

Audit Report

Statutory Benefit Continuation
During the Appeals Process for
Medical Cessations

A-07-17-50127 / May 2017

MEMORANDUM

Date: May 11, 2017

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Statutory Benefit Continuation During the Appeals Process for Medical Cessations
(A-07-17-50127)

The attached final report presents the results of the Office of Audit's review. The objective was to evaluate the financial impact on the Disability Insurance Trust Fund and the General Fund of the U.S. Treasury when individuals continued receiving benefit payments during appeals of medical cessation determinations that administrative law judges upheld.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.



Gale Stallworth Stone

Attachment

Statutory Benefit Continuation During the Appeals Process for Medical Cessations

A-07-17-50127



May 2017

Office of Audit Report Summary

Objective

To evaluate the financial impact on the Disability Insurance (DI) Trust Fund and the General Fund of the U.S. Treasury when individuals continued receiving benefit payments during appeals of medical cessation determinations that administrative law judges (ALJ) upheld.

Background

Statutory benefit continuation allows an individual to continue receiving disability benefits during the appeal of a medical cessation determination at the reconsideration or ALJ hearing levels. If the cessation determination is upheld after appeal, the Social Security Administration (SSA) considers the payments received during the appeals process overpayments the individual must return to SSA.

In 2006, we completed two audits that projected, in Fiscal Years 2003 and 2004, \$43.9 million became overpayments to DI beneficiaries, and \$146.1 million became overpayments to Supplemental Security Income (SSI) recipients when an ALJ upheld the decision that the individuals were no longer eligible to receive disability payments.

Findings

We project SSA overpaid approximately \$682.5 million to individuals in our population who continued receiving disability benefits during the appeals process but for whom ALJs upheld the cessation determinations from October 1, 2013 through July 8, 2016. This comprised \$138.5 million overpaid to DI beneficiaries and \$544 million overpaid to SSI recipients.

We estimate, as of August 2016, SSA was in the process of collecting 28 percent of the amount overpaid to DI beneficiaries. It had collected only 4 percent, waived or terminated collection action on 17 percent, and posted another 37 percent to the beneficiaries' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted about 14 percent to the beneficiaries' records for collection. Likewise, for the amount overpaid to the SSI recipients, SSA was in the process of collecting 61 percent. It had collected 2 percent, waived or terminated collection action on 13 percent, and had posted another 17 percent to the recipients' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted 7 percent to the individuals' records for collection.

The average processing time for medical cessation appeals had increased from our prior reviews. Specifically, processing times were 766 days for sampled DI beneficiaries and 831 days for sampled SSI recipients—increases of 18 percent and 20 percent, respectively. If SSA prioritizes medical cessation appeals, it could increase DI and SSI programs' financial performance. For example, we project SSA could have avoided \$69.7 million in DI overpayments and \$266 million in SSI overpayments had it completed the appeals process for medical cessations within its processing time goals totaling 394 days.

Recommendations

We made four recommendations for SSA to take appropriate actions to address issues related to the appeals of medical cessation determinations and resulting overpayments. SSA agreed with our recommendations.

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ABBREVIATIONS

AC	Appeals Council
ALJ	Administrative Law Judge
CDR	Continuing Disability Review
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DI	Disability Insurance
FY	Fiscal Year
HALLEX	Hearings, Appeals and Litigation Law Manual
ODAR	Office of Disability Adjudication and Review
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVE

Our objective was to evaluate the financial impact on the Disability Insurance (DI) Trust Fund and the General Fund of the U.S. Treasury when individuals continued receiving benefit payments during appeals of medical cessation determinations that administrative law judges (ALJ) upheld.

BACKGROUND

The Social Security Administration (SSA) administers two programs that provide benefits based on disability: DI and Supplemental Security Income (SSI). The DI program makes monthly income available to insured workers and their families if the worker becomes disabled.

