



## SOCIAL SECURITY

The Commissioner

May 28, 2015

The Honorable Orrin Hatch  
Chairman, Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

I am pleased to submit our annual report on pre-effectuation reviews we conducted during fiscal year (FY) 2013 of disability determinations made by the State disability determination services (DDS). As required by section 221(c)(3)(C) of the Social Security Act (Act), we reviewed at least 50 percent of all State DDS Title II initial and reconsideration disability allowances and a sufficient number of continuing disability review continuances to ensure a high level of accuracy. As required by section 1633(e) of the Act, we also reviewed at least 50 percent of all State DDS Title XVI allowances based on adult blindness or disability.

In FY 2013, we reviewed 430,003 allowances and 8,234 continuances. The direct cost of conducting these reviews was approximately \$52 million. However, we estimate that by preventing incorrect allowances and continuances in these cases, the reviews will result in lifetime savings with a present value (after all appeals) of about \$424 million in Title II cash benefits to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund combined. We also estimate lifetime savings of \$57 million in Federal Supplemental Security Income payments under Title XVI, \$183 million to the Medicare trust funds, and \$4 million in the Federal share of Medicaid payments.

I hope that this information is helpful. I am sending a similar letter to Chairman Ryan. If you have any questions or if I can be of further assistance, please contact me or have your staff contact Ms. Judy Chesser, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

A handwritten signature in blue ink that reads "Carolyn W. Colvin". The signature is fluid and cursive.

Carolyn W. Colvin  
Acting Commissioner

Enclosure

**Annual Report  
on  
Social Security Pre-effectuation Reviews of  
Favorable State Disability Determinations**



**Fiscal Year 2013**

**PRE-EFFECTUATION REVIEW OF FAVORABLE  
STATE DISABILITY DETERMINATIONS BY  
THE SOCIAL SECURITY ADMINISTRATION  
FISCAL YEAR 2013**

**Background**—We submit this annual report pursuant to section 221(c)(3)(C) of the Social Security Act (Act). The Act requires us to report to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate on the pre-effectuation reviews (PER) conducted during the previous fiscal year of disability determinations made by the State disability determination services (DDS). The legislative mandate specifies that the PER report include information on: (1) the numbers of such reviews; and (2) our findings based on such reviews of the accuracy of the State DDS determinations.

Title II of the Act requires the Commissioner to review at least 50 percent of all State DDS initial and reconsideration allowances of applications for Old-Age, Survivors, and Disability Insurance (OASDI) benefits based on disability. The Act further requires the Commissioner to review a sufficient number of OASDI medical continuing disability review (CDR) continuances to ensure a high level of accuracy in such determinations.

In addition, Public Law 109-171 added section 1633(e) to Title XVI of the Act, requiring similar PERs of specified levels of DDS allowances of applications by persons aged 18 or older for Supplemental Security Income (SSI) benefits based on blindness or disability. Since fiscal year (FY) 2008, the required level of our SSI reviews is also at least 50 percent of initial and reconsideration allowances.

We present the PER results for FY 2013 in table 1. The following paragraphs also summarize some of the key findings.

**Initial and reconsideration allowances**—We reviewed 324,925 Title II allowances under the PER process, representing 50.2 percent of all DDS allowances for Title II disability benefits in FY 2013. We returned 9,444 deficient cases to DDS offices, representing a return rate of 2.9 percent. After corrective action, we estimate that 5,295 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.6 percent of the total reviews of allowances initiated under Title II. Table 1 presents these overall results for reviews initiated under Title II, split between cases that involved only Title II benefits and those cases that also involved Title XVI benefits.

In addition, for cases involving only Title XVI disabled or blind adults, we reviewed 105,078 Title XVI initial and reconsideration allowances for adults based on blindness or disability during FY 2013, representing 50.2 percent of all DDS allowances for adult SSI benefits. We determined that 2,464 of these cases were deficient and returned them to DDS offices for corrective action, representing a return rate of 2.3 percent. After corrective action, we estimate that 1,360 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.3 percent of the total reviews of Title XVI adult allowances.

