

May 2007

**MEDICARE PART D
LOW-INCOME
SUBSIDY**

**Additional Efforts
Would Help Social
Security Improve
Outreach and Measure
Program Effects**





Highlights of [GAO-07-555](#), a report to the Committee on Finance, U.S. Senate

Why GAO Did This Study

Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), which created a Part D outpatient prescription drug benefit that enables Medicare beneficiaries to enroll in competing private drug coverage plans. The benefit also offers a subsidy administered by the Social Security Administration (SSA) to assist certain low-income Medicare beneficiaries with out-of-pocket costs. GAO was asked to review (1) SSA's progress in identifying and soliciting applications from individuals potentially eligible for the subsidy; (2) SSA's processes for making eligibility determinations, resolving appeals, and redetermining beneficiaries' eligibility; and (3) how the subsidy has affected SSA's workload and operations. To conduct this study, GAO reviewed the law, assessed subsidy data, and interviewed SSA and other officials.

What GAO Recommends

GAO recommends that SSA develop specific performance goals and measures for its outreach activities, develop key management tools for its appeals and redetermination decisions, and also that SSA and the Internal Revenue Service (IRS) work together to assess the extent to which taxpayer data could help to better target individuals who might qualify for the subsidy. IRS generally agreed with our recommendation, and SSA generally agreed with all but one of our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-555.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergbj@gao.gov.

MEDICARE PART D LOW-INCOME SUBSIDY

Additional Efforts Would Help Social Security Improve Outreach and Measure Program Effects

What GAO Found

SSA approved about 2.2 million Medicare beneficiaries for the low-income subsidy as of March 2007, despite barriers it faced in identifying the eligible population and soliciting applications; however, measuring the success of SSA's outreach efforts is difficult because there are no reliable data on the size of the eligible population. In 2005, SSA mailed 18.6 million subsidy applications to Medicare beneficiaries who were potentially eligible for the subsidy. SSA knew that this mailing was an overestimate, but took this approach to ensure that all who were eligible would be contacted. SSA had hoped to more specifically identify the eligible population using IRS tax data, but current law restricts the use of taxpayer data unless an individual has already applied for the subsidy. Further, SSA conducted a campaign of about 76,000 events held nationwide to educate people about the subsidy and how to apply for it. Since the initial campaign ended, however, SSA has not developed specific performance goals and measures to assess the progress of its continuing outreach efforts. SSA's efforts to solicit applications were hindered by beneficiaries' confusion about the difference between the subsidy and the Medicare Part D prescription drug plan, and the reluctance of some individuals to share personal financial information, among other factors. While the early subsidy participation rate compares favorably to those of some other low-income programs, the lack of reliable data on the size of the eligible population means that the extent to which SSA has signed up the eligible population for the benefit is unknown.

While SSA has established processes for making subsidy eligibility determinations, resolving appeals, and conducting redeterminations, it has not established some key management tools to monitor the progress of all of its efforts, as specified in GAO's internal control standards. For example, while SSA tracks various results from its appeals process, it does not currently have a performance goal to assess the timeliness of appeals decisions, but agency officials told us that SSA plans to establish a goal of processing 75 percent of appeals in 60 days. Also, while SSA tracks the status of its redetermination decisions, officials do not believe that it is necessary to measure the time for processing individual redetermination decisions because they said that the time to complete the overall redeterminations cycle provides adequate information.

SSA's implementation of the low-income subsidy did affect the agency's workload and operations, but according to SSA officials, the additional workload has been manageable overall as a result of increased funding that the agency received to carry out MMA activities. SSA hired 2,200 field office staff, and 500 headquarters staff to handle its new subsidy workload, as well as to carry out other activities for the program. In 2006, SSA staff spent the equivalent of 2,190 work years on low-income subsidy implementation activities, with about 50 percent of the time spent on subsidy applications. While there were periods of high subsidy application activity, SSA officials told us that subsidy program activities did not have an adverse impact on other SSA workloads. The officials attributed the minimal impact of Part D to several factors, including the highly automated subsidy application process and the \$500 million congressional appropriation that SSA spent on MMA start-up costs. SSA estimates that its costs for low-income subsidy activities are \$175 million annually.

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Abbreviations

CMS	Centers for Medicare and Medicaid Services
FPL	federal poverty level
HHS	Department of Health and Human Services
IRS	Internal Revenue Service
MMA	Medicare Prescription Drug, Improvement, and Modernization Act of 2003
PDP	prescription drug plan
SSA	Social Security Administration
SSI	Supplemental Security Income

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United States Government Accountability Office
Washington, DC 20548

May 31, 2007

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

High prescription drug costs can have a detrimental effect on low-income seniors and the disabled, who are more likely than others to suffer from chronic medical problems requiring prescription drugs. According to recent studies, such high costs may cause some elderly patients to forgo or restrict their use of prescription drugs. To help the elderly and disabled with these costs, the Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003, which created a voluntary outpatient prescription drug benefit (Medicare Part D).¹ The benefit, which became available in January 2006, enables Medicare beneficiaries to enroll in drug plans sponsored by private companies. A key element of the prescription drug benefit is the low-income subsidy, or “extra help,” available to Medicare beneficiaries with limited incomes and resources to assist them in paying their premiums and other out-of-pocket costs.

While the MMA assigned the majority of the responsibilities for implementing Medicare Part D prescription drug program to the Department of Health and Human Services and its Centers for Medicare and Medicaid Services (CMS), it charged the Social Security Administration (SSA) with administering the low-income subsidy. In this capacity, SSA is responsible for conducting outreach efforts to identify and notify individuals of the availability of the subsidy, making subsidy eligibility determinations, resolving appeals, and conducting redeterminations of beneficiaries’ continued subsidy eligibility. SSA is also responsible for withholding Part D premiums from monthly Social Security benefits for beneficiaries who select this option. You asked us to review (1) the progress that SSA has made in identifying and soliciting applications from individuals potentially eligible for the low-income

¹Pub. L. 108-173.

subsidy; (2) the processes that SSA uses to make eligibility determinations, resolve appeals, and conduct redeterminations for the subsidy; and (3) the impact that the subsidy had on SSA's workload and other operations.

To conduct our work, we interviewed and obtained documentation from SSA headquarters officials responsible for implementing the low-income subsidy. We also obtained and discussed relevant documentation on SSA's outreach strategy, efforts to target outreach for the low-income population, and methods for obtaining input from state Medicaid agencies in Colorado, Kansas, Pennsylvania, Texas, and Utah. We interviewed officials in the Colorado, Kansas, Pennsylvania, and Utah state Medicaid agencies because they had established processes to make low-income subsidy determinations. We visited the Texas state Medicaid agency to gain the perspective of a state that had not yet set up such a process, but had plans to do so in the future. We reviewed available documentation on SSA's processes for making eligibility determinations, resolving appeals, and making redeterminations. While we were generally able to verify some data on the processing time for eligibility determinations, based on electronic data provided to us, we did not have all the information needed to verify the validity of other data. We also interviewed SSA management and staff in eight SSA field offices in Maryland, Virginia, Pennsylvania, and Texas to obtain their views on the implementation, as well as client feedback they received regarding the subsidy application process. We selected SSA offices in those states because of the large number of subsidy applications that had been mailed to individuals potentially eligible for the subsidy. We visited SSA offices in Pennsylvania and Texas in particular because counties in these states had the most applicants for the subsidy as of June 2006. We interviewed CMS officials and obtained available documentation on the agency's involvement with SSA's outreach efforts. We also interviewed officials at the Internal Revenue Service (IRS) concerning legal restrictions on its ability to release tax data to SSA for the purposes of determining the population eligible for the subsidy and their concerns if these restrictions were lifted. We also met with various advocacy groups that represent low-income and disabled beneficiaries to obtain their perspectives on SSA's implementation of the low-income subsidy. In addition, we interviewed officials in the five state Medicaid offices discussed earlier and two state health insurance programs (Pennsylvania and Texas) to obtain information on their efforts in assisting clients in applying for the subsidy and their perspectives on SSA's implementation efforts. We conducted our work from May 2006 through April 2007 in accordance with generally accepted government auditing standards. Appendix I provides a more detailed description of our scope and methodology.

Results in Brief

SSA approved approximately 2.2 million Medicare beneficiaries for the low-income subsidy as of March 2007 despite barriers that limited its ability to identify individuals who were eligible for the subsidy and solicit applications from them; however, the success of SSA's outreach efforts is uncertain because there are no reliable data on the eligible population. Because of the lack of reliable data on the eligible population, SSA identified 18.6 million Medicare beneficiaries who might qualify for the subsidy, which was considered an overestimate of the eligible population. SSA mailed low-income subsidy information and applications to these Medicare beneficiaries to ensure that everyone who might qualify for the subsidy was notified of the benefit and had an opportunity to apply for it. SSA developed the 18.6 million estimate by using its benefit records and data from other government sources. SSA officials had hoped to use Internal Revenue Service (IRS) tax data to identify the eligible population, but the law prohibits the use of the data unless an individual has already applied for the subsidy. SSA followed this mailing with phone calls and additional targeted mailings. Further, SSA conducted an outreach campaign of 76,000 events held nationwide. Since the initial campaign ended, however, SSA has not developed specific performance goals and measures to assess the progress of its outreach efforts. Besides being hindered by barriers to identifying individuals potentially eligible for the subsidy, SSA's solicitation efforts were hindered by beneficiaries' confusion about the difference between the subsidy and the Medicare Part D prescription drug plan, and the reluctance of some individuals to share personal financial information, among other factors. The early subsidy participation rate compares favorably to those of some other low-income programs, but the extent to which SSA has been successful in signing up the eligible population is unknown because there are no reliable data on the size of the target population.

SSA has established application processes for determining low-income subsidy eligibility, reviewing appeals and conducting redeterminations; however, it has not established some key management tools to monitor the progress of all of its efforts. GAO internal controls standards state that establishing performance measures that compare actual performance against expected goals is needed to monitor the effectiveness of a program. To assess its low-income subsidy eligibility process, SSA has tracked the progress of the approximately 6.2 million subsidy determinations since it began processing applications in July 2005, but did not have goals for measuring the processing time for these applications until March 2007. SSA's goal is now to process 75 percent of the subsidy applications in 60 days. In three separate studies since October 2005, SSA has sampled 10 percent of its appeals to determine the reasons for them.

SSA has also tracked the amount of time for resolving appeals since August 2005. SSA data showed that in July 2006, the agency took 91 days to decide 1,795 appeals, while in February 2007, SSA took 42 days to decide 2,463 appeals. Although SSA tracks processing time for appeals, it currently has no performance goal to assess the timeliness of appeals decisions, and lacks the capability to report the information. Agency officials told us, however, that SSA plans to establish a goal of processing 75 percent of appeals in 60 days—similar to its goal for processing subsidy applications—but will have to modify its system to produce performance information. Further, while SSA tracked the status of 1.2 million redeterminations of subsidy eligibility, SSA does not measure the amount of time it takes to process individual redetermination decisions and has no plans to develop such information because officials stated that measuring the time for completing the overall redeterminations cycle provides adequate information.

