------|
| Florida WC        | Month DI payments awarded            | Month before age 62                 |
| New Jersey WC     | All months before age 62             | Month before age 62                 |
| Oregon WC         | 2 months after DI payments awarded   | N/A                                 |
| Washington WC     | Month after DI payments awarded      | Month before age 62                 |

<sup>21</sup> SSA, POMS, DI 52120.265, A (July 28, 2023).

<sup>22</sup> SSA, POMS, DI 52120.165, A (August 3, 2023).

<sup>23</sup> SSA, POMS, DI 52120.055, F (June 30, 2023).

<sup>24</sup> The following SSA, POMS, procedures explain when reverse offset applies for DI beneficiaries with Florida, New Jersey, Oregon, and Washington WC payments, respectively: DI 52120.055,F.1 (June 30, 2023), DI 52120.165,B.2 (August 3, 2023), DI 52120.205,B.1 (August 7, 2023), and DI 52120.265, F (July 28, 2023).

With better information sharing, SSA and states would have the DI and WC/PDB payment information they need to ensure beneficiaries' total DI and WC/PDB payments would be reduced by SSA or the states as applicable.

## **CONCLUSION**

Because of the added complexity reverse offset plans create, SSA must ensure it has the data and controls needed to make accurate benefit payment calculations for beneficiaries who also receive WC/PDB payments. Without this, SSA will continue negatively affecting the DI trust fund, as well as its beneficiaries, through making inaccurate benefit calculations that result in both over- and underpayments.

## **RECOMMENDATIONS**

We recommend that SSA:

1. Determine whether SSA made inaccurate WC/PDB offset determinations and improperly paid 13,033 beneficiaries with inaccurate WC/PDB information in its records.
2. Negotiate with the states to establish data matches to obtain WC/PDB information to help ensure SSA correctly applies WC/PDB offsets.
3. Establish system controls to identify cases likely to have incorrect WC/PDB offsets and/or reverse offset determinations.

## **AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE**

SSA agreed with Recommendations 1 and 3. SSA disagreed with Recommendation 2 stating that, while it has the legal authority to collect WC and PDB information, there is no legislative requirement for states or other entities to share the information with SSA. SSA further stated that, when considering a data exchange, it must consider other factors including data quality, technology and logistical challenges, anticipated program savings, and estimated costs.

While we identified some data limitations in the state data we received, we still used the data to identify 13,033 beneficiaries with inaccurate WC/PDB information in SSA records which placed them at risk for improper payments. SSA's decision to dismiss the possibility of acquiring state data because of possible data limitations is short-sighted and should be revisited, as the state data could lead to more accurate payments. See the full text of the Agency's comments in Appendix E.



Michelle L. Anderson  
Assistant Inspector General for Audit

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) *Program Operations Manual System*.
- Obtained from SSA's Master Beneficiary Record (MBR) information for beneficiaries entitled to Disability Insurance (DI) payments in Calendar Year (CY) 2019.
- Issued subpoenas to the administrators of workers' compensation (WC) and public disability benefit (PDB) records for Puerto Rico and the 16 states with reverse offset plans, for their records of individuals who received WC/PDB in CY 2019. We also communicated with state administrators as needed to obtain the WC/PDB information we requested, including emails, telephone calls, and video meetings.
- Used WC/PDB information in MBRs and state records to identify 22,484 DI beneficiaries who received WC/PDB payments from a reverse offset plan in CY 2019 and estimated the financial impact of reverse offset.
- Matched state and MBR information to identify 23,648 beneficiaries who received state WC/PDB and DI payments in 2019. We assessed the accuracy of WC/PDB information on the beneficiaries' MBRs and determined whether inaccurate information placed beneficiaries at risk for being improperly paid by SSA.
- Further reviewed SSA records for 114 beneficiaries receiving Wisconsin WC or New Jersey PDB, both of which are full reverse-offset states, that we had identified as at risk for being improperly paid by SSA. We reviewed DI and WC/PDB payment information, and documents pertaining to WC/PDB claims and payments, from the following SSA systems and queries, as needed:
  - MBR;
  - Claims File User Interface;
  - eView;
  - Online Retrieval System; and
  - Paperless Read Only Query System.

We identified 37 beneficiaries underpaid \$408,147 because SSA applied WC/PDB offset when it did not apply.

- Reviewed state laws on reverse offset, and pertinent information on state Websites pertaining to WC/PDB payments, reverse offset, and reporting entitlement to DI payments.

