
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUPPLEMENTAL SECURITY INCOME
REDETERMINATIONS**

July 2009

A-07-09-29146

**EVALUATION
REPORT**



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SOCIAL SECURITY

MEMORANDUM

Date: July 14, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Redeterminations (A-07-09-29146)

OBJECTIVE

The objective of this evaluation was to determine the financial impact to the General Fund as a result of the Social Security Administration (SSA) conducting reduced numbers of Supplemental Security Income (SSI) redeterminations.

BACKGROUND

SSI is a nationwide, Federal cash assistance program administered by SSA that provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.¹ Payments under the SSI program are funded from the Government's General Fund,² which is financed through tax payments from the American public. No individual shall be considered eligible for SSI payments for any period during which they have income or resources that exceed the allowable amounts established under the *Social Security Act*.³ In addition, relevant information will be verified from independent or collateral sources to ensure such payments are correct and are only provided to eligible individuals.⁴ SSI recipients are required to report events and changes of circumstances that may affect their eligibility and payment amounts, including changes in income, resources, and living arrangements.⁵

¹ *The Social Security Act* § 1601, et seq.; 42 U.S.C. § 1381, et seq.

² 20 C.F.R. § 416.110.

³ *The Social Security Act* § 1611(a); 42 U.S.C. § 1382(a); 20 C.F.R. § 416.202(c) and (d).

⁴ *The Social Security Act* § 1631(e); 42 U.S.C. § 1383(e); 20 C.F.R. § 416.207.

⁵ *The Social Security Act* § 1631(e)(1); 42 U.S.C. § 1383(e)(1); 20 C.F.R. § 416.701; 20 C.F.R. § 416.708.

SSA has implemented measures to help identify SSI recipients with excess income and/or resources, such as periodically conducting redeterminations to determine whether recipients are still eligible for and receiving the correct SSI payments. A redetermination is a review of a recipient's non-medical eligibility factors, such as income, resources, and living arrangements. There are two types of redeterminations: scheduled and unscheduled. Scheduled redeterminations are conducted periodically depending on the likelihood of payment error. Unscheduled redeterminations are conducted based on a report of change in a recipient's circumstances or if SSA otherwise learns about a change that may affect eligibility or payment amount.⁶

RESULTS OF REVIEW

The number of SSI redeterminations conducted by SSA has substantially decreased although the number of SSI recipients has increased. In fact, between Fiscal Years (FY) 2003 and 2008, redeterminations decreased by more than 60 percent. According to SSA, it was not able to conduct as many redeterminations as needed because of budget limitations and increases in SSA's core workloads. We estimate SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

Redeterminations Have Decreased in Recent Fiscal Years

In 1997, the Government Accountability Office (GAO) designated the SSI program as high risk. At that time, GAO indicated SSA lacked an effective plan to address overpayments. SSA took a number of steps to improve oversight of the SSI program, resulting in GAO's removal of the SSI program from its high-risk list in 2003. From FYs 2000 through 2004, the number of redeterminations as a percent of recipients was consistent at approximately 33 to 36 percent (see Table 1).

⁶ *The Social Security Act* §§1611(c)(1) and 1619(b)(2)(A), 42 U.S.C. §§ 1382(c)(1) and 1382h(b)(2)(A); 20 C.F.R. 416.204; Program Operations Manual System SI 02305.001.

Table 1: SSI Redeterminations and Recipients 2000 - 2009

Fiscal Year	Number of Redeterminations (in thousands) ⁷	Number of SSI Recipients (in thousands) ⁸	Redeterminations as Percent of Recipients
2000	2,182	6,595	33
2001	2,316	6,638	35
2002	2,311	6,710	34
2003	2,450	6,781	36
2004	2,279	6,894	33
2005	1,725	7,025	25
2006	1,071	7,109	15
2007	692	7,268	10
2008	900	7,384	12
2009	1,382 ⁹	7,504	18

Once the SSI program was removed from GAO’s high-risk list, the number of redeterminations conducted each year decreased by more than 60 percent between FYs 2003 and 2008 (see Table 1 and Figure 1). Also, the number of redeterminations completed as a percentage of total SSI recipients decreased 24 percent between FYs 2003 and 2008, from 36 to 12 percent, although the number of SSI recipients increased (see Figure 2).