SSA's implementation of the low-income subsidy did affect the agency's workload and operations, but according to SSA officials, the additional work has been manageable overall because of the increased funding the agency received to carry out MMA start-up activities and other factors. SSA hired 2,200 field office staff and 500 headquarters staff to handle the new subsidy workload, as well as to carry out other activities for the program. In 2006, SSA staff spent the equivalent of 2,190 work years on the low-income subsidy activities, with about 50 percent of the time spent on subsidy applications. SSA currently estimates the amount of time that staff spend on low-income subsidy activities through periodic sampling. However, SSA is working to implement a new tracking mechanism by 2010 to more accurately capture all program data, including data related to the MMA. While there were periods of high subsidy application activity, SSA officials told us that subsidy program activities did not have an adverse impact on other SSA workloads. For example, in fiscal years 2005 and 2006, SSA exceeded its goal of making timely payments on initial retirement and survivor claims. The officials attributed the minimal impact of Part D to several factors, including the highly automated subsidy application process and the \$500 million congressional appropriation that SSA spent on MMA start-up costs. SSA estimates that its costs for low-income subsidy activities are \$175 million annually.

This report contains recommendations to the SSA Commissioner that are intended to help the agency better assess its subsidy outreach efforts, and the results of its appeals and redetermination processes. The report also contains a recommendation to the Commissioners of SSA and IRS for the agencies to work together to assess the extent to which IRS data could

help SSA to better target individuals who might qualify for the subsidy, and to develop more precise estimates of the eligible population. In its comments on a draft of this report, SSA generally agreed with our recommendation to develop a comprehensive plan with specific goals and measures to direct and monitor the performance of its outreach efforts. In its comments and a follow-up discussion, SSA officials told us that they believed that the agency's National Strategic Communications Plan served as a comprehensive plan for its outreach strategy, and shared their concerns about setting specific goals and measures for outreach efforts in the absence of reliable data on the population of individuals who might qualify for the subsidy. SSA disagreed with our recommendation to begin collecting data on the processing time for individual redetermination decisions, and establish performance goals for assessing the timeliness of individual redetermination and appeals decisions, and explained the basis for its position. SSA and IRS agreed with our recommendation that the two agencies work together to assess the extent to which IRS tax data may help SSA to better identify individuals who might qualify for the subsidy. However, IRS pointed out various limitations that might affect the usefulness of the data, and stated that its data can only help SSA to better target the individuals who may qualify for the subsidy. See appendix III for a copy of SSA's comments, and appendix IV for a copy of IRS's comments. SSA and IRS also provided a number of technical comments, which we incorporated as appropriate.

Background

The enactment of the MMA in December 2003 added a voluntary outpatient prescription drug benefit to the Medicare program, known as Medicare Part D.² Prior to this, the Medicare program did not generally pay for outpatient drugs. The new Medicare Part D drug benefit, which became available in January 2006, enables Medicare beneficiaries to select among private drug plans sponsored by private companies. Beneficiaries who elect to enroll in a Part D plan are responsible for a monthly premium, which varies by the individual plan selected. A key element of the prescription drug benefit is the low-income subsidy, or "extra help," available to low-income elderly and disabled individuals to assist them in paying their premiums, deductibles, and co-payments. Without the

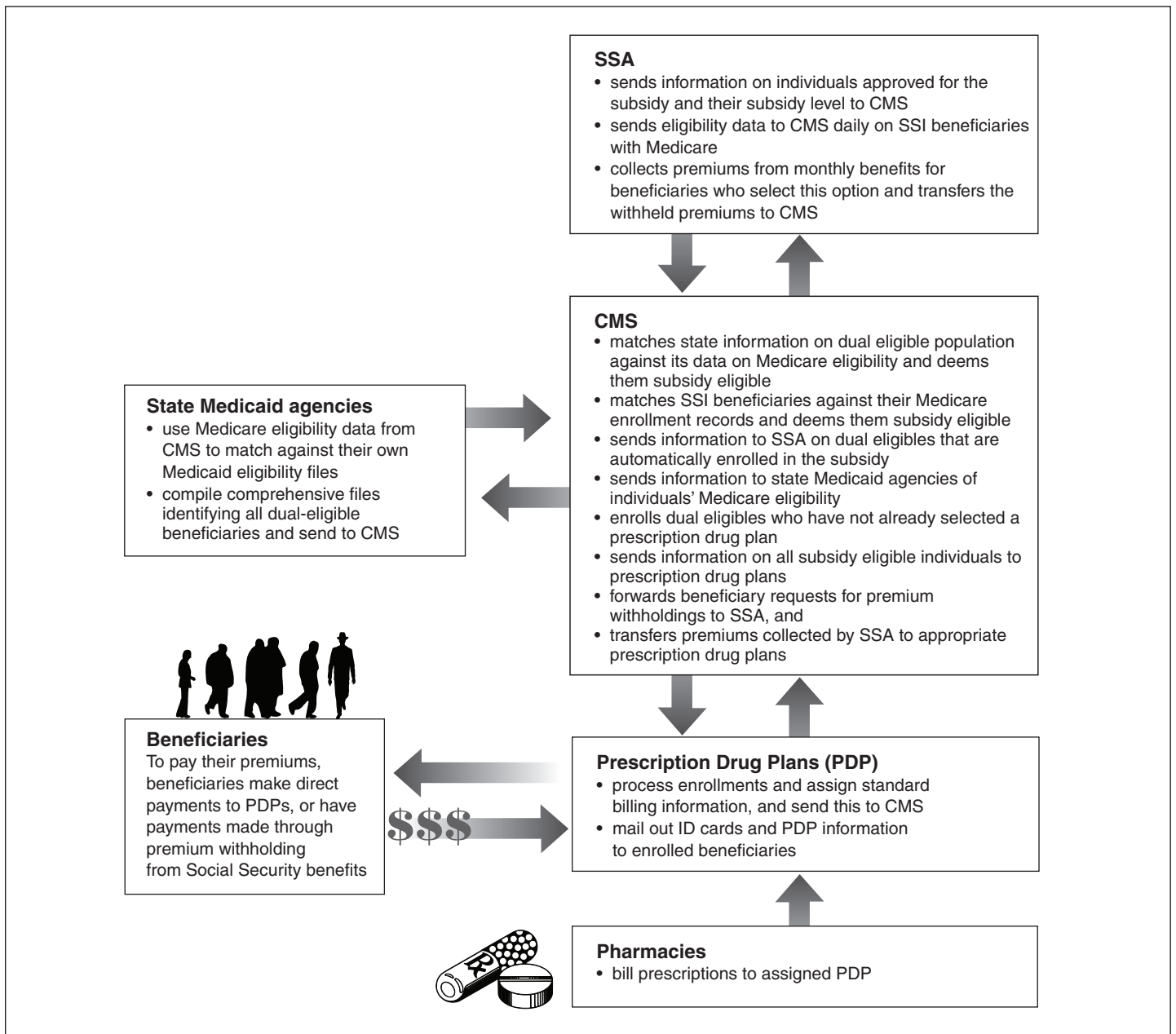
²Medicare is a health insurance program for people 65 years of age or older, people under age 65 who meet certain disability requirements, and people of all ages with end-stage renal disease (permanent kidney failure requiring dialysis or a kidney transplant). There are currently over 43 million Medicare beneficiaries.

subsidy, individuals enrolled in Part D would have to pay greater out-of-pocket costs for their prescription medications.

While the Department of Health and Human Services' CMS has responsibility for implementing the Part D prescription drug benefit, SSA is responsible for administering the subsidy.³ The MMA requires that SSA solicit and process subsidy applications to determine applicants' eligibility, resolve appeals for applicants dissatisfied with their subsidy determinations, and periodically redetermine individuals' continued eligibility. SSA transmits information on its approved subsidy determinations and individuals' subsidy levels to CMS, which in turn transmits the information to the appropriate drug plan. CMS provides information to SSA and to prescription drug plans for individuals who automatically qualify for the subsidy and the Part D prescription drug benefit, based on information it receives from state Medicaid agencies on individuals' eligibility for Medicaid and from SSA on individuals who receive Supplemental Security Income (SSI). SSA also withholds premium payments from the monthly Social Security checks of individuals who elect this payment option; otherwise, individuals make direct payments to their selected prescription drug plan. Figure 1 shows the flow of information among SSA, CMS, state Medicaid agencies, prescription drug plans, pharmacies, and beneficiaries.

³In addition to Part D, MMA gave SSA various new responsibilities, which include, among others, (1) outreach regarding the Drug Discount Card that was temporarily effective before the prescription drug plans and the subsidy program took effect, (2) implementing Medicare Part B income-based premiums for beneficiaries with income above a stipulated level, and (3) premium withholding for Medicare Part C (e.g., Medicare Advantage plans).

Figure 1: Flow of Low-Income Subsidy Information



Sources: GAO analysis of SSA data; images (Art Explosion).

To implement the new responsibilities under the MMA, SSA established a Medicare Planning and Implementation Task Force in December 2003. The objectives of the task force included determining the affected population; the number of staff, locations, and material resources needed; and agreeing on specific responsibilities with other federal government agencies. Under the MMA, the Congress provided SSA with a \$500 million appropriation from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund to pay for the initiation of SSA's Part D responsibilities for fiscal years 2004 and 2005, but later extended the appropriation to fiscal year 2006. The appropriation was exhausted in fiscal year 2006, and MMA spending is now subject to SSA's overall spending ceiling under the Limitation on Administrative Expenses appropriation.

Eligibility for the Medicare Part D Low-Income Subsidy

All Medicare beneficiaries entitled to benefits under Medicare Part A or enrolled in Part B are eligible to enroll in Medicare Part D.⁴ Some Medicare beneficiaries automatically qualify for the low-income subsidy, while others are required to apply for it and must meet the eligibility requirements established under the MMA. Those eligible for the subsidy generally fall into three broad categories (table 1 describes the Part D low-income subsidy associated with each category, as well as the costs for Medicare beneficiaries who do not qualify for the subsidy).

- Full-benefit dual eligibles: These are low-income Medicare beneficiaries who qualify for full coverage under their state's Medicaid program,⁵ which, prior to the effective date of Part D, provided coverage for their outpatient prescription drug costs. These individuals are automatically enrolled by CMS in the Part D prescription drug program. They automatically qualify for the full subsidy and do not need to file an application. These beneficiaries are referred to as "deemed."

⁴Generally, individuals who meet certain criteria and who are eligible for Social Security or Railroad Retirement benefits automatically receive Hospital Insurance, known as part A, which helps pay for hospital stays, related post hospital care, home health services, and hospice care, and typically does not require a premium. Medicare also offers optional insurance under Supplementary Medical Insurance (Part B) to cover doctor's services and outpatient care, and requires a premium.

⁵Medicaid is a federal and state program that helps pay medical costs for certain low-income people, such as those who are 65 and older, the blind, the disabled, and members of families with dependent children or qualified pregnant women or children.

-
- **Partial-benefit dual eligibles:** These are Medicare beneficiaries who qualify for more limited Medicaid coverage, SSI, or state Medicare Savings Programs.⁶ Similar to full-benefit dual eligibles, they are automatically enrolled in a Part D prescription drug plan by CMS. They also automatically qualify for the full subsidy and do not need to file an application. They are also referred to as “deemed.”
 - **Other Medicare beneficiaries:** Medicare beneficiaries who are not deemed eligible must apply and meet the income and resource requirements to receive the subsidy. These beneficiaries generally qualify if they have incomes below 150 percent of the federal poverty level and have limited resources.⁷ In addition to applying for the subsidy, these individuals must also apply to enroll in the Part D prescription drug plan. Low-income subsidy benefits are provided to these individuals on a sliding scale, depending on their income and resources.