It is important to note that we base both the Title II and Title XVI change rate projections on the results of corrective action on at least 95 percent of deficient PER cases; therefore, the actual number of changed decisions could vary slightly from the projected numbers.

**Disability continuance determinations**—In FY 2013, we initiated 8,234 PERs of favorable Title II CDR determinations, representing 4.0 percent of all such continuances. Of these reviews, we returned 146 deficient CDR continuances to State DDS offices, representing a return rate of 1.8 percent. After we corrected deficient continuances, we estimate that 69 of the continuance determinations reviewed in FY 2013 would change to cessations, an estimated change rate of 0.8 percent. Of the 8,234 CDR continuances we reviewed, 1,785 were concurrent Title II/XVI continuances. Unlike Title II, there is no requirement to review any Title XVI-only CDR continuances, and we conducted no such reviews in FY 2013.

**Table 1.—Pre-effectuation Reviews in FY 2013**

Table 1.—Pre-effectuation Reviews in FY 2013					
	Reviews initiated under Title II			Reviews initiated under Title XVI	Total
	Title II-only reviews	Title II reviews involving title XVI recipients	Subtotal, Title II		
<b>Universe of cases subject to PER—</b>					
DDS allowances:					
Initials .....	398,136	186,051	584,187	191,412	775,599
Reconsiderations .....	38,372	24,268	62,640	17,904	80,544
Total, initials and reconsiderations .....	436,508	210,319	646,827	209,316	856,143
CDR continuances .....	172,573	33,626	206,199	<sup>a</sup>	206,199
<b>Cases reviewed—</b>					
<i>Number of cases:</i>					
Initials .....	143,903	143,837	287,740	95,078	382,818
Reconsiderations .....	17,405	19,780	37,185	10,000	47,185
Total, initials and reconsiderations .....	161,308	163,617	324,925	105,078	430,003
CDR continuances .....	6,449	1,785	8,234	<sup>a</sup>	8,234
<i>Percent of corresponding cases subject to PER:</i>					
Initials .....	36.1%	77.3%	49.3%	49.7%	49.4%
Reconsiderations .....	45.4%	81.5%	59.4%	55.9%	58.6%
Total, initials and reconsiderations .....	37.0%	77.8%	50.2%	50.2%	50.2%
CDR continuances .....	3.7%	5.3%	4.0%	<sup>a</sup>	4.0%
<b>Cases returned for correction—</b>					
<i>Number of cases:</i>					
Initials .....	3,772	4,662	8,434	2,236	10,670
Reconsiderations .....	446	564	1,010	228	1,238
Total, initials and reconsiderations .....	4,218	5,226	9,444	2,464	11,908
CDR continuances .....	110	36	146	<sup>a</sup>	146
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	2.6%	3.2%	2.9%	2.4%	2.8%
Reconsiderations .....	2.6%	2.9%	2.7%	2.3%	2.6%
Total, initials and reconsiderations .....	2.6%	3.2%	2.9%	2.3%	2.8%
CDR continuances .....	1.7%	2.0%	1.8%	<sup>a</sup>	1.8%
<b>Cases projected to have decision changed after review—</b>					
<i>Number of cases:</i>					
Initials .....	1,987	2,674	4,661	1,220	5,881
Reconsiderations .....	287	347	634	140	774
Total, initials and reconsiderations .....	2,274	3,021	5,295	1,360	6,655
CDR continuances .....	57	12	69	<sup>a</sup>	69
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	1.4%	1.9%	1.6%	1.3%	1.5%
Reconsiderations .....	1.6%	1.8%	1.7%	1.4%	1.6%
Total, initials and reconsiderations .....	1.4%	1.8%	1.6%	1.3%	1.5%
CDR continuances .....	0.9%	0.7%	0.8%	<sup>a</sup>	0.8%

<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.

<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.

