



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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HUMAN RESOURCES
DIVISION

September 30, 1983

B-204638

The Honorable Margaret M. Heckler
The Secretary of Health and Human Services

Dear Madam Secretary:

Subject: Better Case File Monitoring of the Workers'
Compensation Offset Provision by the Social
Security Administration Could Save Millions
(GAO/HRD-83-90)

The Social Security Disability Insurance (DI) trust fund loses millions each year because DI payments to disabled workers are not being reduced--offset--as required by the workers' compensation offset provision of the Social Security Act. In fiscal year 1981, although the provision saved almost \$168 million, we estimate that another \$43 million of potential savings was lost because offsets were not imposed. These lost offsets consisted of \$14 million attributable to federal workers' compensation programs, and \$29 million to state workers' ompensation.

In about one-third of the lost offset cases in our sample of DI recipients receiving state workers' compensation payments, the offsets were missed because the recipients did not notify the Social Security Administration (SSA) about these payments and there was no other information in the case files which would indicate that the recipients were--or were likely to be--entitled to such benefits. In the other two-thirds, however, SSA failed to follow-up on such information that was in the case files.

Computer matching between SSA and state workers' compensation agencies may be the long term solution to this problem, but most states do not now have automated centralized workers' compensation files. Meanwhile, better case review and development procedures could help SSA identify potential offset cases. Computer matches with federal workers' compensation programs are possible now and should be pursued by SSA.

BACKGROUND

The DI program authorized under title II of the Social Security Act is the Nation's primary source of income replacement for disabled workers. Many DI recipients with work-related disabilities may be entitled to workers' compensation benefits. The two types of benefits can overlap and cause disabled workers to receive more in disability benefits than they were earning before they became disabled.

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In 1956 the Congress, concerned that workers who received both DI and workers' compensation benefits may not be motivated to seek rehabilitation, enacted the offset provision.

Brief history of the offset provision

When the DI program was established in 1956, DI payments were reduced (or offset) by any federal disability benefit or state workers' compensation payment made to a disabled worker. Over the years, however, the provision was amended until--beginning in 1965--it covered only workers' compensation benefits. This changed in 1981 with the enactment of section 2208 of Public Law 97-35--known as the "megacap provision"--which expanded the offset provision to include other public disability programs. Section 2208 added to the offset provision disability benefits paid under a federal, state, or other public law or plan, unless the benefits are based on state or local employment which was covered by Social Security. Presently, about 4,900 federal, state, and local government disability programs are subject to the offset provision. The megacap provision specifically excludes Veterans Administration benefits, however, and all benefits based on need.

The offset provision, in its current form, requires that a worker's DI benefits are reduced so that the combined payments (DI plus disability payments received from a plan subject to the megacap provision) do not exceed the larger of (1) 80 percent of the worker's average current monthly earnings before he or she became disabled or (2) the amount of the total family DI benefit. For example, a worker who was earning \$923 a month before becoming disabled and who was receiving \$383 in total family DI benefits and \$490 in workers' compensation payments would be limited to DI payments of \$248 under the offset provision. The following table shows how the offset is computed:

DI benefit subject to offset	\$383
Workers' compensation	<u>490</u>
Combined benefits	\$873
Offset limit (larger of \$738 ^a or \$383)	<u>\$738</u>
Amount offset (\$873 less \$738)	<u>\$135</u>
Amount of DI payable (\$383 less \$135)	<u>\$248</u>
^a 80 percent of \$923 = \$738	

The offset provision is
an important money saver

In December 1982 the offset provision was in force for almost 58,000 families, and the savings that month amounted to more than \$14.4 million. Total calendar year 1982 savings exceeded \$172 million, and for the 10 years ended December 1982, savings attributable to the offset provision approached \$1.3 billion.

