

Statutory Benefit Continuation During the Appeals Process for Medical Cessations

A-07-17-50127



May 2017

Office of Audit Report Summary

Objective

To evaluate the financial impact on the Disability Insurance (DI) Trust Fund and the General Fund of the U.S. Treasury when individuals continued receiving benefit payments during appeals of medical cessation determinations that administrative law judges (ALJ) upheld.

Background

Statutory benefit continuation allows an individual to continue receiving disability benefits during the appeal of a medical cessation determination at the reconsideration or ALJ hearing levels. If the cessation determination is upheld after appeal, the Social Security Administration (SSA) considers the payments received during the appeals process overpayments the individual must return to SSA.

In 2006, we completed two audits that projected, in Fiscal Years 2003 and 2004, \$43.9 million became overpayments to DI beneficiaries, and \$146.1 million became overpayments to Supplemental Security Income (SSI) recipients when an ALJ upheld the decision that the individuals were no longer eligible to receive disability payments.

Findings

We project SSA overpaid approximately \$682.5 million to individuals in our population who continued receiving disability benefits during the appeals process but for whom ALJs upheld the cessation determinations from October 1, 2013 through July 8, 2016. This comprised \$138.5 million overpaid to DI beneficiaries and \$544 million overpaid to SSI recipients.

We estimate, as of August 2016, SSA was in the process of collecting 28 percent of the amount overpaid to DI beneficiaries. It had collected only 4 percent, waived or terminated collection action on 17 percent, and posted another 37 percent to the beneficiaries' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted about 14 percent to the beneficiaries' records for collection. Likewise, for the amount overpaid to the SSI recipients, SSA was in the process of collecting 61 percent. It had collected 2 percent, waived or terminated collection action on 13 percent, and had posted another 17 percent to the recipients' records but did not take action to collect, waive, or deem them uncollectible. SSA had not posted 7 percent to the individuals' records for collection.

The average processing time for medical cessation appeals had increased from our prior reviews. Specifically, processing times were 766 days for sampled DI beneficiaries and 831 days for sampled SSI recipients—increases of 18 percent and 20 percent, respectively. If SSA prioritizes medical cessation appeals, it could increase DI and SSI programs' financial performance. For example, we project SSA could have avoided \$69.7 million in DI overpayments and \$266 million in SSI overpayments had it completed the appeals process for medical cessations within its processing time goals totaling 394 days.

Recommendations

We made four recommendations for SSA to take appropriate actions to address issues related to the appeals of medical cessation determinations and resulting overpayments. SSA agreed with our recommendations.