

Other Information

Anti-Fraud Activities

SSA is committed to improving financial management by preventing fraudulent and improper payments (see Agency Challenges section for more information). Section 206 (g) of the Social Security Independence and Program Improvements Act, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

Disability Quality Assurance Reviews

SSA performs quality assurance reviews to measure the level of decisional accuracy for the State DDSs against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The following table shows that the State DDSs have consistently made the correct decision to allow benefits.

Quality Assurance Review				
	FY 2000	FY 2001	FY 2002	FY 2003
% of accurate decisions to allow or continue benefits by State DDSs	96.7%	96.8%	96.3%	96.2%
No. of cases reviewed	42,196	39,515	39,188	39,066
No. of cases returned to DDS due to error or inadequate documentation	1,381	1,281	1,455	1,499

SSA also performs preeffectuation reviews of DDS determinations of continuing eligibility using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. The table below shows that over 96% of the decisions made on preeffectuation reviews are accurate.

Preeffectuation Reviews				
	FY 2000	FY 2001	FY 2002	FY 2003
% of State DDS decisions not returned to DDS due to error or inadequate documentation	96.6%	96.8%	96.3%	96.2%
No. of cases reviewed	259,784	298,466	310,683	318,498
No. of cases returned to DDS due to error or inadequate documentation	8,567	9,438	11,186	12,257

Continuing Disability Reviews (CDRs)

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA's records. The performance accuracy of these CDRs is displayed below.

CDR Performance Accuracy				
	FY 2000	FY 2001	FY 2002	FY 2003
Overall Average	96.1%	96.1%	95.2%	94.2%
Continuances	96.5%	96.4%	95.5%	94.4%
Cessations	93.6%	93.8%	93.5%	93.5%

OASI and SSI Quality Assurance Reviews

One of SSA's four GPRA strategic goals is 'to ensure superior stewardship of Social Security programs and resources'. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the GRPA Performance Results section of this report on pages 78 through 81.

SSI Redeterminations

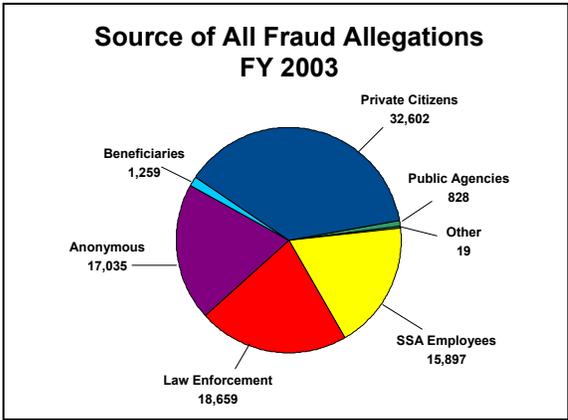
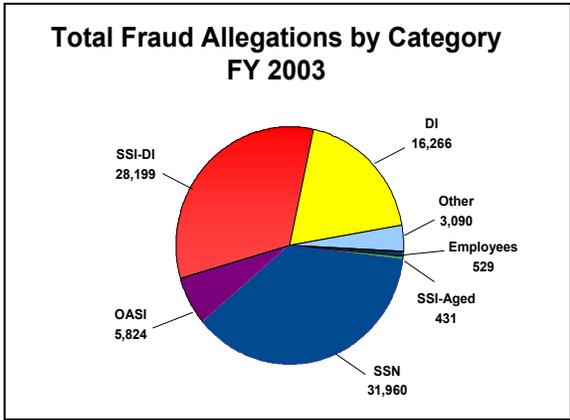
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA has set a goal for the number of SSI redeterminations to be processed in FY 2003. Detailed discussion on SSI redetermination performance can be found in the Performance Goals and Results section of this report on page 43.

Payment Safeguarding Activities

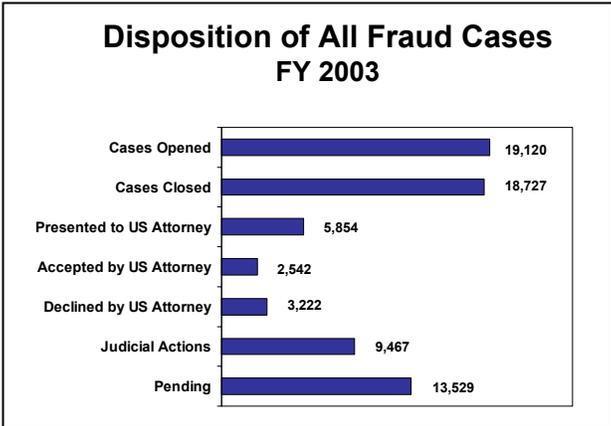
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In FY 2002, SSA invested more than \$1.1 billion in processing over 10 million alerts that are estimated to have provided benefits to trust funds of \$7.2 billion in overpayments detected and/or prevented. The FY 2003 results of these payment safeguard activities were not available at the time of the PAR publication. These figures will be available sometime in early 2004.

