SOCIAL SECURITY ADMINISTRATION'S CONTINUING DISABILITY REVIEW PROCESS

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

SEPTEMBER 25, 1997

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SOCIAL SECURITY ADMINISTRATION'S CONTINUING DISABILITY REVIEW PROCESS

THURSDAY, SEPTEMBER 25, 1997

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:05 p.m., in room 1100, Longworth House Office Building, Hon. Jim Bunning (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
September 17, 1997
No. SS–11

CONTACT: (202) 225–9263

Bunning Announces Oversight Hearing on Social Security Administration's Continuing Disability Review Process

Congressman Jim Bunning (R–KY), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold an oversight hearing on the Social Security Administration's (SSA's) progress in conducting continuing disability reviews (CDRs). The hearing will take place on Thursday, September 25, 1997, in the main Committee hearing room, 1100 Longworth Office Building, beginning at 1:00 p.m.

In view of the limited time available to hear witnesses, oral testimony will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

SSA is required to review the continuing eligibility of individuals with non-permanent disabilities at least once every three years. Congress enacted this statutory requirement to ensure that individuals remain on the disability rolls only if they continue to be disabled. SSA's difficulties in conducting the required number of CDRs in recent years have resulted in extraordinary backlogs. According to the U.S. General Accounting Office (GAO), 4.3 million recipients were due or overdue for a CDR in fiscal year 1996.

The extraordinary growth in the Social Security disability rolls over the last decade and the increased length of time disabled recipients remain on the rolls, demonstrates the importance of conducting CDRs. Last year, Congress authorized an additional $3 billion for fiscal years 1996 through 2002 to help SSA eliminate the CDR backlog.

In announcing the hearing, Chairman Bunning stated: "Individuals who work and pay into Social Security must be able to count on disability benefits to support their families if severe disability strikes. However, the public should also be able to count on SSA managing the program well, and that means stopping payments to people who have recovered and are no longer disabled."

FOCUS OF THE HEARING:

During the hearing, the Subcommittee will: (1) review the current status of the CDR workload, (2) examine SSA's use of the additional funds made available last year to SSA for CDRs, and (3) consider the findings of the GAO regarding SSA's management of the CDR process.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) single-space legal-size copies of their statement, along with an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format only, with their name, address, and hearing date noted on a label, by the close of business, Thursday, October 9, 1997, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Social Security office, room B–316 Rayburn House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'HTTP://WWW.HOUSE.GOV/WAYS__MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman BUNNING [presiding]. This afternoon the Subcommittee will examine the Social Security Administration's progress in conducting what we call continuing disability reviews, or CDRs.

Congress enacted a statutory CDR requirement to ensure that only those individuals who continue to be disabled remain on the disability rolls. However, SSA has consistently failed to conduct the

required number of CDRs, resulting in a tremendous backlog. In 1996, 4.3 million recipients were due or overdue for a CDR.

Over the years, SSA has requested additional funding to help them address the CDR backlogs. Last year Congress took extraordinary steps to adjust the discretionary spending limits to provide SSA with over $4 billion—that's right, $4 billion—for fiscal years 1996 through 2002, in order to conduct CDRs and other redeterminations.

Today's hearing will give us a chance to see what the Social Security Administration has been doing with that money. While the public should be able to count on disability benefits to support their families if disability strikes, the public should also be assured that SSA is managing the program so that only those who are truly disabled remain on the rolls.

Today we will focus on the current status of the CDR workload and SSA's use of additional funds made available last year. I am pleased to hear that SSA is making strides in reducing the backlogs and look forward to hearing more details. We will also hear about GAO's findings regarding SSA's management of the CDR process.

[The opening statement follows:]

Statement of Hon. Jim Bunning, a Representative in Congress from the State of Kentucky

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We will also hear about GAO's findings regarding SSA's management of the CDR process.

Chairman BUNNING. In the interest of time, it is our practice to dispense with opening statements except from the Ranking Democrat Member. All Members are welcome to submit statements for the record.

I yield to Congresswoman Kennelly for any statement that she may wish to make.

Ms. KENNELLY. Thank you, Mr. Chairman.

Today we take up the subject of continuing disability reviews. For some time this Subcommittee, under both Republicans and Democrats, has been interested in assuring that the Social Security Administration has adequate resources to conduct continuing dis-

ability reviews. Last year we adopted a measure similar to the one coauthored by Chairman Bunning and the previous Democratic Chairmen of the Subcommittee, and supported by me, which authorized additional CDR administrative funds outside the discretionary spending caps. This measure recognized that CDRs are a cost-effective means of reducing the disability rolls and assuring that only those who continue to be disabled will receive Social Security benefits.

We are here today to ask several questions about the implementation of these reviews. How effectively have the additional funds been used? How many disability cases has SSA reviewed with these increased funds? Are we on the road to eliminating the backlog of CDRs which accumulated during the late eighties and the early nineties?

I am pleased with the results of the General Accounting Office review of the status of CDRs. The Social Security Administration seems to have met its own targets for conducting CDRs, even in the face of additional SSI childhood disability workloads imposed on the agency in last year's welfare bill.

Further, the SSA seems to be making progress reducing its backlog of CDR cases. The agency projects that with sufficient funding it will have eliminated the backlog of cases by the year 2002.

It would appear that the additional CDR funding was money well spent. The Social Security Administration has completed the target number of cases with less funds than anticipated and may be able to schedule additional reviews for next year. Above all, those cases have already been targeted for review.

Moreover, if authorized funding is appropriated, the Social Security Administration may be able to eliminate its current backlog in the next 5 years. More importantly, SSA is projecting that it will save the taxpayers considerable money through reduced disability payments.

Let me also point out that routine CDRs are not the only answer for reducing Social Security disability costs. Some individuals have permanent disabilities, but might still return to work if they had a little additional assistance. I have introduced legislation, as Mr. Bunning has, to help individuals with disabilities return to work by providing continual health care coverage and other incentives to these individuals. I look forward to moving similar legislation through the Subcommittee in the near future.

With respect to CDRs, I want to thank the General Accounting Office for completing in a timely fashion much of the work that I requested of them. And I look forward to hearing from the Social Security Administration about the agency's plans for the future and thank the agency for the work that it's done already. Thank you.

Thank you, Mr. Chairman.

Chairman BUNNING. Thank you, Ms. Kennelly.

First, we will hear from the Social Security Administration, Dr. Susan Daniels, Associate Commissioner of the Office of Disability; accompanied by Joseph Markovic, Director of the Division of Disability Process Policy.

Testifying from the GAO is Jane Ross, Director of Income Security Issues for the Health, Education, and Human Services Divi-

sion; accompanied by Cynthia Bascetta, Assistant Director of Income Security Issues.

Dr. Daniels, if you would please begin.

STATEMENT OF SUSAN M. DANIELS, PH.D., ASSOCIATE COMMISSIONER, OFFICE OF DISABILITY, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY JOSEPH MARKOVIC, DIRECTOR, DIVISION OF DISABILITY PROCESS POLICY

Ms. DANIELS. Thank you, Mr. Chairman and Members of the Subcommittee, for inviting me here to report on SSA's success in protecting the integrity of the Social Security Disability Program.

Effective stewardship at the Social Security Administration is one of our highest priorities. Toward that end, we processed roughly half a million CDRs in 1996 with an estimated lifetime savings, including Medicare and Medicaid, of nearly $2.5 billion.

I also appreciate this opportunity to thank each of you personally for the additional funding for processing CDRs that made this progress possible. Achieving additional funding resulted from the work of both the appropriating and authorizing committees and has the full support of this Administration.

The Social Security Act requires SSA to review continuing disability eligibility for individuals with nonpermanent disabilities every 3 years. These reviews are called periodic CDRs. We also conduct CDRs for individuals who have returned to work, some of which require a full medical review; others do not.

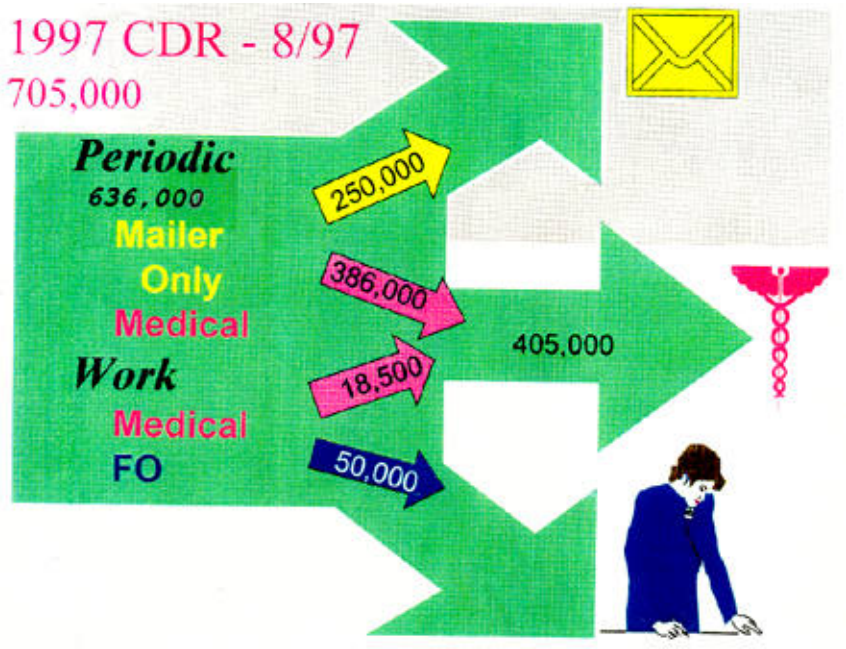
Beginning in 1990, SSA faced unprecedented increases in initial claims, resulting, not surprisingly, in growing backlogs of overdue CDRs. In 1996, Congress authorized additional funding for SSA to process CDRs through fiscal year 2002.

Beginning in 1993, we implemented a series of innovations, the most notable of which is the mailer questionnaire and profiling system, which is now in its sixth year. It is an efficient and cost-effective way to accurately differentiate beneficiaries who do and do not need full medical reviews in the State Disability Determination Services.

CDRs have always generated program savings well above administrative costs. Under our improved processes, including the mailer and questionnaire, the program savings are far in excess of the administrative costs. We expect similar results well into the next decade.

Now let's look at our recent accomplishments. In fiscal year 1996, we nearly doubled the number of CDRs conducted during the previous fiscal year, resulting in the second largest annual volume of periodic CDRs in the history of the agency. We processed over half a million, 565,000, and this chart shows you that some were done with mailers; some were full medical; some were work activity; and some were periodic. Our Office of the Actuary estimates that there will be savings of about $2.5 billion resulting from final benefit terminations for 26,500 individuals. In fiscal year 1997, through August, we have processed over 700,000 CDRs, again using the full medical and mailer processes.

[The following was subsequently received:]



Ms. DANIELS. Our future goals include two important features. First, almost doubling the number of CDRs at far less than double the cost. We project processing over 1.1 million periodic CDRs in fiscal year 1998. In addition, we plan to fold in the welfare reform legislation, including CDRs for children under age 18 who do not have permanent impairments and for low-birth-weight babies.

The mailer profiling system provides a high level of confidence in both our ability to achieve the estimated workload targets and in the accuracy and reliability of the decisions resulting from these processes. Our achievements in processing CDRs over the last 2 years demonstrate Congress' and the Administration's commitment to addressing this crucial workload.

Discretionary cap adjustments for additional funds have been authorized to enable SSA to eliminate the backlog of CDRs by fiscal year 2002 while staying current on our annual review requirements. However, further congressional action is necessary each year to make additional CDR funding available. If Congress appropriates additional funds as requested each year, we can meet our legislatively mandated CDR workload goals.

In that regard, the House version of the fiscal year 1998 SSA appropriation, expected to be considered by the conference committee next week, provided $45 million less than the President's request for processing CDRs and related SSI welfare reform legislation. The Senate version of this bill includes the full amount of the President's request. Failure to provide the additional funds would mean some 15 percent fewer individuals would receive CDRs in

1998. We strongly urge the conference committee to provide the additional $45 million, consistent with the Senate action.

Mr. Chairman, we are proud of our recent accomplishments. We are confident in our CDR strategy. We are grateful for your support, and we thank you for your attention. And I would be happy, as would Mr. Markovic, to take any questions.

[The prepared statement follows:]

Statement of Susan M. Daniels, Ph.D., Associate Commissioner, Office of Disability, Social Security Administration

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to testify about the success of SSA's efforts to protect the integrity of the Social Security disability program. As you know, continuing disability reviews (CDRs) are how we ensure that only people who are still disabled continue to receive monthly benefits. Effective stewardship of the Social Security trust funds is one of SSA's highest priorities. Toward that end, we processed roughly half a million CDRs in FY 1996, with estimated lifetime savings (including Medicare and Medicaid) of nearly $2.5 billion.

I also appreciate this opportunity to thank each of you personally for authorizing last year the additional funding for processing CDRs that has allowed us to achieve such significant progress. Achieving this additional funding was the work of both the authorizing and appropriating committees, and had the full support of the Administration. At the same time, SSA was required to submit an annual report to Congress at the end of each fiscal year through FY 2002 on the amount spent on CDRs, the number of reviews conducted, their results, and the estimated savings. We submitted the report for FY 1996 to Congress two weeks ago.

BACKGROUND

The Social Security Act generally requires SSA to review the continuing eligibility of individuals with non-permanent disabilities entitled to Social Security Disability Insurance (DI) benefits at least once every 3 years. It also requires SSA to review the continuing eligibility of such individuals with permanent disabilities at such times as the Commissioner determines to be appropriate. Together, these reviews are known as periodic CDRs. We also conduct CDRs when there has been an indication that the individual has returned to work, some of which require a full medical review, some of which do not.

