



SOCIAL SECURITY

The Commissioner

June 24, 2011

The Honorable Joseph R. Biden
President of the Senate
Washington, D.C. 20510

Dear Mr. Biden:


In the Omnibus Appropriations Act, 2009 (Public Law 111-8), Congress provided the Social Security Administration with additional administrative resources to conduct continuing disability reviews and redeterminations of eligibility for benefits. Public Law 111-8 also requires us to report to Congress on the expenditures of these additional amounts. I am pleased to submit our report on Supplemental Security Income (SSI) non-medical redeterminations.

In fiscal year (FY) 2009, we completed over 1.7 million SSI redeterminations, an increase of over 500,000 redeterminations compared to the number we performed in FY 2008. We estimate that slightly more than 60 percent of these redeterminations resulted in a change in monthly benefit payments. We spent \$344 million to conduct these redeterminations and estimate the present value of the net lifetime Federal SSI and Medicaid benefit savings to be \$1,978 million.

If you have any questions, please do not hesitate to contact me or have your staff contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am sending a similar letter to the Speaker of the House of Representatives.

Sincerely,



Michael J. Astrue

Enclosure

cc:

Chairman, Senate Committee on Finance

Ranking Member, Senate Committee on Finance

Chairman, House Committee on Ways and Means

Ranking Member, House Committee on Ways and Means

Chairman, House Subcommittee on Human Resources

Ranking Member, House Subcommittee on Human Resources

Chairman, House Subcommittee on Social Security

Ranking Member, House Subcommittee on Social Security

Chairman, Senate Committee on Appropriations

Ranking Member, Senate Committee on Appropriations

Chairman, Senate Subcommittee on Labor, HHS, Education, and Related Agencies

Ranking Member, Senate Subcommittee on Labor, HHS, Education, and Related Agencies

Chairman, House Committee on Appropriations

Ranking Member, House Committee on Appropriations

Chairman, House Subcommittee on Labor, HHS, Education, and Related Agencies

Ranking Member, House Subcommittee on Labor, HHS, Education, and Related Agencies

Chairman, Senate Committee on Budget

Ranking Member, Senate Committee on Budget

Chairman, House Committee on Budget

Ranking Member, House Committee on Budget

**SOCIAL SECURITY ADMINISTRATION
REPORT ON SUPPLEMENTAL SECURITY INCOME
NON-MEDICAL REDETERMINATIONS
FISCAL YEAR 2009**

Overview

In fiscal year (FY) 2009, we processed over 1.7 million Supplemental Security Income (SSI) redeterminations at a cost of \$344 million in administrative expenses. We estimate that slightly over 60 percent of the redeterminations completed resulted in a retrospective or prospective change in monthly benefit payments, with reductions in such payments classified as overpayments and increases in payments classified as underpayments. About 45 percent of the cases reviewed had overpayments and 37 percent had underpayments, with 21 percent of the cases reviewed having both. We estimate the present value of the net lifetime Federal SSI and Medicaid benefit savings due to this activity to be \$1,978 million.

Statutory Requirement

In the Omnibus Appropriations Act,¹ Congress specifically allocated additional administrative resources to conduct continuing disability reviews (CDR) under titles II and XVI of the Social Security Act and redeterminations of eligibility under title XVI of the Social Security Act. The law also requires that we provide Congress with a report on the obligation and expenditure of these additional amounts, similar to the reports that were required on CDRs by section 103(d)(2) of Public Law 104-121 for FYs 1996 through 2002. This report satisfies that requirement with respect to SSI redeterminations.

The SSI Redetermination Process

We administer the SSI program, a Federal assistance program that provides monthly cash payments to aged, blind, or disabled individuals with limited income and resources. We also administer the State Supplementation programs for States that have elected Federal administration. At the beginning of FY 2009, about 7.5 million individuals were receiving federally administered SSI payments.²

The Social Security Act requires us to conduct periodic redeterminations of recipients' eligibility for continued payments. During a redetermination, we review all non-medical SSI eligibility factors, including resource and income levels and living arrangements. Based on this review, we determine whether the recipient is still eligible for payments and if the recipient is receiving the correct payment amount.

¹ Public Law 111-8, enacted March 11, 2009.

² Including both Federal SSI payments and federally administered State supplementary payments.

