

**Questions for the Record
For the January 24, 2012 Hearing
On Combating Disability Waste, Fraud, and Abuse**

- 1. In August, Congress authorized \$896 million in additional funds for FY 2012 so that the agency could perform Continuing Disability Reviews (CDRs) and redeterminations. In December, Congress appropriated \$758 million for this work. In response to questions for the record on September 16, 2011, you stated that you had a backlog of 1.4 million medical CDRs, but that you anticipated that with the appropriated money “we would be able to catch up on Title II CDRs by 2016.” As you were able to make this projection last September, you must have had projections and plans on the drawing board to get started on the integrity work. Has the money been allocated to the front lines to get this work started? The growing backlogs of CDRs, including full medical CDRs, needs to be reduced as soon as possible. Please submit to this Subcommittee a full detailed plan for how this will be accomplished.**

The Administration strongly supports the program integrity cap adjustments authorized by the Budget Control Act, which would put us on a ten-year path to essentially eliminate the backlog in program integrity reviews. In fact, the President’s 2013 Budget urges Congress to appropriate the remaining \$140 million in program integrity funding authorized under the BCA for 2012, which would save taxpayers an additional estimated \$800 million.

We plan to complete 435,000 full medical CDRs with our fiscal year (FY) 2012 appropriated program integrity funding--about 90,000 more than we completed in FY 2011. We began ramping up our program integrity work at the beginning of the fiscal year; we have allocated the necessary resources and are on track to achieve our CDR and Supplemental Security Income (SSI) redetermination targets for the appropriated funding level.

While we will complete significantly more full medical CDRs than we did last year, we will not be able to complete as many as we would have with the level of funding authorized in the *Budget Control Act of 2011* (BCA). If we had received full BCA funding-- \$896 million for FY 2012--we would have been able to complete a projected 568,000 full medical CDRs.

Adequate funding is critical to the reduction of the CDR backlog. The BCA allows increases to the Government’s annual spending caps through FY 2021 for program integrity spending, and these increases would allow us to complete substantially more CDRs at considerable savings to the taxpayers. It is important to understand that the same people who handle CDRs also handle initial disability claims. Therefore, we need an adequate number of trained employees to complete both workloads. If we do not receive increased funding for our program integrity work, it will be virtually impossible to reduce the CDR backlog.

The FY 2013 President’s Budget includes \$1.024 billion for our program integrity work, consistent with the BCA. If we receive this funding on a timely basis, we plan to complete 650,000 full medical CDRs--about 215,000 more than we expect to complete in FY 2012. In

FY 2013, we estimate that every dollar spent on CDRs will yield about \$9 in program savings over 10 years, including Medicare and Medicaid program effects.

Our Office of the Chief Actuary has updated its estimates based on our current CDR review and profile processes. If we received the full amounts authorized under BCA, we could become current on title II medical CDRs in 2014, two years earlier than our prior estimate.

2. How aware are agency personnel of the Cooperative Disability Investigation program and its successes? How does the agency make sure that front line employees know about their responsibilities to find and report fraud?

We promote awareness of the Cooperative Disability Investigations (CDI) program in several different ways. The CDI units conduct regular training with our field offices and the disability determination services (DDS) to make them aware of the CDI program and to instruct them on how to report fraud. To raise awareness of the CDI program and its accomplishments, we distribute to our field offices a monthly fact sheet that the Office of the Inspector General (OIG) publishes. Due to these efforts, the CDI program received 6,208 allegations of potential fraud in FY 2011. Of this number, approximately 64 percent came from the DDSs, 23 percent from our field office employees, and 13 percent from other sources, such as our Office of Disability Adjudication and Review, OIG, and the fraud hotline.

Our frontline employees are often the first to identify potential fraud. Field office employees routinely assess the authenticity of evidentiary documents, scrutinize statements made by applicants, use our databases and Internet tools to find discrepancies, and follow up on complaints or tips from the public.

3. Your own policies require CDRs for 60 percent of beneficiaries within three years. What kinds of disabilities are included in this 3-year category?

We set the three-year review, otherwise known as the Medical Improvement Possible (MIP) diary, for adult beneficiaries whose medical conditions may improve and allow them to be able to work. While the timeframe for a review depends on individual case facts, generally, the majority of beneficiaries receive a MIP diary. Although MIP diaries have historically comprised 60 percent of our diaries, our policy does not require that 60 percent of beneficiaries receive a review in three years. Examples of impairments that can fall within this category include heart failure and severe diabetes with end organ damage. By contrast, we set a seven-year review for impairments where medical improvement is not expected due to the nature of the impairment(s), such as some intellectual disabilities. Regardless of when we schedule the review, we will need the full level of program integrity funding authorized under the BCA to keep up with all of the cases that are due for a medical review.

- 4. I understand about five percent of beneficiaries are scheduled for a review in a 6 to 18 month time period; this is the medical improvement expected category. What conditions are scheduled for reviews within these timeframes?**

We set the Medical Improvement Expected (MIE) diary for adult beneficiaries whose medical conditions will probably improve and allow them to be able to work. Whether we set an MIE diary depends on individual case facts. Examples of impairments that can fall within this category include traumatic injuries and severe bone fracture.

- 5. In the FY 2012 Annual Performance Plan, your message states, “We will use technology to reduce our back logs, improve service, and target our program integrity efforts. For example, we are capitalizing on advances in video technology and electronic processes.” Can you elaborate on what kinds of “electronic processes” are being utilized, and how they have helped improve program integrity efforts?**

We use an array of electronic processes to improve our program integrity efforts. For example, we created the Access to Financial Institutions (AFI) electronic process to automatically verify financial account balances of claimants and recipients during the SSI claims and redeterminations process. We developed AFI to address the leading cause of SSI overpayment errors--excess resources in financial accounts. We also use an electronic process to track all allegations of benefit misuse by representative payees.

