



SOCIAL SECURITY

April 3, 2006

The Honorable Charles E. Grassley
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to provide the information you requested in your September 4, 2003 letter. The enclosed report provides information from our review of the Social Security Administration's disability programs—including overpayment rates and an analysis of four specific diagnosis groups.

If you have any questions or would like to be briefed on this issue, please call me or have your staff contact H. Douglas Cunningham, Assistant Inspector General for Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,



Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

cc:
Jo Anne B. Barnhart, Commissioner

CONGRESSIONAL RESPONSE REPORT

Overpayments in the Social Security Administration's Disability Programs

A-01-04-24065



April 2006

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:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- 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.**

To ensure objectivity, the IG Act empowers the IG with:

- 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.

Executive Summary

OBJECTIVE

Our objective was to address Senator Charles Grassley's September 2003 request for (1) an audit to focus on producing an improper payment rate for the Social Security Administration's (SSA) disability programs and (2) an analysis of the improper payment prevalence in four diagnosis groups (mental disorders; musculoskeletal system diseases; endocrine, nutritional and metabolic diseases; and injuries).

BACKGROUND

We obtained a file of 11.1 million individuals who were receiving disability benefits as of October 2003. After removing records for individuals age 62 or over and those where their medical diagnosis codes were not in SSA's records, the population was reduced to 8.9 million beneficiaries—representing about 80 percent of the 11.1 million beneficiaries. From the population of 8.9 million beneficiaries, including all diagnosis groups, we selected a sample of 1,532 beneficiaries.

When SSA calculates payment accuracy rates, it follows Office of Management and Budget (OMB) guidance on what type of payments to include in the rates. The Senator requested a statistically valid improper payment rate for SSA's disability programs without following OMB guidance. As a result, our review of all aspects of eligibility—medical and non-medical—is not directly comparable to any business process SSA has in place. For this report, we developed overpayment rates on the basis that—for any medical or non-medical reason—the Agency assessed an overpayment, would have assessed an overpayment, or would not have issued a payment given perfect knowledge of all the facts.

RESULTS OF REVIEW

Our analysis of SSA data resulted in a four-pronged approach to respond to Senator Grassley's request. We (1) quantified overpayments; (2) developed overpayment rates; (3) analyzed payments in four diagnosis groups; and (4) quantified benefits to potentially ineligible beneficiaries—such as those no longer disabled because of medical improvement.

First, based on our sample, we estimated the amount of overpayments occurring between October 2003 and November 2005 as a result of conditions that existed as of October 2003 or earlier. Specifically, SSA

- detected, through its normal processes, overpayments totaling about \$1.9 billion.
- had not yet detected overpayments totaling approximately \$3.2 billion.

Secondly, we developed overpayment rates. To calculate a statistically valid overpayment rate, the total amount of overpayments made in a given year should be

compared to the total payments issued during that same year. However, overpayments made in a given year—such as Fiscal Year (FY) 2004—may not be identified by SSA until FY 2005 or beyond. Because of this large span of time, the complexity of SSA's programs, limited available data, and SSA's reliance on others to report changes that impact eligibility, we developed several rates. Our analysis indicates that the overpayment rate is about 3.2 percent of payments. However, the precise rate may fall between 3.2 and 3.6 percent.

Although we believe the overpayment rate is between 3.2 and 3.6 percent of benefits paid, the rate could be as high as 5.2 percent. This higher rate represents the percentage of benefits the Agency would not have paid if it had perfect knowledge of all conditions affecting eligibility at the time the payments were issued. (See Appendix F, Tables F-18, F-19, and F-20 for a full description of the rates.)

Thirdly, where SSA did not already have information indicating possible payment issues, we conducted further analysis. We found that 55 percent of the overpayments and payments issued to ineligible beneficiaries were in the four diagnosis groups. Similarly, in SSA's general disability population, 54 percent of beneficiaries were in these same four diagnosis groups.

Lastly, we estimated about \$2.1 billion in benefits were paid to potentially ineligible beneficiaries. This estimate of annual payments to ineligible beneficiaries was based on our sample cases where SSA stopped benefits during our review due to continuing disability reviews (CDR), income, prison/fugitive status, failure to cooperate, inability to locate, etc. Medical improvement was one of the main reasons beneficiaries became ineligible in our sample. According to the Agency's most recent annual CDR report to Congress, savings-to-cost ratios for the 8 FYs 1996 through 2003 averaged about \$10.2 to \$1.

At our request, SSA initiated medical CDRs for 105 beneficiaries in our sample, and 12 cases (or 11 percent) had benefits stopped because they were no longer disabled. Although these CDRs may have been conducted at some future date, the savings realized by immediately discontinuing payments to individuals who were no longer disabled would not have occurred had we not requested these CDRs. Therefore, SSA would have continued to pay these individuals until such time that a CDR showing medical improvement was completed.

CONCLUSION

Although our review of medical and non-medical factors could not provide a perfectly developed statistically valid overpayment rate, we believe the results of our analysis provide a point-of-time estimate of the amount of overpayments and payments SSA should not have made to ineligible disability beneficiaries. Further, it provides Congress, SSA and other decision-makers valuable information for making policy decisions—such as whether to provide additional resources for activities related to preventing overpayments and stopping benefit payments to individuals who are no longer eligible for them.

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Introduction

OBJECTIVE

Our objective was to address Senator Charles Grassley's September 2003 request for (1) an audit to focus on producing an improper payment rate for the Social Security Administration's (SSA) disability programs and (2) an analysis of the improper payment prevalence in four diagnosis groups.¹

BACKGROUND

When SSA measures payment accuracy for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income (SSI) programs, the Agency does not count some payment errors that result from limitations in the Agency's computer systems and/or limitations placed on SSA by law.² The Office of Management and Budget (OMB) provided SSA with specific guidance not to include certain items in its improper payment estimates. In addition, SSA does not include payment errors based on medical factors of eligibility when calculating payment accuracy.³ (See Appendices B and C for additional information.)

Senator Grassley requested a statistically valid improper payment rate for SSA's Disability Insurance (DI) program and a separate improper payment rate for the Agency's SSI program, without following OMB guidance. As a result, our review of all aspects of eligibility—medical and non-medical—for the sampled beneficiaries is not directly comparable to any business process SSA has in place. Furthermore, while SSA makes an initial eligibility decision based on all medical and non-medical factors when an individual is first placed on the disability rolls, there is no post-entitlement review that incorporates both aspects simultaneously. Likewise, there is no SSA quality review incorporating both medical and non-medical factors. (See Appendix D for the Senator's full request, Appendix E for the interim response we provided him on October 15, 2003, and Appendix F for additional information on the scope, sampling methodology and results of our review.)

¹ Senator Grassley also requested information on SSA's Cooperative Disability Investigations programs. We provided this to him on October 15, 2003 (see Appendix E).

² Under *The Improper Payments Information Act of 2002* (Pub. L. No. 107-300, 31 U.S.C. § 3321), Federal agencies—including SSA—must report annually on the extent of improper payments in its programs that are susceptible to significant improper payments. The Government Accountability Office (GAO) defines improper payments as payments that should not have been made or that were made for incorrect amounts. (GAO, *Strategies To Manage Improper Payments, Learning From Public and Private Sector Organizations* (GAO-02-69G), p. 1, October 2001.) The President's Management Agenda also includes an initiative to reduce erroneous payments in the Federal Government.

³ SSA, *Performance Plan for FY 2006*, pp. 25-27, February 2005.

We obtained a file of the 11.1 million individuals who were receiving disability benefits as of October 2003. After removing records for individuals age 62 or over⁴ and those whose medical diagnosis codes were not in SSA's records, the population was reduced to 8.9 million beneficiaries (or about 80 percent of all 11.1 million disabled beneficiaries).⁵ From the population of 8.9 million records, which included all diagnosis groups, we selected a sample of 1,532 beneficiaries.

We established our sample based on the beneficiaries' disabilities to be able to analyze four specific diagnosis groups—and not the type of payment (DI or SSI), and we were unable to report on each program separately. Therefore, although Senator Grassley requested separate improper payment rates for the DI and SSI programs, we calculated rates for both programs combined. Additionally, we developed overpayment rates on the basis that—for any medical or non-medical reason—the Agency assessed an overpayment, would have assessed an overpayment, or would not have issued a payment given perfect knowledge of all the facts. (See Tables F-18, F-19, and F-20 in Appendix F for a full description of these rates.)

Included in Senator Grassley's September 4, 2003 letter to SSA's Inspector General was a request to conduct further analysis of the improper payment prevalence in the diagnosis groups below:

1. Mental disorders other than mental retardation;
2. Diseases of the musculoskeletal system;
3. Endocrine, nutritional, and metabolic diseases; and
4. Injuries.

SSA's definition of disability requires that an individual's inability to work must be related to a medically determinable physical or mental impairment(s).⁶ Every physical or mental impairment is categorized into 1 of the 16 body systems listed below:⁷

1. Musculoskeletal System
2. Special Senses and Speech (vision and hearing)
3. Respiratory System
4. Cardiovascular System
5. Digestive System
6. Genito-Urinary System

⁴ An individual can start to receive Social Security retirement benefits as early as age 62—SSA, Program Operations Manual System (POMS), RS 00201.001 A.

⁵ We obtained a new file of all beneficiaries in current payment status on SSA's records as of June 2005 and compared this information to our data from October 2003. This new file included almost 1.9 million beneficiaries who were in current payment status in June 2005 but were not in current payment status on SSA's records in October 2003.

⁶ Social Security Act § 216(i)(1), 42 U.S.C. § 416(i)(1).

⁷ SSA, POMS, DI 26510.015 F. The 4 diagnosis groups are subsets of the 16 body systems.

7. Hematological (blood) Disorders
8. Skin Disorders
9. Endocrine System (Diabetes)
10. Multiple Body Systems (Down Syndrome)
11. Neurological
12. Mental Disorders
13. Malignant Neoplastic Diseases (Cancer)
14. Immune System
15. Growth Impairment (for children)
16. Special/Other

SSA has undertaken a number of key initiatives to identify and prevent overpayments—including reviews of continuing DI and SSI eligibility and data matches to detect income, deaths, prisoners, fugitives, and other issues that impact eligibility. In addition, SSA has made significant efforts over the past several years to increase the recovery of overpayments.

The continuing disability review (CDR) process is the primary method by which SSA identifies beneficiaries who are no longer eligible to receive disability benefits. A CDR includes confirming that the beneficiary is alive, investigating any indications of work activity, and determining whether a person's impairment has significantly improved since the most recent favorable determination. According to the Agency's annual CDR report to Congress (issued in October 2005), savings-to-cost ratios for the 8 Fiscal Years (FY) 1996 through 2003 averaged about \$10.2 to \$1.

In the course of our review, we asked for assistance from SSA in conducting medical CDRs, investigating income and work activity, locating beneficiaries and reviewing non-medical eligibility requirements. For the purpose of this review, we did not consider a beneficiary as having a payment issue unless SSA took action to assess an overpayment or stop benefits because of our review. The payments to ineligible beneficiaries are the amounts that would have been paid to the beneficiaries if SSA had not stopped paying benefits to individuals who were no longer eligible to receive them—beginning with the first month of non-payment. Our calculation for payments to ineligible beneficiaries is based on the amount of the last monthly payment issued multiplied by 12 months.

Results of Review

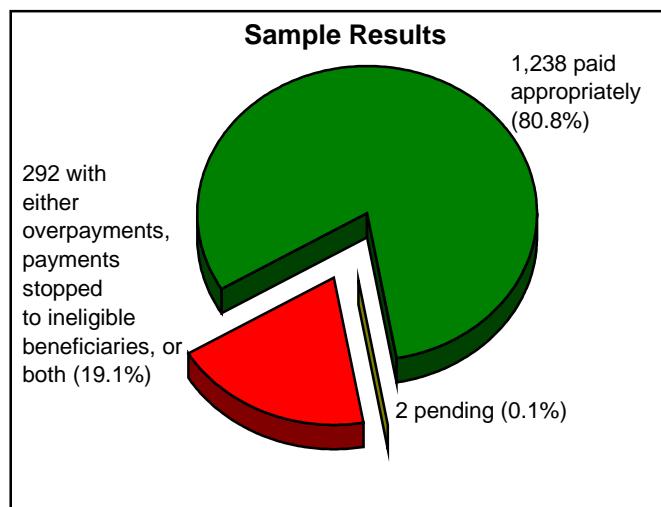
Our analysis of SSA data resulted in a four-pronged approach to respond to Senator Grassley's request. We (1) quantified overpayments; (2) developed overpayment rates; (3) analyzed payments in four diagnosis groups; and (4) quantified benefits to potentially ineligible beneficiaries—such as those no longer disabled because of medical improvement.

We estimate from our sample that SSA (a) detected, through its normal processes, overpayments totaling about \$1.9 billion; and (b) had not yet detected overpayments totaling approximately \$3.2 billion. Furthermore, we believe—based on certain assumptions and available data—that between 3.2 and 3.6 percent of disability benefits would ultimately result in payment issues that would require SSA to either stop benefits and/or assess overpayments.

Our review of 1,532 sample cases found that:

- 1,238 beneficiaries were paid appropriately.
- 292 beneficiaries were overpaid, had payments stopped because they were no longer eligible, or both totaling about \$2.5 million.⁸
- 2 beneficiaries' cases were under review as of March 2006.⁹

OVERPAYMENTS



Based on our sample cases, we estimate \$5.1 billion was overpaid in SSA's disability programs. These overpayments represent funds that should not have been paid over a span of time (from 1 month to several years). Specifically, we estimate that—between October 2003 and November 2005 for conditions that existed as of October 2003 or earlier—SSA

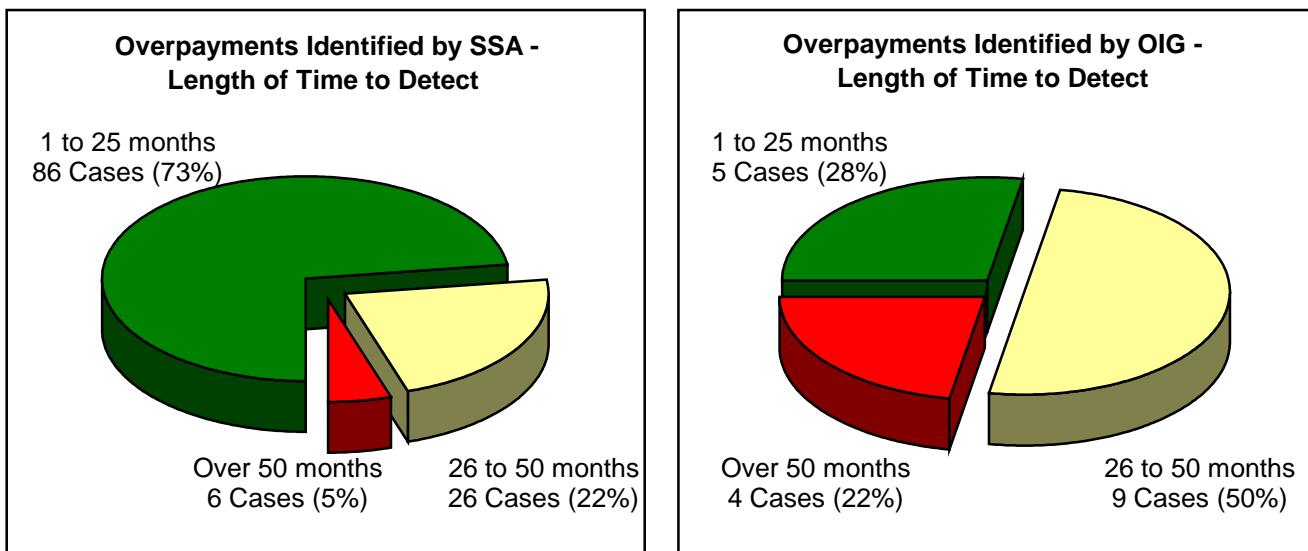
- detected overpayments for about 685,200 beneficiaries (from the population of 8.9 million beneficiaries) totaling approximately \$1.9 billion through its normal business processes.