Figure 1: SSI Redeterminations and Recipients FYs 2000-2009

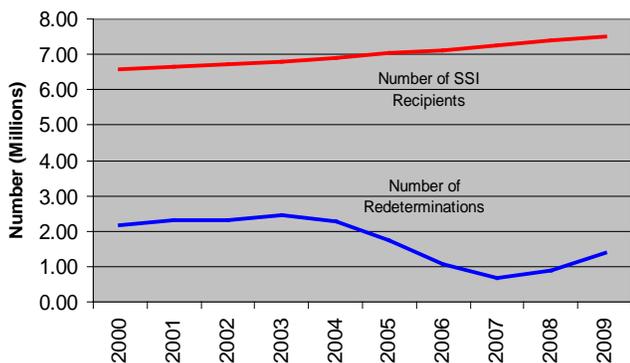
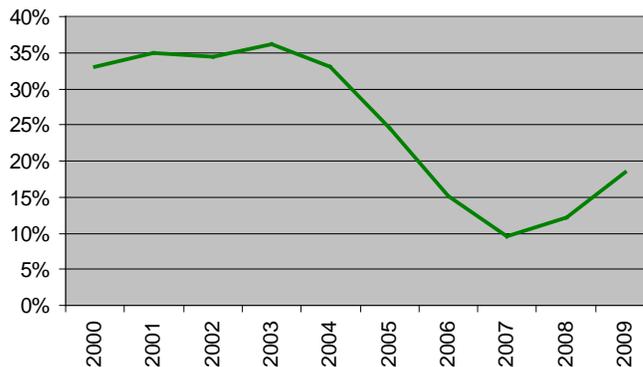


Figure 2: Redeterminations as Percent of Recipients FYs 2000-2009



⁷ The number of redeterminations does not include limited issues, also known as targeted redeterminations. Limited issues are selected for limited review because of a single issue, such as an alert resulting from a match between SSA’s records and those of another agency.

⁸ The number of SSI recipients receiving a Federal SSI payment, State supplement, or both at the beginning of each FY, as provided by SSA’s Office of the Chief Actuary.

⁹ Estimated number of redeterminations SSA plans to conduct in FY 2009, based on information provided by SSA’s Office of Budget.

According to SSA, it was not able to conduct as many redeterminations as needed because of budget limitations and increases in SSA's core workloads, such as retirement claims, disability claims, and enumerations. Therefore, SSA stated it was forced to focus resources on these workloads to prevent degradation of fundamental Agency services.¹⁰ Also, SSA directly attributes a decrease in SSI payment accuracy to the decrease in redeterminations. For example, in FY 2003, SSA found that 93.9 percent of SSI payments was free of overpayment error while only 90.9 percent of SSI payments was free of overpayment error in FY 2007. This decline in payment accuracy occurred during the same period the number of redeterminations declined from 2.4 million in FY 2003 to 692,000 in FY 2007. Further, SSI payment accuracy was lower during this period than when the SSI program was placed on GAO's high-risk list in FY 1997 when 94.7 percent of payments was free of overpayment.

Savings Lost by Conducting Fewer Redeterminations

To calculate the savings lost because SSA did not conduct redeterminations at the same level as FY 2003, we requested the number of redeterminations that needed to be conducted during FYs 2004 through 2009. Although SSA stated it was not able to conduct the number of redeterminations needed each year, it was unable to provide the numbers that were necessary. The number of redeterminations SSA conducts each year is based on budget, organizational capacity, and workload priorities.

We calculated the potential number of redeterminations for each FY based on the FY 2003 level of redeterminations as a percent of recipients, or 36 percent (see Table 1). Using the potential number of redeterminations, we estimated the additional savings SSA could have identified during FYs 2008 and 2009 based on SSA's reported cost-savings ratio of \$7 for every \$1 spent.¹¹ The additional savings for the 2-year period totaled approximately \$3.3 billion (see Table 2 and Appendix C). To achieve these additional savings, SSA would have needed to allocate more budgeted funds to its redetermination workload. However, by doing so, it may not have been able to complete the workloads on which the budgeted funds were actually spent.

Table 2: Potential Additional Savings FYs 2008 and 2009	
Fiscal Year	Potential Additional Savings (in millions)
2009	\$1,313
2008	\$1,942
Total	\$3,255

¹⁰ According to SSA's *Annual Report of the Supplemental Security Income Program*, issued in May 2008, the drop in the number of redeterminations during FYs 2004 through 2007 suggests a potential loss of over \$3 billion.

¹¹ SSA has historically reported the cost-savings ratio of \$7 to \$1 in documents as early as its *Performance Plan for Fiscal Year 2001 and Revised Final Fiscal Year 2000 Performance Plan*. According to SSA, the cost-savings ratio could fluctuate depending on the mix of cases selected for redetermination, since some cases result in higher savings than other cases. However, as of March 2009, SSA could not provide documentation to support the calculation of this ratio. As such, we did not audit the validity of this ratio.