- Sent questionnaires to, and reviewed the responses from, the administrators of WC/PDB records for Puerto Rico and the 16 states with reverse offset plans to learn more about how they processed offsets to WC/PDB payments and their challenges detecting disabled workers with DI payments and obtaining the DI payment information they need to apply reductions to WC/PDB payments.
- Reviewed the legislative history of laws that pertain to WC/PDB offset and reverse offset to determine the rationale for these laws.
- Obtained information from SSA pertaining to data exchanges and agreements with reverse offset states; how SSA provides DI payment information requested by states; SSA's legislative proposals to eliminate reverse offset; and SSA's internal controls over WC/PDB offset and reverse offset.

We provided the Agency with information on our preliminary findings and observations in December 2021 and June 2022. We also issued an *Analysis of State Workers' Compensation Data, A-02-22-51180*, (September 2022) where we shared our preliminary findings of data discrepancies found when we compared California, Florida, Oregon, and Washington WC records with information on MBRs for 16,346 DI beneficiaries.

We conducted our review between August 2021 and April 2023 in New York, New York. We assessed the reliability of MBR data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) tracing statistically random samples of data to source documents. We assessed the reliability of state data by (1) performing electronic testing and (2) working with state agency officials knowledgeable about the data to extract the appropriate records and data fields and identify any data problems. We determined the data used for this audit were sufficiently reliable for the purposes of this report.

The principal entity audited was SSA's Office of the Deputy Commissioner for Operations. We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following components and principles as significant to the audit objective:

- Component 2: Risk Assessment
  - Principle 6: Define objectives and risk tolerances
  - Principle 7: identify, analyze and respond to risk
- Component 3: Control Activities
  - Principle 10: Design control activities
  - Principle 11: Design activities for the information system
- Component 5: Monitoring
  - Principle 16: Perform monitoring activities
  - Principle 17: Remediate deficiencies

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## **Appendix B – FINANCIAL IMPACT OF REVERSE OFFSET**

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We estimate in Calendar Year 2019, the Social Security Administration (SSA) paid \$138,283,672 more from the Disability Insurance (DI) trust fund than it would have had it been able to impose workers' compensation (WC)/public disability benefit (PDB) offset on the DI payments for 22,484 beneficiaries who received WC/PDB payments from reverse offset plans.<sup>1</sup> We used WC/PDB information in Master Beneficiary Records (MBR) and 10 states' records to identify the beneficiaries.

### **Steps Taken to Calculate Reverse Offset's Impact**

We took the following steps to identify the 22,484 DI beneficiaries and calculate the reverse offset's impact:

**Step 1:** Identified 26,094 beneficiaries who received both DI payments and state WC/PDB payments from reverse offset plans in 2019 based on WC/PDB information in MBRs.

**Step 2:** Calculated \$170,708,290 in reverse offset costs for the 26,094 beneficiaries and the auxiliaries on their records based on WC/PDB information in MBRs.

**Step 3:** Excluded 11,321 of the 26,094 beneficiaries identified in Step 1 that were not likely to have received WC/PDB payments from reverse offset plans in 2019 based on information in states' records.

**Step 4:** For beneficiaries not excluded in Step 3 who were receiving WC/PDB payments from one of the states and payment source we reviewed, we calculated the average cost from reverse offset per beneficiary by state and payment.

**Step 5:** Identified 7,711 beneficiaries not previously included but whose state records indicated had WC/PDB payments from reverse offset plans in 2019.

**Step 6:** Calculated the reverse offset costs for the 7,711 beneficiaries in Step 5 using the average cost of reverse offset per beneficiary calculated in Step 4.

**Step 7:** Determined the total financial impact for all 22,484 beneficiaries we identified.

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<sup>1</sup> The beneficiaries described in this Appendix are the primary numberholders in MBRs.

## ***Identifying 26,094 Disability Insurance beneficiaries (Described in Step 1)***

Using the MBR, we identified an initial population of 27,886 beneficiaries who received both DI payments and WC/PDB payments from reverse offset plans in 2019. To identify beneficiaries with state WC or PDB payments from reverse offset plans, we:

- Identified beneficiaries with a reverse offset start date for at least one WC/PDB injury.<sup>2</sup> We excluded some beneficiaries where reverse offset would not likely have applied because the state coded where the injury occurred did not have a WC or PDB reverse offset plan; the payment source coded was other than a state WC or state PDB; or the state where the injury occurred was not coded, and we could not determine the source of the WC/PDB payments based on other information in MBRs.<sup>3</sup>
- Identified beneficiaries who did not have a reverse offset start date but who had state WC from Wisconsin or Colorado or state PDB from New Jersey, New York, or Hawaii. We included these beneficiaries because all WC or PDB from these states were paid under a reverse offset plan. However, we did not include beneficiaries with PDB payments that were based on covered earnings.<sup>4</sup>