Beginning in 1990, SSA faced unprecedented increases in initial disability claims workloads, resulting, not surprisingly, in a substantial number of overdue CDRs. Even though the number of periodic CDRs processed each year increased from 48,000 in FY 1993 to 217,200 in FY 1995, SSA recognized that it could not conduct the required CDRs without additional resources. In 1996, Congress authorized administrative funding to enable SSA to process additional CDRs through FY 2002 and provided that the discretionary spending caps could be adjusted for appropriations above a base funding level of $200 million a year. Congress appropriated $260 million for FY 1996 for SSA to process CDRs, including a $60 million discretionary cap adjustment. For FY 1997, Congress appropriated $510 million for CDRs, including a $310 million adjustment to the discretionary cap to process CDRs, including SSI CDRs and redeterminations related to the welfare reform legislation. These funds are apportioned separately by the Office of Management and Budget and tracked separately by SSA's accounting systems.

SSA INNOVATIONS

Beginning in 1993, SSA implemented a series of innovations to increase the number of CDRs processed. The primary innovation in this area was the CDR mailer questionnaire and profiling system, now beginning its sixth year of operation. It is an efficient and cost-effective means for accurately identifying beneficiaries who do not require full medical reviews in the Disability Determination Services (DDSs), as well as identifying those cases that are productive referrals for full medical reviews.

During FY 1996, we implemented further enhancements to the mailer/profiling system. Specifically, we automated the process further by using optically scannable mailers and computer-based decision logic, an important step as SSA prepares to begin annually processing more than three-quarters of a million mailers. Additionally, through experience, we continue to improve our ability to profile cases. We expect that these improved processes will increase our efficiency, program savings, and our ability to accurately process even larger volumes of CDRs.

CDRs have always generated program savings well above administrative cost. Under our improved process in FY 1996, program savings were far in excess of administrative costs. We expect to receive similar returns over the lifetime of the authorized additional funding by continuing to work toward our goal of processing CDRs in the most cost-effective manner consistent with program requirements.

FY 1996 Accomplishments

During FY 1996, SSA processed a total of 566,000 CDRs, of which 162,900 were for Supplemental Security Income (SSI) recipients. Out of the 566,000 total, 498,400 were periodic CDRs and 67,600 were work issue CDRs. The FY 1996 total was nearly double the number of CDRs conducted during the previous fiscal year, and the second largest annual volume of periodic CDRs that SSA has ever processed. During FY 1996, SSA made initial determinations that benefits should be ceased due to medical improvement and the ability to work in 60,300 cases. Of these, 41,910 were cessations resulting from periodic CDRs, 18,622 were DI only cases, 6,253 were concurrent DI/SSI cases, and 17,035 were SSI only. Out of these, we estimate that 26,500 beneficiaries will have their benefits terminated after all appeals: 10,500 DI only, 4,000 concurrent, and 12,000 SSI only. This represents life-time savings of nearly $2.5 billion—over $1.7 billion in the DI and Medicare programs and over $700 million in Federal savings for the SSI and Medicaid programs.

SSI CDRs

The Social Security Act was amended in 1994 to require SSA to perform CDRs for a minimum of 100,000 SSI recipients during each of fiscal years 1996, 1997, and 1998.

Additionally, last year's welfare reform legislation requires SSA to make redeterminations of disabled childhood SSI recipients who attain age 18, using the adult disability eligibility criteria, and to conduct CDRs once every 3 years for SSI recipients under age 18 with impairments that are likely to improve, and by age 1 for children whose low birth weight is a contributing factor material to the determination of disability. This year's Balanced Budget Act permits us to schedule a CDR for a low birth weight child at a later date if the child's impairment is not expected to improve by age 1.

During FY 1996, we confirmed the effectiveness of the profile/mailer system for SSI cases and conducted 162,900 SSI CDRs. These reviews included 5,700 initial determinations made for low birth weight children, of which 3,200 were cessations.

Future Goals

SSA's budget projected spending of about $288 million in FY 1997 to process 603,000 periodic review CDRs, including about 151,000 SSI cases. Through August 1997, we have processed nearly 636,000 periodic review CDRs. By the end of the fiscal year, we expect to have processed at least 650,000, at a cost of about $315 million, plus another 74,000 work issue CDRs.

For FY 1998, SSA's budget projects that we will spend about $366 million to process over 1.1 million periodic CDRs—almost double the number of CDRs in FY 1997 at far less than double the cost. Our improved mailer/profiling system provides a high level of confidence in both our ability to achieve our estimated workload targets and in the accuracy and reliability of the decision resulting from our case reviews.

Also, in FY 1998, we will begin processing CDRs for SSI recipients under age 18 whose impairments are likely to improve. These cases will allow us to develop a database to profile children's cases for CDR mailers.

Conclusion

Our achievements in processing CDRs over the last two years demonstrate Congress' and the Administration's commitment to addressing this crucial workload. Discretionary cap adjustments for additional funds have been authorized to enable SSA to eliminate the backlog of CDRs by FY 2002, while staying current with annual review requirements.

However, further congressional action is necessary each year to make additional CDR funding available. If Congress appropriates additional funds, as requested each year, we expect to become current with our legislatively mandated CDR workloads. In that regard, the House version of the FY 1998 SSA appropriation, expected to be considered by a Conference Committee next week, provided $45 million dollars less than the President requested to process CDRs and SSI administrative work related to the welfare reform legislation. The Senate version of this bill includes the

full amount of the President's request. Failure to provide the additional funds would mean that some 15 percent fewer individuals would have their status reviewed in FY 1998. We would strongly urge the Conference to provide the additional $45 million consistent with Senate action.

Mr. Chairman, we are proud of our recent accomplishments and are confident that our CDR strategy will lead to reliable and cost-effective monitoring of the disability rolls. I thank you for your attention and would be happy to answer any questions.

Chairman BUNNING. Ms. Ross.

STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY CYNTHIA BASCETTA, ASSISTANT DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION

Ms. ROSS. Mr. Chairman and Members of the Subcommittee, I'm pleased to talk with you today about SSA's recent experience in conducting continuing disability reviews. I want to make two points.

First of all, SSA is meeting its 1997 goal because they have been able to hire additional staff and because other competing workloads have declined. Also, in future years we encourage SSA to set more ambitious targets in its CDR goals, so that program costs can be reduced and program integrity can be enhanced.

Let me go back and set the stage for the current emphasis on CDRs, directing your attention to the chart showing CDR history. In the late eighties——

Chairman BUNNING. It's awfully small. You're going to have to do a lot of explaining for us to understand it.

Ms. ROSS. I think you'll be able to see which are the big red bars and which are the small red bars.

In the late eighties, because of budget constraints, SSA reduced the number of staff who were available to do CDRs, and as a consequence, reduced its CDR goal. I'm sure the gentleman can point out on the chart where the late eighties are. And then in the early nineties, the number of DI and SSI applications increased dramatically, and as a part of its effort to keep up with this tremendous applications workload, SSA again significantly reduced its CDRs.

So by 1993, both Members of Congress and the GAO were concerned that SSA's very limited number of CDRs, no matter how legitimate the reasons for those numbers, had resulted in unjustified program expenditures and a breakdown of public confidence in the programs. Over the next few years, as you know, people struggled to find mechanisms to increase funding, and last year's legislation represented a real breakthrough on the CDR issue.

Now that SSA has funding authorization for CDRs and 1 year's experience under its belt, you asked GAO to give you an assessment on SSA's progress in achieving its goal. Getting to the bottom line, SSA data indicate, and Dr. Daniels just confirmed, that SSA will exceed its target of 603,000 CDRs for 1997, while it was also processing the required SSI childhood redeterminations.

As I said, one reason that SSA was able to achieve its goals was that the State Disability Determination Services were able to hire up and increase their capacity. They did so despite some problems about hiring freezes and shortages of qualified applicants in certain places, but they were able to do it, and they expect to meet their 1998 hiring goals as well.

Another important reason that SSA was able to meet its 1997 goal was that the number of applications for disability benefits declined between 1996 and 1997 by several hundred thousand. The people who evaluate these initial applications for disability are the same people who conduct the CDRs. So when you have fewer initial applications, you have more resources available to do CDRs.

In other words, the problems that we saw in the late eighties and the early nineties—reductions of staff and increased initial workloads—have now turned around for the agency. They're increasing their capacity in terms of staff to do CDRs and the initial workload is down.

So let me summarize. SSA plans to conduct over 8 million CDRs by 2002, more than double the number they've ever conducted in the preceding 21-year period. Our preliminary findings indicate that SSA is meeting its capacity-building goals in the DDSs, and that if the funds are appropriated as planned, they should have adequate funding to carry out their plans.

Their current plan also assumes making some technical improvements. We assume that these will go as projected. The more quickly SSA can remove persons who are no longer eligible from the rolls, the more it can save in program benefits.

Finally, we note that many beneficiaries who will not medically improve could, nevertheless, have or regain work capacity. In light of this, we continue to encourage SSA to consider ways to integrate return-to-work efforts into its overall management of the CDR process for beneficiaries.

Mr. Chairman, this concludes my statement. I'd be glad to answer your questions.

[The prepared statement follows:]

Statement of Jane L. Ross, Director, Income Security Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to testify on the Social Security Administration's (SSA) plan to eliminate the backlog of continuing disability reviews (CDR) in the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. These programs together pay about $60 billion annually to 9 million disabled beneficiaries. CDRs, required by law for all DI and some SSI beneficiaries, help ensure that only those eligible continue receiving benefits. During the last 20 years, however, SSA has conducted from as few as 36,000 to as many as 544,000 reviews in various years. We have reported on several occasions that because SSA has not consistently done the required CDRs, hundreds of millions of dollars in unnecessary costs have been incurred each year, and program integrity has been undermined. (See the list of related GAO products at the end of this statement.)

For almost a decade, budget and staff reductions and large increases in initial claims hampered SSA's efforts to conduct these reviews. Consequently, more than 4 million beneficiaries were due or overdue for CDRs by 1996. Both SSA and the Congress focused attention on CDRs in that year. As a result, SSA developed a plan to conduct 8.2 million CDRs between 1996 and 2002, and the Congress authorized funding of about $4.1 billion over 7 years for this purpose. Soon after SSA developed its plan, the Congress established a new requirement for CDRs and for disability redeterminations for certain SSI children, for whom eligibility criteria were made more restrictive as part of welfare reform. SSA expects to complete an update of its

plan in November 1997 to incorporate these SSI CDRs as well as its progress conducting CDRs.

My testimony today presents our observations on SSA's ability to achieve its current 7-year plan cost effectively and on schedule. I will discuss SSA's progress so far, its spending rate, and the status of selection formulas needed to meet future goals. My testimony is based on our previous reports and our ongoing work for you and Representative Kennelly.

In summary, we have found that SSA's experience in conducting CDRs during fiscal year 1997 is encouraging. For 1997, SSA expects to meet or exceed its goal to conduct 603,000 CDRs. And, for 1998, it is planning to increase its goal because it was able to meet its 1997 goal, while also processing at least 235,000 SSI childhood eligibility redeterminations. Reviewing more cases sooner than planned, to the extent possible, is clearly desirable because of the high costs—in taxpayer dollars and program integrity—of continuing benefits to those who are no longer eligible. In addition, SSA's spending to date and estimates of future processing costs suggest that it will be able to complete its current 7-year plan with the funds the Congress has authorized, although its revised plan will not be available until November 1997. Key issues, however, such as deciding which beneficiaries should undergo a full medical review—a lengthy and costly process—are still unresolved but will determine how quickly and at what cost SSA can become current on its CDR workload.

PRIORITY OF CDRS HAS VARIED

SSA's disability programs provide cash benefits to people with long-term disabilities. The DI program provides monthly cash benefits and Medicare eligibility to severely disabled workers; SSI is an income assistance program for blind and disabled people. The law defines disability for adults for both programs as the inability to engage in substantial gainful activity because of a severe physical or mental impairment that is expected to last at least 1 year or result in death. For children seeking SSI disability benefits, the impairment must meet the duration requirement and result in marked and severe functional limitations.

Both the DI and SSI programs are administered by SSA and state disability determination services (DDS). DDSs receive 100 percent of their funding from SSA and make disability decisions in accordance with SSA's policies and procedures. They process initial disability applications, assess beneficiaries' potential for medical improvement, set due dates for CDRs, and conduct full medical reviews.

In early 1978, we had reported on serious program administration weaknesses that allowed thousands of medically ineligible recipients to go undetected.[1] Because of its concerns about the effectiveness of the CDR process and the growing number of disability beneficiaries, the Congress enacted a provision in a 1980 law requiring periodic CDRs for all DI beneficiaries.[2] This provision requires SSA to review—at least once every 3 years—the status of DI beneficiaries whose disabilities are not permanent to determine their continuing eligibility for benefits. The law also requires CDRs for DI beneficiaries with permanent impairments but gives SSA latitude in determining the frequency of these reviews. The 1980 provision does not require SSA to review cases involving SSI recipients. Before the 1980 legislation, SSA scheduled beneficiaries for medical reviews only if medical improvement was expected.

As a result of the 1980 law, SSA began increasing the number of CDRs in fiscal year 1981, using age, benefit amount, and medical characteristics as selection criteria. This resulted in the selection of a disproportionate number of young people with mental impairments for CDRs, as shown in table 1. Many of these cases were terminated because they did not meet new strict mental disability criteria that had been implemented after they had been put on the rolls.

In response to this situation, the Congress enacted a law in 1984 establishing the Medical Improvement Review Standard, which prohibits benefit termination unless SSA can show that the beneficiary's medical condition has improved since the last medical decision and that this improvement relates to the individual's ability to work.[3] As a result, SSA declared a moratorium on conducting CDRs until the new medical improvement standard was implemented by regulation in late 1985. Since enactment of the new standard, the cessation rate for CDRs has declined greatly.

SSA's regulations require CDRs every 6 to 18 months for DI beneficiaries expected to improve medically and at least once every 3 years if medical improvement is considered possible. For DI beneficiaries whose impairments are judged to be per-

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[1] See GAO numbered correspondence HRD–78–97.
[2] See the Social Security Disability Amendments of 1980 (P.L. 96–265) Sec. 311.
[3] See the Social Security Disability Benefit Reform Act of 1984 (P.L. 98–460).

manent, the regulation requires CDRs once every 5 to 7 years. Until 1993, all CDRs were labor-intensive full medical reviews. In full medical reviews, one of SSA's 1,300 field offices first contacts the beneficiary to determine whether he or she is engaged in any gainful activity that would make the beneficiary ineligible for benefits. If not, the field office forwards the case to a DDS, which determines whether the beneficiary still meets the medical eligibility requirements. SSA currently estimates that a full medical review costs about $800.