**Findings on the accuracy of favorable disability determinations under Title II and Title XVI**—Based on results of our PERs in FY 2013, we found that the decision to allow or continue was supportable in 98.4 percent of all DDS favorable Title II disability determinations. Regarding

Title XVI-only adult disability benefit applications, we found that the decision to allow was supportable in 98.7 percent of such DDS allowances.

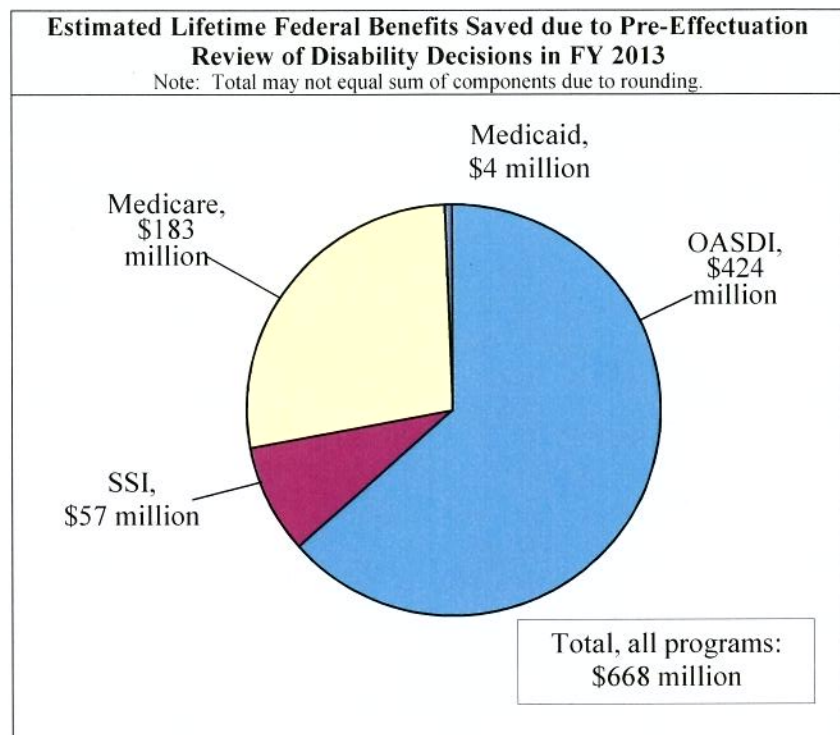
**Estimated savings attributable to PER**—Individuals denied because of a PER, as with other DDS-level determinations, may appeal the decision. Following all appeals, we estimate that 2,963 Title II initial and reconsideration error cases (0.9 percent of all such PER reviews) will remain denials. For the corresponding reviews of Title XVI-only cases, we estimate that 790 cases (0.8 percent of all such PER reviews) will remain denials. For reviews of Title II CDR cases, we estimate that 31 of the continuance error cases (0.4 percent of all such reviews) will remain cessations after all appeals. These changed determinations result in a reduction in lifetime benefits that would have been payable from the OASDI and SSI programs had we not conducted the PERs, along with net savings from Medicare and Medicaid. Overall, we estimate that the PER process for FY 2013 will result in savings in Federal outlays totaling \$668 million in lifetime Federal benefits. We present details of these estimates in table 2.