To identify beneficiaries with WC or PDB payments in 2019, we reviewed the start and stop dates of periodic payments to identify those payments that were made in 2019.<sup>5</sup> Payments without a stop date are determined not to have stopped. We also identified reverse offset injuries with a lump-sum gross amount and a proration period that fell in 2019.<sup>6</sup>

Additionally, to ensure the WC or PDB paid in 2019 for the beneficiaries we identified were paid within the reverse offset period, we reviewed the reverse offset start date, reverse offset stop date, and the offset first-considered date in the MBR.<sup>7</sup> We determined a different reverse offset start date, reverse offset stop date, or offset first-considered date for beneficiaries where the dates coded were likely inaccurate or missing.<sup>8</sup>

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<sup>2</sup> The reverse offset start date indicates the first month reverse offset applies for the WC/PDB injury.

<sup>3</sup> When a state WC or PDB is paid for an injury or illness, SSA must indicate in the MBR the state making the payments and the source of the payment as state WC or state PDB.

<sup>4</sup> WC/PDB offset does not apply to PDB payments if the payments were based all or in part on earnings covered under sections 210 (*Definition of Employment*) or 218 (*Voluntary Agreements for Coverage of State and Local Employees*) of the *Social Security Act*.

<sup>5</sup> Periodic payments are regularly occurring WC/PDB payments, such as weekly or monthly payments, paid for the time period indicated by the start and stop dates.

<sup>6</sup> When WC/PDB payments are paid as a lump-sum settlement, SSA prorates the gross amount of the lump-sum settlement as if it was a periodic payment made at a certain rate for a specified time period.

<sup>7</sup> The reverse offset period is the time reverse offset applies. The reverse offset stop date indicates the last month reverse offset applies. The offset first-considered date is the first month WC/PDB offset is considered or imposed.

<sup>8</sup> Florida, New Jersey, Oregon, and Washington WC payments are subject to WC/PDB offset when paid outside the reverse offset period defined in SSA's state-specific procedures, so when reviewing reverse offset start dates, reverse offset stop dates, and offset first-considered dates for accuracy, we focused more on beneficiaries with these payments.

We excluded another 1,792 of the 27,886 beneficiaries after we further reviewed their WC/PDB payments and determined they did not have any monthly WC/PDB payments for reverse offset injuries in the reverse offset period, resulting in 26,094 beneficiaries identified.

### ***Reverse Offset Costs for 26,094 Beneficiaries (Described in Step 2)***

The WC/PDB offset formula we used for our calculations of reverse offset costs for 26,094 beneficiaries is as follows:

Applicable Limit (80 percent Average Current Earnings or Total Family Benefits, whichever is higher)<sup>9</sup>

*minus* the monthly WC/PDB payment amount

*equals* monthly payments payable to the beneficiary and auxiliaries in the MBR.

We determined the values to use in each beneficiary's WC/PDB offset formula and computed the payments payable to the beneficiary and auxiliaries for every month the formula was applied. We compared this amount to the full monthly payments for the beneficiaries and auxiliaries to determine how much the payments were reduced because of the WC/PDB offset.

If the monthly payments payable to the beneficiary and auxiliaries in the MBR were equal to or higher than the full payments for the beneficiary and auxiliaries, WC/PDB offset did not result, and the reverse offset cost for that month was \$0. If the cost was \$0 for every month we calculated, the total reverse offset cost for the beneficiary and auxiliaries was also \$0.

If the monthly benefits payable to the beneficiary and auxiliaries in the MBR was less than the full benefits for the beneficiary and the auxiliaries, WC/PDB offset resulted. The reverse offset cost for that month would have been the difference between the full payments for the beneficiary and the auxiliaries on the record minus the payments payable after offset to the beneficiary and auxiliaries on the record. The total reverse offset cost for the beneficiaries is the sum of all 2019 months' costs calculated for the beneficiaries and auxiliaries on their records.

The reverse offset costs for the 26,094 beneficiaries totaled \$170,708,290.

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<sup>9</sup> The average current earnings is the highest from three methods SSA uses to compute the average earnings amount beneficiaries received. The total family benefits are the total DI monthly amount for the beneficiaries and auxiliaries entitled in the MBR on the first month of concurrent DI and WC/PDB payments, when WC/PDB offset is considered.