Because we do not have the resources to conduct a redetermination of every SSI recipient’s continued eligibility every year, we target those recipients who are most likely to have a change in circumstances that affects their monthly payment amount. Using a statistical model,³ we score each SSI recipient to predict the likelihood of an overpayment occurring. We then select for review the highest-scored SSI recipients and, subject to available administrative funding, schedule redeterminations that will develop all of the eligibility factors of each of the selected cases. We also schedule targeted reviews of a specific eligibility factor if a match between our records and those of another Federal agency reveals a potential discrepancy.

In addition to the scheduled redeterminations, we conduct unscheduled redeterminations on an as-needed basis when SSI recipients report a change in financial circumstances or living arrangements that has the potential to affect eligibility or monthly payment levels.

Results for FY 2009

Table 1 presents the number of SSI redeterminations processed in FY 2009 and a breakout of our findings. When we redetermine a case, we examine monthly payment amounts for the current month as well as for prior months, generally extending back to the last time we performed such a detailed examination. Because the SSI payment amount varies monthly as income, resources, and other eligibility factors vary, there is the potential for overpayments, underpayments or both.

	Type of Redetermination		
	Scheduled	Unscheduled	Total
Number of redeterminations completed.....	1,267,591	462,984	1,730,575
Estimated percent of total cases with:			
Overpayments and/or underpayments.....	61%	63%	61%
Overpayments only	29	12	24
Underpayments only	12	28	17
Both overpayments and underpayments.....	20	23	21
No overpayments or underpayments.....	39	37	39
Total.....	100	100	100
Overpayments (with or without underpayments).....	49	35	45
Underpayments (with or without overpayments).....	32	51	37
Note: Totals may not equal sum of components due to rounding.			

Based on an internal study of completed redeterminations for FY 2009, we estimated the resulting year-by-year net reductions in Federal SSI payments. We present these estimates in the “SSI subtotal” column of Table 2 below, along with estimates of the corresponding reductions in the Federal share of Medicaid benefits prepared by the Office of the Actuary, in the Centers for Medicare and Medicaid Services.

³ This statistical model scores each recipient in the SSI population using factors related to income, financial resources, and living arrangements.

Table 2—Estimated net reductions in the Federal share of SSI and Medicaid benefits resulting from SSI redeterminations processed in FY 2009					
<i>(In millions)</i>					
Fiscal year	SSI			Medicaid	Total, SSI and Medicaid
	Over-payments	Under-payments	SSI subtotal		
Scheduled redeterminations:					
2009	\$461	-\$416	\$45	\$62	\$107
2010	993	-25	968	112	1,079
2011	349	—	349	91	440
2012	79	—	79	73	152
2013	50	—	50	30	80
2014	31	—	31	—	31
2015	27	—	27	—	27
2016	23	—	23	—	23
2017	17	—	17	—	17
2018	12	—	12	—	12
Total, 2009-18	2,043	-441	1,602	367	1,969
Unscheduled redeterminations:					
2009	\$116	-\$450	-\$334	\$19	-\$316
2010	254	-39	214	29	243
2011	87	—	87	24	112
2012	19	—	19	21	40
2013	14	—	14	16	30
2014	7	—	7	—	7
2015	6	—	6	—	6
2016	5	—	5	—	5
2017	4	—	4	—	4
2018	3	—	3	—	3
Total, 2009-18	516	-490	26	108	134
Total for scheduled and unscheduled redeterminations:					
2009	\$577	-\$867	-\$289	\$80	-\$209
2010	1,246	-64	1,182	140	1,323
2011	436	—	436	115	551
2012	98	—	98	94	192
2013	65	—	65	46	110
2014	38	—	38	—	38
2015	34	—	34	—	34
2016	29	—	29	—	29
2017	21	—	21	—	21
2018	15	—	15	—	15
Total, 2009-18	2,559	-931	1,628	475	2,103
Present value of estimated lifetime benefit reductions, as of the end of FY 2009:					
Scheduled					
redeterminations..	1,973	-447	1,526	347	1,873
Unscheduled					
redeterminations..	499	-496	3	102	105
Total.....	2,471	-942	1,529	449	1,978
Notes:					
1. Estimates shown above are consistent with assumptions underlying the 2010 SSI Annual Report.					
2. The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for savings in the Medicaid program.					
3. Totals may not equal sum of components due to rounding.					

The FY 2009 internal study mentioned above provided an estimate of the aggregate reduction in federally administered SSI payments attributable to redeterminations conducted in FY 2009.