Item	Initial and reconsideration allowances	CDR continuances	Total, all reviews
Estimated number with decision changed after review, and after all appeals:			
Cases initiated under Title II.....	2,963	31	2,994
Cases initiated under Title XVI.....	790	<sup>a</sup>	790
Estimated present value of net lifetime benefits saved, as of the end of FY 2013 (in millions):			
OASDI benefit payments <sup>b</sup> .....	\$420	\$4	\$424
Medicare benefit payments <sup>c</sup> .....	180	2	183
Federal SSI payments:			
Title XVI-only cases.....	41	<sup>a</sup>	41
Concurrent cases.....	17	<sup>d</sup>	17
Subtotal, SSI savings.....	57	<sup>d</sup>	57
Federal share of Medicaid payments <sup>c</sup> :			
Title XVI-only cases.....	3	<sup>a</sup>	3
Concurrent cases.....	1	<sup>d</sup>	1
Subtotal, Medicaid savings.....	4	<sup>d</sup>	4
Total, all Federal savings:			
Cases initiated under Title II.....	619	6	625
Cases initiated under Title XVI.....	43	<sup>a</sup>	43
Total.....	662	6	668
<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.			
<sup>b</sup> Includes a net gain of \$13.5 million from changing the date of disability onset in certain initial and reconsideration cases.			
<sup>c</sup> The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for savings in the Medicare and Medicaid programs. For FY 2013, the reviews conducted under the PER process are estimated to result in a small net cost under the Medicaid program due to the increase in the level of Federal Medicaid cost sharing for certain cases under the Affordable Care Act.			
<sup>d</sup> Between -\$0.5 million and \$0.5 million.			
Notes: 1. We base the estimates on the intermediate assumptions from the 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, the intermediate assumptions of the 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, and assumptions underlying the 2014 Annual Report of the Supplemental Security Income Program.			
2. Totals may not equal sum of components due to rounding.			

As shown in table 2, we estimate that the prevention of incorrect allowances and continuances of FY 2013 cases will result in lifetime savings (after all appeals) of \$424 million in OASDI benefit payments, \$57 million in Federal SSI payments, and \$183 million in Medicare benefits, and a net reduction of \$4 million in the Federal share of Medicaid payments. The Medicaid estimates reflect the effects of an Affordable Care Act provision whereby States have the option starting in

2014 to provide Medicaid coverage to individuals residing in households with income up to 138 percent of poverty<sup>1</sup> with significantly higher Federal matching on the benefits paid under the expanded coverage than without the expansion. We illustrate the relative size of these PER savings contributions in the chart below.

The direct cost of the pre-effectuation review of 430,003 allowances and 8,234 continuances was about \$52 million. This amount, however, does not include the cost of processing appeals of allowances or continuances that we reversed to denials or cessations after a PER. We estimate the total amount expended to achieve these estimated Federal savings, including the cost of processing appeals of PER reversals, to be approximately \$56 million. Thus, we estimate that the reviews conducted in FY 2013 will result in savings of approximately \$13 on average per \$1 spent directly on PERs, or \$12 on average per \$1 of the total cost of PERs. We present a complete summary of these benefit-to-cost ratio results in table 3 below.



Item	Reviews initiated under --		Total, all reviews
	Title II	Title XVI	
Estimated present value of lifetime Federal benefits saved under the OASDI, SSI, Medicare, and Medicaid programs (in millions).....	\$625	\$43	\$668
Cost of conducting PER (in millions):			
Direct cost of PER reviews .....	44	8	52
Estimated cost of appeals of PER reversals .....	4	1	5
Total cost of PER .....	48	9	56
Benefits saved per \$1 of --			
Direct PER review cost <sup>a</sup> .....	14.2	5.6	13.0
Total PER cost <sup>a</sup> .....	13.1	5.0	11.9

<sup>a</sup> Computed using unrounded amounts of estimated benefits and administrative expenses.  
Note: Totals may not equal sum of components due to rounding.

As indicated in table 3, reviews conducted in 2013 that were initiated under Title II provided on average more than twice as much in Federal benefit savings as those initiated under Title XVI, per \$1 of the cost of conducting PERs. This estimate of savings per \$1 of the cost of PERs for Title XVI-initiated reviews conducted in 2013 is significantly lower than comparable estimates for recent prior cohorts. This change is primarily attributed to a refinement in the process used to

<sup>1</sup> National Federation of Independent Business v. Sebelius, 132 Supreme Court 2566 (2012).

assess the direct cost of conducting these PER reviews. A secondary cause of this reduction is attributable to improvements in the methodology used to estimate the Title XVI savings, which reduced the average Title XVI savings per reversal.