## ***Identifying 11,321 Beneficiaries to Exclude (Described in Step 3)***

Based on WC/PDB information in 10 states' records,<sup>10</sup> we excluded 11,321 of the 26,094 beneficiaries we had identified because they were not likely to have received WC/PDB payments from reverse offset plans in 2019 contrary to what their MBRs indicated.<sup>11</sup>

For beneficiaries with New Jersey PDB in their MBRs, our additional condition for exclusion is that state records did not indicate any months of concurrent entitlement to PDB and DI payments in 2019.<sup>12</sup> However, we did not exclude beneficiaries when one of the following applied:

- State records did not contain sufficient information for us to identify all individuals who received payments from reverse-offset plans in 2019.
- We calculated a reverse-offset cost for the beneficiaries entirely or partially based on lump-sum payments as these payments may have been awarded before 2019.<sup>13</sup>
- We calculated a reverse-offset cost for the beneficiaries based on two states and/or payment sources and we could not use state records from both states and/or payment sources to exclude the beneficiaries.
- Another state's records indicated the beneficiaries had WC/PDB payments from reverse offset plans in 2019.

The reverse-offset costs we calculated for the 11,321 beneficiaries we excluded totaled \$81,554,042. After excluding 11,321 of the 26,094 beneficiaries we previously identified, 14,773 beneficiaries remained with reverse offset costs totaling \$89,154,248.

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<sup>10</sup> The records we reviewed from 10 states are: Alaska WC, California WC, Florida WC, Louisiana WC, Montana WC, New Jersey PDB and WC, North Dakota WC, Oregon WC, Washington WC, and Wisconsin WC.

<sup>11</sup> State records did not identify these beneficiaries or otherwise indicate they received WC/PDB payments from a reverse offset plan in 2019.

<sup>12</sup> We had this condition because many beneficiaries with New Jersey PDB became entitled to DI payments in 2019, so there was a significant chance that, although both PDB and DI payments were paid in 2019, these payments may not have been paid concurrently.

<sup>13</sup> This exception to exclusion does not apply to New Jersey PDB cases because New Jersey PDB are only paid as periodic payments, not as lump-sum settlements, so lump sums indicated on MBRs are likely errors.

## ***Calculating the Average Cost Per Beneficiary (Described in Step 4)***

Of the remaining 14,773 beneficiaries, 8,297 had WC/PDB payments from the same state, and of the same payment source, as the state records we reviewed. We calculated an average cost per beneficiary by state and payment. The average cost per beneficiary is the sum of all costs for beneficiaries with the same state and payment divided by the number of beneficiaries. For example, Florida WC had a reverse offset cost of \$7,871,779 for 2,479 beneficiaries, with an average cost per beneficiary over \$3,175.

## ***Identifying 7,711 Beneficiaries to Include (Described in Step 5)***

We used state records to identify 7,711 beneficiaries who received both DI and WC/PDB payments from reverse offset plans in 2019 who were not included as part of the 26,094 beneficiaries described in Step 1. For beneficiaries whom state records indicated had New Jersey PDB, we included an additional condition that state records indicated PDB was paid in same month in 2019 as DI payments were made. For beneficiaries whom state records indicated had Florida, Washington, or New Jersey WC payments from reverse offset plans, we included an additional condition that these beneficiaries must not have turned age 62 in 2019.<sup>14</sup>

## ***Reverse offset costs for 7,711 beneficiary (Described in Step 6)***

We applied the average cost of reverse offset per beneficiary calculated in Step 4 to determine the reverse offset costs for the 7,711 beneficiaries included in Step 5. For example, 1,188 of the 7,711 beneficiaries received Florida WC payments from reverse offset plans in 2019. We applied the average cost of reverse offset for the 1,188 beneficiaries to calculated \$3,772,357 in reverse offset costs for these beneficiaries. We calculated reverse offset costs totaling \$49,129,424 for the 7,711 beneficiaries.

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<sup>14</sup> For beneficiaries receiving Florida, Washington, and New Jersey WC payments from reverse offset plans, reverse offset ends when beneficiaries turn age 62.

## ***Financial Impact of Reverse Offset for 22,484 Beneficiaries (Described in Step 7)***

Our estimation of \$138,283,672 in financial impact from reverse offset for 22,484 beneficiaries is shown in Table B-1 by state and payment. We also indicated whether state records were reviewed, the number of beneficiaries initially identified, excluded, added, and the final number of beneficiaries identified.

