



Research and Statistics Note

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Characteristics of Disabled-Worker Beneficiaries Receiving Workers' Compensation or Public Disability Benefits Compared With Disabled-Worker Beneficiaries Without These Additional Benefits*

Summary

Some Social Security Disability Insurance (DI) beneficiaries are subject to a reduction in their DI benefits, called an offset, if they also receive workers' compensation (WC) or public disability benefits (PDBs). Whether their benefits are offset by the Social Security Administration depends on their predisability earnings and the state in which the injury occurred.

An analysis of recently entitled disabled-worker beneficiaries shows some differences in the characteristics of DI beneficiaries who also received WC or PDBs and DI beneficiaries without these additional benefits. This analysis does not include auxiliary beneficiaries or payments to auxiliary beneficiaries. Disabled workers who received both WC or PDBs in addition to DI benefits were more likely to be male, higher earners, older at entitlement, and from the West.

The earnings replacement rate for DI beneficiaries covered under Social Security, as measured by the ratio of the monthly DI benefit to average indexed monthly earnings, shows that disabled workers without WC or PDBs had higher replacement rates. This is the result of both the WC or PDB offset and the DI benefit formula, which replaces a higher percentage of predisability earnings for lower earners. Disabled workers without WC or PDBs were also slightly more likely to receive means-tested Supplemental Security Income benefits in addition to their DI benefits.

Introduction

This note analyzes recently entitled disabled-workers receiving benefits under the Social Security Disability Insurance (DI) program. The analysis, based on data available in the Social Security Administration's (SSA's) administrative records, compares the characteristics of disabled workers receiving only DI benefits with the characteristics of disabled workers receiving DI benefits and workers' compensation and/or public disability benefits (WC/PDBs). Common to all individuals in the study were their entitlement to DI benefits based on insured status and medically determined disability.

This analysis does not allow one to form conclusions about the differences between all WC/PDB recipients and DI beneficiaries because a large number of individuals who receive WC/PDB payments are not represented in SSA's administrative records. The nonrepresented WC/PDB recipients either did not apply for or did not qualify for DI benefits, or they failed to report their WC/PDB status to SSA as required by law.

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However, the analysis is useful for comparing concurrent WC/PDB and Social Security DI-worker beneficiaries with those DI-worker beneficiaries who do not receive benefits from WC or PDB, referred to henceforth as “DI-only” beneficiaries.

Background

The Social Security program originally paid retirement benefits only. Later, other benefits were added.

Social Security Disability Benefits

Beginning in 1956, the Social Security program has paid cash benefits to workers with long-term disabilities who were insured for disability coverage because of their work in covered employment. These disabilities do not have to be work related; spouses and dependent children (auxiliary beneficiaries) of disabled workers may also be eligible for benefits.

Workers’ Compensation and Public Disability Benefits

Workers’ compensation programs are composed of state and some specific, limited federal programs (such as compensation for federal employees) that provide benefits to workers who are injured on the job or have a work-related illness. Those benefits include payments for medical treatment and replacement of lost wages. Public disability benefits are paid under a federal, state, or local government law or plan that provides compensation for conditions that are not job related, for example, civil service disability benefits or state temporary disability benefits, which could be short term. Of the 8,305,702 disabled-worker beneficiaries in December 2005, 1,440,772 had some past or present connection to WC or PDB; 798,476 had a current connection to WC or PDB in December 2005.¹

Offsets

The Social Security Amendments of 1956 (Public Law 84-880) contained an offset against WC payments. This provision required that benefits to disabled workers and their dependents be reduced if the worker also received WC payments. The Social Security Amendments of 1958 (Public Law 85-840) eliminated the offset, which was reinstituted by the Social Security Amendments of 1965 (Public Law 89-97). Subsequent amendments made further changes to the WC offset program.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 96-598) extended the offset provision to public disability benefits. The provision also continued to exclude imposition of the WC/PDB offset upon DI benefits for workers with WC/PDB benefits paid by states that offset the WC or PDB payment or both of those payments against the Social Security DI benefit (as long as that state law was in effect as of February 18, 1981). These are called reverse offset states, of which there are 16 in addition to Puerto Rico.

Under the terms of the offset rules that are now in effect, DI benefits are reduced so that the total DI benefit plus the WC/PDB does not exceed 80 percent of the worker’s average current earnings (ACE) or the family’s total Social Security DI benefit before the reduction.

¹ Figures are from National Academy of Social Insurance, *Workers’ Compensation: Benefits, Coverage, and Costs*, 2004 (tables updated to December 2005). Although one can conceive of odd situations in which an individual can receive both WC and PDB payments, for purposes of this note such an individual would be counted only once, in the WC/PDB category.

Average current earnings are the highest of—

- the average monthly wage on which the unindexed disability primary insurance amount (PIA) is based; or
- the average monthly earnings from covered employment and self-employment during the highest 5 consecutive years after 1950; or
- the average monthly earnings based on the one calendar year of highest earnings from covered employment during a period consisting of the year in which disability began and the 5 preceding years.

