



SOCIAL SECURITY

The Commissioner

June 27, 2014

The Honorable Joseph R. Biden, Jr.
President of the Senate
Washington, DC 20510

Dear Mr. President:

In the Consolidated Appropriations Act, 2010 (Public Law 111-117), Congress provided the Social Security Administration with additional administrative resources to conduct continuing disability reviews and redeterminations of eligibility for Supplemental Security Income (SSI) benefits. Public Law 111-117 also requires us to report to Congress on the expenditures of these additional amounts. I am pleased to submit to you our report on SSI non-medical redeterminations.

In fiscal year (FY) 2010, we completed almost 2.5 million SSI redeterminations, an increase of over 700,000 redeterminations compared to the number we performed in FY 2009. Because we did not have the resources to conduct a redetermination on every SSI recipient's case, we prioritized the cases most likely to have had a change in circumstances affecting monthly benefits. We estimate that almost 59 percent of these redeterminations resulted in a change in monthly benefit payments. We spent \$498 million to conduct these redeterminations and estimate the present value of the net lifetime Federal SSI and Medicaid benefit savings to be \$2,140 million.

If you have any questions, please do not hesitate to contact me or have your staff contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am sending a similar letter to the Speaker of the House of Representatives.

Sincerely,

Carolyn W. Colvin
Acting Commissioner

Enclosure

cc:

Chairman, Senate Committee on Finance
Ranking Member, Senate Committee on Finance

Chairman, House Committee on Ways and Means

Ranking Member, House Committee on Ways and Means

Chairman, House Subcommittee on Human Resources

Ranking Member, House Subcommittee on Human Resources

Chairman, House Subcommittee on Social Security

Ranking Member, House Subcommittee on Social Security

Chairman, Senate Committee on Appropriations

Ranking Member, Senate Committee on Appropriations

Chairman, Senate Subcommittee on Labor, HHS, Education, and Related Agencies

Ranking Member, Senate Subcommittee on Labor, HHS, Education, and Related Agencies

Chairman, House Committee on Appropriations

Ranking Member, House Committee on Appropriations

Chairman, House Subcommittee on Labor, HHS, Education, and Related Agencies

Ranking Member, House Subcommittee on Labor, HHS, Education, and Related Agencies

Chairman, Senate Committee on Budget

Ranking Member, Senate Committee on Budget

Chairman, House Committee on Budget

Ranking Member, House Committee on Budget

**Report on Supplemental Security Income
Non-medical Redeterminations**



Fiscal Year 2010

**REPORT ON SUPPLEMENTAL SECURITY INCOME
NON-MEDICAL REDETERMINATIONS
FISCAL YEAR 2010**

Overview

In fiscal year (FY) 2010, we processed almost 2.5 million Supplemental Security Income (SSI) redeterminations at a cost of \$498 million in administrative expenses. We estimate that approximately 59 percent of the completed redeterminations resulted in a retrospective or prospective change in monthly benefit payments, with reductions in such payments classified as overpayments and increases in payments classified as underpayments. About 23 percent of the cases reviewed had only overpayments, 18 percent had only underpayments, and 18 percent had both. We estimate the present value of the net lifetime Federal SSI and Medicaid benefit savings due to this activity to be \$2,140 million.

Statutory Requirement

In the Consolidated Appropriations Act, 2010, Congress specifically allocated additional administrative resources to conduct continuing disability reviews under Titles II and XVI of the Social Security Act and redeterminations of eligibility under Title XVI of the Social Security Act. The law also requires that we provide Congress with a report on the obligation and expenditure of these additional amounts, and this report satisfies that requirement with respect to SSI redeterminations processed in FY 2010.

The Supplemental Security Income Redetermination Process

We administer the SSI program, an assistance program that provides monthly cash payments to aged, blind, or disabled individuals with limited income and resources. On average, during FY 2010, approximately 7.5 million people received Federal SSI payments per month.

The Social Security Act requires¹ us to periodically redetermine beneficiaries' eligibility for SSI. During a redetermination, we review the non-medical factors of eligibility, including income, resources, and living arrangements. Based on this review, we determine whether the beneficiary is still eligible for SSI and receiving the correct payment amount.

Because we do not have the resources to review every SSI beneficiary's non-medical eligibility every year, we focus our resources on those beneficiaries who are most likely to have had a change in circumstances affecting their monthly payment amount. We use a statistical model² to assign a score to each beneficiary's case based on the likelihood that he or she is being overpaid. We then select for review the highest-scoring cases to the extent that our administrative funding allows. We also use reviews that focus on a specific issue when a match between our records and those of another Federal agency indicates potentially undisclosed income, resources, or living arrangements. The number of focused reviews we process also depends on our administrative funding.

¹ See 42 United States Code, section 1382(c)(1), "Eligibility for and the amount of [Title XVI] benefits shall be redetermined at such time or times as may be provided by the Commissioner of Social Security."

