

Report Summary

Social Security Administration Office of the Inspector General

April 2009



Objective

To determine whether the Social Security Administration (SSA) evaluated earnings reported to the Master Earnings File for disabled individuals receiving Title II benefits.

Background

An individual is considered disabled under the *Social Security Act* if he or she is unable to engage in any substantial gainful activity (SGA). For example, for Calendar Year 2008, SSA generally considered earnings of \$940 per month to reflect SGA. Although disabled beneficiaries are required to report work activity, individuals do not always do so. Therefore, SSA must conduct work-related continuing disability reviews (CDR) when earnings indicate the beneficiary has returned to work at the SGA level.

In a July 2004 report, we found that SSA did not evaluate all earnings for disabled individuals. We estimated that approximately \$1.37 billion in overpayments resulting from about 63,000 disabled beneficiaries' work activity was not identified.

To view the full report, visit <http://www.ssa.gov/oig/ADOBEP/DF/A-01-08-28075.pdf>

Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-08-28075)

Our Findings

The Agency made efforts to reduce overpayments resulting from work activity. However, we found that SSA did not evaluate all earnings, and as a result, overpayments resulted from work activity.

Based on our review, we estimate that approximately \$3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although SSA identified about 58 percent of these overpayments, we estimate the remaining 42 percent—approximately \$1.3 billion—went undetected by the Agency to about 49,000 disabled beneficiaries. In addition, we estimate SSA will continue to incorrectly pay about \$382 million over the next 12 months to individuals who are no longer entitled to disability benefits if action is not taken by the Agency.

SSA performed 170,664 work-related CDRs in 2008 at a unit cost of \$397.45. Based on our review, we estimate about \$3.1 billion was overpaid to approximately 173,000 disabled beneficiaries (out of 518,080 in the estimated universe) because of work activity. To perform work-related CDRs for all 518,080 disabled beneficiaries, it would cost SSA about \$206 million (assuming the \$397.45 unit cost remains the same). This results in a potential benefit-cost ratio of \$15.0 to \$1.0.

We recognize SSA's efforts to improve the work-related CDR process. In addition, we acknowledge the Agency's limited resources with which to perform this workload. However, we believe SSA may achieve greater savings in the long-term if the Agency could provide the resources to perform work-related CDRs for all disabled beneficiaries with substantial earnings reported on the Master Earnings File.

Our Recommendations

We recommended SSA develop and implement a plan to allocate more resources to timely perform work-related CDRs—and assess overpayments resulting from work activity—for cases identified by the Agency's earnings enforcement process.

SSA agreed with our recommendation.