OBJECTIVE, SCOPE, AND METHODOLOGY

During a previous review of state workers' compensation laws, we learned that many workers' compensation recipients did not promptly report their benefits to SSA¹. We reported that for one 16-month period, the DI trust fund lost about \$3 million because of late reporting by new DI recipients. This condition raised the possibility that other dual recipients may have never reported their workers' compensation benefits. Therefore, we initiated this review of the workers' compensation offset provision with the following objectives:

1. to determine if non-reporting of workers' compensation benefits was a significant problem;
2. to determine the extent that offsets were not imposed as prescribed, and the causes thereof;
3. to measure the extent and dollar impact of lost offsets; and
4. if appropriate, to recommend procedures for ensuring that the offset provision is applied as prescribed by law.

Our work was done at SSA headquarters in Baltimore, Maryland; at SSA's Los Angeles District Office; at the Department of Labor's headquarters in Washington, D.C.; and at 40 workers' compensation agencies' offices in 14 states--California, Connecticut, Georgia, Illinois, Iowa, Kansas, Kentucky, Maine, Michigan, Missouri, New Jersey, Rhode Island, Texas, and Virginia. In two other states--North Carolina and Pennsylvania--we dealt with workers' compensation agency officials by mail and telephone to obtain the material needed for our review. Information from

¹Legislation Authorizing States to Reduce Workers' Compensation Benefits Should Be Revoked (HRD-80-31, Mar. 6, 1980).

Labor regarding payment data for the three federal workers' compensation programs² was also obtained through mail and telephone contacts.

To estimate the extent of offset losses, we matched samples of DI recipients against the rolls of the three federal workers' compensation programs and against the workers' compensation files of 16 randomly selected states. We used two separate DI samples in our review. Although each sample was comprised of DI recipients, for clarity we called one the state sample and the other the federal sample, referring to the type of workers' compensation programs the DI samples were matched with. The state sample was made up of 23 subsamples, each consisting of 340 DI recipients living in 1 of 16 selected states, for a total of 7,820 cases. The federal sample consisted of a 5-percent random sample of DI recipients, or 140,791 cases in all. The state match was done manually except in two states, where state officials used computers to do the match for us. The federal match was a computer match using data bases furnished by SSA and Labor.

Of the 7,820 DI cases in the state sample, 655 had filed state workers' compensation claims. On reviewing these claims, however, we concluded that offsets were clearly not appropriate in 447 cases, generally because the period of state workers' compensation had expired before the claimants' DI payments started. These cases were eliminated without the need to review DI case files. For the other 208 matches it was necessary to review the SSA master beneficiary record and/or the DI case file as well as the workers' compensation file to determine whether offsets were appropriate.

The computer match of the federal sample produced 1,371 matches. However, the program used to match the data bases not only paired up exact matches but sound-alike and similar names as well. On reviewing the computer listings we determined that only 499 of the 1,371 matches were likely to be valid. To determine whether offsets were appropriate for the 499 cases, we reviewed the DI master beneficiary record and/or case file, as well as Labor's records of workers' compensation benefits paid.

Thus, our findings and projections were based on analyses of 707 matches--208 in the state sample and 499 in the federal sample. We projected the results over the universe of DI benefici-

²The three federal workers' compensation plans, all administered by Labor, consist of (1) Black Lung (part C), (2) Federal Employees' Compensation Act (FECA), and (3) Longshoremen's and Harbor Workers' Compensation Act (LHWCA).

aries to estimate the value of offsets lost in fiscal year 1981. A more complete description of our sampling methodology is in enclosure I.

We reviewed applicable federal laws, regulations, legislative history, and implementing instructions relating to the offset provision. We reviewed SSA and state workers' compensation records, and interviewed SSA, Labor, and state workers' compensation officials and staff.

We obtained the views of SSA officials on problems associated with timely enforcement of the offset provision and discussed with them the alternative methods which may be available to reduce the number of offsets not imposed due to nonreporting. We also discussed our methodology and specific case findings with SSA officials during our review.

Our statistical projections in this report are for fiscal year 1981 because that was the most current data available at the time of our review. To the extent practicable we have included fiscal year 1982 information where appropriate.

We did not evaluate the data processing systems or design controls for SSA, Labor, or state computer-generated data used in our analysis. Otherwise, the review was made in accordance with generally accepted government auditing standards.