⁶Medicare Savings Programs are offered by state Medicaid agencies to assist people with limited income and resources with their Medicare premiums and, in some cases, may also pay Medicare Part A and Part B deductibles and coinsurance.

⁷Countable resources include such things as savings, investments, and real estate (other than an individual’s primary residence). Countable resources do not include such things as a car, a burial plot or limited funds set aside for burial expenses, or certain other personal possessions.

Table 1: Part D Low-Income Subsidy Eligibility and Benefits, by Beneficiary Group, 2007

Type of beneficiary	Income ^a	Resources ^b	Monthly premium and annual deductible	Co-pay
Full-benefit dual eligibles ^{c, d}	At or below 100 percent of the federal poverty level, (FPL) (at or below \$10,210 for individuals or \$13,690 for couples)	Not applicable ^e	0 premium and 0 deductible	\$1/generic and \$3.10/brand name drug; no co-pay after \$3,850 in annual out-of-pocket drug spending; no co-pay if institutionalized
	Above 100 percent of FPL (above \$10,210 for individuals or above \$13,690 for couples)	Not applicable ^e	0 premium and 0 deductible	\$2.15/generic and \$5.35/brand name drug; no co-pay after \$3,850 in annual out-of-pocket drug spending; no co-pay if institutionalized
Partial-benefit dual eligibles ^f (participants in a Medicare Savings Program or Supplemental Security Income (SSI) beneficiaries ^d)	Varies according to type of beneficiary. For Medicare Savings Program and SSI beneficiaries, income levels are set by income eligibility requirements for those programs.	Not applicable ^e	0 premium and 0 deductible	\$2.15/generic and \$5.35/brand name drug; no co-pay after \$3,850 in annual out-of-pocket drug spending
Other subsidy-eligible beneficiaries	Below 135 percent of FPL (less than \$13,784 for individuals or \$18,482 for couples)	Below \$7,620 for individuals or \$12,190 for couples	0 premium and 0 deductible	\$2.15/generic and \$5.35/brand name drug; no co-pay after \$3,850 in annual out-of-pocket drug spending
		Between \$7,620 and \$11,710 for individuals, or between \$12,190 and \$23,410 for couples	0 premium and \$53 deductible	15 percent co-pay between \$54 and \$3,850 in annual out of pocket spending; \$2.15/generic and \$5.35/brand name drug after \$3,850 in annual out-of-pocket drug spending
		Between 135 and 149 percent of FPL (between \$13,784 and \$15,315 for individuals or between \$18,482 and \$20,535 for couples)	Sliding scale premium based on income and \$53 deductible	15 percent co-pay between \$54 and \$3,850 in annual out-of-pocket spending; \$2.15/generic and \$5.35/brand name drug after \$3,850 in annual out-of-pocket drug spending
Medicare beneficiaries who are not eligible for the subsidy ^g	150 percent of FPL or more (above \$15,315 for individuals or above \$20,535 for couples)	\$11,710 or more for individuals or \$23,410 or more for couples	Variable premium, based on plan chosen, an average of \$32 per month; \$265 deductible	25 percent co-pay between \$266 and \$2,400 in annual out-of-pocket spending; no benefit between \$2,400 and \$3,850; 5 percent coinsurance or \$2.15/generic and \$5.35/brand name drug after \$3,850 in annual out-of-pocket drug spending ^h

Source: GAO analysis of the MMA, as well as CMS and SSA regulations and guidance.

^aThe income limits shown above are those that apply to individuals with no dependents. If household members rely on the Medicare beneficiary or the spouse of the beneficiary for support, SSA uses the federal poverty levels based on household size. Also, if an applicant lives in Alaska or Hawaii, SSA applies the slightly higher poverty levels applicable to those states.

^bThese resource limits include \$1,500 per person burial expenses for the individual and the spouse if there is one, and they live together.

^cThese individuals receive full Medicaid benefits. For all beneficiaries eligible for the full subsidy, premiums are 0 for those prescription drug plans that offer basic coverage at or below the standard Part D premium. Beneficiaries may be eligible for the full subsidy amount, but still pay some portion of their premium if they enroll in a plan whose premium is above the appropriate threshold. In 2007 the National Average Part D Benchmark Premium is \$27.35.

^dBoth of these groups are deemed eligible for the subsidy and are automatically signed up for it. Persons in the "other subsidy-eligible beneficiaries" group must apply to receive the subsidy.

^eThe MMA does not impose a resource test when determining whether individuals in these deemed groups qualify for the low-income subsidy. These beneficiaries, however, may be subject to a resource test in order to qualify for Medicaid or other benefit programs.

^fMedicare Savings Program participants include Qualified Medicare Beneficiaries, Specified Low-Income Medicare Beneficiaries, and Qualifying Individuals.

^gThis group includes all nondeemed individuals who do not meet either the income or resource test, or both.

^hThis is the standard benefit package under Part D. Actual cost-sharing arrangements may vary by plan.

When Part D became available in January 2006, the prescription drug coverage provided under Medicaid for the estimated 6.2 million dual eligibles was transferred to Medicare Part D. To ensure that these individuals did not have a lapse in their drug coverage when the Part D benefit took effect in January 2006, CMS automatically enrolled them in a randomly selected Part D drug plan that was within established low-income subsidy benchmarks.⁸ For the initial enrollment period, CMS also automatically enrolled beneficiaries who were identified as eligible for the low-income subsidy, but had not selected a prescription drug plan by the May 15, 2006, deadline.⁹ In January 2007, approximately 630,000 dual eligibles, who were automatically receiving the subsidy in 2006, lost their

⁸CMS was required to automatically enroll in a Part D plan those full-benefit dual eligibles who failed to do so themselves. For purposes of ensuring a smooth transition to Part D coverage, CMS notified those individuals that they would be enrolled in a particular plan effective on a specified date, but provided them an opportunity to select a different plan or to indicate that they did not wish to be enrolled in a plan. If individuals did not indicate that they would select their own plan or opt out of Part D coverage within the time allotted in the notice, the plan selection made by CMS became effective.

⁹The deadline applied to all individuals who were first eligible to enroll in a Part D plan on or prior to January 31, 2006. Additional rules regarding enrollment periods are set forth in CMS regulations, 42 C.F.R. § 423.38.

deemed status. These were people who lost their Medicaid, Medicare Savings Plan, or SSI coverage at some point during the year. To continue their subsidy eligibility, these individuals needed to apply for the subsidy or regain their deemed status. According to SSA, by mid-March 2007, approximately 100,000 of these beneficiaries had applied and been approved for the subsidy.

Applying for the Subsidy

Medicare beneficiaries who do not automatically qualify for the Part D low-income subsidy can apply for the benefit directly through SSA or through their state Medicaid office. Individuals who apply through SSA may submit their subsidy application using SSA's paper application or an Internet application form. Applicants may also have their information entered electronically by visiting an SSA field office or by calling SSA's toll-free phone line. On the basis of applicant's income and resource information, SSA issues a letter to inform the applicant of whether or not he or she has been approved for the subsidy. SSA sends a predecisional notice to applicants who appear to be ineligible for the subsidy based on the income and resource information they provided, and allows them 20 days to provide other information for the agency to consider. If applicants do not provide such information within the required time frame, SSA sends a final letter to inform them that they do not qualify for the subsidy. If an individual applies for the subsidy through SSA, SSA is responsible for resolving any subsequent appeals, and for redetermining the applicant's continued subsidy eligibility.

As required by the MMA, beneficiaries may also apply for the subsidy through their state Medicaid office. However, according to state Medicaid officials we spoke with, they have encouraged beneficiaries to apply for the subsidy through SSA whenever possible. To prepare for those beneficiaries that request to have their subsidy applications processed by a state office, state Medicaid officials we spoke to said that they modified their Medicare Savings Program or Medicaid applications, when appropriate, to collect the necessary information for subsidy determinations. As of March 2007, only the Colorado and Kansas state Medicaid agencies have made Part D subsidy determinations. When state Medicaid agencies make subsidy determinations for individuals, they are also responsible for subsequent appeals and redetermination decisions.

SSA Has Made Progress in Approving Subsidy Applicants, despite Barriers That Hindered Its Outreach Efforts, but Measuring Its Success Is Difficult

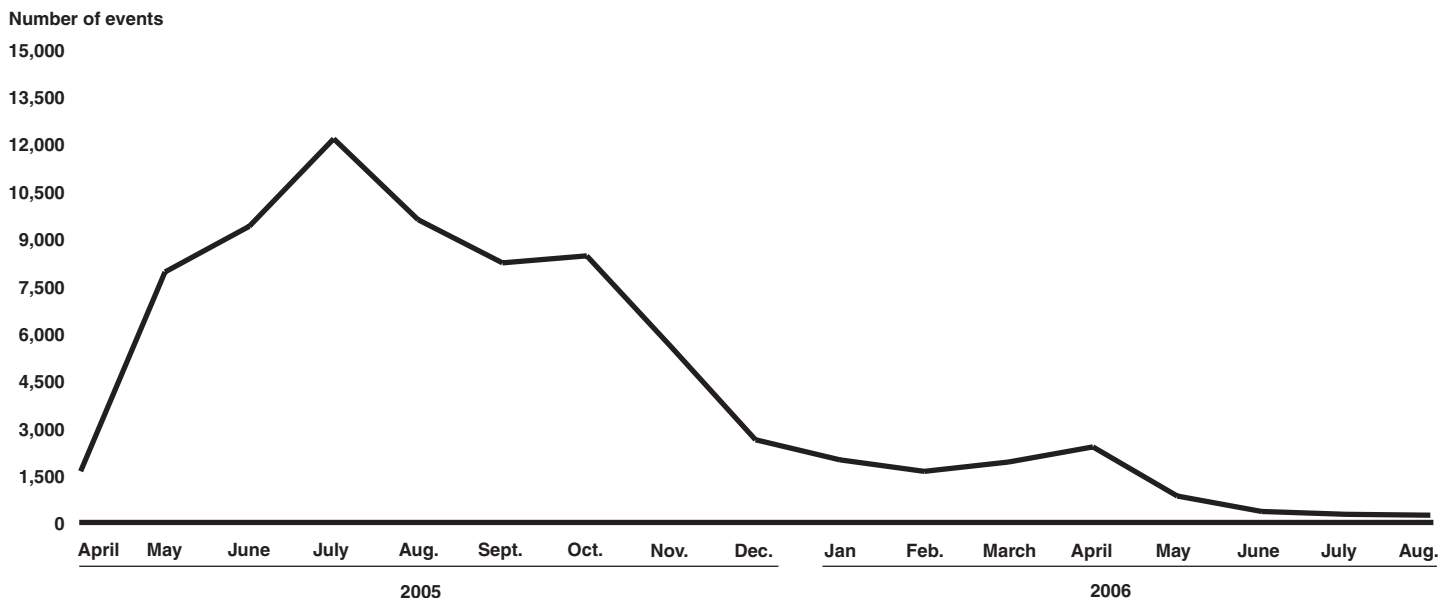
SSA approved 2.2 million subsidy applicants as of March 2007, despite factors that limited its efforts to identify the eligible population and solicit applications; however, measuring the success of its efforts is difficult because there are no reliable data on the size of the eligible population. To compensate for the lack of reliable data on the eligible population, SSA used data from a variety of federal sources to initially target its outreach effort to approximately 18.6 million potentially eligible Medicare beneficiaries, which it believed to be an overestimate of the potentially eligible population. To solicit applications from the approximately 18.6 million Medicare beneficiaries, SSA launched an outreach effort that included mass mailings and a public campaign of over 76,000 events held nationwide. Though individuals' reluctance to share personal financial information and other factors that initially hindered SSA's solicitation efforts have lessened, various advocacy groups are concerned that eligibility requirements and a complicated application may discourage potential applicants. While advocacy group and state Medicaid agency officials we interviewed believe that SSA has made some contact with all Medicare beneficiaries eligible for the subsidy, they say that more personalized assistance, such as door to door contact, is needed. While SSA provides various personalized services to assist individuals in completing their subsidy applications, agency officials told us that SSA does not have the resources to go door to door to make contacts. We found that the subsidy program's participation rate compares favorably to those of other low-income programs at similar stages of implementation. However, because no reliable data exist on the population of potential eligibles, it is unclear how effective SSA's outreach efforts have been.