## SOCIAL SECURITY

The Commissioner

May 28, 2015

The Honorable Paul Ryan  
Chairman, Committee on Ways and Means  
House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to submit our annual report on pre-effectuation reviews we conducted during fiscal year (FY) 2013 of disability determinations made by the State disability determination services (DDS). As required by section 221(c)(3)(C) of the Social Security Act (Act), we reviewed at least 50 percent of all State DDS Title II initial and reconsideration disability allowances and a sufficient number of continuing disability review continuances to ensure a high level of accuracy. As required by section 1633(e) of the Act, we also reviewed at least 50 percent of all State DDS Title XVI allowances based on adult blindness or disability.

In FY 2013, we reviewed 430,003 allowances and 8,234 continuances. The direct cost of conducting these reviews was approximately \$52 million. However, we estimate that by preventing incorrect allowances and continuances in these cases, the reviews will result in lifetime savings with a present value (after all appeals) of about \$424 million in Title II cash benefits to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund combined. We also estimate lifetime savings of \$57 million in Federal Supplemental Security Income payments under Title XVI, \$183 million to the Medicare trust funds, and \$4 million in the Federal share of Medicaid payments.

I hope that this information is helpful. I am sending a similar letter to Chairman Hatch. If you have any questions or if I can be of further assistance, please contact me or have your staff contact Ms. Judy Chesser, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

A handwritten signature in blue ink that reads "Carolyn W. Colvin". The signature is fluid and cursive.

Carolyn W. Colvin  
Acting Commissioner

Enclosure

**Annual Report  
on  
Social Security Pre-effectuation Reviews of  
Favorable State Disability Determinations**



**Fiscal Year 2013**

**PRE-EFFECTUATION REVIEW OF FAVORABLE  
STATE DISABILITY DETERMINATIONS BY  
THE SOCIAL SECURITY ADMINISTRATION  
FISCAL YEAR 2013**

**Background**—We submit this annual report pursuant to section 221(c)(3)(C) of the Social Security Act (Act). The Act requires us to report to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate on the pre-effectuation reviews (PER) conducted during the previous fiscal year of disability determinations made by the State disability determination services (DDS). The legislative mandate specifies that the PER report include information on: (1) the numbers of such reviews; and (2) our findings based on such reviews of the accuracy of the State DDS determinations.

Title II of the Act requires the Commissioner to review at least 50 percent of all State DDS initial and reconsideration allowances of applications for Old-Age, Survivors, and Disability Insurance (OASDI) benefits based on disability. The Act further requires the Commissioner to review a sufficient number of OASDI medical continuing disability review (CDR) continuances to ensure a high level of accuracy in such determinations.

In addition, Public Law 109-171 added section 1633(e) to Title XVI of the Act, requiring similar PERs of specified levels of DDS allowances of applications by persons aged 18 or older for Supplemental Security Income (SSI) benefits based on blindness or disability. Since fiscal year (FY) 2008, the required level of our SSI reviews is also at least 50 percent of initial and reconsideration allowances.

We present the PER results for FY 2013 in table 1. The following paragraphs also summarize some of the key findings.

**Initial and reconsideration allowances**—We reviewed 324,925 Title II allowances under the PER process, representing 50.2 percent of all DDS allowances for Title II disability benefits in FY 2013. We returned 9,444 deficient cases to DDS offices, representing a return rate of 2.9 percent. After corrective action, we estimate that 5,295 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.6 percent of the total reviews of allowances initiated under Title II. Table 1 presents these overall results for reviews initiated under Title II, split between cases that involved only Title II benefits and those cases that also involved Title XVI benefits.

In addition, for cases involving only Title XVI disabled or blind adults, we reviewed 105,078 Title XVI initial and reconsideration allowances for adults based on blindness or disability during FY 2013, representing 50.2 percent of all DDS allowances for adult SSI benefits. We determined that 2,464 of these cases were deficient and returned them to DDS offices for corrective action, representing a return rate of 2.3 percent. After corrective action, we estimate that 1,360 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.3 percent of the total reviews of Title XVI adult allowances.