OIG's Anti-Fraud Activities

In FY 2003, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The charts on the following page summarize OIG's involvement in fraud activities throughout the FY.



The integrity of SSA's records and payments is maintained through an overall security program which controls access to SSA databases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection against data security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.



Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of \$269 and \$265 million in FY 2002 and FY 2003, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 95 percent of user fee revenues are derived from agreements with 24 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2003, SSA charged a fee of \$8.59 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$8.77 for FY 2004. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The Chief Financial Officers Act of 1990 requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. During FY 2002, SSA performed a review of user fees and did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. SSA is planning to perform a review of these fees during FY 2004.

Improper Payments Information

INFORMATION ON IMPROPER PAYMENTS FOR OLD AGE, SURVIVORS', DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME PROGRAMS

Background

The Social Security Administration (SSA) reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the nonmedical aspects of old age and survivors' insurance (OASI), disability insurance (DI), and supplemental security insurance (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the Improper Payments Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. The OMB guidance provides that payments resulting from legal or policy requirements are unavoidable and are not to be considered as improper. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the Government Performance and Results Act of 1993.

OASDI payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical factors of eligibility are redeveloped as of the current sample month. Findings are input to a national database for analysis and report preparation. Similarly, the SSI payment outlay rates are determined by an annual review of a statistically valid national sample of the SSI beneficiary rolls, selected monthly. Separate rates are determined for the accuracy of payments in terms of overpayment and underpayment dollars.

Improper payment rates and target goals

The improper payment rates for the OASI, DI and SSI programs for fiscal years (FYs) 2001 and 2002 are presented in Tables 1 - 3, respectively. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. Target goals for FYs 2003, 2004, 2005 and 2006 for the OASDI and SSI programs are presented in Tables 4 and 5, respectively. Estimated improper payment rates for FY 2003 will be available in June 2004. In the SSI program, SSA has established a 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent.

Table 1. Improper payment rates for the OASI program

OASI	FY 2001	FY 2002
Overpayment Rate	0.02%	0.11%
Underpayment Rate	0.22%	0.05%

Table 2. Improper payment rates for the DI program

DI	FY 2001	FY 2002
Overpayment Rate	1.06%	0.26%
Underpayment Rate	0.36%	0.27%

Table 3. Improper payment rates for the SSI program		
SSI	FY 2001	FY 2002
Overpayment Rate	6.74%	6.58%
Underpayment Rate	1.18%	1.35%

Table 4. Improper payment target goals for the OASDI program				
OASDI	FY 2003	FY 2004	FY 2005	FY 2006
Overpayment Goal	0.2%	0.2%	0.2%	0.2%
Underpayment Goal	0.2%	0.2%	0.2%	0.2%

Table 5. Improper payment target goals for the SSI program				
SSI	FY 2003	FY 2004	FY 2005	FY 2006
Overpayment Goal	4.6%	4.6%	4.6%	4.6%
Underpayment Goal	1.2%	1.2%	1.2%	1.2%

Improper Payment Information

Section 1a. - Program-Wide Estimates Program: Old-Age and Survivors Insurance						
	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$348B	100%	\$368B	100%	\$384B	100%
Underpayments	\$0.39B	0.11%	\$0.79B	0.22%	\$0.17B	0.05%
Overpayments	\$0.13B	0.04%	\$0.08B	0.02%	\$0.43B	0.11%
Total Improper Payments	\$0.52B	0.15%	\$0.87B	0.24%	\$0.6B	0.16%

Notes:

1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, $\pm 0.37\%$ for underpayments and $\pm 0.30\%$ for overpayments; for FY 2001, $\pm 0.37\%$ for underpayments and $\pm 0.30\%$ for overpayments; for FY 2002, $+0.04\%$ and -0.03% for underpayments and $+0.10\%$ and -0.28% for overpayments.