SSA Approved 2.2 Million Subsidy Applicants, despite Barriers Limiting Its Ability to Identify the Eligible Population and Solicit Applications

Although SSA faced barriers in identifying the population eligible for the subsidy and soliciting applications from individuals, it had approved 2.2 million subsidy applicants as of March 2007. SSA conducted its initial outreach campaign from May 2005 to August 2006 to educate individuals about the subsidy and to help them apply for it. SSA officials told us that their outreach goals were to (1) ensure that as many individuals potentially eligible for the subsidy were informed of the benefit, (2) ensure that all potentially eligible Medicare beneficiaries had an opportunity to apply for the benefit, and (3) solicit 5 million subsidy applications over fiscal years 2005 and 2006 (SSA actually received 5.5 million applications during this time period). To accomplish these goals, SSA launched an outreach campaign that included over 76,000 events conducted in collaboration with various federal, state, and local partners, such as state Medicaid agencies, state health insurance programs, and various advocacy groups for Medicare beneficiaries. SSA carried out the campaign by

requiring each of its field offices to conduct a certain number of outreach events. These events were held at senior citizen centers, public housing authorities, churches, pharmacies, and other venues. As figure 2 shows, the number of outreach events has declined significantly, from a high of 12,150 in July 2005 to 230 at the completion of the campaign in August 2006.

Figure 2: Total Number of SSA Outreach Events from May 2005 to August 2006



Source: GAO analysis of SSA data.

Although SSA’s initial outreach campaign has ended, SSA is continuing to conduct outreach efforts to solicit applications from individuals potentially eligible for the subsidy. For example, SSA has conducted various activities to increase subsidy applications from individuals in rural and homeless communities. SSA also recently launched a new strategy during the week of Mother’s Day to inform relatives and caregivers about the subsidy, and is planning a similar effort during Father’s Day. Additionally, SSA is targeting approximately 630,000 dual eligibles who lost their automatic eligibility for the subsidy to help them apply for the subsidy. While SSA has incorporated its strategy for continuing subsidy outreach efforts into its National Strategic Communications Plan, the plan does not contain specific performance goals and measures. As a result, SSA has no basis for assessing its progress and identifying areas that require improvement.

Barriers That Limited SSA's Efforts in Identifying the Eligible Population

SSA initially targeted 18.6 million individuals who might be eligible for the subsidy, which was an overestimate of the eligible population. SSA took this approach because there were no reliable data on the size of the eligible population. SSA developed the targeted population to which to mail the subsidy applications by screening out Medicare beneficiaries whose income made them ineligible for the Part D subsidy using income data from its benefit records, as well as income data from the Office of Personnel Management, the Department of Veterans Affairs, the Railroad Retirement Board, and the Office of Child Support Enforcement of the Department of Health and Human Services (HHS). SSA realized that using these data sources would result in an overestimate of the number of individuals who might qualify for the subsidy. While the data provided information on individuals' income, it provided limited information on individuals' assets or nonwage income, which is needed to determine eligibility for the subsidy. Because of the lack of such information, SSA proceeded with a more generalized targeting of Medicare beneficiaries to ensure that all individuals who were potentially eligible for the subsidy were made aware of the benefit and had an opportunity to apply for it. SSA officials said that they would have preferred to specifically target Medicare beneficiaries who were more likely to be eligible for the subsidy by using tax data from IRS on individuals' wage, interest, and pension income, which would be needed to determine individuals' level of income and assets. Without such data, SSA can neither estimate how many individuals might qualify for the subsidy nor identify individuals to target for more direct outreach. The officials said that their prior experience with other low-income-based programs had shown that more targeted outreach efforts helped to elicit a higher response rate. Current law permits SSA to obtain income and asset data from IRS to assist in verifying income and asset data provided by individuals who have applied for the subsidy.¹⁰ However, to protect the privacy of taxpayer information and enhance tax compliance, the law prohibits disclosures of such information to identify individuals who may be eligible for the subsidy, but have not applied.

In a November 2006 report, the HHS Office of Inspector General reported that legislation is needed to provide SSA and CMS access to income tax

¹⁰Under 26 U.S.C. § 6103(1)(7)(C), IRS may only provide tax return information to SSA for purposes of, and to the extent necessary in, determining the eligibility for, or the correct amount of, benefits provided through the subsidy program. In signing the application form, individuals acknowledge that SSA will compare the information reported by them on the form to information supplied by federal, state, and local government agencies, including IRS.

data to help the agencies more effectively identify beneficiaries potentially eligible for the subsidy.¹¹ While SSA uses various sources of information to identify individuals' income, it does not have access to income data that could assist in imputing an individual's level of assets, which it believes could be provided through IRS income tax data. SSA estimates individuals' assets because IRS income tax return and other tax data do not contain asset information. However, IRS officials told us that its data have many limitations that could affect their usefulness. For example, IRS officials said that they have limited data on assets for individuals whose income is less than \$20,000, because these individuals do not typically have interest income, private pensions, or dividend income from stocks that could assist SSA in estimating an individual's potential asset level. Also, the officials said that many people with low incomes are not required to file taxes, and therefore IRS would have only limited information on them.¹² IRS officials also explained that tax data could most likely identify individuals who would not qualify for the subsidy, rather than those who would. Conversely, the officials stated that tax data might incorrectly eliminate some people who might qualify for the subsidy, which could result in SSA not contacting them. Moreover, the IRS officials said that the data it provides to SSA to determine eligibility could be almost 2 years old and may not reflect an individual's current income. For example, for subsidy applications in 2007, the last full year of tax data the IRS could provide would be for 2005. Given these various factors, IRS officials stated that summarily sharing private taxpayer data to identify individuals who could qualify for the subsidy, and the potential cost of systems changes, would have to be weighed against the added value of the data. Despite IRS's position on the limitations of its data on low-income taxpayers, SSA officials believe that IRS data can still help to better target the eligible population. However, no effort has been undertaken to determine the extent to which IRS income data could benefit SSA in this effort, or improve estimates of the eligible population. Legislation is currently pending before the Congress to permit IRS to share taxpayer data with

¹¹Department of Health and Human Services, Office of Inspector General, *Identifying Beneficiaries Eligible for the Medicare Part D Low-Income Subsidy*. OEI-03-06-00120. Washington, D.C.: Nov. 17, 2006.

¹²Individuals' income, filing status, and age generally determine whether they must file an income tax return. For example, in 2006, single individuals 65 or older were not required to file tax returns if their income was less than \$9,700, whereas a married couple 65 or older, filing jointly, was not required to file tax returns if their combined income was less than \$18,900.

Barriers That Limited SSA's Solicitation Efforts

SSA to assist the agency in better identifying individuals who might be eligible for the subsidy.

Although SSA has approved 2.2 million applicants for the subsidy, it initially faced difficulties in soliciting applications. To solicit applications, SSA sent its first targeted mailing to the 18.6 million potentially eligible individuals between May and August 2005. The mailings included an application for the subsidy and instructions on how to apply. SSA worked with various focus groups to develop the application, which included questions about applicants' income and resources, the value of life insurance policies, and household size. Appendix II provides the total number of subsidy applications mailed by state. After the subsidy applications were mailed, a contractor then made phone calls to 9.1 million beneficiaries who had not responded to the initial mailing, and SSA made 400,000 follow-up calls to the beneficiaries who requested SSA assistance. SSA also conducted other follow-up efforts, including sending follow-up notices to individuals whom the contractor was unable to contact and to specific subgroups that it identified as having a high likelihood of qualifying for the subsidy, such as the disabled; individuals over 79 years of age living in high-poverty areas; and individuals in Spanish-speaking, Asian-American, and African-American households. In addition, SSA called over 300,000 Medicare beneficiaries who had not applied, but had previously qualified for a temporary Medicare drug discount card, and included information about the subsidy in its 2005 and 2006 annual cost of living adjustment notices to Social Security beneficiaries and its annual Medicare Savings Program outreach letters.

SSA's efforts to solicit applications were hindered by various factors, including individuals' confusion over the difference between the prescription drug program and the subsidy, the reluctance of some individuals to share personal financial information, and eligibility requirements, among other factors. According to SSA field office staff and state Medicaid and advocacy group officials, many individuals were confused about the difference between the prescription drug program and the subsidy, and did not understand that they involved separate application processes, although the subsidy application and the decision letters explained that Part D enrollment was a separate process. Consequently, some individuals thought that once they were approved for the subsidy, they were automatically enrolled in a prescription drug plan and vice versa to a lesser extent. SSA field office staff and advocacy group officials also told us some individuals were reluctant to apply because they did not want to share their personal financial information for fear that an inadvertent error on the application could subject them to prosecution

under the application's perjury clause.¹³ Though the impact of these factors has lessened as individuals have become more educated about the subsidy, concerns remain about eligibility requirements and the overall complexity of the application. For example, SSA field office staff and advocacy group officials said that the subsidy's resource test may render some low-income individuals ineligible because of retirement savings or the value of other resources. Legislation has been proposed to increase the resource limit to allow more beneficiaries to qualify for the subsidy. Advocacy group officials also said that the application may be too complex for many elderly and disabled beneficiaries to understand and complete without the assistance of a third party. SSA headquarters officials told us that they have revised the subsidy application several times to address such concerns, but that much of the information that applicants may view as complex is required by the MMA.

Measuring the Success of SSA's Outreach Efforts is Difficult because of the Lack of Reliable Data on the Eligible Population

Although the low-income subsidy participation rate compares somewhat favorably to those of some low-income programs during similar stages of implementation, the success of SSA's efforts is uncertain because no reliable data exist on the total number of individuals potentially eligible for the subsidy. Using available estimates of the potentially eligible population, SSA approved between 32 to 39 percent of the eligible population who were not automatically deemed by CMS for the subsidy. According to these estimates by CMS, the Congressional Budget Office, and other entities, there are between about 3.4 million to 4.7 million individuals who are eligible for the subsidy, but have not yet applied (See table 2). In developing these estimates, however, these entities faced the same data limitations as SSA in identifying potentially eligible individuals.

¹³The perjury clause states that an individual could face imprisonment or other penalties for making a false or misleading statement about information provided on the subsidy application.

