

**Social Security Administration**  
**Fiscal Year 2018**  
**Bipartisan Budget Act of 2015 Section 845(a) Report**

**Bipartisan Budget Act Reporting Requirements**

Section 845(a) of the Bipartisan Budget Act (BBA 845(a)) of 2015 requires the Social Security Administration (SSA) to include in our annual budget a report on our activities to prevent fraud and improper payments for each fiscal year (FY) from 2016 through 2021. The report must contain:

- The total amount spent on fraud and improper payment prevention activities;
- The amount spent on cooperative disability investigations (CDI) units;
- The number of cases of fraud prevented by CDI units and the amount spent on such cases;
- The number of felony cases prosecuted under section 208 and the amount spent by our agency in supporting the prosecution of such cases;
- The number of such felony cases successfully prosecuted and the amount spent by our agency in supporting the prosecution of such cases;
- The amount spent on and the number of completed:
  - Continuing disability reviews (CDR) conducted by mail;
  - Redeterminations (RZ) conducted by mail;
  - Medical CDRs conducted pursuant to section 221(i) of the Social Security Act (Act) and pursuant to section 1614(a)(3)(H);
  - RZs conducted pursuant to section 1611(c) of the Act; and
  - Work-related CDRs to determine whether earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity (SGA);
- The number of cases of fraud identified resulting in benefit termination as a result of medical CDRs, work-related CDRs, and RZs, and the amount of resulting savings for each such type of review or RZ; and
- The number of work-related CDRs in which a beneficiary improperly reported earnings derived from services for more than three consecutive months, and the amount of resulting savings.

A brief overview of our programs and anti-fraud activities as well as information required by BBA 845(a) follows.

## **Overview of Our Programs**

Considered one of the most successful large-scale Federal programs in our Nation's history, the Old-Age, Survivors, and Disability Insurance (OASDI) programs provide social insurance for most of our population. Workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings. About 9 out of 10 individuals age 65 and older receive Social Security benefits. The disability insurance (DI) program provides benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death. Individuals who have worked long enough and paid Social Security taxes and certain members of their families can qualify for DI benefits.

We also administer the Supplemental Security Income (SSI) program, which provides monthly payments to people with limited income and resources who are aged, blind, or disabled. Adults and children under the age of 18 can receive payments based on disability or blindness. General tax revenues fund the SSI program.

We pay benefits to over 70 million Social Security beneficiaries and SSI recipients on average each month. We paid over \$1 trillion in FY 2018.

## **Our Anti-Fraud Efforts**

Combatting fraud is an agency priority, and we take seriously our responsibility to prevent and detect fraud. We have centralized our anti-fraud efforts to take advantage of data analytics and predictive models to prevent fraud, ensure consistent anti-fraud policies, refine employee training, and solidify relationships with other Federal, State, and private partners to identify individuals who wrongfully obtain Social Security and SSI payments.

In FY 2018, the Acting Commissioner established a deputy commissioner-level organization -- the Office of Analytics, Review, and Oversight (OARO). Under OARO, we aligned our anti-fraud programs, quality reviews, audits, appellate operations, business improvements, and advanced data analytics, allowing us to streamline collaborative efforts and increase effectiveness. By realigning our organizational structure, we maximize our resources and better organize our efforts to centralize the oversight of the agency's anti-fraud efforts consistent with the Fraud Reduction and Data Analytics Act of 2015 and the Government Accountability Office's report, *A Framework for Managing Fraud Risks in Federal Programs*.

Fraud threats are constantly evolving, and in response, we must adapt our anti-fraud efforts. We continue to make changes to our processes to strengthen our ability to detect, deter, and prevent attempts to defraud agency programs.

In addition to our core program integrity efforts with the CDI units and assisting with fraud prosecutions, we deployed a disability fraud model in FY 2018. The model shows an initial success in using data analytics to detect potential fraud and serves as a prototype for future models to target specific program risks.

## **Bipartisan Budget Act Reporting Requirements**

### Total Expenditures on Fraud and Improper Payment Prevention Activities<sup>1</sup>

In FY 2018, we issued the Agency Strategic Plan for Fiscal Years 2018-2022. In this plan, we reduced the number of goals from five to three to better focus our resources and efforts toward our mission. To streamline our focus, we migrated the Fraud and Improper Payment Prevention activities objective from the former goal, Strengthen the Integrity of Our Programs into Strategic Goal 3: Ensure Stewardship. This goal has four objectives:

- 3.1 Improve Program Integrity;
- 3.2 Enhance Fraud Prevention and Detection Activities;
- 3.3 Improve Workforce Performance and Increase Accountability; and
- 3.4 Improve Organizational Effectiveness and Reduce Costs.