OFFSETS NOT IMPOSED COST THE TRUST
FUND MANY MILLIONS EACH YEAR

Although the offset provision saved almost \$168 million in fiscal year 1981, we estimate that claims that were not offset cost the trust fund about \$43 million--20 percent of the total potential offset savings. In our opinion, many claims were not offset because SSA had no indication that the DI claimants had received workers' compensation awards or had workers' compensation claims pending. However, in other cases SSA could have prevented the loss by acting on evidence in the case files that indicated claimants (1) had workers' compensation claims pending, (2) were receiving workers' compensation benefits, or (3) clearly had work-related disabilities and were likely to be entitled to workers' compensation benefits.³

³As discussed in more detail on page 9, we found about two-thirds of the state cases with lost offsets to have been preventable if SSA had acted on the available evidence.

Under the offset provision in fiscal year 1981, SSA reduced the benefits of an average of 59,550 DI recipients per month. We estimate that the DI benefits of another 16,778 families should have been reduced, each an average of 10.7 months, in fiscal year 1981.

As shown in the table below, we found 34 cases in our state sample for which offsets were not imposed in fiscal year 1981. Based on these cases we estimate that 12,498 cases should have had offsets amounting to \$29.4 million in fiscal year 1981. In our federal sample we found 214 cases that were not offset as required. We estimate that there were 4,280 such cases in the DI universe in fiscal year 1981, totaling about \$13.7 million in potential offsets.

In all, we estimate the trust fund lost \$43.1 million in fiscal year 1981 because offsets were not imposed as required. The following table shows the results of our analysis of the 707 matches (see p. 4), 248⁴ of which had lost offsets in at least one month of fiscal year 1981.

⁴Thirty-four state cases plus 214 federal cases.

Projections of DI Trust Fund Losses
Due to Offsets Not Imposed
(Fiscal Year 1981)

<u>Programs</u>	<u>Actual losses (sample)</u>			<u>Estimated loss projected to DI universe</u>	
	<u>Average months' offset not impose</u>	<u>Number of cases</u>	<u>Amount lost</u>	<u>Number of cases</u>	<u>Amount lost</u>
			(000 omitted)		(000 omitted)
Federal:					
Black Lung	10.5	151	\$499.1	3,020	\$ 9,981.5
FECA	11.9	44	116.5	880	2,330.3
LHWCA ^b	<u>12.0</u>	<u>19</u>	<u>69.4</u>	<u>380</u>	<u>1,388.7</u>
Total federal	10.9	214	\$685.0	4,280	\$13,700.5
State	<u>9.0</u>	<u>34</u>	<u>80.0</u>	<u>12,498</u>	<u>29,408.3</u>
Grand total	<u>10.7</u>	<u>248</u>	<u>\$765.0</u>	<u>16,778</u>	<u>\$43,108.7^a</u>

^aTotal off due to rounding. The sampling error for the \$43.1 million projected loss is \$9.5 million. Sampling errors for the projected losses for the state and federal samples are discussed on page 5 of enclosure I.

^bThere is no centralized data base of LHWCA recipients. Our projections were based on a match with a data base we created by combining records maintained centrally by Labor with records maintained in Labor district offices.

RELIANCE ON VOLUNTARY REPORTING
IS NOT EFFECTIVE

In applying the offset provision, SSA relies heavily on claimants to voluntarily report receipt of workers' compensation awards or changes in award amounts. Often, however, claimants do not voluntarily report such information and the files contain no other evidence to indicate that the claimants' disabilities may be work related. For such cases SSA has no basis for imposing the offset and overpayments may continue for years.

In March 1980, we reported that many workers' compensation recipients did not report their benefits to SSA "completely, accurately, and promptly."⁵ Of 5,300 claimants added to the rolls of DI recipients in offset status in one 16-month period, 45 percent reported the workers' compensation benefit an average of 8 months late. SSA informed us that when asked why they were late in reporting workers' compensation awards, claimants alleged either that they forgot they had to report or that they had reported. It raised the possibility, therefore, that others did not report their benefits at all.

