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Subcommittee on Energy Policy, Health Care, and Entitlements

Statement for the Record

Examining Ways the Social Security Administration Can Improve the Disability Review Process

The Honorable Patrick P. O'Carroll, Jr.
Inspector General, Social Security Administration

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Good afternoon, Chairman Lankford, Ranking Member Speier, and Members of the Subcommittee. Thank you for inviting me to discuss the Social Security Administration's (SSA) management of its disability programs. I appreciate your continued interest in this and other Agency-related issues.

According to SSA, in February 2014, the Agency provided about $10.9 billion in Disability Insurance (DI) payments to almost 11 million citizens across the country, including more than 8.9 million disabled workers, and more than 2 million spouses and children. SSA also paid $4.7 billion in Supplemental Security Income (SSI) to more than 8.3 million recipients.

Increasing levels of disability claims and beneficiaries in recent years have challenged SSA's ability to deliver world-class service, creating workloads that strain resources, causing delays and backlogs, and leaving the Agency vulnerable to fraud and abuse. SSA must find ways to balance service initiatives, such as processing new claims and appeals, against stewardship responsibilities, to ensure that DI beneficiaries and SSI recipients continue to be eligible for the payments they are receiving.

Continuing Disability Reviews

For many years, we have identified full medical continuing disability reviews (CDRs) and SSI redeterminations as highly effective guards against improper payments and program fraud. After an individual is determined to be disabled, SSA is required to conduct periodic CDRs to determine whether the individual continues to be disabled. However, SSA generally cannot find an individual's disability has ended without finding medical improvement has occurred. As such, diaries are set for

- six to 18 months when improvement is expected,
- up to three years when improvement is possible, and
- five to seven years when improvement is not expected.

If SSA determines the person's medical condition has improved such that he or she is no longer disabled according to its guidelines, it ceases benefits. The Agency estimates that every $1 spent on medical CDRs yields about $9 in savings to SSA programs as well as Medicare and Medicaid over 10 years.

SSA employs a profiling system that determines the likelihood of medical improvement for disabled beneficiaries. SSA selects the records of those beneficiaries that have been profiled as having a high likelihood of improvement for a full medical review by State disability determination services (DDS).

In a March 2010 report, we determined that SSA's number of completed full medical CDRs declined by 65 percent from fiscal year (FY) 2004 to 2008, resulting in a significant backlog. We estimated SSA would have avoided paying at least $556 million during calendar year 2011 if SSA had conducted the medical CDRs in the backlog when they were due.

According to SSA, in FY2013, the Agency completed 428,658 medical CDRs; more than 115,000 of these, or about 27 percent, resulted in an initial cessation of benefits.[1]

The medical CDR backlog stood at 1.3 million at the end of FY2013. We are currently evaluating SSA's progress in completing program integrity workloads, in light of the Agency's annual congressional

[1] This number does not take into consideration the number of cessations that will be upheld on appeal. SSA estimated that about 67 percent of the 96,012 CDR cessations in FY2011 would be upheld on appeal, for example.

appropriations and dedicated funding for program integrity efforts like CDRs. We plan to issue the report later this year, but thus far, we have determined:

- In FY2002, SSA received $630 million in dedicated funding for program integrity work; that year, the Agency completed 856,849 medical CDRs.
- From FY2003 to FY2008, SSA did not receive any dedicated funding for program integrity; CDR workloads decreased, and the CDR backlog grew significantly.
- Since FY2009, SSA has received dedicated program integrity funding; the Agency began increasing its program integrity workloads, but despite recent improvements, it has completed less program integrity work than it had in the past.
- For example, in FY2013, SSA received $743 million in dedicated program integrity funding, but completed about half the number of medical CDRs it completed in FY2002 with less integrity funding.
- For FY2014, under the *Consolidated Appropriations Act of 2014*, SSA received about $1.2 billion in dedicated program integrity funding, and recent information received from the Agency suggests that they plan to complete 510,000 medical CDRs.

SSA has preliminarily reported it would need $11.8 billion in funding over the next 10 years to eliminate the medical CDR backlog by FY2018 and prevent its recurrence through FY2023. Under this scenario, SSA should identify tens of billions of dollars in lifetime Federal benefit savings.