⁸ Of the 292 beneficiaries, 92 had overpayments, 157 had payments stopped due to ineligibility, and 43 had both. (See Tables F-1, F-2, F-3, F-4 and F-5 in Appendix F for further analyses of the sample cases.)

⁹ SSA is completing CDRs for these two cases.

- had not yet detected overpayments for about 104,500 beneficiaries totaling approximately \$3.2 billion that existed at the time of our review.¹⁰

The overpayments (per beneficiary) identified by the OIG (and not SSA) tended to be much larger and spanned longer periods of time than the overpayments identified by SSA's normal processes. Additionally, the overpayments identified by the OIG tended to take longer to detect than the overpayments identified by SSA—as shown in the charts below and in Table F-2 in Appendix F.



Income or earnings from work activity was the most significant reason for overpayments in our sample.¹¹ This is consistent with two recent OIG reports—*Disabled Title II Beneficiaries with Earnings on the Master Earnings File* issued in July 2004 and *Disabled SSI Recipients with Earnings* issued in April 2005. Although SSA generally agreed with our recommendations to improve this area, resources needed to conduct work CDRs and develop income information for the volume of beneficiaries with earnings recorded on the Agency's Master Earnings File was cited as a barrier.¹²

¹⁰ Since months or years may elapse before SSA identifies a benefit as having been overpaid, the Agency may eventually identify these overpayments. To be conservative in our estimate, we did not include the entire amount of a very large overpayment for one beneficiary that was identified based on the OIG's review. SSA assessed an overpayment of \$133,316—substantially more than the next highest overpayment amount for this category. Therefore, in our estimates, we used \$89,891—the amount of the next highest overpayment identified by the OIG's review. If we had included the \$133,316, the estimate would have increased from \$3.2 billion to \$3.4 billion. Conversely, if we had excluded this one case altogether, the estimate would have decreased from \$3.2 billion to \$2.6 billion.

¹¹ See Appendix G for additional information on the overpayment reasons.

¹² In FY 2005, SSA implemented eWork—a new initiative to address disabled beneficiaries who work and may no longer be entitled to benefits.

Overpayments Identified due to OIG's Review

Of the 1,532 sample cases, 135 beneficiaries had overpayments—which included 18 that were identified as a result of OIG’s review and subsequent request for SSA to take action between October 2003 and November 2005.¹³ The overpayments for these 18 beneficiaries spanned different time periods—from 6 months to over 14 years.¹⁴ Examples of cases with overpayments include:

- One beneficiary with a psychiatric disorder began receiving benefits in December 1986. She was overpaid more than \$28,000 because she began working in 2001—after completing a “Certified Nurse Assistant” program—while continuing to receive disability benefits.
- One beneficiary and his dependents received more than \$47,000 in benefits to which they were not entitled from May 2001 to October 2004. Although the beneficiary had a history of polio, he was working at a level which made him ineligible for benefits.¹⁵

Overpayments due to Fraud

As part of our review, we investigated all indications of potential fraud. For example, our investigators determined that one beneficiary in Massachusetts with a history of cancer had obtained multiple Social Security numbers and worked under one number while collecting disability benefits under a different number.¹⁶ In March 2005, this beneficiary was arrested on the Federal charge of theft of Social Security disability benefits. Between October 1995 and August 2004, he received approximately \$30,796 in disability benefits. A Federal grand jury returned an indictment charging the beneficiary with one count of theft of public money, property or records, in violation of Title 18 U.S.C. § 641. The beneficiary pleaded guilty to the charge, was sentenced in January 2006 to 3 years probation with the first 4 months in home confinement, and was ordered to pay \$30,059 in restitution to SSA.

In July 2005, a beneficiary with osteoarthritis was sentenced to 4 months home detention and 3 years probation. The judge ordered him to repay over \$17,000 in disability benefits that he received while concealing his work activity from SSA. In

¹³ The remaining overpayment cases were identified by SSA’s normal business processes.

¹⁴ The 18 overpayments identified due to the OIG’s review were avoidable within the Agency’s guidelines. (See Appendix E for the OMB guidance on avoidable and unavoidable overpayments.) These 18 beneficiaries had overpayments assessed during our review due to events which occurred in October 2003 or earlier. In addition to these 18 beneficiaries, the OIG identified 13 beneficiaries who were overpaid after October 2003. If we included these overpayments in our estimate, the dollars overpaid would have increased.

¹⁵ SSA defines disability, in part, as the inability to perform substantial work activity due to a physical or mental impairment. See 42 U.S.C. § 416(i)(1).

¹⁶ We found similar cases in our review, *Individuals Receiving Benefits Under Multiple SSNs at the Same Address* (A-01-05-25002), April 2005.

addition, as of November 2005, the OIG was pursuing three other cases involving potential fraud for possible prosecution.¹⁷ These beneficiaries have the following diagnoses: mental disorder, digestive problems, and chronic renal failure.

OVERPAYMENT RATES

To calculate a statistically valid overpayment rate, the total amount of overpayments made in a given year should be compared to the total payments issued during that same year. However, overpayments made in a given year—such as FY 2004—may not be identified by SSA until FY 2005 or beyond. Because of this large span of time, the complexity of SSA's programs, limited available data, and SSA's reliance on others to report changes that impact eligibility, we calculated three rates based on the available information. (See Tables F-18, F-19, and F-20 in Appendix F for additional details.)

- 3.2 percent is based on our sample cases and represents the amount of overpayments assessed for FY 2004 due to SSA's normal processes (\$222,289) and OIG's review (\$142,754)—which were detected during our review period of October 2003 and November 2005—and the amount of payments not issued to ineligible beneficiaries in FY 2004 as a result of our review (\$59,432). This total was compared to the amount of benefits paid to our sampled beneficiaries in FY 2004 (\$13.1 million).
- 3.6 percent is based on the amount of overpayments assessed by SSA for FY 2004 (\$2.9 billion) plus the estimated overpayments for FY 2004 that were not detected by the Agency (\$0.8 billion)¹⁸ and the estimated payments issued to ineligible beneficiaries in FY 2004 as a result of our review (\$0.3 billion). These amounts were compared to the total DI and SSI payments made in FY 2004 (\$110.4 billion).

Although we believe the overpayment rate is between 3.2 and 3.6 percent of benefits, the rate could be as high as 5.2 percent. This rate represents the percentage of benefits the Agency would not have paid if it had perfect knowledge of all conditions affecting eligibility at the time the payments were issued. The rate was calculated with the amounts used to develop the 3.6 percent, replacing the \$0.3 billion in estimated payments issued to ineligible beneficiaries in FY 2004 with the estimate of annual payments to ineligible beneficiaries (\$2.0 billion)¹⁹ based on our sample cases where SSA stopped benefits during our review due to medical CDRs, income, prison/fugitive status, failure to cooperate, inability to locate, etc. If SSA was able to identify all issues impacting benefits as soon as they occurred, the Agency would have likely stopped these benefits sooner.

¹⁷ These cases are included in the 292 cases with overpayments, payments stopped due to ineligibility, or both. However, the OIG is continuing to investigate the beneficiaries for possible fraud.

¹⁸ These overpayments for FY 2004 would not have been recorded on SSA's financial statements because they were not identified until FY 2005.

¹⁹ The \$0.3 billion (used in the 3.6 percent rate) is part of the \$2.0 billion used in developing the 5.2 percent rate.

FOUR DIAGNOSIS GROUPS

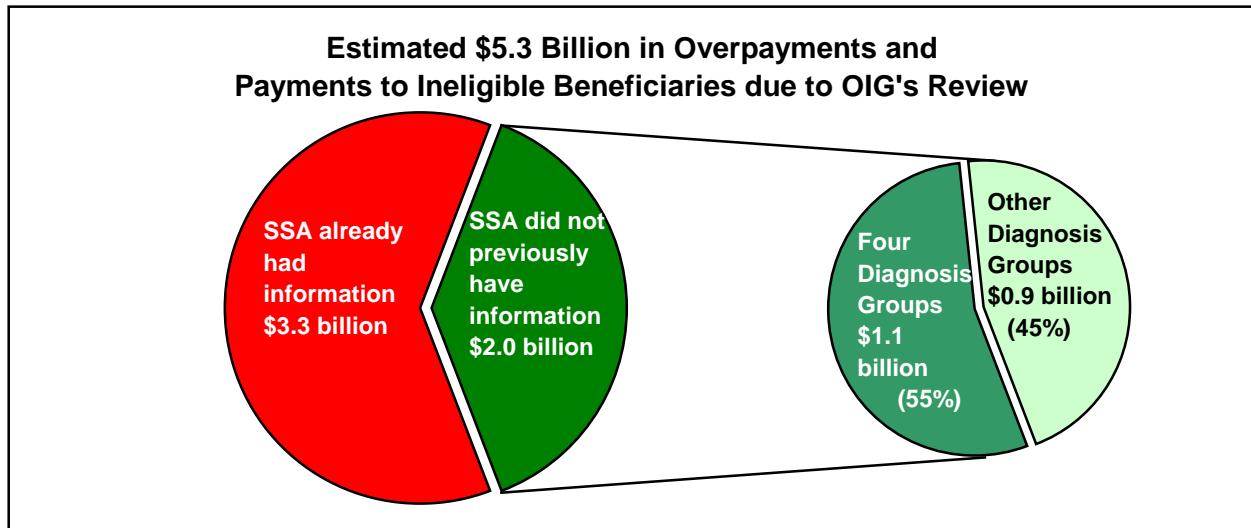
The estimated \$3.2 billion in overpayments—and the estimated \$2.1 billion in payments to ineligible beneficiaries (described later in the report)—for a total of \$5.3 billion are based on the OIG’s review of 1,532 sample cases and the development of information that SSA had not taken action on prior to our request to do so. Specifically, of the 292 sample cases (out of the 1,532) with overpayments, payments stopped to ineligible beneficiaries, or both, SSA identified the payment issues for 245 of the cases based on information it already had and developed in its normal business processes. However, SSA did not take action on 47 beneficiaries’ cases to stop benefits or assess an overpayment until we requested the Agency’s assistance during our review.

As previously noted, income was one of the top reasons for overpayments and payments to ineligible beneficiaries; and we found that SSA already had income/earnings information for 14 of the 47 cases recorded on its Master Earnings File—indicating that these beneficiaries might be working and may no longer be eligible for disability benefits. However, the Agency did not identify the overpayments and/or stop benefits prior to our review.

For the remaining 33 beneficiaries, SSA did not have information indicating possible overpayments or payments to ineligible beneficiaries prior to our review.²⁰ In these 33 cases, the OIG’s interviews with beneficiaries and third parties, as well as other research of available information, indicated that these individuals might not be eligible for benefits. At our request, SSA completed a review of each case and concluded that these 33 individuals were not eligible for certain benefit payments.

The chart below shows that—for the estimated overpayments and payments to ineligible beneficiaries based on the 33 cases where the OIG developed information that SSA did not already have—55 percent of the funds were in the four diagnosis groups. Similarly, in SSA’s general disability population, 54 percent of beneficiaries were in these same four diagnosis groups.

²⁰ This includes 4 cases with earnings due to work activity that had not yet been recorded on SSA’s Master Earnings File.



PAYMENTS STOPPED TO INELIGIBLE BENEFICIARIES

We estimate that SSA prevented about \$7.0 billion in payments from being issued to ineligible beneficiaries through its normal processes. However, we estimate that SSA did not prevent an additional \$2.1 billion in payments from being issued to ineligible beneficiaries.²¹ The Agency could have prevented the majority of these payments if it had been able to conduct more work or medical CDRs.

Although SSA informs beneficiaries to report to the Agency changes to their circumstances that could impact benefit payments (such as returning to work), beneficiaries often fail to do so. Therefore, months or years could elapse before SSA detects an issue that might impact benefits already paid.

When SSA stops paying benefits to individuals who are no longer eligible for them, the Agency achieves savings since it no longer has to pay those monthly benefits. From our sample of 1,532 beneficiaries, 200 became ineligible for benefits during our review. The top three reasons for individuals becoming ineligible for benefits were: (1) death, (2) income/work activity, and (3) medical improvement. (See Table G-2 in Appendix G for additional information on the reasons.)

SSA stopped paying benefits to 76 individuals in our sample because they died. SSA detected these deaths through its normal processes—indicating that SSA has controls to identify and prevent payments after death. However, SSA’s efforts to prevent

²¹ This estimate was calculated by multiplying the last payment received by 12. We believe 12 months is reasonable, since only 2 of the 44 beneficiaries used to develop the estimate had benefits suspended less than 12 months as of March 2006 and could potentially come back on the rolls and reduce the estimate. (The 2 cases had benefits suspended for 8 and 11 months, respectively.) Furthermore, if we had used the October 2003 benefit amount, our estimate of \$2.1 billion would have decreased to \$2.0 billion. This \$2.0 billion was used in developing the 5.2 percent rate described in the prior section of this report.

overpayments due to beneficiaries' income exceeding the limits established for eligibility could be improved. Also, SSA's disability programs could be strengthened if more medical CDRs were conducted to determine whether a beneficiary's impairment has improved.

***Benefits Stopped
due to Medical
CDRs***

Upon our request, SSA initiated medical CDRs for 105 beneficiaries; and by November 2005, the Agency had completed 103 of them. Of the 103 completed medical CDRs, SSA determined that 12 (or 11 percent) were no longer eligible due to medical improvement and took action to stop the

benefits.²² We estimated savings associated with the 12 beneficiaries because the CDRs were conducted earlier than they would have been conducted through the Agency's normal business process.²³

For example, one beneficiary with a diagnosis of affective disorders (a psychiatric impairment) started receiving disability benefits in 1997. OIG investigators observed activities that seemed inconsistent with the beneficiary's impairment; and therefore, we requested that SSA conduct a CDR. As a result of this CDR, SSA found that medical improvement had occurred and stopped the beneficiary's benefits—resulting in 12 months of savings of about \$6,948. If SSA had not conducted the CDR at the time of our request, benefits would have continued to be paid to this individual.