We reviewed the DI claim files for 33 of the 34 state cases⁶ with offsets not imposed in one or more months of fiscal year 1981. In 13 of the 33 cases the claimants did not volunteer information about their workers' compensation claims. In 11 of the 13 cases there was also no evidence in the files that the claimants were entitled to workers' compensation payments or that their disabilities were work related.

For example, one claimant filed for DI in October 1977 and was approved for DI benefits beginning in December 1977. No offset was imposed, then or later. The medical diagnosis was arteriosclerotic heart disease. This is not a condition usually associated with a person's work. In fact, at the time of the DI claim, the applicant stated he had not filed for workers' compensation, and our review of state workers' compensation records confirmed this. However, state records show that he later filed a workers' compensation claim in December 1978, which was settled in September 1979 with a \$17,550 lump-sum award. There was no evidence in his DI file that he notified SSA of the lump-sum

⁵Legislation Authorizing States to Reduce Workers' Compensation Benefits Should Be Revoked (HRD-80-31, Mar. 6, 1980).

⁶One case file could not be located during the course of our review.

award or that SSA knew of the award by any other means. As a result, SSA did not impose the offset, and the recipient was overpaid \$303.30 a month from October 1979⁷ through October 1981. The overpayment in fiscal year 1981 amounted to \$3,639.50. Under SSA procedures, the lump-sum proration period expired in October 1981. The total overpayment amounted to about \$7,450.

SSA has acknowledged that its reliance on DI beneficiaries to voluntarily notify SSA of workers' compensation awards has contributed significantly to overpayments caused by offsets not being imposed. SSA has begun several activities designed to find out why some DI claimants do not report workers' compensation awards. For example, SSA has made preliminary inquiries into the possibilities of obtaining notice of workers' compensation awards via data exchanges with state workers' compensation agencies. However, SSA reports that serious obstacles remain to be overcome before that objective can be achieved.

BETTER CASE REVIEW AND DEVELOPMENT
PROCEDURES COULD SAVE MILLIONS

SSA should continue to explore ways of using computer technology as the long range means to solving the problem of obtaining timely notice of workers' compensation awards. However, increased management attention and better monitoring by SSA personnel could lead to identification of additional potential offset cases.

We estimated that offsets not imposed from the state segment of our sample amounted to \$29.4 million in fiscal year 1981 (see table on p. 7). Of the 34 state cases in our sample, 22 met conditions that, if identified and developed by SSA during the claims process, would probably have resulted in offsets being imposed as required by the offset provision. These conditions, and the number of cases applicable to each condition, are shown in the following table:

⁷If the claimant had notified SSA in September 1979--the month of the award--the first month of offset would have been October 1979.

Evidence in the Case Files Indicated Applicant
Might Qualify for Workers' Compensation Benefits
(State Sample)

<u>Condition</u>	<u>Number of cases</u>
Claimant indicated on the application that he was receiving workers' compensation benefits.	5
Claimant indicated on the application that he had in the past received workers' compensation benefits.	10
Claimant indicated on the application that he had a workers' compensation claim pending or under appeal.	5
Claimant denied on the application that he had ever filed a workers' compensation claim but indicated elsewhere on the application that his disability was related to his occupation or that he had suffered injuries on the job.	1
Claimant's application contained no references to workers' compensation claims or awards, nor any other indication of work-related disabilities, but other ^a evidence in the case file indicated the claimant was, or might be, entitled to workers' compensation.	1
	<u>22</u>

^aIn this case, the "other" evidence consisted of a previous application which showed claimant had received a workers' compensation settlement, plus a certificate from the insurance company showing that a lump-sum payment was awarded.

The 22 cases accounted for about \$24.9 million of the \$29.4 million projected loss for the state segment. We believe this amount could have been saved in fiscal year 1981 if SSA staff had properly acted on workers' compensation information in DI case folders.

According to SSA regulations, offsets are to be imposed beginning with the month after the month in which notice of workers' compensation award is received. Notice is defined as any form of information indicating that the worker will receive or is receiving a worker's compensation payment, or an increase in workers' compensation payments. Notice may come from the claimant, or from outside sources, such as an attorney, employer, insurance company, or state workers' compensation agency. In addition, notice may be contained in a prior denied or terminated DI folder.

