



Workplace Injuries and Receipt of Benefits from Workers Compensation and SSDI

*Daniel Ladd and David Neumark**

Workers injured on the job in the United States are potentially eligible for indemnity benefits from workers' compensation (WC). Around 17% of WC claims involve permanent disabilities that lead to longer-term ("permanent") benefits or a lump-sum settlement. Disabled workers — whether or not the disabilities result from one's job — are also potentially eligible for disability benefits from Social Security Disability Insurance (SSDI).

We study whether workers injured in the workplace, who get permanent partial disability (PPD) or permanent total disability (PTD) benefits under WC, go onto SSDI and receive SSDI benefits as well. We also explore whether, when workers are eligible for benefits under both programs, SSDI benefits appear to be appropriately reduced ("offset"), based on programmatically built-in offsets designed to prevent beneficiaries of both programs from receiving more than a given benefit threshold relative

to prior earnings. These offsets are difficult to implement, and recipients are incentivized to try to preserve eligibility for benefits from both programs. We use data from the Health and Retirement Study (HRS), and linked restricted data from the Social Security Administration (SSA).

This research has import for SSDI and WC policy. For SSDI, in most states benefits are, in many cases, supposed to be reduced to offset WC benefits. If this is not occurring, then a better system to track SSDI enrollees compensated by WC and to apply the appropriate offsets could reduce SSDI expenditures without depriving disabled workers of their entitled compensation. Moreover, if workers are experiencing permanently disabling injuries that should be fully compensated by WC but instead go on to SSDI, then WC experience ratings (basing insurance premiums in part on historical claims) may not be creating incentives to promote workplace safety, leading to more

* **David Neumark** is Chancellor's Professor of Economics at the University of California, Irvine. **Daniel Ladd** is a PhD economics student at University of California-Irvine. This research brief is based on working paper MRDRC WP 2021-424, UM21-16.

disabling workplace injuries, imposing costs on both systems, and reducing worker well-being.

Workers' compensation and Social Security disability insurance offsets

In most states, SSDI benefits are supposed to be reduced when combined SSDI and WC benefits exceed 80% of prior earnings. In some states, the offsets are instead supposed to reduce WC benefits (“reverse offsets”). In principle, there is coordination between the two programs to avoid paying benefits that are too high relative to lost earnings. However, it can be difficult for SSA to obtain WC payment information and complicated to use this information to calculate offsets. This can be especially problematic with lump-sum WC settlements, which make applying the 80% rule challenging. Perhaps because of these complications and the financial stakes, attorneys help workers avoid or reduce offsets by suggesting specific ways to specify lump-sum settlements (making monthly benefits seem smaller) and/or specifying some benefits as medical, which are not used in the offset calculation.

Our approach

Most past work on this topic is based solely on SSA data and does not account for the potential difficulty SSA has in determining WC receipt. The HRS provides an independent measure of WC receipt. The HRS also asks respondents whether the workplace injury was permanent or temporary and the permanent disability rating (essentially, the percent of work capacity lost). Thus, we can characterize SSDI receipt for those HRS respondents who report getting WC benefits and tie SSDI receipt to details on their WC-compensable injuries. We also look in detail at the SSDI-offset information in the matched SSA data. We are able to document differences by whether a state has a reverse offset or not.

The matched data let us identify SSDI recipients

who, based on the HRS, are getting WC benefits for permanently disabling injuries. Information in the SSA data points to a few important case types, including: whether SSA offsets WC benefits; whether SSA has knowledge of WC receipt; and, for the unknown cases, whether an individual who is in a reverse offset state or not. In the latter cases, SSA should have knowledge of WC benefits whereas, for reverse offset states, there might be no reason for SSA to have or record this information.

Results

Our analysis leads to the following key findings:

- A large share of workers who suffer permanently disabling, WC-covered injuries end up on SSDI: 31% based on self-reported data in the HRS and 50% based on combined HRS and SSA administrative data.
- SSA appears to be missing information on a sizable share of WC-benefit recipients for which SSDI offsets could potentially be applied (31% to 35%, depending on the precise data used). Moreover, based on SSA data, the frequency with which SSDI benefits are reduced due to a WC offset seems surprisingly low (33%) — at least based on the information we have.

Discussion

In future work, we will do more to try to determine whether offsets occur when lawfully required by expanding our use of the data sources. It would be useful to combine Social Security earnings records and WC and SSDI benefit formulas to try to assess where the SSDI offset rule is more likely to apply.

A larger challenge is studying reverse offset states and whether, in these states, WC benefits are reduced when workers receive SSDI benefits for WC-compensable injuries. This will require different data — most likely WC insurance claims matched to SSA administrative data. The

ability to merge data on SSDI benefits and WC insurance claims would provide the most definitive evidence on all of the questions we consider, given the small number of

observations we can glean from the HRS data and from the matched HRS and SSA data on permanently disabled, WC-compensated workers. ❖

Michigan Retirement and Disability Research Center

Institute for Social Research

426 Thompson Street, Room 3026

Ann Arbor, MI 48104-2321

Phone: (734) 615-0422 **Fax:** (734) 615-2180

mrdrumich@umich.edu www.mrdrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center

(MRDRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.

Regents of the University of Michigan:

Jordan B. Acker, Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Sarah Hubbard, Okemos; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Mark S. Schlissel, *ex officio*