SSA should continue to work with Congress to secure the funds necessary each year to conduct all redeterminations needed to avoid potential losses. To do so, SSA should establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, SSA should identify the lost savings and document why the number of necessary redeterminations was not completed. To identify lost savings, SSA should establish a methodology to identify a cost-savings ratio for redeterminations conducted each year. SSA does not identify a cost-savings ratio each year for the redeterminations completed. Instead, from FYs 2001 to 2009, SSA has reported savings of \$7 for every \$1 spent on redeterminations.¹² Since a cost-savings ratio is important to illustrate to Congress the benefit of conducting redeterminations, SSA should ensure it provides Congress with current and accurate cost-savings information each year.

To further help ensure SSA receives the funds necessary to conduct all needed redeterminations, we support a legislative proposal to create a self-funding program integrity fund. This proposal was drafted by SSA and, as of June 2008, contained the following elements.

- Provide authority for SSA to expend a portion of actual collections of erroneous payments on activities to prevent, detect, and collect erroneous payments. Specifically, the proposal would establish permanent indefinite appropriations, subject to Office of Management and Budget apportionment, to make available to SSA up to 25 percent of the actual overpayments collected during the base FY and make available to the Office of the Inspector General up to 2.5 percent of the same collected overpayments.
- Establish a revolving fund that would be financed from SSA's stewardship/program integrity activities' projected lifetime savings. That is, SSA would be permitted to deposit up to 50 percent of the estimated future lifetime program savings from processing such program integrity activities as (but not limited to) continuing disability reviews, SSI redeterminations, Cooperative Disability Investigation Units, and Special Office of the General Counsel prosecutions. The Commissioner would be authorized to fund initiatives that would yield at least a 150-percent return on investment in a 10-year time period. This proposal would link budgeting for cost-effective program integrity activities with their results.¹³

¹² In our Congressional Response Report: *Select Social Security Administration Stewardship Efforts and Reported Savings - A-08-02-22028*, we suggested SSA evaluate the calculation of the \$7 to \$1 ratio.

¹³ SSA's FY 2010 President's Budget request includes a significant increase in funding for program integrity activities as part of the President's initiative to make Government more effective and efficient. The enhanced funding in FY 2010 represents part of a multi-year government-wide effort intended to allow SSA to focus more closely on workloads or processes that are most vulnerable to improper payments.

CONCLUSION AND RECOMMENDATIONS

The Agency is not doing all that needs to be done to ensure it identifies individuals who are no longer eligible for SSI or are receiving incorrect SSI payments. A well-managed program should include identifying the number of redeterminations that should be conducted each year and determining how funding will be allocated to complete needed redeterminations.

We recognize that SSA has recently taken steps to increase the number of redeterminations conducted. However, the number of redeterminations completed in FY 2009 will still remain lower than historic levels in FYs 2000 through 2003. Therefore, SSA should continue to work with Congress to secure the funds necessary each year to conduct all redeterminations that are needed to avoid potential lost savings. To do so, we recommend SSA:

1. Establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, SSA should identify the lost savings and document the reasons the number of needed redeterminations was not completed.
2. Establish a methodology to identify the cost-savings ratio for redeterminations conducted each year.
3. Continue to pursue the establishment of a self-funding program integrity fund.

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix D for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Potential Additional Savings

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
FY	Fiscal Year
GAO	Government Accountability Office
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To complete the objectives of our review, we:

- Reviewed applicable laws and regulations and pertinent sections of the Program Operations Manual System related to Supplemental Security Income (SSI) redeterminations.
- Reviewed the Social Security Administration's (SSA) 2008 *Annual Report of the Supplemental Security Income Program*, Cost Analysis System, SSI Monthly Statistics, and other relevant documents to obtain
 - the number and cost of redeterminations conducted or estimated during Fiscal Years 2001 through 2009 and
 - the number of SSI recipients in Fiscal Years 2001 through 2009.
- Interviewed individuals from SSA's Offices of Budget and the Chief Actuary to obtain information on SSA's budget process as it relates to conducting redeterminations.

The entity reviewed was the Office of Operations. Our work was conducted at the Office of Audit in Kansas City, Missouri, and SSA's Headquarters in Baltimore, Maryland, from March through May 2009. We conducted our review in accordance with the President's Council on Integrity and Efficiency's¹ *Quality Standards for Inspections*.

¹ In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C. App. 3 § 11.

Potential Additional Savings

We estimated potential additional savings the Social Security Administration (SSA) could have identified during Fiscal Years (FY) 2008 and 2009 if it conducted redeterminations of Supplemental Security Income (SSI) recipients' eligibility at the same level it did in 2003. In fact, we estimate the additional savings for the 2-year period would be approximately \$3.3 billion (see Tables 1 and 2).

