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SOCIAL SECURITY

Continuing Disability Review Process Improved, But More Targeted Reviews Needed

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SUMMARY

Except for individuals with permanent disabilities, the Social Security Administration (SSA) is required by law to conduct continuing disability reviews (CDRs) of Disability Insurance (DI) beneficiaries at least once every three years. SSA also has the authority, but no legal requirement, to do CDRs of individuals receiving Supplemental Security Income (SSI) disability benefits.

CDRs are important to help ensure that only eligible persons continue receiving benefits. Because SSA has done less than half the required CDRs, hundreds of millions of dollars in unnecessary costs are incurred each year by the Disability Insurance (DI) Trust Fund. In fact, GAO reported in 1993 that $1.4 billion in unnecessary benefits would be paid through 1997 to ineligible DI beneficiaries.

SSA developed a new, more cost-efficient process for conducting CDRs using computer profiling and beneficiary self-reported data. To carry out the new process, SSA analyzed computer data for all DI beneficiaries who were generally not considered to have permanent medical impairments. After ranking these beneficiaries as to the likelihood of their conditions improving, it sent 92,000 beneficiaries a questionnaire (mailer) asking about their health status and work history. Using the profiles and responses from the mailer, SSA decides which cases should receive more labor-intensive medical reviews.

Early reports suggest that this new CDR process is achieving its desired results. SSA staff said that cessation rates are exceeding expectations. However, many full medical reviews are still underway and it is too early to report fully on the first-year results of the mailer process.

GAO supports SSA's efforts to make the CDR process more efficient and cost-effective, and the mailer process is a significant step in this direction. Beneficiary self-reported data, when combined with other key information that SSA has about each beneficiary, appear reliable to use in deciding when to do full medical reviews of beneficiaries scheduled for a CDR. SSA plans to assess further the reliability of the self-reported data and its use of computerized beneficiary data in better predicting medical improvement and likely benefit terminations.

GAO encourages efforts to provide SSA with more funds to do CDRs. SSA continues to fall short of completing the number of DI CDRs required by law and directs little review effort at the SSI program. As it does more CDRs, SSA should focus its mailers and full medical reviews primarily on those beneficiaries who most likely have improved sufficiently to no longer be disabled. SSA also needs to provide increased attention to SSI beneficiaries.

Dear Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to present our observations on the Social Security Administration's (SSA's) new process for conducting continuing disability reviews (CDRs) using computer profiling and beneficiary self-reported data. My testimony is based on ongoing work for your Subcommittee.

SSA designed its new CDR process to be a more cost-efficient means of assessing the continued eligibility of beneficiaries receiving Social Security disability benefits. CDRs are generally required by law and are important to help ensure that only eligible persons continue receiving benefits. Both the Disability Insurance (DI) and Supplemental Security Income (SSI) programs are experiencing enormous growth and currently pay out about $50 billion annually to about 7.5 million disabled beneficiaries. We have reported on several occasions that because SSA was not doing the required CDRs hundreds of millions of dollars in unnecessary costs were incurred each year by these programs,[1] and public confidence in program integrity was jeopardized.

My testimony will describe the new CDR process, which uses computer analysis along with a questionnaire to decide which beneficiaries should be scheduled for a full medical CDR. It also addresses your concerns over the reliability of this self-reported data and SSA's procedures for deciding when to do full medical reviews. Finally, I will talk about the need for SSA to do more CDRs, particularly for those beneficiaries identified as having the greatest likelihood of medical improvement.

Overall, we are encouraged by SSA initiatives to make the CDR process more efficient and cost-effective. We are concerned, however, that SSA continues to do too few CDRs, particularly for beneficiaries with the highest potential for being removed from the disability rolls. Finding ways to provide the agency with more funds to do CDRs continues, in our view, to have merit. As such, we are encouraged by approaches such as those recently introduced in H.R. 3935 by the Subcommittee's Chairman and Ranking Minority Member.

BACKGROUND

SSA administers the DI and SSI programs with the help of state disability determination services (DDSs). DDSs make decisions for SSA about individuals' entitlement to DI or SSI

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[1] Social Security: Effects of Budget Constraints on Disability Program (GAO/HRD-88-2, Oct. 28, 1987) and Social Security Disability: SSA Needs to Improve Continuing Disability Review Program (GAO/HRD-93-109, July 8, 1993).

benefits. The DDSs process initial applications and initial appeals of denial decisions and conduct CDRs.