Table 2: Medicare Part D Low-Income Subsidy Estimates of the Eligible Population Who Must Apply to Receive the Subsidy

Numbers in millions

Source of estimate	Eligible but not automatically approved ^a (Column A)	SSA subsidy approvals as of as of March 2007 (and estimated participation rate) Column B	Eligible but have not yet applied (Column A minus B)
Congressional Budget Office ^b	6.6	2.2 (33%)	4.4
Access to Benefits Coalition ^c	6.8	2.2 (32%)	4.6
Rice and Desmond ^d	6.9	2.2 (32%)	4.7
Centers for Medicare and Medicaid Services ^e	5.6	2.2 (39%)	3.4

Sources:

^aWe derived these numbers by subtracting the 7.6 million beneficiaries that CMS estimated in January 2007 were deemed for the subsidy, or had comparable coverage from other federal programs, from the sources' original estimates of all eligible beneficiaries (except for the Rice and Desmond estimate, which included only undeemed beneficiaries).

^bCongressional Budget Office (CBO), *A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit*, table 8, Washington, D.C.: July 2004. The data were projected for calendar year 2006. CBO estimated that an overall total of 14.2 million beneficiaries would be eligible for the subsidy in 2006.

^cThe Access to Benefits Coalition (*Pathways to Success*, page 1), Washington, D.C.: 2005. The Coalition estimated that an overall total of 14.4 million beneficiaries would be eligible for the subsidy in 2006.

^dT. Rice and K. Desmond, January 2006. "Who Will Be Denied Medicare Prescription Drug Subsidies Because of the Asset Test?" *The American Journal of Managed Care*. 12 (1), pp.46-54. The authors estimated that a total of approximately 6.9 million eligible individuals would not be deemed, as of January 2006.

^eReported in CMS Press release, "Medicare Drug Plans Strong and Growing: Beneficiaries Compared Plans and Continued to Sign Up for Prescription Drug Coverage," Washington, D.C.: January 30, 2007. CMS estimated that an overall total of 13.2 million beneficiaries would be eligible in 2006.

SSA officials said that it is unfair to judge the success of its outreach efforts for the subsidy in relation to these estimates, given the limitations in identifying the size of the eligible population. SSA officials stated that the program has been successful in meeting its internal outreach goals. The advocacy group officials we interviewed agreed that SSA has informed all Medicare beneficiaries of the benefit and provided them with the opportunity to apply, but advocates questioned the effectiveness of SSA's outreach methods because of the lack of personal assistance available for elderly and disabled individuals who may not be connected to a social service organization and may not be able to go into an SSA field office. Advocacy groups believe that a more personalized outreach approach, such as door-to-door contact, is needed to encourage these individuals to apply for the subsidy. However, SSA officials also stated that

door-to-door contact with individuals would be a resource intensive and costly endeavor for the agency.

After over 2 years of implementation efforts, however, SSA's estimated participation rate of 32 to 39 percent of individuals who were not automatically deemed eligible for the subsidy compares favorably to those of some other low-income programs at a similar stage of implementation. SSA's participation rate is around 68 to 74 percent when the deemed population is included. However, we focused on the participation rate of the nondeemed population, because this is the population of individuals who had to sign up for the subsidy and to whom SSA targeted its outreach efforts. After its second year of national implementation in 1976, the Food Stamp Program had an estimated participation rate of 31 percent. During its second year of implementation in 1975, the SSI program had an estimated participation rate of 50 percent for those 65 or older. According to SSA officials, two-thirds of the early elderly participants were automatically transferred from state government programs to SSI (these individuals are similar to those deemed eligible for the Part D low-income subsidy). In both instances, the low-income subsidy participation rate compares favorably.

SSA's Processes for Determining Applicants' Subsidy Eligibility, Resolving Appeals, and Redetermining Eligibility Lack Key Tools for Monitoring Performance

SSA has established subsidy application processes for determining applicants' subsidy eligibility, resolving appeals, and redetermining subsidy eligibility, but has not established some key tools needed to monitor the performance of all of its processes. For example, while SSA tracks various information from its subsidy application processes through its Medicare database and other means, it does not track information on processing times for redeterminations, and does not currently have performance goals to monitor the timeliness of appeals and individual redetermination decisions. To enable agencies to identify areas in need of improvement, GAO internal control standards state that agencies should establish and monitor performance measures and indicators.¹⁴ Accordingly, agencies should compare actual performance data against expected goals and analyze the differences.

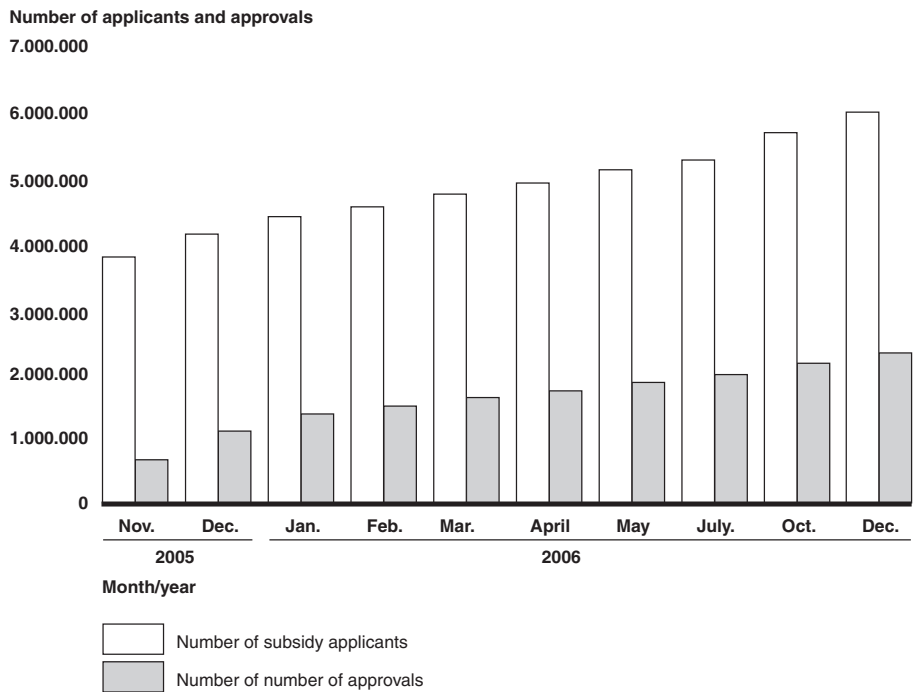
¹⁴GAO, *Internal Control Standards: Internal Control Management and Evaluation Tool*, GAO-01-1008G. Washington, D.C.: August 2001.

Eligibility Determinations

To determine individuals' eligibility for the subsidy, SSA largely relies on an automated process. After an individual applies, income and resource data provided by the applicant are electronically compared to income data provided by IRS and other agencies to determine if the individual meets income and resource requirements. In cases where there are conflicting data or questions regarding the data, SSA field office staff follow up with individuals to address such matters. SSA tracks the number of eligibility determinations it makes, the outcome of those determinations, and the length of time for completing the determinations. SSA also tracks data on denials, and periodically conducts samples to examine the reasons for such actions. Although the subsidy did not become available until January 2006, SSA began processing applications in July 2005 to encourage people to take advantage of the benefit when it became available.

As of March 2007, approximately 6.2 million individuals had applied for the subsidy. SSA officials noted that the heaviest volumes occurred when the public outreach campaign was most active. Figure 3 provides data on the cumulative number of subsidy applicants and approvals from November 2005, when SSA began tracking the data, to December 2006.

Figure 3: Cumulative Number of Subsidy Applicants and Approvals, November 2005 to December 2006



Source: GAO analysis of SSA data.

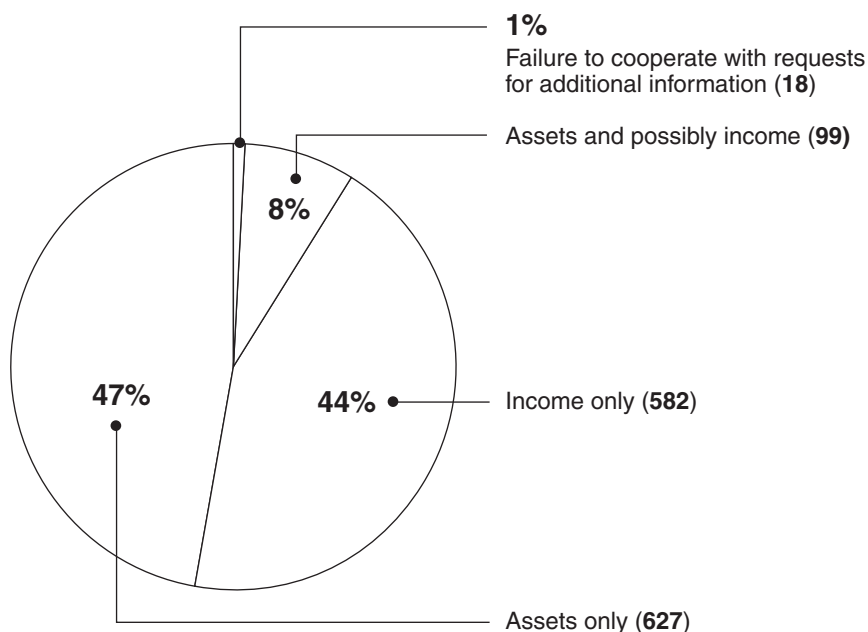
Note: SSA did not have data available for the months of June, August, September, and November of 2006.

Of the approximately 6.2 million individuals who had applied for the subsidy as of March 2007, SSA approved 2.2 million, denied 2.6 million, determined that no decision was required for 1.4 million, and had decisions pending for 80,000 applicants. According to SSA officials, those requiring no decision were the result of duplicate applications, applications from individuals automatically qualified for the subsidy, or canceled applications.¹⁵ To identify reasons for subsidy denials, SSA conducted three separate studies that sampled a total of 1,326 denied claims. These studies showed that most of applicants were denied due to resources or income that exceeded allowable limits set by the MMA (fig. 4). SSA officials stated that they plan to conduct a longitudinal study

¹⁵Canceled applications included applications that were withdrawn by the applicant or applications that were canceled by SSA because the applicant was not eligible for Medicare, as required to qualify for the subsidy.

to examine the reasons for all cases in which applicants were denied the subsidy.

Figure 4: Reasons for Subsidy Denials Based on SSA's Sampling of Denied Claims



Source: GAO analysis of SSA data.

While SSA has captured data on the length of time it takes to make eligibility determinations since it began accepting applications for the subsidy in July 2005, it did not develop the capability to report the data, and did not establish a performance goal for processing times until March 2007. As a result, SSA did not have the management information that it needed to monitor its performance in this area and identify areas where improvements were needed. SSA has now established a goal of processing 75 percent of subsidy applications in 60 days.¹⁶ In March 2007, SSA provided us with information showing the percentage of subsidy applications processed within certain periods of time, ranging from 30 days or less, to over 120 days.¹⁷ SSA's data as of mid-March for calendar

¹⁶The processing time includes a built-in 20-day delay as part of the predecisional process and the 10-14 days that it takes to receive IRS data.

¹⁷SSA measured the processing time for eligibility determinations from the date of the subsidy application or the date that the applicant became eligible for Medicare, whichever was later.

year 2007 showed that of the approximately 213,000 applications received, SSA had processed about 94 percent in 60 days or less, compared to nearly 91 percent of the approximately 1.3 million applications within the same time frame for calendar year 2006.

