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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

January 20, 1984

Mrs. Martha A. McSteen
Acting Commissioner of Social Security
Department of Health and Human Services

Dear Mrs. McSteen:

Subject: Social Security Could Improve Its Management and
Detection of Postentitlement Changes by
Using Postadjudicative Appraisal Data
(GAO/HRD-84-27)

GAO has analyzed the timeliness with which people report to the Social Security Administration (SSA) certain events which affect their social security benefit. When these events (such as remarriage or death) are reported late, overpayments can result. While such overpayments might be recovered, they are costly because they result in administrative collection costs. We used SSA data on late reporters and nonreporters to determine to what extent certain beneficiaries are not reporting status changes promptly.

Is late reporting a problem? SSA had no data showing the extent that beneficiaries report late and the resulting overpayments. To demonstrate how SSA might use data it already collects to systematically assess the extent beneficiaries do not promptly report events affecting their payments, we sampled, compiled, and analyzed data from SSA's Postadjudicative Appraisal System¹ for three postentitlement events which affect payments--marriage, death, and cessation of school attendance.

We found that most such events are reported promptly. However, we estimate that for 1981 that about 7 percent of such events were not reported within 2 months of the event and that about \$65 million in overpayments were made to such beneficiaries. We could not estimate how much of this overpayment will eventually be recovered because SSA's debt collection and management system does not track collection of overpayments by event causing the overpayment. The change event occurring most

¹The Postadjudicative Appraisal System assesses the quality of Postadjudicative Retirement, Survivors, and Disability Insurance actions that result from postentitlement changes.

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frequently was death, and late notification of death caused about half of all overpayments resulting from untimely reporting. Of the three change categories, marriage notifications were most often 2 or more months late.

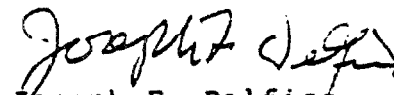
We believe that data on the frequency and effect of late reporting and the characteristics of late reporters can be useful to SSA. It could help SSA better direct its detection efforts toward typical late reporters and better direct its efforts to inform beneficiaries of reporting requirements.

By using data it already collects in its Postadjudicative Appraisal System and other data from its enforcement efforts, SSA should be better able to (1) assess the degree of compliance with its reporting requirements, (2) determine the type of events that are most often not reported, (3) determine the characteristics of beneficiaries who do not report in a timely manner, (4) determine the overpayment effects of untimely reporting, (5) decide what changes might be needed to quickly detect unreported postentitlement changes and better enforce beneficiary reporting requirements, and (6) monitor over time changes in the mix of late reporters and amounts lost due to late reporting to help assess the future impact of any new outreach or detection efforts.

We discussed the results of our work with SSA officials who generally agreed that better use can be made of data already being collected by SSA. We recommend that the Commissioner require that available data in the Postadjudicative Appraisal System be systematically compiled and analyzed on a regular basis with data gathered from other SSA enforcement and detection programs, to identify the types of beneficiaries not reporting promptly and the related cost.

The details of our review are discussed in enclosures I and II. Copies of this letter are being sent to the Secretary of Health and Human Services; the Office of Inspector General, Health and Human Services; and your Office of Assessment. Thank you for the cooperation extended to us during our work. We would appreciate being advised of actions taken or planned on our recommendations.

Sincerely,



Joseph F. Delfico
Associate Director

Enclosures

SSA COULD IMPROVE ITS MANAGEMENT
AND DETECTION OF POSTENTITLEMENT CHANGES BY
EFFECTIVELY USING POSTADJUDICATIVE
APPRAISAL DATA

Social security beneficiaries are required by law to promptly report to SSA changes in their personal status which might affect their continuing eligibility. SSA informs beneficiaries of their obligation to report changes in a variety of ways. However, past studies by SSA, the Department of Health and Human Services' (HHS') Inspector General (IG), and our office have shown that many beneficiaries do not report status changes promptly, resulting in overpayments of millions of dollars annually.¹ The results of our current effort indicate that many beneficiaries are still not reporting promptly.

The Social Security Act and SSA regulations state that when certain status changes occur, beneficiary payments will be terminated, suspended, or reduced. SSA must be promptly notified or it must quickly detect such changes and make the appropriate payment adjustment to avoid either paying ineligible people or overpaying eligible beneficiaries. Changes in beneficiary status which may affect Retirement and Survivors Insurance recipients' benefits include: marriage, divorce, child custody, attainment of majority age, deportation, alien living outside the United States, school attendance, earnings, conviction of subversive activities, receipt of other entitlement payments, confinement in a penal or correction facility, and death. SSA needs to know promptly when such changes occur, because in most cases the changes affect payments immediately.