Table 1: CDR Historical Data, Fiscal Years 1975–96

Fiscal year	Number of CDRs [1]	Initial cessation rate (in percent)	Selected significant events in CDR history
1975	147,200	21	
1976	170,000	24	
1977	150,300	38	
1978	118,800	46	GAO reported its concern that thousands of medically ineligible recipients were going undetected.
1979	134,500	46	
1980	159,600	46	The Congress established requirement for periodic reviews of DI beneficiaries.
1981	257,100	47	SSA increased CDRs and began targeting CDRs on the basis of age, benefit amount, and medical factors that disproportionately affected younger people and the mentally impaired.
1982	496,800	45	
1983	544,200	41	
1984	156,600	24	The Congress enacted medical improvement review standard, and SSA declared moratorium on CDRs.
1985	35,900	11	
1986	47,700	6	SSA lifted the CDR moratorium after publishing regulations for the medical improvement review standard. SSA also published criteria for scheduling CDRs.
1987	206,000	13	
1988	353,800	12	
1989	366,800	9	
1990	195,100	11	SSA began diverting CDR resources to initial disability claims, which were growing rapidly.
1991	73,500	10	
1992	73,100	13	
1993	64,800 [2]	11	SSA implemented mailer CDR process for certain DI beneficiaries under age 59.
1994	118,400 [2]	14	Congress enacted requirement for 100,000 SSI CDRs annually during fiscal years 1996–98.
1995	217,000 [2]	17	
1996	498,400 [2]	11	The Congress authorized $4.1 billion for CDRs during fiscal years 1996–2002 and required additional SSI childhood disability reviews and redeterminations for which it authorized an additional $250 million.

[1] CDR data for 1975 through 1994 include "work" CDRs for which DDSs conduct full medical reviews. Work CDRs are unscheduled reviews that SSA's field offices initiate when, for example, they receive reports indicating a beneficiary is working or has income. SSA estimates that DDSs annually conduct about 20,000 full medical reviews as a result of work CDRs.

[2] For 1993–96, the number of mailers, respectively, were about 34,600, 31,000, 76,500, and 248,000.

Source: SSA.

To conduct CDRs more cost effectively, SSA developed an alternative to full medical reviews.[4] Under this alternative, SSA mails a questionnaire (referred to as a "mailer") to beneficiaries who have a low likelihood of benefit termination for them to report information on their medical conditions, treatments received, and work ac-

[4] To develop the mailer CDR process, SSA used the outcomes of previous DI CDRs to statistically estimate the likelihood that a CDR would result in benefit termination. The estimate is based on characteristics such as age, impairment, length of time on the disability rolls, and previous CDR activity. If the estimated likelihood of benefit termination is high, SSA routes the case to a DDS for a full medical review. If the estimated likelihood of benefit termination is low, SSA sends a mailer to the beneficiary, permitting SSA to do more CDRs than if all cases were forwarded to DDSs for full medical reviews.

tivities. About 2 percent of these beneficiaries eventually undergo a full medical review because their responses to the mailer and statistical information used to indicate the likelihood of cessation indicate that a more comprehensive review is warranted. SSA currently estimates that a mailer CDR costs about $50 to process.

Due to budget and staff reductions after 1986 and large increases in initial disability claims beginning in 1990, SSA diverted resources from CDRs and could not conduct all required DI CDRs; nor could the agency conduct many SSI CDRs. In 1994, the Congress established the first statutory requirement for SSI CDRs, mandating that SSA review one-third of the SSI beneficiaries who reach age 18 and at least 100,000 additional SSI beneficiaries annually in fiscal years 1996 to 1998.[5]

We reported in October 1996 that about 2.4 million DI beneficiaries were due or overdue for CDRs, all required by law, and about 1.9 million SSI beneficiaries due or over due for CDRs, of which 118,000 were required by law.[6] SSA calculated a smaller number of due or overdue CDRs—1.4 million for DI beneficiaries and 1.6 million for SSI beneficiaries. SSA excluded from its calculation DI worker beneficiaries aged 59 and older, disabled adult children and disabled widows and widowers of DI worker beneficiaries, and SSI beneficiaries aged 59 and older. SSA officials have acknowledged that CDRs were required for all DI beneficiaries excluded from its calculation but stated that because of the CDR backlog it was focusing on the portions of the CDR population that the agency estimated as the most cost effective to review.

In early 1996, SSA developed an ambitious 7-year plan to conduct 8.2 million CDRs during fiscal years 1996 to 2002, and, in March 1996, the Congress authorized a total of about $4.1 billion to fund SSA's plan.[7] The current 7-year plan includes (1) CDRs for DI worker beneficiaries under age 59, (2) SSI CDRs required under the Social Security Independence and Program Improvements Act of 1994, and (3) about 2 million additional SSI CDRs.

In November 1997, SSA plans to complete its updated plan to include additional beneficiary groups mandated in recent legislation. SSA estimates adding about 600,000 cases to its plan during fiscal years 1998 to 2000 to comply with requirements to conduct (1) CDRs at least every 3 years for SSI children under age 18 who are likely to improve; (2) CDRs for infants in their first year of life who receive SSI benefits due to low birth weight; and (3) redeterminations for all SSI children beginning on their 18th birthdays, using adult disability criteria.[8] The August 1996 legislation also required that SSA conduct SSI eligibility redeterminations for all children who previously qualified for disability on the basis of an individualized functional assessment (IFA), which the law eliminated, or on maladaptive behavior criteria, which the law revised to eliminate double counting of impairments. SSA estimated that about 300,000 had been approved on the basis of the IFA or maladaptive behavior criteria. These cases, which are not counted in the CDR workload, must be completed by February 1998.

SSA Met 1997 Target, Further Progress Expected

SSA data indicate that it will meet its CDR target for 1997, while also processing the newly required SSI childhood redeterminations. This result is due in part to SSA's working with the DDSs to increase case processing capacity to handle the unprecedented workloads in SSA's CDR plan. We find this progress encouraging and will continue to review SSA's progress in our ongoing work.

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[5] See the Social Security Independence and Program Improvements Act of 1994.

[6] See Social Security Disability: Alternatives Would Boost Cost-Effectiveness of Continuing Disability Reviews (GAO/HEHS–97–2, Oct. 16, 1996) and Social Security Disability: Improvements Needed to Continuing Disability Review Process (GAO/HEHS–97–1, Oct. 16, 1996). Also see Supplemental Security Income: SSA Is Taking Steps to Review Recipients' Disability Status (GAO/HEHS–97–17, Oct. 30, 1996).

[7] The Contract With America Advancement Act of 1996 (P.L. 104–121) authorizes funding for 7 years for CDRs from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund.

[8] See the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This act repealed the provision for CDRs for 18-year-olds in the 1994 legislation. SSA determined that newly required CDRs on low birth weight babies and children under age 18 whose impairments are likely to improve, and redeterminations for 18-year-olds may count toward the 100,000 CDRs required under the Social Security Independence and Program Improvement Act of 1994. The Balanced Budget Act of 1997 permits SSA to schedule a CDR for a low birth weight child after the child's first birthday if it is determined that the child's impairment is not expected to improve within 12 months after birth.

Table 2: SSA's CDR and SSI Childhood Redetermination Workload Targets and Cases Completed, Fiscal Years 1996–2002

In thousands

	1996	1997	1998	1999	2000	2001	2002
Current workload targets							
CDRs processed (mailers and full medical reviews)	500	603	1,117	1,397	1,595	1,527	1,443
SSI childhood initial redeterminations [1]	Not applicable	288	Not provided [2]	Not applicable	Not applicable	Not applicable	Not applicable
Actual cases completed							
CDRs [3] (mailers and full medical reviews)	498	603	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
SSI childhood initial redeterminations [1]	Not applicable	235 [4]	Unavailable	Not applicable	Not applicable	Not applicable	Not applicable

[1] Years other than 1997 and 1998 are not applicable for childhood redetermination targets or cases completed because the Aug. 1996 legislation required that all childhood redeterminations be completed by Aug. 22, 1997, and in 1997 the Congress extended this deadline to Feb. 1998 in P.L. 105–33. Actual cases completed for 1998 are unavailable until the end of 1998.

[2] SSA did not provide the current target workload for childhood redeterminations in 1998.

[3] CDRs completed for 1996 represents CDRs for DI and SSI beneficiaries. CDRs completed for 1997 includes periodic CDRs, CDRs for SSI low birth weight babies, and redeterminations for SSI children after they reach age 18. The 603,000 cases for 1997 is an estimate based on actual cases completed through the end of Aug. 1997. Cases completed for fiscal years beyond 1997 are unavailable until the end of each fiscal year.

[4] As of the end of Aug. 1997, about 235,000 of the original 288,000 SSI childhood redeterminations had been processed. Of the 235,000 cases processed, SSA determined on the basis of a review of existing medical evidence that about 28,000 cases could be continued without referring them to DDSs for medical redeterminations. DDSs conducted medical redeterminations for the remaining 207,000 cases. SSA did not provide an estimate of the initial redeterminations it will complete by the end of Sept. 1997.

Source: SSA.

In fiscal year 1997, SSA faced a new SSI childhood redetermination workload that competed for the same resources that conduct CDRs. Even so, the DDSs were on track to meet or exceed the 1997 target of 603,000 CDRs (see table 2). Both SSA and DDS officials told us that they attributed part of their success to the decline in initial applications—from about 2.4 million in fiscal year 1996 to about 1.9 million through the first 11 months of fiscal year 1997. SSA is reassessing its CDR workload target for 1998 to determine the extent to which it can increase the CDR target beyond the 1.1 million the plan currently calls for.

To prepare for this ambitious CDR workload, SSA has negotiated with the DDSs to increase CDR workloads and increase the DDSs' efforts to hire, train, and supervise additional staff. After several months of training, the new staff would be expected to handle initial disability determinations, freeing more senior examiners to handle CDRs. Training and supervising new disability examiners, however, can require a great deal of the senior disability examiners' time. Our preliminary work indicates that the DDSs substantially succeeded in meeting their 1997 hiring goals, despite problems such as hiring freezes, shortages of qualified applicants, or limited office space, which sometimes caused DDS to reach their hiring goals later in the year than planned. From 1996 to 1997, the number of full-time disability examiners in the DDSs increased from 5,459 to 5,724, not including 435 trainees. SSA also expects DDSs to be able to meet their 1998 hiring goals.

Budget Authority Appears Sufficient To Conduct Required CDRs

On the basis of SSA's current cost estimates, the congressionally authorized funding levels for fiscal years 1998 through 2002 will exceed the estimated costs of the CDR workloads in SSA's current plan. The Congress has authorized a total of about $4.3 billion for DI and SSI CDRs and SSI redeterminations during fiscal years 1996 through 2002 (see table 3).[9]

Table 3: Amounts Authorized, Requested, Appropriated, and Obligated for CDRs and SSI Redeterminations, Fiscal Years 1996–2002

Dollars in millions

Funding for DI and SSI CDRs and SSI redeterminations	1996	1997	1998	1999–2002
Amount authorized	$260	$510	$670	$720 [1]
SSA's budget request	260	510	490 [2]	Not applicable
Amount appropriated	260	510 [2]	490 [3]	Not applicable
Amount obligated by SSA				
CDRs	207	288	366	Not applicable
SSI redeterminations	0	235	164	Not applicable
Total obligations	$207	$523 [4]	$530 [5]	Not applicable
Amount not spent and carried forward				
CDRs	53	40	0	Not applicable
SSI redeterminations	0	0	0	Not applicable
Total	$53	$40	$0	Not applicable

[1] The annual authorization from 1999–2002 is $720 million.
[2] The $510 million appropriated in 1997 and the $490 million requested for 1998 include $200 million annually from SSA's administrative expenses to be used for CDRs. The remaining funds—$310 million in 1997 and $290 million in 1998—are from an additional budget authority that can be used to process either CDRs or SSI redeterminations.
[3] The Senate approved SSA's $490 million request on Sept. 11, 1997. Final approval by the Congress is pending.
[4] In 1997, SSA obligated more than the amount appropriated because $53 million of unobligated 1996 funds had been carried forward to 1997.
[5] SSA estimates it will have $530 million in obligations available in 1998—its $490 million request plus the unobligated $40 million carried over from 1997.
Source: SSA.

For fiscal year 1996, SSA requested and received $260 million for CDRs, of which the Congress designated $60 million as 2-year funding for use in 1996 or 1997. SSA spent a total of $207 million in 1996 to conduct 498,000 CDRs—only 2,000 short of its goal of 500,000. In 1996, SSA found that full medical reviews cost less than previously estimated—about $800 each rather than $1,000 each. As a result, SSA carried forward $53 million from 1996 into 1997.

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[9] The Contract With America Advancement Act of 1996 (P.L. 104–121) authorized about $4.1 billion for DI and SSI CDRs during fiscal years 1996 to 2002. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193) added a total of $250 million to the authorized amounts for fiscal years 1997 and 1998.

For fiscal year 1997, SSA requested and received $510 million—$200 million for CDRs and $310 million of 2-year funding that could be used for either CDRs or SSI redeterminations. Including the $53 million that SSA carried forward from 1996, SSA had a total of $563 million available for 1997. Of this $563 million, SSA estimates it will spend $288 million to meet its goal of conducting 603,000 CDRs and $235 million on SSI redeterminations—or a total of $523 million. This means SSA will spend $13 million more than the $510 million appropriated; however, it still will be able to carry forward $40 million into 1998 because of the $53 million carried forward from 1996 into 1997.

SSA officials told us that in fiscal years 1996 and 1997 the agency could not have effectively spent the unused funds ($53 million and $40 million, respectively) to greatly increase the number of full medical reviews conducted during those years because the DDSs were gearing up to handle the increased CDR workloads. As mentioned previously, some DDS officials told us they could not have expanded any faster.