² This statistical model scores each beneficiary in the SSI population using factors related to income, resources, and living arrangements.

In addition to the scheduled redeterminations described above, we also conduct unscheduled redeterminations as needed when SSI beneficiaries report a change that could potentially affect their eligibility or monthly payment amounts.

Results for Fiscal Year 2010

We examined the eligibility or payment amount of about one-third of the beneficiaries on the rolls as part of the FY 2010 redetermination workload. Table 1 presents the number of those SSI redeterminations processed in FY 2010 and a breakout of our findings. When we redetermine a case, we examine monthly payment amounts for the current month as well as for prior months, generally extending back to the last time we performed such a detailed examination. Because the SSI payment amount varies monthly as income, resources, and other eligibility factors vary, there is the potential for overpayments, underpayments, or both.

	Type of Redetermination		Total
	Scheduled	Unscheduled	
Table 1—SSI redeterminations processed in FY 2010			
Redeterminations completed in 2010:			
Number of redeterminations	1,918,407	527,152	2,445,559
Expressed as a percentage of the average number of SSI beneficiaries per month during FY 2010	25%	7%	31%
Estimated percentage of total redeterminations with:			
Overpayments or underpayments (or both).....	58%	65%	59%
Overpayments only	25	16	23
Underpayments only	14	32	18
Both overpayments and underpayments	19	17	18
No overpayments or underpayments.....	42	35	41
Total	100	100	100
Overpayments (with or without underpayments).....	44	33	41
Underpayments (with or without overpayments).....	33	49	36
Notes:			
1. A total may not equal the sum of its components due to rounding.			
2. In addition to the 2,445,559 redeterminations tabulated here, which were completed as part of the normal program integrity process, there were an additional 20,319 special redeterminations completed during FY 2010 resulting from the nationwide class action settlement agreement in the case of <i>Martinez v. Astrue</i> . The estimates shown in this report refer only to the normal program integrity redeterminations and therefore do not include the effects on Federal SSI payments of <i>Martinez</i> settlement processing.			

Based on an internal study of completed program integrity redeterminations for FY 2010, we estimated the resulting year-by-year net reductions in Federal SSI payments. We present these estimates in the “SSI net change” column of Table 2 on page 3 of this report, along with estimates of the corresponding reductions in the Federal share of Medicaid benefits prepared by the Office of the Actuary in the Centers for Medicare & Medicaid Services.

Table 2—Estimated change in the Federal share of SSI and Medicaid benefits resulting from SSI redeterminations processed in FY 2010
(In millions)

Fiscal Year	SSI			Medicaid	Total, SSI and Medicaid
	Over-payments	Under-payments	SSI Net Change		
Scheduled redeterminations:					
2010	-\$657	\$686	\$29	-\$12	\$18
2011	-1,415	43	-1,372	-26	-1,397
2012	-393	—	-393	-18	-411
2013	-91	—	-91	-15	-105
2014	-53	—	-53	-2	-55
2015	-31	—	-31	—	-31
2016	-29	—	-29	—	-29
2017	-22	—	-22	—	-22
2018	-16	—	-16	—	-16
2019	-13	—	-13	—	-13
Total, 2010-19	-2,719	729	-1,990	-72	-2,061
Unscheduled redeterminations:					
2010	-\$171	\$520	\$349	-\$3	\$345
2011	-367	48	-319	-7	-326
2012	-103	—	-103	-5	-108
2013	-23	—	-23	-4	-28
2014	-14	—	-14	-1	-14
2015	-8	—	-8	—	-8
2016	-7	—	-7	—	-7
2017	-6	—	-6	—	-6
2018	-4	—	-4	—	-4
2019	-3	—	-3	—	-3
Total, 2010-19	-707	568	-139	-21	-160
Total for scheduled and unscheduled redeterminations:					
2010	-\$828	\$1,206	\$378	-\$15	\$363
2011	-1,782	91	-1,691	-33	-1,724
2012	-496	—	-496	-23	-519
2013	-114	—	-114	-19	-133
2014	-67	—	-67	-3	-70
2015	-38	—	-38	—	-38
2016	-36	—	-36	—	-36
2017	-27	—	-27	—	-27
2018	-20	—	-20	—	-20
2019	-16	—	-16	—	-16
Total, 2010-19	-3,426	1,297	-2,129	-92	-2,221
Present value of estimated net lifetime benefit changes, as of the end of FY 2010:					
Scheduled redeterminations	-2,670	738	-1,932	-68	-2,000
Unscheduled redeterminations	-695	574	-120	-20	-140
Total	-3,364	1,312	-2,052	-88	-2,140

Notes:

1. Estimates shown above are consistent with assumptions underlying the 2013 Annual Report of the Supplemental Security Income Program (available at www.socialsecurity.gov/oact/ssir/SSI13/index.html).
2. The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for savings in the Medicaid program.
3. A total may not equal the sum of its components due to rounding.

