



SOCIAL SECURITY

The Commissioner

January 26, 2011

The Honorable Harold Rogers
Chairman, Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

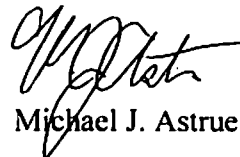
I am writing to provide you with a report on the Social Security Administration's progress in eliminating delays in processing work-related continuing disability reviews (CDR). The House Committee on Appropriations requested this report in its Committee Report 111-220.

I am pleased to report that we have steadily increased our program integrity efforts with the support received from Congress. In this report, we describe the work CDR workload and the actions we have taken to ensure that our beneficiaries receive timely and accurate benefits. We are committed to preventing, detecting, and recovering disability overpayments.

If you have any questions, please do not hesitate to contact me or have your staff contact Ms. Bonnie Kind, our Associate Commissioner for Budget, at (410) 965-3501.

I am sending similar letters to Representative Norman D. Dicks, Representative Dennis Rehberg, Representative Rosa DeLauro, Senator Daniel K. Inouye, Senator Thad Cochran, and Senator Tom Harkin.

Sincerely,



Michael J. Astrue

Enclosure

The Social Security Administration’s Report on Continuing Disability Reviews Resulting from Work Activity

The House Appropriations Committee asked us to report on our progress in eliminating delays in completing work-related continuing disability reviews (CDR) and other workloads essential to the work CDR process. Delays can result in overpayments when beneficiaries have lost eligibility for benefits due to a return to work. These overpayments can impose hardships on beneficiaries when the amounts are large and unexpected.

In this report, we describe the work CDR workload and the actions we have taken to ensure that our beneficiaries receive timely and accurate benefits. We are committed to preventing, detecting, and recovering disability overpayments. While the emphasis has been on processing initial claims, we have also steadily increased our program integrity efforts with the support received from Congress.

We have made significant progress in reducing the work CDR pending. In fiscal year (FY) 2010, we completed approximately 23,000 more work CDRs than in FY 2009 and significantly reduced the average age of pending work CDR cases from 460 days to 124 days.

Disability Program Background

To be eligible for disability benefits, a person must be unable to perform substantial gainful activity (SGA). We define SGA as the performance of significant physical or mental activities in work for pay or profit or in work of a type usually performed for pay or profit. Generally, countable earnings over a threshold amount (\$1,000 a month in 2010 and 2011) demonstrate the ability to perform SGA. The SGA threshold is higher for blind beneficiaries (over \$1,640 a month in 2010 and 2011). When a Social Security Disability Insurance (SSDI) beneficiary works, we conduct a work CDR to determine if entitlement should be discontinued based on performance of SGA.

Congress has passed several laws to encourage disability beneficiaries to return to work. We apply these work incentives to determine if a beneficiary’s work constitutes SGA and if benefits can continue. Some of the work incentives that we may apply are:

- **Trial Work Period (TWP)**

The TWP allows a beneficiary to test his or her ability to work without losing entitlement to benefits. The TWP is complete when the beneficiary works and earns more than an established amount (\$720 a month in 2010 and 2011) in nine months within a rolling 60-month period. We pay benefits for any months counted toward the TWP, even if earnings are at or above the SGA threshold.

- **Extended Period of Eligibility (EPE)**
The EPE begins the first month following completion of the TWP. If the beneficiary performs work during the EPE, we conduct a work CDR to determine if the beneficiary is working at the SGA threshold. If a beneficiary performs SGA after completing the TWP, we will determine that the beneficiary is not entitled to benefits, and we will stop paying benefits after the first month of SGA and a two-month grace period. During the first 36 months of the EPE, if a beneficiary for whom we have suspended benefits stops working, or if the work activity results in earning below the SGA threshold, we will reinstate benefits without a new application. When a beneficiary completes the 36-month EPE, his or her entitlement to benefits ends with the first month he or she earns SGA.
- **Impairment-Related Work Expenses (IRWE)**
IRWEs are out-of-pocket costs for items and services related to a disability that a beneficiary might need in order to work. For purposes of determining countable earnings for SGA, we deduct IRWEs from gross earnings.
- **Subsidies and Special Conditions**
Subsidies and Special Conditions are supports received on the job that result in the worker receiving more pay than the actual value of the services performed. For example, we may consider job coaching provided by organizations other than the worker’s employer to be a "subsidy." We consider the value of any subsidies or special conditions when we determine if earnings represent SGA.
- **Unsuccessful Work Attempts**
We disregard earnings from work attempts of six months or less that ended due to the person’s impairment, or the removal of special conditions related to the person’s impairment that are essential to performing the job. We do not consider work during an unsuccessful work attempt when we determine if a person is under a disability or if the person’s disability has ended.

Current Work CDR Process

A work CDR is an evaluation of a beneficiary’s work activity to determine if the work represents SGA and if eligibility for disability benefits should continue. We may become aware of a beneficiary’s work activity through several methods, including:

- voluntary beneficiary reporting;
- detection of earnings during a redetermination of Supplemental Security Income (SSI) eligibility;
- third party reporting; and
- the CDR Enforcement Operation (CDREO), which is an automated process that matches Internal Revenue Service earnings posted to our Master Earnings File to the Title II Master Beneficiary Record. The CDREO process identifies both unreported earnings for SSDI beneficiaries, as well as earnings that beneficiaries may have already reported but we have not yet developed as part of the work CDR process. The CDREO selects cases

based on the amount of earnings, certain medical re-exam diaries currently on the record, and other pertinent criteria.

