



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Management Advisory Report

State Workers' Compensation Offset (Colorado and Minnesota)

022403 January 2025



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 30, 2025

Refer to: 022403

To: Michelle A. King
Acting Commissioner

From: Michelle L. Anderson *Michelle L. Anderson*
Assistant Inspector General for Audit

Subject: State Workers' Compensation Offset (Colorado and Minnesota)

The attached management advisory report presents the results of the match of workers' compensation (WC) records from Colorado and Minnesota against Social Security Administration's (SSA) benefit records. The objective was to determine whether SSA correctly applied WC offset for Disability Insurance beneficiaries who received WC payments from Colorado and Minnesota.

We identified 387 beneficiaries for whom SSA did not consider WC offset or incorrectly applied WC offset. We made two formal recommendations which relate to taking appropriate corrective actions to recover improper payments and developing cases with missing or inaccurate Colorado or Minnesota WC information. If you wish to discuss the final report, please call me or have your staff contact Mark Searight, Deputy Assistant Inspector General for Audit.

Attachment

ABBREVIATIONS

DI	Disability Insurance
PDB	Public Disability Benefit
POMS	Program Operations Manual System
SSA	Social Security Administration
WC	Workers' Compensation

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) correctly applied workers' compensation (WC) offset for Disability Insurance (DI) beneficiaries who received WC payments from Colorado and Minnesota.

BACKGROUND

Workers' Compensation Offset

Individuals who receive DI benefits from SSA may also receive benefits from other sources, including state WC payments for work-related injuries and illnesses. The *Social Security Act* requires that SSA reduce or offset DI beneficiaries' benefits when they also receive WC to ensure their combined DI and WC payments do not exceed 80 percent of their average current earnings or total family benefits.¹ The *Act* further requires that SSA exclude beneficiaries from offset when they receive WC payments from reverse offset plans, where states reduce the WC payments rather than SSA reducing DI payments.²

SSA employees are required to identify DI beneficiaries who receive WC payments for potential WC offset.³ Because reverse offset plans differ from state to state, SSA has specific policies and procedures for each state that show when DI beneficiaries should have WC offset applied and when they should be excluded based on their WC payments from reverse offset plans.⁴ In Colorado, all WC payments are paid under a reverse offset plan which means they are excluded from WC offset.⁵ In Minnesota, some WC payments are paid under a reverse offset plan, so only those payments will be excluded from WC offset.⁶ SSA should document WC information in their records and note whether WC offset applies or if an exception is met.

Office of the Inspector General Report

In a September 2023 audit, we reviewed WC/Public Disability Benefits (PDB) for ten states and found SSA may have improperly paid 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.⁷ The errors occurred because SSA lacked or did not properly use data it had regarding WC/PDB. We made three recommendations including that SSA negotiate with the states to establish data matches to

¹ 42 U.S.C. § 424a.

² 42 U.S.C. § 424a(d). The *Social Security Act* only provides for an exception for reverse offset plans in effect on or before February 18, 1981.

³ SSA, *POMS*, DI 52140.001, (June 3, 2010) and DI 52140.010, A. (September 13, 2017).

⁴ SSA, *POMS*, DI 52105.001, B. (April 6, 2017).

⁵ SSA, *POMS*, DI 52120.035, A. (October 30, 2009).

⁶ SSA, *POMS*, DI 52120.130, B.1 (July 19, 2024). Permanent total WC payments are excluded from WC offset based on reverse offset when the worker has been paid \$25,000 in permanent total payments or other payments properly reclassified as permanent total payments.

⁷ SSA, OIG, *State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund*, A-02-19-50867 (September 2023).

obtain WC/PDB information and establish system controls to identify cases likely to have incorrect WC/PDB offsets and/or reverse offset determinations.

SCOPE AND METHODOLOGY

This review was a continuation of work related to our September 2023 audit. We did not include Colorado and Minnesota in that report, because the states did not provide the WC data timely.

We obtained 41,603 WC records from Colorado and 44,277 from Minnesota for individuals who received WC benefits in Calendar Year 2019, regardless of their involvement in a reverse offset plan. Our match of this information with SSA records identified 1,612 beneficiaries who received DI benefits and WC payments in 2019; 582 from Colorado and 1,030 from Minnesota.

In lieu of a full audit report, we are issuing this management advisory report to inform the Social Security Administration (SSA) we will not conduct additional work because of the small number of error cases and the lack of sufficient information in SSA and State WC records. Additionally, SSA is still addressing our prior audit recommendations to improve its controls related to WC determinations, which also apply to Colorado and Minnesota.

RESULTS OF REVIEW

For the 1,612 beneficiaries in our population, we found the following:

- 15 beneficiaries were improperly paid almost \$165,000 because SSA did not accurately apply WC offset or excluded the beneficiary from offset.⁸
- 357 beneficiaries had missing or inaccurate Colorado or Minnesota WC information in SSA records. As a result, SSA did not consider WC offset or incorrectly applied WC offset, which placed the beneficiaries at risk for improper payments. The most common error found was SSA did not document any WC information in SSA records while state records indicated the beneficiaries received WC payments in 2019 that were subject to WC offset.
- 1,240 beneficiaries had Colorado or Minnesota WC offset accurately applied.⁹

We also reviewed payment records for 201 beneficiaries not found in state records whose SSA records indicated they received WC payments from Colorado in 2019 and for whom reverse offset did not apply. We determined SSA underpaid 15 of these beneficiaries more than \$227,000 because it imposed WC offset and reduced their DI benefits. Colorado WC payments are paid under reverse-offset plans, so SSA should not have reduced their benefits.

⁸ This includes 13 beneficiaries whom SSA underpaid because SSA applied WC offset when the beneficiaries should have been excluded from offset and 2 beneficiaries whom SSA overpaid because SSA excluded them from WC offset when offset should have applied.

⁹ Of the 1,240 beneficiaries, 711 had inaccurate WC information in SSA records, but the inaccuracies did not cause SSA to apply WC offset incorrectly and 529 had accurate WC information in SSA records.

RECOMMENDATIONS

We recommend that SSA:

1. Review and take appropriate actions for the 30 beneficiaries we identified who had improper payments.
2. Obtain accurate WC data for the 357 beneficiaries with missing or inaccurate WC information, make necessary payment adjustments, and resolve any improper payments, if necessary.



Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

Report:

Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at oig.ssa.gov/report.

Connect:

[OIG.SSA.GOV](https://oig.ssa.gov)

Visit our website to read about our audits, investigations, fraud alerts, news releases, whistleblower protection information, and more.

Follow us on social media via these external links:

 @TheSSAOIG

 OIGSSA

 TheSSAOIG

 Subscribe to email updates on our website.