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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**THE SOCIAL SECURITY ADMINISTRATION  
CAN RECOVER MILLIONS IN MEDICARE  
PREMIUMS RELATED TO RETIREMENT  
OR DISABILITY PAYMENTS MADE  
AFTER DEATH**

**July 2002**

**A-08-02-12029**

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**AUDIT REPORT**

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## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

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- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

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- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**



## SOCIAL SECURITY

### **MEMORANDUM**

Date: July 3, 2002 Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration Can Recover Millions in Medicare Premiums Related to Retirement or Disability Payments Made after Death (A-08-02-12029)

### **OBJECTIVE**

The objective of this audit was to determine whether the Social Security Administration (SSA) recovered Medicare premiums withheld from retirement or disability payments made after a beneficiary's death and remitted to the Centers for Medicare and Medicaid Services (CMS).

### **BACKGROUND**

Individuals receiving title II Social Security retirement benefits or who have been receiving disability benefits for 24 months may be entitled to Medicare, a health insurance program administered by CMS. If an individual elects Medicare Part B coverage (medical insurance), SSA withholds a premium from the beneficiary's monthly benefit payment and forwards it to CMS to pay for the coverage. For Calendar Year (CY) 2002, the Part B monthly Medicare premium is \$54.

When SSA does not receive timely notification of a beneficiary's death, it may continue to issue benefit payments and remit monthly Medicare premiums for months, or even years, after the month of death. For example, SSA did not learn of one beneficiary's death for 21 years. During this period, SSA deducted and remitted about \$7,000 in Medicare premiums to CMS. In another case, SSA did not learn of a beneficiary's death for 10 years and remitted about \$3,500 in Medicare premiums to CMS.

## **SCOPE AND METHODOLOGY**

To accomplish our objective, we interviewed SSA Headquarters personnel responsible for remitting Medicare premiums withheld from beneficiaries' monthly benefit payments to CMS. Additionally, we attempted to review SSA's procedures and practices for recovering Medicare premiums remitted to CMS after a beneficiary's death; however, we determined that SSA had no such procedures. We also interviewed CMS personnel to determine its procedures and practices for returning Medicare premiums SSA remits after beneficiaries' deaths. To determine the dollar value of payments from which SSA remitted Medicare premiums to CMS after the beneficiaries' deaths, we obtained a data extract from the Master Beneficiary Record (MBR) of over 3 million title II beneficiaries that died in CYs 1998 through 2001 and received at least one benefit payment after their deaths.<sup>1</sup> Using the monthly Medicare premium amount for the relevant year, we calculated the dollar value SSA remitted to CMS for these 3 million beneficiaries, assuming the Agency made only 1 payment after each individual's death.

The SSA entity reviewed was the Office of the Deputy Commissioner for Finance, Assessment and Management. We conducted our audit from August through December 2001 in accordance with generally accepted government auditing standards.

## **RESULTS OF REVIEW**

Since the Medicare program's inception in 1965, SSA has not recovered from CMS hundreds of millions of dollars in premiums the Agency withheld from title II retirement or disability payments made after beneficiary deaths and remitted to CMS. This situation has occurred because SSA does not have a process in place to ensure it systematically recovers Medicare premiums once it learns of a beneficiary's death. As shown in Table 1, for CYs 1998 through 2001, SSA did not recover over \$146 million in Medicare premiums it withheld from beneficiary payments after beneficiaries' deaths and then remitted to CMS.

We based this estimate on the premise that SSA remitted only 1 month of Medicare premiums to CMS after the beneficiaries' deaths. However, we recognize that SSA does not always immediately learn of a beneficiary's death. As a result, SSA occasionally sends payments for months or even years before receiving death notification. Therefore, the amount of Medicare premiums not reimbursed by CMS for CYs 1998 through 2001 may be larger than the figure we reported, and we present this calculation only as an illustration of the potential magnitude of this problem. We understand the overall cost to the Government is not impacted, but for reasons of accountability and accuracy, we believe SSA should recover Medicare premiums remitted to CMS after beneficiaries' deaths.

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<sup>1</sup> We did not test the reliability of data included in SSA's MBR.

