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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**FOLLOW-UP: THE SOCIAL SECURITY  
ADMINISTRATION CAN RECOVER  
MILLIONS IN MEDICARE PREMIUMS  
RELATED TO RETIREMENT OR  
DISABILITY PAYMENTS  
MADE AFTER DEATH**

August 2005

A-08-05-15112

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**AUDIT REPORT**

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## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**



## SOCIAL SECURITY

### MEMORANDUM

Date: August 24, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up: The Social Security Administration Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made After Death (A-08-05-15112)

### OBJECTIVE

Our objective was to determine the status of corrective actions the Social Security Administration (SSA) had taken to address recommendations resulting from our July 2002 report, *The Social Security Administration Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made After Death* (A-08-02-12029).

### BACKGROUND

Medicare is a Federal health insurance program for individuals receiving Title II retirement benefits or who have been receiving disability benefits for 2 years. If an individual elects Medicare Part B coverage (medical insurance), SSA withholds a premium from the beneficiary's monthly benefit and forwards it to the Centers for Medicare and Medicaid Services (CMS)<sup>1</sup> to pay for the insurance coverage. When SSA does not receive timely notification of a beneficiary's death, it may continue to issue benefit payments and remit monthly Medicare premiums to CMS for months, or even years, after the month of death.

Our July 2002 audit determined SSA had not recovered from CMS hundreds of millions of dollars in premiums the Agency withheld from Title II retirement or disability payments made after beneficiary deaths and remitted to CMS. This situation occurred because SSA did not have a process in place to ensure it systematically recovered Medicare premiums once it learned of a beneficiary's death. We concluded that Title II Trust Funds would lose millions of dollars if SSA did not take a proactive role in recovering Medicare premiums. Accordingly, we encouraged SSA to expeditiously implement an

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<sup>1</sup> CMS is a Federal agency within the U. S. Department of Health and Human Services. CMS administers the Medicare program and works in partnership with the States to administer Medicaid, the State Children's Health Insurance Program and health insurance portability standards.

automated process whereby the Agency could recover Medicare premiums remitted to CMS after a beneficiary's death. SSA agreed to take the following actions:

- Establish a committee of SSA and CMS officials to discuss procedures and practices for recovering Medicare premiums and work toward a joint resolution of the issue.
- Develop and implement an automated process to ensure SSA systematically and routinely recovers Medicare premiums remitted to CMS after a beneficiary's death.
- Calculate the amount of unrecovered Medicare premiums SSA has withheld from deceased beneficiaries and remitted to CMS. We believe SSA should go back as far as data are available to determine this amount.
- Analyze the practicality and feasibility of CMS transferring the unrecovered Medicare premiums to SSA.
- If the transfer of unrecovered Medicare premiums is determined to be practical and feasible, establish an accounts receivable amount due from CMS for premiums already remitted to CMS and those SSA may continue to remit after beneficiaries' deaths until a system is in place to prevent such occurrences.

To determine the status of corrective actions SSA has taken, we interviewed officials from SSA's Office of the Deputy Commissioner for Finance, Assessment and Management; reviewed communications between SSA and CMS; and verified SSA's automated process to recover Medicare premiums. See Appendix B for additional information on our audit scope and methodology.

## **RESULTS OF REVIEW**

We are encouraged to learn that SSA has taken corrective actions in response to our prior report. Since our 2002 audit, SSA has met with CMS officials to discuss procedures for recovering Medicare premiums and implemented an automated process to ensure it systematically and routinely recovers those premiums. SSA estimated it had not recovered about \$2.7 billion in premiums and related interest since the Medicare program's inception in 1966. SSA requested that CMS repay the past premiums and related interest, but CMS responded that it had no legal obligation to do so. SSA disclosed its estimate of unrecovered Medicare premiums in the notes to its Fiscal Year (FY) 2003 financial statements along with the intention of collecting the debt in FY 2004. Although SSA had not recovered any funds remitted before implementing an automated process to recover Medicare premiums, we believe SSA's actions adequately address our prior recommendations.

### **Automated Process to Recover Medicare Premiums**

In November 2002, officials from SSA's Office of Disability and Income Security Programs met with CMS executives to discuss procedures and practices for recovering Medicare premiums and begin working toward a joint resolution of the issue. In December 2002, SSA's Office of Systems modified existing software and implemented an automated process to ensure the Agency systematically and routinely recovered Medicare premiums remitted to CMS after a beneficiary's death. Specifically, the automated process recognizes when SSA terminates a beneficiary's monthly benefit payment because of a retroactive death termination and transfers the premiums to SSA.<sup>2</sup>

To test the accuracy of SSA's automated process, we identified Medicare-entitled beneficiary records with credit actions after death. We then randomly selected a sample of beneficiary records to determine whether SSA had recovered Medicare premiums paid to CMS after the beneficiaries' deaths. We reviewed documentation for the sampled beneficiary records and verified that the automated process accurately applied the Medicare premiums to the Title II Trust Fund.

### **SSA's Estimate of Unrecovered Medicare Premiums and Related Interest**

To estimate the amount of unrecovered Medicare premiums SSA withheld from deceased beneficiaries and remitted to CMS, SSA established a workgroup of officials from the Offices of Finance, Assessment and Management; Policy; Systems; and the Chief Actuary. SSA estimated the Agency had not recovered over \$756 million in Medicare premiums remitted to CMS from 1966 through 2002 after beneficiaries' deaths. Because SSA did not recover the Medicare premiums, these officials estimated the Agency also lost the opportunity to earn over \$1.7 billion in related interest during the same period. SSA shared its preliminary estimates with CMS in July 2003 and provided a final estimate in May 2004.