**Section 1a. – Program-Wide Estimates
Program: Disability Insurance**

	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$54B	100%	\$58B	100%	\$64B	100%
Underpayments	\$0.21B	0.39%	\$0.21B	0.36%	\$0.17B	0.27%
Overpayments	\$0.21B	0.38%	\$0.61B	1.06%	\$0.17B	0.26%
Total Improper Payments	\$0.42B	0.77%	\$0.82B	1.42%	\$0.34B	0.53%

Notes:

1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, $\pm 1.11\%$ for underpayments and $\pm 0.41\%$ for overpayments; for FY 2001, $\pm 0.13\%$ for underpayments and $\pm 0.33\%$ for overpayments; for FY 2002, $+0.26\%$ and -0.29% for underpayments and $+0.25\%$ and -0.37% for overpayments.

**Section 1a. – Program-Wide Estimates
Program: Old-Age, Survivors and Disability Insurance**

	2003 target		2004 target		2005 target		2006 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$467B	100%	\$488B	100%	\$507B	100%	\$526B	100%
Underpayments	\$0.93B	0.2%	\$0.98B	0.2%	\$1.01	0.2%	\$1.05B	0.2%
Overpayments	\$0.93B	0.2%	\$0.98B	0.2%	\$1.01	0.2%	\$1.05B	0.2%
Total Improper Payments	\$1.86B	0.4%	\$1.96B	0.4%	\$2.02	0.4%	\$2.10B	0.4%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2003 total payments represent actual outlays while the FYs 2004 – 2006 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2004 Budget.

Section 1a. - Program-Wide Estimates Program: Supplemental Security Income						
	2000		2001		2002	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$31B	100%	\$33B	100%	\$34B	100%
Underpayments	\$0.43B	1.4%	\$0.39B	1.2%	\$0.47B	1.4%
Overpayments	\$1.66B	5.3%	\$2.20B	6.7%	\$2.27B	6.6%
Total Improper Payments	\$2.09B	6.7%	\$2.59B	7.9%	\$2.74B	8.0%

Notes:

1. Periods covered are fiscal years (FY).
2. Statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2000, $\pm 0.29\%$ for underpayments and $\pm 0.48\%$ for overpayments; for FY 2001, $\pm 0.25\%$ for underpayments and $\pm 1.06\%$ for overpayments; for FY 2002, $\pm 0.3\%$ for underpayments and $\pm 1.1\%$ for overpayments.

Section 1a. - Program-Wide Estimates Program: Supplemental Security Income								
	2003 target		2004 target		2005 target		2006 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$36B	100%	\$39B	100%	\$40B	100%	\$41B	100%
Underpayments	\$0.43B	1.2%	\$0.46B	1.2%	\$0.48	1.2%	\$0.50B	1.2%
Overpayments	\$1.66B	4.6%	\$1.77B	4.6%	\$1.84	4.6%	\$1.90B	4.6%
Total Improper Payments	\$2.09B	5.8%	\$2.24B	5.8%	\$2.32	5.8%	\$2.40B	5.8%

Notes:

1. FY 2003 data will not be available until June 2004; therefore, the rates shown are targets (goals).
2. FY 2003 total payments represent actual outlays while the FYs 2004 -2006 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2004 Budget.

Improper payment in the OASI program

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years (FYs 1998-2002), a total of over \$1.75 trillion was paid to OASI beneficiaries, and over 99.82 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented less than 0.18 percent of the total dollars paid or just over \$3 billion. Major causes of improper payments in the OASI program over this 5-year period are listed below and accounted for over 63 percent of the improper payments identified.

- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Computations
- Annual Earnings Test (AET)

- Wages/Self-Employment Income (SEI)

The major causes of improper underpayments in the OASI program have been:

- Computations
- Wages/SEI

While the improper payment rate in the OASI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments. In the relationship/dependency area, SSA has redesigned its student eligibility process. Starting in March 2001 for students born 6/2/83 or later, SSA now verifies a student's school attendance information by obtaining a school official's certification before awarding benefits. The student must leave a reporting form with the school, and then SSA requests the school, as well as the student, to advise SSA of changes in the student's school attendance that could affect the student's entitlement to benefits.