**Table 1: Unrecovered Medicare Premiums (CYs 1998 through 2001)**

Calendar Year	Beneficiaries from Whom SSA Withheld Medicare Premiums after Death	Monthly Medicare Premium	Amount of Unrecovered Medicare Premiums	Interest Income Lost (with Yearly Compounding) <sup>2</sup>
<b>1998</b>	810,218	\$43.80	\$35,487,548	\$ 0 <sup>3</sup>
<b>1999</b>	812,629	\$45.50	36,974,619	2,448,641
<b>2000</b>	782,908	\$45.50	35,622,314	5,168,846
<b>2001</b>	<u>769,294</u>	\$50.00	<u>38,464,700</u>	<u>7,983,436</u>
<b>Total</b>	<b><u>3,175,049</u></b>		<b><u>\$146,549,181</u></b>	<b><u>\$15,600,923</u></b>

Because SSA did not recover the Medicare premiums, its title II trust funds also lost the opportunity to earn interest because of lower fund balances available to invest in U.S. Treasury securities. For example, as shown in Table 1, we estimate SSA lost the opportunity to earn over \$15 million in interest for CYs 1998 through 2001.<sup>4</sup> Furthermore, SSA has not recovered Medicare premiums for more than just the 4 years we reviewed. SSA Headquarters staff told us the Agency has not had a process to systematically recover Medicare premiums since the program was enacted in 1965. Accordingly, unrecovered Medicare premiums and the lost opportunity for SSA to earn interest could total hundreds of millions of dollars.

If SSA does not take a proactive role in recovering Medicare premiums, the Social Security title II trust funds will continue to lose millions of dollars in the future. If SSA fails to implement a process to recover Medicare premiums remitted to CMS after a beneficiary's death, we estimate title II trust funds would lose at least \$208 million in unrecovered Medicare premiums and also lose the opportunity to earn an additional \$95 million in interest over the next 5 years.<sup>5</sup>

<sup>2</sup> We define “interest income lost” as income SSA could have earned and invested if it had recovered Medicare premiums remitted after beneficiaries’ deaths.

<sup>3</sup> To present a conservative figure, we did not begin calculating interest for any given year until the following year. For example, for CY 1998, we did not begin calculating interest until CY 1999.

<sup>4</sup> We based this estimate on a rate of 6.9 percent interest compounded annually. This is the rate shown as the “return on trust fund investments” in SSA’s 2001 Accountability Report.

<sup>5</sup> We based this estimate on the number of beneficiaries from whom SSA withheld Medicare premiums after death in CY 2001 and projected it over the next 5 years, using the CY 2002 monthly Medicare premium rate of \$54. To estimate interest income lost, we used 6.9 percent interest compounded annually, the rate shown as the “return on trust fund investments” in SSA’s 2001 Accountability Report.

CMS personnel acknowledged that CMS does not have a process in place to systematically and routinely return funds to SSA in situations where SSA remitted Medicare premiums after beneficiaries' deaths. SSA representatives from the Office of the Deputy Commissioner for Finance, Assessment and Management acknowledged SSA could recover millions of dollars of Medicare premiums by establishing systematic procedures. Further, the representatives stated the potential monetary increase from these returned premiums would greatly exceed any costs associated with implementing such recovery procedures. SSA representatives from the Office of Systems told us the Agency plans to implement an automated process to recover Medicare premiums paid after beneficiaries' deaths as part of its redesign of title II systems. However, the target date for implementation is not until August 2003.

## **CONCLUSION AND RECOMMENDATIONS**

If SSA does not take a proactive role in recovering Medicare premiums paid after beneficiaries' deaths, the Social Security title II trust funds will lose millions of dollars in the future. Furthermore, these trust funds will continue to lose the opportunity to earn interest because of lower fund balances available to invest in U.S. Treasury securities. We believe SSA has a special fiduciary responsibility to effectively manage and maintain the integrity of the Social Security trust funds. Accordingly, we encourage SSA to expeditiously implement an automated process whereby the Agency can systematically and routinely recover Medicare premiums remitted to CMS after a beneficiary's death.

We recommend that SSA:

1. Establish a committee of SSA and CMS officials to discuss procedures and practices for recovering Medicare premiums and work toward a joint resolution of the issue.
2. Develop and implement an automated process to ensure that SSA systematically and routinely recovers Medicare premiums remitted to CMS after a beneficiary's death.
3. Calculate the amount of unrecovered Medicare premiums SSA has withheld from deceased beneficiaries and remitted to CMS. We believe SSA should go back as far as data are available to determine this amount.
4. Analyze the practicality and feasibility of CMS transferring the unrecovered Medicare premiums to SSA.

5. If the transfer of unrecovered Medicare premiums is determined to be practical and feasible, establish an accounts receivable amount due from CMS for premiums remitted after beneficiaries' deaths. The amount should include premiums already remitted to CMS and those SSA may continue to remit after beneficiaries' deaths until a system is in place to prevent such occurrences.