Total earnings in covered employment, including those above the maximum taxable earnings for Social Security, are used in the determination of ACE.

Offset provisions apply to the disabled-worker beneficiary and dependents entitled on his or her account. Spouse and dependent child benefits are offset before the worker's benefit is offset. DI cost-of-living adjustments received after the initial offset are not subject to offsets.

In addition to periodic WC/PDB payments, lump-sum settlements that are substitutes for periodic payments are also subject to the offset. These settlements are prorated to reflect the monthly rate that would have been paid in lieu of the lump sum.

Data

This analysis is based on the universe of 511,522 new Social Security DI beneficiaries entitled during an 18-month period from January 2003 through June 2004. The universe includes only disabled-worker beneficiaries who were in current-payment status at the end of June 2004.² Those beneficiaries identified as concurrent WC/PDB beneficiaries also received WC/PDB payments within the period under study.

Methodology

The analysis compares demographic characteristics and Supplemental Security Income (SSI) status between the two classes of new DI beneficiaries—disabled-worker beneficiaries receiving workers' compensation or public disability benefits compared with disabled-worker beneficiaries not receiving these additional benefits.

In addition, the analysis examines differences between the two groups as measured by the three earnings brackets used in benefit formulas to compute the primary insurance amount from average indexed monthly earnings (AIME).

Findings

In the 18-month study period from January 2003 through June 2004, roughly 11 percent of all DI beneficiaries with initial entitlement dates in this period also received WC/PDBs. When compared with disabled-worker beneficiaries with no WC/PDB activity, the disabled-worker group that received both

² Specifically, the data are drawn from SSA's Disabled Beneficiaries and Dependents (DBAD) file. The analysis includes all Social Security disabled-worker beneficiaries with a disability entitlement date within the January 2003 through June 2004 period who also meet the following two requirements: (1) an initial Old-Age, Survivor, and Disability Insurance (OASDI) entitlement date that falls within the study period, and (2) a primary insurance amount (PIA) and average indexed monthly earnings (AIME) amount present within the study period. Cases being offset by the state rather than SSA (reverse offset) are included in the WC case counts, but their WC benefits are not included in the workers' compensation benefit column in Table 1.

WC/PDBs and DI benefits were more likely to be male, higher earners, older at entitlement, and from the West.³

Demographic Comparison

The following highlights detail some of the demographic comparisons shown in Table 1.

- **Geographic area.** The highest percentage (50 percent) of all individuals that received both WC/PDB and DI benefits lived in the West. In comparison, the highest percentage (42 percent) of DI-only beneficiaries lived in the South.
- **Age.** The average age of entitlement among disabled-worker beneficiaries who also received WC/PDB payments was 51, compared with 50 for DI-only beneficiaries. The difference in average DI-entitlement age between the two groups is more pronounced when the population is grouped by race, sex, or bend point.⁴ However, among those above the second bend point, DI-only beneficiaries had a slightly higher average age than those who also received WC/PDB payments.
- **Race.** The majority of DI-only beneficiaries who were entitled to DI benefits in 2003–2004 were white (67 percent); roughly 17 percent were black; and 16 percent were described as “other.” Among DI beneficiaries who also received WC/PDB payments, the majority of the population still comprised whites (65 percent); those listed as “other” made up 24 percent while blacks accounted for about 11 percent of this population.
- **Sex.** Of the DI-only population, females comprised 44 percent and males 56 percent. In the smaller population of DI beneficiaries also receiving WC/PDB payments, females made up about 38 percent while males accounted for 62 percent.
- **Supplemental Security Income.** DI-only beneficiaries were slightly more likely to receive SSI (8 percent) than were DI beneficiaries with a connection to WC/PDB (6 percent).

Earnings and Benefit Comparisons

The Social Security benefit computation is designed to replace more of a lower earner’s preretirement or predisability earnings (average indexed monthly earnings) than a higher earner’s. This is done by “bend points” in the primary insurance amount formula, which create three earnings brackets. Earnings up to the first bend point are replaced at 90 percent; earnings between the first and second bend point, at 32 percent; and earnings above the second bend point, at 15 percent, up to the taxable maximum. The three brackets are a convenient way to group workers by income (represented here by AIME). This grouping also helps distinguish differences in replacement rates, which are largely determined by the earnings bracket in which the worker belongs.

The following observations are based on data presented in Table 1.

- **AIME.** Overall, those who received WC/PDBs had higher average AIMEs than disabled workers who received only DI benefits—\$2,515 compared with \$2,088 (2004 dollars).

³ See the notes in Table 1 for an explanation of the geographic regions in this note.

⁴ The bend point is the point in the PIA formula at which the replacement rate for earnings changes; see the Earnings and Benefit Comparisons section.