Our FY 2018 operating expenses for our Strategic Goal to “Ensure Stewardship” were \$2.986 billion. These expenditures included key program integrity workloads and other stewardship activities, some of which are specific to our anti-fraud efforts. It is difficult to distinguish between specific efforts to reduce fraud and our overall efforts to reduce improper payments, as both are key elements of our program integrity workloads. Most improper payments we detect do not involve any evidence of intent to commit fraud. Rather, they involve complex rules about eligibility for program benefits and delays in receiving information about changes in beneficiaries’ circumstances.

Although we lack the detail-level data necessary to compute the specific expenditures for our anti-fraud-related activities, each year, we verify that we distribute the correct costs to the proper goals. Additionally, during 2017, we modified our process to better track the costs separately for CDI units. We began identifying agency and disability determination services’ (DDS) CDI payroll and other object costs through specific/separate common accounting numbers. Using Cost Analysis System data, we determined how much of these costs we already distributed to the Program Integrity (PI) workloads, allowing us to remove the costs of the PI workloads from the CDI costs to avoid double counting. All PI workloads fall under our strategic goal to Ensure Stewardship.

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<sup>1</sup> For more information on our improper payment prevention activities, refer to the Payment Integrity section of the Fiscal Year 2018 Agency Financial Report at <https://www.ssa.gov/finance/>.

Total Expenditures on CDI Units, the Number of Cases of Fraud Prevented by CDI Units, and the Amount Spent on Such Cases

The CDI program is a key anti-fraud initiative that plays a vital role in combating fraud, similar fault, and abuse in our disability programs. The program's mission is to investigate questionable statements and activities of claimants, medical providers, and other third parties to obtain material evidence that is sufficient to resolve questions of potential fraud in the agency's disability programs. CDI units consist of personnel from our agency, the Office of the Inspector General (OIG), DDSs, and State and local law enforcement. CDI units investigate initial disability claims and post-entitlement events involving suspected fraud. CDI units investigate claimants and beneficiaries as well as third parties who we suspect of committing or facilitating disability fraud.

We continue to expand our CDI program as resources allow. We currently have 43 units, covering 37 states, Washington, DC, the Commonwealth of Puerto Rico, Guam, American Samoa, and Northern Mariana Islands. In FY 2019, we plan to add 3 CDI units in North Dakota, Montana, and Idaho.

In FY 2018, we spent approximately \$26.1 million on CDI units, and OIG spent approximately \$9.8 million<sup>2</sup> on CDI units. These expenditures included personnel costs, training, travel, and equipment. In FY 2018, CDI investigations resulted in the cessation or denial of 3,371 claims and 62 judicial actions (i.e., sentencing, pre-trial diversion, civil settlement, and civil monetary penalties), which contributed to OIG projecting more than \$188 million in savings to SSA programs and monies of \$20.6 million.

We do not track CDI-related costs on a per-investigation basis. We estimate that the average cost per CDI investigation is \$8,779, based on 4,095 CDI investigations closed during FY 2018.

For FY 2019, SSA plans to spend approximately \$26.1 million on CDI units, and OIG plans to spend approximately \$10 million<sup>3</sup> on CDI units.

The Number of Felony Cases Prosecuted Under Section 208 and the Amount Spent in Supporting the Prosecution of Such Cases; the Amount of Such Felony Cases Successfully Prosecuted and the Amount Spent in Supporting the Prosecution of Such Cases<sup>4</sup>

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<sup>2</sup> This figure includes OIG funds that are not derived from amounts described in section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985.

<sup>3</sup> The FY 2019 appropriations language provides that SSA may transfer up to \$10 million to the SSA OIG for the operation of the CDI units (Pub. L. No. 115-245). This anti-fraud activity is an authorized use of the cap adjustment.

<sup>4</sup> Upon further review of the reporting requirements in section 845(a) of the BBA of 2015 and section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985, we have revised this section of our report to

Social Security employees refer allegations of potential fraud to OIG for investigation. OIG conducts criminal investigations and refers cases to U.S. attorneys within the Department of Justice (DOJ), among other State and local prosecuting authorities, for prosecution.<sup>5</sup> SSA primarily relies on the U.S. attorneys to prosecute Social Security fraud, which is a Federal crime. The U.S. attorneys have discretion whether to accept fraud cases for prosecution and what Federal statutes to charge.<sup>6</sup> As an initiative to increase Federal Social Security fraud prosecutions, the Office of the General Counsel has provided DOJ with attorneys who serve as Special Assistant United States Attorneys (SAUSAs) and focus solely on prosecuting Social Security fraud. The goal of this initiative is to increase the number of prosecutions for crimes involving Social Security matters.