## **AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE**

SSA agreed with our recommendations. It stated the Agency will establish an interagency committee/workgroup to discuss procedures and practices for recovering Medicare premiums and work toward a joint resolution of the issue. SSA stated the Office of Systems will implement an automated process for recovering Medicare premiums related to title II payments made after death. SSA estimates this process will be implemented within Title II Redesign, release 3, in August 2003. The full text of SSA's comments is included in Appendix A.

We believe SSA's response and planned actions adequately address our recommendations. However, we are concerned with the delay in implementing an automated process for recovering Medicare premiums related to title II payments made after death. In the meantime, title II trust funds will lose millions of dollars in unrecovered Medicare premiums and the opportunity to earn interest. We encourage SSA to find an interim method for recovering Medicare premiums until it can implement the Title II Redesign, release 3, in August 2003.



James G. Huse, Jr.

# *Appendices*

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Appendix A – Agency Comments

Appendix B – OIG Contacts and Staff Acknowledgments

## **Appendix A**

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### **Agency Comments**



## SOCIAL SECURITY

MEMORANDUM

31213-24-798

Date: June 10, 2002 Refer To: S1J-3

To: James G. Huse, Jr.  
Inspector General

From: Larry Dye /s/  
Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration Can  
Recover Millions in Medicare Premiums Related to Retirement or Disability Payments  
Made after Death" (A-08-02-12029)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report are attached. Staff questions can be referred to Odessa J. Woods on extension 50378.

Attachment:  
Proposed Comments

**SOCIAL SECURITY ADMINISTRATION (SSA) COMMENTS ON THE OFFICE OF  
THE INSPECTOR GENERAL (OIG) DRAFT REPORT, " THE SOCIAL SECURITY  
ADMINISTRATION CAN RECOVER MILLIONS IN MEDICARE PREMIUMS  
RELATED TO RETIREMENT OR DISABILITY PAYMENTS MADE AFTER DEATH"  
(A-08-02-12029)**

**Recommendation 1**

Establish a committee of SSA and the Center for Medicare and Medicaid Services (CMS) officials to discuss procedures and practices for recovering Medicare premiums and work toward a joint resolution of the issue.

**SSA Comment**

We agree. SSA will establish an interagency committee/workgroup chaired by the Office of Disability and Income Security Programs with representation from other SSA components, including the Office of Systems and the Office of Finance, Assessment and Management.

**Recommendation 2**

Develop and implement an automated process to ensure that SSA systematically and routinely recovers Medicare premiums remitted to CMS after a beneficiary's death.

**SSA Comment**

SSA's Office of Systems will implement an automated process for recovering Medicare premiums related to title II payments made after death. It is anticipated that this process will be implemented within Title II Redesign, release 3. Barring any negative resource impact, Release 3 will be implemented in August 2003.

**Recommendation 3**

Calculate the amount of unrecovered Medicare premiums SSA has withheld from deceased beneficiaries and remitted to CMS. We believe SSA should go back as far as data are available to determine this amount.

**SSA Comment**

We agree. In contrast to Recommendation 2, this recommendation proposes retroactively calculating unrecovered Medicare premiums. Therefore, a prioritized Information Technology (IT) proposal will be required to develop an automated means to identify and report unrecovered amounts. The interagency committee/workgroup will establish how the recommendation can be implemented and what the IT proposal should prescribe.

#### **Recommendation 4**

Analyze the practicality and feasibility of CMS transferring the unrecovered Medicare premiums to SSA.

#### **SSA Comment**

We agree. The interagency committee/workgroup will also establish how this recommendation can be implemented and what should be included in the IT proposal, including data CMS may need to support potential trust fund transfer.

#### **Recommendation 5**

If the transfer of unrecovered Medicare premiums is determined to be practical and feasible, establish an accounts receivable amount due from CMS for premiums remitted after beneficiaries' deaths. The amount should include premiums already remitted to CMS and those SSA may continue to remit after beneficiaries' deaths until a system is in place to prevent such occurrences.

#### **SSA Comment**

The interagency committee/workgroup will determine how and when this recommendation can be implemented.

## ***Appendix B***

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# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Kimberly A. Byrd, Director, Southern Audit Division  
(205) 801-1605

Jeff Pounds, Deputy Director, Birmingham Field Office  
(205) 801-1606

### ***Staff Acknowledgments***

In addition to those named above:

Charles A. Lober, Senior Auditor

Susan Phillips, Auditor

Kimberly Beauchamp, Writer/Editor

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### **Office of Executive Operations**

OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

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### **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.