Disability benefits are also available to disabled adult children of insured workers who have died or retired and to certain disabled widows, widowers, and surviving divorced spouses of deceased workers.¹ The U.S. Treasury's DI Trust Fund finances DI benefits.² SSI is a means-tested program designed to provide a minimum level of income to financially needy individuals who are aged, blind, or disabled.³ The U.S. Treasury's General Fund finances the SSI program.⁴

Once SSA establishes an individual is eligible for disability benefits under either program, it uses continuing disability reviews (CDR) to ensure only those who remain disabled continue receiving benefits.⁵ When a CDR indicates the beneficiary no longer meets the medical requirements for disability benefits, SSA discontinues benefits (medical cessation determination). Disability examiners in State disability determination services (DDS) and the Office of Central Operations as well as disability specialists in program service centers make the medical cessation determinations. Once SSA makes a medical cessation determination, it informs the beneficiary and continues benefit payments for 2 months after cessation.⁶ The individual may appeal the decision within 60 days of the date he/she receives notice from SSA or appeal at any time thereafter if he/she shows good cause for late filing.⁷

¹ *Social Security Act*, 42 U.S.C. §§ 401-434 (2016); 20 C.F.R. §§ 404.1-2127 (2016).

² *Social Security Act*, 42 U.S.C. § 401 (2016); 20 C.F.R. § 404.1 (2016).

³ *Social Security Act*, 42 U.S.C. §§ 1381-1383f (2016); 20 C.F.R. §§ 416.101-416.2227 (2016).

⁴ *Social Security Act*, 42 U.S.C. § 1381 (2016); 20 C.F.R. § 416.101 (2016).

⁵ 20 C.F.R. §§ 404.1594 and 416.994 (2016).

⁶ Disability entitlement continues for the month of cessation and the following 2 months. SSA, *POMS, DI-Disability Insurance*, ch. DI 280, subch. DI 28001.001 (November 7, 2002).

⁷ SSA, *POMS, GN-General*, ch. GN 031, subch. GN 03101.010 (April 21, 2011).

The appeals process has three administrative review levels. In the first level, the DDS reconsiders the cessation determination.⁸ If the individual is dissatisfied with the DDS decision at the reconsideration level, the individual may proceed to the second level, which is to request a hearing before an administrative law judge (ALJ) in the Office of Disability Adjudication and Review (ODAR). If the individual is dissatisfied with the ALJ's decision, he/she may appeal to the Appeals Council (AC), the third level. The AC can deny, dismiss, or grant the request for review. If the AC grants the request for review, the AC issues a decision or remands the case to an ALJ.⁹

Statutory benefit continuation allows an individual to continue receiving disability benefits during the appeal of a medical cessation determination at the reconsideration or ALJ hearing levels.¹⁰ If the cessation determination is upheld after appeal, SSA considers the payments received during the appeals process to be overpayments the individual must return to SSA.¹¹

In 2006, we completed two audits that identified concerns with the continuation of benefits during the appeals process.¹² We projected, in Fiscal Years (FY) 2003 and 2004, \$43.9 million became overpayments to 2,981 DI beneficiaries, and \$146.1 million became overpayments to 15,853 SSI recipients when an ALJ upheld the decision that the individuals were no longer eligible to receive disability payments. SSA did not require priority processing for medical cessation appeals at the reconsideration level. Further, hearing office employees were to assign medical cessation cases to ALJs immediately, but we found employees were not expediting these cases to the fullest extent possible. As a result, the average length of the appeals process from the date the beneficiary requested a reconsideration to the date an ALJ made a decision was 648 days (22 months) for DI beneficiaries and 694 days (23 months) for SSI recipients.

⁸ CDR reconsiderations have two levels: pre-hearing and disability hearing. The pre-hearing review is a new, independent evaluation of all evidence, including any additional or updated information. SSA, *POMS, DI-Disability Insurance*, ch. DI 290, subch. DI 29005.001 (September 23, 2016). Based on the evidence, the DDS determines whether to continue benefits. SSA, *POMS, DI-Disability Insurance*, ch. DI 290, subch. DI 29005.005 (September 23, 2016). If the DDS decides to stop benefits, the case goes to the disability hearing unit of the DDS where a disability hearing is held. SSA, *POMS, DI-Disability Insurance*, ch. DI 290, subch. DI 29001.001, sec. B.1 (March 21, 2016). Based on the documentary evidence, including new or updated information, and the testimony of the individual or any other witnesses, a disability hearing officer affirms or reverses the initial CDR cessation. SSA, *POMS, DI-Disability Insurance*, ch. DI 330, subch. DI 33015.020, secs. C.2.c and C.3 (March 2, 2012).

⁹ SSA, *POMS, GN-General*, ch. GN 031, subch. GN 03101.001 (July 25, 2014).

