Cost-benefit Analysis of Processing Low-dollar Overpayments
A-07-14-14065

SOCIAL SECURITY
ADMINISTRATION
OIG

Objective

To analyze the cost-benefit of processing overpayments for the Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs.

Background

Benefit payments greater than the amount to which individuals are entitled are considered overpayments. When the Social Security Administration (SSA) determines an individual has been overpaid, it generally initiates recovery actions regardless of the dollar amount.

Findings

Generally, SSA attempted to collect overpayments regardless of the amount. In some cases, the value of the overpayment was less than what SSA spent to collect it. Therefore, for some overpayments, collection was not always cost-beneficial.

SSA collects data on the average costs to collect RSI, DI, and SSI overpayments via its Cost Analysis System (CAS). The average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during a fiscal year (FY). However, the average cost to collect an SSI overpayment as reported in CAS represents the cost of a single action taken to collect an SSI overpayment during a FY. Therefore, the average cost to collect an SSI overpayment does not represent the cost of collecting the overpayment when multiple actions are required. This results in an understatement of the average cost to collect an SSI overpayment when multiple collection actions are required.

Based on our analysis using average cost data from CAS, we estimated SSA spent over $323 million to collect low-dollar overpayments in FYs 2008 through 2013. Using SSA's overpayment collection percentages for these FYs, we estimated SSA collected approximately $109.4 million of the low-dollar overpayments. This resulted in SSA spending over $213.6 million more than it collected.

Recommendations

We recommend SSA:

1. Capture in CAS the average cost of collecting SSI overpayments using a similar methodology as it does for the RSI and DI programs.
2. Re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment.

SSA agreed with our recommendations.