



# SOCIAL SECURITY

The Commissioner

September 23, 2020

The Honorable Charles E. Grassley  
Chair, Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Committee Chair Grassley:

Please find enclosed our report on pre-effectuation reviews we conducted during fiscal year (FY) 2018 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 2018, we reviewed 340,666 allowances and 5,284 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 \$487 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 \$56 million in Federal Supplemental Security Income payments under Title XVI, \$227 million to the Medicare trust funds, and a net cost of \$9 million in the Federal share of Medicaid payments.

I hope this information is helpful. If you have questions about this report, please contact me, or your staff may contact Eric Skidmore, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am also sending the report to the House Committee on Ways and Means.

Sincerely,

Andrew Saul  
Commissioner

Enclosure

cc:

The Honorable Ron Wyden, Ranking Member



# SOCIAL SECURITY

The Commissioner

September 23, 2020

The Honorable Richard E. Neal  
Chair, Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Committee Chair Neal:

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In FY 2018, we reviewed 340,666 allowances and 5,284 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 \$487 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 \$56 million in Federal Supplemental Security Income payments under Title XVI, \$227 million to the Medicare trust funds, and a net cost of \$9 million in the Federal share of Medicaid payments.

If you have questions about this report, please contact me, or your staff may contact Eric Skidmore, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am also sending the report to the Senate Committee on Finance.

Sincerely,

Andrew Saul  
Commissioner

Enclosure

cc:

The Honorable Kevin Brady, Ranking Member

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



**Fiscal Year 2018**

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

**FISCAL YEAR 2018**

**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 number 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 of Social Security 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, the Deficit Reduction Act of 2005, 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 2018 in Table 1. The following paragraphs summarize some of the key findings.

**Initial and reconsideration allowances**—We reviewed 249,623 Title II allowances under the PER process, representing 51.5 percent of all DDS allowances for Title II disability benefits in FY 2018. We returned 11,435 deficient cases to DDS offices, representing a return rate of 4.6 percent. After corrective action, we estimate that 5,477 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 2.2 percent of the total reviews of allowances initiated under Title II.<sup>1</sup> 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 91,043 Title XVI initial and reconsideration allowances for adults based on blindness or disability during FY 2018, representing 50.6 percent of all DDS allowances for adult SSI benefits. We determined that 3,156 of these cases were deficient and returned them to DDS offices for corrective action, representing a return rate of 3.5 percent. After corrective action, we estimate that 1,364 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.5 percent of the total reviews of Title XVI adult allowances.<sup>1</sup>

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 2018, we initiated 5,284 PERs of favorable Title II CDR determinations, representing 1.6 percent of all such continuances. Of these reviews, we returned 120 deficient

<sup>1</sup> Individuals whose disability decision is reversed due to pre-effectuation review have the right to appeal such reversal. The cited numbers do not reflect the effect of any appeals activity.

CDR continuances to State DDS offices, representing a return rate of 2.3 percent. After we corrected deficient continuances, we estimate that 59 of the continuance determinations reviewed in FY 2018 would change to cessations, an estimated change rate of 1.1 percent. Of the 5,284 CDR continuances we reviewed, 1,048 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 2018.

