

GAO

Report to the Honorable
William J. Hughes, House of
Representatives

July 1993

SOCIAL SECURITY DISABILITY

SSA Needs to Improve Continuing Disability Review Program





United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-253397

July 8, 1993

The Honorable William J. Hughes
House of Representatives

Dear Mr. Hughes:

This report further responds to your request for information about the Social Security Administration's (SSA) practice of conducting continuing disability reviews (CDR). These reviews are important to ensure that persons receiving government disability benefits are still eligible for the benefits. In 1987, we reported that due to budget reductions, SSA had limited the number of CDRs performed in fiscal year 1987, which was estimated to cost the Disability Insurance (DI) Trust Fund more than \$200 million annually in unnecessary benefit payments.¹

Concerned that a lack of adequate resources at SSA for CDRs was causing taxpayers to inappropriately support individuals who had improved enough medically to return to work, you asked that we conduct a follow-up study. On March 9, 1993, we testified before your Select Committee on Aging² on our work results and subsequently, at your request, agreed to provide you this report.

Specifically, we gathered information on (1) the number of CDRs required by law and the number conducted by SSA since 1987, (2) the cost to the trust funds of not conducting all of the reviews required, and (3) SSA initiatives to improve the CDR process.

Results in Brief

SSA has not met the legal requirements for conducting CDRs. Significant operational problems due to unprecedented increases in initial claims for social security benefits have caused SSA to shift resources away from conducting CDRs to processing these claims. Since fiscal year 1987, SSA has conducted only about half of the over 2 million required CDRs. Consequently, SSA will pay over a billion dollars to beneficiaries who have medically improved enough to return to work. Further, the integrity of the trust funds is affected because thousands of ineligible beneficiaries remain on the disability rolls.

In 1991, SSA streamlined its CDR process by being more selective about which beneficiaries received CDRs. Currently, SSA is evaluating methods to

¹Social Security: Effects of Budget Constraints on Disability Program (GAO/HRD-88-2, Oct. 28, 1987).

²Social Security: SSA's Processing of Continuing Disability Reviews (GAO/T-HRD-93-9, Mar. 9, 1993).

further refine its CDR process. We believe that SSA should (1) continue to examine ways to better target CDRs for beneficiaries who may have medically improved and (2) increase the number of CDRs beyond planned levels.

Background

SSA administers the DI and supplemental security income (SSI) programs. The DI program provides income replacement to disabled persons who have had enough recent work experience to be insured under the social security program. The SSI program provides assistance to the aged, blind, and disabled whose income and resources are below a specified amount, regardless of work experience. State disability determination services (DDS) make decisions for SSA on whether individuals are entitled to benefits under these programs. The DDS are responsible for processing initial applications, initial appeals of denial decisions, and for conducting CDRs.

Although the eligibility requirements for disability benefits under both the DI and SSI programs are quite stringent and require persons to be totally disabled,³ some persons do medically improve. Historically, SSA has identified many thousands of beneficiaries each year who have recovered from their medical problems or who have improved sufficiently to return to work.

The Social Security Disability Amendments of 1980 (P.L. 96-265) require that SSA periodically review the status of all DI beneficiaries to determine their continuing eligibility for benefits. At least once every 3 years, SSA must conduct CDRs for cases where medical improvement is either possible or expected. The law does not require SSA to review cases involving SSI beneficiaries. For SSI, the Commissioner of SSA has authority to review SSI cases where potential for medical improvement exists.

SSA schedules cases for review based on the beneficiary's impairment and age at the time of the last medical determination. SSA has established three medical categories and review schedules: medical improvement expected cases are generally scheduled for review in 18 months or less; medical improvement possible cases are scheduled for review once every 3 years; and medical improvement not expected cases are scheduled for review every 7 years. SSA can also at any time review certain other cases, such as

³The Social Security Act defines disability to include the inability to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment expected to last at least 12 months or to shortly result in death.

when beneficiaries report that they are working or if SSA's earnings record system indicates wages were posted.

In 1987, we reported that because of budget constraints SSA had reduced the number of staff in the DDSS, and because of the reductions in DDS staff, SSA had limited the number of CDRs it expected the DDSS to process. Based on SSA data, we estimated that CDRs not processed in fiscal year 1987 because of the staffing reductions cost the Disability Insurance Trust Fund over \$200 million in unnecessary benefit payments a year.

More recently, SSA has experienced significant program administration problems due to unprecedented increases in applications for benefits under the DI and SSI programs. Initial claims for disability benefits reached an all-time high of 2.4 million for fiscal year 1992, a 50-percent increase over the 1.6 million applications received in fiscal year 1989. As part of numerous initiatives to keep up with the surge in disability claims, SSA has again significantly reduced the number of CDRs performed. Many DDS staff who had been working on CDRs have been reassigned to work initial claims.

Scope and Methodology

We reviewed (1) applicable laws and regulations affecting social security disability benefits and eligibility requirements, (2) SSA policies and procedures for scheduling and conducting CDRs, (3) SSA statistical work load data reports for the last several years, and (4) previous GAO reports and recent Congressional Research Service reports on SSA's disability program. We interviewed SSA officials in the Office of Budget, Office of Disability, and Office of the Actuary. We did our work between December 1992 and March 1993 in accordance with generally accepted government auditing standards.

SSA Has Not Met CDR Requirements

SSA did not perform enough CDRs to meet the statutory requirements in fiscal years 1987 through 1992, and likely will not do so in fiscal year 1993. According to its officials, SSA must conduct between 300,000 and 500,000 CDRs each year to comply with the legal mandate for the DI program. According to SSA data reports, the number of CDRs performed on DI recipients went from 196,000 in fiscal year 1987 to 58,000 in fiscal year 1992. For the six fiscal years combined (1987 to 1992), the federal mandate required SSA to conduct about 2.2 million CDRs, but SSA conducted less than 1.1 million, only about half of the number required. As a result, SSA estimates that 1.1 million cases are now past due for review. Appendix I

shows the number of DI and SSI program CDRs completed for fiscal years 1987 to 1992.