¹⁰ SSA, *POMS, DI-Disability Insurance*, ch. DI 120, subch. DI 12027.001 (April 20, 2007); 20 C.F.R. §§ 404.1597a and 416.996 (2016).

¹¹ 20 C.F.R. §§ 404.1597a(j) and 416.996(g) (2016).

¹² SSA, OIG, *Impact of Statutory Benefit Continuation on Disability Insurance Benefit Payments Made During the Appeals Process*, A-07-05-15094 (December 2006). SSA, OIG, *Impact of Statutory Benefit Continuation on Supplemental Security Income Payments Made During the Appeals Process*, A-07-05-15095 (May 2006).

In both audits, we recommended SSA enhance the business process to allow more timely decisions on medical cessation appeals. While SSA agreed with the recommendation, it responded that it would not move medical cessation cases ahead of other priority cases.

For this audit, we obtained a list of 12,076 DI beneficiaries and 49,412 SSI recipients who appealed a medical cessation determination and had an ALJ decision from October 1, 2013 through July 8, 2016.¹³ Of these, we identified 8,002 DI beneficiaries and 41,225 SSI recipients for whom ALJs upheld the cessations.

From these populations, we randomly selected 50 DI beneficiaries and 50 SSI recipients to determine (1) the amount of benefit payments received during the appeals process, (2) SSA's overpayment recovery activities, and (3) the length of the appeals process.¹⁴

RESULTS OF REVIEW

We project SSA overpaid approximately \$682.5 million to beneficiaries and recipients in our population who continued receiving disability benefits during the appeals process but for whom ALJs upheld the cessation determinations from October 1, 2013 through July 8, 2016. This amount included \$138.5 million overpaid to DI beneficiaries and \$544 million overpaid to SSI recipients.

We estimate, as of August 2016, SSA was in the process of collecting 28 percent of the amount overpaid to DI beneficiaries. It had collected only 4 percent, waived or terminated collection action on 17 percent, and posted another 37 percent to the beneficiaries' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted the remaining 14 percent to the beneficiaries' records for collection. Likewise, for the amount overpaid to the SSI recipients, SSA was in the process of collecting 61 percent. It had collected 2 percent, waived or terminated collection action on 13 percent, and posted another 17 percent to the recipients' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted the remaining 7 percent to the recipients' records for collection.

During our audit period, the average processing time for medical cessation appeals increased, from the reconsideration to the ALJ decision dates. Specifically, processing times averaged 766 days (25 months) for sampled DI beneficiaries and 831 days (27 months) for sampled SSI recipients—increases of 18 and 20 percent, respectively, since our prior reviews. Therefore, SSA's medical cessation appeals process continued to be inefficient.

¹³ Our DI population included beneficiaries who were concurrently receiving SSI.

¹⁴ See Appendix A for our scope and methodology.

Overpayments Resulting from Cessation Determinations

We randomly selected 50 DI beneficiaries and 50 SSI recipients for whom ALJs upheld medical cessations from the beginning of FY 2014 through July 8, 2016. We found 40 (80 percent) DI beneficiaries and their auxiliaries were overpaid \$865,287, and 46 (92 percent) SSI recipients were overpaid \$659,757 because they received benefit payments during the appeals process.

Based on these results, we project SSA overpaid approximately \$682.5 million to beneficiaries and recipients who continued receiving benefit payments during appeals of their cessation determinations. This included \$138.5 million in overpayments to 6,402 DI beneficiaries and \$544 million to 37,927 SSI recipients. The overpayments to beneficiaries and recipients whose cessations ALJs upheld had increased substantially since we completed the prior audits.¹⁵

SSA's Actions on Overpayments

We identified any actions SSA had taken as of August 2016 on the overpayments incurred from upheld medical cessations. We categorized the amounts SSA was in the process of collecting,¹⁶ had collected, waived,¹⁷ or terminated collection action on;¹⁸ or posted to the individuals' records but had not taken action to collect, waive, or deem uncollectible.¹⁹ Further, we identified the amounts SSA did not post to the individuals' records for collection.

Of the estimated \$138.5 million SSA overpaid to 6,402 DI beneficiaries, we project the Agency was in the process of collecting approximately \$38.6 million (28 percent) and had collected \$5.1 million (4 percent) (see Figure 1 and Appendix B, Table B-3). Furthermore, we project SSA waived or terminated collection action on \$23.9 million (17 percent) in overpayments. SSA posted another projected \$51.2 million (37 percent) of the overpayments to the beneficiaries'

¹⁵ The increase in overpayments from upheld cessations could be the result of multiple factors—including increases in processing times, the number of CDRs completed, and DI and SSI monthly payment amounts.