**Table 1.—Pre-effectuation Reviews in FY 2018**

	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 .....	316,655	126,830	443,485	166,553	610,038
Reconsiderations .....	26,960	13,888	40,848	13,364	54,212
Total, initials and reconsiderations .....	343,615	140,718	484,333	179,917	664,250
CDR continuances .....	279,478	55,351	334,829	<sup>a</sup>	334,829
<b>Cases reviewed—</b>					
<i>Number of cases:</i>					
Initials .....	125,811	98,060	223,871	82,976	306,847
Reconsiderations .....	14,020	11,732	25,752	8,067	33,819
Total, initials and reconsiderations .....	139,831	109,792	249,623	91,043	340,666
CDR continuances .....	4,236	1,048	5,284	<sup>a</sup>	5,284
<i>Percent of corresponding cases subject to PER:</i>					
Initials .....	39.7%	77.3%	50.5%	49.8%	50.3%
Reconsiderations .....	52.0%	84.5%	63.0%	60.4%	62.4%
Total, initials and reconsiderations .....	40.7%	78.0%	51.5%	50.6%	51.3%
CDR continuances .....	1.5%	1.9%	1.6%	<sup>a</sup>	1.6%
<b>Cases returned for correction—</b>					
<i>Number of cases:</i>					
Initials .....	5,441	4,646	10,087	2,827	12,914
Reconsiderations .....	716	632	1,348	329	1,677
Total, initials and reconsiderations .....	6,157	5,278	11,435	3,156	14,591
CDR continuances .....	100	20	120	<sup>a</sup>	120
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	4.3%	4.7%	4.5%	3.4%	4.2%
Reconsiderations .....	5.1%	5.4%	5.2%	4.1%	5.0%
Total, initials and reconsiderations .....	4.4%	4.8%	4.6%	3.5%	4.3%
CDR continuances .....	2.4%	1.9%	2.3%	<sup>a</sup>	2.3%
<b>Cases projected to have decision changed after review—</b>					
<i>Number of cases:</i>					
Initials .....	2,517	2,208	4,725	1,189	5,914
Reconsiderations .....	387	365	752	175	927
Total, initials and reconsiderations .....	2,904	2,573	5,477	1,364	6,841
CDR continuances .....	52	7	59	<sup>a</sup>	59
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	2.0%	2.3%	2.1%	1.4%	1.9%
Reconsiderations .....	2.8%	3.1%	2.9%	2.2%	2.7%
Total, initials and reconsiderations .....	2.1%	2.3%	2.2%	1.5%	2.0%
CDR continuances .....	1.2%	0.7%	1.1%	<sup>a</sup>	1.1%

<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2018.

**Findings on the accuracy of favorable disability determinations under Title II and Title XVI—**

Based on results of our PERs in FY 2018, we found that the decision to allow or continue was supportable in 97.8 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 98.5 percent of such DDS allowances.

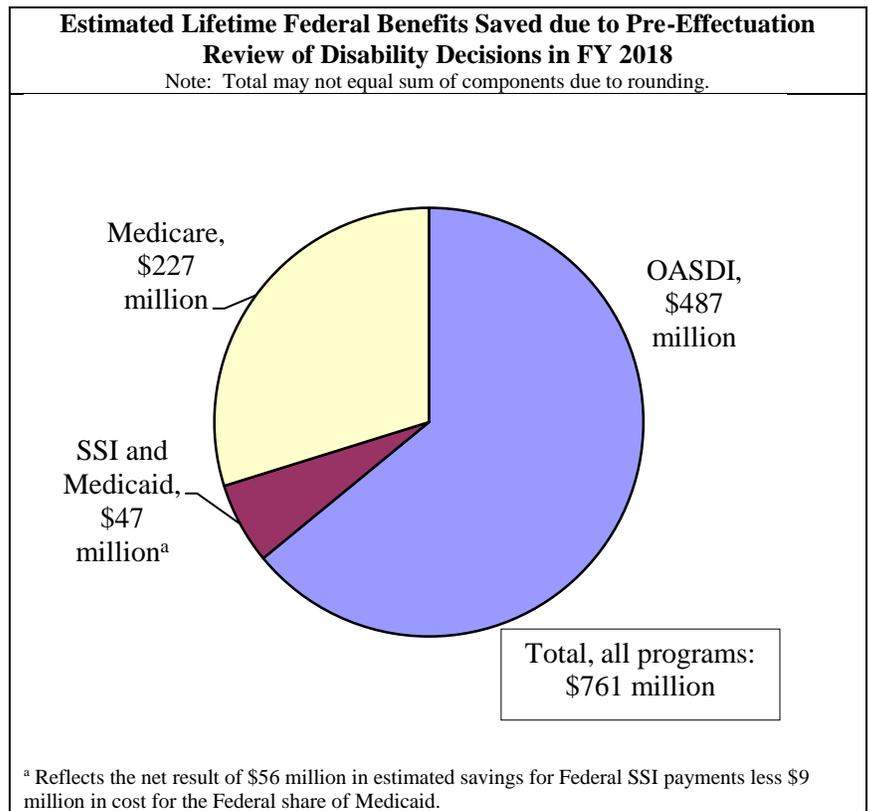
**Estimated Federal benefit savings<sup>2</sup> attributable to PER**—Individuals denied because of a PER, as with other DDS-level determinations, may appeal the decision. Following all appeals, we estimate that 2,894 Title II initial and reconsideration error cases (1.2 percent of all such PER reviews) will remain denials. For the corresponding reviews of Title XVI-only adult cases, we estimate that 912 cases (1.0 percent of all such PER reviews) will remain denials. For reviews of Title II CDR cases, we estimate that 28 of the continuance error cases (0.5 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 a small cost from Medicaid. Overall, we estimate that the PER process for FY 2018 will result in net savings in Federal outlays totaling \$761 million in net 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.....	2,894	28	2,922
Cases initiated under Title XVI.....	912	<sup>a</sup>	912
Estimated present value of net lifetime benefits saved, as of the end of FY 2018 (in millions):			
OASDI benefit payments <sup>b</sup> .....	\$483	\$5	\$487
Medicare benefit payments <sup>c</sup> .....	224	3	227
Federal SSI payments:			
Title XVI-only cases.....	41	<sup>a</sup>	41
Concurrent cases.....	15	<sup>d</sup>	15
Subtotal, SSI savings.....	56	<sup>d</sup>	56
Federal share of Medicaid payments <sup>c</sup> :			
Title XVI-only cases.....	-2	<sup>a</sup>	-2
Concurrent cases.....	-7	<sup>d</sup>	-7
Subtotal, Medicaid savings.....	-9	<sup>d</sup>	-9
Total, all Federal savings:			
Cases initiated under Title II.....	714	7	722
Cases initiated under Title XVI.....	39	<sup>a</sup>	39
Total.....	754	7	761
<sup>a</sup> Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2018.			
<sup>b</sup> Includes a net savings of \$20.1 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.			
<sup>d</sup> Between -\$0.5 million and \$0.5 million.			
Notes: 1. The estimates are based on the intermediate assumptions from the 2019 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 2019 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, and assumptions underlying the 2019 Annual Report of the Supplemental Security Income Program.			
2. The estimated savings represent the direct effects on net lifetime Federal benefits of claims ultimately denied OASDI or SSI program eligibility as a result of the PER process. See the body of the report for further information.			
3. Totals may not equal sum of components due to rounding.			

