

# **CBO TESTIMONY**

**Statement of  
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**on  
The Budgetary Implications of Continuing Disability Reviews**

**before the  
Subcommittee on Social Security  
Committee on Ways and Means  
U. S. House of Representatives**

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## **NOTICE**

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Mr. Chairman, I am pleased to appear before you today to discuss the budgetary implications of continuing disability reviews (CDRs) in the Social Security Disability Insurance (DI) program, and how the Congressional Budget Office (CBO) would account for or score legislative changes to CDRs. I will begin by briefly reviewing the current status of CDRs and their history.

The Social Security Administration (SSA) currently undertakes two kinds of CDRs--those that result from reports of earnings and those that SSA initiates under the authority provided in Section 221(i) of the Social Security Act. The latter mandate was enacted in 1980 and subsequently modified in 1982 and 1984. It is this second form of CDR that became controversial and is the subject of this hearing.

CDRs under Section 221(i) are supposed to be undertaken for people with potentially nonpermanent disabilities once every three years, while people with permanent disabilities are to be scrutinized at such times as the Secretary of Health and Human Services determines to be appropriate. Individuals found to have recovered, in medical terms, sufficiently to enable them to work have their benefits terminated. The frequency of reviews, however, has diverged substantially from the legal mandate. As documented in General Accounting Office (GAO) reports as well as SSA documents, SSA has performed a very small percentage of the required CDRs since 1991.



The reason for this paucity of reviews is generally thought to be budgetary--that is, given the resources allotted to the administration of the Social Security programs, SSA has been unable or unwilling to allocate sufficient resources to complete the required CDRs, which are both expensive and controversial. The average CDR usually costs more than \$1,000 and is unlikely to result in a ruling that benefits should be terminated. In addition, some of these rulings may be in error and can result in considerable adverse public attention, as was the case in the early 1980s. Both of these factors may help to explain why, with the limited funds appropriated, SSA has fallen short of its mandate for CDRs.

If the reason for not conducting the required reviews is limited resources, one could reasonably ask why the administrative funds are so scarce. After all, the Social Security trust funds are running surpluses of more than \$40 billion a year and rising. The principal reason is that the Balanced Budget and Emergency Deficit Control Act of 1985 and its subsequent modifications have, for all practical purposes, required that the appropriations committees reduce the amounts available to other discretionary programs if they increase SSA's administrative funds. Many supporters thought that the Omnibus Budget Reconciliation Act of 1990 would isolate the Social Security trust funds from annual budgetary decisions. However, including SSA's administrative funds within the domestic discretionary spending limits has in



fact meant that increased appropriations for SSA must come at the expense of other popular federal activities. But, even if SSA's administrative budget were not subject to the discretionary budget caps, the appropriations committees might still be wary of supplying SSA with all the resources the agency requested.

### **BUDGETARY EFFECTS OF CDRs**

Few people would dispute the efficacy of CDRs. Both GAO and the SSA's Office of the Actuary have demonstrated that, over time, the benefit savings from terminations flowing from CDRs more than offset their administrative costs. CBO essentially concurs with these findings, though the timing of the costs and savings are difficult to predict.

Whereas the long-term effect of CDRs would be to reduce total federal spending, the outlook for them during the current five-year budget period is less clear. Initiating CDRs and following them through to the point of terminating benefits is often a lengthy process. Many terminations result in requests for reconsiderations, appeals to administrative law judges, and further review by federal district courts. Consequently, considerable resources are expended initially on the process; unfortunately, the eventual benefit savings accrue only later.





## **BUDGETARY SCOREKEEPING PRACTICES**

Budget scorekeeping is not a precise science. Estimates require professional judgment. In addition, CBO, the budget committees, and the Office of Management and Budget (OMB) have developed various rules and guidelines for handling certain complex cases. On occasion, these organizations differ on how legislation is to be scored. The Congress relies on its budget committees and CBO for scoring bills as they proceed through the legislative process, but OMB scores bills for purposes of implementing the Balanced Budget and Emergency Deficit Control Act.

In general, CBO does not score any savings in benefit costs that might result from legislation that increases administrative funds. Savings from administrative efforts to increase continuing disability reviews, debt collection, tax enforcement, Medicare payment safeguards, and other similar provisions are particularly variable and uncertain. As a result, a long-standing budgetary practice has been that any direct spending or revenue savings (or costs) that might result from increases (or decreases) in funding for administrative activities are not scored against the budget allocation assigned to any committee pursuant to a budget resolution.

Estimating the potential returns to activities such as CDRs depends on several factors. The effects are subject to considerable administrative



discretion and are likely to differ by the levels of funding and the degree to which the CDRs are targeted toward the types of beneficiaries most apt to recover. The rate of return to CDR investments will probably fall over time with higher funding levels, particularly after the easiest cases are evaluated and the program begins to review cases for a second and third time. Moreover, no reliable data exist that allow us to compare the cost-effectiveness of the first \$20 million of administrative funds used in the reviews versus the last \$20 million. Even the issue of what is already being spent in the baseline on CDRs is controversial. As defined in the Balanced Budget Act, the baseline is not based on a programmatic concept but rather on inflating existing appropriations. But no explicit assumption exists about the number and form of CDRs.

Furthermore, the past provides little guide as to how an agency will use its funding for CDRs and other priorities. For example, right now, one would expect that increased funding for CDRs would yield relatively high termination rates because SSA can focus its resources on recipients with those medical conditions having the greatest rates of improvement. However, following a similar backlog that developed during the CDR moratorium of the mid-1980s, the initial set of CDRs using the new medical improvement standards brought about very few terminations. In part, this outcome resulted from a decision not to target those with the greatest likelihood of



improvement. Similarly, some people have speculated that the mailers that SSA recently sent to 92,000 DI recipients did not fully use the profiling data the agency has developed, which could have helped to select only the cases with the highest probability of termination.

Thus, the reason for not scoring changes in direct spending or revenues from the appropriation of administrative funds is a pragmatic one. The administration of entitlement programs and the tax collection system requires appropriations. Clearly, Social Security benefits could not be paid and taxes could not be collected without the provision of administrative funds. But no precise relationship exists between benefit payments or tax collections and the overall level of administrative spending. By convention, therefore, the authorizing committees have scored against their budget allocations only the effects of their legislation on direct spending and revenues, and not the appropriations needed to administer those activities. Similarly, the appropriations committees are held accountable only for the funds they provide directly.

For example, consider the fiscal year 1994 appropriation for SSA administrative expenses. An additional \$320 million was attached to the basic appropriation specifically to improve and expedite the handling of DI and Supplemental Security Income claims. Although this appropriation arguably



would have increased benefit payments under Titles II and XVI, these additional benefit costs were not scored.

A corollary of this pragmatic scorekeeping rule is that the budgetary treatment of legislative action should not depend on the method of providing funding. That is, funding for administrative functions in authorizing bills should not receive different treatment from funding through appropriation bills. Consequently, legislation designed to provide administrative funds for CDRs that are not subject to annual appropriations would receive no different treatment than the same funds allocated by the appropriations committees.

## **CONCLUSION**

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In conclusion, the Congressional Budget Office agrees with GAO and SSA that continuing disability reviews are an important element for ensuring integrity of the Disability Insurance program and are generally a good investment of administrative resources. The Congress and the public deserve to be reassured that disability benefits are available only to those who meet the legal requirements. However, within the limits on discretionary spending that the Congress itself established, elected officials must decide how to allocate scarce resources and determine whether to spend funds on continuing disability reviews, law enforcement, education, or others of the multitude of important national functions.