In FY 2010, we received approximately 200,000 reports of work activity directly from disability beneficiaries or third parties. The FY 2010, CDREO selection produced over 600,000 alerts.

When we learn of work activity through these methods, we investigate to determine if we need to initiate a work CDR. Many work reports and CDREO alerts may not require a work CDR. For example, since we do not generally evaluate work activity until the beneficiary completes the TWP, a work report during the TWP does not require a work CDR. In addition, many CDREO alerts may be for payments that are not earnings, such as sick pay or long-term disability benefits that do not require a work CDR. We use computer screening to help us identify cases that require a manual review.

When we determine that a work CDR is required, our field offices and processing centers review the beneficiary’s work activity, collect necessary data from various databases, and prepare relevant forms and notices. During this process, we consider relevant work incentive policies such as impairment-related work expenses, to determine if the beneficiary has performed SGA and if benefits should stop.

In FY 2009, we completed 289,116 work CDRs, of which 111,360 resulted in a cessation of benefits or a subsequent re-instatement or suspension of benefits in the EPE, and 177,756 resulted in continuation of benefits. In FY 2010, we completed 312,471 work CDRs with 105,279 cessation or EPE determinations, and 207,192 resulting in a continuation of benefits.

Challenges

Our work incentive programs are complex; they are often difficult for our beneficiaries to understand, particularly for those beneficiaries who receive both SSDI and SSI benefits. For example, by law for SSDI, we count earnings in the month earned; for SSI, we count them in the month paid.

Many beneficiaries fail to report earnings because they do not fully understand their reporting responsibilities or because they are afraid that the earnings will adversely affect their benefits. If beneficiaries do not report earnings, we must rely on the CDREO match to alert us to the possible need to initiate a work CDR. The Internal Revenue Service posts earnings to an individual’s record after the year is completed. We do not conduct the CDREO match or receive the CDREO alerts until well after the beneficiary earns the wages, sometimes as much as 18-24 months later. This delay often results in a large overpayment because of the length of time between when the beneficiary worked and when we learn of the work and process a work CDR determination.

New Initiatives

We convened a national work CDR workgroup in January 2010 to consider options and make recommendations for improving the processing of work CDRs. Some of the recommendations from the workgroup and other sources that we put into place are:

- Dedicate staff to target the oldest cases - initially, cases over 365 days old. In FY 2011, we are targeting cases over 270 days old, with a goal of further reducing the pending age threshold.
- Prioritize CDREO alerts by amount of earnings and work cases with highest earnings to minimize overpayments.
- Improve communication between field offices and processing centers when addressing issues such as transferring cases (e.g., cases developed by the field office and manually processed by the processing centers).
- Continue to improve our ability to track meaningful work CDR information, such as the number of work CDRs completed and the amount of the improper payments detected as part of those reviews. Before FY 2009, the only information we were able to capture involved work CDR cases completed in field offices or cases that required a medical review. We made great strides in FY 2009 and are now able to obtain data on work CDRs cases completed in our processing centers and other locations, enabling us to provide a more accurate accounting of the work actions we have completed. We plan to continue to build upon the data we have available to us to further improve our ability to manage this workload.
- Allocate additional staff resources to conduct work CDRs.

We are improving the quality and timeliness of self-reported earnings data by accelerating our work on two projects that make beneficiaries’ reporting of their wages easier and more efficient. We plan to implement an automated monthly telephone wage reporting process that would use both touch-tone and voice recognition technology to collect wage reports and enter the wage data for review. Telephone wage reporting is more accurate and efficient than mailing or visiting a field office to provide wage information, which requires manual entry of the earnings report. We currently use a similar telephone wage reporting system for SSI recipients.

We also plan to establish an Internet website for disability beneficiaries to report their wages easily and promptly. Based on the results of electronic reporting through the SSI telephone wage reporting process, we expect these initiatives to help us reduce SSDI overpayments resulting from late reporting of earnings.

In addition to making it easier for beneficiaries to report their wages, we are developing a statistical model that identifies beneficiaries who are at risk of receiving high earnings-related overpayments. The predictive model will prioritize our CDREO alerts based on a variety of case characteristics and will allow us to work high-risk cases first and reduce the number and amount of work-related overpayments. We began testing this model in October 2010 in our New York Region.

We are also conducting a pilot process that uses both our administrative records and the Office of Child Support Enforcement (OCSE) data to identify SSDI beneficiaries who may be performing SGA. The pilot matches data from several online systems, including our Disability Control File and the OCSE National Directory of New Hires, to screen SSDI beneficiaries for unreported work activity. This pilot differs from our previous assessment of OCSE data in that it uses our administrative data in combination with OCSE data to reduce the number of non-SGA cases, helping us to better target our efforts.

We are looking at ways to simplify work policies in the SSDI program. Program simplification and enhanced correlation of program rules between SSDI and SSI should make work incentives easier to explain and understand, and should encourage more SSDI beneficiaries to return to work without facing permanent loss of benefits.

We also are improving the information we provide to beneficiaries about their reporting responsibilities. For example, we are providing additional information in our publication on disability and work regarding when, where, and how to submit work reports to us.

Conclusion

We are committed to utilizing cost-effective methods to prevent, detect, and recover disability overpayments due to earnings. We are also committed to providing quality support service to our disability beneficiaries who want to work.

We have faced unprecedented increases in retirement and disability claims and growth in our non-core workloads, such as the Medicare Part D subsidy determinations and e-Verify, which have created challenges in allocating our resources. We continue to work hard to decrease the processing time and reduce the number of pending work CDR cases, helping us to reduce improper payments to our beneficiaries.