Over the last several years, SSA has undertaken a series of initiatives to correct computation errors in benefit payments that have accumulated over many years. The corrections affected more than one million beneficiaries and \$4 billion in past and future benefits. These initiatives resulted in SSA identifying and processing payment increases for: (1) beneficiaries who had not received benefit increases that were due, based on additional earnings after entitlement, yet these earnings were used for deductions (benefit losses) under the AET; (2) other beneficiaries who did not receive benefit increases that should have resulted from additional covered earnings posted to their earnings records; and (3) beneficiaries who were eligible for a different type of benefit that was higher than the benefit they were receiving, but were not converted to this higher benefit.

Beginning in FY 2000, the AET no longer applied to beneficiaries who are at the full retirement age or older. Annual earnings test improvements that reduce improper payments include:

- The reduction in the age at which the annual earnings test no longer applies (from age 70) eliminates the possibility of annual earnings test error for beneficiaries who have reached the full retirement age;
- Establishing an earnings estimate for the current year based on prior earnings when no estimate is given should substantially reduce overpayments; and
- Providing employers with a pamphlet about special wage payments will improve their understanding and thereby reduce incorrect withholdings due to failure to obtain special payment information.

Wages or self-employment error results when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. SSA added language to the improved Social Security Statement to remind the public to inform SSA of incorrect earnings postings. By FY 2000, all workers born before 1958 received their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits. SSA has also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled SSA to receive almost 126 million W-2s electronically for tax year 2002 (over 54 percent of all W-2s filed). By 2004, SSA expects to receive over 55 percent of all W-2s electronically. Earnings that remain in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. SSA is working to develop highly automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings;
- Match and move items from suspense to the beneficiaries earnings record; and
- Pay benefit increases.

SSA has initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file. SSA has established a goal to find the correct earnings record and post 30 million suspense items for years 2000 and earlier before 2005.

Improper payment in the DI program

Over the last 5 years (FYs 1998-2002) \$271.2 billion was paid to DI beneficiaries and over 99.84 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented 0.16 percent of the total dollars paid or \$4.2 billion. Major causes of improper overpayments in the DI program over this 5-year period are listed below and accounted for over 90 percent of the improper payments identified.

- Substantial Gainful Activity (SGA)
- Unreported Death
- Workers' Compensation (WC)

The major causes of improper underpayments in the DI program have been:

- WC
- Wages/SEI
- Computations

For FYs 1998 through 2001, the three error categories of SGA, unreported death and WC accounted for about 85 percent of the total overpayment deficiency dollars in the DI program. For FY 2002, these three categories accounted for only about 11 percent of total deficiency dollars. The "Other" category of deficiency dollars accounted for over 88.6 percent of total overpayment deficiency dollars for FY 2002, which were projected from a single case where a child had attained age 18 and was no longer entitled because the child was not a full-time student in a secondary school.

For FY 2002, SGA overpayment errors decreased dramatically from FY 2001. Most errors occurred because the beneficiaries failed to notify SSA that they had returned to work and were earning an amount above the SGA level, or SSA failed, in some cases, to act in a timely manner on those reports it did receive. A new software tool is now available to every SSA field office where reports of return to work by disabled beneficiaries can be monitored automatically to ensure proper handling of SGA in these cases. SSA currently has the authority to impose civil monetary penalties (CMP) against individuals who make false statements to SSA. However, in order to pursue a case under this provision, there must be an affirmative false statement made by the subject, preferably in writing. This means that cases where the person's failure to inform SSA of a reportable event, such as return to work, cannot currently be pursued under the CMP provision.

SSA is giving high priority to correcting workers' compensation (WC) errors. Some people who receive Social Security disability benefits also receive Federal or State workers' compensation payments. When a person is eligible to receive both types of payments, the law imposes a limit on the total amount the person can receive each month. When that occurs, SSA withholds a portion of the person's Social Security disability payments. SSA identified disability insurance beneficiaries whose workers' compensation payments changed. Some of these people had been paid incorrect amounts of Social Security disability benefits while others had been underpaid since their WC had stopped and their SSA benefit amount had not been increased accordingly. SSA is reviewing these cases, verifying the amount of workers' compensation payments, and correcting Social Security disability benefits as appropriate. Refresher training, new procedures requiring processing centers to verify WC payments every 3 years and systems' improvements that allow field offices to input WC changes for a more accurate benefit computation have served to markedly reduce the amount of WC errors, both overpayments and underpayments.