However, to eliminate the backlog and achieve these savings, as SSA has reported, it would require program integrity funding in excess of that planned under the *Budget Control Act of 2011* (BCA), which was to provide SSA's integrity funding through FY2021.

The BCA funding level would provide SSA $10.3 billion for medical CDRs over the next 10 years, which should also enable SSA to identify tens of billions of dollars in lifetime Federal benefits savings and reduce the backlog dramatically by the end of FY2018, though the backlog would grow in subsequent years.

Therefore, SSA may only be able to reduce the CDR backlog temporarily based on the Agency's plans for integrity workloads under different funding scenarios. We have consistently recommended that SSA prioritize the use of available resources toward CDR workloads so it does not miss opportunities to realize potential savings.

Unfortunately, even when a CDR *is* conducted and the State DDS determines medical improvement, it does not always mean that SSA terminates benefits timely, or at all. In a November 2012 report, we identified DI beneficiaries and their auxiliaries and SSI recipients who improperly received payments after their medical cessation determinations, for a projected total of about $83.6 million. We recommended that SSA enhance its systems to perform automated terminations following medical cessation decisions. Although SSA has not yet implemented this change, it has agreed to do so.

Also, we are assessing SSA's adherence to the medical improvement review standard (MIRS) and its effect on the beneficiary rolls. During a CDR, SSA follows MIRS—mandated by the Social Security Disability Amendments of 1984—to determine if a beneficiary's impairment has improved since his/her

most favorable determination and can perform work activities. However, if SSA's decision to place the individual on disability was questionable in the first place—for example, if the allowance was not fully supported or documented but not clearly in error and the individual's condition has not changed—MIRS makes it difficult for SSA to take the person off disability, because under current law, there is no medical improvement. There are several exceptions to MIRS—for example, if evidence shows a person was mistakenly placed on the disability rolls, SSA can cease benefits—but thus far, we are unsure how often SSA applies these exceptions. We examined MIRS exceptions in an audit that we will soon issue.

In that same report, we estimated that SSA will pay about $269 million in benefits until the next CDR due date to about 4,000 adult beneficiaries who would not be considered disabled if MIRS were not place and SSA instead used its Initial Disability Standard (which is used during a claimant's initial application for disability) during a CDR.

Redeterminations

In the SSI program, SSA conducts periodic redeterminations of non-medical eligibility factors—such as income, resources, and living arrangements—to determine if recipients are still eligible for SSI and are receiving the correct payment amount. Unlike CDRs, SSA is not required to complete a given number of redeterminations; SSA determines the number to complete based on staffing and funding resources, including the amount of funds it will use for CDRs.

In July 2009, we reported that the number of SSI redeterminations SSA conducted had substantially decreased even though the number of SSI recipients had increased. Between FYs 2003 and 2008, redeterminations decreased by more than 60 percent. We estimated SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY2003.

Following our report, SSA significantly increased the number of redeterminations it completed. Specifically, redeterminations increased from a low in FY2007 of 692,000 to almost 2.44 million in FY2013. SSA plans to conduct 2.44 million redeterminations in FY2014, which the Agency estimates will result in savings of $5 for every $1 spent on conducting them.

In our September 2013 review, *SSI High-error Profile Redeterminations*, however, we found that SSA was not completing all of the redeterminations identified as having the highest risk of overpayments. Each year, SSA identifies the number of high-error profile redeterminations it will complete based on the dedicated program integrity funding it expects to receive in its budget appropriation. Since SSA was uncertain of this amount at the beginning of the year, SSA intentionally selected more high-error profile redeterminations than it plans to complete. SSA's method for assigning redeterminations as high-error is based on the anticipated dedicated program integrity funding and the amount SSA allocates to redeterminations. Therefore, when actual dedicated program integrity funding is at or lower than expected, some high-error profile redeterminations selected are not completed.

For example, in FY2011, the dedicated program integrity funding level resulted in SSA's not completing up to 201,000 of the high-error profile redeterminations it had selected for review. If SSA had completed all these redeterminations, we estimate that it would have identified at least $228.5 million in additional improper payments—both overpayments and underpayments. We recommended that SSA continue to increase the number of the high-error profile redeterminations conducted as resources allow, and SSA agreed to do so.