Appeals

Individuals may appeal denied subsidy determinations, as well as the level of the subsidy, by calling SSA's national toll-free number or calling, writing, or visiting any Social Security field office. Individuals may also complete an appeals form available on SSA's Web site and mail it in to SSA. Individuals have the choice of having their appeal conducted through a telephone hearing or a case file review. To process appeals, SSA established six Special Appeals Units. SSA tracks data on the total number of appeals and the time it takes to process them, the method used to resolve appeals, the reason for appeals, and the final disposition of appeals. However, SSA does not currently have a performance goal to assess the timeliness of its appeals decisions, and lacks the capability to report this information. In follow-up with SSA officials on their comments on a draft of this report, they told us that the agency is planning to establish a goal of processing 75 percent of appeals in 60 days, but will have to modify its system to report this information. SSA officials told us that they have managed the appeals process by redirecting resources when case-processing times for appeals exceed 60 days.

Regarding data on SSA's appeals process, an SSA sample, conducted in July 2006, showed that about 80 percent of individuals chose to have a case file review. According to SSA data on appeals from August 2005 to February 2007, it received about 79,000 appeals and completed about 76,000. The number of appeals was consistent with SSA's initial estimate that about 3 percent of denied subsidy applications would be appealed, based on its experience with other programs. On the basis of an SSA sample of 781 appeals, SSA reversed its decision for 57 percent of the cases and upheld its decision for the remaining 43 percent.

SSA data show that the overall volume of appeals received was the highest from November 2005 and July 2006, declined between August and November 2006, and rose again between December 2006 and February 2007 (See table 3). During the decline, SSA closed all but one of its Special Appeals Units by October 2006.

Table 3: SSA Appeals Workloads, August 2005–February 2007

Month	Number of appeals received	Number of appeals processed	Average processing time (in days)
August 2005	23	19	1.6
September 2005	422	253	2.5
October 2005	1,981	1,366	6.1
November 2005	7,443	2,498	11.3
December 2005	16,057	4,883	22.2
January 2006	13,023	4,543	40.0
February 2006	10,116	8,070	46.1
March 2006	8,714	12,614	68.2
April 2006	3,305	11,611	80.1
May 2006	3,467	10,221	88.3
June 2006	2,709	8,209	80.2
July 2006	1,913	1,795	90.5
August 2006	983	1,276	75.8
September 2006	613	1,836	58.7
October 2006	226	1,261	71.9
November 2006	689	935	48.6
December 2006	3,014	1,254	16.3
January 2007	2,603	1,209	25.6
February 2007	1,892	2,463	41.5

Source: SSA Appeals Workload Summary, as of February 27, 2007.

The time it took SSA to process appeals varied widely, and did not necessarily decrease when the caseloads grew smaller. For example, SSA appeals workload data showed that it took SSA an average of 80 days to resolve approximately 11,600 appeals in April 2006, but took about 90 days to resolve about 1,800 appeals in July 2006. SSA data from December 2006 through February 2007 also show that the agency’s processing time for resolving appeals has not shown consistent improvement. For example, it took SSA an average of 16 days to process 1,254 appeals in December 2006, but 42 days to process 2,463 appeals in February 2007. An SSA July 2006 sample of 781 appeals showed that 63 percent of appeals were filed based on applicants’ challenges regarding an income issue, 24 percent were based on applicants’ challenge regarding a resource issue, and 13 percent were based on other issues, such as an applicant’s failure to respond to SSA requests for additional data in a timely manner. SSA

officials stated that the agency plans to broaden the sampling effort to better understand the reasons for appeals.

Redeterminations

According to the MMA and SSA regulations, all recipients of the low-income subsidy are required to have a redetermination of their eligibility within 1 year after SSA first determines their eligibility.¹⁸ Future redeterminations are required to be conducted at intervals determined by the Commissioner. SSA's regulations provide that these periodic redeterminations be conducted based on the likelihood that an individual's situation may change in a way that affects subsidy eligibility. Additionally, SSA's regulations provide that unscheduled redeterminations may take place at any time for individuals who report a change in their circumstances, such as marriage or divorce. However, there is no specific requirement that recipients report such changes. SSA tracks various results from the redeterminations process, such as the number of decisions made, and number and level of continued subsidies, but does not track the amount of time needed to complete redetermination decisions.

SSA initiated its first cycle of redeterminations in August 2006, which included all of the approximately 1.7 million individuals who were determined to be eligible for the subsidy prior to April 30, 2006. SSA excluded from the redeterminations process about 562,000 individuals who were either deceased, automatically deemed eligible for the benefit by CMS, or whose subsidy benefit had been terminated. As a result, SSA sent approximately 1.2 million notices to inform individuals that their continued eligibility status was being reviewed. The notice also provided individuals with the income and resources data contained in SSA's files and asked them to notify SSA if the information had changed. SSA subsequently sent 242,000 forms to beneficiaries who reported changes to their income or resources, or whom SSA had identified as having such changes from other sources, to allow them to indicate changes to the information or dispute it. SSA data show that as of February 2007, SSA had completed approximately 237,000 redeterminations. About 69,000 individuals remained at the same subsidy level, another 69,000 had a change in their subsidy level, and 98,000 individuals had their subsidies terminated, based on a change in their circumstances.

¹⁸This does not include individuals who continue to be deemed or automatically eligible for the subsidy. Individuals who report certain changes to SSA regarding their benefit status are also excluded from the initial redetermination process since they are redetermined as a result of the change.

SSA does not track processing time for redetermination decisions and has not established a performance time target for processing such actions. SSA officials stated that since the redeterminations process is conducted within a certain period of time, it is unnecessary to track the processing time for individual redetermination decisions. However, as stated previously, GAO internal control standards state that agencies should establish performance measures for all activities and compare actual performance against expected goals. Without such data, SSA will be unable to identify areas in need of improvement.

The Impact of the Subsidy Program Has Been Manageable

Although the subsidy program affected SSA's workload and operations, SSA officials said that the additional workload was manageable overall. SSA hired a total of 2,200 field office staff to assist with subsidy applications, as well as an additional 500 headquarters staff to support its MMA activities. SSA officials stated that the agency's major activities for implementing low-income subsidy activities for fiscal year 2004 included preparing public information materials for the subsidy, systems development, and developing internal training materials for staff. Officials also stated that major subsidy work activities for fiscal year 2005 included hiring the approximately 2,200 field office staff, processing subsidy applications, and establishing Special Appeals Units. For fiscal year 2006, SSA provided us with data showing that staff spent the equivalent of approximately 2,190 work years on low-income subsidy activities, with almost 50 percent of the time used to process subsidy applications. These activities included processing subsidy applications and resolving appeals, and developing business process planning and systems development for the redeterminations process.

SSA officials stated that the agency's new responsibilities under the subsidy program have not adversely affected its other workloads. In fact, SSA officials pointed out that the processing times for other workloads improved in fiscal years 2005 and 2006. For example, SSA exceeded its goal of paying 83 percent of initial claims for retirement and survivor benefits at the earliest point due, or 14 days after an applicant filed a claim—the actual performance was approximately 85 and 87 percent, respectively. Additionally, SSA exceeded its goal of paying 75 percent of SSI claims for the elderly before their payment was due, or no more than 14 days after an applicant filed a claim—the actual performance was approximately 85 and 88 percent, respectively.

Although SSA can track expenditures for implementing its various MMA responsibilities overall, it cannot track expenditures related specifically to

low-income subsidy activities or other specific sublevel MMA activities. For example, SSA cannot calculate the total amount of the \$500 million congressional appropriation it received for MMA start-up costs that was spent on the subsidy program versus its other MMA responsibilities. Although SSA could not provide documentation of the total amount of its subsidy-related expenditures, it estimates that its costs related to the subsidy program are about \$175 million annually, based on workload samples. However, SSA is planning to develop a tracking mechanism to more accurately capture the data.

SSA officials attribute the light impact of the subsidy program to various factors, including the automation of the subsidy application process and the \$500 million congressional appropriation it received for administrative start-up costs to implement its MMA responsibilities. SSA officials also told us that they were able to manage the other workloads because the peak increases in subsidy applications and inquiries were short-lived, allowing SSA's operations to return to a more normal operating level after handling these peak work volumes. SSA officials stated that they expect small increases in its low-income subsidy workload during future prescription drug plan open seasons, which typically have been held from November to December.

SSA's spending on its Medicare activities peaked in fiscal year 2005 (see table 4) as supported by the \$500 million congressional appropriation for MMA start-up activities; more recent increases in such spending could cause pressure on SSA's other workloads in the future. The amount of SSA's administrative costs covered by the Medicare Trust Funds increased by about 37 percent between fiscal year 2003 and estimated spending in fiscal year 2008. The minimal impact of the subsidy workload and other MMA activities through fiscal year 2006 was due, in part, to the \$500 million separately appropriated by the Congress. Now that the additional \$500 million is exhausted, SSA's MMA responsibilities must compete with all other workloads for resources within the overall administrative appropriation limits. If the cost of SSA's Medicare workload increases, as it has done recently, SSA's other workloads may experience pressure if the overall administrative appropriation does not increase proportionately.

Table 4: SSA’s Outlays Covered by the Medicare Trust Funds, Fiscal Years 2003-2008

Dollars in millions

Fiscal year	Outlays, not including the \$500 million congressional appropriation	Outlays from the \$500 million congressional appropriation	Total outlays	Percentage increase in total outlays since fiscal year 2003
2003	\$1,214.6	\$0	\$1,214.6	-
2004	1,184.0	53.9	1,237.9	1.9 %
2005	1,364.4	346.5	1,710.9	40.9 %
2006	1,568.8	111.4	1,680.2	38.3 %
2007 (estimate)	1,600.1	0	1,600.1	31.7 %
2008 (request)	1,661.5	0	1,661.5	36.8 %
Totals	\$8,593.4	\$ 511.8^a	\$9,105.2^b	-

Source: Social Security Administration, “Budget Justification for Appropriations Committees,” fiscal years 2005, 2006, 2007, and 2008.

Note: The \$500 million appropriation for MMA start-up costs was available for fiscal years 2004 to 2006 only.

^aSSA officials stated that outlays appear to exceed the \$500 million appropriation due to the funds being outlayed, recovered, and then outlayed again in subsequent years.

^bThe increase in Medicare spending occurred despite the transfer of the Medicare appeals processing function from SSA to CMS in 2005.

Conclusions

SSA has made progress in approving individuals for the low-income subsidy, but has not established specific performance goals and measures for its outreach activities. Without such goals and measures, SSA will not have a means to assess the effectiveness of its efforts, or to identify areas that require improvement as it moves forward. Having such goals and measures takes on heightened importance now since SSA is conducting outreach efforts on a more limited basis. Although no reliable data currently exist on the population of individuals who might qualify for the subsidy, SSA does not need such data to establish specific performance goals and measures to assess its outreach efforts. For example, SSA could set specific goals and measures to assess the effectiveness of its outreach efforts for subpopulations where there is an underrepresentation of subsidy applications. Monitoring the progress of such efforts could help SSA to identify areas where increased outreach efforts are needed.