Although total disability is required for eligibility under both the DI and SSI programs, some persons do medically improve. For example, some medical conditions improve over time by therapy, medicines, or surgery. The Social Security Disability Amendments of 1980 (Public Law 96-265) established a requirement that SSA periodically review the status of DI beneficiaries to determine their continuing eligibility for benefits. Except for beneficiaries with permanent disabilities (such as loss of multiple limbs and certain terminal cancers), SSA is required to do CDRs of DI beneficiaries at least once every 3 years. SSA has the authority, but no legal requirement, to do CDRs of SSI beneficiaries. SSA has identified through CDRs thousands of beneficiaries each year who have improved sufficiently from their medical problems to return to work.

Historically, the CDR process is labor-intensive. A beneficiary scheduled for a CDR had (1) a face-to-face meeting with an SSA field office representative, (2) an evaluation of the case by a DDS disability examiner, and (3) frequently, an examination by at least one medical doctor. Essentially, beneficiaries underwent the same process for CDRs as used initially to determine disability. SSA's reported costs to do a CDR in this manner are about $1,230 a case.

About 90 percent of the CDRs conducted over recent years have initially resulted in a finding of continued eligibility. After appeals, only about 6 percent of CDRs resulted in the cessation of benefits. However, even with this somewhat low cessation rate, CDRs have proven to be very cost-effective, currently returning, according to SSA, about $6 in benefit savings for every $1 in administrative costs.

In recent years, SSA has experienced significant program administration problems due to unprecedented increases in applications for benefits under the DI and SSI programs. This pattern of rising initial claims began in 1990 and has continued through 1993. SSA received almost a million more claims in 1993 than the 1.6 million it received during 1989.

As part of many initiatives to keep up with the surge in disability claims, SSA significantly reduced the number of CDRs performed. Since 1987, SSA has done fewer than half the over 2 million CDRs required by law. SSA estimates that compliance would require more than 400,000 reviews of DI beneficiaries annually. In each year since 1990, fewer than 100,000 CDRs have been done for the DI and SSI programs.

In July, 1993, we reported that because SSA shifted resources at the DDSs from CDRs to processing initial claims for

benefits, about $1.4 billion in unnecessary benefits would be paid through 1997 to ineligible beneficiaries in the DI program. We estimated that at least 30,000 ineligible persons may be on the DI rolls. Data are not available to make similar estimates for the SSI program, but we are concerned that this program may be similarly impacted by SSA's failure to do enough CDRs. We recommended that SSA continue to examine ways to better target beneficiaries for CDRs and increase the number of CDRs beyond planned levels.

Because of significant budgetary pressures on resources, SSA recognized a need to find ways to do CDRs at lower cost. In September, 1991, SSA began a pilot study to test the feasibility of using questionnaires mailed to DI beneficiaries who were due a CDR to ask about their health status and work history. Beneficiary responses were used with certain indicators about each beneficiary already available from SSA records--such as age, length of time on the disability rolls, date of last CDR, number of prior CDRs, and reported earnings--to help SSA identify beneficiaries most likely to no longer be disabled and who should be given a full medical review.

SSA used the indicators to rank 10,000 beneficiaries into high, medium, and low-case profile categories. The high category represented the 30 percent of beneficiaries most likely to show medical improvement; the medium category represented the 30 percent of beneficiaries next most likely to show medical improvement; and the low category represented the 40 percent of beneficiaries least likely to show improvement. All 10,000 beneficiaries were sent a questionnaire that asked seven questions about their health and medical care during the preceding 2 years.

SSA gave the beneficiaries in the study full medical CDRs. By comparing results of the CDRs with beneficiaries' responses to the questions and the SSA developed profiles, SSA found that mailer responses combined with profiles were excellent predictors of whether disability benefits would be ceased or continued if a full medical CDR was done.

SSA concluded that beneficiaries could be accurately evaluated for continued eligibility by comparing profiles with the completed questionnaires instead of conducting full medical evaluations for all cases as historically done.