More timely and accurate death data would enable SSA to more effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments to improve the current paper-based process. The most efficient manner to improve timeliness of State data is by using Electronic Death Reporting (EDR) -- a web-based automation of the death registration process. EDR electronically links the participants in death registration, providing more timely and accurate data. SSA's goal is to receive verified death data within 24 hours of receipt in the State repository and within 5 days of death. EDR would also improve the accuracy of the death master file that we share with other Federal agencies.

SSA began a national rollout of its EDR in FY 2001. Currently, 3 States are providing EDR "online" to SSA. SSA has identified funds for this initiative and is proceeding with contract activities with additional States.

SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SI benefits. To keep this from happening in the future, we have rewritten computer programs and retrained technical employees to identify eligibility as it occurs.

Improper payment in the SSI program

Over the past 5-years (FYs 1998-2002) almost \$157 billion was paid to SSI recipients and about 92.5 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 7.5 percent of the dollars paid or about \$11.8 billion. For FY 2002, the major causes of overpayments in the SSI program were:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of underpayments in the SSI program were:

- Living Arrangements
- Wages
- In-kind Support and Maintenance

For the last 5 years, financial accounts, along with wages, have represented the two leading causes of preventable SSI overpayments. For FY 2002, financial account overpayment deficiencies accounted for about 24 percent of all overpayment deficiencies. These errors are usually the result of the recipient's financial account, either singularly or in combination with other resources, causing the resource limit to be exceeded. When this occurs, the recipient may become ineligible for SSI. For FY 2002, the recipients' failure to advise SSA that their resources were over the resource limit is responsible for 92 percent of the deficiency dollars in this category. The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. SSA has developed regulations that will allow us to query financial institutions electronically.

For the last 10 years, wage errors have accounted for about one-fourth of the total improper overpayment dollars. Historically, accurate projections of wage income for a large number of SSI recipients have been problematic because the amount of the wages fluctuates from month to month. Fluctuating wage deficiencies, which represent about 46 percent of all wage deficiencies for FY 2002, continue to be responsible for the major portion of improper payments due to wages. From another perspective, the recipient's or representative payee's failure to report a payment affecting change accounted for about 82 percent of all wage deficiencies.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. But even these data are at least 4 months old when accessed. In an effort to learn more quickly about unreported work, SSA is also exploring the usefulness of a quarterly match with the "new hires" file from OCSE.

In another effort to achieve more timely and accurate reporting of wages, SSA began a test, in April 2003, to determine the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA will test whether SSI recipients (or their representatives, parents or spouses, where deemed wages affect benefit payments) will report wages, monthly, using this new technique. The key issues will be the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. Timely and accurate reporting on this issue offer the opportunity to prevent substantial amounts of SSI overpayments, which accounted for over \$350 million in deficiencies in FY 2002.

Deficiencies due to living arrangements (LA), wages and in-kind support and maintenance (ISM) accounted for 63 percent of all underpayment deficiencies for FY 2002. LA deficiencies accounted for over 23 percent of all underpayment deficiencies for FY 2002. Most LA deficiencies were due to the recipient not reporting that their living arrangement has changed to one where they are living in their own household. This is a complex area where recipient understanding of reporting requirements is very difficult to address. For this reason, a portion of the annual redetermination workload is targeted to addressing improper underpayments due to living arrangement changes.

Over 20 percent of all FY 2002 underpayments were due to wages (which were previously discussed, above, for overpayments).

ISM deficiencies accounted for over 19 percent of all underpayment deficiencies for FY 2002. The major factor accounting for these deficiencies is a change in the recipient's contribution to household expenses, which are mostly due to a change in the household composition that was not reported to SSA.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. To detect incorrect payments, SSA regularly reviews cases to ensure that the nondisability factors of eligibility continue to be met and payment amounts are correct. The selection process is based on the likelihood that a case will be in error. Since 1997, SSA has initiated several actions that increased estimated overpayments found or prevented because of the "High Error Profile" (HEP) redeterminations by increasing the volume of HEPs and the effectiveness of the profiling system. The total overpayments collected or prevented because of all the FY 2002 redetermination and limited-issue cases was \$2.3 billion, with an additional \$1.6 billion in underpayments paid or prevented. If SSA had sufficient resources to conduct HEP redeterminations on all 6.5 million SSI recipients, total overpayments found or prevented that would accrue are estimated to be about \$4.1 billion.

