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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON MANPOWER AND HOUSING
COMMITTEE ON GOVERNMENT OPERATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE RAILROAD RETIREMENT BOARD DISABILITY BENEFIT PROGRAM

~~P. J. MCGOUGH~~ / 118733

Madam Chairwoman and Members of the Subcommittee:

On April 12, 1982, you requested that we review disability decisions being made by the Railroad Retirement Board and that we compare and contrast the criteria being used by the Board with that prescribed by Social Security. You also requested that we select and review specific cases to test the Board's compliance with established policies and procedures. We are here today to provide you with the results of our work to date.

Before discussing the results of our work, I want to mention two points. First, in addition to a permanent and total disability benefit which is the equivalent of Social Security's disability benefit, the Board has an occupational disability benefit which, because of time constraints, was not a subject of our review. Second, because our review is still in progress, our observations are preliminary and subject to change as we obtain more information. We expect to complete our analysis within the next two months, at which time we will discuss the results of our work with the Subcommittee.

For some time now the Administration and the Congress have expressed concern about disability benefits provided by the Social Security Administration, yet relatively little attention has been focused on the Board's disability program. This despite the fact that in 1981, the Board paid about \$400 million in disability

benefits to 59,000 disabled former rail workers and their survivors. About 6,200 new disability awards were made in 1981, representing about \$48 million in annual benefits. Of these new awards, 3,540 were for permanent and total disabilities of former rail employees and their surviving spouses, at an estimated annual cost of \$25 million. In addition, the Board approves a significantly higher percentage of permanent and total disability claims than does Social Security. In recent years, the Board has approved about 65 percent of initial claims whereas Social Security has approved about 36 percent. Also, for cases initially denied but then appealed, the Board approves a higher percentage than Social Security.

How the Board administers its disability program has an effect on the Social Security trust funds, which in 1981 underwrote \$178 million, or 45 percent of the Board's disability benefit costs. The Board's disability awards can also have an impact on the Medicare funds. If a disability lasts two years or more the beneficiary becomes eligible to receive early Medicare benefits. In 1981 the average Medicare cost was about \$1,600 for each disabled beneficiary.

LARGE PERCENTAGE OF ELIGIBILITY
DECISIONS ARE QUESTIONABLE

For an employee or survivor to qualify for disability benefits from the Board, the employee must have at least ten years of railroad service and the disability applicant must satisfy a number of requirements, many of which involve meeting established medical

criteria as to the severity of the disabling impairment. Social Security's medical criteria define a permanent and total disability as one that precludes employment and that has lasted or is expected to last at least a year or result in death. In deciding whether an applicant is permanently and totally disabled, the Board uses these criteria because of its financial relationship with Social Security.

In conducting our study, we first determined the Board's procedures for processing disability claims and then selected a sample of cases to review. From the 3,540 cases for which permanent and total disability awards were made in 1981, we selected a statistically projectable random sample of 100 cases, of which 96 proved usable for our review. We reviewed the 96 cases to determine the Board's compliance with established policies and procedures.

Because a review of medical evidence and familiarity with Social Security criteria and standards are essential to proper eligibility determinations, we obtained the services of Social Security's Office of Assessment staff examiners. The examiners do quality assurance reviews of Social Security's disability cases and have access to Social Security's medical personnel. The examiners reviewed the selected cases to determine whether the Board's decisions were made in accordance with Social Security criteria.

The results of our review of the sampled cases can be seen in Attachment 1. The review showed that:

--16 beneficiaries lacked a severe impairment or otherwise should not have qualified for a disability benefit.

--35 cases had insufficient evidence to support the disability award.

--45 cases were properly documented and awarded.

Examples of cases involving questionable disability awards are shown in Attachments 3 to 8.

Our review raised questions as to the appropriateness of the Board's disability decisions in more than half of the 96 cases reviewed. Statistically projected, the number of questionable cases totaled 1,732 of the 3,540 awards in 1981. The estimated payments on these cases would be about \$1 million each month, or about \$12 million for the year. Our estimates of questionable cases and related costs are shown in Attachment 2.