Since FY 2003, SAUSA prosecutions have led to the order of over \$200 million in restitution and more than 1,300 convictions. We ended FY 2018 with 33 SAUSAs in 32 Federal judicial districts. In FY 2018, our SAUSAs successfully prosecuted 189 criminal cases under section 208 of the Act [42 U.S.C. §408] and related fraud statutes.<sup>7</sup> In 149 of those cases, courts ordered payment of over \$20.1 million in restitution to the Government, over \$11.2 million of which was to SSA's Trust Funds. The estimated FY 2018 costs of SAUSAs to obtain these convictions was \$5,433,075, including the salary and benefit costs of these attorneys.

## Program Integrity Expenditures and Numbers

### ***Periodic Continuing Disability Reviews (CDRs)***

The American public expects and deserves outstanding stewardship of the Social Security Trust Funds and general revenues that finance our programs. As such, we are committed to ensuring

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focus on how SSA expended funds made available for the prosecution of fraud in the programs and operations of SSA by SAUSAs.

<sup>5</sup> This report does not include financial information pertaining to the success of OIG investigations.

<sup>6</sup> Note: Social Security fraud criminal cases are prosecuted under many different fraud statutes. Because this report is limited to cases prosecuted under section 208 (42 USC 408) and its functional equivalent, 18 USC 641 (theft of public funds), it does not represent the total number of Social Security cases involving fraud against our programs successfully prosecuted. To learn more about OIG's activities and investigations, please see: OIG's *Semiannual Reports to Congress* at <https://oig.ssa.gov/newsroom/semiannual-reports>.

<sup>7</sup> Our SAUSAs sometimes exercise their discretion to charge 18 USC 641 rather than 42 USC 408 for the same fraudulent conduct to enhance the agency's prospect of obtaining court-ordered restitution, which is mandatory under section 641 and discretionary under section 408.

that program rules and eligibility standards are fully enforced. One of our most important program integrity tools is the CDR. CDRs are periodic reevaluations to determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We conduct periodic CDRs to ensure that only those beneficiaries who continue to be disabled, based on our standard of disability, receive monthly benefits. We schedule almost all medical CDRs based on a beneficiary's likelihood of experiencing medical improvement (MI) rather than on suspicion or evidence of fraud. A finding of MI does not mean the beneficiary committed fraud; however, our ability to perform additional CDRs may allow us to detect potentially fraudulent or suspicious activities. There are no improper payments associated with medical CDRs; benefits for individuals who have medically improved are improper only if the agency fails to suspend payment after we fully complete the CDR appeals process or the individual fails to cooperate with the CDR.

When a medical review diary matures, we conduct periodic CDRs using one of two methods, a full medical review or a mailer. We decide which method to use after profiling all cases to identify the likelihood of MI. We send cases with higher likelihoods of MI to DDSs for full medical reviews. For those cases with a lower likelihood of MI, we send mailers to beneficiaries to obtain more information to determine if there is any indication of MI. If we find an indication of MI, we send the case to a DDS for a full medical review. If there is no indication of MI, we set a new medical review diary and schedule the case for a future CDR. Each year, we refresh the case priority selections based on the results of a predictive statistical scoring model.

We conduct some CDRs outside the centralized process based on events, such as voluntary or third party reports of MI. We always send these CDRs to the DDSs for full medical reviews. In addition, there is a subset of cases where the medical review diary matures, but we curtail further development for technical reasons, such as the suspension or termination of benefits for nonmedical reasons. We estimate that CDRs conducted in FY 2020 will yield net Federal program savings over the next 10 years of roughly \$8 on average per \$1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid effects.

### ***Work-Related Continuing Disability Reviews***

When a beneficiary is receiving DI benefits, we review his or her case to determine if the beneficiary is performing SGA, and if eligibility for benefits should continue. We commonly refer to this process as a "work CDR."

The table below reflects actual CDR workload volumes for FY 2018.

<b>FY 2018</b>			
<b>Actual Volumes</b>	<b>Title II</b>	<b>Title XVI</b>	<b>TOTAL</b>
Full Medical CDRs	351,493	545,015	896,508
CDR Mailers	1,150,467	239,351	1,389,818
Work-Related CDRs	314,106	-	314,106

In FY 2018, we spent \$782 million<sup>8</sup> on periodic CDRs, which included the cost of CDR mailers. We spent an additional \$243 million<sup>9</sup> on work-related CDRs.

We learn about work activity two primary ways: self-reported wages and earnings enforcements. We initiate work CDRs when beneficiaries directly self-report their work or earnings as required by law. DI beneficiaries must report any changes in work activity, and we must determine whether such work constitutes Substantial Gainful Activity. DI beneficiaries report work activity through their local field offices or by calling the National 800 Number. On September 23, 2017, we expanded the options to report work by creating an Internet reporting application -- myWageReport (myWR). The application not only allows DI beneficiaries and representative payees to report wages to us, it also provides a receipt of the report. In June 2018, we began accepting SSI and concurrent reports of earnings through myWR.