In 1996, the Congress authorized $670 million for CDRs and SSI redeterminations in fiscal year 1998. This $670 million consisted of $570 million authorized by Public Law 104–121 for CDRs and an additional $100 million authorized by Public Law 104–193, which enacted the SSI redetermination requirements. SSA officials told us that the $570 million authorization assumed that the DDSs would conduct 533,000 full medical reviews costing $1,000 each. In formulating its budget request for 1998, however, SSA reduced the full medical review workload from 533,000 to 428,000 (costing $800 each). SSA reduced the workload because of the size of other DDS workloads. As a result, SSA submitted a budget request of $490 million or $180 million less than the total amount authorized for CDRs and SSI redeterminations.

On the basis of SSA's current 7-year plan and the current estimated average cost of processing CDRs, it appears that the $720 million authorized for each year from 1999 to 2002 will exceed the cost of conducting CDRs (see table 4). For example, the current plan calls for the largest number of CDRs to be conducted in 2000. At an average estimated cost of $800 per full medical review and $50 per mailer, the estimated total cost for CDRs in 2000 is about $668 million, compared with the authorized amount of $720 million.

Table 4: Estimated Costs of Conducting CDRs During Fiscal Years 1999–2002 Under SSA's Current CDR Workload Plan

	1999	2000	2001	2002
Workload targets specified in current plan (CDRs in thousands)				
Full medical reviews	593	780	778	678
Mailer CDRs	880	890	820	840
Estimated average cost per CDR in FY 1998				
Full medical reviews	$800	$800	$800	$800
Mailer CDRs	50	50	50	50
Estimated total cost (dollars in millions)				
Full medical reviews	474	624	622	542
Mailer CDRs	44	44	41	42
Total cost	$518	$668	$663	$584
Amount authorized (dollars in millions)	720	720	720	720
Authorized amount less estimated cost (dollars in millions)	202	52	57	136

Source: GAO computations based on SSA data.

Timely Completion of Selection Formulas Needed To Meet Future Goals

To make the CDR process more cost effective, SSA has been developing selection formulas to identify which beneficiaries should receive lower cost mailers and which should be designated for higher cost full medical reviews. In October 1996, we reported that SSA had sufficiently developed the selection formulas to apply them to about one-half of the beneficiaries due for CDRs. SSA is still developing selection formulas for many of the other beneficiaries due for CDRs, however, and the extent of SSA's success could affect its ability to complete its 7-year plan cost effectively and on schedule.

We reported that although SSA had developed selection formulas for beneficiaries under age 59 who have potential for medical improvement, the formulas could not identify for most beneficiaries in this group who should receive a mailer or be referred for a full medical review. Recently, however, SSA began full medical reviews for the 10 percent of these beneficiaries with the highest probability of benefit ces-

sation. Successful completion of selection formulas for the remainder of the beneficiaries is important because if SSA has to do full medical reviews for all of them, it could jeopardize meeting the 2002 goal.

SSA is also developing selection formulas to apply to more than 600,000 SSI childhood cases that will be coming due for a CDR by fiscal year 2000. Completing these CDRs on schedule may depend on SSA's ability to develop and implement a reliable mailer process for children.

SSA has finished developing selection formulas for beneficiaries aged 59 and older and for beneficiaries not expected to improve medically. Of this latter group, SSA sent mailers to 44,000 beneficiaries in early 1997. For beneficiaries aged 59 and older, SSA plans to send mailers to 60,000 beneficiaries in October 1997.

SSA officials also said that the agency is nearing the completion of selection formulas for disabled adult children and disabled widows and widowers of DI worker beneficiaries, and mailers for this group could start going out sometime in fiscal year 1998.

CONCLUDING OBSERVATIONS

SSA plans to conduct over 8 million CDRs by 2002, more than double the number of CDRs conducted during the entire preceding 21-year period. Our preliminary findings indicate that SSA is meeting its capacity-building goals in the DDSs and should have adequate funding to carry out its current plan. In fact, SSA may be able to conduct these CDRs in a shorter time period. The more quickly SSA can remove those who are no longer eligible from the rolls, the more it can save in program benefits. Therefore, in light of the lower levels of initial applications, SSA should increase its yearly CDR goals. Finally, we note that many beneficiaries who will not medically improve could nevertheless have or regain work capacity. In light of this, we continue to encourage SSA to consider ways to integrate return-to-work efforts into its overall management of the CDR process for all beneficiaries.

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

RELATED GAO PRODUCTS

Social Security Disability: SSA Must Hold Itself Accountable for Continued Improvement in Decision-Making (GAO/HEHS–97–102, Aug. 12, 1997).

Social Security: Disability Programs Lag in Promoting Return to Work (GAO/HEHS–97–46, Mar. 17, 1997).

Supplemental Security Income: SSA Is Taking Steps to Review Recipients' Disability Status (GAO/HEHS–97–17, Oct. 30, 1996).

Social Security Disability: Alternatives Would Boost Cost-Effectiveness of Continuing Disability Reviews (GAO/HEHS–97–2, Oct. 16, 1996).

Social Security Disability: Improvements Needed in Continuing Disability Review Process (GAO/HEHS–97–1, Oct. 16, 1996).

Social Security: New Continuing Disability Review Process Could Be Enhanced (GAO/HEHS–94–118, June 27, 1994).

Social Security: Continuing Disability Review Process Improved, But More Targeted Reviews Needed (GAO/T–HEHS–94–121, Mar. 10, 1994).

Social Security Disability: SSA Needs to Improve Continuing Disability Review Program (GAO/HRD–93–109, July 8, 1993).

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

Social Security Disability: Implementation of the Medical Improvement Review Standard (GAO/HRD–87–3BR, Dec. 16, 1986).

More Diligent Followup Needed to Weed Out Ineligible Disability Beneficiaries (HRD–81–48, Mar. 3, 1981).

Chairman BUNNING. Thank you, Ms. Ross.

Let me start out with Dr. Daniels. According to GAO, in fiscal year 1996 you spent all but $53 million of the $260 million authorized and appropriated to process almost 500,000 CDRs. The total number of reviews you did complete, almost 500,000, was more than double the total number of CDRs you completed the previous year. In fiscal year 1997, you project that you will spend all but $40 million of the $563 million authorized and appropriated to process 650,000 CDRs, plus 235,000 SSI childhood redetermina-

tions. The number of total reviews, 885,000, represents a 68-percent increase over the total number of reviews you conducted in fiscal year 1996. I commend DDS and SSA staff for your exemplary efforts in processing these complex workloads.

However, in fiscal year 1998, Congress authorized $670 million for CDRs and SSI redeterminations. This $670 million includes $570 million authorized through this Subcommittee and an additional $100 million requested by SSA and included in the welfare reform legislation. Yet, SSA's fiscal year 1998 budget request includes only $490 million. That's $180 million short of what was originally authorized. Please explain why SSA didn't request all the money we've provided for you.

Ms. DANIELS. The most important part of the medical CDR process occurs in the DDS. And as we looked across the workloads for the next few years, increasing the capacity of the State DDS agencies to do CDRs was one of the chief factors in determining how fast we could grow the CDR Program. Staffing up, finding eligible and available disability examiners, or, in some cases, training large numbers of examiners is very labor-intensive and difficult for the State DDSs. So we have tried to span the increase over the last year and this year the numbers in the DDSs. We're expanding as rapidly as we think all the DDSs can handle and manage, and at the same time, continue to work their current workloads. So that's one feature that determines how many CDRs we think we can do.

In addition, we thought it was time to step back and see if there were other improvements—other populations or subgroups—that we could make with the profiling and mailer systems. We plan to do this in the next year, looking at testing profiles for children, and so forth. We thought that the most judicious use of the funds would be to spend some time trying to perfect the most cost-effective way to do these CDRs.

So we're ramping up as fast as our capacity allows to do CDRs in both SSA and in the DDSs, and we're still working on increasing our efficiency by perfecting our processes.

Chairman BUNNING. In October of last year, GAO indicated the CDR backlog was 4.3 million cases. What is the backlog today?

Ms. DANIELS. If we consider in the backlog everybody who has a diary that has come due, we think it might be somewhere around 3.5 million.

Chairman BUNNING. And, on average, how many CDR diaries come due each month?

Ms. DANIELS. Each month? Well, it's about 1 million a year.

Chairman BUNNING. About 1 million a year come due?

Ms. DANIELS. Yes.

Chairman BUNNING. What are the lifetime average savings to the trust funds for each individual who medically recovers and is removed from the rolls?

Ms. DANIELS. I would like to provide that answer for the record, since I'm not an actuary.

Chairman BUNNING. In other words, you don't have the answer with you? You would like to submit it in writing?

Ms. DANIELS. I would. I would very much like to submit that.

[The following was subsequently received:]

The average present day value of the lifetime savings to the trust funds for each beneficiary estimated to be ultimately removed from the rolls as a result of the initial CDR cessations in FY 1996 is $75,000 to the Old-Age and Survivors (OASI) Trust Fund and Disability Insurance (DI) Trust Fund (virtually all of which is for the DI Trust Fund), plus $45,000 to the Medicare trust funds.

Chairman BUNNING. GAO reports that the cost of completing a full medical review has dropped from about $1,000 per case to about $800 per case. Is that accurate, and what do you attribute the cost savings to?

Ms. DANIELS. Yes, that is accurate. As we began to ramp up the capacity of the DDSs, the initial cost of providing the infrastructure for those individuals, those new examiners, additional training, additional workspace, computer systems, and so forth, contributed to that cost. Once that infrastructure is in place, we estimate the ongoing cost to be $800 per case.

Chairman BUNNING. Barbara, go ahead.

Ms. KENNELLY. Thank you, Mr. Chairman.

Dr. Daniels, some people have suggested that disability benefits should be limited to 3 years, and thereafter the person disabled will have to prove again that they are in need of these benefits. Do you agree with this? And I would add to that, doesn't an effective CDR process like the one SSA is conducting right now produce the same results as limiting it to 3 years and then starting the process again?

Ms. DANIELS. I completely agree with you, Ms. Kennelly. The CDR process we have put into place and our plans and targets for the next few years will assure the integrity of the program, especially when we're doing a full complement of CDRs, like we plan for this coming year. Still, only a small number of people, though it's very cost effective, leave the rolls as a result of CDRs. If we put a time limit, we would be readjudicating every case, not just those who leave the rolls. It could be very, very costly and time consuming. I think the way that we're doing it now with a combined efficient system of mailers and full medicals is probably the way to go.

Ms. KENNELLY. Thank you, Doctor. Doctor, much of the workload for CDRs has fallen on the State Disability Determination Services, and these DDSs are facing other possible increases in their workloads. For example, DDSs are being required to write more comprehensive explanations when they deny the application for the benefit. Has SSA taken these additional burdens on the DDSs into account when determining the resources that will be necessary to complete the CDRs? If anybody could hear us with these initials——

[Laughter.]

Ms. DANIELS. The DDSs are a remarkable arm of the agency. They're very hard working, very dedicated, and they're very dedicated to this workload of CDRs. They know how important it is to ensure the integrity of the program. And even this year, when we had the additional welfare reform legislation, they still exceeded the goal that we set for them. I think that, with a strong signal and good management and careful planning with them, we could do all of the workloads that we have planned.

Ms. KENNELLY. Doctor, you mentioned that one of the things you're doing is using the mailer, and I'm just wondering if this low-cost mailer process that began in 1993 is effective. What I wonder, if after a certain amount of time that the person won't be able to kind of realize how you should answer that mailer. It's effective now, but will they begin to use it in maybe a less effective way in the future, or have you thought about that?

Ms. DANIELS. We certainly have thought about this. And I'm going to ask Mr. Markovic to tell you about a research project we're planning for this coming year.

But before he does, I'd like to tell you that the mailer is not an attempt to elicit from the individual any trick. We're simply asking these individuals to tell us what their condition is and how they're doing. We have already determined by the profile that it is not cost effective to do full CDRs on these individuals. So by the profiling system, we have determined that these are not likely to be disability cessations. We, of course, do check this assumption through integrity samples and ongoing empirical analysis of our own data.

But, in addition, we have planned a research project that I'd like Mr. Markovic to tell you about.

Ms. KENNELLY. Thank you, Doctor.

Mr. MARKOVIC. Well, it's very simple. We are looking for expert advice on how we could better word the questions on the mailer to get the information that we're looking for that would allow us to better distinguish the responses, and how we can structure it to safeguard against any deliberate falsification of the answers.

Ms. KENNELLY. Thank you. Thank you, Mr. Chairman.

Chairman BUNNING. Mr. Portman.

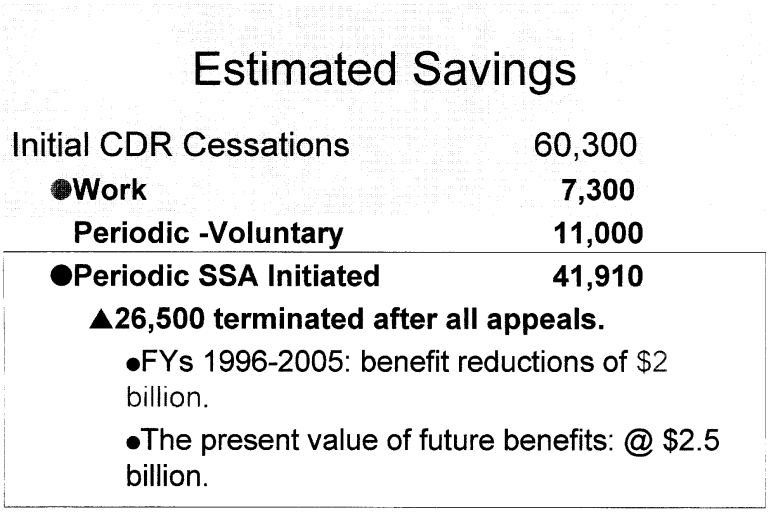
Mr. PORTMAN. Thank you, Mr. Chairman.

First, I want to commend the Subcommittee and you for holding the oversight hearing, and to say that I'm very encouraged by what we've heard today about the potential savings to the taxpayer as a result of these stepped up efforts to address the backlog. The numbers are incredible, and I think they really justify the kind of time and effort you put into this, Mr. Bunning, and I, again, think these hearings are helpful just to keep everybody informed and keep the process moving.