If the questionable cases from 1981 all turned out to be inappropriate awards and the beneficiaries remained on the rolls for at least two years, the additional Medicare costs could total about \$3 million annually.

In addition to examining the Board's disability awards, we selected a judgmental sample of 30 cases (also from 1981) where the Board denied disability benefits. While we cannot project the results, the Social Security examiners found that 23 percent of these cases lacked sufficient evidence to support the denial decision.

We have referred the questionable award and denial cases to the Board and are in the process of obtaining its views. We recognize that an eligibility determination is--even with clear and specific criteria--in large measure a matter of judgment. Nevertheless, there are criteria which must be used in making disability determinations. We will attempt to determine what caused the differences between the Social Security examiners' findings and the Board's determinations. We will also attempt to identify other causes associated with questionable Board decisions.

LACK OF FOLLOW-UP LEAVES THE BOARD
VULNERABLE TO PAYING BENEFICIARIES
WHO ARE NO LONGER DISABLED

The 1980 amendments to the Social Security Act require that Social Security reexamine totally disabled beneficiaries every three years to ensure that the continuation of the disability benefit is justified. The Board does not have this requirement. Both Social Security and the Board require that when a person's medical impairment is expected to improve, a follow-up be made within a set time period to determine whether the disability is still permanent and total. If the follow-up shows that the person has sufficiently improved, benefits are terminated.

The Social Security examiners advised us that eight of the 96 cases reviewed should have been scheduled for reexamination by the Board, but were not. In any of those cases where the disability might become less than total and permanent, the Board could continue to pay benefits unless the beneficiary notified the Board of a change.

INADEQUATE QUALITY CONTROL

With a total of about 6,200 disability decisions made in 1981 and about \$400 million paid in railroad disability benefits, it is fair to ask: What quality control mechanisms exist at the Board to ensure accurate disability decisions? In this area, we believe that an adequate quality control system should provide for a systematic review of a portion of the disability decisions. It should enable targeting of resources to review those types of cases most likely to contain errors and reduce the potential for erroneous awards and payments.

The Board does not have a formal quality control system for its disability cases. The chief of the disability unit periodically selects a limited number of cases to review, primarily to assess the performance of claims examiners. In December 1981, the chief proposed the establishment of a quality appraisal system with a claims specialist and a physician to review a 10 percent sample of all disability cases. We understand that this proposal has not yet been implemented.

For its own program, Social Security is required by the Social Security Disability Amendments of 1980 to review a portion of its disability determination decisions prior to effectuation of payment. For fiscal year 1982, Social Security was to review 35 percent of its determinations. (The Board does not have a similar mandate). In addition, Social Security has had an on-going quality assurance system operated by its Office of Assessment which systematically selects and reviews disability cases.

Since Social Security currently underwrites about half of the Board's benefit costs, it also is fair to ask: What role does Social Security play in insuring the quality of the Board's determinations? Social Security does not have any quality control system for reviewing the Board's disability cases. Social Security does review cases the Board has decided where there is a potential that the beneficiary or the survivors will be eligible for benefits under both the Board's and Social Security's programs. The purpose of the review is to ensure agreement in such cases to preclude, for example, the possibility of a person being denied benefits under one program and then applying for and receiving benefits under the other. According to Social Security, this periodic review of some of the Board's cases was not intended to be and does not function as a quality control system.

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Madam Chairwoman, that concludes my statement and we would be happy to answer any questions.

RESULTS OF GAO'S STATISTICAL SAMPLE
OF DISABILITY AWARDS MADE IN 1981

	<u>NUMBER</u>	<u>PERCENT</u>
<u>CASES REVIEWED</u>	<u>96</u>	<u>100</u>
NOT DISABLED	16	16.7
INSUFFICIENT EVIDENCE	35	36.4
ACCEPTABLE DETERMINATION	45	46.9

PROJECTED IMPACT OF DISABILITY
AWARDS MADE INCORRECTLY OR WITH
INSUFFICIENT EVIDENCE IN 1981

	<u>Total Awards</u>	<u>Total Monthly Benefits</u>	<u>Total Annual Benefits</u>
Not Disabled	501	\$ 365,300	\$ 4,383,600
Insufficient Evidence	<u>1,231</u>	<u>684,000</u>	<u>8,208,000</u>
Total	1,732	\$1,049,300	\$12,591,600

Note: At a 95-percent confidence level, the total questionable determinations range from 1,371 to 2,093 awards and the related benefits range from \$841,341 to \$1,257,321 monthly and from \$10,096,092 to \$15,087,852 for the year.