We have much more work than we can complete in one year. Technology has allowed us to develop tools to prioritize our program integrity work to focus on the cases that give us the greatest return for our limited administrative dollars. We use these tools to select the most cost-effective medical and work CDRs, as well as the SSI redeterminations we should complete. As a result of these types of tools, we expect that the SSI redeterminations that we conduct in FY 2012 will save about \$3.2 billion in total lifetime SSI overpayments compared to only \$1.8 billion in savings if we had selected the cases randomly.

Moreover, we strive to provide the DDSs with the tools they need to quickly and accurately decide disability cases to help ensure that we pay disability benefits to those applicants who qualify. Our Compassionate Allowances initiative allows us to identify claimants who are clearly disabled because the nature of their disease or condition meets the statutory standard for disability. With the help of sophisticated new information technology, we can quickly identify potential Compassionate Allowances and then swiftly make decisions. Our Quick Disability Determination initiative uses a computer-based predictive model in the earliest stages of the disability process to identify and fast-track claims where a favorable disability determination is highly likely and medical evidence is readily available.

We are developing other new electronic tools. For example, we are developing the Veterans Affairs (VA) Supplemental Security Record Pension Calculation for the *Medicare Modernization Act*, which will help prevent improper payments by ensuring veterans receiving VA pensions who apply for Part D Low Income Subsidy receive the most advantageous subsidy amount possible.

6. Why has the number of CDRs performed by the SSA declined recently? How significant has the decline been? What are the lost savings as a result?

We have steadily increased the number of full medical CDRs we complete every year since FY 2007. In FY 2012, we are completing more than double the number of full medical CDRs we completed in FY 2007. We have saved significantly more program dollars by completing more CDRs. Sustained, adequate funding is critical for us to continue this cost-effective work, because the same employees who do this work also handle initial claims and other program integrity activities.

7. What are the future projected numbers of CDRs the Social Security Administration (SSA) expects to schedule and complete?

In FY 2012, we expect to complete 435,000 full medical CDRs and 850,000 mailer CDRs.

The FY 2013 President's Budget includes \$1.024 billion for program integrity work, consistent with the BCA. With funding at this level, we plan to complete 650,000 full medical CDRs. In FY 2013, we estimate that every dollar spent on CDRs will yield about \$9 in program savings over 10 years, including Medicare and Medicaid program effects.

8. How does the SSA select which medical CDRs are conducted each year and the percentage that are mailers?

The number of periodic CDRs we complete each year depends on the level of funding we receive. Our annual budget request includes the number and type of CDRs we plan to complete. For cases we initiate centrally, we use one of two methods. We send some cases to the DDSs for a full medical review; others we complete using the mailer process.

We decide whether to initiate a full medical review or send a mailer after identifying those cases with a higher likelihood of medical improvement. We send cases with a higher likelihood of medical improvement to the DDS for a full medical review. We send a mailer for those cases with a lower likelihood of medical improvement to obtain more information from beneficiaries; we evaluate the information we receive to determine if there is any indication of medical improvement. If there is, we send the case to the DDS for a full medical review. Otherwise, we do not initiate a full medical review, and we schedule the case for a future CDR.

9. The Disability program provides an essential income safety net for those who cannot work. But we also know there are those receiving disability benefits who want to work and believe they can work. Given the increase in applications for benefits during the recession and with so few coming off the rolls is the disability insurance program becoming a long term unemployment program for these people?

The changing age distribution of the population is the main driver of long-term Disability Insurance (DI) program growth. For example, the aging of the baby boom generation into more disability prone ages accounts for a large portion of the growth in DI awards, and that

growth has been predicted for many years. Increased labor force participation among women over the past decades, which has led to an increase in the proportion of the population who meet the DI program's coverage requirements, is another important factor in the growth of the DI program.

Prior to FY 2009, we received about 1.6 million title II initial disability claims each year. Since 2009, that level has increased dramatically. In FY 2011, we received nearly 2.1 million title II disability claims. The recession played an important role in the increased number of applications; people with disabilities tend to have a higher unemployment rate than others, and long unemployment spells can make it more difficult to re-enter the work force. In a recession, people with disabilities may apply for and receive DI benefits sooner than they would in normal economic times, which could result in receiving DI benefits for a slightly longer period. To the extent that the recession may have motivated people to file DI claims based on less severe impairments that typically would not meet the definition of disability, we would expect that the average probability of an allowance should go down. That trend is exactly what we have seen. During the recession, our allowance rates have dropped at the DDS and appeals levels.

10. The SSA Office of Inspector General was able to identify high dollar overpayments that the SSA missed just by looking at it a different way. What is the SSA going to do differently in the future to make sure high dollar overpayments are identified?

The Office of Management and Budget (OMB) requires us to report on high-dollar overpayments. We base the methodology we use to detect high-dollar overpayments on a statistically valid sample of Old-Age, Survivors, and Disability Insurance payments and SSI payments, from which we conduct our payment accuracy reviews (also known as Stewardship reviews). OMB has agreed that the manner in which we detect and report our high-dollar overpayments meets the requirements, as provided in Executive Order 13520. Every quarter, we review our Stewardship data to determine if we have identified any overpayments that meet the criteria of the Executive Order for high-dollar overpayments. To date, we have not found any high-dollar overpayments.

Not every overpayment is an improper payment. For example, we do not consider overpayments resulting from legal or policy requirements as improper payments. OMB recognizes that the Stewardship data do not account for this difference but agrees that using these data provide the most efficient method to meet the intent of the Executive Order.