¹⁶ SSA was collecting these overpayments via benefit withholding (DI or SSI) or installment agreements, or had referred them for other external collection activities, such as Treasury offset.

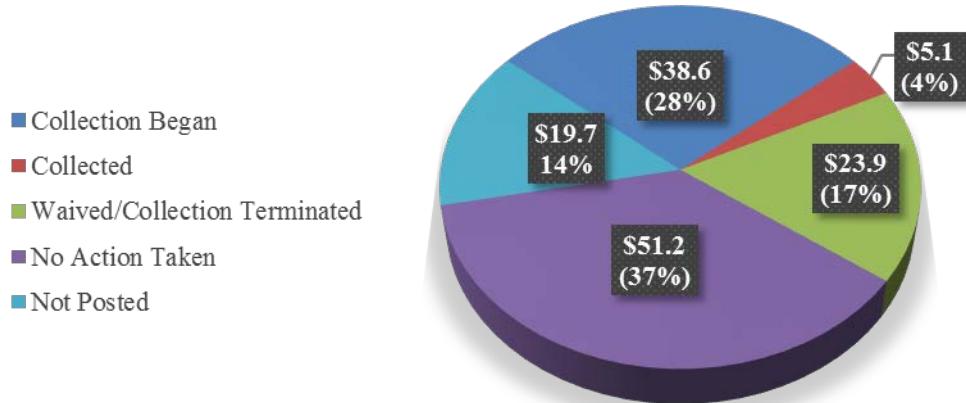
¹⁷ SSA grants overpayment waivers when the individual is not at fault for the overpayment and recovery would (1) be against equity and good conscience or (2) defeat the purpose of the program. SSA, *POMS, GN-General*, ch. GN 022, subch. GN 02250.001 (October 4, 2005). A waiver relieves the beneficiary or recipient from ever having to repay the funds to SSA. SSA may consider waiver of recovery of an overpayment resulting from continued benefits to an individual as long as the individual appealed the cessation determination in good faith. 20 C.F.R. §§ 404.1597a(j)(3) and 416.996(g)(2) (2016).

¹⁸ SSA may terminate collection efforts if, for example, it cannot locate the overpaid individual. However, the debt remains on the individual's record to be collected by appropriate and available methods in the future. SSA, *POMS, GN-General*, ch. GN 022, subch. GN 02215.235 (July 2, 2015).

¹⁹ SSA does not issue the initial notice of overpayment until the debtor's medical cessation appeal is exhausted. SSA, *POMS, GN-General*, ch. GN 022, subch. GN 02201.009, sec. H (April 15, 2011).

records but did not take action to collect, waive, or deem them uncollectible.²⁰ Finally, SSA took no action to collect a projected \$19.7 million (14 percent) because, for five beneficiaries in our sample and their auxiliaries, it did not post the entire payment received during the appeal while, for three beneficiaries in our sample, it did not post overpayments at all.²¹

**Figure 1: SSA's Actions on Projected Overpayments to DI Beneficiaries
(in millions)**



Of the estimated \$544 million SSA had overpaid 37,927 SSI recipients, we project the Agency was in the process of collecting approximately \$332.3 million (61 percent) and had collected \$9.6 million (2 percent) (see Figure 2, and Appendix B, Table B-7). Furthermore, we project SSA waived or terminated collection on \$69.5 million (13 percent) in overpayments. SSA posted another \$91.8 million (17 percent) of the overpayments to the recipients' records but did not take action to collect, waive, or deem them uncollectible.²² Finally, SSA took no action to collect a projected \$40.7 million (7 percent) because, for four recipients in our sample, it did not post the entire amount of payments received during the appeal while, for one recipient, it did not post overpayments at all.²³