EXAMPLE OF QUESTIONABLE
DISABILITY AWARD

Claimant : Male worker

Age : 53

Monthly Benefit Amount: \$918

Basis For Award : Disability equals medical listing of impairments due to visual and back impairments.

SSA Examiner's Determination : Claim should have been denied because:
--Vision in good eye is 20/40 with full field of vision. Under Social Security criteria this is not a severe impairment.
--Following surgery on back, therapy program reduced pain, stiffness, and tenderness and increased range of motion. Impairment did not last for 12 months.

EXAMPLE OF QUESTIONABLE
DISABILITY AWARD

Claimant : Widow

Age : 58

Monthly Benefit Amount: \$547

Basis For Award : Disability equals the medical listing of impairments due to:
Varicose veins in legs
Mental condition

SSA Examiner's Determination : Claim should have been denied because:
--Claimant's mental condition is relevant and coherent. Mental impairment is not severe.

--Surgery for varicosities was successful and claimant currently has little difficulty with legs.

EXAMPLE OF QUESTIONABLE
DISABILITY AWARD

Claimant : Male worker

Age : 56

Monthly Benefit Amount: \$545

Basis For Award : Disability equals the medical listing of impairment due to:
Chronic alcoholism
Hypertension and chest pains
Deformity of left hand
Drug abuse
Generalized anxiety and personality disorder

SSA Examiner's Determination : Claim should have been denied because all impairments were non-severe:
--Psychiatric exam within normal range;
--Seizures are alcohol induced;
--Resting EKG did not suggest severe cardiac impairments;
--No significant joint abnormalities;
--Deformity of fingers and decreased grip do not demonstrate significant loss of function; and
--Reflex, sensory, and neurologic exams are normal.

EXAMPLE OF QUESTIONABLE
DISABILITY AWARD

Claimant : Female worker

Age : 59

Monthly Benefit Amount: \$273

Basis For Award : Impairment plus vocational factors for:
--Fluid filled cavity of lungs(empyema)
--Congestive heart failure
--Diabetes
--Obesity

SSA Examiner's Determination : Claim should have been denied on the basis of non-severe impairments:
--Obesity does not meet criteria for obesity;
--Diabetes is under control with insulin;
--Pulmonary embolism and congestive heart failure responded to treatment and did not last 12 months:

Also, there were insufficient vocational data--no 15-year work history; no job duties or physical demands listed for most recent employment.

Note : Prior to award, the Board's physician stated:
--Congestive heart failures well compensated;
--Diabetes controlled;
--Acute lung problem resolved;
--Good pulmonary function; and
--Residual functional capacity exists for past and medium work.

EXAMPLE OF INSUFFICIENT
INFORMATION

Claimant : Male worker

Age : 50

Monthly Benefit Amount: \$612

Basis For Award : A history of alcoholism, epilepsy, and organic brain syndrome

SSA Examiner's Determination : Insufficient evidence in the file to establish a severe and disabling impairment irrespective of alcoholism:
--No EKG in file as required by SSA to document epilepsy; and
--Additional vocational documentation needed--past relevant work, physical demands, and job duties.

EXAMPLE OF INSUFFICIENT
INFORMATION

Claimant : Male worker

Age : 56

Monthly Benefit Amount: \$208

Basis For Award : Impairments of emphysema and heart disease, plus vocational factors

SSA Examiner's Determination : Insufficient evidence in the file because:

- Tracings for emphysema, as requested, were not provided;
- Additional evidence, including an exercise EKG, was needed to establish ischemic heart disease; and
- Vocational factors of work history and education not provided.