Even if notice has not been received, but SSA has a reason to believe that the claimant may be entitled to a workers' compensation benefit or an increase in workers' compensation benefits, SSA's operating manual requires SSA staff to contact the claimant and/or the appropriate workers' compensation agency for verification of the worker's status. The instructions point out that such reasons could include the worker's description of his disability or medical evidence which suggests that the disability resulted from an on-the-job accident or occupational disease. If a DI applicant has a workers' compensation case pending, staff are instructed to follow up at 6-month intervals and impose the offset, if appropriate, when the case is settled.

As mentioned above, the files for 22 of the 34 state cases contained some evidence that the offset provision should have been applied but was not. To illustrate this point, the following examples are provided:

Example 1--Claimant acknowledged receipt of workers' compensation benefits

Claimant filed for DI benefits in March 1979, stating on the DI application that he had received biweekly workers' compensation payments of \$304 since February 1979. There was no evidence in the DI case file that SSA had attempted to verify this information or to impose an offset. State records show the claimant received workers' compensation at the rate of \$152.26 per week--approximately the amount acknowledged on his application--for February 1979 to January 1981. We estimated that the offset not imposed for this case amounted to \$2,261.85 in fiscal year 1981 and about \$11,500 overall.

Example 2--Claimant acknowledged having a pending workers' compensation claim

Claimant filed for DI benefits in February 1976 and stated on his application that he had a workers' compensation claim pending. There was no evidence in the DI file that SSA followed up to determine the outcome of the pending workers' compensation claim. State records show that in June 1981 the claimant was awarded 415 weeks compensation at \$86.80 per week, or \$36,022, based on a workers' compensation claim filed in February 1976. Under SSA procedures any amounts that should have been offset in such cases may be recovered once the workers' compensation claim is settled. We calculated that the offset not imposed amounted to \$4,513.20 in fiscal year

1981, with a total loss to the trust fund of over \$24,000.

Example 3--Claimant denied filing for workers' compensation benefits but the DI file indicated that the disability may be work-related

Claimant filed for DI benefits in November 1977, November 1978, and December 1979. The DI award was approved in January 1980, with payments to start in March 1980. The DI award was based on the December 1979 application. In the December 1979 application, the claimant denied ever having filed a workers' compensation claim, and the claim was processed without regard to the offset provision. However, in the previous DI application filed in November 1978, the claimant acknowledged receiving workers' compensation payments for about 1 year, ending in October 1978. SSA apparently followed up on that information and sent a form to the employer's insurer in December 1978 requesting the details of the workers' compensation award. The insurance company replied--also in December 1978--that the claimant received a lump-sum settlement of \$25,735 in October 1978. There was no evidence this information was used to determine whether a reduction in DI benefits was appropriate under the offset provision. Using SSA's lump-sum proration procedures, we determined that the offset loss for this case was \$631.20 in fiscal year 1981, while the total loss amounted to about \$2,150.

COMPUTER MATCHING: POSSIBLE LONG-TERM SOLUTION WITH SOME CURRENT APPLICATIONS

Computer matching between SSA and the various state and federal workers' compensation agencies could be used for identifying DI applicants who are awarded workers' compensation or other megacap program benefits. While SSA has made some efforts to identify states that are willing, and have the capability, to participate in such matches, widespread use of this technique is probably many years away. However, because we were able to successfully match a 5-percent sample of DI recipients against the rolls of the three federal workers' compensation programs, we believe that SSA and Labor should arrange for regular matches for identifying DI recipients who receive concurrent benefits from one of the federal workers' compensation programs.