We also generate work CDRs through earnings enforcement. The Continuing Disability Review Enforcement Operation (CDREO) uses Internal Revenue Service (IRS) earnings report. We also initiate work CDRs based on quarterly earnings received by the Office of Childhood Support Enforcements. The quarterly earnings are timelier than IRS data and allow us to learn about unreported work activity sooner. Section BBA 824 also provides us the ability to contract with third party payroll providers to obtain monthly payroll data. We look forward to incorporating the monthly data into our enforcement operation.

The following table reflects enacted CDR workload volumes for FY 2019.

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<sup>8</sup> This figure includes \$347 million in costs allocated to DI, retirement and survivors insurance (RSI), and hospital insurance/supplementary medical insurance/Part D (HI/SMI/Part D) and \$350 million in costs allocated to SSI.

<sup>9</sup> This figure includes about \$107 million in costs allocated to DI, \$67 million in costs allocated to RSI, and \$58 million in costs allocated to HI/SMI.

<b>FY 2019</b>			
<b>Estimated Volumes</b>	<b>Title II</b>	<b>Title XVI</b>	<b>TOTAL</b>
Full Medical CDRs <sup>i</sup>	258,000	445,000	703,00
CDR Mailers			1,100,000
Work-Related CDRs (YTD) <sup>ii</sup>	78,740		78,740
<i>i/Volumes above are based upon CDRs available to process. We have the authority to reallocate funds based upon Section 201(g) of the Social Security Act.</i>			
<i>ii/We do not develop official volume projections for Work-Related CDRs, therefore we have included our most recent FY 2019 YTD figures, which are through December</i>			

In FY 2019, we anticipate spending a total of \$856 million<sup>10</sup> on full medical CDRs, CDR mailers, and work-related CDRs. Since work-related CDRs are not an agency-controlled workload, we do not develop official volume projections for that workload in a given fiscal year. Historically, work CDR volumes are consistently 250,000–300,000 annually.

In formulating the budget, we fully incorporate the projected costs of work CDRs into the total projected costs for CDRs.

### ***Supplemental Security Income Redeterminations (RZs)***

Another important program integrity tool is the SSI RZ, conducted under section 1611(c) of the Act, which is a periodic review of non-medical eligibility factors, such as income and resources.

Changes in recipients' living arrangements or the amount of their income and resources can affect both their eligibility for SSI and the amount of their payments. To ensure the accuracy of SSI payments, we conduct RZs. To select RZs, we use a predictive statistical model, which we implement each year to prioritize RZs and focus on reviews most likely to result in the correction of improper payments. RZs are a key activity in ensuring the integrity of the SSI program and maintaining and improving payment accuracy. We estimate that non-medical RZs conducted in FY 2020 will yield a return-on-investment of about \$3 on average of net Federal program savings over 10 years per \$1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects.

Effective October 2008, we ceased conducting SSI RZs via mail, as we determined they were not cost effective.

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<sup>10</sup> This figure includes \$314 million in costs allocated to DI, RSI, and HI/SMI/Part D and \$542 million in costs allocated to SSI.

In FY 2018, we spent \$810 million to conduct 2,913,443 SSI RZs pursuant to section 1611(c) of the Act.

In FY 2019, we plan to spend \$785 million to conduct 2.822 million SSI RZs.

The Number of Cases of Fraud Identified for Which Benefits Terminated Due to Medical CDRs, Work-Related CDRs, and Redeterminations, and the Amount of Resulting Savings for Each Such Type of Review or Redetermination

We do not track the number of instances of identified fraud where we terminated benefits because of medical CDRs, work-related CDRs, or RZs. Neither our fraud referral form nor our case management systems capture these specific events. We are currently developing a replacement for our fraud referral process and will include this data element on our list of future enhancements.

The Number of Work-Related CDRs in Which a Beneficiary Improperly Reported Earnings Derived from Services for More Than Three Consecutive Months and the Amount of Resulting Savings

Since DI beneficiaries are not required to report earnings monthly, we define “improperly reports earnings” to mean a DI beneficiary who reports inaccurately or does not report a change in work activity. We identify non-reporters through our IRS earnings match, commonly referred to as CDREO. The number of cases alerted through CDREO in FY 2018 was 244,376.<sup>11</sup>

**Other Reports of Interest**

Below are additional agency reports of interest.

- Fiscal Year 2018 Agency Financial Report (<https://www.ssa.gov/finance/>)
- Annual Performance Report Fiscal Years 2017-2019 (<https://www.ssa.gov/agency/performance/>)

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<sup>11</sup> Historically, about 40 percent of these alerted cases result in completed work CDRs.