Assessing the performance of outreach efforts can also help SSA to make more efficient use of staff resources by directing them to areas where increased outreach efforts are needed to encourage applications among underrepresented segments of the eligible population. While advocacy

groups have called for a more personalized outreach approach, such as door-to-door contact, to encourage additional enrollments among Medicare beneficiaries, it may be difficult for SSA to conduct such efforts, given its resource limitations. Also, it is unclear how much more outreach is needed, given the lack of reliable data on the eligible population. The extent of additional outreach efforts will also depend on SSA's ability to more precisely identify remaining individuals eligible for the subsidy. However, it is not clear to what extent additional taxpayer data from IRS could help SSA to better target individuals potentially eligible for the subsidy. Until an effort is undertaken to better determine the size of the population that is eligible for the subsidy, it will be difficult for SSA and others to assess its progress in approving individuals for the subsidy.

Finally, while SSA has considerable data on its subsidy application processes, it lacks systematic performance indicators to compare results to expected goals. Without processing time data for redetermination decisions, and performance measures for all subsidy application processes, SSA will not have the information that it needs to assess the quality of the services it provides or to identify areas of improvement. The importance of identifying people who could benefit from the subsidy, coupled with ensuring a timely and reliable process for deciding initial determinations, hearing appeals, and making redeterminations, is essential to the success of the low-income subsidy.

Recommendations for Executive Action

To improve SSA's outreach efforts and its ability to measure the effectiveness of the Medicare Part D low-income subsidy application processes, we recommend that the Commissioner of Social Security:

- establish specific performance goals and measures for SSA's outreach activities to provide the agency with a means to assess their effectiveness in soliciting applications from additional individuals who qualify for the subsidy, but have not yet applied, and
- direct staff to begin collecting data on the processing time for individual redetermination decisions, and establish performance standards for processing time for the appeals and redetermination decisions.

We also recommend that the Commissioners of SSA and IRS work together to assess the extent to which IRS tax data may help SSA to better target individuals who might qualify for the subsidy, possibly aiding SSA in better targeting its outreach efforts. This effort could also aid in developing more precise estimates of the eligible population and help to

better inform the Congress on legislative proposals to allow IRS to share tax data with SSA to assist the agency with its outreach efforts.

Agency Comments

We obtained written comments on a draft of this report from the Commissioners of SSA and IRS. SSA agreed in theory with our recommendation to develop a comprehensive plan, with specific performance goals and measures, to detail the agency's strategy for encouraging individuals who qualify for the subsidy to apply. In its response and in a follow-up discussion, SSA stated that it believes that its National Strategic Communications Plan serves as a comprehensive plan for its outreach efforts agencywide, but stated that it would not be able to implement specific goals and measures due to the lack of reliable data on the eligible population. We agree that SSA's National Strategic Communications Plan serves as a comprehensive plan for describing the agency's outreach efforts, and revised our recommendation accordingly. However, we do not believe that data on the potentially eligible subsidy population, while useful, are needed for SSA to establish specific performance goals and measures to assess the effectiveness of its outreach efforts.

SSA disagreed with our recommendation to begin collecting data on the processing time for redetermination decisions, and establish performance standards for processing times for appeals and individual redetermination decisions. SSA stated that it monitors the time for completing the overall redetermination cycle, which provides adequate management controls for operational data. On the basis of GAO's internal control standards, we believe that SSA should measure the time for processing individual redetermination decisions because it could provide the agency with information on the efficiency of processing such decisions. While SSA stated that it had established a performance standard for assessing the timeliness of appeals, in a follow-up discussion with agency officials after receiving their comments, they told us that the goal did not currently exist, but that the agency is planning to establish a goal of processing 75 percents of appeals in 60 days. SSA officials added that the agency would have to conduct additional programming to produce management information for this data.

SSA agreed with our recommendation for the agency to work with IRS to assess the extent to which IRS tax data may help SSA to better identify individuals who might qualify for the subsidy. SSA stated that it has begun discussions with IRS to evaluate how such a study might be designed. IRS also agreed with this recommendation and stated that it is willing to work

with SSA in conducting such a study. IRS emphasized, however, that current law prohibits the agency from sharing tax information, other than in statistical form, before an individual applies for the subsidy. IRS also discussed various limitations that could affect the usefulness of its tax data. For example, IRS stated that its data may only be useful in screening out individuals who do not qualify for the subsidy. In view of this, we adjusted our recommendation to reflect that the study may assist SSA in better targeting individuals who might qualify for the subsidy, rather than identifying this population.

SSA's comments are reproduced in appendix III, and IRS comments are reproduced in appendix IV. Technical comments provided by each of these agencies have been included in the report as appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Commissioner of SSA, the Secretary of HHS, the Commissioner of IRS, and other interested parties. Copies will also be made available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have questions concerning this report, please call me on (202) 512-7215. Contact points for our Offices of Congressional Relations and Public Affairs, respectively, are Gloria Jarmon, who may be reached on (202) 512-4470, and Paul Anderson, who may be reached on (202) 512-4800.



Barbara D. Bovbjerg
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

To assess the Social Security Administration's (SSA) implementation of the Medicare Part D low-income subsidy, we reviewed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) to understand SSA's responsibilities under the law. We also reviewed various policies and regulations SSA established to carry out its new responsibilities, as well as guidance provided to field office staff to assist them in answering questions about the subsidy and taking subsidy applications. We obtained information on SSA's implementation activities from SSA officials in the agency's headquarters in Baltimore, Maryland, and in two regional offices, and from management and staff in eight SSA field office locations in Texas, Maryland, Virginia, and Pennsylvania. We selected SSA offices in those states because of the large number of subsidy applications that had been mailed to individuals who were potentially eligible for the subsidy. In addition, we selected SSA offices in Pennsylvania and Texas in particular because they had counties (Philadelphia County in Pennsylvania and Dallas and Fort Worth Counties in Texas) that had the most low-income subsidy applicants as of June 2006. To understand state Medicaid agencies' responsibilities for administering the subsidy, we reviewed regulations provided to these agencies from the Department of Health and Human Service's (HHS) Centers for Medicare and Medicaid Services (CMS). In addition, we discussed views on SSA's implementation actions and feedback that had been received from clients on the subsidy with state Medicaid agency officials in Colorado, Kansas, Utah, Pennsylvania, and Texas. We selected state Medicaid offices in Colorado, Kansas, Pennsylvania, and Utah because they had established processes to make low-income subsidy determinations. We also selected the Colorado and Kansas state Medicaid agencies because we wanted to gain the perspectives of state officials that had made low-income subsidy determinations. We visited the Texas state Medicaid agency to gain the perspective of a state that had not yet set up such a process, but had plans to do so in the future. We also interviewed state Health Insurance program officials in Pennsylvania and Texas, and officials from six advocacy groups, including the Access to Benefits Coalition, the Health Assistance Partnership of Families USA, and the Henry J. Kaiser Family Foundation. To obtain a contextual framework of concerns surrounding the subsidy and issues that could affect its implementation, we reviewed reports from GAO, the Congressional Research Service, the Office of Inspector General of HHS, and various reports from advocacy groups representing the elderly and disabled, whom the subsidy was primarily designed to benefit.

To assess SSA's progress in identifying individuals potentially eligible for the subsidy, we discussed the methodology the agency used to target this

population with SSA Medicare Task Force officials responsible for implementing the subsidy program; we also discussed with them the agency's overall outreach strategy and obtained and reviewed supporting documentation. In particular, we discussed in detail how SSA developed the approximately 18.6 million population of individuals to whom it targeted its original mass mailing of subsidy material, as well as how it more narrowly targeted groups within that population. We reviewed SSA's target population by looking at the number of total Medicare recipients and estimates of the total eligible population developed by the Congressional Budget Office, CMS, and others. We also met with Internal Revenue Service (IRS) officials to discuss the data restriction, and concerns officials would have if the law were changed to grant SSA access to IRS data for better targeting outreach efforts. To understand SSA's efforts to solicit subsidy applications, we discussed with SSA officials the process used to develop subsidy outreach materials and cognitive tests that had been conducted to ensure that the materials were written at an appropriate educational level for the target population. We discussed SSA's outreach methodology with officials from CMS, state Medicaid agencies, and various advocacy groups. Additionally, we discussed and obtained supporting documentation of training provided to field office staff on the subsidy and discussed with staff the usefulness of the training.

To review SSA's subsidy application processes—making eligibility determinations, resolving appeals, and redetermining individuals' continued subsidy eligibility—we reviewed the laws and regulations relating to each of these processes and SSA's strategic plan for relevant performance goals and measures. Specifically for the subsidy eligibility determinations process, we reviewed monthly data on the total number of subsidy determinations. For applicants that had been denied the subsidy, we obtained and reviewed available data on the reasons for the decisions. We requested SSA data on the timeliness of the eligibility determinations, but were told that while SSA captured the data in its Medicare Applications System, it had only recently developed the business requirement to report the data. Regarding SSA's appeals resolution process, we reviewed three SSA studies on samples of appeals identifying the reasons for the appeals and the final disposition of the appeal. We also reviewed SSA data on the total number of appeals filed and the length of time for resolving them. Regarding the redeterminations process, we reviewed data on the number of determinations conducted during the first cycle in 2006 and the statistics on the results. We discussed with SSA officials the actions that it planned to take to provide information on these processes, as well as SSA's plans for developing performance goals and measures for these processes. On the basis of electronic data provided to

us, we were generally able to verify some data on the processing time for eligibility determinations. However, we did not have all of the information needed to verify the validity of other data.

To determine the impact that subsidy work activities had on SSA operations, we discussed the issue with SSA headquarters officials and field office managers and staff. In particular, we obtained and reviewed SSA estimates of the resources the agency would need to implement the low-income subsidy and discussed with SSA officials the mechanisms for assessing the program's impact. We also coordinated with another GAO team that is reviewing how SSA spent the \$500 million appropriation for implementing all of the agency's responsibilities under the MMA. In addition, we reviewed SSA's methods for tracking financial expenditures and staff time dedicated to Part D activities. We also discussed with SSA the implications of possible budget restrictions and reductions in carrying out its Part D work. Finally, we reviewed SSA budget documents and spending on the Medicare Trust Fund from fiscal year 2003 to fiscal year 2008.

We conducted our work between May 2006 and April 2007 in accordance with generally accepted government auditing standards.

Appendix II: Subsidy Application Mailings by State, May 27, 2005–August 10, 2005

State	Number of mailings
Alabama	343,448
Alaska	27,384
Arizona	363,084
Arkansas	237,524
California	1,614,086
Colorado	249,901
Connecticut	212,346
Delaware	54,086
District of Columbia	29,282
Florida	1,434,108
Georgia	479,699
Hawaii	99,611
Idaho	89,457
Illinois	769,394
Indiana	426,956
Iowa	251,207
Kansas	195,899
Kentucky	325,571
Louisiana	290,073
Maine	115,475
Maryland	332,418
Massachusetts	398,717
Michigan	658,889
Minnesota	312,476
Mississippi	186,890
Missouri	439,898
Montana	75,544
Nebraska	125,809
Nevada	137,367
New Hampshire	87,690
New Jersey	500,519
New Mexico	122,958
New York	1,136,243
North Carolina	637,564
North Dakota	53,037
Ohio	872,963

**Appendix II: Subsidy Application Mailings by
State, May 27, 2005–August 10, 2005**

Oklahoma	265,009
Oregon	250,344
Pennsylvania	994,908
Rhode Island	75,955
South Carolina	315,913
South Dakota	64,853
Tennessee	381,972
Texas	1,069,524
Utah	96,433
Vermont	48,985
Virginia	469,428
Washington	362,295
West Virginia	176,397
Wisconsin	382,047
Wyoming	34,698
Total:	18,676,334

Source: Social Security Administration.