- **Initial benefits.** The initial DI benefit of those receiving WC/PDB payments was lower than that of beneficiaries who received DI-only benefits.⁵ This was due to the offset of WC/PDB payments against Social Security DI benefits.
- **Bend point.** The majority of all disabled beneficiaries (74 percent) had AIMEs between the first and second bend point. Individuals receiving WC/PDB payments were more likely to have AIMEs above the second bend point than those with no WC/PDB interaction (23 percent versus 14 percent) and less likely to have AIMEs below the first bend point (6 percent versus 11 percent).
- **Replacement rate.** For this comparison, replacement rate refers to the relationship between the initial monthly benefit and the AIME (that is, initial benefit divided by AIME). Replacement rates were higher for individuals who received only DI benefits (57 percent versus 42 percent for individuals who also received WC/PDB payments). Again, this result is consistent with the higher earnings histories of those who also received WC/PDBs and, subsequently, a smaller portion of earnings being replaced by the DI benefit.
- **Receipt of Supplemental Security Income.** Overall, across most categories, a higher percentage of DI-only beneficiaries received SSI. This is to be expected because these beneficiaries had lower earnings histories than did those who also received WC/PDB payments.

Reference

National Academy of Social Insurance. 2006. *Workers' compensation: Benefits, coverage, and costs, 2004* (tables updated to December 2005), July.

⁵ The initial DI benefit is the worker's monthly benefit credited.

Table 1.

Characteristics of Disability Insurance beneficiaries with and without workers' compensation and public disability benefits

Group	Population		Average age	Average monthly amount (2004 dollars)				Average replacement rate ^a	Supplemental Security Income	
	Number	Percentage of total		Primary insurance amount	Average indexed monthly earnings	Initial monthly benefit	Workers' compensation benefit		Number of recipients	Percentage of recipients in group
WC	56,207	11	51	1,118	2,515	916	481	42	3,276	6
No WC	455,315	89	50	991	2,088	983	--	57	37,439	8
Geographic area ^b										
<i>Northeast</i>										
WC	9,730	17	52	1,168	2,679	1,005	724	43	216	2
No WC	87,811	19	50	1,032	2,234	1,024	--	56	7,079	8
<i>Midwest</i>										
WC	6,458	11	53	1,162	2,660	1,024	652	45	173	3
No WC	106,742	23	50	1,002	2,131	994	--	57	8,286	8
<i>South</i>										
WC	10,187	18	52	1,119	2,494	912	811	42	265	3
No WC	192,836	42	50	974	2,020	967	--	57	14,689	8
<i>West</i>										
WC	28,155	50	51	1,108	2,492	870	259	40	2,622	9
No WC	63,174	14	50	978	2,055	970	--	58	7,379	12
<i>Puerto Rico and Virgin Islands</i>										
WC	1,677	3	52	829	1,532	801	136	59	0	0
No WC	4,743	1	51	837	1,583	832	--	62	c	0
Race										
<i>Black</i>										
WC	6,001	11	50	1,047	2,253	869	462	44	486	8
No WC	77,856	17	48	887	1,740	882	--	61	9,732	13
<i>White</i>										
WC	36,594	65	52	1,182	2,735	973	524	40	1,514	4
No WC	303,909	67	51	1,045	2,264	1,036	--	55	18,870	6
<i>Other</i>										
WC	13,612	24	50	977	2,042	784	372	45	1,276	9
No WC	73,550	16	49	877	1,728	874	--	62	8,837	12

(Continued)

Table 1.
Continued

Group	Population		Average age	Average monthly amount (2004 dollars)				Average replacement rate ^a	Supplemental Security Income	
	Number	Percent-age of total		Primary insurance amount	Average indexed monthly earnings	Initial monthly benefit	Workers' compen-sation benefit		Number of recipients	Percent-age of recipients in group
Sex										
<i>Female</i>										
WC	21,530	38	51	918	1,826	739	328	47	1,866	9
No WC	201,932	44	49	820	1,527	816	--	64	21,923	11
<i>Male</i>										
WC	34,677	62	52	1,243	2,943	1,026	576	39	1,410	4
No WC	253,383	56	50	1,127	2,535	1,117	--	51	15,516	6
Bend point										
<i>Below first bend point</i>										
WC	3,603	6	49	396	436	327	200	76	1,403	39
No WC	51,142	11	44	376	414	376	--	91	25,120	49
<i>Between first and second bend points</i>										
WC	39,776	71	51	1,005	2,025	780	435	42	1,867	5
No WC	340,034	75	50	956	1,868	949	--	56	12,175	4
<i>Above second bend point</i>										
WC	12,828	23	54	1,672	4,619	1,504	702	33	6	0
No WC	64,139	14	55	1,669	4,584	1,652	--	36	139	0

SOURCE: Social Security Administration, Disabled Beneficiaries and Dependents File, June 2004.

NOTES: Percentages may not add to 100 percent because of rounding.

Geographic areas are defined as follows:

Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin.

South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia.

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Washington, Wyoming.

In this table, WC refers to workers' compensation and/or public disability benefits.

-- = not available.

a. Calculated as initial monthly benefit rate divided by average indexed monthly earnings.

b. Nine DI-only individuals had missing geographic information and could not be assigned to a geographic area.

c. Data not shown to avoid disclosure of information for particular individuals.