***Benefits Stopped
due to OIG's
Review***

Of the 1,532 sample cases, 200 had payments stopped because the beneficiaries were no longer eligible. Of the 200 sample cases, 44 beneficiaries had payments stopped because of the OIG's review and subsequent request for SSA to take action.²⁴

As of November 2005, SSA terminated benefits for 35 of the 44 beneficiaries. To resume benefits in the future, these individuals will have to file new applications. For the remaining 9 beneficiaries, 1 had benefits suspended for only 6 months²⁵ and 8 had benefits suspended but not terminated. These benefits could be restarted if the

²² We requested 105 medical CDRs and 103 had been completed by November 2005—with 2 pending. For 2 of the 12 cases in which benefits were ceased due to medical improvement, SSA had established medical review diary dates of October 2003 or earlier. However, SSA did not initiate a CDR until we requested it in FY 2004. (The medical review diary date is one of many factors used in SSA's CDR selection process to predict the probability of medical improvement.)

²³ Of the 12 beneficiaries no longer eligible due to medical improvement, one was appealing the Agency's decision to stop benefits as of March 2006.

²⁴ For the remaining cases, SSA prevented the payments to ineligible beneficiaries through its normal business processes. In addition to the 44 beneficiaries, 3 others had overpayments identified by the OIG but did not have their benefits stopped. Therefore, in the previous section on "Four Diagnosis Groups," we reported on all 47 cases.

²⁵ For this one beneficiary, benefits were suspended April through September 2005. Therefore, we counted only the 6 months as savings—not 12 months as for the remaining cases with payments stopped to ineligible beneficiaries.

beneficiaries take certain actions, such as cooperating with the Agency.²⁶ The following table shows the length of time the benefits for these 8 beneficiaries have been suspended.

Number of Months in Suspense—as of March 2006	Number of Cases with Benefits Suspended
12 or more months	6
11 months	1
8 months	1
Total Suspended Cases	8

²⁶ If these 8 beneficiaries began receiving benefits again in April 2006, we would only achieve savings from the month of suspension through March 2006 (as shown in the table). This would cause our overall payments to ineligible beneficiaries estimate of about \$9.1 billion to decrease by approximately \$14 million—as a result of 2 cases having payments stopped for less than 12 months. (See Table F-15 in Appendix F.)

Conclusion

Although our review of medical and non-medical factors could not provide a perfectly developed statistically valid overpayment rate, we calculated overpayment rates based on the available data. We estimated that between 3.2 and 3.6 percent of disability benefits would ultimately result in payment issues that would require SSA to either stop benefits and/or assess an overpayment.

Where SSA did not already have information, the OIG conducted further analysis and found that 55 percent of overpayments and payments to ineligible beneficiaries were in the four diagnosis groups. Similarly, in SSA's general disability population, 54 percent of beneficiaries were in these same four diagnosis groups.

Our review of all aspects of eligibility—medical and non-medical—provides a point-of-time estimate of the amount of overpayments and payments SSA should not have made to ineligible disability beneficiaries. Further, it provides Congress, SSA and other decision-makers valuable information for making policy decisions—such as whether to provide additional resources for activities related to preventing overpayments and stopping benefit payments to individuals who are no longer eligible for them. The OIG will continue to conduct audits and investigations related to SSA's disability programs in an effort to recommend cost-effective solutions for improvements in the disability area.

Appendices

[Appendix A – Acronyms](#)

[Appendix B – Background](#)

[Appendix C – The Continuing Disability Review Process](#)

[Appendix D – Senator Grassley’s September 2003 Request](#)

[Appendix E – OIG’s Initial Response to Senator Grassley’s Request—Dated October 15, 2003](#)

[Appendix F – Scope, Sampling Methodology and Results](#)

Table F-1: Summary of Sample Results—Dollars

Table F-2: Summary of Sample Results—Number of Months

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[Appendix G – Reasons Why Sampled Beneficiaries Were Overpaid or Became Ineligible for Payments](#)

Appendix A

Acronyms

CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
EDR	Electronic Death Registration
EVS	Enumeration Verification System
GAO	Government Accountability Office
FY	Fiscal Year
LDO	Legally Defined Overpayment
MIRS	Medical Improvement Review Standard
OASI	Old-Age and Survivors Insurance
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
U.S.C.	United States Code
VA	Department of Veterans Affairs

Background

In recent years, the President and Congress have expressed interest in measuring the universe of erroneous payments within the Government. In August 2001, the Office of Management and Budget (OMB) published *The President's Management Agenda, Fiscal Year (FY) 2002*, which includes a Governmentwide initiative for improving financial performance. Under this initiative, the Administration establishes a baseline of the extent of erroneous payments and requires agencies to include in their annual budget submissions information on erroneous payment rates. Using this information, OMB works with agencies to establish goals to reduce erroneous payments for each program.¹

In October 2001, the Government Accountability Office (GAO) issued an executive guide on Strategies to Manage Improper Payments.² This guide defined overpayments as payments that should not have been made or that were made for incorrect amounts. Examples of overpayments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, payments to ineligible beneficiaries, and payments resulting from fraud and abuse by program participants and/or Federal employees. GAO further stated that overpayments occur for many reasons, including insufficient oversight or monitoring, inadequate eligibility controls and automated system deficiencies. The risk of overpayments increases in programs with: (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an emphasis on expediting payments.

In November 2002, Congress enacted *The Improper Payments Information Act of 2002*.³ The Act instructs the head of each agency to: (1) annually review all programs and activities susceptible to significant overpayments, (2) estimate and report the annual amount of overpayments in those programs, and (3) report on actions being taken to reduce overpayments. OMB issued guidance on implementing the Act in May 2003.⁴

¹ OMB, *The President's Management Agenda for Fiscal Year 2002*, p. 20, August 2001.

² GAO, *Strategies To Manage Improper Payments, Learning From Public and Private Sector Organizations* (GAO-02-69G), October 2001.

³ Pub. L. No. 107-300, 31 U.S.C. § 3321.

⁴ OMB, *Memorandum for Heads of Executive Departments and Agencies: Implementation Guidance for the Improper Payments Information Act of 2002*, Pub. L. No. 107-300, p. 1, May 2003.

DETECTING AND PREVENTING OVERPAYMENTS

The Social Security Administration (SSA) is responsible for issuing benefit payments under the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. In FY 2004, SSA issued almost \$531 billion in benefit payments to about 53 million beneficiaries.⁵ Considering the volume and amount of payments SSA makes each month, the complexity of computing eligibility and amount of payments, and SSA's emphasis on getting beneficiaries into pay status timely, the Agency is at risk of issuing significant overpayments. SSA has implemented controls to reduce overpayments. However, with the size of the OASDI and SSI programs, even the slightest error in the overall process can result in millions of dollars in overpayments.

The table below shows that SSA identified and assessed over \$2 billion in new debt (i.e., overpayments) for each of the last 5 years for its Disability Insurance (DI) and SSI programs.

Fiscal Year	New Debt Detected by SSA ⁶ (in millions)			Total Benefits Paid for DI and SSI ⁷ (in millions)			Percentage of New Debt (in relation to benefits paid)
	DI	SSI	Total	DI	SSI	Total	
2001	\$859	\$1,951	\$2,810	\$59,207	\$27,733	\$86,940	3.2%
2002	\$887	\$2,050	\$2,937	\$66,964	\$30,239	\$97,203	3.0%
2003	\$990	\$1,936	\$2,926	\$69,800	\$33,217	\$103,017	2.8%
2004	\$927	\$1,979	\$2,906	\$75,169	\$35,216	\$110,385	2.6%
2005	\$1,352	\$2,050	\$3,402	\$89,731	\$36,224	\$125,955	2.7%

SSA has performance indicators to measure payment accuracy for the OASDI and SSI programs. For FY 2005, SSA estimated that 93.6 percent of SSI payments and 99.8 percent of OASDI payments were free of preventable overpayments.⁸ However, these estimates do not count unavoidable errors that result from limitations in the Agency's computer systems and/or limitations placed on SSA by law. In addition, the reviews do not include errors based on medical factors of eligibility.⁹

SSA has undertaken many projects to identify and improve areas where the Agency could do more to reduce overpayments. Specifically, SSA has been working to improve

⁵ SSA, *FY 2005 Performance and Accountability Report*, p. 8 and p. 193, November 2005.

⁶ SSA, *Report on Receivables Due From the Public*, FY 2001 – FY 2005.

⁷ SSA, *Performance and Accountability Report*, FY 2001 – FY 2005.

⁸ SSA, *FY 2005 Performance and Accountability Report*, p. 63, November 2005.

⁹ SSA, *Performance Plan for FY 2006*, pp. 25-27, February 2005.

its ability to prevent overpayments by obtaining beneficiary information from independent sources sooner and/or by using technology more effectively. In this regard, SSA has initiated new computer matching agreements and obtained on-line access to wage and income data.

SSA reports that several initiatives have helped to increase the detection and prevention of overpayments. For example, the June 2002 SSI Corrective Action Plan stated, "...SSI overpayment collections are 33 percent higher since FY 1998, and detections are 32 percent higher."¹⁰ Additionally, SSA is focusing on initiatives that have proven potential in preventing overpayments, rather than merely detecting additional overpayments. For example, the Agency reported that in FY 2001, matching wage data from the Office of Child Support Enforcement prevented an estimated \$183 million in overpayments; and matching prisoner data resulted in an estimated \$424 million in payments to ineligible beneficiaries. Further, SSA reported that it increased the number of SSI redeterminations beginning in 2002 to ensure that approximately one of every three SSI recipients has his/her eligibility reviewed each year.

RECOVERY OF OVERPAYMENTS

SSA has made significant efforts over the past several years to recover OASDI and SSI overpayments. The Agency has a number of tools in place—and others being reviewed for possible implementation—for overpayment recovery, including:

- Tax refund offset of Federal tax refunds;
- Administrative offset from other non-tax Federal payments;
- Referral of overpayments to credit bureaus;
- Recovery from representative payees;
- Cross program recovery between OASDI and SSI payments;
- Recovery by compromise settlements with beneficiaries;
- Administrative wage garnishment;
- Federal salary offset;
- Private collection agencies; and
- Charging interest.

In recent audits, we reported that—at the end of FY 2002—SSA had recovered 57 percent of OASDI overpayments and 39 percent of SSI overpayments subject to recovery between FYs 1996 and 2002.¹¹

¹⁰ In 1997, GAO designated the SSI program as "high risk" since it lacked an effective plan to address the level of debt that results from overpayments. As a result, SSA developed a corrective action plan, which was updated in June 2002. The SSI program was removed from the "high risk" list in 2005.

¹¹ SSA OIG, *Supplemental Security Income Overpayments* (A-01-04-24022), April 2004, and *Overpayments in the Old-Age, Survivors and Disability Insurance Program* (A-01-04-24023), August 2004.

DISABILITY PROGRAMS DESIGNATED AS HIGH RISK

GAO designates programs as high risk due to their vulnerabilities to fraud, waste, abuse and mismanagement and due to areas where agencies need to focus on major economy, efficiency, or effectiveness challenges. In January 2003, modernizing Federal disability programs was placed on the high risk list.¹² Although overpayments in SSA's disability programs were not the main focus of GAO's review, the designation draws attention to the size, impact and need for accuracy and quality in these programs. Specifically, GAO found that:

Disability programs have been growing and are poised to grow even more rapidly as more baby boomers reach their disability prone years. This growth is taking place despite greater opportunities for people with disabilities to work. Moreover, this growth is occurring at the same time that agencies such as the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) are struggling to provide timely and consistent disability decisions. While the agencies are taking some actions to address these problems in the short term, longer-term solutions are likely to require fundamental changes including legislative action.

GAO believes that SSA and VA should take the lead in examining the fundamental causes of program problems such as outmoded disability criteria and seek both management and legislative solutions as appropriate to bring their programs in line with the current state of science, medicine, technology and labor market conditions. At the same time, these agencies should continue to develop and implement strategies for improving the accuracy, timeliness, and consistency of disability decision-making. Further, both agencies should pursue more effective quality assurance systems.

¹² GAO, *High-Risk Series: An Update* (GAO-03-119), January 2003.

The Continuing Disability Review Process

The Social Security Act requires the Agency to periodically conduct continuing disability reviews (CDR) for all beneficiaries receiving disability benefits.¹ The purpose of the review is to determine if a person's impairment has improved since the most recent favorable determination and to determine if the person can perform substantial gainful activity (SGA).²

In Fiscal Year (FY) 2004, the Social Security Administration (SSA) processed approximately 1.6 million periodic CDRs—614,838 of which were full medical reviews which resulted in the cessation of benefits for 96,934 beneficiaries (i.e., a 16 percent cessation rate). SSA reported that it achieved about \$10.2 in program savings for every \$1 in administrative costs invested in conducting CDRs for the 8 FYs 1996-2003.³

SSA processes CDRs through either a mailer process or a full medical review of the beneficiary's impairment(s). The mailer is a questionnaire through which a beneficiary provides information about his or her health, medical care, work history, and training. If, in response to the mailer, the beneficiary indicates that his or her health is better, SSA will generally conduct a full medical review. Otherwise, the CDR is generally deferred to a later date or is referred for additional non-medical development by SSA staff.

In those cases where a full medical review is scheduled—either by CDR profiling criteria⁴ or referral from the mailer process, the individual is notified, offered the opportunity to submit medical or other evidence, and informed that the review could result in the termination of benefits. If an individual is found not to meet the disability criteria of the law, SSA must suspend or terminate benefit payments, and the individual is notified of the decision in writing and given an opportunity to appeal. These procedures apply to both SSA's disabled Title II beneficiaries and Title XVI recipients.

¹ Social Security Act § 221(i)(1), as amended, 42 U.S.C. § 421(i)(1), as amended.

² SSA, POMS, DI 10501.001: SGA means the performance of significant physical and/or mental activities in work for pay or profit, or in work of a type generally performed for pay or profit. As of 2005, "Countable earnings" of employees indicate SGA and "countable income" of the self-employed is "substantial" if the amount averages more than \$830 per month for non-blind individuals or \$1,380 for blind individuals.

³ SSA, *Annual Report to Congress on Continuing Disability Reviews, Fiscal Year 2004*, p. 3, 4 and 6, October 2005. The 96,934 cessations resulted from the initial level of review—prior to appeals. SSA's Office of the Chief Actuary estimates that, after all appeals, approximately 63,800 reviews (10 percent of the 614,838 full medical reviews) will result in termination of benefits.