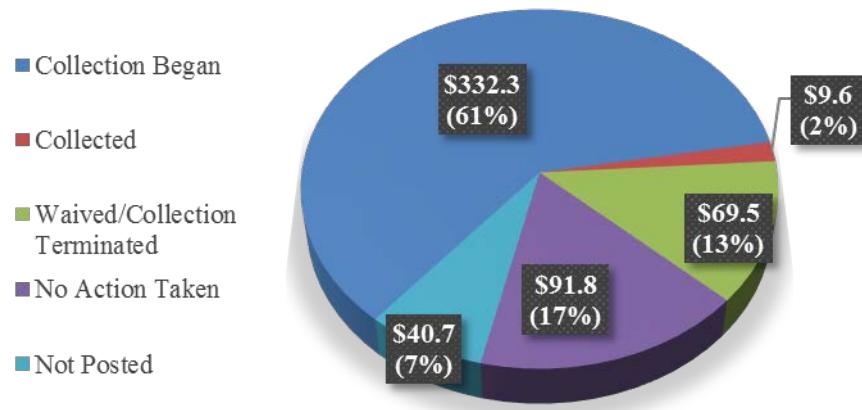
²⁰ Of the 40 overpaid DI beneficiaries in our sample, 22 had overpayments posted for payments received during the appeal period, but SSA had not taken action to collect, waive, or deem them uncollectible. SSA had sent all but two of these beneficiaries notices regarding the overpayments.

²¹ Even though these three beneficiaries had exhausted all appeals and ALJs upheld the cessations, SSA had not sent a notice of overpayment.

²² Of the 46 overpaid SSI recipients in our sample, 11 had overpayments posted for payments received during the appeal period but SSA had not taken action to collect, waive, or deem them uncollectible. SSA had sent all but two of these recipients notices regarding the overpayments.

²³ Even though this recipient had exhausted all appeals and an ALJ upheld the cessation, SSA had not sent a notice of overpayment.

**Figure 2: SSA's Actions on Projected Overpayments to SSI Recipients
(in millions)**



SSA should take appropriate action for the eight DI beneficiaries and their auxiliaries and five SSI recipients who did not have overpayments (1) posted for the entire amount of payments received during the appeal or (2) posted at all.²⁴ In addition, it should evaluate the results of its actions for these individuals and determine the feasibility of identifying the remaining individuals in our populations who should have additional overpayments posted.²⁵ Further, SSA should determine the feasibility of developing a system alert to ensure it posts overpayments for individuals who received disability benefits during the appeals process but for whom ALJs uphold the cessation determinations.

Length of Appeal

Processing times had increased since we completed our prior audits. In our prior audits, we identified average processing times from the reconsideration request date to the ALJ decision date of 648 days (22 months) for DI beneficiaries and 694 days (23 months) for SSI recipients. From our current samples, we found average processing times of 766 days (25 months) for overpaid DI beneficiaries—an 18-percent increase—and 831 days (27 months) for overpaid SSI recipients—a 20-percent increase (see Table 1).²⁶

²⁴ We referred these beneficiaries and recipients to SSA in February 2017.

²⁵ We referred our populations to SSA in February 2017.

²⁶ We recognize beneficiaries and recipients can delay hearings, which can increase the processing time for ALJ decisions and ultimately result in a larger overpayment. However, we did not consider this characteristic or other factors outside SSA's control during our review.

Table 1: Processing Time from Reconsideration Request Date to ALJ Decision Date for Overpaid Beneficiaries and Recipients

Description	Overpaid DI Beneficiaries		Overpaid SSI Recipients	
	Days	Months	Days	Months
Average	766	25	831	27
High	1,750	57	1,470	48
Low	343	11	337	11

It is not financially efficient for SSA to have such a lengthy processing time for individuals who are receiving benefits. These lengthy processing times caused us to recommend in our previous reports that SSA enhance its business process to allow more timely decisions on medical cessation appeals. SSA agreed with our recommendation but responded it would not segregate medical cessation cases and move them ahead of other priority cases. SSA indicated that implementation of the electronic folder along with new disability regulations would decrease processing time. In May 2007, SSA announced a plan to eliminate the backlog of hearing requests and prevent its recurrence.²⁷ When SSA announced its plan, the average processing time was 512 days, and its goal was to reduce that to 270 days by the end of FY 2013. However, SSA did not meet that goal and, with processing times averaging over 500 days in FY 2016, SSA announced a new plan to reach its goal of 270 days by FY 2020.²⁸

According to SSA, it had a policy that directed hearing office management to assign disability cessation cases immediately to avoid or minimize overpayments.²⁹ However, the results of our review show this policy was not sufficient to ensure SSA worked disability cessation cases expeditiously. Further, it only applied to the ALJ hearing level. Therefore, to the extent possible, SSA should identify additional actions at both the ALJ hearing and reconsideration levels to expedite medical cessation appeals that involve benefit payments to avoid or minimize overpayments.³⁰

²⁷ *Funding Social Security's Administrative Costs: Will the Budget Meet the Mission?: Hearing Before the Senate Finance Committee*, 110th Congress (May 23, 2007) (addendum to statement of Michael J. Astrue, Commissioner of the Social Security Administration).