It is important to note that we base both the Title II and Title XVI change rate projections on the results of corrective action on at least 95 percent of deficient PER cases; therefore, the actual number of changed decisions could vary slightly from the projected numbers.

**Disability continuance determinations**—In FY 2013, we initiated 8,234 PERs of favorable Title II CDR determinations, representing 4.0 percent of all such continuances. Of these reviews, we returned 146 deficient CDR continuances to State DDS offices, representing a return rate of 1.8 percent. After we corrected deficient continuances, we estimate that 69 of the continuance determinations reviewed in FY 2013 would change to cessations, an estimated change rate of 0.8 percent. Of the 8,234 CDR continuances we reviewed, 1,785 were concurrent Title II/XVI continuances. Unlike Title II, there is no requirement to review any Title XVI-only CDR continuances, and we conducted no such reviews in FY 2013.

**Table 1.—Pre-effectuation Reviews in FY 2013**

Table 1.—Pre-effectuation Reviews in FY 2013					
	Reviews initiated under Title II			Reviews initiated under Title XVI	Total
	Title II-only reviews	Title II reviews involving title XVI recipients	Subtotal, Title II		
<b>Universe of cases subject to PER—</b>					
DDS allowances:					
Initials .....	398,136	186,051	584,187	191,412	775,599
Reconsiderations .....	38,372	24,268	62,640	17,904	80,544
Total, initials and reconsiderations .....	436,508	210,319	646,827	209,316	856,143
CDR continuances .....	172,573	33,626	206,199	<sup>a</sup>	206,199
<b>Cases reviewed—</b>					
Number of cases:					
Initials .....	143,903	143,837	287,740	95,078	382,818
Reconsiderations .....	17,405	19,780	37,185	10,000	47,185
Total, initials and reconsiderations .....	161,308	163,617	324,925	105,078	430,003
CDR continuances .....	6,449	1,785	8,234	<sup>a</sup>	8,234
Percent of corresponding cases subject to PER:					
Initials .....	36.1%	77.3%	49.3%	49.7%	49.4%
Reconsiderations .....	45.4%	81.5%	59.4%	55.9%	58.6%
Total, initials and reconsiderations .....	37.0%	77.8%	50.2%	50.2%	50.2%
CDR continuances .....	3.7%	5.3%	4.0%	<sup>a</sup>	4.0%
<b>Cases returned for correction—</b>					
Number of cases:					
Initials .....	3,772	4,662	8,434	2,236	10,670
Reconsiderations .....	446	564	1,010	228	1,238
Total, initials and reconsiderations .....	4,218	5,226	9,444	2,464	11,908
CDR continuances .....	110	36	146	<sup>a</sup>	146
Percent of corresponding cases reviewed:					
Initials .....	2.6%	3.2%	2.9%	2.4%	2.8%
Reconsiderations .....	2.6%	2.9%	2.7%	2.3%	2.6%
Total, initials and reconsiderations .....	2.6%	3.2%	2.9%	2.3%	2.8%
CDR continuances .....	1.7%	2.0%	1.8%	<sup>a</sup>	1.8%
<b>Cases projected to have decision changed after review—</b>					
Number of cases:					
Initials .....	1,987	2,674	4,661	1,220	5,881
Reconsiderations .....	287	347	634	140	774
Total, initials and reconsiderations .....	2,274	3,021	5,295	1,360	6,655
CDR continuances .....	57	12	69	<sup>a</sup>	69
Percent of corresponding cases reviewed:					
Initials .....	1.4%	1.9%	1.6%	1.3%	1.5%
Reconsiderations .....	1.6%	1.8%	1.7%	1.4%	1.6%
Total, initials and reconsiderations .....	1.4%	1.8%	1.6%	1.3%	1.5%
CDR continuances .....	0.9%	0.7%	0.8%	<sup>a</sup>	0.8%

<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.

<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.

