



SOCIAL SECURITY

The Commissioner

December 17, 2015

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

Dear Mr. President:

In the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10), 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 112-10 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) 2011, we completed almost 2.5 million SSI redeterminations. 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 55 percent of these redeterminations resulted in a change in monthly benefit payments. We spent \$500 million to conduct these redeterminations and estimate the present value of the net lifetime Federal SSI and Medicaid benefit savings to be \$1,737 million.

If you have any questions, please do not hesitate to contact me or have your staff contact Judy Chesser, 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,

A handwritten signature in blue ink that reads "Carolyn W. Colvin".

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 2011

**REPORT ON SUPPLEMENTAL SECURITY INCOME
NON-MEDICAL REDETERMINATIONS
FISCAL YEAR 2011**

Overview

In fiscal year (FY) 2011, we processed almost 2.5 million Supplemental Security Income (SSI) redeterminations at a cost of \$500 million in administrative expenses. We estimate that approximately 55 percent of the completed redeterminations resulted in a retrospective or prospective change in monthly SSI payments, with reductions in such payments classified as overpayments and increases in payments classified as underpayments. About 21 percent of the cases reviewed had only overpayments, 18 percent had only underpayments, and 17 percent had both. We estimate the present value of the net lifetime Federal SSI and Medicaid savings due to this activity to be \$1,737 million.¹

Statutory Requirement

In the Department of Defense and Full-Year Continuing Appropriations Act, 2011, 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 2011.

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, approximately 7.8 million people received Federal SSI payments per month in FY 2011.

The Social Security Act requires us to periodically redetermine beneficiaries' eligibility for SSI.² 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 model to assign a score to each beneficiary's case based on the likelihood that he or she is being overpaid considering factors such as income, resources, and living arrangements. 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 We accumulate much of our performance data based on an operating month rather than a true calendar month. An operating month cuts off on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks. Every 5 or 6 years, the fiscal year contains 53 weeks rather than the normal 52 weeks. FY 2011 was a 53-week fiscal year; all numbers of redeterminations and corresponding estimates of savings in this report are for redeterminations completed during the 53 operating weeks in fiscal year 2011.

² 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."

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 2011

We examined the eligibility or payment amount of nearly one-third of SSI beneficiaries as part of the FY 2011 redetermination workload. Table 1 presents the number of SSI redeterminations processed in FY 2011 and a summary of our findings. When we redetermine a case, we examine the monthly payment amount for the current month as well as for prior months, generally extending back to the last month we performed such a detailed examination. Because the correct SSI payment amount depends on the beneficiary’s income, resources, living arrangements, and other factors—all of which can vary from month-to-month—there is the potential for overpayments, underpayments, or both.

Table 1—SSI redeterminations processed in FY 2011			
	<u>Type of Redetermination</u>		<u>Total</u>
	<u>Scheduled</u>	<u>Unscheduled</u>	
Redeterminations completed in 2011:			
Number of redeterminations.....	1,910,561	546,272	2,456,833
Expressed as a percentage of the average number of SSI beneficiaries with Federally-administered payments per month during FY 2011.....	24%	7%	31%
Estimated percentage of total redeterminations with:			
Overpayments or underpayments (or both)	53%	63%	55%
Overpayments only	23	12	21
Underpayments only	13	33	18
Both overpayments and underpayments	17	18	17
No overpayments or underpayments.....	47	37	45
Total.....	100%	100%	100%
Overpayments (with or without underpayments).....	40	30	38
Underpayments (with or without overpayments).....	30	51	35
Notes:			
1. In addition to the 2,456,833 redeterminations tabulated here, which were completed as part of the normal program integrity process, we conducted an additional 8,154 special redeterminations during FY 2011 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.			
2. There is a slight discrepancy (a three-case difference) with the redetermination counts reported in the FY 2011 Performance and Accountability Report. The source for the case counts in that report was later determined to be incorrect. The counts reported here reflect the appropriate source.			
3. Totals may not equal the sum of their components due to rounding.			