OBJECTIVES, SCOPE, AND METHODOLOGY

SSA's postadjudicative assessments, which review the accuracy of postentitlement changes, do not focus on the overall frequency and effects of untimely reporting. Our objectives were to (1) evaluate the timeliness with which certain postentitlement changes are reported to SSA and (2) assess the effects that untimely reporting of such changes have had on the accuracy of payments.

¹Not reporting certain events, such as the birth of a child, could result in underpayments to a beneficiary in certain circumstances. Our study did not attempt to address such events, but focused on those events which must be reported to SSA to preclude overpayments.

We limited our analysis to three postentitlement status changes: school attendance cessation, marriage, and death, which are the major changes that generally result in benefit termination.² SSA received about 764,000 status changes in these three categories in 1981. From this number, we randomly selected 190 beneficiary cases in which benefits had been terminated as a result of one of these status changes, and such changes were reported or detected 2 or more months late. We estimated the average number and the amount of monthly benefit checks that were received after benefits should have been terminated. These estimates are shown and discussed in enclosure II. We reviewed laws and SSA regulations which govern beneficiary eligibility and fix responsibility for reporting and detecting changes in eligibility. We also reviewed past HHS and SSA reports and studies on postentitlement changes. We obtained other information through our discussions with SSA officials in its Offices of Policy, Systems, Assessment, Public Affairs, Central Operations, and Field Operations. We also visited and spoke with officials at SSA's Great Lakes Program Service Center, Chicago, Illinois; and the District and Branch Offices in Cincinnati, Ohio; Louisville, Kentucky; Indianapolis, Indiana; and Dayton, Ohio.

Our review was conducted in accordance with generally accepted government auditing standards.

SSA DOES NOT HAVE A SYSTEMATIC
PROCESS FOR DETECTING AND MEASURING
UNTIMELY REPORTING

SSA does not know the extent to which beneficiaries report late and receive overpayments. SSA relies primarily on the beneficiaries to voluntarily report postentitlement changes in a timely manner. It tries to strengthen this largely voluntary reporting system through (1) informational and educational outreach efforts and (2) ad hoc detection and enforcement studies.

SSA's current outreach efforts include verbal discussions with beneficiaries on the telephone or in an SSA office and distributing assorted handouts, pamphlets, and booklets when a

²Postentitlement earnings is also a major status change that frequently requires social security benefits to be reduced. We did not analyze the timeliness and accuracy of reporting this change because these issues are being addressed in another GAO study.

social security claim is filed. In addition, beneficiaries receive "envelope stuffers" with their benefit checks at least annually explaining the type of changes that must be reported to SSA. Also, when a beneficiary contacts SSA, he or she is reminded to report future event changes.

In addition to such direct contacts with beneficiaries, SSA uses newspaper, radio, television, speeches, and various other public access opportunities to remind beneficiaries to voluntarily report changes. However, the effectiveness of these outreach efforts have not been evaluated.

Since 1980, SSA has conducted two ad hoc detection and enforcement studies that addressed beneficiary reporting of postentitlement changes. In one of the studies, SSA, in cooperation with the HHS' IG, matched death records of former SSA beneficiaries with SSA active beneficiary payment records. This process revealed that about \$30 million had been paid to about 5,000 beneficiaries after their deaths. In the second study, SSA sought to verify the benefit eligibility of widows and widowers from a sample number selected from the beneficiary rolls. SSA officials told us that the preliminary results of this study showed that about \$7.5 million had been paid to about 9,000 widows and widowers after their status had changed and they were no longer eligible for benefits.

These studies focused on the reporting of two postentitlement change events at different points in time and detected some unreported changes that had resulted in overpayments. They provided some information as to the number of beneficiaries who had not reported these types of postentitlement changes in a timely manner and the effects this had on payment accuracy at the time of the studies.

However, these studies only focused on single post-entitlement events at disparate times, the results of which did not provide a complete picture of reporting problems and did not develop a profile of typical tardy reporters or nonreporters. Such a profile could have enabled SSA management to focus future enforcement and outreach efforts toward beneficiaries who are likely to report their changes late or not at all. An enforcement effort directed toward typical tardy reporters and nonreporters would be less costly than efforts directed toward the entire beneficiary population and could also enable SSA to detect late reporters more quickly thereby improving its chances of preventing and collecting overpayments.