**Findings on the accuracy of favorable disability determinations under Title II and Title XVI**—Based on results of our PERs in FY 2013, we found that the decision to allow or continue was supportable in 98.4 percent of all DDS favorable Title II disability determinations. Regarding

Title XVI-only adult disability benefit applications, we found that the decision to allow was supportable in 98.7 percent of such DDS allowances.

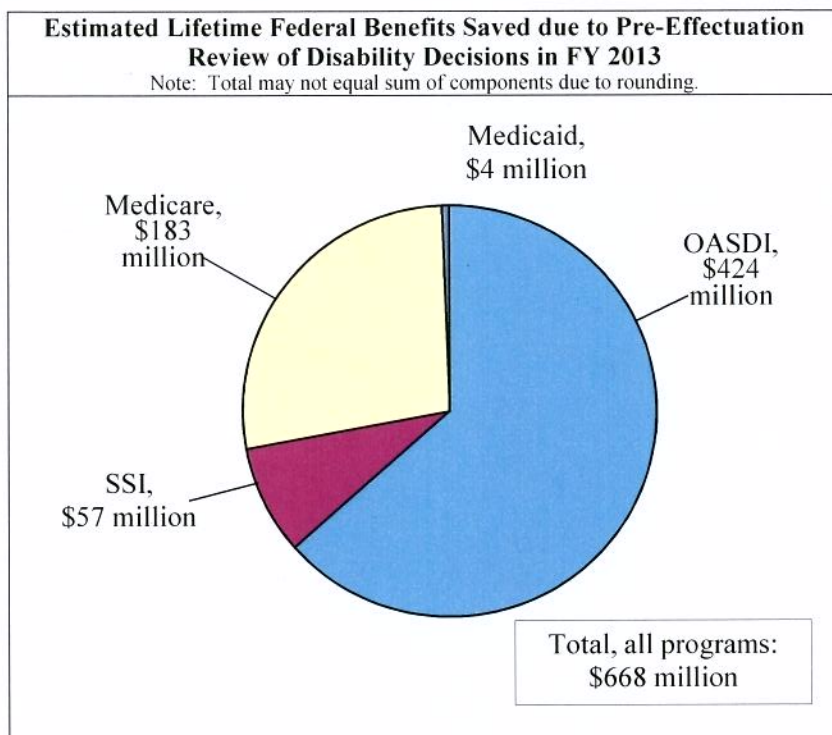
**Estimated savings attributable to PER**—Individuals denied because of a PER, as with other DDS-level determinations, may appeal the decision. Following all appeals, we estimate that 2,963 Title II initial and reconsideration error cases (0.9 percent of all such PER reviews) will remain denials. For the corresponding reviews of Title XVI-only cases, we estimate that 790 cases (0.8 percent of all such PER reviews) will remain denials. For reviews of Title II CDR cases, we estimate that 31 of the continuance error cases (0.4 percent of all such reviews) will remain cessations after all appeals. These changed determinations result in a reduction in lifetime benefits that would have been payable from the OASDI and SSI programs had we not conducted the PERs, along with net savings from Medicare and Medicaid. Overall, we estimate that the PER process for FY 2013 will result in savings in Federal outlays totaling \$668 million in lifetime Federal benefits. We present details of these estimates in table 2.