I have a couple of questions. One is: How accurate are these CDRs? I mean, Dr. Daniels, we have now seen a lot of progress. You talked about the potential savings over the lifetime, and what I want to know is, are these CDRs accurate? Specifically, do you have any statistics on the number of people whose benefits might have been terminated in the last 12 months, as we've stepped this up, who have successfully appealed those decisions, and therefore been reinstated?

Ms. DANIELS. I think I'd like to go back to the 1996 data, and maybe that would help me explain. Let's put up the chart on the estimated savings, Jim.

[The following was subsequently received:]



Ms. DANIELS. The estimated savings are in the lower box because our estimate is very conservative. For the number of initial CDR cessations, we have 60,000 from the CDRs that we did in 1996. Of the work CDRs, there were 7,300 initial cessations. Then we had another 11,000 from, what we call, periodic voluntary CDRs. And the last one, the category we tracked closely for you was the periodic SSA-initiated CDRs; that was 41,900. Now that's empirical data; that's actually what happened.

Mr. PORTMAN. Yes.

Ms. DANIELS. From that 41,900, our actuary estimates that there will be over 26,000 ultimate cessations; that is, after all hearings, all appeals, all the way through the system, that eventually over 26,000 people will have benefits terminated.

Now let's go back. We started with half a million CDRs and we're going to end up with 26,000 terminations, yielding savings of $2.5 billion over the lifetime of the benefits.

Does that answer your question?

Mr. PORTMAN. Well, that's very helpful information as to how the process works and how, in the end, we get tremendous savings, even from a relatively small number from our base. But do you think the CDRs, based on those numbers—maybe I should ask GAO this also—are accurate? Do you think that they're doing—whether it's the mailer or whether it's the full medical—whether the CDRs are meeting the kind of accuracy standards that you'd like to see?

Ms. DANIELS. Well, we certainly don't count on my feeling about whether or not they're accurate. We do samples of the mailer group when we send the mailers out. Then, later, we come back and we do integrity samples. We do full medical reviews on some of these to see if our prediction is correct. And we improve our profile as we go along, in order to increase our accuracy. We don't rely just

on a gut feeling that the mailers are accurate. We actually do integrity samples.

Mr. PORTMAN. GAO, are you satisfied with the accuracies of the CDRs, particularly on the mailers side?

Ms. Ross?

Ms. ROSS. Well, we've looked at the processes that Susan Daniels is talking about, and as long as they continue to do a quality assurance study of all of the CDRs, and as long as they look particularly at doing full medical reviews of some of the people receiving mailers, we think they have some of the pieces in place to assure that, if there are quality problems, they'll be able to discover them.

Mr. PORTMAN. On the mailers, Ms. Ross—and my time's almost up—I guess my concern would be, as I understand it—and I've learned more today—as Ms. Kennelly said, it's almost like self-reporting, and I guess there's a group of people that you choose to send the mailers to who you figure are less likely to come off the rolls, based on certain criteria you have, and those folks would get a short questionnaire, seven questions, I think, based on your testimony. And this questionnaire, this short questionnaire, really is the CDR. Are you satisfied, from the GAO perspective, that there are adequate safeguards in place to be sure that people are self-reporting accurately?

Ms. ROSS. Let me start back a little bit to answer the question. The requirement in the law is that SSA review everybody, so everybody receiving DI and SSI benefits is supposed to get a CDR at some point. If you're going to do that on everybody and there are 9 million people on the rolls, then you need a cost-effective way of doing it. You know that some people are never going to recover. You're trying to figure out how to select those people who might recover and do the expense of the $800 medical review on those and something less on other people. They have been working on this mailer—and it's not just a mailer; it's statistical profile—they've been working on that since 1993. So they're getting pretty proficient at figuring out which group of people are less likely to recover. So they're using the more cost-effective way of dealing with them, the process that costs $50 rather than $800.

And as I said, as long as they continue to do some full medical reviews on people who are in this mailer group, just to be sure that they would know if they were starting to have problems, then I think we can be comfortable, because they are doing it on people who are very unlikely to recover.

Chairman BUNNING. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman.

I'm interested in following up on a couple of these questions. First, according to your chart, you're attaining about a 50-percent rate out of the total that are actually taken off; is that true?

Ms. DANIELS. Yes.

Mr. JOHNSON. OK. Well, then you say you've reduced the backlog from 4.3 million to about 3 million; is that true?

Ms. DANIELS. Yes.

Mr. JOHNSON. OK. Of that 3 million, how much of that 1 million increase is added in each year? You say you get about 1 million a year new.

Ms. DANIELS. You're asking if——

Mr. JOHNSON. Can we say that the system is going to eliminate 1 million in a year and take it down to zero?

Ms. DANIELS. We'll never get down to zero because every year individuals become——

Mr. JOHNSON. Getting 1 million more, OK.

Ms. DANIELS. Every year, yes, there are individuals who become due. So you never have a zero number. But what you want is to have done some type of CDR on people whose time has come due. We believe that we can eliminate that backlog and stay current by the year 2002 using the processes we have.

Mr. JOHNSON. OK. And be down to approximately 1 million reviews a year then?

Ms. DANIELS. Correct.

Mr. JOHNSON. Of that number, how many of them are actually given medical reviews?

Ms. DANIELS. Less than half of 1.1 million will get a full medical review.

Mr. JOHNSON. Less than half?

Ms. DANIELS. Yes.

Mr. JOHNSON. And of that 1 million, how many of them fall into the category of appealing and are kept on the rolls?

Ms. DANIELS. Well, we have hit——

Mr. JOHNSON. Is it going to be 50 percent still?

Ms. DANIELS. Oh, certainly, yes. The initial cessation rate for CDRs has varied from year to year. The 11-percent initial cessation rate for 1996 was considered relatively high, and we expect an initial cessation rate of around 9 percent of the CDRs——

Mr. JOHNSON. I thought I saw a number 4 or 5 percent somewhere.

Ms. DANIELS. That's correct. It's still very cost effective.

Mr. JOHNSON. Well, but how can you say 9 percent if it's 4 or 5? If it's 10 or 11 in 1996 and you say it's going to go down to 9, I thought somewhere I saw the number 4 or 5 percent. Did that come out of your studies, Ms. Ross?

Ms. ROSS. Well, the initial cessation rate is at about 11 percent. That's the number that first came off the rolls.

Mr. JOHNSON. Off the 1996 numbers?

Ms. ROSS. Right. And then the estimate is that, after all the appeals take place, about half of those will actually leave the rolls. So I think that's how you get from 11 percent to 5 percent.

Mr. JOHNSON. OK, I've got you. Some of your questions on your CDR mailer ask them whether they're interested in receiving rehabilitation or other services that enable them to work. How many of those were in the affirmative?

Ms. DANIELS. In 1991, there were 76,000 affirmatives. We referred a great number of those to State VR agencies. The feedback we got from the State vocational rehabilitation agencies is that these were not productive referrals. They did not result in a great number of people entering into formal rehabilitation plans and leaving the rolls. And so we have cut back on the number of referrals that we make through the CDR process.

Mr. JOHNSON. So you don't—how many do you refer then to the State rehabilitation programs?

Ms. DANIELS. It varies by State, Mr. Johnson. The number of people who are referred in each State is worked out between the State Disability Determination Services and the State VR agency themselves, because the States have varying capacity to receive referrals, and they accept the ones that they are most likely to be able to work with.

Mr. JOHNSON. So what percentage of that million go back to work?

Ms. DANIELS. Very few.

Mr. JOHNSON. Less than 1 percent?

Ms. DANIELS. Yes.

Mr. JOHNSON. Thank you very much. Thank you, Mr. Chairman.

Chairman BUNNING. Ms. Ross in her testimony referred to the fact that SSA is revisiting its 7-year plan to eliminate the CDR backlog. Yet, in your testimony you don't even mention a plan. Is there such a plan and is it being revisited? What will it do?

Ms. ROSS. Mr. Chairman, are you asking me or——

Chairman BUNNING. I'm referring to Dr. Daniels.

Ms. DANIELS. OK. Yes, there is such a plan and we are revisiting the plan right now. The welfare reform legislation made new requirements on the agency that we need to fold into our plan, as well as intended improvements we hope to make in the mailer profiling system. We are looking at staging out those workloads and we're looking at the number of CDRs we can do in the future, including the numbers that were required by the welfare reform legislation. For these reasons we are reworking that plan to stage out the number of CDRs over the next 7 years.

Chairman BUNNING. And that's what it says? Will you share that plan with this Subcommittee?

Ms. DANIELS. We'll be delighted to.

[The following was subsequently received:]

Revised 7 Year Plan for Conducting Continuing Disability Reviews in Fiscal Years 1996 Through 2002

INTRODUCTION

SSA is now in its third year of a plan to become current in processing continuing disability reviews (CDRs). SSA has been processing CDRs under a 7 year plan, issued August 16, 1996, in response to the applicable provisions of Public Law (P.L.) 104–121, The Contract With America Advancement Act of 1996. The legislation provided for an increase in discretionary spending caps for fiscal years (FYs) 1996 through 2002 to fund the cost of processing additional CDRs. SSA made good progress during the first two years, exceeding processing targets by more than 90,000 cases.

Subsequently, five primary forces drove SSA to revisit and revise the plan. The original plan needed to be revised:

- to address title II disabled workers over age 58, disabled surviving spouses and disabled adult children.
- to address the subsequent enactment of P.L. 104–193, the "welfare reform" legislation which, as amended by P.L. 105–33, required CDRs for certain title XVI disabled children.
- in light of actual CDR productivity in FYs 1996 and 1997, and more definitive data regarding the remaining backlog(s) and whether they were appropriate for processing as a mailer and/or a full medical review.
- in light of the assessment of processing capacity based on our recent experience with the CDR workload, and in consideration of revised budget assumptions.
- because it was put together without definitions of the "backlog" and what it means to be "current," or a consensus about whether all cases with a matured medical diary warrant review.

The revised plan holds to the original goal of becoming current with title II by the end of FY 2000 and adds a new goal; to bring SSA current with title XVI by the end of FY 2002. Of course, the revised plan assumes that Congress continues to appropriate adequate funds to process the projected workloads.

DEFINITIONS

The "backlog" is defined as those beneficiaries who have been found to be disabled and have a matured medical reexamination diary (or for a title XVI disabled child case a review is required), are considered "workable" (e.g., a trial work diary is not present). A case remains in the backlog while a review is in process until a mailer deferral decision, or an initial level CDR or redetermination decision, is made.

Being "current" is defined as when the backlog is reduced to roughly one year's processing for full medical reviews and 6 months processing for mailer reviews. The overall process from identifying cases for selection to completing processing takes about 12 months for full medical reviews and 6 months for mailers.

Finally, it was also recognized that some cases, for reasons of age, nature of permanent impairment, basis for entitlement, and/or need for further consideration, are not good candidates for CDRs. Accordingly, CDR "backlogs" and "deferred cases" have been defined.

The backlogs represent those groups of cases the available data indicate as being productive, and good stewardship demands that continuing disability status be reviewed. As of October 1, 1997, the backlogs were:

Beneficiary Category	Backlog (in thousands)
OASDI (including concurrent SSI beneficiaries)	
Disabled Workers under age 62	1,643
Disabled Surviving Spouses under age 60	16
Disabled Adult Children under age 65	504
Subtotal, OASDI	2,163
SSI (excluding concurrent OASDI beneficiaries)	
Disabled and Blind Adults under age 65	1,266
Disabled Children	371
Subtotal, SSI	1,637
Total OASDI and SSI	3,800

Deferred cases represent those groups of cases that are known to be much less productive or unproductive under the existing CDR processes (full medical review or CDR mailer), or are under study to determine how they should be reviewed in order to be productive. Deferred cases include those in which a finding of disability cessation would result in entitlement to another benefit administered by the Agency, often with minimal or no reduction in benefit amount, and those in which the beneficiaries are of advanced age, markedly decreasing the likelihood of medical improvement.

As of October 1, 1997, the deferred cases were:

Beneficiary Category	Medical Diary Has Matured (in thousands)	All Cases (in thousands)
OASDI (including concurrent SSI beneficiaries)		
Disabled Workers age 62 to 65	394	585
Disabled Surviving Spouses age 60 to 65	36	83
Disabled Adult Children age 65 and older	60	60
Medicare for Qualified Gov't Employees	—	—
Subtotal, OASDI	490	728
SSI (excluding concurrent OASDI beneficiaries)		
Disabled and Blind Adults age 65 and older	678	678
Grandfathered-In Disabled Adults under age 65	79	79
Permanently Impaired Disabled Children	8	70
Subtotal, SSI	765	827
Total OASDI and SSI	1,255	1,555

Title II Deferred Cases: If disability ceases, disabled workers age 62 to age 65 can elect to receive payment of reduced retirement insurance benefits (RIB). At age 60

or later, disability cessation causes a disabled surviving spouse to convert to regular surviving spouse benefits (WIB).

Disabled adult children are individuals whose disability began before they became 22 years old. Although disability is always a factor of entitlement regardless of age, a productive CDR is unlikely considering both advanced age and duration of impairment (more than 4 decades as of age 65); to be determined is whether an alternative process is appropriate.

Medicare for Qualified Government Employment beneficiaries are a small group of former government employees under age 65 entitled only to Medicare benefits based on disability, and who are not insured for title II disability insurance benefits. Productive reviews are unlikely. An exact number of cases is not yet available.

Title XVI Deferred Cases: Approximately 16.2% of all disabled or blind adults are age 65 or older. They would convert to SSI Aged payment eligibility if cessation were found.

The "grandfathered-in" disabled adults under age 65 were converted from the old State rolls. Medical eligibility is based on State determinations in which the bases were less strict State Plans that bear no relation to the Agency's adjudicatory standards. There is usually no medical evidence in their files. For these reasons, in part, they have not been the subject of subsequent CDRs. Productive CDR referrals are unlikely.

Permanently impaired children are under study to determine if an alternative review procedure is appropriate, inasmuch as a productive CDR referral done under existing policies and procedures is considered unlikely.