**Table B-1: Reverse Offset Costs by State and Payment**

| <b>State and Payment</b> | <b>State Records Reviewed</b> | <b>Initial Beneficiaries Identified</b> | <b>Beneficiaries Excluded</b> | <b>Beneficiaries Included</b> | <b>Final Beneficiaries</b> | <b>Reverse Offset Cost</b>         |
|--------------------------|-------------------------------|---|-------------------------------|-------------------------------|----------------------------|------------------------------------|
| Alaska WC                | ✓                             | 133                                     | 90                            | 98                            | 141                        | 677,028.55                         |
| California WC            | ✓                             | 193                                     | 18                            | 376                           | 551                        | 3,187,546.02                       |
| Colorado WC              |                               | 3,178                                   | N/A                           | N/A                           | 3,178                      | 21,413,841.60                      |
| Florida WC               | ✓                             | 5,495                                   | 3,016                         | 1,188                         | 3,667                      | 11,644,137.51                      |
| Hawaii PDB               |                               | 486                                     | N/A                           | N/A                           | 486                        | 2,269,034.20                       |
| Illinois PDB             |                               | 38                                      | N/A                           | N/A                           | 38                         | 170,986.90                         |
| Louisiana WC             | ✓                             | 197                                     | 0                             | 0                             | 197                        | 853,566.40                         |
| Minnesota WC             |                               | 442                                     | N/A                           | N/A                           | 442                        | 1,852,067.40                       |
| Montana WC               | ✓                             | 677                                     | 494                           | 8                             | 191                        | 1,004,640.59                       |
| New Jersey PDB           | ✓                             | 2,352                                   | 2,185                         | 997                           | 1,164                      | 2,826,525.87                       |
| New Jersey WC            | ✓                             | 982                                     | 436                           | 1,678                         | 2,224                      | 12,823,189.30                      |
| New York PDB             |                               | 1,348                                   | N/A                           | N/A                           | 1,348                      | 2,380,534.70                       |
| New York WC              |                               | 230                                     | N/A                           | N/A                           | 230                        | 1,049,426.80                       |
| North Dakota WC          | ✓                             | 331                                     | 224                           | 130                           | 237                        | 1,961,941.15                       |
| Ohio WC                  |                               | 404                                     | N/A                           | N/A                           | 404                        | 2,415,919.90                       |
| Oregon WC                | ✓                             | 161                                     | 47                            | 82                            | 196                        | 728,295.77                         |
| Puerto Rico PDB          |                               | 359                                     | N/A                           | N/A                           | 359                        | 545,875.50                         |
| Washington WC            | ✓                             | 5,698                                   | 1,916                         | 2,493                         | 6,275                      | 63,666,269.63                      |
| Wisconsin WC             | ✓                             | 3,393                                   | 2,895                         | 661                           | 1,159                      | 6,835,327.01                       |
| <b>Totals</b>            |                               | <b>26,094<sup>15</sup></b>              | <b>11,321</b>                 | <b>7,711</b>                  | <b>22,484<sup>16</sup></b> | <b>138,283,672.80<sup>17</sup></b> |

<sup>15</sup> The 26,094 beneficiaries accounts for an overlap resulting from three beneficiaries paid WC/PDB from two different states and/or payment sources.

<sup>16</sup> The 22,484 beneficiaries accounts for an overlap resulting from three beneficiaries paid WC/PDB from two different states and/or payment sources.

<sup>17</sup> This amount accounts for an overlap of \$22,482 paid in total for three beneficiaries paid WC/PDB from two different states and/or payment sources.

## State Data Limitations

Although we were able to use state records to refine our estimation of the financial impact from reverse offset, the following data limitations hindered our ability to identify additional beneficiaries to exclude or include in our population or use WC/PDB payment amounts from state records:

- Insufficient detailed payment information affected our ability to determine monthly WC payment amounts for 2019, which we would have needed to use the WC payment amounts for cost calculations. (All states' data except New Jersey PDB had this limitation.)
- Limited information on when payments were made affected our ability to identify beneficiaries in receipt of payments in 2019. (Montana WC data had this limitation.)
- Lack of records for all individuals who received WC payments in 2019 and limited information on some types of WC payments paid affected our ability to identify beneficiaries who received payments from reverse offset plans in 2019. (Louisiana WC data had this limitation.)
- Lack of Social Security numbers for individuals affected our ability to match individuals against SSA's records to identify DI beneficiaries. (California WC data had this limitation.)

Additionally, we did not review Illinois PDB, Ohio WC, Puerto Rico PDB records we received, and did not receive Colorado WC, Hawaii PDB, Minnesota WC, New York PDB, and New York WC records from states.

## Appendix C – ACCURACY OF WORKERS’ COMPENSATION/PUBLIC DISABILITY BENEFIT

We matched 10 states’ records to the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) to identify 23,648 beneficiaries who received state workers’ compensation (WC) or public disability benefits (PDB) and Disability Insurance (DI) payments in 2019.<sup>1</sup> Of these, 15,491 beneficiaries (66 percent) had inaccurate WC/PDB information in their MBRs, which placed 13,033 beneficiaries at risk for being improperly paid by SSA (Table C–1).