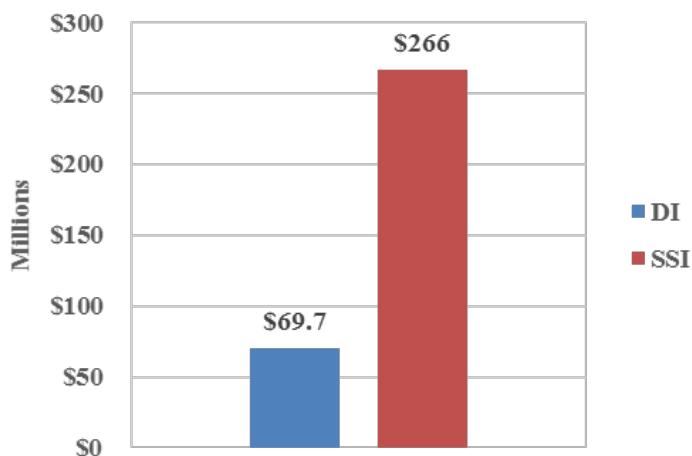
²⁸ SSA, ODAR, *Leading the Hearings and Appeals Process into the Future: A Plan for Compassionate And Responsive Service* (2016).

²⁹ SSA, *HALLEX*, vol. I, ch. I-2-1, sec. I-2-1-55 D.8 (August 29, 2014).

³⁰ We recognize there are some cases that do not involve benefit payments that must go through expedited processing because of the severity of the impairment. For example, claimants who have a terminal illness or impairment that significantly affects their ability to function. SSA, *POMS, DI-Disability Insurance*, ch. DI 230, subch. DI 23020.045 (October 22, 2015); SSA, *POMS, DI-Disability Insurance*, ch. DI 230, subch. DI 23022.010 (January 9, 2017).

In our prior reports, we calculated SSA's potential savings if it processed medical cessation appeals within 135 to 195 days. However, SSA responded that those timeframes were unrealistic. With increasing processing times and a growing backlog of hearings, we recognize it is unlikely SSA can achieve these processing times. Therefore, for our current review, we adjusted our methodology to illustrate savings if SSA completed the entire appeals process (both reconsideration and ALJ hearings) for medical cessation appeals within 394 days. We based this processing time on SSA completing reconsiderations for medical cessations within 109 days,³¹ holding ALJ hearings for medical cessations within 270 days, and allowing 15 days for beneficiaries to request benefit continuation during an appeal after reconsideration.³² If SSA processed medical cessation appeals within 394 days, we project SSA could have avoided DI overpayments of \$69.7 million and SSI overpayments of \$266 million (see Figure 3 and Appendix B, Table B-4 and Table B-8).

Figure 3: Projected Savings by Completing Medical Cessation Appeals Within 394 Days



CONCLUSIONS

In our prior reports, we recommended SSA enhance its business process to allow more timely decisions on medical cessation appeals to avoid substantial overpayments. While SSA agreed with our recommendations, it responded that it would not segregate medical cessation cases to move them ahead of other cases for claimants who were not receiving payments.

³¹ SSA's FY 2017 target is to process appeals of initial claims at the reconsideration level within 109 days. SSA did not have a target processing time for initial claim reconsiderations before FY 2017. SSA, *FY 2017 Budget Overview*, p. 8 (2016). According to SSA, it does not have a processing time target for appeals of CDRs at the reconsideration level.

³² An individual must request benefit continuation within 15 days of the date of the notice of cessation (10 days after receipt of the notice plus 5 days mail time), unless he/she establishes good cause for late filing. A request for benefit continuation establishes a claimant's intent to appeal. SSA, *POMS, DI-Disability Insurance*, ch. DI 120, subch. DI 12027.008 (February 22, 2017).

Since we issued the prior reports, appeal lengths have continued to grow. Had SSA expedited medical cessation appeals, it could have greatly increased the DI and SSI programs' financial performance. For example, we project SSA could have avoided approximately \$69.7 million in DI overpayments and approximately \$266 million in SSI overpayments had it completed the entire appeals process (both reconsiderations and ALJ hearings) for medical cessations within its processing time goals totaling 394 days.