Comparisons of the Original and Revised 7 Year CDR Plans

Under the original plan, we expected to process approximately 8.2 million cases during the 7 year period. Under the revised plan, in order to work off the priority backlogs and stay current, it is projected that SSA will have to process 9.3 million reviews, an increase of 1.1 million. This includes the backlogs described above and newly maturing cases. For example, approximately 436,000 title II and 271,000 title XVI medical diaries will come due in FY 1998.

Much of the 1.1 million increase is necessary to accommodate title XVI welfare reform cases and to attain current status with respect to the title XVI disabled and blind adults by the close of FY 2002.

Five million cases, including 200,000 title XVI child cases, are projected to be processed under the CDR mailer process, with an overall increase of 312,000 cases in the revised plan as compared to the original plan.

The attached chart provides more detailed summaries and is included in the President's 1999 budget decisions.

Conclusion

Periodic review and revision of this plan is necessary to ensure that the plan reflects what we have learned (our experiences and the latest data), addresses current legislative mandates, and is, to the extent possible, a realistic assessment of resources and goals. At a minimum, a review every other year is necessary; a yearly review may be more appropriate, depending on the factors and issues that arise during the preceding year that demonstrate the need for review.

With adequate funding, the Agency can and will continue to improve the profiling, mailer and direct release processes necessary to realize the projections in the revised plan.

Attachments:
Tab A: Continuing Disability Review Budget Plan Revised for 1999 President's Budget Decisions—Workloads
Tab B: SSA Office of the Chief Actuary Memo and Actuarial Tables and Charts

Continuing Disability Review Budget Plan
Revised for 1999 President's Budget Decisions
Workloads

Title II and concurrent	FY 1996 Actual	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FYs 1996-2002
CDR's processed (1)	341,064	428,460	883,000	952,000	1,212,000	1,001,000	942,000	5,759,524
CDR mailers	208,122	184,572	522,000	600,000	704,000	574,000	555,000	3,347,694
Medical reviews	149,326	260,701	374,000	367,000	526,000	441,000	401,000	2,519,027
Title XVI only								
CDR's processed (1)	157,381	262,018	362,000	685,000	592,000	728,000	779,000	3,565,399
CDR mailers	67,005	151,715	230,000	300,000	270,000	325,000	345,000	1,688,720
Medical reviews (adults)	101,091	160,162	20,500	77,000	171,000	275,000	248,000	
Medical reviews (children)	Adults & Children	Counted Above	116,800	315,000	158,000	136,000	195,000	
Medical reviews (total)	101,091	160,162	137,300	392,000	329,000	411,000	443,000	1,973,553
Total Title II and XVI								
CDRs processed (1)	498,445	690,478	1,245,000	1,637,000	1,804,000	1,729,000	1,721,000	9,324,923
CDR mailers	275,127	336,287	752,000	900,000	974,000	899,000	900,000	5,036,414
Medical Reviews	250,417	420,863	511,300	759,000	855,000	852,000	844,000	4,492,580

Chart does not include work CDRs

(1) CDR mailers and medical reviews do not add to CDRs processed. Some CDRs go directly for a medical review and some CDRs are identified as needing a full medical review from the mailer process.

MEMORANDUM February 17, 1998

FROM: Eli N. Donkar **TCB**
Office of the Chief Actuary

SUBJECT: Estimated Effects of Continuing Disability Reviews Under the President's Fiscal Year 1999 Budget**—INFORMATION**

Public Law 104-121, enacted March 29, 1996, included a provision which authorized appropriation of special administrative expense funding through 2002 to be used exclusively to conduct additional continuing disability reviews (CDRs) in the OASDI and SSI programs. Under this provision, the Commissioner of Social Security was authorized to allocate these additional funds in a way which would, to the extent possible, maximize the combined savings that accrue to the OASDI, SSI, Medicare, and Medicaid programs as a result of these additional CDRs.

Following enactment of P.L. 104-121, SSA developed an expanded plan for conducting CDRs which was intended to work down the existing CDR backlog by 2002 and stay up-to-date with CDRs coming due thereafter. Since that initial CDR plan was developed, several issues emerged suggesting that SSA's initial plan should be revised. Three factors were particularly significant in their impact on this revised plan. First, the actual average unit cost for conducting a CDR has been lower than anticipated at the time the original plan was developed. Second, certain groups of beneficiaries (such as older disabled workers, disabled widow(er)s and disabled adult children) were excluded from the earlier plan, but now appear to merit a CDR based on current cost benefit analyses. Finally, as we have acquired experience with conducting higher volumes of CDRs, it has become apparent that the lead-time needed to keep cases flowing to the DDSs in a manageable fashion should be reflected in our definition of which cases are currently due a review.

In preparation for the President's Fiscal Year 1999 Budget, the Office of Disability worked with the Office of the Chief Actuary and the Office of Budget to develop a revised schedule for OASDI and SSI continuing disability reviews taking into account all the factors mentioned above. The attached tables and charts present our estimates of various CDR workloads and benefit savings under this revised schedule. In addition, our estimates for the remainder of the Budget period assume that the higher level of CDRs permitted by the special administrative expense funding will be continued after fiscal year 2002 even though P.L. 104-121 does not authorize appropriation of such special administrative expense funding after 2002. Table 1, along with charts 1 and 2, present estimated numbers of CDRs processed during fiscal years 1998-2008, and the resulting numbers of ultimate cessations for those cases. Table 2 presents our estimates of the savings in OASDI benefits and Federal SSI payments attributable to those ultimate cessations shown in table 1. With respect to the estimates for SSI, it is especially worth noting that these estimates continue to be based on a rather brief history of actual experience. Consequently, the SSI estimates should be considered rough, and subject to considerable future revision.

Eli N. Donkar, Ph.D., A.S.A.
Deputy Chief Actuary

Attachments: 4

Table 1.—Estimated continuing disability review workloads under the President's Fiscal Year 1999 Budget
(In thousands)

Fiscal year	Total	OASDI (including concurrent SSI recipients) Subtotal	Disabled workers	Disabled Widow(er)s	Disabled adult children	SSI only Subtotal	Disabled adults	Disabled children
				CDRs processed during year				
1998	1,245	883	781	(1/)	102	362	245	117
1999	1,637	952	841	6	105	685	370	315
2000	1,804	1,212	995	7	210	592	386	206
2001	1,729	1,001	891	4	106	728	519	209
2002	1,721	942	872	4	66	779	511	268
2003	1,556	983	907	4	72	573	385	188
2004	1,653	969	898	5	66	684	457	227
2005	1,785	1,027	923	4	100	758	532	226
2006	1,917	1,138	1,011	4	123	779	522	257
2007	1,955	1,199	1,033	4	162	756	522	234
2008	1,927	1,151	1,024	3	124	776	532	244
				Full medical reviews among CDRs processed during year				
1998	511	374	370	(1/)	5	137	20	117
1999	759	367	354	1	12	392	77	315
2000	855	526	475	1	49	329	171	158
2001	852	441	412	(1/)	29	411	275	136
2002	844	401	382	(1/)	19	443	248	195
2003	723	413	388	(1/)	24	310	171	139
2004	772	404	380	1	23	367	189	178
2005	787	395	374	(1/)	21	392	215	177
2006	822	399	377	(1/)	22	423	215	208
2007	800	400	378	(1/)	22	400	215	185
2008	780	370	351	(1/)	20	410	215	195
				Ultimate cessations from CDRs processed during year				
1998	67	26	26	(1/)	(1/)	41	2	39
1999	84	22	21	(1/)	1	62	7	55
2000	84	31	28	(1/)	3	53	14	39
2001	75	26	24	(1/)	2	49	17	32
2002	67	23	22	(1/)	1	44	12	32
2003	59	24	23	(1/)	2	35	10	25
2004	56	23	22	(1/)	1	33	10	23
2005	62	23	22	(1/)	1	39	11	28
2006	64	23	22	(1/)	1	41	11	30
2007	60	23	22	(1/)	1	37	11	26
2008	58	21	20	(1/)	1	37	11	26
				CDR backlog at beginning of year 2/				
1998	3,800	2,163	1,643	16	504	1,637	1,266	371
1999	3,083	1,607	1,179	15	414	1,476	1,084	392
2000	2,439	1,379	1,047	8	323	1,060	865	195
2001	1,651	867	731	4	131	784	662	122
2002	1,274	720	648	4	68	554	411	143
2003	1,096	672	623	4	44	424	261	163
2004	1,184	698	643	5	50	486	284	202
2005	1,281	687	637	4	46	594	393	201
2006	1,375	710	645	4	62	665	433	232
2007	1,354	765	690	4	72	589	380	209
2008	1,391	795	701	4	91	596	377	219

1/ Fewer than 500.

2/ Backlog figures shown do not include certain cases (such as disabled workers age 62-64, disabled widow(er)s age 60 and older, disabled adult children age 65 and older, and SSI disabled adults age 65 and older) whose reviews have been deferred pending evaluation as to the cost effectiveness of conducting reviews in those cases.

Note: Totals may not equal sum of components due to rounding.

Social Security Administration
Office of the Chief Actuary
February 17, 1998

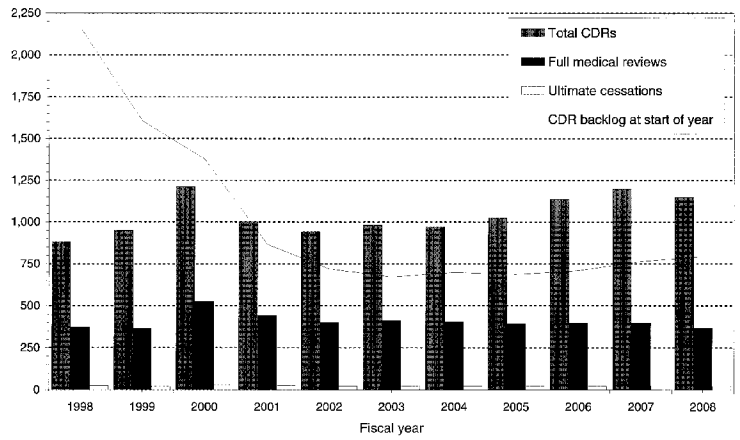
Table 2.—Estimated reductions in OASDI benefit payments and Federal SSI payments resulting from continuing disability review workloads under the President's Fiscal Year 1999 Budget , fiscal years 1998-2008
(In millions)

		OASDI				SSI		
Fiscal year	Total	Subtotal	Disabled workers	Disabled Widow(er)s	Disabled adult children	Subtotal	Disabled adults	Disabled children
1998	$115	$45	$45	(1/)	(1/)	$75	$5	$70
1999	545	215	215	(1/)	(1/)	325	20	305
2000	1,065	440	430	(1/)	$10	625	65	560
2001	1,570	695	670	(1/)	25	875	145	730
2002	2,035	935	900	(1/)	35	1,100	235	865
2003	2,435	1,155	1,115	(1/)	40	1,280	300	980
2004	2,795	1,380	1,330	(1/)	50	1,415	345	1,070
2005	3,290	1,605	1,545	(1/)	60	1,685	420	1,265
2006	3,550	1,835	1,765	(1/)	70	1,715	430	1,285
2007	3,770	2,065	1,990	(1/)	75	1,705	435	1,270
2008	4,285	2,300	2,210	(1/)	85	1,985	510	1,475
Totals, 1998-2002	5,325	2,330	2,260	(1/)	70	2,995	465	2,530
1998-2008	25,450	12,670	12,215	$5	450	12,780	2,905	9,875

1/ Less than $2.5 million.
Note: Totals may not equal sum of components due to rounding.

Social Security Administration
Office of the Chief Actuary
February 17, 1998

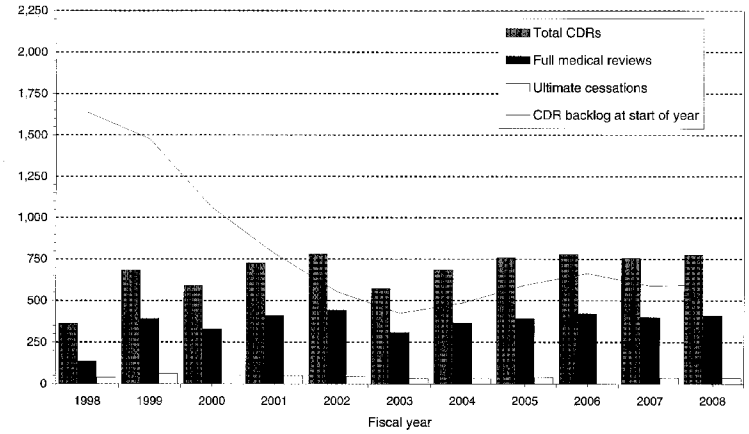
Chart 1.--Estimated numbers of continuing disability reviews of OASDI disabled beneficiaries
Disabled workers under age 62, disabled widow(er)s under age 60, and disabled adult children under age 65
(In thousands)



Note: CDR processing is defined as "current" when backlog is reduced to 1 year's processing for full medical reviews and 6 months' processing for CDR mailers.

Office of the Chief Actuary
February 17, 1998

Chart 2.–Estimated numbers of continuing disability reviews of SSI disabled recipients
Disabled adults under age 65 and disabled children
(In thousands)



Note: CDR processing is defined as "current" when backlog is reduced to 1 year's processing for full medical reviews and 6 months' processing for CDR mailers.

Office of the Chief Actuary
February 17, 1998

Chairman BUNNING. OK, let me be perfectly clear. I want to tell you through your new Commissioner, that this Subcommittee expects you to request and to spend every dime authorized until your CDR backlog is down to zero. By that, I mean until the new cases that you get are the only ones that you have to process.

During the 104th Congress, both the House and the Senate took extraordinary steps to authorize the funds you said you needed and wanted to conduct continuing disability reviews and other redetermination workloads. Frankly, I'm stunned that you would not take full advantage of the funds we authorized for you. From what you just told me, you certainly have the capacity to do more, and we expect you to take full advantage of your maximum capacity to reduce this workload as quickly as possible. The American public deserves nothing less.