⁴ One of the many factors SSA considers in its CDR selection process to predict the probability of medical improvement is the medical review diary date the Agency established when the case was last reviewed (indicating when medical improvement may be expected). SSA, POMS, DI 28001.015.

In 1984, Amendments to the Social Security Act⁵ provided the medical improvement review standard. Under this review standard, a recipient of disability benefits will be found no longer disabled only if the evidence clearly shows both: (1) medical improvement related to the ability to work and (2) ability to engage in SGA.⁶

In addition to reviews which are scheduled periodically based on the category of medical improvement, CDRs can be initiated by other events, such as: a report of work activity; income in excess of a specified amount posted after disability has been established; or a report from someone in a position to know of the individual's physical or mental condition indicating that the person is not disabled, is not following required treatment, or has returned to work, and it appears the report could be substantially correct.

Eligibility for disability benefits ends when at least one of the following events occurs:

- There has been medical improvement (as related to the ability to work) in the individual's impairment or one of certain exceptions to medical improvement applies and the impairment considered together with the individual's age, education, and work experience, where appropriate, does not prevent the individual from engaging in SGA.
- Subject to the trial work period provisions, the individual demonstrates, by working, the ability to engage in SGA.
- The individual does not cooperate with SSA.
- SSA cannot find the individual.
- The individual fails to follow the prescribed treatment, which would be expected to restore his or her ability to engage in SGA.

⁵ The Social Security Disability Benefits Reform Act of 1984, Pub. L. No. 98-460, 42 U.S.C. § 405. Prior to 1984, disability adjudicators considered only the beneficiary's current ability to engage in SGA.

⁶ There are some cases where the medical improvement review standard does not apply: lost folder cases; cases in which a permanent, severe impairment is present and medical improvement is not expected to occur; cases involving work incentive provisions; etc.

Appendix D

Senator Grassley's September 2003 Request

CHARLES E. GRADILLY IOWA CHAIRMAN
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 JEFF BINGAMAN NEW MEXICO
 JOHN F. KERRY MASSACHUSETTS
 JIM BINKLEY LINCOLN ARKANSAS
 KOLAN DAVID STAFF DIRECTOR AND CHIEF COUNSEL
 JEFF FORBES DEMOCRATIC STAFF DIRECTOR

United States Senate
 COMMITTEE ON FINANCE
 WASHINGTON, DC 20510-6200

September 4, 2003

Via U.S. Mail and telefax (410) 966-9201

The Honorable James G. Huse, Jr.
 Inspector General
 Social Security Administration
 6401 Security Boulevard
 Room 300, Altmeyer Building
 Baltimore, Maryland 21235

Dear Inspector General Huse,

The purpose of this letter is to request an audit of both the disability programs administered by the Social Security Administration (SSA), namely, Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). Specifically, I would like the audit to focus on producing a statistically valid improper payment rate for each program.

I understand that your office has recently surveyed private sector long term disability insurers and discovered that their estimated improper payment rate is approximately 10%. I cannot say whether SSA's rate is better or worse than that of private insurers. I can say, however, that the SSDI and SSI programs, at \$66 billion and \$28 billion respectively in 2002, represent an enormous potential improper payment risk to taxpayers. Using the private disability insurance improper payment rate as a proxy for SSA's rate, I can say that I am gravely concerned that the federal government could be wasting in the vicinity of \$10 billion a year of taxpayer money.

Concerns about SSDI and SSI overpayment are not new. Indeed, in a 1995 investigation of SSA disability programs, Heather MacDonald, now of the Manhattan Institute, begins with the illustration of a Boston family. The family matriarch immigrated to United States in 1968. Twenty-seven years later, her surviving 16 children and their 89 progeny were collecting somewhere between \$750,000 and \$1 million annually in federal disability.

Much more recently, I have come across videotape revealing several people on disability involved in activities absolutely incongruent with their disability status, including loading boxes onto a cargo truck and amateur wrestling.

Further, I read in late August on the AP wire about a former Mrs. Minnesota International and Mrs. Iowa International who is accused of falsely claiming she was disabled by a 1995 automobile accident. Notwithstanding her claimed injuries, she won her Mrs. Minnesota International title by participating in aerobic and evening gown events. All told, she is alleged to have collected over \$190,000 in disability benefits during her seven years on disability.

The Honorable James G. Husc, Jr.
page 2 of 2
September 4, 2003

The anecdotes above are used for illustrative purposes only. It is an unfortunate fact that one would not be hard pressed to find many more examples.

At the same time that SSA is providing disability benefits to those like the former beauty queen who apparently are defrauding the program, I read in the Charlotte Observer about applicants who are literally dying while waiting for a benefit decision. This troubles me because I believe that SSA must balance its responsibility for program stewardship with its responsibility for timely benefit distribution. In order to best balance its responsibilities, SSA must find a way to prevent ineligible people from receiving disability benefits in the first place. This would help protect the fisc and free up staff currently devoted to finding fraudsters to assist in making benefit determinations more quickly.

While I am on the subject of finding disability fraudsters, I understand that the SSA Office of Inspector General (OIG) has implemented a Cooperative Disability Investigation (CDI) program, in which OIG criminal investigators work with other federal law enforcement officials and with state and local law enforcement officials to uncover disability fraud. I would like a full report on this program, including its scope, its cost, and the total recovery it has provided the fisc.

Obviously, the challenges facing SSA with respect to improper disability payments are real. In fact, in conversations you and your staff have had with my staff, you have indicated that your work to date in this field leads you to believe four specific diagnosis groups are particularly susceptible to overpayment. The diagnosis groups include mental diseases, musculoskeletal diseases, and endocrinial, nutritional and metabolic diseases. Intuitively, this assessment makes sense and I would appreciate a further analysis of the improper payment prevalence in these four diagnosis groups.

Upon completion of your work, I expect to hold a hearing on this important issue. To meet that end, my Committee on Finance staff will be coordinating closely with you and your staff. Please contact Robert Kerr or Dan Donovan should you wish to discuss this request further. They are available at 224-4515.

Sincerely,

Chuck Grassley
Charles E. Grassley
Chairman

cc: The Honorable JoAnn Barnhart, Commissioner, Social Security Administration
The Honorable David Walker, Comptroller General, General Accounting Office

Appendix E

OIG's Initial Response to Senator Grassley's Request—Dated October 15, 2003



SOCIAL SECURITY

October 15, 2003

The Honorable Charles E. Grassley
Chairman, Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Chairman Grassley:

I am pleased to provide you the information requested in your September 4, 2003 letter regarding the Social Security Administration's disability programs.

The enclosed report provides information regarding the following:

- a proposed audit to calculate overpayment rates for the Social Security Administration's disability programs,
- a status report on the Cooperative Disability Investigations units, and
- a proposed audit on the prevalence of improper payments in four specific diagnosis groups.

If you have any questions or would like to be briefed on these issues further, please call me or have your staff contact Douglas Cunningham, Executive Assistant, at (202) 358-6319.

Sincerely,

/s/

James G. Huse, Jr.

Enclosure

cc:
Jo Anne B. Barnhart, Commissioner

Request for an Audit to Produce a Statistically Valid Overpayment Rate for Each SSA Disability Program

We will initiate a audit in Fiscal Year 2004 to calculate a statistically valid overpayment rate for the Social Security Administration's (SSA) Disability Insurance (DI) and Supplemental Security Income (SSI) programs. The overpayment rates we calculate for this audit will include *all* known overpayments—avoidable and unavoidable—identified by SSA. This rate will include legally defined overpayments as well as non-legally defined overpayments.¹

Since the Improper Payments Information Act of 2002 was enacted and the Office of Management and Budget (OMB) issued its May 2003 guidance on implementing this law, we have had ongoing discussions with SSA to determine whether certain circumstances, unique to the Agency, should be included in SSA's payment accuracy rates. In August 2003, OMB decided that SSA should only include avoidable overpayments in its improper payment estimate because these payments could be reduced through changes in administrative actions. Unavoidable overpayments that result from legal or program requirements are not to be included in SSA's improper payment estimate. (Please see OMB's August 2003 guidance on pages 2 and 3.)

SSA will continue to calculate its improper payment rates in accordance with OMB's August 2003 guidance. However, our audit will calculate an overpayment rate that does not exclude the overpayments specified by OMB.

We have started to develop a methodology to produce statistically valid overpayment rates for SSA's disability programs, including *all* overpayments. One option we are still researching is to obtain SSA data of all overpayments identified for a given year (such as 1999). This would include all overpayments detected in 1999 and in subsequent years. By selecting 1999 as the year of analysis, sufficient time should have elapsed for SSA to identify and assess the overpayments. From this data, we may be able to total the amount of overpayments identified for the DI and SSI programs.

By comparing the total amount of identified DI and SSI overpayments in 1999 to the total amount of disability benefit payments issued in 1999 for these two programs, we will be able to calculate an overpayment rate.

We are still exploring the feasibility of obtaining *all* overpayment data from SSA's systems and the time frames that would be involved in not only obtaining this data, but testing its accuracy and reliability. However, another option for calculating an

¹ A legally defined overpayment (LDO) means that a determination has been made that a beneficiary has been paid more than he/she is actually due for a specified period of time. Due process is required for each and every LDO. SSA must give advance written notice explaining the amount of the overpayment, how the overpayment occurred, how SSA plans to recover the overpayment, and all appeal rights associated with the planned action BEFORE the Agency withholds any money to recover the LDO. Due process also requires that sufficient time is allowed for the overpaid person to exercise his/her appeal rights before action is taken.

overpayment rate would be to quantify the overpayments and actual payment due for a statistically valid sample of beneficiaries from the DI and SSI rolls. This option may be needed if total overpayment amounts for each DI and SSI beneficiary for a specific year cannot be easily extracted from SSA's systems. Also, sampling may be a more efficient and timely method for calculating an overpayment rate. A sample of approximately 300 cases from each of the two programs would result in an overpayment estimate at the 90 percent confident level (plus or minus 3 percent).

OMB Guidance on Defining Erroneous Payments (issued August 2003)

The following table identifies the types of SSA payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications:

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered erroneous.
- Avoidable - Payments that should be reflected in the erroneous payment estimate because they could be reduced through changes in administrative actions.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	OMB Classification
Payments following a cessation of eligibility due to a continuing disability review (CDR)	DI and SSI	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision.	SSI	Reported as unavoidable erroneous payment in APP.	When due process requires SSI payments to continue, although the agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable
Payments made incorrectly due to program design	SSI	Reported as unavoidable erroneous payment in APP.	The law requires SSI payments to be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment from being made, this situation should not be reflected in the agency's erroneous payment rate.	Unavoidable
Payments issued after Death	Old-Age and Survivors Insurance (OASI), DI and SSI	Not currently reflected as an error	Dollars released after death (either electronically or in the form of a paper check), which are reclaimed by Treasury or returned unendorsed, should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death which are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-Receipt of Payment	OASI, DI and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reif Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicates incorrectly sent to abusers.	Unavoidable except for fraud or misuse

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	OMB Classification
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate
Payments made for title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected Error	OASI, DI and SSI	Not currently reported as an error	The agency should not reflect undetected error in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors and employees	Admin. Expense	Not currently reported as an error	Systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

Report on the OIG's Cooperative Disability Investigations Program— Including its Scope, Cost, and Total Recovery

In 1998, the Cooperative Disability Investigations (CDI) program began as a joint effort among Federal and State agencies to effectively pool resources for the purpose of preventing or terminating improper payments in SSA's Title II and Title XVI disability programs, and related Federal and State programs. This major special investigative project supports the Agency's strategic goal of establishing zero tolerance for fraud, thus ensuring public confidence in the integrity of SSA's programs and operations.

Purpose – Provide greater investigative support in proximity to the disability decision making process to facilitate correct and timely decisions. Disability Determination Services (DDS) adjudicators refer suspicious claims for investigation using guidance found in SSA's Program Operations Manual System. Disability fraud allegations received by the SSA Fraud Hotline and the field offices likewise may be referred to the appropriate CDI unit. This enhances the ability to identify fraud at the onset to prevent payment on fraudulent initial applications, and ensures timely investigation and termination when fraud is detected during continuing disability reviews (CDR) or as a result of investigations of SSA Fraud Hotline or Field Office referrals.

Mission – At present, the program consists of 17 CDI units nationwide, whose mission is to obtain evidence of material fact sufficient to resolve questions of fraud in SSA's disability programs for purposes of criminal and/or civil prosecution. Within that context, the CDI Unit will provide the State DDS with credible and independent evidence for its use in making timely disability eligibility determinations. This supports the Agency's strategic goal of ensuring the integrity of Social Security programs, with zero tolerance for fraud and abuse.