**Table C–1: Beneficiaries Reviewed and At Risk for Improper Payments**

| State and Payment | Beneficiaries Reviewed | Beneficiaries with Inaccurate WC/PDB Information in MBRs | Beneficiaries At Risk for Improper Payments |
|-------------------|------------------------|--|---|
| Alaska WC         | 133                    | 97   | 35  |
| California WC     | 5,268                  | 3,790  | 3,534                                       |
| Florida WC        | 2,148                  | 1,670  | 1,669                                       |
| Louisiana WC      | 259                    | 151  | 146   |
| Montana WC        | 338                    | 230  | 142   |
| New Jersey PDB    | 1,655                  | 1,512  | 68  |
| New Jersey WC     | 3,619                  | 2,942  | 2,942                                       |
| North Dakota WC   | 340                    | 205  | 167   |
| Oregon WC         | 119                    | 83   | 8   |
| Washington WC     | 8,811                  | 4,276  | 4,276                                       |
| Wisconsin WC      | 958                    | 353  | 46  |
| <b>Totals</b>     | <b>23,648</b>          | <b>15,491</b>  | <b>13,033</b>                               |

To identify the 23,648 beneficiaries with corresponding state records, we matched individuals’ Social Security numbers (SSN) in state records to MBRs.<sup>2</sup> For SSNs with matches, we compared the WC/PDB information in states’ records to the information in the DI beneficiaries’ MBRs to determine whether the MBRs indicated the following:

<sup>1</sup> The 23,648 beneficiaries had received both WC or PDB payments and DI benefits in 2019 except for beneficiaries with Montana WC payments where we could not determine whether the payments were paid in 2019 due to lack of dates of payments in Montana State records. Therefore, we matched all individuals with Montana WC payments in state records, regardless of when the payments were paid, to SSA records to identify those who had DI payments in 2019. Other states’ data limitations affected our ability to identify additional beneficiaries with WC/PDB payments in 2019, including lack of records for all individuals in receipt of WC payments (Louisiana WC, Oregon WC), limited information on types of WC payments paid in state records (Louisiana WC), and lack of SSNs for individuals in state records (California WC).

<sup>2</sup> We obtained all SSNs from state records except for California. California provided WC records of individuals without corresponding SSNs. We matched the name and date of birth of individuals in California WC records to SSA’s Enumeration Verification System to identify SSNs for these individuals, which would allow us to further match the state records to SSA’s MBR.



- a WC or PDB payment source and injury state that matched state records;
- WC or PDB payments in 2019;<sup>3</sup>
- a reverse offset start date was posted for a WC or PDB injury or illness to indicate payments were from a reverse offset plan;<sup>4</sup>
- absence of a reverse offset start date posted for a WC or PDB injury or illness to indicate payments were not from a reverse offset plan; and
- a reverse offset start date and stop date that correctly identified the reverse offset period for beneficiaries who received WC or PDB payments from reverse offset plans.<sup>5</sup>

For the 15,491 beneficiaries we found had inaccurate WC/PDB information in MBRs, we determined the inaccuracies placed 13,033 beneficiaries at risk for improper payments because SSA did not consider WC/PDB offset when it should have, considered WC/PDB offset when reverse offset should have applied, or applied reverse offset when WC/PDB offset should have been considered.<sup>6</sup> The 4 main inaccuracies we found for the 13,033 at-risk beneficiaries and the number of beneficiaries with these inaccuracies are as follows:

1. **Not identifying the WC/PDB claim:** For 5,356 beneficiaries, SSA did not indicate any WC/PDB payment source or injury state to show it was aware the beneficiaries had WC/PDB or indicated a WC/PDB payment source and/or injury state that did not match state records. Because SSA was not aware beneficiaries were receiving WC/PDB payments that were not paid from reverse offset plans, SSA did not consider WC/PDB offset when it should have. For beneficiaries where SSA indicated a WC/PDB payment source and/or injury state that did not match state records, the misidentification of the WC/PDB caused SSA to consider WC/PDB offset when reverse offset should have applied or apply reverse offset when WC/PDB offset should have been considered.
2. **Not detecting WC/PDB payments in 2019:** For 3,239 beneficiaries, SSA had correctly identified the payment source and injury state but was still not aware beneficiaries had received any WC/PDB payments or had known about some payments but indicated the payments stopped before 2019. Most of the beneficiaries received payments not paid from reverse offset plans, but, because SSA was not aware of the payments in 2019, SSA did not

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<sup>3</sup> We considered WC or PDB payments to be shown for 2019 if regularly scheduled payments were made in 2019 or SSA prorated a lump-sum settlement starting in 2019.

<sup>4</sup> The reverse offset start date indicates the first month and year when reverse offset applies.

<sup>5</sup> The reverse offset period is the time when reverse offset applies. The reverse offset stop date indicates the last month and year reverse offset applies.