In addition, some of the beneficiaries and recipients in our sample did not have overpayments posted for the entire amount of payments received during the appeal or did not have overpayments posted at all.

RECOMMENDATIONS

We recommend SSA:

1. Identify actions at both the ALJ hearing and reconsideration levels to expedite medical cessation appeals that involve benefit payments to avoid or minimize overpayments.
2. Take appropriate action for the eight DI beneficiaries and their auxiliaries and five SSI recipients we identified who did not have overpayments (a) posted for the entire amount of payments received during the appeal or (b) posted at all.
3. Evaluate the results of its actions for the individuals we identified and determine the feasibility of identifying the remaining individuals in our populations who should have additional overpayments posted.
4. Determine the feasibility of developing a system alert to ensure it posts overpayments for individuals who receive disability benefits during the appeals process, but for whom ALJs uphold the cessation determination.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations as well as sections of the Social Security Administration's (SSA) policies and procedures.
- Obtained from SSA a file of 61,488 individuals—12,076 Disability Insurance (DI) beneficiaries and 49,412 Supplemental Security Income (SSI) recipients—who appealed a medical cessation decision to the Office of Disability Adjudication and Review and obtained an administrative law judge (ALJ) decision from October 1, 2013 through July 8, 2016.¹
- Identified a population of 49,227 individuals—8,002 DI beneficiaries and 41,225 SSI recipients—whose medical cessation decisions had been upheld by an ALJ.
- Selected a random sample of 50 DI beneficiaries and 50 SSI recipients for detailed review. For the sampled beneficiaries and recipients, we reviewed information from the following SSA systems.
 - Master Beneficiary Record
 - Supplemental Security Record
 - Electronic folder
 - Case Processing and Management System
- For the sampled beneficiaries and recipients, we determined the
 - amount of benefit payments received during the appeals process,
 - SSA's overpayment recovery activities, and
 - length of the appeals process.

We conducted our review between November 2016 and January 2017 in Kansas City, Missouri. We determined the data used for this audit were sufficiently reliable to meet our objectives. The principle entity audited was the Office of Disability Adjudication and Review. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ Our DI population included beneficiaries who were concurrently receiving SSI.

Appendix B – SAMPLING RESULTS AND PROJECTIONS

We established our populations as detailed in Appendix A.

Disability Insurance Sample

Table B–1: Disability Insurance Sample Size

Sample Size	50
Total Population	8,002

Disability Insurance Sample Errors and Projections

From our sample of 50 beneficiaries receiving Disability Insurance (DI) benefits whose cessation determinations were upheld by an administrative law judge (ALJ), we identified 40 beneficiaries and their auxiliaries who were overpaid a total of \$865,287 because of their upheld cessation and continuation of benefits during appeal.¹ Based on these results, we project 6,402 beneficiaries in the population were overpaid a total of \$138.5 million due to continuation of benefits during appeal (see Table B–2).

Table B–2: Overpaid DI Beneficiaries

Description	Number of Beneficiaries	Amount Overpaid
Sample Results	40	\$865,287
Population Projection	6,402	\$138,480,595
Projection – Lower Limit	5,480	\$112,806,260
Projection – Upper Limit	7,098	\$164,154,931

Note: All projections are at the 90-percent confidence level.

In addition, we analyzed the overpayments to determine the Social Security Administration’s (SSA) recovery activities for each case (see Table B–3).

¹ Our DI population included beneficiaries who were concurrently receiving Supplemental Security Income (SSI) payments.

Table B–3: Overpayment Collection Activity for DI Beneficiaries

Description	Collected	Collection in Process	No Action Taken	Waived/Collection Terminated	Not Posted
Identified in Sample	\$31,777	\$241,020	\$320,057	\$149,190	\$123,243
Point Estimate	\$5,085,655	\$38,572,905	\$51,221,922	\$23,876,336	\$19,723,778
Projection – Lower Limit	\$51,943	\$22,424,416	\$32,085,623	\$9,459,964	\$6,298,997
Projection – Upper Limit	\$10,119,367	\$54,721,393	\$70,358,221	\$38,292,707	\$33,148,558

Note: All projections are at the 90-percent confidence level

If SSA completed the entire appeals process (both reconsideration and ALJ hearing) for medical cessations within 394 days, we estimate DI overpayments of \$69.7 million could have been avoided (see Table B–4).

