



October 16, 2007

Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter responds to your letter of October 15, 2007, in which you asked: “How much additional savings in the SSI and Medicaid programs would result if SSA spends an additional \$25 million for SSI redeterminations in fiscal year 2008.”

A redetermination is a review of a Supplemental Security Income (SSI) recipient’s financial circumstances and living arrangements to determine whether the individual is still eligible for SSI and is receiving the correct SSI payment. A redetermination could reduce outlays if the Social Security Administration (SSA) determines an individual is no longer eligible for SSI or is entitled to lower monthly benefits. Medicaid outlays also could decline if individuals are terminated from SSI and lose their Medicaid eligibility as a result.

For Congressional scorekeeping purposes, any budgetary savings that might result from providing additional appropriations for administrative spending cannot be counted as an offset to such funding. The scorekeeping guidelines, found in the conference report to accompany H.R. 2015, the Balanced Budget Act of 1997 (Public Law 105-33), are used in measuring compliance with the Congressional Budget Act of 1974. Scorekeeping guideline #3 states that “[e]ntitlements and other mandatory programs (including offsetting receipts) will be scored at current law levels...unless Congressional action modifies the authorization legislation.” Thus, absent a change in authorizing legislation, CBO would not count savings from a higher volume of redeterminations in assessing the budgetary impact of an appropriation bill.

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Nevertheless, a greater number of redeterminations almost certainly would reduce outlays in the SSI and Medicaid programs. In his budget request for 2008, the President proposed spending \$50 million specifically for SSI redeterminations (in addition to a base level of \$103 million in funding for that purpose). That proposal was assumed to be implemented under the Concurrent Resolution on the Budget for Fiscal Year 2008 (S. Con. Res. 21). CBO estimated that savings from the President's proposal would total approximately \$450 million over the 2008-2017 period.

CBO estimates that appropriating an additional \$25 million to SSA (in addition to the \$50 million increment assumed in the budget resolution) solely for use on redeterminations would reduce direct spending by less than \$500,000 in 2008, by approximately \$65 million in 2009, and by approximately \$150 million over the 2008-2017 period. The preponderance of those savings would be in the SSI program.

If you would like further details, we will be pleased to provide them. The CBO staff contact is David Rafferty.

Sincerely,

for 

Peter R. Orszag
Director

cc: Honorable Charles E. Grassley
Ranking Member