SSA cites obstacles to computer matches between DI files and state workers' compensation agencies

In August 1982, the Associate Commissioner for Assessment, SSA, advised us that SSA was conducting a survey of state workers' compensation agencies to update previous surveys concerning available workers' compensation information and to ascertain which states would participate in matching activities with SSA. Several obstacles to such matches were cited in the Associate Commissioner's letter, as follows:

- A majority of states still do not have automated centralized workers' compensation records which would facilitate large scale, routine matching activity.
- Even for states with automated centralized files, the information collected by the state workers' compensation agency does not meet the needs of an SSA matching operation; at best SSA could perform a matching operation which would produce leads that would necessitate asking SSA field offices to review and resolve each match.
- Some states indicated potential or known limitations regarding the release of information to SSA.
- Some states have only recently automated their workers' compensation records; the data in these states would be of such "recent vintage" that the results of matching would be limited.

SSA plans to select a state for a pilot workers' compensation matching operation against all of SSA's payment files. When the pilot program is concluded, the results will be evaluated to determine the future direction of such matching programs. As of September 1983, a state had not been selected.

Computer matches with federal workers' compensation programs are possible now

SSA, in our opinion, could eliminate or significantly reduce lost offsets for federal workers' compensation cases by matching the DI universe with Labor's files. The matches could be facilitated by adding additional identifiers to the FECA and LHWCA data bases, such as sex, race, data of birth, and social security numbers. We believe that the \$13.7 million in offsets not imposed attributable to the 214 federal cases in our sample could have been prevented if such a matching program had been in effect when those claims were processed.

STEPS TAKEN BY SSA TO REDUCE
THE NUMBER OF OFFSETS NOT IMPOSED

Since we started our review, SSA has initiated several actions designed to reduce the number of offsets not imposed, as follows:

- The DI application form has been improved by requiring additional information from claimants who receive--or expect to receive--payments from disability programs subject to the megacap provision.
- The quality control reviews conducted at district offices by SSA's Office of Assessment have been expanded to include DI claims (formerly only retirement and survivor insurance claims were reviewed).
- A program circular was issued which sets forth supplemental policy guidelines (1) emphasizing the need for careful review of potential offset cases and (2) clarifying SSA's Program Operations Manual System (POMS) section dealing with the offset provision.

Officials from SSA's Office of Assessment told us they plan to make several recommendations in the near future regarding the processing of potential offset cases, based on (1) their analysis of the cases in our sample for which offsets were not imposed, and (2) quality control studies at SSA district offices and payment centers. Although the actual wording of the recommendations is still under review in the Office of Assessment, the recommendations were basically as follows:

- When a claimant states he has a work-related disability but denies having filed or any intention to file a workers' compensation claim, SSA should schedule a one-time followup at 6 or 12 months to determine if a workers' compensation claim was filed.
- When a claimant states he has been the recipient of workers' compensation payments in the past but claims the payments have ceased, SSA should schedule a one-time followup at 6 or 12 months to ascertain if the workers' compensation claim has been renewed.
- SSA should clarify its POMS manual to ensure that pending workers' compensation claims are followed up at 6-month intervals until they are settled.
- When a DI recipient is also receiving temporary workers' compensation payments, SSA should followup at 6-month

intervals until the workers' compensation case is permanently settled.

--SSA should set up a systematic data interface with Labor to ensure that SSA receives notice of federal workers' compensation awards; upon receipt of such notice from Labor, SSA should annotate the individual's earnings record to assure the offset is considered in the event the individual applies for DI.

CONCLUSIONS

Workers' compensation offsets not imposed continue to cost the DI trust fund millions each year and the potential for additional losses was greatly increased in August 1981 when about 4,900 federal, state, and local government disability programs became subject to the offset provision. We estimate that in fiscal year 1981 the DI trust fund lost \$43.1 million due to offsets not being imposed. Much of the loss occurs because SSA was not notified of workers' compensation awards, but most of the offsets not imposed could have been imposed if SSA had acted on information in the DI case files indicating that claimants were entitled to workers' compensation benefits or that their disabilities were probably work related. We believe the recommendations under consideration by SSA's Office of Assessment in this regard have merit and should be given serious consideration by SSA.

Also, although technology exists to permit matches between SSA and Labor's files, no systematic program has been developed to take advantage of this capability. As a result, the trust fund loses millions each year because the offsets are not imposed.