<sup>2</sup> Program “savings” in this context, and as used throughout this report, refers to the additional amount of benefits that would have been paid in the absence of the PER process, and so represent total benefit payments that are avoided as a result of the additional consideration attributable to the PER process.

As shown in Table 2, we estimate that the prevention of disability allowances and continuances as a direct result of PER in FY 2018 will result in net lifetime savings (after all appeals) of \$487 million in OASDI benefit payments, \$56 million in Federal SSI payments, \$227 million in Medicare benefits, and a net cost of \$9 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>3</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. It is important to note that the estimated savings presented in this report represent the direct effects on net lifetime Federal benefits of claims ultimately denied OASDI or SSI program eligibility as a result of the PER process. In addition to the direct program savings resulting from PER in FY 2018, there is an indirect effect on determinations where adjudicators are more thorough and accurate as a result of feedback from PER in prior case determinations. Such indirect effects are not reflected in the estimates shown in Table 2 and the accompanying chart.

The direct administrative cost of performing pre-effectuation review of 340,666 allowances and 5,284 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 \$58 million. Thus, we estimate that the reviews conducted in FY 2018 will result in savings of approximately \$15 on average per \$1 spent directly on PERs, or about \$13 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.



<sup>3</sup> National Federation of Independent Business v. Sebelius, 132 S. Ct. 2566 (2012).

<b>Table 3.—Estimated Cost Effectiveness of the FY 2018 PER Process</b>			
Item	Reviews initiated under -		Total, all reviews
	Title II	Title XVI	
Estimated present value <sup>a</sup> of net lifetime Federal benefits saved under the OASDI, SSI, Medicare, and Medicaid programs (in millions).....	\$722	\$39	\$761
Cost of conducting PER (in millions):			
Direct cost of PER reviews .....	45	7	52
Estimated cost of appeals of PER reversals .....	5	1	6
Total cost of PER .....	49	8	58
Benefits saved per \$1 of --			
Direct PER review cost <sup>b</sup> .....	16.1	5.5	14.7
Total PER cost <sup>a</sup> .....	14.6	4.8	13.2
<sup>a</sup> As of September 30, 2018 <sup>b</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 FY 2018 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.