SSA SENT OUT 92,000 MAILERS IN 1993

After appraising the results of the pilot project, SSA launched its current CDR mailer process last year. SSA considered four options for carrying out the mailer process. Each option was designed to yield no more than about 50,000 full medical CDRs for DI beneficiaries--the number budgeted by SSA.

The options varied, however, in terms of estimated program savings to be achieved and the number and types of beneficiaries (high, medium, or low profile) to receive mailers. The estimated savings ranged from $335 million for one option involving 128,400 mailers to $472 million for an option involving 69,000 mailers sent only to beneficiaries in a high case-profile category.

SSA chose the option of sending mailers to 92,000 beneficiaries from a mix of high, medium, and low case-profile categories. SSA believed that this option would realize sufficient program savings while enabling staff to implement the new process effectively and learn from the experience. SSA expected this option to result in 5,400 beneficiaries being terminated from the DI rolls and subsequent program savings of $432 million. SSA will count all beneficiaries receiving mailers as having received a CDR.

To carry out the process, SSA used the same indicators from the pilot study to analyze and rank about 640,000 beneficiaries previously categorized as medical-improvement-expected or medical-improvement-possible cases and who were due or past due for a CDR. It then stratified this universe into high (193,000), medium (193,000), and low (255,000) case-profile categories.[2] SSA then selected certain numbers of beneficiaries in each category to receive mailers. SSA sent mailers to the 54,000 beneficiaries in the high category with the highest probability of showing medical improvement, and to the 10,000 beneficiaries in the medium category with the highest probability of showing medical improvement. For the low category, SSA sent mailers to 28,000 beneficiaries with the lowest probability of showing medical improvement.

As of February 25, 1994, SSA had released 91,730 mailers and had received responses from 86,402 beneficiaries. SSA had analyzed 82,075 of these responses and referred 49,984 respondents to the DDSs for medical reviews, while 32,091 respondents were not referred for full medical review.

Early reports suggest that the process is achieving its desired results. SSA staff said that cessation rates are exceeding expectations for certain case-profile categories and that they have collected enough data to enhance future profiling. However, many full medical reviews are still underway and it is too early for SSA to evaluate and fully report on first-year results.

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[2]Since then, SSA has profiled other beneficiaries as they became due for a possible CDR. It now has profiled about 1.1 million DI beneficiaries.

SSA plans to repeat the process for 1994, sending out an additional 92,000 mailers. It will again send mailers to a mix of beneficiaries in high, medium, and low case-profile categories, expecting to result in approximately 50,000 full medical CDRs.

SELF-REPORTED DATA COMBINED WITH COMPUTER DATA APPEAR RELIABLE

At this time, beneficiary self-reported data appear reliable to the extent that, when combined with case profiles, agency personnel can make reasonable decisions about whether to conduct medical reviews on beneficiaries scheduled for a CDR. SSA's new CDR process does not rely solely on self-reported data. The self-reported information is used along with other information known about the beneficiary and stored in SSA's computer records.

As stated earlier, from the pilot study SSA concluded that such combined data are excellent predictors of the likelihood of beneficiaries' medical improvement. In addition, full medical CDRs given to all mailer respondents in the pilot study despite how they answered the questions suggest to SSA that respondents generally answered truthfully. For example, for the question in the mailer asking beneficiaries if their health was better, the same, or worse since they began receiving disability benefits, over 600 beneficiaries said that their health was better. Medical reviews of these beneficiaries showed that 33 percent could be removed from the disability rolls. Conversely, medical reviews of about 2,700 respondents who said that their health was worse showed that only 3 percent could be removed from the disability rolls.

Reasonable Procedures Established for Determining Need for Full Medical Review

SSA has established reasonable procedures for determining when to do full medical reviews of beneficiaries based on self-reported data. Whether a beneficiary's self-reported data suggest the need for a full medical CDR depends on two primary factors: the beneficiary's responses to specific questions and the beneficiary's profile.