In September 2011, we issued a follow-up report, *Childhood Continuing Disability Reviews and Age-18 Redeterminations*, in which we found that SSA had not completed 79 percent of childhood CDRs and 10 percent of age-18 SSI redeterminations, within the timeframes specified in the *Social Security Act*. SSA requested and received special funding for FY2009 to FY2012, but while the number of age-18 redeterminations increased, the number of childhood CDRs conducted declined.

We estimated that SSA paid about $1.4 billion in SSI payments to approximately 513,300 recipients under 18 that it should not have paid; and that it would continue paying about $461 million annually until the reviews were completed. We also estimated SSA improperly paid about $5.7 million in SSI payments to approximately 5,100 recipients who did not have an age-18 redetermination completed by age 20; the Agency would continue paying about $6.3 million annually until these reviews were completed. We recommended that SSA conduct all childhood CDRs and age-18 redeterminations within legally required timeframes, and SSA agreed to do so to the extent that its budget and other priority workloads allowed.

I know this Subcommittee is particularly interested in information on children receiving SSI. We have planned an audit to begin next year that will determine if certain geographical areas have unusually high numbers of approved children claims for mental impairments. As of July 2013, 1.3 million children under age 18 were receiving SSI, and more than 791,000 (61 percent) were receiving payments based on a mental impairment; of those, 223,671 received SSI for Attention Deficit Hyperactivity Disorders and 203,529 for Speech and Language Delays. We would be willing to initiate an audit that further examines this topic at your request.

Cooperative Disability Investigations

I'd be remiss if I didn't mention that one of the most effective ways that SSA can prevent disability overpayments is by dedicating resources to our Cooperative Disability Investigations (CDI) program. To improve program integrity, SSA should continue to make available the investigative efforts of CDI units to DDSs across the country. For many years, we have highlighted for Congress how CDI units assist DDS employees who suspect fraud in an initial disability claim.

SSA and OIG jointly established CDI to resolve questions of fraud in the disability claims process, in conjunction with State DDS and State or local law enforcement agencies. In 1997, CDI launched with units in five states. The program currently consists of 25 Units covering 21 states and the Commonwealth of Puerto Rico. In FY2013 alone, CDI efforts contributed to a projected $340.2 million in savings for SSA's disability programs—the program's greatest single-year savings total. Since the program was established, CDI efforts have contributed to projected savings of $2.7 billion for SSA's disability programs.

We're very pleased that the Acting Commissioner has approved plans to expand CDI by up to seven units by the end of FY2015—which would bring us to a total of 32 units. Last month, I traveled to Michigan to meet with state officials and expedite the process to establish a unit in Detroit; just last week, I met with the Puerto Rico Police Department and secured an agreement for the PRPD to temporarily assign three additional investigators to the San Juan CDI Unit.

CDI units generally focus on preventing improper disability payments from ever occurring, but DDS employees can also enlist CDI units to investigate in-pay beneficiaries who might not be eligible to continue receiving payments. In FY2013:

- CDI units opened 4,751 cases; about 75 percent of the cases were on initial claims, and about 16 percent were related to beneficiaries already receiving benefits. (About 9 percent did not indicate if the case related to an initial claim or an in-pay beneficiary.)
- DDSs denied or ceased benefits on 4,134 cases after CDI investigations. Fifteen individuals were criminally prosecuted, and civil monetary penalties were imposed on 34 individuals as a result of CDI investigations.

DDSs that have access to a CDI unit can easily refer suspicious claims to the CDI unit for investigation. CDI investigation reports include information that a disability examiner, or an administrative law judge, cannot normally obtain during the application or CDR process to assist in making an accurate disability determination. This can include independent observations and surveillance video of the claimant/beneficiary, interviews with the claimant/beneficiary or third parties, and corroborated findings from other available resources or databases. CDI is a key integrity tool that helps to ensure that only those who are eligible for benefits actually receive them.

Conclusion

It is critical that SSA invest sufficient resources to maintain and improve disability program integrity, through efforts such CDRs, redeterminations, and anti-fraud initiatives like the CDI program. These efforts safeguard the stability and integrity of disability payments, and they inspire Americans' confidence in Social Security's programs.

My office is committed to working closely with SSA and your Subcommittee to help the Agency achieve these and other goals. Thank you again for the invitation to testify today, and I'd be happy to answer any questions.