<sup>6</sup> SSA has considered WC/PDB offset when MBRs do not show a reverse offset start date for a WC or PDB injury or illness but indicated payments were paid, or the payments indicated occurred before or after the reverse offset period defined by the reverse offset start date and reverse offset stop date (if shown). When SSA had considered offset, it had applied WC/PDB offset computations to the WC or PDB payments to determine whether the combined DI and WC/PDB payments exceed 80 percent of the DI beneficiaries' average current earnings or total family benefits, resulting in reductions to DI payments. Although DI payments are not reduced when there are no excessive combined DI and WC/PDB payments paid, we still determined SSA's consideration of WC/PDB offset to be incorrect if it had applied WC/PDB offset computations when it should not have done so because reverse offset had applied.

consider WC/PDB offset when it should have. Other beneficiaries received payments from reverse offset plans, but they were paid from states where the reverse offset period ends when beneficiaries turn age 62.<sup>7</sup> Because SSA was not aware of the ongoing payments, it did not take necessary actions to consider WC/PDB offset when the beneficiaries turned age 62.

3. **Not correctly determining the applicability of WC/PDB offset:** For 3,218 beneficiaries, SSA indicated the WC/PDB payments beneficiaries received were not from reverse offset plans when state records had indicated payments in 2019 were from reverse offset plans, or indicated the payments were from reverse offset plans when state records had indicated payments in 2019 were not from reverse offset plans. Most of the inaccuracies that occurred were for beneficiaries who received payments from reverse offset plans but SSA had considered WC/PDB offset when reverse offset should have applied. Other beneficiaries received payments not from reverse offset plans but SSA had applied reverse offset when it should have considered WC/PDB offset.
4. **Not correctly determining when the reverse offset period ended:** For 959 beneficiaries, SSA did not indicate the reverse offset period ended when the beneficiary turned age 62.<sup>8</sup> SSA either did not post a reverse offset stop date or posted an incorrect stop date, which caused SSA to not consider WC/PDB offset after the beneficiaries turned age 62, or to begin considering WC/PDB offset in the wrong month.

The remaining 261 beneficiaries also had inaccurate information pertaining to payments and the reverse offset period which caused SSA to consider WC/PDB offset when it should not have done so or apply reverse offset when WC/PDB should have been considered, placing beneficiaries at risk for improper payments. For example, SSA did not correctly identify the reverse offset period for some beneficiaries because it had indicated an incorrect reverse offset start and/or stop date.

Table C–2 through Table C–12 below show the inaccuracies we found for at-risk beneficiaries by state and payment.

**Table C–2: At-Risk Beneficiaries with Alaska WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 14                            |
| Not detecting WC/PDB payments in 2019                        | 12                            |
| Not correctly determining the applicability of WC/PDB offset | 9                             |
| <b>Total</b>   | <b>35</b>                     |

<sup>7</sup> For beneficiaries receiving Florida, Washington, and New Jersey WC payments from reverse offset plans, reverse offset ends when beneficiaries turn age 62.

<sup>8</sup> These beneficiaries received Florida, Washington, and New Jersey WC payments from reverse offset plans.

**Table C–3: At-Risk Beneficiaries with California WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 1,891                         |
| Not detecting WC/PDB payments in 2019                        | 1,532                         |
| Not correctly determining the applicability of WC/PDB offset | 111                           |
| <b>Total</b>   | <b>3,534</b>                  |

**Table C–4: At-Risk Beneficiaries with Florida WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                               | 987                           |
| Not detecting WC/PDB payments in 2019                          | 168                           |
| Not correctly determining the applicability of WC/PDB offset   | 451                           |
| Not correctly determining when the reverse offset period ended | 55                            |
| Other Inaccuracy   | 8                             |
| <b>Total</b>   | <b>1,669</b>                  |

**Table C–5: At-Risk Beneficiaries with Louisiana WC**

| Type of Inaccuracy                    | Beneficiaries with Inaccuracy |
|---------------------------------------|-------------------------------|
| Not identifying the WC/PDB claim      | 119                           |
| Not detecting WC/PDB payments in 2019 | 27                            |
| <b>Total</b>                          | <b>146</b>                    |

**Table C–6: At-Risk Beneficiaries with Montana WC**

| Type of Inaccuracy               | Beneficiaries with Inaccuracy |
|----------------------------------|-------------------------------|
| Not identifying the WC/PDB claim | 65                            |
| Other Inaccuracy                 | 77                            |
| <b>Total</b>                     | <b>142</b>                    |

**Table C–7: At-Risk Beneficiaries with New Jersey PDB**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 10                            |
| Not correctly determining the applicability of WC/PDB offset | 51                            |
| Other Inaccuracy   | 7                             |
| <b>Total</b>   | <b>68</b>                     |

