



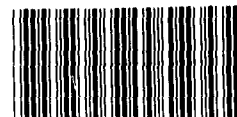
COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

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B-206749

MARCH 26, 1982

The Honorable Robert J. Dole  
Chairman, Committee on Finance  
United States Senate



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The Honorable Daniel Rostenkowski  
Chairman, Committee on Ways and Means  
House of Representatives

Subject: Legislation Is Needed to Ensure That Cost-of-Living  
Increases in Federal Programs Will Be Considered  
on a More Timely Basis in Computing Supplemental  
Security Income Benefits (HRD-82-52)

At present, Supplemental Security Income (SSI) benefits are based on a recipient's expected income during the coming 3 months. This prospective quarterly accounting system leads to erroneous benefit payments when future income is inaccurately projected. The Social Security Administration estimated that overpayments resulting from this accounting method would total about \$60 million in fiscal year 1982.

In May 1978, we recommended a retrospective monthly accounting system for the SSI program to reduce the overpayments experienced under the prospective quarterly system. Our recommendation included a provision for avoiding excessive payments due to cost-of-living increases in Social Security benefits.

To reduce overpayments, section 2341 of the Omnibus Budget Reconciliation Act of 1981 (Pub. L. No. 97-35) mandated that SSI benefits be calculated on a monthly retrospective basis effective April 1, 1982. Under this accounting method, the benefits for a particular month would be determined on the basis of the first or, at the discretion of the Secretary of Health and Human Services, second month preceding the month of benefit payment. The new system was enacted under the assumption that a benefit payment based on actual income of a prior month would be more accurate than one based on projected income.

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However, under the new law, retrospectively computed benefits will result in excessive payments to more than 2 million SSI recipients who also receive Social Security, Veterans Administration, and/or other Federal program benefits that increase periodically based on the cost-of-living index. In view of the Secretary's decision to use the second preceding month under the retrospective accounting method, this increase will not be recognized, and SSI benefits will not be correspondingly reduced, until 2 months after the cost-of-living increases become effective.

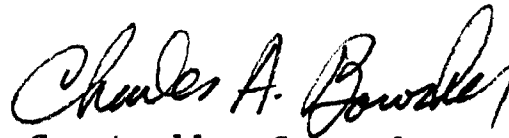
Based on estimates by the Social Security Administration, the Congressional Budget Office, and the State of California, excessive payments due to Social Security cost-of-living increases to be effective in July 1982 will cost the Federal Government between \$50 million and \$75 million. To the extent that these excessive payments are not recovered, much or all of the \$60 million savings estimated to be achieved by converting to retrospective accounting could be lost. States that supplement the Federal SSI payment will also incur increased costs. Also, excessive payments will be repeated in the future when Social Security and other Federal program benefits are adjusted for cost-of-living increases.

We noted that the House Committee on Ways and Means included provisions under title II of H.R. 4961 designed to substitute a 1-month prospective accounting system for the retrospective system required by the Omnibus Budget Reconciliation Act of 1981. Although this prospective accounting system would permit SSI payments to be immediately adjusted for cost-of-living and other increases in Federal benefits, it invites the problem of inaccurate income projection that retrospective accounting was designed to correct. We therefore do not agree with the provision. H.R. 4961 passed the House in December 1981 and is being considered by the Senate.

Congressional action is needed before July 1982 to avoid excessive SSI payments in July and August 1982. We are therefore recommending that section 1611 of the Social Security Act be amended to require that the Secretary of Health and Human Services, under the retrospective accounting method, take into consideration, in the month in which they occur, Social Security cost-of-living increases and other similar Federal program benefit increases in determining SSI benefits. While there will be administrative costs associated with implementing this recommendation, we believe the recurring savings will exceed such costs. Enclosure I contains suggested language to implement this recommendation.

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Copies of this letter are being sent to other interested committees; the Director, Office of Management and Budget; the Secretary of Health and Human Services; and the Commissioner of Social Security.



Comptroller General  
of the United States

Enclosure

SUGGESTED LANGUAGE TO AMEND THE SOCIAL SECURITY ACT

(a) Section 1611(c)(1) of the Social Security Act (42 U.S.C. 1382) is amended to read as follows:

"(c)(1) An individual's eligibility for a benefit under this title for a month shall be determined on the basis of the individual's (and eligible spouse's, if any) income, resources, and other relevant characteristics in such month, and, except as provided in paragraph (2), the amount of such benefit shall be determined for such month on the basis of (i) income, resources, and other relevant characteristics in the first or, if the Secretary so determines, second month preceding such month and (ii), income, or resources, or other relevant circumstances that are known or can be reasonably expected to occur in such month, or, if the Secretary so determines, the next month following such month. Eligibility for and the amount of such benefits shall be redetermined at such time or times as may be provided by the Secretary."

(b) The amendments made by subsection (a) shall be applicable to benefits payable for months after June 1982.