Costs of Not Performing CDRs

SSA's decision to perform fewer CDRs than required continues to cost the trust funds hundred of millions of dollars. In addition, program integrity diminishes as an increasing number of ineligible beneficiaries remain on the disability rolls.

SSA's Office of the Actuary estimates that the trust fund will incur extra costs of about \$1.4 billion through 1997, as a result of SSA not performing all required CDRs during fiscal years 1990 through 1993, on beneficiaries whose medical conditions could have improved. Although SSA's administrative costs of conducting these CDRs would have been about \$1.1 billion (about \$1,000 per CDR), these costs would have been offset by an estimated \$2.5 billion in savings to the trust funds as a result of removing ineligible beneficiaries from the rolls. These estimates of "lost" savings do not include savings that could have resulted from CDRs that were not done before 1990. Also, although data were not readily available to make similar loss estimates for the SSI program, the impact on that program likely is significant.

CDRs contribute not only to program savings, but also to enhanced program integrity by not allowing ineligible beneficiaries to remain on the disability rolls. SSA experience over recent years indicates that CDRs ultimately result in terminated benefits for 5 to 6 percent of beneficiaries for whom medical improvement had been expected or was possible. With a backlog of over 640,000 such cases in the DI program, at least 30,000 ineligible beneficiaries may still be on the DI rolls receiving disability benefits.

SSA Initiatives to Improve the CDR Process

SSA has been studying ways to improve the efficiency and cost effectiveness of the CDR process. Two initiatives, one taken in 1991 and the other now under way, were designed to more effectively target DI recipients for CDRs.

In fiscal year 1991, SSA revised its medical criteria for scheduling CDRs to focus on beneficiaries with the greatest probability of attaining medical improvement and returning to work. This revision decreased the number of beneficiaries for whom medical improvement was thought to be more likely. SSA estimates that the number of 3-year-CDR-cycle cases

(beneficiaries for whom medical improvement was thought to be more likely) maturing each year decreased from about 450,000 to about 300,000. Although the final results have not yet been determined, SSA believes that by revising the criteria, CDRs can be more effectively targeted toward beneficiaries most likely to have medically improved.

In addition, SSA believes that it can further improve the identification of beneficiaries who may no longer be disabled. Historically, SSA has used a full medical examination to meet the CDR requirement. However, beginning late in fiscal year 1991, SSA conducted a 10,000-case pilot study in 25 states to test the feasibility of using a mailer to question beneficiaries on their health status and work history. Responses from the mailer combined with indicators that are predictors of CDR outcomes (such as length of time on the disability rolls, date of last CDR, number of CDRs performed, and reported earnings), were used to identify beneficiaries who may no longer be disabled and who should be given full medical CDRs.

SSA compared the decision reached about the need to perform a full medical CDR based on the mailer process for each beneficiary with actual CDR results made under the existing process. The findings indicate that use of the information from the mailer process could help predict whether disability benefits would ultimately be ceased or continued if a full medical CDR is performed. Further, SSA's study found that the mailer process would cost about \$23.50 per case—a fraction of the approximate \$1,000 cost of performing a full medical CDR on each beneficiary at the scheduled review date. After SSA obtains certain approvals, it plans to implement the mailer process to better target beneficiaries for full medical reviews.

Although we are encouraged by SSA's initiatives, particularly the mailer process, we are concerned that SSA has performed too few CDRs and has too few (73,000) planned in fiscal year 1993 and in each of the next several fiscal years. We believe that CDRs are both cost-effective and important beyond the dollars involved.

Recommendations to the Commissioner

We recommend that the Commissioner of Social Security continue to examine ways to (1) increase the number of CDRs beyond planned levels and (2) improve the CDR process so as to make optimal use of SSA's resources. As more experience with the mailer process is gained, the Commissioner should monitor the results and make adjustments in CDR case-selection criteria to achieve the most effective resource utilization.

We did not obtain written agency comments on this report. However, we discussed its contents with SSA officials and incorporated their comments as appropriate. We are providing copies of this report to the Director, Office of Management and Budget; the Secretary, Health and Human Services; the SSA Commissioner; and to other congressional committees with an interest in this matter. We will also make copies available to others upon request.

Please contact me on (202) 512-7215 if you have any questions about this report. Other major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in cursive script that reads "Jane L. Ross".

Jane L. Ross
Associate Director,
Income Security Issues

Contents

Letter	1
Appendix I CDRs Completed (Fiscal Years 1987 to 1992)	10
Appendix II Major Contributors to This Report	11

Abbreviations

CDR	continuing disability review
DDS	disability determination service
DI	disability insurance
GAO	General Accounting Office
SSA	Social Security Administration
SSI	supplemental security income

CDRs Completed (Fiscal Years 1987 to 1992)

Fiscal year	DI program	SSI program	Total CDRs
1987	195,991	14,339	210,330
1988	321,246	32,573	353,819
1989	280,452	86,364	366,816
1990	155,586	39,500	195,086
1991	54,638	18,830	73,468
1992	58,430	14,715	72,145

Major Contributors to This Report

**Human Resources
Division,
Washington, D.C.**

Barry D. Tice, Assistant Director, (410) 965-8920

Dallas Regional Office

**Sherrill H. Johnson, Evaluator-in-Charge
Mary Leigh McCaskill, Evaluator**

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.**

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

<p>First-Class Mail Postage & Fees Paid GAO Permit No. G100</p>
--