Based on an internal study of completed program integrity redeterminations for FY 2011, 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, along with estimates of the corresponding net reductions in the Federal share of Medicaid payments 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 2011
(In millions)

Fiscal Year	SSI			Medicaid	Total, SSI and Medicaid
	Over-payments	Under-payments	SSI Net Change		
Scheduled redeterminations:					
2011	-\$689	\$561	-\$127	-\$19	-\$146
2012	-1,158	36	-1,121	-45	-1,167
2013	-379	—	-379	-38	-417
2014	-95	—	-95	-24	-119
2015	-54	—	-54	-6	-60
2016	-30	—	-30	—	-30
2017	-25	—	-25	—	-25
2018	-19	—	-19	—	-19
2019	-16	—	-16	—	-16
2020	-12	—	-12	—	-12
Total, 2011-20	-2,477	598	-1,879	-132	-2,012
Unscheduled redeterminations:					
2011	-\$130	\$632	\$502	-\$4	\$498
2012	-223	61	-162	-11	-173
2013	-82	—	-82	-9	-92
2014	-23	—	-23	-6	-28
2015	-13	—	-13	-1	-15
2016	-8	—	-8	—	-8
2017	-7	—	-7	—	-7
2018	-5	—	-5	—	-5
2019	-4	—	-4	—	-4
2020	-3	—	-3	—	-3
Total, 2011-20	-499	693	194	-31	163
Total for scheduled and unscheduled redeterminations:					
2011	-\$819	\$1,193	\$375	-\$23	\$352
2012	-1,381	97	-1,284	-56	-1,339
2013	-461	—	-461	-48	-509
2014	-118	—	-118	-30	-147
2015	-67	—	-67	-8	-74
2016	-39	—	-39	—	-39
2017	-32	—	-32	—	-32
2018	-24	—	-24	—	-24
2019	-21	—	-21	—	-21
2020	-15	—	-15	—	-15
Total, 2011-20	-2,976	1,290	-1,685	-164	-1,849
Present value of estimated net lifetime benefit changes, as of the end of FY 2011:					
Scheduled redeterminations.....	-2,376	589	-1,787	-126	-1,913
Unscheduled redeterminations.....	-477	683	206	-30	176
Total.....	-2,853	1,272	-1,581	-156	-1,737

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. Totals may not equal the sum of their components due to rounding.

Our FY 2011 internal study provided an estimate of the aggregate reduction in federally administered SSI payments attributable to redeterminations conducted in FY 2011. 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, 2011.

Table 3 presents two alternative measures of the beneficial effects of the SSI redetermination process for FY 2011. One measure concerns minimizing total Federal outlays; for this measure, the dollar *benefit* of the redetermination process would be the net reduction in overall Federal payments as shown in table 2. An alternative measure concerns the *benefit* of the redetermination process in making the correct Federal payment in all cases. For this second measure, 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.

	Type of Redetermination		Total
	Scheduled	Unscheduled	
A. Administrative costs ^a	\$389	\$111	\$500
B. Estimated present value of:			
Overpayments identified and recovered or prevented ^b	\$2,502	\$507	\$3,009
Underpayments identified and corrected.....	589	683	1,272
Net reduction in Federal outlays.....	1,913	-176	1,737
Total correction of Federal benefits paid.....	3,091	1,189	4,281
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.....	4.9	-1.6	3.5
Total correction of Federal benefits paid.....	7.9	10.7	8.6
a	Total costs of conducting SSI redeterminations in FY 2011 as reported by the Social Security Administration cost allocation system, reduced for the estimated cost of the special <i>Martinez</i> settlement redeterminations.		
b	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.		
Note: Totals may not equal the sum of their components due to rounding.			

³ We based the year-by-year distribution of the net savings on results from the FY 2011 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 net reductions in Federal Medicaid payments. We plan to study this in more detail in the future.

As indicated in table 3, the measured *benefit-to-cost* ratio for FY 2011 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 4.9 for scheduled redeterminations, -1.6 for unscheduled redeterminations, and 3.5 overall. Therefore, we estimate that the scheduled redeterminations reduced Federal program outlays on a net present value basis by about \$4.90 on average per \$1 of administrative expenditures. In contrast, we estimate that unscheduled redeterminations increased net Federal program outlays by \$1.60 on average per \$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 (40 percent vs. 30 percent) and a much smaller percentage with underpayments (30 percent vs. 51 percent). Nevertheless, the overall redetermination process is still very cost-effective from a Federal outlay perspective, saving about \$3.50 on average per \$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 2011 redeterminations have corrected almost \$9 in benefit payments on average per \$1 spent to conduct the reviews.

Conclusion

As the FY 2011 results in table 3 illustrate, the non-medical redetermination process is an effective program integrity tool, delivering about \$3.50 in net lifetime savings on average per \$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 stewardship 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.