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# Who's Paying The Bills: The Federal Dilemma of Cost Shifting In Workers' Compensation Claims

Workers' Compensation

The Federal Government continues to struggle with the need to share data from workers' compensation (WC) programs an effort to reduce payment errors. While both systems benefit injured workers, the United States General Accounting Office (GAO) reported, in a May 2001 study, that the lack of a uniform and consistent method to collect data on a national level has led to irregularities in the delivery of Federal benefits.

In a recent report to Congress, the (GAO) observed that between 1991 and 1998, \$43 billion was paid in cash by the Federal government for medical benefits for WC related claims. GAO revealed that "significant errors" existed in the WC offset process by way of overpayments and underpayments. The study discloses that the Federal government is unintentionally subsidizing WC insurance companies throughout the United States on a massive scale.

The study reviewed the programs of various states including the records from the State of Virginia. Virginia was utilized as a sentinel guide since it has maintained a central database for the collection of WC data. GAO examined the records from the Health Care Financing Administration (HCFA), which administers not only the Medicare Program, but also the Department of Agricultural (USDA) Stamp Program, The Department of Housing and Urban Development (HUD) Section 8 Rental Vouchers and Certificates Programs, and child support enforcement activities.

The Federal investigation found several shortcomings in the present system of reporting the receipt of WC benefits, including the Social Security Administration's (SSA) regulation of the WC offset provision. The GOA report recognized that the Federal program was undermined by the lack of reliable information identifying the recipients of State WC benefits. No national reporting system presently identifies WC beneficiaries. As a result, some beneficiaries are overpaid, and others to be underpaid.

The present Federal system relies upon the applicants and their beneficiaries to report receipt of WC benefits to the Social Security Administration (SSA). This approach lacks a valid system of verification and mandatory compliance. It is difficult for the Social Security Administration to obtain an accurate report of benefit payments. GAO reported that 50% of the beneficiaries of disability benefits, subject to offset, have been paid inaccurately. Over \$1.5 billion in payment errors relating to the WC offset have been identified. Eighty-five percent of the errors occur when disability insurance beneficiaries do not report a reduction in the WC benefits.

## VETERANS ADMINISTRATION SYSTEM

In reviewing the VA system, the study revealed that SSA was unaware that 20% of the disability insurance beneficiaries were receiving concurrent benefits. It was observed that lump-sum compensation payments do not always produce a close approximation to the benefit value of the lump-sum payments as called for by the Social Security Act. The GAO suggested that there were unrealistic approximations made by the WC system.

## FAILURE OF DATA INTEGRATION

The report concluded that solutions exist correct the failure of the integration of data. However, these are prohibited by the fragmented structure of the WC programs throughout the US and the lack of Federal involvement in the State delivery systems. One of the methods suggested for solving this problem was better sharing of data with the Federal government and/or data from WC carriers.

## INSURERS TO BE REQUIRED TO REPORT

The report suggested that WC insurers could be asked to report payments made to WC beneficiaries voluntarily. The difficulty recognized with that proposal is the reluctance of insurance carriers to incur additional reporting costs. The report recognizes that an incentive for voluntary compliance may be needed to obtain reliable and

timely data. GOA suggests that SSA and HCFA initially conduct a sampling of data to determine whether the sharing of WC beneficiary information will be helpful and improve the accuracy of Federal benefit payments.

## CONTROVERSY OVER LUMP-SUM PAYMENTS

Furthermore, the GOA report to Congress revisits the issue of lump-sum WC benefits and the interpretation of data that they represent [62 FR 51923-51926](#) (1997). It highlights the need to revise the policies governing how monthly benefit values of a lump-sum payment should be determined by SSA offset provisions. Previous attempts to implement these changes through administrative regulations have been met with significant opposition by all parties in the WC arena. The Federal report recommends that Congress consider legislative action to resolve this long-standing operational problem of identifying WC beneficiaries in a multiple-state jurisdictional landscape constantly in flux by changing legislative and administrative regulations.

## COST-SHIFTING

Similar findings concerning cost-shifting from WC carriers to Federal programs have been reported in a 1992 study by J. Leigh, S. Markowitz, M. Fahs, and P. Landrigan, "[Costs of Occupational Injuries and Illnesses](#)", University of Michigan Press (2000). That report concluded that the federal government erroneously paid \$28.5 billion (18.3% of the total cost). Consequentially, the Federal government is compelled to raise revenue through taxes, and the injured worker suffers an increased tax burden. Ironically, injured workers are already paying \$68.6 billion (44.2% of all medical costs) directly through out-of-pocket expenditures.

## CONCLUSION

As the new economy falters, an additional burden is placed upon the Social Security Administration. Since it is Bush administration's intention to utilize the Social Security Trust Fund to fund the national budget, it is more than obvious that the US Congress will review this issue in greater depth in the near future.

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