RECOMMENDATIONS

We recommend that you work with the Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files. To facilitate the matches, we recommend that you explore with the Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on action taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than

60 days after the date of this report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of interested Committees and Subcommittees; various members of the Congress who expressed an interest in our review; the Secretary of DOL; the Director, Office of Management and Budget; and the Inspector General of HHS.

Sincerely yours,



Richard L. Fogel
Director

Enclosure

SAMPLING METHODOLOGY

To estimate the extent of offset losses, we matched samples of Disability Insurance (DI) recipients against the rolls of three federal workers' compensation programs and against the workers' compensation files of 16 randomly selected states. We projected the results over the universe of DI beneficiaries to estimate the value of offsets lost in fiscal year 1981.

Two separate samples of DI recipients were used in our matches. Although each of the two samples was comprised of DI recipients, for clarity we called one the federal sample and the other the state sample, referring to the type of workers' compensation program matched.

For the federal sample, we matched a 5-percent¹ random sample of DI recipients on the rolls in September 1981 against the rolls of three federal workers' compensation programs administered by the Department of Labor. Each program is described briefly below:

- The Black Lung (part C) file contains information on coal mine workers' compensation cases. We selected all cases (79,135) entitled to benefits for September 1981.
- The Federal Employees' Compensation Act (FECA) file contains information on recipients of FECA benefits. We selected all 39,108 cases entitled to benefits for September 1981.
- The Longshoremen's and Harbor Workers' Compensation Act (LHWCA) file used in our match was created by combining records maintained centrally by Labor with those maintained locally at district offices. Our data base contained 3,560 cases. There is no centralized data base of LHWCA recipients.

We matched our DI sample against the federal programs on the basis of social security number, sex, race, date of birth, and name and address. Of the three federal workers' compensation programs, only the Black Lung file contained all of the matching factors. The FECA data base was matched to the DI sample using the same data elements as Black Lung, except for sex and race; the LHWCA match used name and address only.

¹The DI sample consisted of 140,791 cases.

Our computer program was designed to locate potential matches based on the number and exactness of data element matches. A printout for each match was produced, showing the identifying factors from the DI records on one line and the same factors from the federal workers' compensation records on the next line. For the three federal programs the computer match produced 1,371 matches. However, the program used to match the data bases not only paired up exact matches, but also sound-alike and similar names as well. On reviewing the computer printouts, we determined that 499 of the 1,371 matches were likely to be valid. The following table shows the results of our matches and subsequent computer printout reviews for the federal sample.

Results of GAO Match of Federal
Workers' Compensation Programs

<u>Match group</u>	<u>Number of matches in 5 percent DI sample</u>	<u>Number considered to be valid matches</u>
Black Lung (part C)	601	346
FECA	554	121
LHWCA	<u>216</u>	<u>32</u>
Total	<u>1,371</u>	<u>499</u>

For the state sample, our estimates were developed from a two-stage probability sample of DI recipients residing--as of August 1981--in the 43 states in which offsets were not precluded by state laws which required offsetting workers' compensation benefits instead of DI benefits. The first stage consisted of a random sample of 17 states with each state's probability of selection proportional to its population of DI recipients. Since this method of selection permits a state to be selected more than once, there were 27 separate selections. The names of the sample states and the number of times each was selected are as follows: New York, four times; North Carolina and Pennsylvania, three times each; California, Georgia, and Michigan, two times each; and Connecticut, Illinois, Iowa, Kansas, Kentucky, Maine, Missouri, New Jersey, Rhode Island, Texas, and Virginia, one time each.

In the second stage, independent random subsamples, each consisting of 340 DI primary beneficiaries, were selected within each state. The number of independent subsamples selected in a given State was equal to the number of lines the State was selected in the first stage sample. For example, two independent random subsamples of 340--680 in all--were selected from DI recipients residing in California. We next matched the DI samples against the workers' compensation claim files of the respective

states to (1) identify recipients of both benefits, (2) determine the number of lost offsets, and (3) assess the impact of the offsets not imposed on the trust fund in fiscal year 1981.