### **Request that CMS Repay SSA for Unrecovered Medicare Premiums and Related Interest**

In November 2003, SSA sent a letter to the Secretaries of the Departments of Health and Human Services (HHS) and Treasury advising them of the Agency's intention to seek recovery of Medicare premiums it remitted to CMS after a beneficiary's death from 1966 through 2002, including lost interest. The letter also informed HHS and Treasury

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<sup>2</sup> SSA administers monthly benefits, which include the Medicare Part B premium amount, from the Old-Age, Survivors and Disability Insurance (OASDI) Trust Fund. Medicare premiums are then accumulated in the Supplemental Medical Insurance (SMI) Trust Fund for payment to CMS. SSA modified the daily accounting system software to reclaim Medicare Part B premiums made after death. The system totals the amount of premiums for recovery, adjusts the SMI Trust Fund and refunds the OASDI Trust Fund.

of SSA's plans to disclose the debt in the notes<sup>3</sup> to its FY 2003 financial statements, along with the intention of collecting the debt during FY 2004. In July 2004, CMS' Office of Financial Management responded that HHS' Office of General Counsel advised them that it has:

...no legal obligation to repay the Social Security Administration (SSA) the alleged debt or related interest. This opinion is based on the fact that SSA has no legally enforceable claim against CMS because there is no statutory provision that expressly requires CMS to reimburse the Old Age and Survivors and Disability Insurance (OASDI) Trust Funds for prior amounts transferred to the Supplementary Medical Insurance (SMI) Trust Fund or for interest earned on amounts erroneously transferred to the SMI Trust Fund.<sup>4</sup>

To date, SSA has not recovered any of the funds it remitted to CMS after beneficiaries' deaths from 1966 through December 2002.

## CONCLUSION

We previously reported that SSA had not recovered hundreds of millions of dollars in Medicare premiums remitted to CMS after a beneficiary's death. As such, we concluded that, if SSA did not take a proactive role in recovering Medicare premiums paid after beneficiaries' deaths, the Title II Trust Funds would lose millions of dollars in the future, including the opportunity to earn interest. During our follow-up review, we were able to verify that the automated process SSA implemented accurately recovers Medicare premiums as death notifications are received. Although SSA has not recovered Medicare premiums the Agency erroneously remitted to CMS from 1966 through 2002, we believe SSA's actions adequately address our prior recommendations.

## AGENCY COMMENTS

SSA agreed with our audit findings. The full text of SSA's comments is included in Appendix C.



Patrick P. O'Carroll, Jr.

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<sup>3</sup> SSA disclosed its estimate of unrecovered Medicare premiums in the notes to its FYs 2003 and 2004 financial statements.

<sup>4</sup> Medicare premiums withheld from Title II recipients are paid from the OASDI Trust Funds. The Medicare premiums are then deposited into the SMI Trust Fund administered by CMS.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Agency Comments

[APPENDIX D](#) – OIG Contacts and Staff Acknowledgments

## Acronyms

CMS	Centers for Medicare and Medicaid Services
FY	Fiscal Year
HHS	Department of Health and Human Services
OIG	Office of the Inspector General
OASDI	Old-Age, Survivors and Disability Insurance
SMI	Supplemental Medical Insurance
SSA	Social Security Administration

## Scope and Methodology

To accomplish our objective, we performed the following audit steps:

- Interviewed officials from the Social Security Administration's (SSA) Office of the Deputy Commissioner for Finance, Assessment and Management to determine the status of corrective actions taken to address recommendations resulting from our July 2002 report.
- Reviewed communications between SSA and the Centers for Medicare and Medicaid Services (CMS) regarding estimates and return of unrecovered Medicare premiums.
- Analyzed information provided by SSA regarding its automated process to recover Medicare premiums paid after a beneficiary's death.
- Identified beneficiary records with recent death terminations to test the accuracy of SSA's automated process. Using one segment of the Master Beneficiary Record for February 2005 (updated as of March 18, 2005), we identified 140 Medicare-entitled beneficiary records with credit actions after death. We then randomly selected a sample of 50 beneficiary records to determine whether SSA had recovered the Medicare premiums paid to CMS after the beneficiaries' deaths. We determined that SSA had recovered Medicare premiums for 45 beneficiaries. We also reviewed the Master Beneficiary Record and the Payment History Update System and determined that SSA did not remit Medicare premiums for the remaining five beneficiaries because SSA either received timely notification of the beneficiary's death or a third party remitted the Medicare premium to CMS.

We performed our work in Birmingham, Alabama. We found the data used for this audit were sufficiently reliable to meet our audit objective. The SSA entity reviewed was the Office of the Deputy Commissioner for Finance, Assessment and Management. We conducted our audit from November 2004 through May 2005 in accordance with generally accepted government auditing standards.

## Agency Comments



## SOCIAL SECURITY

MEMORANDUM

34314-24-1346

Date: August 03, 2005

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.  
Inspector General

From: Larry W. Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report "The Social Security Administration Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made After Death" (A-08-05-15112)--INFORMATION

We appreciate OIG's efforts in conducting this review and agree with the findings. Further, we are pleased that the report acknowledges that SSA has developed and successfully implemented an automated process to systematically and routinely recover Medicare premiums withheld from retirement or disability payments made after a beneficiary's death and remitted to the Centers for Medicare and Medicaid Services.

Let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

## OIG Contacts and Staff Acknowledgments

### *OIG Contacts*

Rona Rustigian, Director, 410-965-8071

Jeff Pounds, Audit Manager, 205-801-1606

### *Acknowledgments*

In addition to those named above:

Kathy Yawn, Senior Auditor

Kimberly Beauchamp, Writer-Editor

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-08-05-15112.

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Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

# Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

## Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

## Office of Executive Operations

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