So if you can tell the new Commissioner, that this money is authorized and ought to be used for what it is authorized for, I expect you to do that. I expect the GAO to continue monitoring, at my request, what is going on with CDRs, and with redeterminations that you are responsible for.

Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman. I do have a couple of questions I would like to ask, if I could direct them to Dr. Daniels.

In your annual CDR report, you indicated that you take steps to ensure the integrity of the CDR process and the accuracy of decisions that are based partly on a self-reported beneficiary information, and that you perform full medical reviews of some cases that

the mailer process would otherwise identify as not requiring such a review.

Of the 498,400 CDRs you completed in fiscal year 1996, 248,000, or about 50 percent, were mailer cases. Of the CDR mailer cases not requiring a full medical review, how many did you review to ensure the integrity of the mailer process?

Ms. DANIELS. The mailer process integrity samples were not taken in the 1996 pool, though we did have some smaller number of mailer responses that indicated to us that a full medical review would be appropriate. We did not do an integrity sample on the 1996 mailer itself. The mailer was previously validated in the 1995 integrity sample.

Mr. WELLER. Now, in 1996, have you done an integrity sample?

Ms. DANIELS. In 1996?

Mr. WELLER. Excuse me, 1997.

Ms. DANIELS. No, we did not.

Mr. WELLER. OK. In your annual CDR report, you indicated that you reviewed 10,736 CDRs processed by State agencies, which is about 4 percent according to the statistics we have. How many appealed CDRs decided by administrative law judges did you review, and why wasn't this information included in your report?

Ms. DANIELS. Mr. Weller, could you give me the year again? I'm sorry, I missed it in the beginning.

Mr. WELLER. In looking at your annual CDR report, you indicated that you reviewed 10,736 CDRs processed by the State agencies, which is about 4 percent. How many appealed CDRs decided by administrative law judges did you review, and why wasn't this information included in the report?

Ms. DANIELS. I'm not exactly sure I understand your question. I'm going to try to answer it. We did, in 1996, we did almost half a million CDRs, of which—I don't have my chart up there, but there are well over 200,000 in the DDSs. So are you asking me how many of those cessations from 1996 were appealed?

Mr. WELLER. How many of the appealed CDRs that were reviewed by administrative law judges did you review, and why was there no information regarding this review in the report?

Ms. DANIELS. OK.

Mr. WELLER. It's a quality review.

Ms. DANIELS. I'm going to have to look that up for you and submit it for the record in writing.

Mr. WELLER. OK. All right.

[The following was subsequently received:]

Although there was no statutory requirement to do so, we included quality assurance data in the FY 1996 Annual Report of Continuing Disability Reviews (CDRs). As mentioned in the report, SSA ensures the integrity of the CDR process and the accuracy of CDR decisions through integrity samples (performing full medical reviews on some cases that the mailer process would otherwise identify as not requiring such reviews) and ongoing quality assurance reviews.

In FY 1996, we selected approximately 400 title II low profile mailers for an integrity sample of the CDR mailer process. Preliminary results show that there were 4 cessations out of 92 reviews completed to date, yielding a 4.3% initial cessation rate. The ultimate cessation rate, after all appeals, will be lower. Data from these integrity samples conducted in 1994 and 1995 demonstrate that the cessation rate for these cases, after all appeals, is so low that it is not cost effective to conduct full medical reviews. That is, the amount of benefit savings is lower than the administrative costs required to do the reviews.

As also mentioned in the report, SSA performed quality assurance reviews in FY 1996 on 10,736 CDRs processed by the State Disability Determination Services, resulting in an overall performance accuracy rate of 95.9 percent. The Appeals Council reviews approximately one percent of all favorable decisions rendered by Administrative Law Judges (ALJs). This review is ongoing and random; CDRs are included in the sample. Although data on the quality of CDRs picked up in this sample is not compiled nationally, feedback is provided to the ALJ and the Office of Hearings and Appeals.

Mr. WELLER. Let me ask one more question here. Last year the Social Security Administration implemented legislation that we passed in 1995 which eliminated patients—excuse me—benefits to individuals disabled by drug addiction or alcoholism. During the implementation process, SSA indicated that many recipients' files contained inaccurate diagnosis coding. Are you confident that the CDR diary coding used by the State agencies and the administrative law judges is accurate?

Ms. DANIELS. I'm confident that we have a very good grip on the number of people who are in our CDR backlog, and I'm very confident that any mistakes that were made in coding can be corrected through the process.

Mr. WELLER. Can you specifically describe for me the quality review process that you have in place to ensure that the CDR diary coding is accurate?

Ms. DANIELS. We have a quality review system to look at CDRs that's parallel to the initial claims process; that is, a random sample of cases are drawn from the cases that are reviewed by the DDS, and those are reviewed by Federal reviewers for two kinds of errors: Documentation errors, errors in the way it's documented, and decisional errors. We report the figures on the quality sample of CDRs as part of our ongoing quality assurance system. The 1996 quality assurance data indicated that the DDSs met a quality standard of 95 percent or better with no errors in the number of CDRs that they did.

Mr. WELLER. Thank you, Mr. Daniels. Mr. Chairman, I see my time has expired.

Chairman BUNNING. Ms. Ross, you know that I'm particularly interested in SSA spending, specifically when funds aren't being spent for what they were intended to be spent for. We had a problem, as you know, when we authorized $200 million for a specific program and it was spent for other programs. Can you assure me that SSA has spent the funds authorized by the Committee on Ways and Means only on those CDRs and redetermination workloads specified in the law?

Ms. ROSS. Well, Mr. Chairman, let me tell you what I can assure you of at this point. GAO has done a lot of work on the accounting systems at the Social Security Administration. We've done over the years a lot of work on what their internal controls are, and we have reasonable assurance that their systems provide accurate information, so that now when SSA reports that in fact they have expended a certain amount of money to do a certain function, GAO is comfortable, given what their financial systems are like, that that's accurate. Were somebody to tell us that they thought there might be a particular problem, you might go do indepth work there,

but basically we feel confident because of the general good condition of their financial systems.

Chairman BUNNING. In other words, you are taking their word for what they say they spend their money on?

Ms. ROSS. No, sir, we have been doing financial audits at the Social Security Administration for many years.

Chairman BUNNING. Well, I understand that.

Ms. ROSS. And we have audited and now we feel comfortable enough about their procedures that the Inspector General of SSA audits every year. Given that and each year looking at what goes into their accounting, at least saying for this year, even though the financial audit isn't finished, we feel confident that they have spent their money appropriately, I think that's——

Chairman BUNNING. In other words, their Inspector General does the auditing, and you should be auditing the Inspector General?

Ms. ROSS. And we do.

Chairman BUNNING. Well, I just want to make sure that you are accurately doing that and are making sure that the money we allocated for CDRs and other reviews are being spent for those specific purposes.

Ms. ROSS. We are.

Chairman BUNNING. You are?

Ms. ROSS. Yes.

Chairman BUNNING. The whole business of CDR mailers is a little confusing. SSA has this CDR backlog of about 4 million cases. You say—this is for Ms. Ross—you say that SSA somehow tried to figure out who is in this backlog and likely to come off the rolls and who isn't, based on certain criteria: Age, impairment, length of time on rolls, and so forth.

SSA then sends those cases likely to come off the rolls to the State agency for a full medical review, new medical reports, all kinds of updated information, the whole ball of wax. For those SSA cases that are not likely to come off the rolls SSA sends them a short questionnaire with seven questions. You are telling me that this little questionnaire counts as a continuing review; is that correct?

Ms. ROSS. They do count, and let me explain why I think that under certain conditions that's appropriate. SSA is required to review everybody on the rolls. A medical review costs $800. If you review everybody who's on the rolls, it's not cost effective. So——

Chairman BUNNING. You mean medically review them?

Ms. ROSS. Medically review them.

Chairman BUNNING. It's not cost effective?

Ms. ROSS. Right. And so what SSA did, I think using the word "mailer" is—they probably ought to try a different term.

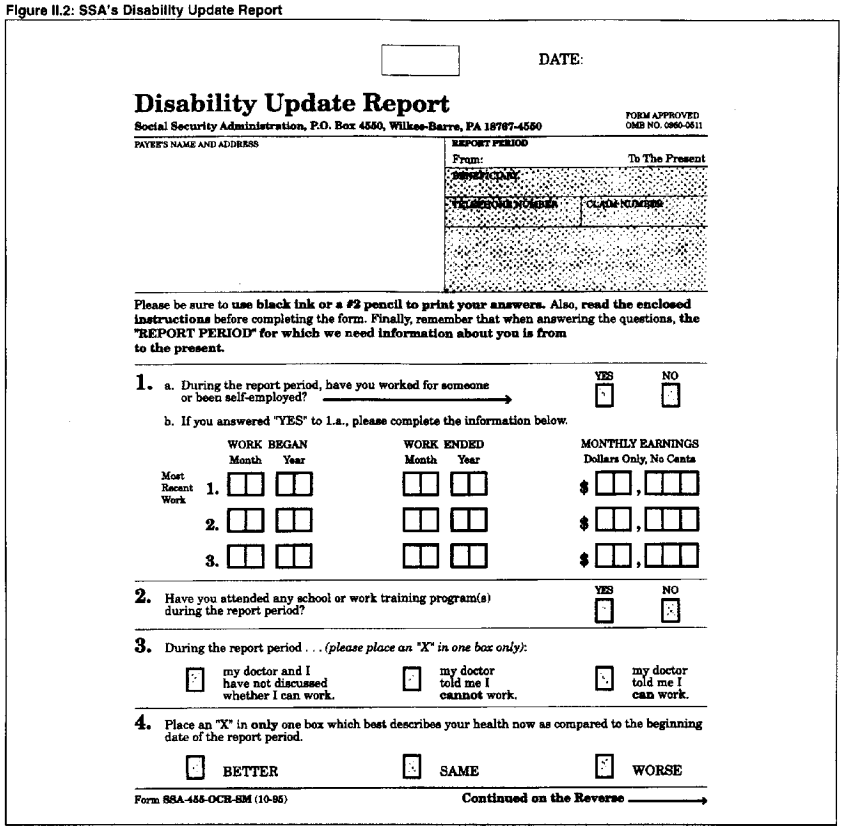
Chairman BUNNING. But we have it in our——

Ms. ROSS. Yes.

Chairman BUNNING. What is sent is this short questionnaire in our folder here. So it isn't very comprehensive.

[The following was subsequently received:]

Figure II.2: SSA's Disability Update Report



DATE:

Disability Update Report

Social Security Administration, P.O. Box 4550, Wilkes-Barre, PA 18767-4550

FORM APPROVED
OMB NO. 0960-0611

PAYEE'S NAME AND ADDRESS

REPORT PERIOD
From: To The Present

[redacted]

Please be sure to **use black ink or a #2 pencil to print your answers.** Also, **read the enclosed instructions** before completing the form. Finally, remember that when answering the questions, **the "REPORT PERIOD" for which we need information about you is from to the present.**

1. a. During the report period, have you worked for someone or been self-employed? → YES ☐ NO ☐

b. If you answered "YES" to 1.a., please complete the information below.

		WORK BEGAN Month	WORK BEGAN Year	WORK ENDED Month	WORK ENDED Year	MONTHLY EARNINGS Dollars Only, No Cents
Most Recent Work	1.	☐☐	☐☐	☐☐	☐☐	$ ☐☐,☐☐☐
	2.	☐☐	☐☐	☐☐	☐☐	$ ☐☐,☐☐☐
	3.	☐☐	☐☐	☐☐	☐☐	$ ☐☐,☐☐☐

2. Have you attended any school or work training program(s) during the report period? YES ☐ NO ☐

3. During the report period . . . *(please place an "X" in one box only)*:

☐ my doctor and I have not discussed whether I can work.

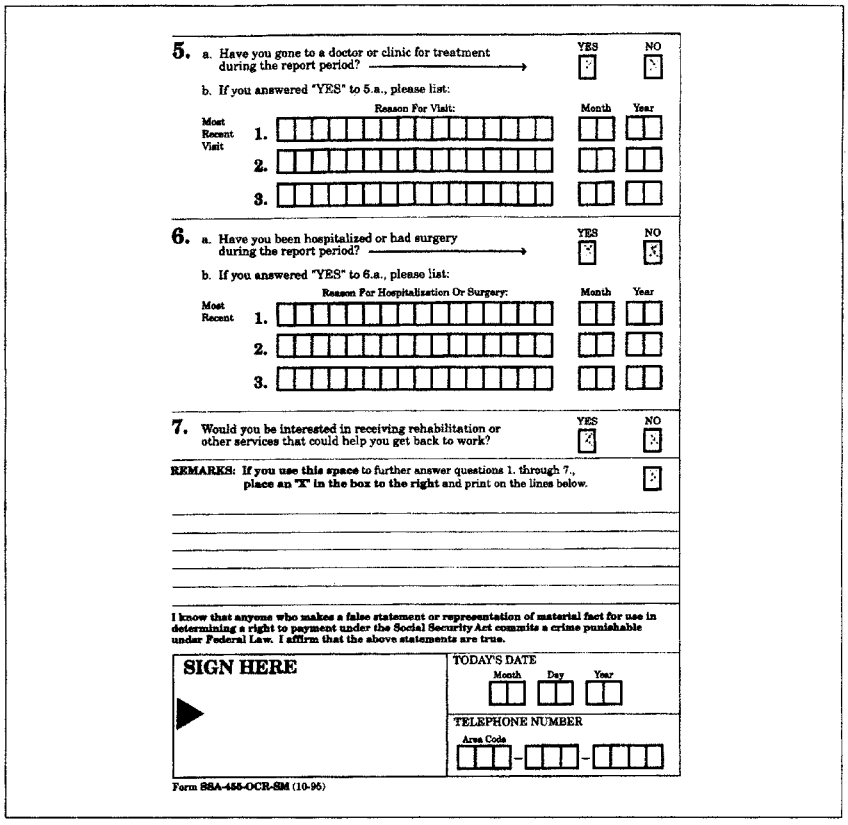
☐ my doctor told me I **cannot** work.

☐ my doctor told me I **can** work.