The year-by-year Federal SSI payment reductions shown in Table 2 are consistent with the results of the internal study, but adjusted: (1) to remove the savings attributable to federally administered State supplementary payments and (2) to distribute the savings by fiscal year.⁴ In addition to the estimated year-by-year cash-flow savings from these SSI redeterminations, Table 2 also provides the resulting estimated present value⁵ of net reductions in lifetime Federal benefits.

Table 3 presents two alternative measures of the beneficial effects on our stewardship efforts of the SSI redetermination process for FY 2009. From the perspective of minimizing total Federal outlays, the dollar *benefit* of the redetermination process would be the net reduction in overall Federal payments as shown in Table 2. An alternative perspective would view the *benefit* of the redetermination process as making the correct Federal payment in all cases. From this second perspective, the dollar *benefit* of the redetermination process would count \$1 of corrected underpayment the same as \$1 of corrected overpayment. In Table 3, we present both of these *benefit* measures and compute their ratios to the cost of conducting the redeterminations.

	Type of Redetermination		Total
	Scheduled	Unscheduled	
A. Administrative costs (in millions)*.....	\$249	\$95	\$344
B. Present value of:			
Overpayments identified and recovered or prevented**	\$2,320	\$600	\$2,920
Underpayments identified and corrected	447	496	942
Net reduction in Federal outlays.....	1,873	105	1,978
Total correction of Federal benefits paid.....	2,766	1,096	3,862
C. Benefit-to-cost ratio for conducting redeterminations where the benefit is defined as:			
Net reduction in Federal outlays.....	7.5	1.1	5.7
Total correction of Federal benefits paid.....	11.1	11.5	11.2
* Total costs of conducting SSI redeterminations in FY 2009 as reported by the SSA cost allocation system. The allocation to scheduled and unscheduled redeterminations assumes a lower unit cost for limited issues than for all other redeterminations.			
** Includes the total estimated Medicaid benefit reductions, which are all attributable to overpayment cases that may result in complete suspension of monthly SSI benefits for some period of months.			

As indicated in Table 3, the measured benefit-to-cost ratio for FY 2009 redeterminations varies by the type of redetermination (scheduled versus unscheduled) and by the nature of the beneficial effect being measured. The overall benefit-to-cost ratio on a net Federal outlay basis is 7.5 for scheduled redeterminations, 1.1 for nonscheduled redeterminations, and 5.7 overall. Thus, we estimate that the scheduled redeterminations reduced Federal program outlays on a net present value basis by roughly \$7.50 for each \$1 of administrative expenditures.

⁴ We calculated the year-by-year distribution of the net savings using results from the FY 2009 internal study, enhanced by our analysis tracking a sample of redetermination cases from FY 2005. The limited review of the FY 2005 sample suggests that estimates of the proportion of individuals losing SSI eligibility may be understated, which could have a significant impact on estimated Federal Medicaid savings. We hope to study this in more detail in the future.

⁵ Valued as of September 30, 2009.

In contrast, we estimate that unscheduled redeterminations reduced net Federal program outlays by only \$1.10 for each \$1 of administrative expenditures spent on conducting the reviews. The greater cost-beneficial effect on an outlay basis for the scheduled cases is primarily attributable to scheduled reviews having a much larger percentage of cases with overpayments (49 percent vs. 35 percent) and a much smaller percentage with underpayments (32 percent vs. 51 percent). Nevertheless, the overall redetermination process is still very cost-effective, saving almost \$6 for every \$1 spent.

Redeterminations are even more cost beneficial when viewed under the alternative “corrected payment” perspective, because a corrected underpayment contributes just as much as a corrected overpayment. As shown in Table 3, we estimate that the FY 2009 redeterminations have corrected over \$11 in benefit payments for every \$1 spent to conduct the reviews.

Conclusion

As the FY 2009 results in Table 3 illustrate, the non-medical redetermination process is one of our more effective program integrity tools, delivering over \$7 in net lifetime savings for every \$1 invested in conducting scheduled reviews. As stewards of taxpayer funds, we have an obligation to ensure proper SSI payments. We believe our independent review of recipient circumstances is crucial in fulfilling this obligation.

Congress has also recognized the value of independent reviews, periodically providing additional, dedicated funding for non-medical redeterminations, as well as for CDRs. This additional funding is increasingly important because we must first use our administrative resources for our “frontline” work, such as taking claims and issuing replacement Social Security cards. Sustained, adequate funding of the cost-effective redetermination process will allow us to continue efforts to reduce improper payments and strengthen SSI program integrity.