Medical aspects of the DI and SSI programs

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The actual allowance and denial accuracy rates for FYs 2001, 2002 and 2003 are presented in Table 6. These rates are determined by SSA's quality assurance review of initial claims. In compliance with Section 221(a) of the Social Security Act, SSA reviews samples from each State to determine whether the DDS is in compliance with Federal policy and procedural requirements. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, SSA will have a combined allowance and denial goal for net accuracy. The goal for FYs 2003 and 2004 is 97 percent. FY 2003 data will be available in January 2004.

Table 6. DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2001	FY 2002
Allowance	98.3%	98.5%
Denial	94.7%	95.1%
Combined	96.2%	96.4%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2001, the Actuary has produced estimates that PER saved the trust funds \$464 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 14:1.

SSA's budget includes a proposal to extend PER reviews of favorable adult disability decisions to the SSI program. This proposal supports the President's management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this new workload.

Collection of Overpayments in the OASI, DI and SSI Programs

In FY 2003, SSA collected \$1,891.5 million in program debt. Generally, SSA has two types of debt, which are determined by entitlement status:

- (1) Current pay debt, owed by individuals who continue to receive benefits and
- (2) Nonpay debt, owed by those who are no longer on the benefit rolls.

SSA's collection process depends mainly upon the entitlement status of the debtor. When the debtor is on the benefit rolls, SSA's initial overpayment letter informs the individual that if full repayment is not made recovery will be accomplished through offset of future benefits. This does not begin until after the initial 60-day due process period has expired. If the debt has not been repaid, benefit offset begins. In the OASDI program we offset benefits in full unless the person can demonstrate a financial need to receive partial benefits each month. In the SSI program, we recover at the statutory rate of 10 percent of benefits, or a reduced rate if the debtor requests and qualifies for one based upon financial hardship.

When the debtor is no longer on the benefit rolls, SSA first attempts to collect the overpayment on its own. SSA sends an initial overpayment letter requesting payment in full or by regular installments. If no payment has been received, SSA uses its own billing and follow-up system to send a series of progressively stronger follow-up notices, then has debt collectors attempt personal contact to establish a repayment agreement. At any time during this process that the individual contacts SSA to establish a repayment arrangement, SSA's debt collectors negotiate an arrangement with the individual and set up the account for monthly billing. If the individual misses any of the monthly payments, a follow-up process is set in motion.

When a debt becomes "Past-Due" it is considered for referral to the Treasury Department for offset under the Treasury Offset Program (TOP) as well as for referral to credit bureaus. These referrals are preceded by statutorily required notices warning the debtor of our plans to make the referrals and providing him or her the opportunity to

avoid the referrals by repaying the debt or establishing a repayment arrangement. The notice also advises the individual of applicable due process rights.

When SSA's debt collectors determine that the debt will not be collected, either because the debtor cannot be located or because further recovery efforts are determined not to be cost effective, the debt is written-off. Written-off debt is still eligible for further benefit offset should the individual return to the benefit rolls. For FY 2003, debt written-off due to termination of collections efforts was \$471.5 million or 4.2 percent of \$11,205.1 million in debt available for collection. Where applicable, written-off debt remains at Treasury for offset until the delinquency reaches 10 years. We continue to report to the credit bureaus on the delinquency until it is 7 years old. The statutes governing administrative offset preclude its use on debts delinquent more than 10 years, while those governing credit bureau reporting set a limit of 7 years.

In addition to using TOP and credit bureau reporting for delinquent OASDI and SSI debts, SSA has developed and implemented mandatory cross-program recovery. Mandatory cross-program recovery will enable SSA to collect an SSI debt owed by a former recipient from any OASDI benefits being paid to that person. SSA will integrate the use of Administrative Wage Garnishment, Federal salary offset, cross-servicing and interest charging in its collection process. For more information, see the section entitled Debt Management which follows.

Additional Actions that Could be Taken to Prevent Erroneous Payments and Correct Improper Payments

Program Integrity Fund

The FY 2004 President's budget request for SSA includes earmarked funding for the costs of CDRs, SSI redeterminations, and detecting and collecting overpayments, with the intent that cap adjustment funding will be proposed. This would provide a consistent funding source that would not be in competition with resources needed to process claims and other ongoing SSA workloads.

This special funding for program integrity is essential because, unlike a corporation, SSA does not have a single "bottom line". SSA's administrative budget funds the competing demands of both service and stewardship. Currently there is no way to ensure adequate funding for stewardship activities when they compete with service delivery for the same scarce discretionary dollars. We know that program integrity efforts pay for themselves many times over. The significant return delivered by these investments demands that we find a way to ensure that now and into the future they are adequately financed in the Federal budget structure.