Appendix III: Comments from the Social Security Administration



SOCIAL SECURITY

The Commissioner

May 10, 2007

Barbara D. Bovbjerg, Director
Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
441 G St., NW
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to review and comment on the draft report, "Medicare Part D Low-Income Subsidy: Additional Efforts Would Help Social Security Improve Enrollment and Measure Program Effects" (GAO-07-555).

Enclosed are our detailed comments to the draft report recommendations along with suggested technical revisions.

If you have any questions, please contact Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Astrue".

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "MEDICARE PART D LOW-INCOME SUBSIDY: ADDITIONAL EFFORTS WOULD HELP SOCIAL SECURITY IMPROVE ENROLLMENT AND MEASURE PROGRAM EFFECTS" (GAO-07-555)

Thank you for the opportunity to review and comment on the draft report. We would like to offer some general comments regarding the report. We would suggest changing the title of the report to "Medicare Part D Low Income Subsidy: Additional Efforts Would Help Social Security Improve Filing and Measure Program Effects." The term "enrollment" is used in the Part D program to describe enrollment in prescription drug plans. The Social Security Administration (SSA) does not enroll Medicare beneficiaries in plans and the use of the phrase could lead to a misconception on the part of the reader. This term is used throughout the report to describe "filing" for the low-income subsidy.

We also need to question the statement that the early subsidy filings compare "somewhat less favorably to the first year of the Supplemental Security Income (SSI) program." In looking at the SSI participation rate, one has to separate the newly enrolled from the cases transferred from the States. Please refer to *Menefee, John A., Bea Edwards, and Sylvester J. Schieber (1981), "Analysis of Nonparticipation in the SSI Program," Social Security Bulletin 44(6): 3-21*. Their data are from the Survey of Low-Income Aged and Disabled (SLIAD), which was conducted by SSA in 1973 and 1974 around the time of SSI program implementation. They produced estimates of participation rates in 1974 of 55 percent for the aged and 54 percent for the disabled. They state:

"Basic SSI participation rates reflect the presence of large numbers of transferred welfare cases. Automatic transfers from the old State-managed public assistance programs accounted for two-thirds of the aged and nearly three-fourths of the disability cases at the end of SSI's first year of operation...Less than one-third of the combined SSI caseload consisted of new (nontransferred) recipients in late 1974..." (p.6; Table 1)

The cover page and page 33 do not provide SSA's current goal for processing subsidy applications. An interim goal of "50 percent of subsidy applications in 60 days" was used to develop the systems requirements for management information. The goal for calendar year 2007, established in March, is to process "75 percent of the subsidy applications in 60 days."

Our comments on the draft report recommendations, along with technical revisions are as follows:

Recommendation 1

SSA should develop a comprehensive plan, with specific performance goals and measures, to detail SSA's outreach strategy for enrolling additional individuals who qualify for the subsidy.

Comment

We agree in theory. The recommendation indicated SSA would have a basis for developing specific goals and measures for its outreach strategy. However, the “Conclusions” on page 28, 2nd paragraph of the report include the following: “Also it is unclear how much more outreach is needed, given the lack of reliable data on the eligible population. The extent of additional outreach efforts will also depend on SSA’s ability to more precisely identify remaining individuals eligible for the subsidy.” Therefore, we would not be able to implement specific goals and measures at this time due to the lack of reliable data on the eligible population.

We will continue our outreach efforts to identify individuals potentially eligible for the subsidy and solicit applications from them. The subsidy outreach was incorporated in our ongoing general outreach activities. This includes on a national level, working closely with national organizations, preparing new and updated Medicare Modernization Act (MMA) outreach products and placing educational/informational updates and articles in websites, bulletins, programs and newsletters. On a local field office (FO) level, it means continuing to work with local community organizations and advocacy groups to find beneficiaries who may be eligible for the extra help and assist them in applying. It also means that when a Medicare beneficiary contacts a FO or our 800 number for other Social Security business, we discuss with them the potential eligibility for extra help.

In addition, from May to June 2007, SSA will mail notice to approximately 6 million low-income Medicare beneficiaries informing them about the Medicare Savings Programs and the extra help (such a mailing is made every year). We are also continuing to mail approximately 100,000 applications each month to beneficiaries attaining initial Medicare eligibility after screening them to determine that their income is below 150 percent of the Federal Poverty Level. As in past years, SSA has incorporated its message on extra help in its Cost-Of-Living Adjustment letters sent each December to over 50 million beneficiaries.

Since GAO met with SSA officials in March, SSA has announced a new strategy in our continuing efforts to inform the public about extra help. The theme, “Show Someone You Love How Much You Care,” is designed to inform relatives and caregivers – the sons, daughters, grandchildren and family friends about the “extra help” program. This new strategy is being launched this week for Mother’s Day. SSA employees across the country are visiting their local community centers, grocery stores, flower shops, restaurants and places of worship in a focused effort to inform the public about “extra help.” SSA also plans to publicize this in the local media. The outreach effort will continue throughout the year, with a second series of targeted events scheduled for Father’s Day. For both Mother’s and Father’s Day, themed brochures will be distributed.

Recommendation 2

SSA should direct staff to begin collecting data on the processing time for redetermination decisions and establish performance standards for processing time for the appeals and redetermination process.

Comment

We disagree. As noted in the report, SSA monitors the time for completing the overall redetermination cycle which provides adequate management controls for operational data. The approach that SSA has adopted with MMA is consistent with our approach in managing the redetermination process for the SSI program. Since these MMA redeterminations are done during a short time frame (from August to December of each year), the decision was made not to invest limited systems resources to develop such data.

SSA has also established the same performance goal for appeals as for initial determinations, which is to process 75 percent of the appeals in 60 days.

Recommendation 3

The Commissioners of SSA and the Internal Revenue Service (IRS) should work together to assess the extent to which IRS tax data may help SSA to better identify individuals who might qualify for the subsidy, possibly aiding SSA in better targeting outreach efforts.

Comment

We agree. We have already been in discussions with IRS to evaluate how such a study might be designed.

Appendix IV: Comments from the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 18, 2007

Ms. Barbara D. Bovbjerg
Director, Education, Workforce, and Income Security Issues
United States Government Accountability Office
Washington, DC 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to respond to your draft report entitled "Medicare Part D Low-Income Subsidy, Additional Efforts Would Help Social Security Improve Enrollment and Measure Program Effects" (GAO-07-555).

Your report offers two primary recommendations. The first recommendation is directed solely to the Social Security Administration (SSA). The second recommendation encourages the Commissioners of the SSA and the Internal Revenue Service (IRS) to work together to assess the extent to which IRS tax data may help the SSA better identify individuals who might qualify for the subsidy.

While the IRS is in agreement that a test should be performed to assist the SSA in identifying individuals who might qualify for the Medicare Part D low-income subsidy, we recommend changes to the wording of the report. The final report should emphasize that current law prohibits disclosures to identify those who may be eligible but have not applied for the low-income subsidy. In addition, it should indicate that Internal Revenue Code section 6103 restrictions are intentional and designed to protect taxpayer privacy and enhance tax compliance. Any exception to the general rule of confidentiality must be carefully weighed against its potential negative impact on taxpayers' expectations of privacy. We request that the final report reflect IRS concerns regarding the usefulness (the business case) of using tax information to identify those who may be eligible. These points were made in GAO testimony for the Senate Finance Committee regarding the report, and we request that the final report reflect the language used in the testimony. Finally, we also ask that the report include the additional points raised by the IRS in commenting on the proposed testimony.

A detailed response to the recommendation is enclosed. If you have any questions, please call Carolyn Tavenner, Assistant Deputy Commissioner for Operations Support, Internal Revenue Service, at (202) 622-7602.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin M. Brown".

Kevin M. Brown
Acting Commissioner

Enclosure

Enclosure

Recommendation:

We also recommend that the Commissioners of SSA and IRS work together to assess the extent to which IRS tax data may help SSA to better identify individuals who might qualify for the subsidy, possibly aiding SSA in better targeting its outreach efforts. This effort could also aid in developing more precise estimates of the eligible population and help to better inform the Congress on legislative proposals to allow IRS to share tax data with SSA to assist the agency with its outreach efforts.

Response:

The IRS agrees that a test should be conducted and is willing to work with the SSA in that effort, with the understanding that present law prohibits the IRS from sharing tax information (other than in statistical form) as part of the test.

While this test may help determine the value of the IRS data in assisting the SSA with this initiative, we believe that the data may be useful only in screening out ineligible individuals. We estimate that tax data will only screen out a few hundred thousand of the millions who are potentially eligible, and could potentially screen out potential eligibles. If the results of the test are not sufficiently positive to warrant another exception to the general rule of confidentiality, then we recommend that no legislative disclosure exception to IRC 6103 should be pursued.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Barbara D. Bovbjerg (202) 512-7215 or bovbjergb@gao.gov

Acknowledgments

The following team members made key contributions to this report: Blake Ainsworth, Assistant Director; Jeff Bernstein; Kyle Browning; Susannah Compton; Mary Crenshaw; Rosamond Katz; Sheila McCoy; Lisa Reynolds; Vanessa Taylor; and Paul Wright.

Related GAO Products

Medicare Part D: Challenges in Enrolling New Dual-Eligible Beneficiaries. [GAO-07-272](#). Washington, D.C.: May 4, 2007.

Prescription Drugs: An Overview of Approaches to Negotiate Drug Prices Used by Other Countries and U.S. Private Payers and Federal Programs. [GAO-07-358T](#). Washington, D.C.: January 11, 2007.

Medicare Part D: Prescription Drug Plan Sponsor Call Center Responses Were Prompt, but Not Consistently Accurate and Complete. [GAO-06-710](#). Washington, D.C.: June 30, 2006.

Medicare: Communications to Beneficiaries on the Prescription Drug Benefit Could Be Improved. [GAO-06-654](#). Washington, D.C.: May 3, 2006.

Social Security Administration: Medicare Part D Subsidies. [GAO-06-344R](#). Washington, D.C.: January 13, 2006.

Medicare: Contingency Plans to Address Potential Problems with the Transition of Dual-Eligible Beneficiaries from Medicaid to Medicare Drug Coverage. [GAO-06-278R](#). Washington, D.C.: December 16, 2005.

Medicare: CMS's Beneficiary Education and Outreach Efforts for the Medicare Prescription Drug Discount Card and Transitional Assistance Program. [GAO-06-139R](#). Washington, D.C.: November 18, 2005.

Medicare: CMS's Implementation and Oversight of the Medicare Prescription Drug Discount Card and Transitional Assistance Program. [GAO-06-78R](#). Washington, D.C.: October 28, 2005.

Retiree Health Benefits: Options for Employment-Based Prescription Drug Benefits under the Medicare Modernization Act. [GAO-05-205](#). Washington, D.C.: February 14, 2005.

Medicare Savings Programs: Results of Social Security Administration's 2002 Outreach to Low-Income Beneficiaries. [GAO-04-363](#). Washington, D.C.: March 26, 2004.

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