Table 1	
Potential Additional Savings in FY 2009 by Conducting Redeterminations at FY 2003 Level	
Approximate FY 2009 Savings Based on Anticipated Number of Redeterminations	
Number of SSI Recipients	7,504,271
Redeterminations as Percent of Recipients	18%
Estimated Number of Redeterminations ¹	1,382,100
Cost Per Redetermination ²	\$142
Estimated Total Cost ²	\$195,993,440
Approximate Savings (Estimated Total Cost multiplied by \$7)	\$1,371,954,080
Potential FY 2009 Savings Based on Redeterminations at FY 2003 Level	
Number of SSI Recipients	7,504,271
2003 Redeterminations as Percent of Recipients	36%
Potential Number of Redeterminations (Number of SSI Recipients multiplied by 2003 Redeterminations as Percent of Recipients)	2,701,538
Cost Per Redetermination ²	\$142
Total Cost (Potential Number of Redeterminations multiplied by Cost Per Redetermination)	\$383,618,334
Potential Savings (Total Cost multiplied by \$7)	\$2,685,328,335
Additional Savings in FY 2009 (Potential Savings less Approximate Savings)	\$1,313,374,255

¹ Number of Redeterminations does not equal Number of SSI Recipients multiplied by Redeterminations as Percent of Recipients due to rounding.

² According to information provided by SSA's Office of Budget, SSA's FY 2009 budget was based on \$195,993,440 to conduct an estimated 1,382,100 redeterminations, which equates to a Cost Per Redetermination of approximately \$142.

Table 2 Potential Additional Savings in FY 2008 by Conducting Redeterminations at FY 2003 Level	
<i>Approximate FY 2008 Savings Based on Actual Number of Redeterminations</i>	
Number of SSI Recipients	7,383,815
Redeterminations as Percent of Recipients	12%
Actual Number of Redeterminations ³	899,507
Cost Per Redetermination ⁴	\$158
Total Cost ⁵	\$142,540,431
Approximate Savings (Total Cost multiplied by \$7)	\$997,783,017
<i>Potential FY 2008 Savings Based on Redeterminations at FY 2003 Level</i>	
Number of SSI Recipients	7,383,815
2003 Redeterminations as Percent of Recipients	36%
Potential Number of Redeterminations (Number of SSI Recipients multiplied by 2002 Redeterminations as Percent of Recipients)	2,658,173
Cost Per Redetermination ⁴	\$158
Total Cost (Potential Number of Redeterminations multiplied by Cost Per Redetermination)	\$419,991,397
Potential Savings (Total Cost multiplied by \$7)	\$2,939,939,780
Additional Savings in FY 2008 (Potential Savings less Approximate Savings)	\$1,942,156,763

We also identified the additional savings for FYs 2004 through 2007 using the same methodology as above. We estimated additional savings for this 4-year period to be approximately \$4.5 billion (see Table 3).

Table 3 Potential Additional Savings FY 2004 - 2007			
Year	Potential Additional Savings (in millions)	Cost Per Redetermination ⁶	Actual Redeterminations as Percent of Recipients ⁷
2007	\$2,223	\$165	10%
2006	\$1,393	\$127	15%
2005	\$721	\$129	25%
2004	\$178	\$128	33%
Total	\$4,515	---	---

³ Number of Redeterminations does not equal Number of SSI Recipients multiplied by Redeterminations as Percent of Recipients due to rounding.

⁴ Cost Per Redetermination according to information provided by SSA's Office of Budget.

⁵ Total Cost does not equal Number of Redeterminations multiplied by Cost Per Redetermination due to rounding.

⁶ Cost Per Redetermination as reported in SSA's Cost Analysis System.

⁷ See Table 1 on Page 3 of this report.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 1, 2009

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: James A. Winn /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Supplemental Security Income Redeterminations" (A-07-09-29146)--INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached are our responses to the report recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL’S DRAFT REPORT,
“SUPPLEMENTAL SECURITY INCOME REDETERMINATIONS” (A-07-09-29146)**

Our responses to your specific recommendations are as follows.

Recommendation 1

Establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, SSA should identify the lost savings and document the reasons the number of needed redeterminations was not completed.

Comment

We agree. We will begin developing such a methodology and, when necessary, report on lost savings.

Recommendation 2

Establish a methodology to identify the cost-savings ratio for redeterminations conducted each year.

Comment

We agree. We will begin developing a cost-savings ratio methodology.

Recommendation 3

Continue to pursue the establishment of a self-funding program integrity fund.

Comment

We agree. We continue to support innovative ways to fund program integrity work.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director, Kansas City Audit Division

Shannon Agee, Audit Manager

Acknowledgments

In addition to those named above:

Tonya Eickman, Senior Auditor

Brennan Kraje, Statistician

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