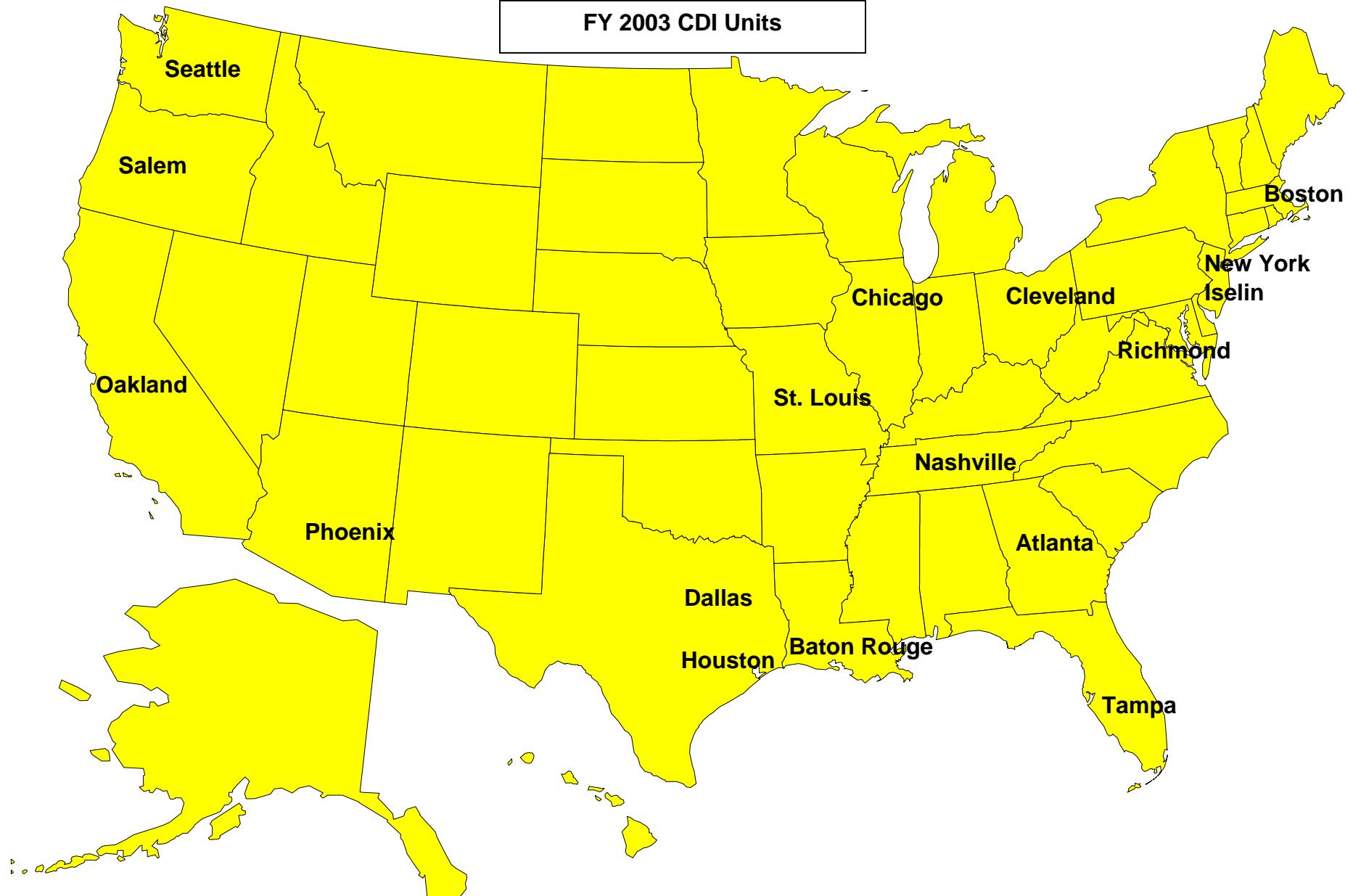
Composition – CDI units are typically comprised of Special Agents from SSA's OIG, State or local law enforcement agency investigators, DDS examiners, and SSA Management Support Specialists (or other similar non-bargaining unit employees). The DDS or law enforcement agency may provide investigative assistants to the CDI units if needed and supported by current resources. Every effort is made to ensure a high level of communication and cooperation among the more than two dozen participating SSA, DDS, OIG, Office of Hearings and Appeals, and law enforcement components. Together, these agencies have dedicated almost 100 full-time staff to the initiative.

Evolution – In FY 1998, five units were formed in New York City, Chicago, Oakland, Atlanta, and Baton Rouge. The success of these units led to additional units being added each year to the current 17 operational units. (See map on page 7 for CDI unit locations.)

Accomplishments – Since inception through August 2003, the CDI units have received over 10,400 allegations of fraud, opened over 6,000 cases with over 4,500 confirmed cases of fraud or similar fault. The projected savings of CDI efforts were over \$268 million to SSA programs and over \$146 million to related State programs.

Estimated Cost – For FYs 2002 and 2003, the estimated costs were \$6 million and \$5.9 million, respectively. These are total spending dollars for the CDI units—including salary, benefit, and overtime costs for DDS staff and investigators, but not considering salary and benefit costs for SSA and OIG staff.

FY 2003 CDI Units



Request for Further Analysis of the Improper Payment Prevalence in the Diagnosis Groups Susceptible to Overpayments

We plan to start a comprehensive statistical analysis to quantify the amount of undetected improper payments in SSA's disability programs—with an emphasis on the four diagnosis groups we believe are more susceptible to fraud and overpayments based on our prior audit and investigative work.

Our plan is to review a statistically valid sample of 1,532 Title II and Title XVI disability cases. This sample would be stratified into 2 groups:

- approximately 919 beneficiaries (60 percent) whose disabilities fall into one of the four diagnosis groups² we believe are most susceptible to fraud, and
- 613 beneficiaries (40 percent) whose disabilities fall into one of the remaining 13 diagnosis groups.

A sample of 1,532 cases would allow us to estimate the amount of improper payments at a 95 percent confidence level (plus or minus 1.5 percent).

The OIG would review each sample case and conduct an investigation to determine whether the beneficiary is *really* disabled and eligible for benefits. We will also need SSA to conduct CDRs on these cases to evaluate the beneficiaries' medical conditions.³ Based on the detailed analysis of the 1,532 cases, we will be able to

- estimate the amount of undetected improper payments in SSA's disability programs in each of our two groups—those with diagnoses more susceptible to fraud and those with other diagnoses.
- develop recommendations to improve SSA's efforts to identify and prevent improper payments in SSA's disability programs.

We expect this audit to take approximately 12 months to complete, as follows:

- 4 months for OIG to conduct the initial planning for the audit; develop, obtain and test computer data; review sample cases to determine whether a CDR is needed and/or conduct an investigation to determine whether the beneficiary is *really* disabled.

² These 4 diagnosis groups are: (1) endocrine, nutritional, and metabolic diseases; (2) mental disorders (other than mental retardation); (3) diseases of musculoskeletal system; and (4) injuries.

³ We will only ask SSA to conduct CDRs on sample cases that have not had a CDR in the last 12 months. We will rely on the most recent CDR information for those sample cases that had a CDR within the last year. Further, we will not ask SSA to conduct CDRs for beneficiaries using tickets under the Ticket to Work and Work Incentive Improvement Act of 1999 (Public Law 106-170)—since a CDR is precluded for beneficiaries utilizing this program.

- 6 months for SSA to conduct CDRs.
- 2 months for OIG to analyze and summarize the sample results, develop recommendations to improve the identification and prevention of improper payments, and provide feedback to SSA.

Scope, Sampling Methodology and Results

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act, Code of Federal Regulations, Social Security Administration's (SSA) Program Operations Manual System, Office of Management and Budget (OMB) guidance, and Government Accountability Office reports.
- Obtained a file of 11,111,388 disabled individuals¹ who were in current payment status on SSA's records in October 2003. We tested the beneficiary and recipient data obtained for our audit for accuracy and completeness and determined it to be sufficiently reliable to meet our audit objectives.

From the file of 11.1 million individuals, we excluded:

- ⇒ 342,969 beneficiaries with blank diagnosis codes because we were stratifying the sample by diagnosis code.²
- ⇒ 103,591 beneficiaries receiving more than one benefit and where the records had different diagnosis codes that would cause the case to fall into both strata.
- ⇒ 1,768,331 beneficiaries age 62 and above because some individuals in the population were coded as receiving disability benefits but were actually receiving—or would have been entitled to—benefits based on age without considering disability.
- Stratified the remaining population of 8,896,497 beneficiaries—about 80 percent of all 11.1 million disabled beneficiaries—into two groups:
 - ⇒ Stratum A was 4,830,214 beneficiaries (54 percent) whose diagnosis codes fell into one of the four diagnosis groups mentioned in Senator Grassley's September 4, 2003 letter to the Inspector General: (1) mental disorders other than mental retardation; (2) diseases of musculoskeletal system; (3) endocrine, nutritional, and metabolic diseases; and (4) injuries.

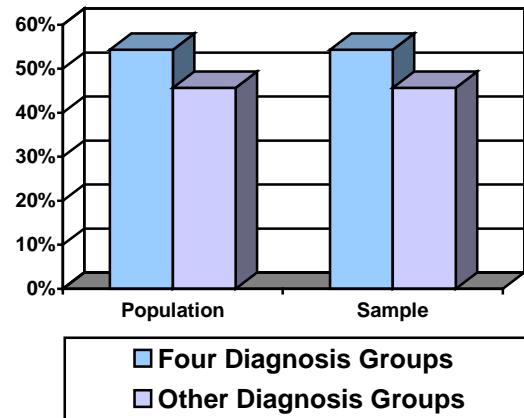
¹ The original data files contained 13.9 million payment records. However, if an individual appeared more than once in the file because he/she was receiving both DI and SSI benefits, we combined the records. Therefore, the 13.9 million payment records represented 11.1 million unique individuals.

² The OIG issued a report in March 2000 on the *Reliability of Diagnosis Codes Contained in the Social Security Administration's Data Bases* (A-01-99-61001).

- ⇒ Stratum B was 4,066,283 beneficiaries (46 percent) whose diagnosis codes did not fall into one of these four diagnosis groups.³

From the population, we selected 1,532 individuals using proportional allocation methodology—Stratum A included 832 individuals (54 percent) and Stratum B included 700 individuals (46 percent).

The sample size was established to ensure projections were made at a 95 percent confidence level with a precision of +/- 1.5 percent and an expected error rate of 10 percent or less.



We tested the sample and concluded that it was representative of the population. Specifically, we found that the average Disability Insurance (DI) and Supplemental Security Income (SSI) payments in the sample—\$784 and \$442 respectively—were reasonably similar to the average amounts SSA reported for all DI and SSI payments—\$841 and \$433 respectively. Additionally, we found that the number of DI, SSI and concurrent beneficiaries in the sample was reasonably similar to the population—as shown in the table below.

SSA Program	Sample	Population
Individuals Receiving DI	785 (51%)	4.6 million (51%)
Individuals Receiving SSI	547 (36%)	3.4 million (39%)
Individuals Receiving both DI and SSI (i.e., concurrent beneficiaries)	200 (13%)	0.9 million (10%)

- Obtained and analyzed the Master Beneficiary Record, the Supplemental Security Income Record, the Numident Record, disability data, and earnings records for each of the sample cases.
- Gathered information on the sample cases—with the assistance of the Office of Investigations—through a wide range of techniques, including direct and third party interviews, public and private source data queries, surveillances, and investigations of work activities.

³ The other diagnosis groups fall within the following body systems: Special Senses and Speech, Respiratory System, Cardiovascular System, Genito-Urinary System, Hematological Disorders, Skin Disorders, Multiple Body Systems, Neurological, Mental Retardation, Malignant Neoplastic Diseases, Immune System, Growth Impairment, and Special/Other.

- Quantified the amount of benefits paid for each sample beneficiary in October 2003, and then multiplied this amount by 12 to estimate amount of benefits paid for the Fiscal Year.
- Referred selected cases to SSA—based on the information we gathered—to determine whether the individuals were still disabled and eligible for benefits. If SSA determined the individuals were no longer eligible for benefits or were overpaid as a result of our referral, we quantified:
 1. The amount of overpayments assessed by the Agency as a result of our review between October 2003 and November 2005—based on events that occurred in October 2003 or earlier.
 - ⇒ Overpayments tend to span varying time periods (from 1 month to many years) and, although the overpayments were identified and assessed during our audit period (October 2003 – November 2005), the amounts may actually represent payments made to the beneficiaries outside of this time period.
 - ⇒ We only included overpayments if the event (such as work activity) that caused the overpayment occurred in October 2003 or earlier because these events were known or should have been known to SSA at the time we initiated our review.
 2. The amount of potential benefits SSA could have saved over a 12-month period—beginning with the first month of non-payment—where, as a result of our review, the Agency determined that the individual was no longer eligible for benefits and stopped payments between October 2003 and November 2005. The amount of payments to ineligible beneficiaries we reported was the amount of the last monthly payment issued multiplied by 12 months.⁴
- Quantified for each sample case:
 1. The amount of overpayments identified and assessed by SSA's normal processes between October 2003 and November 2005 for events that occurred in October 2003 or earlier.
 2. The amount of annual payments saved by SSA by stopping benefits to ineligible beneficiaries through its normal processes between October 2003 and November 2005. The amount of annual payments stopped to ineligible beneficiaries was the last monthly payment issued multiplied by 12.

⁴ SSA may eventually detect the payments to ineligible beneficiaries or overpayments through its normal processes. However, at the time of our review, the Agency was not developing information on these cases.

- Based on the sample results, we estimated the amount of overpayments assessed, as well as the amount of potential funds SSA could save over a 12-month period.⁵ The estimate of potential payments to ineligible beneficiaries was based on the last monthly payment received by each beneficiary whose benefits were stopped during our review (and not the October 2003 payment amount when we obtained our data file).⁶
- Referred instances of suspected fraudulent activity to the appropriate offices to pursue remedies, such as criminal or civil prosecution, civil monetary penalties or administrative sanctions.
- Obtained, from SSA, the amount of new debt assessed (i.e. overpayments) in each of the last 5 Fiscal Years (FY)—FY 2001 through FY 2005.
- Obtained, from SSA's *Performance and Accountability Report*, the amount of DI and SSI payments made in FY 2001 through FY 2005.
- Calculated the percent of disability benefits that should not have been paid:
 - We totaled the amount of overpayments assessed for FY 2004 for our sample cases which were detected during our review period of October 2003 and November 2005 and the amount of payments not issued to ineligible beneficiaries in FY 2004 as a result of our review. This total was compared to the amount of benefits paid to our sampled beneficiaries in FY 2004.
 - We added the new debt assessed by SSA in FY 2004, the estimated overpayments for FY 2004 that were not detected by the Agency, and the estimated payments issued to ineligible beneficiaries in FY 2004 as a result of our review. This total was compared to the total DI and SSI payments made in FY 2004.
 - We added the new debt assessed by SSA in FY 2004, the estimated overpayments for FY 2004 that were not detected by the Agency, and the estimate of all benefits paid to potentially ineligible individuals. This total was compared to the total DI and SSI payments made in FY 2004.

We performed our audit between October 2003 and November 2005 in Boston, Massachusetts and Office of Investigations field divisions throughout the United States. The entities audited were the Office of Disability and Income Security Programs under

⁵ Several beneficiaries had overpayments and/or payments to ineligible beneficiaries identified by SSA, but they also had additional overpayments and/or payments to ineligible beneficiaries identified due to the OIG's review. To ensure beneficiaries were not double-counted, we considered these beneficiaries to have been identified by SSA (and not the OIG). However, the dollar amounts in our sample and estimates are separate and distinct—depending on whether SSA identified them through its normal processes or if the amounts were identified due to the OIG's review.

⁶ We used the last payment amount because of the length of time it took to select sample cases, review them, and refer them to SSA for appropriate action. In addition, it took the Agency 6 to 12 months to complete its actions—such as reviews of beneficiaries' medical condition or work activity.

the Deputy Commissioner for Disability and Income Security Programs and the Office of Operations under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.

SAMPLE RESULTS AND PROJECTIONS⁷

Table F-1: Summary of Sample Results—Dollars		
	Detected by SSA between October 2003 and November 2005	Detected by OIG between October 2003 and November 2005 (Undetected by SSA)
Overpayments in Sampled Cases		
Total overpayments	\$333,187	\$586,786
Average amount overpaid	\$2,824	\$32,599
Range ⁸	\$2 to \$55,184	\$4,355 to \$133,316
Median overpayment	\$775	\$24,481
Overpayment Ranges	Number of Cases	Number of Cases
Under \$1,000	66	0
\$1,000 - \$4,999	38	0
\$5,000 - \$9,999	6	6
\$10,000 or more ⁹	7	12
Total Cases	117	18
Payments Stopped to Ineligible Beneficiaries in Sampled Cases		
Payments Stopped to Ineligible Beneficiaries ¹⁰	\$1,208,587	\$369,162

⁷ The amounts in the tables are rounded to the nearest whole dollar. Any differences are due to rounding.