Table B–4: Projected Savings for DI Beneficiaries

Description	394-Day Processing Time
Identified in Sample	\$435,416
Point Estimate	\$69,684,025
Projection – Lower Limit	\$50,521,791
Projection – Upper Limit	\$88,846,259

Note: All projections are at the 90-percent confidence level.

SSI Sample

Table B–5: Supplemental Security Income Sample Size

Sample Size	50
Total Population	41,225

SSI Sample Errors and Projections

From our sample of 50 SSI recipients whose cessation determinations were upheld by ALJs, we identified 46 recipients who were overpaid a total of \$659,757 because of their upheld cessation and continuation of benefits during appeal. Based on these results, we project 37,927 recipients in the population were overpaid a total of \$544 million due to continuation of benefits during appeal (see Table B–6).

Table B–6: Overpaid SSI Recipients

Description	Number of Recipients	Amount Overpaid
Sample Results	46	\$659,757
Population Projection	37,927	\$543,969,853
Projection – Lower Limit	34,063	\$465,334,002
Projection – Upper Limit	40,078	\$622,605,703

Note: All projections are at the 90-percent confidence level.

In addition, we analyzed the overpayments to determine SSA's recovery activities for each case (see Table B–7).

Table B–7: Overpayment Collection Activity for SSI Recipients

Description	Collected	Collection in Process	No Action Taken	Waived/Collection Terminated	Not Posted
Identified in Sample	\$11,647	\$403,039	\$111,363	\$84,344	\$49,365
Point Estimate	\$9,602,927	\$332,305,985	\$91,818,365	\$69,541,208	\$40,701,368
Projection – Lower Limit	\$1,379,412	\$239,470,232	\$42,538,085	\$23,810,899	\$2,643,904
Projection – Upper Limit	\$17,826,441	\$425,141,738	\$141,098,644	\$115,271,516	\$78,758,833

Note: All projections are at the 90-percent confidence level.

If SSA completed the entire appeals process (both reconsideration and ALJ hearing) for medical cessations within 394 days, we estimate SSI overpayments of \$266 million could have been avoided (see Table B–8).

Table B–8: Projected Savings for SSI Recipients

Description	394-Day Processing Time
Identified in Sample	\$322,670
Point Estimate	\$266,041,324
Projection – Lower Limit	\$204,222,507
Projection – Upper Limit	\$327,860,142

Note: All projections are at the 90-percent confidence level.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 3, 2017 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Statutory Benefit Continuation During the Appeals Process for Medical Cessations" (A-07-17- 50127)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,
“STATUTORY BENEFIT CONTINUATION DURING THE APPEALS PROCESS FOR
MEDICAL CESSATIONS” (A 07-17- 50127)**

Thank you for the opportunity to comment on the draft report. We are committed to protecting taxpayers' dollars and ensuring superior stewardship of Social Security programs and resources while delivering high quality, citizen-centered service in a timely and efficient manner. Given dramatic changes in our workload levels, an increase in both total numbers and total dollars of overpayments was expected. Since fiscal year (FY) 2003, the volume of appeals filed has increased 165 percent. In fact, over 61,000 medical cessation appeals were filed in FYs 2014 and 2015 compared to 23,000 in the FYs 2003 and 2004. Also, the average primary insurance amount has increased over the last 14 years, which contributes to the increased overpayment dollar projections. We will continue to explore ways to process medical cessations more efficiently to reduce potential overpayments and to preserve the public's trust in our programs.

Recommendation 1

Identify actions at both the ALJ hearing and reconsideration levels to expedite medical cessation appeals that involve benefit payments to avoid or minimize overpayments.

Response

We agree.

Recommendation 2

Take appropriate action for the eight DI beneficiaries and their auxiliaries and five SSI recipients we identified who did not have overpayments (a) posted for the entire amount of payments received during the appeal or (b) posted at all.

Response

We agree.

Recommendation 3

Evaluate the results of its actions for the individuals we identified and determine the feasibility of identifying the remaining individuals in our populations who should have additional overpayments posted.

Response

We agree.

Recommendation 4

Determine the feasibility of developing a system alert to ensure it posts overpayments for individuals who receive disability benefits during the appeals process, but for whom ALJs uphold the cessation determination.

Response

We agree.

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