SSA's Corrective Action Plan

In June 2002, SSA released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased detection and prevention, new measurement strategies, potential changes in SSI policies and Agency accountability. We are extremely pleased that the General Accounting Office (GAO) has removed the SSI program from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA's progress to improve the management of the program. We are continuing our efforts to improve our management of the SSI program across three fronts – improved prevention of overpayments, increased overpayment detection, and increased collection of debt.

Debt Management

During FY 2003, SSA continued to use the aggressive debt collection tools available to the Agency. These authorized recovery mechanisms include:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund;
- Administrative Offset that enables collection of a delinquent debt from a Federal payment other than a tax refund;
- Mandatory Cross-Program Recovery which is the collection of a former SSI recipient's debt from any OASDI benefits due that person; and
- The use of Credit Bureau Reporting to encourage repayment of delinquent debts.

These tools continue to demonstrate their significance in the collection of delinquent program debt. As of September 2003, SSA has collected over \$790 million from tax refunds and other Federal payments since the program's inception in January 1992. Since implementation of mandatory cross program recovery in February 2002, SSA has collected over \$78 million.

In FY 2003, SSA continued its development of administrative wage garnishment (AWG), or the collection of OASDI and SSI debts from wages of people working in the private sector. The Agency published draft regulations as a Notice of Proposed Rulemaking. AWG promises to be a significant addition to SSA's debt collection program.

The new system, developed in FY 2002, for analyzing and monitoring SSA's debt portfolio was instrumental in the creation of a new performance measure for debt collection in FY 2003. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. Using the new debt portfolio monitoring system, we plan to move toward a more ambitious goal for FY 2004 by developing more efficient processes to deal with our outstanding debt. Our objective is to increase the percent of outstanding debt that is in a collection arrangement and to increase collections. To accomplish these objectives, we will continue to use the aggressive debt collection tools available.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the Government Performance and Results Act only includes legally defined overpayments in which beneficiaries have certain due process rights.

FY 2003 Quarterly Debt Management Activities (In Millions)				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	\$13,707.5	\$12,793.2	\$13,074.3	\$13,418.4
Total collections (cumulative)	597.9	1,147.8	1,762.9	2,307.6
Total write-offs (cumulative)	223.2	431.0	662.7	918.7
TOP collections (cumulative)	1.6	43.6	71.8	79.4
Aging schedule of delinquent debts:				
- 180 days or less	829.3	698.9	749.9	864.0
- 181 to 10 years	1,419.5	1,439.9	1,436.3	1,634.4
- Over 10 years	<u>35.0</u>	<u>32.6</u>	<u>33.2</u>	<u>38.8</u>
- Total delinquent debt	\$2,283.8	\$2,171.4	2,219.4	2,537.2

SSA Debt Management Activities					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Total debt outstanding end of FY (millions)	\$6,524.4	\$7,107.7	\$11,437.1	\$12,531.0	\$13,418.4
% of outstanding debt					
- Delinquent	13.5%	15.5%	9.3%	16.5%	18.9%
- Estimated to be uncollectible	30.2%	33.9%	25.3%	18.9%	21.1%
New debt as a % of benefit outlays	1.0%	0.9%	1.7%	0.9%	0.8%
% of debt collected	34.0%	33.5%	19.9%	18.5%	17.2%
Cost to collect \$1	\$0.11	\$0.10	\$0.11	\$0.11	\$0.10
% change in collections from prior FY	16.5%	7.6%	(4.4%)	1.5%	(0.3%)
% change in delinquencies from prior FY	5.4%	25.6%	(3.5%)	94.4% ¹	22.4%
Collections & write-offs as a % of Total Debt	30.8%	31.0%	21.5%	21.0%	19.4%
Collections as a % of clearances	73.3%	73.7%	70.8%	70.8%	71.5%
Total write-offs of debt (in millions)	\$807.6	\$850.8	\$941.3	\$954.0	\$918.7
Average number of months to clear receivables:					
- OASI	12	12	14	14	18
- DI	25	26	32	34	33
- SSI	20	27	4	26	52

1. In September 2001, SSA implemented a new process FY 2002 that identifies, ages, and reports delinquent debt on an individual debt basis in the SSI program. This new process increased the amount of delinquent SSI debt reported from about \$61 million at the close of FY 2001 to about \$1.1 billion at the close of FY 2002.