4. Place an "X" in **only** one box which best describes your health now as compared to the beginning date of the report period.

☐ BETTER ☐ SAME ☐ WORSE

Form SSA-455-OCR-SM (10-95) **Continued on the Reverse** →



5. a. Have you gone to a doctor or clinic for treatment during the report period? → YES ☐ NO ☐

b. If you answered "YES" to 5.a., please list:

		Reason For Visit:	Month	Year
Most Recent Visit	1.			
	2.			
	3.			

6. a. Have you been hospitalized or had surgery during the report period? → YES ☐ NO ☐

b. If you answered "YES" to 6.a., please list:

		Reason For Hospitalization Or Surgery:	Month	Year
Most Recent	1.			
	2.			
	3.			

7. Would you be interested in receiving rehabilitation or other services that could help you get back to work? YES ☐ NO ☐

REMARKS: If you use this space to further answer questions 1. through 7., place an "X" in the box to the right and print on the lines below. ☐

I know that anyone who makes a false statement or representation of material fact for use in determining a right to payment under the Social Security Act commits a crime punishable under Federal Law. I affirm that the above statements are true.

SIGN HERE ▶

TODAY'S DATE Month ☐☐ Day ☐☐ Year ☐☐

TELEPHONE NUMBER Area Code ☐☐☐-☐☐☐-☐☐☐☐

Form SSA-455-OCR-SM (10-95)

Ms. ROSS. No, it isn't, but it comes—it's sent to people after some amount of profiling of who's likely to recover and who's not. Those formulas about who's likely to recover and who is very unlikely to recover have been formulas they have been refining now for about 4 years.

Chairman BUNNING. Ms. Ross, how many people can read that get this? How many people actually fill out their own review? Do you have any idea? In other words, if this is sent into some areas in my State, some people couldn't read it. So how many people fill

it out on their own or how many people have somebody else fill it out? Can you answer that question?

Ms. ROSS. No, sir, we have not looked into that particular piece. Perhaps the people at Social Security have.

Chairman BUNNING. Dr. Daniels.

Ms. DANIELS. No.

Chairman BUNNING. You have no idea?

Ms. DANIELS. No. I do know that there are some number of people on disability who have representative payees because they are not able to handle their own affairs, and I would imagine that some portion of these were filled out by representative payees.

Chairman BUNNING. But you don't have any idea how many they are? In other words, 5, 10, 15, 25, 30 percent? What?

Ms. DANIELS. I could certainly find out how many people who have responded to mailers have representative payees and report that back for the record.

Chairman BUNNING. No, no, no. No, I know about the representative payees. I'm asking you how many people fill out their own questionnaire when it's sent to them. Because you've made a determination on the information sent back to you that this is a continuing disability review and it's accurate.

Ms. DANIELS. We send the mailer only to those people who we believe that it is not cost effective to do full medical reviews on.

Chairman BUNNING. Yes, ma'am, I understand that.

Ms. DANIELS. The pool of people who get the mailers are people whose disabilities we do not expect to cease, if they had a medical review. So it is our judgment that it is more cost effective not to do one on people whose disabilities are not likely to cease.

Chairman BUNNING. As you already have testified, you didn't do a quality review in the last 2 years on this?

Ms. DANIELS. We did not do an integrity sample on the 1996 cases.

Chairman BUNNING. OK. So you're not sure about the accuracy of the questionnaire. I understand those people that are permanently disabled, and you know that they're not going to get better, can accurately fill something like this out. If there are some people that are on the edge, somehow you've got to get them in for a medical exam, so that you can really determine if they continue to be disabled. It's a no-brainer when somebody is totally and permanently disabled for life, but it isn't if it's a temporary total disability. Those are the individuals that we want to capture in those statistics that you have up there, so that you can accurately review those people.

Ms. DANIELS. That's right. I agree with you. I think we need to have both systems. We have to have full medical reviews because there are some number of people for whom we can't predict.

Chairman BUNNING. All I'm telling you is that there are an awful lot of people who aren't permanently disabled for life that you are sending this to.

How many of the total amount of people on SSDI do you think are permanently disabled for life?

Ms. DANIELS. This is not something I would be willing to conjecture to, Mr. Chairman. I think that we have——

Chairman BUNNING. Oh, but it's very important. It's very important for us to have an accurate picture of whether you can conduct continuing disability reviews as required by law or whether you can't over the next 4 or 5 years.

Ms. DANIELS. What we can do is look at the data that predict whether or not a person will cease benefits and use those formulas to create profiles. We certainly can do many more medical reviews, but the question is, will they be cost effective? And we're trying to balance those two things, the cost effectiveness with the capacity of the State DDSs as well.

Chairman BUNNING. Well, as the bottom line on that chart indicates, the cost effectiveness of someone coming off the rolls because they're no longer permanently disabled is pretty breathtaking.

Let me ask Ms. Ross, whether SSA has ever told her how many recipients in the backlog have never had a full medical review?

Ms. ROSS. No, we have not gotten that information from them.

Chairman BUNNING. Dr. Daniels, could you possibly enlighten me on that question?

Ms. DANIELS. I can't at this moment, but I would be willing to see if our data can indicate that, and if so, provide it for the record.

[The following was subsequently received:]

Of the approximately 2.2 million disabled OASDI beneficiaries with a past-due diary for a CDR—including about 588,000 concurrently entitled to Supplemental Security Income (SSI)—about 1.75 million (or about 80 percent) have not had a full medical CDR.

Of the approximately 1.64 million SSI recipients (excluding concurrent OASDI beneficiaries and including about 370,000 childhood cases) with a past-due diary for a CDR, about 1.59 million (or about 97 percent) have not had a full medical CDR.

Altogether, about 3.3 million disabled individuals with a past-due diary for a CDR (or about 87 percent of the total CDR backlog of approximately 3.8 million) have not had a full medical CDR.

The 3.8 million amount is higher than the 3.5 million figure we previously reported to the Subcommittee because it now includes cases where a full medical review is currently in progress, as well as cases where the diary due date on the system is blank or invalid. The 3.8 million figure does not include certain cases whose reviews have been deferred: Individuals who would be eligible for a non-disability benefit if disability ceased (widows age 60 and workers age 62) or individuals for whom the likelihood of a productive CDR is remote (individuals over age or SSI recipients who were grandfathered-in from State welfare in 1974 at the beginning of the SSI program).

Chairman BUNNING. Sam, do you have any more questions?

Mr. JOHNSON. I wonder if I could ask you, on this form, Dr. Daniels, it says there's a signature block. It says, "Sign here." Is the person signing or the person that fills it out signing?

Ms. DANIELS. It's the intention that the person who's filling out the form should sign it.

Mr. JOHNSON. But it doesn't say that. Do you—have you checked that in your studies?

Ms. DANIELS. Are you asking, Have we conducted a study——

Mr. JOHNSON. Well, the Chairman asked a question, How many of them are filled out by the actual person receiving the benefit as compared to those who are filling them out for them—a parent, a guardian, or whatever, and/or somebody who can't read getting somebody else to fill it out for them. So how do we know the accu-

racy if we don't know who's signing them? And do you get any back with an "X" on them?

Ms. DANIELS. I can't tell you off the top of my head—I certainly don't have the data in front of me now—how many come back with an "X" on them, but I will ask the data center if we have that kind of information.

Mr. JOHNSON. Well, I think it would be interesting to know how many are actually filled out by the recipient and how many are actually filled out by a second person, and whether or not that signature—I think you need to change that block. If that's who you intend to have the signature of, it should be the person who fills it out, if it's somebody else other than the recipient.

I would ask the Chairman if we could have that statistic next time we get——

Chairman BUNNING. Well, we could request the SSA to add a block: If the person who is filling it out is the actual recipient or if somebody is filling it out for them. I don't know how many you have printed in advance. I would imagine you have quite a few, but when you run out, reprinting them would not require an awful lot of additional information.

Mr. JOHNSON. Yes, and I would say——

Ms. DANIELS. In our instruction form that goes along with the questionnaire, we ask the individual claimant to sign it or their legal guardian, but I can't tell you how many come back with a signature of a legal guardian. But I will check and see if we have that data available.

Mr. JOHNSON. But even if the claimant's signing it, that doesn't mean he filled it out. And, you know, there's room for fraud there—there really is—if someone else is filling the form out.

Chairman BUNNING. What would help, though, is finding out how many people actually have had medical reviews and how many didn't. That information would really assist us also.

I'd like to remind you both that I may be submitting questions in writing for you to answer for the record.

[The questions and answers follow:]

GAO Responses to Questions

Question 1. What effect has the medical improvement review standard had on the continuing disability review process, and in your view, is the medical improvement standard working?

GAO response: While GAO's work has not addressed these issues directly, the MI standard's history provides perspective on these issues. The impetus for the medical improvement standard can be traced back to SSA's implementation of a provision in the Social Security Disability Amendments of 1980 that required SSA to do CDRs at least once every 3 years for all DI beneficiaries not considered to be permanently disabled and at least once every 7 years for all other DI beneficiaries. In its implementation of this requirement in 1981, SSA did CDRs for more beneficiaries than required by the 1980 amendments. As a result, the number of benefit terminations increased greatly, which attracted substantial Congressional attention.

According to House of Representatives Report 98–618, dated March 14, 1984, the increase in terminations occurred primarily because many beneficiaries undergoing CDRs had been put on the disability rolls before 1979, and at that time, medical disability criteria were more lenient than when these beneficiaries later underwent CDRs. This occurred because SSA had implemented stricter medical disability standards in 1979. Many beneficiaries who qualified for disability benefits under the more lenient pre-1979 standards were being terminated when they were reassessed under the stricter post-1979 standards. As a result, according to the House report, the Congress enacted the medical improvement standard in the Social Security Disability Benefits Reform Act of 1984 (P. L. 98–460) to prevent the termination of ben-

efits for beneficiaries whose medical conditions had not improved substantially since they first were allowed benefits, even if they do not meet current disability standards.

Since enactment of the medical improvement standard in 1984, there has been a significant decline in the CDR initial termination rate (the rate before any reconsideration or appeals). According to data provided by SSA, the yearly initial termination rate exceeded 40 percent during 1980–1983. However, after 1984, the yearly initial termination rate has ranged from 6 percent to 14 percent. While the MI standard certainly played a role in this decline, other factors, such as doing more CDRs for beneficiaries whose impairments are considered permanent, also may have contributed to the decline in the termination rate.

Question 2. There are concerns in the State Disability Determination Services (DDS) that the medical improvement standard requires DDS examiners to terminate the benefits of severely disabled beneficiaries whose conditions have slightly improved. However, there are beneficiaries on the rolls who would not be found disabled based on the current medical listings. The medical improvement standard prohibits DDS examiners from terminating the benefits of these beneficiaries since medical improvement cannot be found for those who are not truly disabled. Do you have any ideas on how to remedy this situation?

GAO Response: While GAO has not done any work that would enable us to comment on remedies, we believe there are at least two scenarios in which the medical improvement standard potentially could prohibit DDSs from terminating benefits for persons who are not disabled under current SSA criteria. First, a person could have been found disabled under medical listings that later were revised and made more stringent. When such an individual undergoes a CDR, he or she might be considered able to work based on the current listings, even though his or her medical condition has not changed since the time of the original award. The medical improvement standard, however, prohibits terminating such an individual's benefits merely because disability criteria have changed. Benefits can be terminated only if it can be shown that the individual's medical condition has improved since the prior determination. According to SSA officials, medical listings have not undergone sufficient changes in recent years for this first scenario to be a significant problem today.

In a second scenario, the medical improvement standard could make it difficult to terminate the benefits of individuals who were awarded benefits erroneously by the original adjudicators. In such cases, one would not expect to be able to find significant medical improvement at the time of a CDR for a beneficiary who was not actually disabled at the time of the original decision. However, when adjudicators believe the original award was made in error, the medical improvement standard provides an exception under which benefits may be terminated, even if medical improvement cannot be shown. Under this exception, benefits may be terminated if (1) substantial evidence on the record at the time of the prior determination shows on its face that the decision in question was in error, (2) required and material evidence of the severity of the individual's impairment was missing at the time of the prior evaluation, or (3) new evidence related to the prior favorable decision refutes the conclusions that were based on the prior evidence. A substitution of current judgment for that used in the prior favorable decision cannot be the basis for applying this exception. GAO has no data on how often or how successfully adjudicators use these exception criteria when they believe the original decision was made in error.

In addition, the medical improvement standard provides an exception for fraudulent prior decisions. If SSA finds that any prior favorable decision was obtained by fraud, SSA may find that the beneficiary is not disabled. In determining whether a prior favorable decision was obtained fraudulently, SSA takes into account any physical, mental, educational, or linguistic limitations that the beneficiary may have had at the time.

Question 3. In fiscal year 1996, SSA conducted 11,542 CDRs on DI cases designated as medical improvement expected (MIE). Of that number, the benefits of only 2,466 DI beneficiaries have been terminated to date. Do you view the MIE coding as an accurate measure of which beneficiaries are likely to improve? If so, why isn't the ultimate cessation higher?

GAO Response: While we have not assessed these issues specifically, we are aware that SSA does not rely on the DDSs' assessments of the likelihood of medical improvement to determine which beneficiaries should undergo full medical CDRs. Instead, SSA has developed statistical formulas and profiles that are used to estimate the likelihood that a beneficiary's benefits will be terminated due to medical improvement if a full medical CDR is conducted. For those with a high likelihood of termination, SSA refers these cases to DDSs for full medical reviews. For those with a low likelihood of termination, SSA sends them a brief questionnaire to gather

limited information about their disability, medical treatments, and work activity, if any. For those receiving the mailer questionnaire, about 98 percent have their benefits continued without any further review. We do not know the percentage of MIEs who undergo full medical reviews versus those who receive mailer questionnaires.

Chairman BUNNING. I want to thank you again for appearing before the Subcommittee and updating us on this critical issue of SSA's handling of the CDR backlog. The Subcommittee will continue to closely oversee SSA's management of the CDR process.

The Subcommittee stands adjourned.

[Whereupon, at 3:07 p.m., the hearing was adjourned subject to the call of the Chair.]

○