As noted above, New York was selected four times in the first stage. However, we found that the New York workers' compensation records were filed by employer instead of claimant and could not be matched against our DI sample without an extensive amount of manual review on our part, if at all. Accordingly, we did not match DI and workers' compensation payees in New York state. The review proceeded under the assumption that the results of our matches in the other 16 states would be representative of all DI recipients, including those in New York. Our final sample consisted of 16 states, 23 independent subsamples, and 7,820 individual DI primary beneficiaries.

Of the 7,820 DI cases in the state sample, 655 had filed state workers' compensation claims. On comparing these claims with the DI master beneficiary record, however, we concluded that in 447 cases offsets were not lost or not appropriate, for the following reasons:

<u>Reasons</u>	<u>Number of cases</u>
Workers' compensation payments ended before DI payments started	319
Not enough documentation in workers' compensation file to determine period of compensation	44
Workers' compensation claim denied or withdrawn	33
Workers' compensation case still open	20
Period of workers' compensation insignificant	11
No workers' compensation paid (medical payments only)	10
Not a workers' compensation case (third party claim or rehabilitation)	5
DI already offset	4
Not a match (name matched but social security number and date of birth differed)	<u>1</u>
 Total cases eliminated from further study	 <u>447</u>

To determine whether offsets were appropriate for the other 707 matches (208 in the state sample and 499 in the federal sample), we reviewed the DI master beneficiary records and/or case files, as well as the state and Labor's workers' compensation records. Of the 707 matches analyzed, 248 had offsets not

imposed in one or more months of fiscal year 1981. The other matches were eliminated from the study for a variety of reasons, as shown in the following table.

Results of Records Review of 707 Matches
Workers Compensation Program

<u>Results</u>	<u>Black Lung</u>	<u>FECA</u>	<u>LHWCA</u>	<u>All 16 states</u>
Offsets not imposed, one or more months in fiscal year 1981	151	44	19	34
<u>Eliminated from GAO study:</u>				
Amount payable after offset is equal to or greater than total family DI benefits	85	5	1	83
Already properly offset	77	65	8	36
No match (or DI claim denied)	2	--	1	2
Offsets not imposed but not in fiscal year 1981	1	--	--	21
Lump-sum proration ended before first month of offset	--	--	--	28
Period of disability began prior to June 2, 1965	19	7	2	--
Old case (pre-June 1965)--erroneously in offset status	1	--	--	--
Not a workers' compensation case (Black Lung, part B)	1	--	--	--
Notice received too late for case to be included in GAO review period	7	--	1	--
Workers' compensation payments ended before DI payments started	--	--	--	2
Claimant reached age 62 before offset started or SSA received notice of workers' compensation award	<u>2</u>	--	--	<u>2</u>
Total	<u>346</u>	<u>121</u>	<u>32</u>	<u>208</u>

Total cases examined: 707

Since the estimates for the state sample were developed from a probability sample, each estimate has a measurable precision, or sampling error. The estimates, with related sampling errors, are shown below.

Key Estimates and Sampling Errors
(State Sample)

<u>Description</u>	<u>Estimate</u>	<u>Sampling error^a</u>
Value of offsets not imposed	\$29.4 million	\$9.4 million
Number of DI primary beneficiaries with offsets not imposed in fiscal year 1981	12,498	3,958
Average monthly loss per offset not imposed	\$260.58	\$45.31
Average duration (months) of offset not imposed in fiscal year 1981	9.03	1.55

^aSampling errors are stated at the 95-percent confidence level. This means the chances are 19 out of 20 that the estimates would differ by less than the tabulated sampling errors from the results that would be obtained by matching all DI beneficiaries against state workers' compensation records.

To estimate the offset losses for the federal sample, we projected to the universe the same proportion of lost offset cases found in the sample and used the sample averages for the number of months of offsets not imposed and the amount lost per month. We are 95 percent confident that the error rate (cases with offsets not imposed in one or more months) was .15 percent, plus or minus .02 percent, and the number of cases with errors was 4,280 plus or minus 541. For our \$13.7 million estimate of offsets not imposed in fiscal year 1981 in the federal sample, the sampling error is \$1.7 million.