GAO ANALYSIS SHOWS HOW DATA ON UNTIMELY
REPORTING CAN BE DEVELOPED AND USED

Our analysis of data from SSA's Postadjudicative Appraisal System³ showed that about 57,000 benefit-termination changes, or about 7 percent of all changes recorded in fiscal year 1981 involving death, marriage, or school cessation, were either reported by beneficiaries or detected by SSA from 2 to 83 months after the dates when the changes occurred. While most of the beneficiaries had reported their status changes promptly, those who did not received an estimated \$65 million in overpayments.

This estimate is based on our analysis of a random sample of beneficiary cases wherein benefits were terminated because of (1) death, (2) marriage or remarriage, or (3) cessation of school attendance. We compared the dates when such events occurred to the dates when they were first reported to or detected by SSA. These data showed the timeliness with which these changes in beneficiary status were reported or detected and the effects such untimely reporting has on payment accuracy.

We reviewed 190 sample cases⁴ which had been overpaid 2 or more months and were terminations due to death (83 cases), marriage (51 cases), or school attendance cessations (56 cases). The table below shows the results of our estimates, statistically projected to the total number of postentitlement changes that were reported and processed in fiscal year 1981:

³The Postadjudicative Appraisal System assesses the quality of Postadjudicative Retirement, Survivors, and Disability Insurance actions that result from postentitlement changes. Because this data base is developed from the universe containing all postentitlement changes, it provides an excellent base for assessing beneficiary reporting.

⁴These cases comprised a statistically valid sample. See enc. II for information on the confidence limit and precision of the estimates.

Table 1

Estimates of Untimely Reporting
and the Resulting Overpayments

	<u>Death</u>	<u>Marriage</u>	<u>School attendance cessation</u>	<u>Total</u>
Number of events reported (1981)	552,570	42,400	168,800	763,770
Estimated number of events reported or detected 2 or more months late	24,200	8,600	24,346	57,146
Percent reported or detected 2 or more months late	4	20	14	7
Average number of checks overpaid per beneficiary	4.6	8.2	4.5	
Average monthly overpayment resulting from untimely reporting	\$278.17	\$194.02	\$192.89	
Total projected annual overpayment amount (overpayment of 2 or more months)	\$31,275,750.00	\$13,620,553.00	\$20,958,522.00	\$65,854,825.00

The above estimates are computed at the 95-percent confidence level, but the sampling error (shown in enc. II) differs for each estimate. If all of the 3 events reported in 1981 were analyzed, the chances are 19 out of 20 that the number of events not reported within 2 months would range from 39,620 to 74,672⁵.

Similarly, the resulting overpayments would range from \$23 million to \$108 million. More precise estimates could have been achieved by increasing the sample size, but because of our limited objective and resources, we did not do so.

Our limited analysis of these data showed that of the three categories, marriage was the event most frequently reported late although it was the smallest in total occurrences reported and total amount overpaid. Cessation of school attendance was reported late more frequently than notification of death. The latter, however, resulted in the largest amounts overpaid.

Some overpayments, but not all, are collected by SSA. SSA's primary collection method is to withhold a portion (generally not more than 25 percent) of the beneficiaries' monthly benefits until the debt is settled. This process, however, takes time and costs money. According to one analyst at SSA, the administrative cost for debt collection is about \$0.18 per \$1. We did not determine how much of the overpaid amounts noted in this report had been collected or waived and written off. Generally, the more recent the overpayment and the smaller the amount, the more likely it will be fully recovered.

SSA COULD DEVELOP USEFUL INFORMATION
ABOUT BENEFICIARY REPORTING AT
LITTLE ADDITIONAL COST

Information like that developed by GAO could be collected and analyzed by SSA on a regular basis at little additional cost to provide an accurate picture of late reporting and the resultant costs. It would enable SSA to understand the magnitude and nature of untimely reporting and provide a basis for deciding what action it might take. Such data from the Postadjudicative Appraisal System could be used to (1) develop a profile of the types of beneficiaries reporting late and (2) show shifts over time or trends in what types of events are being reported late.

⁵We were unable to determine in all cases we reviewed whether the late reporting was voluntary or resulted from SSA detection. However, since a nonreported change detected by SSA was "late" at the time it was detected, we included such detected changes in our untimely reporting totals.

This information, with any other relevant data obtained from other studies, could be useful to SSA in its development of postentitlement operational policies, procedures, and strategies.

It would (1) show the extent of compliance with current reporting requirements and the amount of overpayments resulting from late reporting; (2) enable targeting of detection efforts toward groups most likely to report late or not report at all; and (3) provide a data base for (a) monitoring trends in noncompliance, (b) measuring the recovery of overpayments from untimely reporters, and (c) helping assess the impact of special outreach and detection efforts.