**Table C–8: At-Risk Beneficiaries with New Jersey WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                               | 1,007                         |
| Not detecting WC/PDB payments in 2019                          | 292                           |
| Not correctly determining the applicability of WC/PDB offset   | 1,392                         |
| Not correctly determining when the reverse offset period ended | 185                           |
| Other Inaccuracy   | 66                            |
| <b>Total</b>   | <b>2,942</b>                  |

**Table C–9: At-Risk Beneficiaries with North Dakota WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 62                            |
| Not detecting WC/PDB payments in 2019                        | 10                            |
| Not correctly determining the applicability of WC/PDB offset | 65                            |
| Other Inaccuracy   | 30                            |
| <b>Total</b>   | <b>167</b>                    |

**Table C–10: At-Risk Beneficiaries with Oregon WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 2                             |
| Not correctly determining the applicability of WC/PDB offset | 5                             |
| Other Inaccuracy   | 1                             |
| <b>Total</b>   | <b>8</b>                      |

**Table C–11: At-Risk Beneficiaries with Washington WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                               | 1,195                         |
| Not detecting WC/PDB payments in 2019                          | 1,198                         |
| Not correctly determining the applicability of WC/PDB offset   | 1,113                         |
| Not correctly determining when the reverse offset period ended | 719                           |
| Other Inaccuracy   | 51                            |
| <b>Total</b>   | <b>4,276</b>                  |

**Table C–12: At-Risk Beneficiaries with Wisconsin WC**

| Type of Inaccuracy   | Beneficiaries with Inaccuracy |
|--|-------------------------------|
| Not identifying the WC/PDB claim                             | 4                             |
| Not correctly determining the applicability of WC/PDB offset | 21                            |
| Other Inaccuracy   | 21                            |
| <b>Total</b>   | <b>46</b>                     |

## **Appendix D – QUESTIONNAIRE SENT TO STATES**

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We sent questionnaires to the offices that oversee the states' workers' compensation (WC) or public disability benefits (PDB) programs in Puerto Rico and the 16 states with reverse offset plans to learn more about how they process offsets to WC/PDB payments for disabled workers who also receive Social Security disability insurance (DI) payments.<sup>1</sup>

The general questions we asked were as follows:<sup>2</sup>

1. When did the State's reverse offset provision(s) became effective?
2. How do you determine whether disabled workers receiving WC or PDB payments also receive Social Security DI payments?
3. What specific information about disabled workers' DI payments do you need to process reverse offset cases?
4. How do you obtain the information you need to process reverse offset cases?
5. If you contact the Social Security Administration (SSA), how do you contact SSA (for example, send SSA a form to complete) and what specific DI information do you request?
6. Do you receive any data reports from SSA listing disabled workers and their DI payments that you use to identify reverse offset cases?
7. What information that you do not currently receive from SSA that you would like to receive to help you administer your WC or PDB program?
8. Are you concerned that you may not be aware of disabled workers who receive DI payments currently with WC or PDB payments, either because SSA or the disabled worker does not report these payments?
9. Do you provide WC or PDB information to SSA to help it detect disabled workers receiving concurrent WC or PDB and DI payments?
10. If you provide WC or PDB information to SSA, what specific information do you provide and how do you provide the information?
11. Do you have any additional comments or information you would like to provide to us?

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<sup>1</sup> Most states and Puerto Rico responded to our questionnaire but three states did not respond.

<sup>2</sup> We asked some additional questions to state administrators of Ohio WC and Washington WC programs pertaining to specific communication protocols between SSA and these states.

## Appendix E – AGENCY COMMENTS

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### SOCIAL SECURITY

#### MEMORANDUM

**Date:** August 31, 2023

**Refer To:** TQA-1

**To:** Gail S. Ennis  
Inspector General

**From:** Scott Frey   
Chief of Staff

**Subject:** Office of the Inspector General Draft Report, "State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund" (A-02-19-50867) — INFORMATION

Thank you for the opportunity to review the draft report. We agree with recommendations 1 and 3; however, we disagree with recommendation 2.

While we have the legal authority to collect workers' compensation (WC) and public disability benefit (PDB) information, there is no legislative requirement for States or other entities to share the information with us.

In addition, Appendix B of the report details the data limitations that OIG encountered in their efforts to identify beneficiaries and use payment amounts from State WC/PDB data. When considering a data exchange, we experience the same issues that OIG encountered, and must consider other factors that including data quality, technological and logistical challenges, anticipated program savings, and estimated costs.

Please let me know if I can be of further assistance. You may direct staff inquiries to Trac Sommer at (410) 965-9102.



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