SSA has a mailer review team composed of a clerical person and a disability examiner (DE). Initially, the clerk reviews all returned mailers. Using SSA-developed guidelines, the clerk will either schedule the respondent for a full medical CDR or refer the mailer, with the respondent's profile, to a DE. Certain beneficiary responses will result in a full medical review no matter what the profile shows. For example, if respondents answer that their health has improved, they will be referred for a full medical review despite their profile--high, medium, or low. On the other hand, if certain responses do not suggest the

likelihood of medical improvement, the DE will review the mailer responses, respondent's profile, and previously obtained medical records, and possibly contact the respondent. The DE then will either schedule the respondent for a full medical CDR or reschedule the case for future review.

The reported costs of the CDR mailer process are significantly lower than the reported costs of the historical CDR process. Mailer process costs are reported at about $24 per case--a fraction of the reported $1,230 average cost of performing a full medical CDR on each beneficiary. The key point in comparing costs of the two processes is that the historical process generally involved complete evidence gathering and a full medical review for all cases. Now, those cases determined from the mailer and profile information to be benefit continuances will only incur the mailer process costs.

SSA to Test Reliability of Self-Reported Data

To test its process, particularly the reliability of using beneficiary self-reported data, SSA draws an "integrity sample." SSA plans each year to review samples of respondents in each case-profile category independent of mailer answers. Full medical CDRs will be done on all beneficiaries in the samples despite their response to questions in the mailer. SSA believes that the results of these samples will provide a statistically reliable measure of the program's effectiveness. The samples also provide some assurance that all beneficiaries who receive mailers during the year have some chance of being referred for full medical review.

At this time, SSA has not completed full medical reviews of all beneficiaries in the integrity samples. These are expected to be completed over the next several months. SSA plans to evaluate the results of completed medical reviews to determine any changes needed in the mailer process for future years.

MORE REVIEWS ARE NEEDED

We are concerned by the limited number of CDRs SSA has been able to do in recent years and believe more CDRs are needed. As mentioned earlier, for both disability programs, SSA has done less than 100,000 CDRs annually since 1990. In 1993, less than 50,000 CDRs were done. CDRs are important because the failure to do CDRs means that increasing numbers of persons no longer entitled to benefits remain on the rolls. If these persons continue to receive payments, public confidence may erode and support weaken for the programs.

We recognize the severe workload demands that SSA faces and the difficulties in applying limited staff resources where they

are most needed. These budget difficulties are limiting the effectiveness of SSA's new CDR process in 2 ways: (1) SSA's budget has placed a cap on the number of full CDRs that can be done and (2) within the cap, efforts are not focused primarily on persons most likely to have medically improved.

While SSA's CDR efforts for 1993 and 1994 may result in about 5,000 terminations annually, they will fall far short of identifying most of the ineligible persons on the DI rolls. Also, only those SSI beneficiaries who receive DI benefits concurrently have been included to date in SSA's new CDR process.

To identify more ineligible persons, SSA must conduct more full medical CDRs. It must also send out more mailers, primarily to beneficiaries identified as most likely to have improved. Previously, SSA estimated that if it sent mailers to all 193,000 persons placed in the high category (for possible improvement) it might have to conduct about 130,000 CDRs, or almost 3 times its budgeted number. The payoff, however, would be in the possible termination of about 11,000 additional ineligible persons and further savings of about $900 million.

Finding ways to increase SSA's current budget for CDRs within existing budgetary constraints may be difficult. As we have reported in the past, the Budget Enforcement Act of 1990's prohibitions on trading off between entitlements and discretionary spending has made the situation more difficult. In this regard, we continue to support efforts to find ways to remedy this problem. Although we have not studied specific proposals, we are encouraged by such approaches as those suggested in H.R. 3935, recently introduced by Chairman Jacobs and Subcommittee Ranking Minority Member Bunning.

CONCLUSIONS

We support SSA's efforts to make the CDR process more efficient and cost-effective, and the mailer process is a significant step in this direction. Beneficiary self-reported data, when combined with other key information that SSA has about each beneficiary, appear reliable to use in deciding when to do full medical reviews of beneficiaries scheduled for a CDR.

We encourage efforts to increase SSA's funds to do more CDRs. SSA continues to fall far short of completing the number of DI CDRs required by law and directs little review effort at the SSI program.

As it does more CDRs, SSA should focus its mailers and full medical reviews primarily on those beneficiaries who most likely have improved sufficiently to no longer be disabled. SSA also needs to provide increased attention to SSI beneficiaries.

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Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittee may have.

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