⁸ The \$133,316 was the largest overpayment detected by the OIG. This amount is substantially more than the next highest overpayment amount for this category, which was \$89,891.

⁹ One beneficiary had an overpayment detected by SSA of \$1,126 and another overpayment due to the OIG's review of \$38,668. We classified this case in the group of cases that were detected as a result of the OIG's review in the "\$10,000 or more" category. We did not include it in the group of cases detected by SSA in the "\$1,000 to \$4,999" category. Although we counted this case only once, the overpayment dollars are reported in the appropriate category.

¹⁰ While SSA reports savings for CDRs, the Agency does not report savings for all beneficiaries suspended/terminated (such as for fugitives). Therefore, there is no number comparable to our savings estimate. However, our cessation rate due to medical improvement for the period October 2003 through November 2005 in our sample was 13 percent, which is lower than the 16 percent cessation rate SSA had for a similar time period (October 2003 through May 2005).

Table F-2: Summary of Sample Results—Number of Months

	Detected by SSA between October 2003 and November 2005	Detected by OIG between October 2003 and November 2005 (Undetected by SSA)
Months Overpaid	Number of Months	Number of Months
Average	13	43
Range	1 to 60	6 to 177
Median	10	30
Mode	1	30
Length of Time to Discover Overpayment	Number of Months	Number of Months
Average	18	41
Range	0 to 67	5 to 108
Median ¹¹	15	34
Mode ¹²	2	29, 41, 82

¹¹ The median is the value of the middle item when the items are arranged by size. Within our sample, the median is the middle item when the number of months were listed from low to high.

¹² The mode is the value that occurs most frequently. Of the 18 overpayments detected by the OIG, 29 months, 41 months, and 82 months each occurred twice; whereas the number of months for the remaining cases only occurred once.

**Table F-3: Sample Results of Overpaid Cases Identified Due to OIG's Review
(Not Through SSA's Normal Processes)**

	Overpaid From	Overpaid To	Months	Amount	Reason
1	January 1990	September 2004	177	\$38,668	Income/Work Activity ¹³ (identified by OIG and not on SSA's records)
2	November 1997	August 2004	82	\$47,578	Income/Work Activity
3	February 1998	October 2004	81	\$133,316	Income/Work Activity
4	July 1998	November 2004	77	\$89,891	Income/Work Activity
5	May 2000	March 2004	47	\$47,846	Income/Work Activity
6	June 2001	July 2004	39	\$28,390	Income/Work Activity
7	December 2001	May 2004	30	\$25,511	Income/Work Activity
8	January 2002	March 2004	27	\$33,170	Income/Work Activity
9	March 2002	August 2004	30	\$23,051	Fugitive ¹⁴
10	March 2002	January 2005	35	\$43,460	Income/Work Activity
11	December 2002	March 2005	28	\$17,763	Income/Work Activity (identified by OIG and not on SSA's records)
12	March 2003	February 2005	16	\$7,831	SSI Eligibility Not Met ¹⁵
13	March 2003	November 2005	32	\$19,070	Income/Work Activity (identified by OIG and not on SSA's records)
14	May 2003	April 2004	12	\$7,904	Inability to Locate
15	June 2003	February 2004	9	\$4,356	Fugitive/Prisoner
16	June 2003	February 2005	19	\$9,418	Income/Work Activity
17	October 2003	March 2004	6	\$4,704	Fugitive
18	January 2004	June 2005	18	\$4,859	Not Cooperating ¹⁶
	Total Overpayments¹⁷			\$586,786	

¹³ For the 12 cases with overpayments due to income/work activity, 9 had earnings recorded on SSA's Master Earnings File (above \$6,000) and the Agency should have been aware of the potential for overpayments or ineligibility. However, for 3 of the 12 cases with overpayments, SSA did not have earnings information prior to our review. (The OIG also identified five beneficiaries who were not overpaid but had benefits stopped because of the earnings. Four of the beneficiaries already had earnings information recorded on SSA's systems and one did not.)

¹⁴ The prisoner/fugitive information was developed by the OIG and was not known to SSA prior to October 2003.

¹⁵ The recipient was overpaid because his step-father's income exceeded the limits for SSI eligibility. The Agency was not aware of the income because the recipient's mother did not inform SSA of her marriage. Therefore, the family's total income was not linked together in the Agency's records.

¹⁶ SSA assessed an overpayment for this beneficiary based on our review for the period January 2004 through June 2005 due to failure to cooperate which involved the beneficiary not providing his tax returns for prior years. These tax returns are likely to show that he had earnings above SSA's substantial gainful activity levels prior to October 2003.

¹⁷ Of the \$586,786 in overpayments detected by OIG in our sample, \$142,754 was overpaid in FY 2004. The remaining \$440,032 was overpaid in other years.

**Table F-4: Percent of Disabled Beneficiaries in Sample
with Payments Stopped to Ineligible Beneficiaries, Overpayments, or Both**

Sample	1,532
Beneficiaries with payments stopped to ineligible beneficiaries, overpayments, or both	292
Percent	19%
Beneficiaries that SSA identified with payments stopped to ineligible beneficiaries, overpayments or both	245
Percent of Sample	16%
Beneficiaries that the OIG identified that resulted in SSA stopping payments to ineligible beneficiaries, overpayments, or both	47
Percent of Sample	3%

Table F-5: Sample Results by Program

	DI	SSI	Total
Payments stopped to ineligible beneficiaries	\$1,006,767	\$570,982	\$1,577,749
Overpayments	\$680,891	\$239,082	\$919,973
Total	\$1,687,658	68%	\$810,064
		32%	\$2,497,722

Table F-6: Audit Population as a Percent of Total Disability Population

Total disability population as of October 2003	11,111,388
Population for OIG's review	8,896,497
Percent of population for OIG's review from total population	80%

**Table F-7: Sample Results and Projections
Estimated Overpayments Based on Events in October 2003 or Earlier¹⁸**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections – Overpayments Based on SSA's Normal Processes			
Sample results ¹⁹	\$178,480	\$154,707	\$333,187
Point estimate	\$1,036,174,546	\$898,686,418	\$1,934,860,964
Projection lower limit			\$1,025,896,916
Projection upper limit			\$2,843,825,012
Dollar Projections – Overpayments Based on OIG's Review²⁰			
Sample results	\$195,632	\$347,730	\$543,362
Point estimate	\$1,135,749,350	\$2,019,953,382	\$3,155,702,732
Projection lower limit			\$1,252,447,922
Projection upper limit			\$5,058,957,543
Total Estimated Overpayments			
	\$2,171,923,896	\$2,918,639,800	\$5,090,563,696

Note: All projections were calculated at the 95-percent confidence level.

¹⁸ To be conservative in the development of our estimate, we did not include the entire amount of a very large overpayment for one beneficiary that was identified based on the OIG's review. SSA assessed an overpayment of \$133,316—substantially more than the next highest overpayment amount for this category. Therefore, in our estimates, we used \$89,891—the amount of the next highest overpayment identified by the OIG's review. See Table F-8 for the estimate with the full overpayment amount included for this case and Table F-9 for the estimate excluding the entire overpayment for this case.

¹⁹ Of the \$333,187 in overpayments detected by SSA in our sample, \$222,289 was overpaid in FY 2004. The remaining \$110,898 was overpaid in other years.

²⁰ The only number calculated by SSA that could be compared to our total overpayment estimate is the amount of new debt detections reported by SSA on its financial statements. SSA reported \$6.3 billion in new debt for FYs 2004 and 2005 and this is similar to our reporting period of October 2003 through November 2005 where we estimated \$5.1 billion in overpayments. (SSA's \$6.3 billion includes overpayments for non-disabled beneficiaries, i.e., individuals collecting Social Security or SSI benefits based on old-age. Therefore, it is reasonable that our estimate of \$5.1 billion for DI and SSI disabled beneficiaries would be lower.)

**Table F-8: Sample Results and Projections
Estimated Overpayments Based on Events in October 2003 or Earlier—With Outlier**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections—Overpayments Based on SSA's Normal Processes			
Sample results	\$178,480	\$154,707	\$333,187
Point estimate	\$1,036,174,546	\$898,686,418	\$1,934,860,964
Projection lower limit			\$1,025,896,916
Projection upper limit			\$2,843,825,012
Dollar Projections—Overpayments Based on OIG's Review			
Sample results ²¹	\$195,632	\$391,154	\$586,786
Point estimate	\$1,135,749,350	\$2,272,206,991	\$3,407,956,341
Projection lower limit			\$1,200,140,828
Projection upper limit			\$5,615,771,854
Total Estimated Overpayments			
	\$2,171,923,896	\$3,170,893,409	\$5,342,817,305

Note: All projections were calculated at the 95-percent confidence level.

**Table F-9: Sample Results and Projections
Estimated Overpayments Based on Events in October 2003 or Earlier—Excluding Outlier**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections—Overpayments Based on SSA's Normal Processes			
Sample results	\$178,480	\$154,707	\$333,187
Point estimate	\$1,036,174,546	\$898,686,418	\$1,934,860,964
Projection lower limit			\$1,025,896,916
Projection upper limit			\$2,843,825,012
Dollar Projections—Overpayments Based on OIG's Review			
Sample results	\$195,632	\$257,838	\$453,470
Point estimate	\$1,135,749,350	\$1,497,777,585	\$2,633,526,935
Projection lower limit			\$1,026,133,759
Projection upper limit			\$4,240,920,110
Total Estimated Overpayments			
	\$2,122,592,549	\$2,377,411,956	\$4,500,004,505

Note: All projections were calculated at the 95-percent confidence level.

²¹ Of the \$586,786 in overpayments detected by OIG in our sample, \$142,754 was overpaid in FY 2004. The remaining \$440,032 was overpaid in other years.

**Table F-10: Sample Results and Projections
Estimated Beneficiaries with Overpayments Due to OIG's Review**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Attribute Projections			
Sample cases	8	10	18
Point estimate	46,444	58,090	104,534
Projection lower limit			56,511
Projection upper limit			152,558

Note: All projections were calculated at the 95-percent confidence level.

**Table F-11: Sample Results and Projections
Estimated Beneficiaries with Overpayments Detected by SSA's Normal Processes**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Attribute Projections			
Sample cases ²²	63	55	118
Point estimate	365,749	319,494	685,243
Projection lower limit			566,396
Projection upper limit			804,090

Note: All projections were calculated at the 95-percent confidence level.

**Table F-12: Sample Results and Projections
Estimated Overpayments SSA Assessed after FY 2004 for the Period
October 2003 through September 2004**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections			
Sample results	\$85,756	\$91,594	\$177,350
Point estimate	\$497,858,111	\$532,066,973	\$1,029,925,084
Projection lower limit			\$607,477,569
Projection upper limit			\$1,452,372,599

Note: All projections were calculated at the 95-percent confidence level.

²² One beneficiary in Stratum B had both an overpayment identified by SSA's normal processes and an overpayment identified by the OIG's review. Although the overpayment dollars are in the appropriate categories, we did not include this case in Table F-11 because the case was included in Table F-10.

**Table F-13: Sample Results and Projections
Estimated Payments Stopped to Ineligible Beneficiaries for 12-Months
Based on Last Monthly Payment Issued**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections – Potential Payments Stopped to Ineligible Beneficiaries Based on SSA's Normal Processes			
Sample results	\$419,564	\$789,023	\$1,208,587
Point estimate	\$2,435,799,590	\$4,583,413,586	\$7,019,213,176
Projection lower limit			\$5,755,848,109
Projection upper limit			\$8,282,578,244
Dollar Projections – Potential Payments to Ineligible Beneficiaries Based on OIG's Review			
Sample results ²³	\$149,081	\$220,081	\$369,162
Point estimate	\$865,495,393	\$1,278,446,346	\$2,143,941,739
Projection lower limit			\$1,478,812,456
Projection upper limit			\$2,809,071,023
Total Estimated Potential Payments Stopped/Not Stopped to Ineligible Beneficiaries			
	\$3,301,294,983	\$5,861,859,932	\$9,163,154,915

Note: All projections were calculated at the 95-percent confidence level.

**Table F-14: Sample Results and Projections
Estimated Ineligible Beneficiaries Whose Payments Should be Stopped**

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Attribute Projections			
Sample cases	78	122	200
Point estimate	452,833	708,695	1,161,528
Projection lower limit			1,012,409
Projection upper limit			1,310,646

Note: All projections were calculated at the 95-percent confidence level.

²³ Of the \$369,162 in payments stopped in our sample because of OIG's review, \$59,432 would have been paid in FY 2004. The remaining \$309,730 would have been paid after FY 2004.

Table F-15: Sample Results and Projections Estimated Payments Stopped to Ineligible Beneficiaries for 12-Months Based on Last Monthly Payment if Benefit Payments Resumed in April 2006 for Beneficiaries Placed in Suspense Based on OIG's Review			
	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections – Payments Stopped to Ineligible Beneficiaries Based on SSA's Normal Processes			
Sample results	\$419,564	\$789,023	\$1,208,587
Point estimate	\$2,435,799,590	\$4,583,413,586	\$7,019,213,176
Projection lower limit			\$5,755,848,109
Projection upper limit			\$8,282,578,244
Dollar Projections – Payments to Ineligible Beneficiaries Based on OIG's Review			
Sample results	\$146,666	\$220,081	\$366,747
Point estimate	\$851,475,001	\$1,278,446,346	\$2,129,921,347
Projection lower limit			\$1,467,348,308
Projection upper limit			\$2,792,494,386
Total Estimated Payments Stopped/Not Stopped to Ineligible Beneficiaries			
	\$3,287,274,591	\$5,861,859,932	\$9,149,134,523

Note: All projections were calculated at the 95-percent confidence level.

Table F-16: Summary of Estimated Overpayments and Payments Stopped to Ineligible Beneficiaries		
	Dollars	Percent
Estimated Overpayments Identified by SSA's Normal Processes	\$1.9 billion	37%
Estimated Overpayments Identified due to OIG's Review	\$3.2 billion	63%
Total Estimated Overpayments Identified Between October 2003 and November 2005 Based on Conditions that Existed in October 2003 or Earlier in Sample (From Table F-7)	\$5.1 billion	100%
Estimated Payments Stopped to Ineligible Beneficiaries due to SSA's Normal Processes	\$7.0 billion	77%
Estimated Payments Not Stopped to Ineligible Beneficiaries due to OIG's Review	\$2.1 billion	23%
Total Estimated Annual Payments Stopped/Not Stopped to Ineligible Beneficiaries Based on Sample (From Table F-13)	\$9.1 billion	100%

Table F-17: Analysis of Four Diagnosis Groups Based on Cases in Which OIG Developed Information SSA Did Not Already Have—Sample Results and Projections of Overpayments and Potential Payments to Ineligible Beneficiaries

	Stratum A Four Diagnosis Groups	Stratum B Other Diagnosis Groups	Total
Population size	4,830,214	4,066,283	8,896,497
Sample size	832	700	1,532
Dollar Projections			
Sample results	\$189,846	\$160,600	\$350,446
Point estimate	\$1,102,159,624	\$932,923,823	\$2,035,083,447
Projection lower limit			\$1,143,137,823
Projection upper limit			\$2,927,029,071

Note: All projections were calculated at the 95-percent confidence level.