There should be little additional cost for compiling and analyzing such data because the Postadjudicative Appraisal System currently

- collects a variety of data on postentitlement changes including the dates when they occurred and when they were reported;
- records, stores, and retrieves data on postentitlement changes and postadjudicative actions; and
- statistically selects, on an ongoing basis, a sample number of postadjudicative actions for quality control assessment.

According to an SSA analyst, it would cost SSA about \$18,000 to modify the Postadjudicative Appraisal System in such a way that it would provide statistical information on the timeliness of beneficiary reporting by event category and the cost of late reporting. He further estimated that the recurring cost for such a modification would be about \$1,500 a year.

These cost estimates only include direct labor cost for software development, testing and maintenance, and do not include material and overhead costs. The ultimate cost of modifying SSA's current system to facilitate beneficiary reporting analysis would depend on the size and sophistication of the system's modification that SSA adopts.

CONCLUSION

SSA relies on affected individuals to promptly report status changes, such as marriage, death, and cessation of school attendance that may affect benefit payments. Most people appear to report such changes in a timely manner. Some, however, report late or not at all, resulting in overpayments.

To inform beneficiaries of reporting requirements, SSA regularly and periodically advises all beneficiaries of their responsibilities. To detect those who do not report, SSA relies primarily on special ad hoc studies and enforcement efforts. SSA, however, does not have a systematic process for detecting and measuring untimely reporting and consequently does not know the nature, extent, and cost of such noncompliance. Without such information, it cannot be assured that its outreach and detection efforts are directed toward those groups most likely to not report and that any such efforts are cost effective and over time result in less untimely reporting.

SSA could develop a profile of beneficiaries who tend to report their postentitlement changes late or not at all by using data from its Postadjudicative Appraisal System. Such a profile, with data SSA gathers from such other sources as special detection or enforcement studies, could provide SSA with a basis for determining how to better inform such beneficiaries of their responsibilities and, with data on the extent to which untimely reporting results in costly overpayments, enable SSA to target detection and enforcement efforts where they might be the most cost effective. Improved outreach and detection and enforcement efforts could result in more timely reporting and, consequently, fewer overpayments and an increased likelihood that any such overpayments would be fully recovered.

RECOMMENDATION

We recommend that the Commissioner require that available data in the Postadjudicative Appraisal System be systematically compiled and analyzed on a regular basis, with data gathered from other SSA enforcement and detection programs, to help better identify the types of beneficiaries not reporting promptly and the related cost.

STATISTICAL PROJECTIONS FOR BENEFICIARIESOVERPAID DUE TO LATE REPORTING

As part of its Postadjudicative Appraisal System process, SSA randomly selects and reviews case files of beneficiaries who experience a change affecting their eligibility. Our sample of 190 cases was drawn from this SSA data. We selected cases where the reporting or detection of the event was late enough to have resulted in two or more checks with overpayment amounts being issued subsequent to the change event. Our sample included 83 death, 51 marriage, and 56 school attendance cases. We extracted data from our sample cases to estimate for each of the three types of events, the

- number of events reported or detected 2 or more months late,
- average number of checks overpaid per late beneficiary, and
- total overpaid amounts.

The results of our projections are on page 5. Our estimates are made at a 95-percent confidence level. This means that if all case files were examined, the chances are 19 out of 20 that those with late reporting characteristics would fall within a range indicated by the sampling error shown for each estimate. Tables 1, 2, and 3 show the sampling errors for the estimates developed from our sample.

Table 1Estimate of Events That Were Reported
2 or More Months Late

	<u>Death</u>	<u>Marriage</u>	<u>School attendance cessation</u>	<u>Total</u>
Number of events reported	552,570	42,400	168,800	763,770
Estimated number of events re- ported 2 or more months late	24,200	8,600	24,346	57,146
Sampling error(+/-)	7,549	2,295	7,682	17,526

Table 2Estimate of Average Number of Checks and
Amount Overpaid Per Late Reporting Beneficiary

<u>Event</u>	<u>Average # of checks</u>	<u>Sampling error (+-)</u>	<u>Average monthly overpayment amount</u>	<u>Sampling error (+-)</u>
Death	4.6	2.4	\$278.17	\$33.81
Marriage	8.2	4.8	194.02	36.04
School cessation	4.5	1.0	192.89	30.10

Table 3Estimate of Annual Overpayments
for 2 or More Months Late Reporting

	<u>Death</u>	<u>Marriage</u>	<u>School attendance cessation</u>	<u>Total</u>
	\$31,275,750	\$13,620,553	\$20,958,522	\$65,854,825
Sampling error (+-)	\$22,253,165	\$12,123,897	\$ 8,365,536	\$42,742,598