The FY 2010 internal study mentioned earlier in this report provided an estimate of the aggregate reduction in federally administered SSI payments attributable to redeterminations conducted in FY 2010. The year-by-year Federal SSI payment reductions shown in Table 2 are consistent with the results of the internal study, but adjusted to: (1) remove the savings attributable to federally administered State supplementary payments; and (2) distribute the savings by fiscal year.³ In addition to the estimated year-by-year cash-flow savings from these SSI redeterminations, Table 2 also provides the resulting estimated present value of net reductions in lifetime Federal benefits as of September 30, 2010.

Table 3 presents two alternative measures of the beneficial effects on our stewardship efforts of the SSI redetermination process for FY 2010. From the perspective of minimizing total Federal outlays, the dollar *benefit* of the redetermination process would be the net reduction in overall Federal payments as shown in Table 2. An alternative perspective would view the *benefit* of the redetermination process as making the correct Federal payment in all cases. From this second perspective, the dollar *benefit* of the redetermination process would count \$1 of corrected underpayment the same as \$1 of corrected overpayment. In Table 3, we present both of these *benefit* measures and compute their ratios to the cost of conducting the redeterminations.

Table 3—Return on investment from SSI redeterminations processed in FY 2010			
<i>(Amounts in millions)</i>			
	Type of Redetermination		Total
	Scheduled	Unscheduled	
A. Administrative costs*	\$388	\$107	\$494
B. Present value of:			
Overpayments identified and recovered or prevented**	\$2,738	\$714	\$3,452
Underpayments identified and corrected.....	738	574	1,312
Net reduction in Federal outlays	2,000	140	2,140
Total correction of Federal benefits paid.....	3,476	1,289	4,764
C. Return on investment:			
Ratio of <i>benefit</i> achieved to cost of conducting redeterminations where the <i>benefit</i> is defined as:			
Net reduction in Federal outlays	5.2	1.3	4.3
Total correction of Federal benefits paid.....	9.0	12.1	9.6
* Total costs of conducting SSI redeterminations in FY 2010 as reported by the Social Security Administration cost allocation system, reduced for the estimated cost of the special <i>Martinez</i> settlement redeterminations.			
** Includes the total estimated Medicaid benefit reductions, which are attributable to cases that result in suspension of SSI benefits payable in months after the redetermination.			

As indicated in Table 3, the measured *benefit*-to-cost ratio for FY 2010 redeterminations varies by the type of redetermination (scheduled versus unscheduled) and by the nature of the beneficial effect being measured. The overall *benefit*-to-cost ratio on a net Federal outlay basis is 5.2 for scheduled redeterminations, 1.3 for unscheduled redeterminations, and 4.3 overall. Therefore, we estimate that the scheduled redeterminations reduced Federal program outlays on a net present value basis by about \$5.20 for each \$1 of administrative expenditures. In contrast, we

³ We based the year-by-year distribution of the net savings on results from the FY 2010 internal study, enhanced by our analysis tracking samples of redetermination cases from earlier years. Our limited review of these earlier cohorts suggests that estimates of the proportion of individuals losing SSI eligibility may be understated, which could have a significant impact on estimated Federal Medicaid savings. We plan to study this in more detail in the future.

estimate that unscheduled redeterminations reduced net Federal program outlays by only \$1.30 for each \$1 of administrative expenditures. The greater cost-beneficial effect on an outlay basis for the scheduled cases is primarily attributable to scheduled reviews having a much larger percentage of cases with overpayments (44 percent vs. 33 percent) and a much smaller percentage with underpayments (33 percent vs. 49 percent). Nevertheless, the overall redetermination process is still very cost-effective from a Federal outlay perspective, saving more than \$4 for every \$1 spent.

Redeterminations are even more cost beneficial when viewed under the alternative “corrected payment” perspective, because a corrected underpayment contributes just as much as a corrected overpayment. As shown in Table 3, we estimate that the FY 2010 redeterminations have corrected over \$9 in benefit payments for every \$1 spent to conduct the reviews.

Conclusion

As the FY 2010 results in Table 3 illustrate, the non-medical redetermination process is an effective program integrity tool, delivering over \$4 in net lifetime savings for every \$1 invested. As good stewards of taxpayer funds, our obligation is to ensure that only eligible individuals receive benefits, in the right amount, and at the right time. We believe that our redeterminations are crucial in fulfilling this obligation.

Congress has also recognized the value of these reviews, periodically providing additional, dedicated funding for non-medical redeterminations, as well as for continuing disability reviews. This additional funding is increasingly important because we must first use our administrative resources for the work done by our frontline employees, such as taking claims and issuing replacement Social Security cards. Timely, sustained, and adequate funding of the cost-effective redetermination process will allow us to continue to reduce improper payments and strengthen SSI program integrity.