To calculate a statistically valid overpayment rate for SSA's disability programs, the total amount of overpayments made in a given year should be compared to the total payments issued during that same year. However, overpayments made in a year—such as FY 2004—may not be identified until FY 2005 or beyond.²⁴ Because of this long span of time, the complexity of SSA's programs, limited data, and SSA's reliance on others to report changes that impact eligibility, we calculated several rates described below. These overpayment rates were developed on the basis that—for any medical or non-medical reason—the Agency assessed an overpayment, would have assessed an overpayment, or would not have issued a payment.

Table F-18 shows that the overpayment rate for FY 2004 was about 3.2 percent of benefits paid. This rate is based on our sample cases and represents the amount of overpayments assessed for FY 2004 due to SSA's normal processes and OIG's review—which were detected during our review period of October 2003 and November 2005—and the amount of payments not issued to ineligible beneficiaries in FY 2004 as a result of our review. This total was compared to the amount of benefits paid to our sampled beneficiaries in FY 2004.

Table F-18: Overpayment Rate Based on Sample Cases with Overpayments and Payments Not Issued to Ineligible Beneficiaries	
Overpayments detected by SSA in sample for FY 2004	\$222,289
Overpayments detected by OIG in sample for FY 2004	\$142,754
Payments not issued for FY 2004 to ineligible beneficiaries due to the OIG's review	\$59,432
Total	\$424,475
Benefits paid in October 2003	\$1,096,118
Annual benefits paid in FY 2004 for sample (October 2003 benefit multiplied by 12)	\$13,153,421
Overpayment Rate (\$424,475/\$13,153,421)²⁵	3.2%

We also developed a second rate of 3.6 percent shown in Table F-19. This rate represents the amount of overpayments assessed by SSA for FY 2004 plus the estimated overpayments for FY 2004 that were not detected by the Agency and the estimated payments issued to ineligible beneficiaries in FY 2004 as a result of our review. These amounts were compared to the total DI and SSI payments made in FY 2004.

²⁴ Within our sample of 1,532 cases, a period of 1 month up to 14 years elapsed before SSA identified a benefit as having been overpaid.

²⁵ By excluding the \$59,432 in payments stopped to ineligible beneficiaries for FY 2004 due to the OIG's review, the 3.2 percent decreases to 2.8 percent.

Table F-19: Estimated Overpayment Rate Based on Overpayments and Payments to Ineligible Beneficiaries in FY 2004 for SSA's DI and SSI Programs	
Overpayments assessed by SSA in FY 2004 for its DI and SSI programs ²⁶	\$2.9 billion
Estimated overpayments detected by OIG for FY 2004 ²⁷	\$0.8 billion
Estimated payments to ineligible beneficiaries detected by OIG for FY 2004 ²⁷	\$0.3 billion
Total	\$4.0 billion
DI benefits paid in FY 2004 ²⁸	\$75.2 billion
SSI benefits paid in FY 2004 ²⁹	\$35.2 billion
Total	\$110.4 billion
Overpayment Rate (\$4.0 billion/\$110.4 billion)	3.6%

Although we believe that the overpayment rate is between 3.2 and 3.6 percent of benefits paid, the rate could be as high as 5.2 percent, as shown in Table F-20. This rate represents the percentage of benefits the Agency would not have paid if it had perfect knowledge of all conditions affecting eligibility at the time the payments were issued. The rate was calculated using the amounts used to develop the 3.6 percent, replacing the \$0.3 billion in estimated payments issued to ineligible beneficiaries in FY 2004 with the estimate of annual payments to ineligible beneficiaries (\$2.0 billion) based on our sample cases where SSA stopped benefits during our review due to medical CDRs, income, prison/fugitive status, failure to cooperate, inability to locate, etc. If SSA was able to identify all issues impacting benefits as soon as they occurred, the Agency would have likely stopped these benefits sooner.

²⁶ SSA, *Report on Receivables Due From the Public*, Fiscal Year 2004, pages 113, 122, and 131. The SSI overpayments relate to disabled individuals, as well as individuals who became eligible for SSI based on age (65 or older). About 1.2 million individuals received SSI based on age and the average payment was \$342—compared to about 5.6 million individuals receiving SSI based on disability and an average payment of \$433 (SSA, *Annual Statistical Supplement, 2004*). These overpayments were identified during FY 2004. However, the overpayments may have occurred during periods prior to FY 2004.

In Table F-7, we estimated that SSA identified \$1.9 billion in overpayments during our period of review—October 2003 through November 2005—for our sample population representing 80 percent of all disabled beneficiaries. Assuming similar findings in the remaining 20 percent of disabled beneficiaries, our projection would increase to about \$2.4 billion, and the upper and lower limits of our projection would adjust accordingly. Therefore, the \$2.9 billion SSA reported would fall within the range of these adjusted upper and lower limits—and our estimate of \$1.9 billion is a reasonable proxy for the amount of overpayments identified by SSA in its disability programs.

²⁷ The estimates were \$829.1 million and \$345.2 million—and we rounded down to \$0.8 billion and \$0.3 billion in the Table. The OIG estimates are conservative, since our sample was only based on a population of 8.9 million disability beneficiaries—and does not include the 2.2 million beneficiaries (20 percent) we excluded from our original data file of 11.1 million beneficiaries.

²⁸ SSA, *FY 2004 Performance and Accountability Report*, page 169, November 2004.

²⁹ SSA, *FY 2004 Performance and Accountability Report*, page 169, November 2004. SSI payments in FY 2004 include payments to disabled individuals, as well as individuals who became eligible for SSI based on age (65 or older).

Table F-20: Estimated Overpayment Rate Based on Overpayments and Annual Payments to Ineligible Beneficiaries for SSA's DI and SSI Programs	
Overpayments assessed by SSA in FY 2004 for its DI and SSI programs ³⁰	\$2.9 billion
Estimated overpayments detected by OIG for FY 2004 ³¹	\$0.8 billion
Estimated annual payments to ineligible beneficiaries detected by OIG ³²	\$2.0 billion
Total	\$5.7 billion
DI benefits paid in FY 2004	\$75.2 billion
SSI benefits paid in FY 2004	\$35.2 billion
Total	\$110.4 billion
Overpayment Rate³³ (\$5.7 billion/\$110.4 billion)	5.2%

³⁰ SSA, *Report on Receivables Due From the Public*, Fiscal Year 2004, pages 113, 122, and 131. The SSI overpayments relate to disabled individuals, as well as individuals who became eligible for SSI based on age (65 or older). About 1.2 million individuals received SSI based on age and the average payment was \$342—compared to about 5.6 million individuals receiving SSI based on disability and an average payment of \$433 (SSA, *Annual Statistical Supplement, 2004*). These overpayments were identified during FY 2004. However, the overpayments may have occurred during periods prior to FY 2004.

In Table F-7, we estimated that SSA identified \$1.9 billion in overpayments during our period of review—October 2003 through November 2005—for our sample population representing 80 percent of all disabled beneficiaries. Assuming similar findings in the remaining 20 percent of disabled beneficiaries, our projection would increase to about \$2.4 billion, and the upper and lower limits of our projection would adjust accordingly. Therefore, the \$2.9 billion SSA reported would fall within the range of these adjusted upper and lower limits—and the \$1.9 billion is a reasonable estimate for the amount of overpayments identified by SSA in its disability programs.

³¹ The OIG estimates are conservative since our sample was only based on a population of 8.9 million disability beneficiaries—and does not include the 2.2 million beneficiaries (20 percent) we excluded from our original data file of 11.1 million beneficiaries.

³² This estimate represents the amount of benefits SSA paid over a 12-month period by not stopping payments to individuals no longer eligible for benefits. This estimate was based on sample cases identified during our review—not SSA's normal processes. Once we identified a case, SSA made the determination that the individual was no longer eligible for benefits and stopped the benefit payments during our review. Our estimates of payments to ineligible beneficiaries were calculated by multiplying the amount of the October 2003 benefit by 12 months. (If we had used the last payment received instead of the October 2003 payment, our estimate of \$2.0 billion would have increased to \$2.1 billion—as reported in Table F-15—and the rate would increase from 5.2 percent to 5.3 percent.) The \$0.3 billion from Table F-19 is part of the \$2.0 billion in Table F-20. These estimates are based on our population of 8.9 million beneficiaries, whereas the \$2.9 billion in overpayments and \$110 billion in DI and SSI paid are based on all disabled beneficiaries. Any overpayments/payments to ineligible beneficiaries that occurred to individuals outside our population and undetected by SSA were excluded from the rate. For the individuals paid benefits in October 2003, but excluded from our population, we did not estimate any overpayments or payments to ineligible beneficiaries. Page F-1 of this report has a description of the adjustments made to our population prior to selecting the sample.

³³ We looked at the distribution of cases with overpayments identified by SSA, and determined that 73 percent were detected within 25 months. Based on this analysis, 5 cases with overpayments identified by the OIG may have been eventually identified by SSA because they were detected within 25 months (as shown in the charts on page 5 of this report). If these 5 cases were removed from the estimates in Table F-20, the estimated overpayments detected by OIG for FY 2004 would decrease to \$0.7 billion, and the estimated annual payments to ineligible beneficiaries detected by OIG would decrease to \$1.9 billion. Therefore, the rate would decrease from 5.2 percent to 5.0 percent (\$5.5 billion/\$110.4 billion).

Appendix G

Reasons Why Sampled Beneficiaries Were Overpaid or Became Ineligible for Payments

Overpayments were assessed and payments were stopped to ineligible beneficiaries in our sample cases for several reasons in our review of 1,532 disabled beneficiaries, as shown in Tables G-1 and G-2 below.

Table G-1: Reasons for Overpayments in Sampled Cases

Reason for Overpayments in Sample	Identified by SSA's Normal Processes		Identified Due to OIG's Review		Total Number of People ¹	Total Overpayments
	Number of People	Over-payments	Number of People	Over-payments		
Income/Work Activity	94	\$252,151	12	\$534,082	105	\$786,233
Prisoner/Fugitive	2	\$7,186	3	\$32,110	5	\$39,296
SSI Eligibility Not Met	8	\$30,724	1	\$7,831	9	\$38,555
Incorrect Computation	5	\$30,822	0	\$0	5	\$30,822
Payments After Death ²	2	\$9,141	0	\$0	2	\$9,141
Inability to Locate	0	\$0	1	\$7,904	1	\$7,904
Not Cooperating	0	\$0	1	\$4,859	1	\$4,859
Duplicate Payments	7	\$3,163	0	\$0	7	\$3,163
Total	118	\$333,187	18	\$586,786	135	\$919,973

¹ Five beneficiaries had multiple overpayments identified by the Social Security Administration's (SSA) normal processes that fell into more than one category. Also, one beneficiary had overpayments identified by SSA's normal processes and by the Office of the Inspector General's (OIG) review. These beneficiaries are included in the category with the higher dollar amount, but the dollars for each case are in the appropriate category.

² Two beneficiaries died prior to October 2003 but SSA was not notified until after October and was therefore unable to prevent these payments from being issued after death. Therefore, these 2 beneficiaries were in current payment status when we obtained our data file and selected our sample. Additionally, 74 beneficiaries died during our review—between October 2003 and November 2005. In total, 76 beneficiaries in our sample died.

Table G-2: Reasons for Payments Were Stopped to Ineligible Beneficiaries in Sample Cases

Reason for Beneficiaries in Sample	Identified by SSA's Normal Processes		Identified Due to OIG's Review		Total Number of People	Total 12 Month Estimate of Payments to Ineligible Beneficiaries
	Number of People	12-Months of Payments	Number of People	12-Months of Payments		
Death ³	75	\$780,696	0	\$0	75	\$780,696
Income/Work Activity	44	\$197,816	16	\$161,743	60	\$359,559
Medical Improvement	19	\$141,972	12	\$89,075	31	\$231,047
Prisoner/Fugitive	7	\$38,399	5	\$35,471	12	\$73,870
Not Cooperating	4	\$28,632	3	\$18,725	7	\$47,357
Inability to Locate	0	\$0	4	\$34,886	4	\$34,886
SSI Eligibility Not Met	5	\$13,350	2	\$13,716	7	\$27,066
Voluntary Termination	1	\$342	2	\$15,546	3	\$15,888
OASDI Entitlement Not Met	1	\$7,380	0	\$0	1	\$7,380
Total	156	\$1,208,587	44	\$369,162	200	\$1,577,749

INCOME AND WORK ACTIVITY

Individuals may no longer be entitled to disability benefits if their impairments improve or they demonstrate their ability to engage in substantial gainful activity (SGA) by working. For this reason, SSA conducts medical or work-related continuing disability reviews (CDR) to determine whether beneficiaries continue to be disabled and entitled to benefits. Because an individual's entitlement to benefits is generally based on the determination that he or she does not have the ability to engage in SGA, SSA must perform a CDR when there is an indication that the beneficiary has returned to work.⁴

Although disabled Title II beneficiaries are required to report work activity, individuals often fail to report their income. Consequently, SSA developed the CDR Enforcement Operation. This enforcement process compares earnings reported on the Master Earnings File to the benefit rolls to alert the Agency of disabled beneficiaries with potentially unevaluated substantial earnings after disability onset.

³ Of the 1,532 sample cases, 76 beneficiaries died. However, we only counted payments to ineligible beneficiaries for 75 of the 76 beneficiaries during our review period of October 2003 through November 2005. The remaining beneficiary appropriately received payments through November 2005 and payments to ineligible beneficiaries would not start until December—which was beyond our audit period.

⁴ 20 C.F.R. §§ 404.1590(b)(5) and 416.990(b)(5).

Because of SSA's limited resources and competing workloads, the Agency limits the number of work-related CDRs that are performed as a result of earnings identified through its enforcement process. Although earnings may be identified through enforcements, SSA screens out cases for work-related CDRs if the earnings are below the Agency's pre-defined "screen-out" amounts. Limiting work-related CDRs to enforcement cases with higher earnings allows SSA to use its resources to develop only those cases that the Agency believes are more likely to involve SGA.