<b>Table 2.—Estimated Lifetime Federal Benefit Savings Due to the Pre-Effectuation Review of Disability Cases in Fiscal Year 2013</b>			
Item	Initial and reconsideration allowances	CDR continuances	Total, all reviews
Estimated number with decision changed after review, and after all appeals:			
Cases initiated under Title II.....	2,963	31	2,994
Cases initiated under Title XVI .....	790	<sup>a</sup>	790
Estimated present value of net lifetime benefits saved, as of the end of FY 2013 (in millions):			
OASDI benefit payments <sup>b</sup> .....	\$420	\$4	\$424
Medicare benefit payments <sup>c</sup> .....	180	2	183
Federal SSI payments:			
Title XVI-only cases.....	41	<sup>a</sup>	41
Concurrent cases.....	17	<sup>d</sup>	17
Subtotal, SSI savings .....	57	<sup>d</sup>	57
Federal share of Medicaid payments <sup>c</sup> :			
Title XVI-only cases.....	3	<sup>a</sup>	3
Concurrent cases.....	1	<sup>d</sup>	1
Subtotal, Medicaid savings .....	4	<sup>d</sup>	4
Total, all Federal savings:			
Cases initiated under Title II.....	619	6	625
Cases initiated under Title XVI .....	43	<sup>a</sup>	43
Total .....	662	6	668
<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2013.			
<sup>b</sup> Includes a net gain of \$13.5 million from changing the date of disability onset in certain initial and reconsideration cases.			
<sup>c</sup> The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for savings in the Medicare and Medicaid programs. For FY 2013, the reviews conducted under the PER process are estimated to result in a small net cost under the Medicaid program due to the increase in the level of Federal Medicaid cost sharing for certain cases under the Affordable Care Act.			
<sup>d</sup> Between -\$0.5 million and \$0.5 million.			
Notes: 1. We base the estimates on the intermediate assumptions from the 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, the intermediate assumptions of the 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, and assumptions underlying the 2014 Annual Report of the Supplemental Security Income Program.			
2. Totals may not equal sum of components due to rounding.			

As shown in table 2, we estimate that the prevention of incorrect allowances and continuances of FY 2013 cases will result in lifetime savings (after all appeals) of \$424 million in OASDI benefit payments, \$57 million in Federal SSI payments, and \$183 million in Medicare benefits, and a net reduction of \$4 million in the Federal share of Medicaid payments. The Medicaid estimates reflect the effects of an Affordable Care Act provision whereby States have the option starting in

2014 to provide Medicaid coverage to individuals residing in households with income up to 138 percent of poverty<sup>1</sup> with significantly higher Federal matching on the benefits paid under the expanded coverage than without the expansion. We illustrate the relative size of these PER savings contributions in the chart below.

The direct cost of the pre-effectuation review of 430,003 allowances and 8,234 continuances was about \$52 million. This amount, however, does not include the cost of processing appeals of allowances or continuances that we reversed to denials or cessations after a PER. We estimate the total amount expended to achieve these estimated Federal savings, including the cost of processing appeals of PER reversals, to be approximately \$56 million. Thus, we estimate that the reviews conducted in FY 2013 will result in savings of approximately \$13 on average per \$1 spent directly on PERs, or \$12 on average per \$1 of the total cost of PERs. We present a complete summary of these benefit-to-cost ratio results in table 3 below.



Item	Reviews initiated under --		Total, all reviews
	Title II	Title XVI	
Estimated present value of lifetime Federal benefits saved under the OASDI, SSI, Medicare, and Medicaid programs (in millions).....	\$625	\$43	\$668
Cost of conducting PER (in millions):			
Direct cost of PER reviews .....	44	8	52
Estimated cost of appeals of PER reversals.....	4	1	5
Total cost of PER .....	48	9	56
Benefits saved per \$1 of --			
Direct PER review cost <sup>a</sup> .....	14.2	5.6	13.0
Total PER cost <sup>a</sup> .....	13.1	5.0	11.9

<sup>a</sup> Computed using unrounded amounts of estimated benefits and administrative expenses.  
Note: Totals may not equal sum of components due to rounding.

As indicated in table 3, reviews conducted in 2013 that were initiated under Title II provided on average more than twice as much in Federal benefit savings as those initiated under Title XVI, per \$1 of the cost of conducting PERs. This estimate of savings per \$1 of the cost of PERs for Title XVI-initiated reviews conducted in 2013 is significantly lower than comparable estimates for recent prior cohorts. This change is primarily attributed to a refinement in the process used to

<sup>1</sup> National Federation of Independent Business v. Sebelius, 132 Supreme Court 2566 (2012).

assess the direct cost of conducting these PER reviews. A secondary cause of this reduction is attributable to improvements in the methodology used to estimate the Title XVI savings, which reduced the average Title XVI savings per reversal.