THE MEDICAL IMPROVEMENT REVIEW STANDARD

Most disability claims are initially processed through a network of Social Security Field Offices and State Disability Determination Services (DDS). Once SSA establishes an individual is eligible for disability benefits under either the Disability Insurance or SSI program, the Agency turns its efforts toward ensuring the individual continues to receive benefits only as long as SSA eligibility criteria are met. For example, a CDR may show the individual no longer meets SSA's disability criteria or has demonstrated medical improvement.

The current Medical Improvement Review Standard (MIRS) was implemented in 1984 through changes to the Social Security Act.⁵ MIRS requires that before benefits can be ceased, SSA must find medical improvement since the last medical decision and this improvement must be related to the individual's ability to work.⁶

Constitutional Due Process requirements oblige SSA to pay benefits until an individual is found to be no longer disabled during a CDR and is notified, even if the medical impairments improved at an earlier time.⁷

FUGITIVES AND PRISONERS

SSI Provisions for Fugitives

An individual is ineligible for SSI payments for any month during which he/she is:

- fleeing to avoid prosecution for a crime which is a felony (or in New Jersey, a high misdemeanor) under the laws of the place from which the person flees;
- fleeing to avoid custody or confinement after conviction for a crime which is a felony (or in New Jersey, a high misdemeanor) under the laws of the place from which the person flees; or
- violating a condition of probation or parole imposed under Federal or State law.⁸

⁵ Social Security Disability Benefits Reform Act of 1984, Pub. L. No. 98-460.

⁶ 20 C.F.R. § 404.1594.

⁷ SSA, POMS, DI 12027.005.

⁸ Social Security Act § 1611(e)(4), 42 U.S.C. § 1382(e)(4).

SSA revised its application and redetermination forms on October 23, 2000 to ensure that all potential SSI recipients are advised of the effect that fugitive status or parole/probation violations have on eligibility for payments. These new forms solicit specific information from individuals to determine whether fugitive ineligibility applies.

To identify SSI recipients who did not report their outstanding warrants to SSA, the Agency—in partnership with the Office of the Inspector General—entered into agreements with the United States Marshals Service, the National Crime Information Center, the Federal Bureau of Investigations, and over 20 State and local law enforcement agencies to obtain fugitive data.

Old-Age, Survivors, and Disability Insurance Provisions for Fugitives

Fugitive provisions for Old-Age, Survivors, and Disability Insurance (OASDI) beneficiaries were implemented in January 2005. Generally, payment is prohibited for any month in which a beneficiary has an unsatisfied warrant that has been outstanding for more than 30 consecutive days for:

- a crime, or attempted crime, that is a felony or, in jurisdictions that do not classify crimes as felonies, a crime that is punishable by death or imprisonment for more than 1 year (regardless of the actual sentence imposed); or
- violation of a condition of Federal or State probation/parole.⁹

For both SSI and OASDI benefits suspended due to fugitive status, the suspension will end and benefits will resume in the month after the month the warrant has been satisfied. Warrants are satisfied in one of three ways:

- (1) the subject is arrested; or
- (2) the subject surrenders to law enforcement; or
- (3) a judge dismisses, vacates, cancels, or otherwise voids the warrant.

Provisions for Prisoners

SSA is prohibited from making OASDI payments to individuals for any month during which they are confined in a penal institution as a result of being convicted of a criminal offense.¹⁰ In addition, the Agency is prohibited from making monthly SSI payments to individuals for any month throughout which they reside in a public institution, such as a correctional facility.¹¹ Further, the Act permits Federal, State, or county and local

⁹ Social Security Act § 202(x)(1)(A)(iv) and (v), 42 U.S.C. § 402(x)(1)(A).

¹⁰ Social Security Act § 202(x)(1)(A)(i) and (ii), 42 U.S.C. § 402(x)(1)(A)(i) and (ii).

¹¹ Social Security Act § 1611(e)(1)(A), 42 U.S.C. § 1382(e)(1)(A).

agencies to make available to SSA, upon written request, the name and Social Security number (SSN) of any individual who is confined in a penal institution or a correctional facility.¹²

To determine whether prisoners are receiving OASDI or SSI payments, SSA negotiates computer matching agreements or Memorandums of Understanding with Federal, State, county, and local correctional agencies to obtain prisoner information. Depending upon the individual agreement, the prisoner information is obtained in either a computer-processable format or on paper reports and forwarded to either SSA's field offices or SSA's central office. The information obtained by SSA includes the prisoner's name, SSN, date of birth, gender, and dates and place of confinement.

Prisoner information is matched against SSA's recipient or beneficiary information. As part of the computerized matching process, SSA passes the information through its Enumeration Verification System (EVS). EVS matches each prisoner record to SSA's enumeration records to determine whether the prisoner is using the correct SSN. EVS also tries to find the correct SSN for prisoners when the SSN submitted by the correctional Agency is erroneous, invalid, or missing.

SSA also receives prisoner information on paper from local correctional agencies in accordance with agreements established with those facilities. The information is manually processed by SSA field office staff, who screen the prisoner information received against SSA's records.

The purpose of both manual screening and electronic matching is to identify prisoners receiving benefits. If SSA identifies benefit payments issued under an SSN used by a prisoner, an alert is issued for appropriate SSA staff to verify the beneficiary's identity and determine whether payments should be stopped.

FAILURE TO COOPERATE AND INABILITY TO LOCATE

When SSA and the State DDS conduct a CDR—or if there is a question about whether a beneficiary continues to be eligible for disability benefits, the beneficiary has a responsibility to cooperate with and to take any required action requested by the Agency or DDS to complete the CDR. A beneficiary's failure to cooperate, without good cause, is a basis for the DDS to terminate Title II and/or Title XVI benefits when there is not enough evidence to justify a continuance. A failure to cooperate does not apply if there is enough evidence to make a determination to continue benefits.¹³

¹² Social Security Act §§ 202(x)(3)(B)(i) and 1611(e)(1)(I)(i), 42 U.S.C. §§ 402 and 1382.

¹³ SSA, POMS, DI 28075.005C.

Inability to locate is a basis for SSA to find cessation and to terminate Title II benefits. For Title XVI cases, inability to locate is a basis to suspend but not to terminate SSI payments until the recipient is located.¹⁴ Eligibility for SSI payments is automatically terminated after 12 consecutive months of benefit suspension for any reason, beginning with the first month the recipient was no longer eligible for payments.¹⁵

SSI ELIGIBILITY

Title XVI of the Social Security Act specifies who is eligible to receive SSI benefits, the amount of cash payments, and the conditions under which payments can be made.¹⁶ An individual who applies for SSI and meets the conditions in the law is eligible for benefits.

Generally, the eligibility requirements for SSI are as follows:

- Age 65 or older, blind or disabled; and
- Reside in one of the 50 States, the District of Columbia, or the Northern Mariana Islands (except for a child of military parent(s) assigned to permanent duty anywhere outside the United States or certain students temporarily abroad); and
- Citizen or national of the United States or an alien lawfully admitted for permanent residence in the United States or an alien permanently residing in the United States under color of law; and
- Have income and resources within specified limits; and
- Fugitive provisions (as described previously) do not apply; and
- File an application for SSI benefits.

VOLUNTARY TERMINATION OF SSI PAYMENTS

A SSI recipient, his legal guardian, or his representative payee may terminate his eligibility for benefits by filing a written request for termination, which shows an understanding that such termination may extend to other benefits resulting from eligibility for SSI payments. If a recipient has a representative payee, the Agency must determine that no hardship would result if an eligible recipient were not covered by the SSI program prior to stopping benefits. When such a request is filed, the recipient ceases to be an eligible individual effective with the month following the month the request is filed with SSA unless the recipient specifies some other month. Once SSA stops paying benefits at the request of the recipient, legal guardian or representative payee, eligibility can be reestablished only upon the filing of a new application.¹⁷

¹⁴ Id.

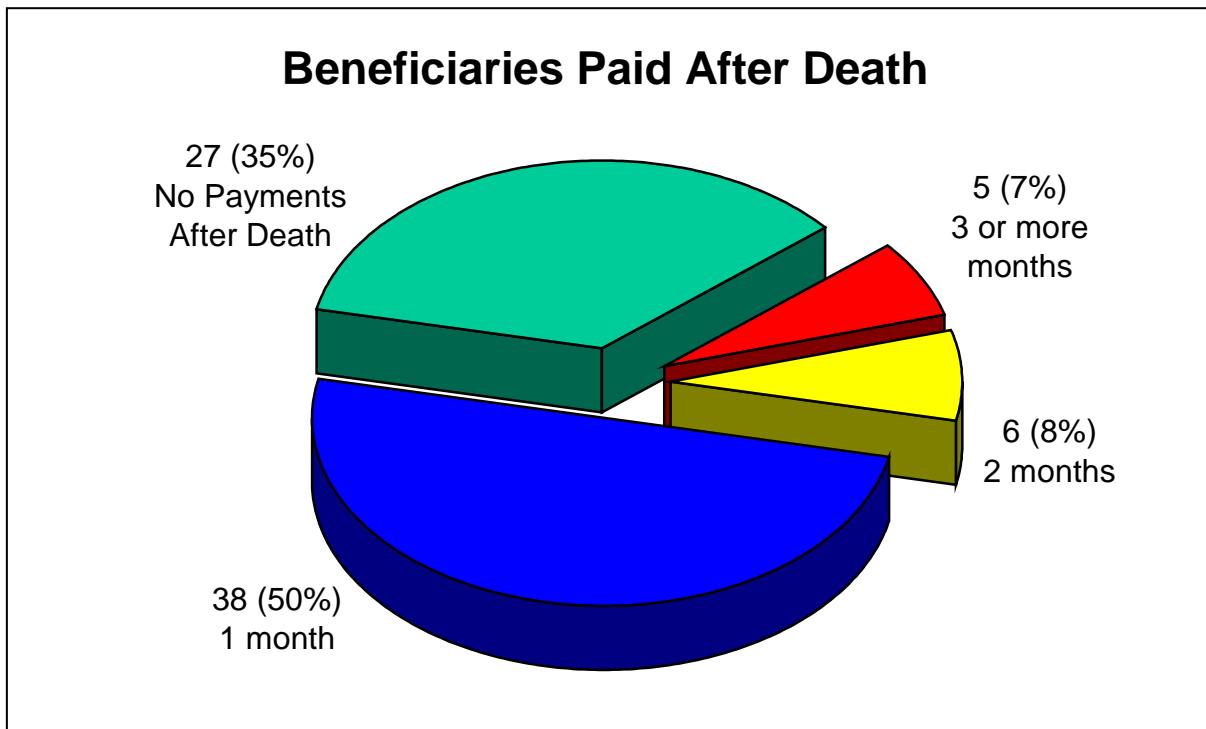
¹⁵ 42 U.S.C. § 1383(j) and 20 C.F.R. § 416.1335.

¹⁶ Social Security Act § 1611(a) – (c), 42 U.S.C. § 1382(a) – (c).

¹⁷ 20 C.F.R. § 416.1333.

PAYMENTS AFTER DEATH

In our sample of 1,532 disabled beneficiaries, 76 died during the period of our review. SSA was notified of these deaths through its normal business processes and stopped payments the same month it received notification. However, for 49 of these deceased beneficiaries, the Agency issued payments for at least one month after death—either due to untimely notification of death or the notification was received too late to stop issuance of the payment. Within our sample, we found that the Agency recovered \$50,442 of the \$55,924 in funds paid after death (90 percent).



SSA is working with State governments to improve the current paper-based process under an initiative known as *Electronic Death Registration* (EDR). EDR would enable SSA to receive verified death data within 24 hours of receipt in the State Bureau of Vital Statistics and within 5 days of death. EDR would also improve the accuracy of SSA's death master file, which is shared with other Federal agencies.

There are contracts in place for EDR in 15 States and 2 cities (New York City and Washington, D.C.); and by the end of Fiscal Year (FY) 2004 EDR had been implemented in New Hampshire, South Dakota, Minnesota and Montana. SSA will continue the nationwide expansion of EDR by awarding contracts to as many States as funding allows in FYs 2005 and 2006.

SUMMARY OF PRIOR OIG REPORTS

Earnings and Work Activity	
Report	Date Issued
Disabled SSI Recipients with Earnings (A-01-04-14085)	April 2005
Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-03-13019)	July 2004
Medical Improvement	
Report	Date Issued
Continuing Disability Reviews for SSI Recipients Approved Based on Low Birth Weight (A-01-02-12031)	June 2002
Failure to Cooperate and Inability to Locate	
Report	Date Issued
Review of Entitlement Determination Procedures for Unlocated Title II Disabled Beneficiaries (A-06-95-00076)	July 1997
Fugitives	
Report	Date Issued
Assessment of the SSI Fugitive Felon Project (A-01-03-23070)	September 2003
Screening Representative Payees for Fugitive Warrants (A-01-02-12032)	March 2003
Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of Pub. L. No.104-193 (A-01-02-12073)	October 2002
OASDI Benefits Paid to Fugitives (A-01-00-10014)	August 2000
Identification of Fugitives Receiving SSI Payments (A-01-98-61013)	August 2000
Prisoners	
Report	Date Issued
SSA's Prisoner Incentive Payment Program (A-01-04-24067)	July 2004
Follow-up on Prior OIG Prisoner Audits (A-01-02-12018)	July 2003
Effectiveness of SSA's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments (A-01-96-61083)	June 1997
Effectiveness in Obtaining Records to Identify Prisoners (A-01-94-02004)	May 1996

SSI Eligibility	
Report	Date Issued
Deeming of Income to Establish Initial Eligibility for SSI Recipients (A-05-99-21005)	September 2001
The Adequacy of the Residency Verification Process for the Supplemental Security Income Program (A-06-96-62001)	May 1997
Review of Asset Transfers for SSI Eligibility (A-09-95-01017)	September 1996
Voluntary Termination	
No Prior OIG Work	
Payments After Death	
Report	Date Issued
Follow-up Review of OASDI Benefits Paid to Deceased Auxiliary Beneficiaries (A-01-03-13037)	June 2003
Congressional Response Report: SSA's Efforts to Process Death Reports and Improve its Death Master File (A-09-03-23067)	January 2003
OASDI and SSI Payments to Deceased Beneficiaries and Recipients (A-06-02-12012)	October 2002
Controls Over SSA's Processing of Death Records from the Department of Veterans Affairs (A-01-01-21038)	February 2002
OASDI Benefits Paid to Deceased Auxiliary Beneficiaries (A-01-00-20043)	June 2001
Improving the Usefulness of SSA's Death Master File (A-09-98-61011)	July 2000

Generally, SSA agreed to the recommendations in the reports listed in the table above. Additionally, the Government Accountability Office has conducted some reviews in these areas.

DISTRIBUTION SCHEDULE

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Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Subcommittee on Human Resources
Chairman and Ranking Minority Member, Committee on Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Government Reform and Oversight
Chairman and Ranking Minority Member, Committee on Governmental Affairs
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,
House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
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Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Resource Management

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.