



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-164031(4)

December 11, 1978

The Honorable Joseph A. Califano, Jr.
The Secretary of Health, Education,
and Welfare

Dear Mr. Secretary:

During fiscal year 1977, the Social Security Administration (SSA) overpaid an estimated 462,195 recipients of retroactive Supplemental Security Income (SSI) benefits about \$75 million and underpaid an estimated 206,825 others about \$6 million. About 37 percent of all fiscal year 1977 retroactive checks were in error. This was about twice the error rate for regular monthly checks. SSA has not yet finalized data needed to make similar estimates for fiscal year 1978.

Most retroactive payment errors occur because SSA has not obtained accurate information affecting the claimant's eligibility or the amount of his/her payment. This happens because SSA is unaware of changes in the claimant's circumstances which occur between the date of the application and the date of the payment.

SSA has taken actions to reduce retroactive payment errors. However, we believe these actions should be expanded to cover a greater number of these payments because of (1) the high error rates for large (\$1,000 or more) retroactive payments and (2) the low percentage of overpayments recovered by SSA--about 59 percent of SSI overpayments identified since the beginning of the program had not been collected as of mid-January 1978.

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(105029)

SCOPE OF REVIEW

We conducted our review at SSA headquarters and several SSA field offices in Los Angeles County. We obtained information on the procedures and operations of the SSI program and analyzed SSA's SSI quality assurance data to identify the amount and frequency of retroactive payment errors. We also reviewed a randomly selected sample of large retroactive payments made in April 1977 to find out reasons for such payments and ways in which retroactive payment errors could be minimized.

NUMBER AND SIZE OF RETROACTIVE PAYMENTS

During fiscal year 1977, SSA issued about 1.8 million retroactive SSI payments totaling about \$505 million. The number of retroactive payments was about 3 percent of the total SSI payments, and the dollar value of retroactive checks was about 8 percent of the total SSI payments.

In fiscal year 1977, about 5 percent of the retroactive checks were for \$1,000 or more. These larger checks comprised almost 30 percent of the total dollars paid retroactively. A breakdown by check size is shown below.

SSI Retroactive Checks--Fiscal Year 1977

<u>Check size</u>	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
\$1 to \$999	1,716,800	95.1	\$352,000,000	69.6
\$1,000 to \$4,999	86,700	4.8	143,900,000	28.5
\$5,000 and over	<u>1,500</u>	<u>.1</u>	<u>9,400,000</u>	<u>1.9</u>
Total	<u>1,805,000</u>	<u>100.0</u>	<u>\$505,300,000</u>	<u>100.0</u>

The average number of large retroactive checks (\$1,000 and more) issued each month (7,200 to 7,500) and the average total amount paid per month (\$12.6 to \$13 million) through large retroactive checks remained relatively constant through fiscal year 1977 and, according to a Social Security official, has continued to remain relatively constant through fiscal year 1978.

Retroactive checks can be categorized into two groups--initial payments and post-eligibility payments. SSA does not maintain records showing the size of each group. Our random

sample of large (\$1,000 or more) retroactive payments made in April 1977 indicates that about 70 percent of these payments were initial and 30 percent were post-eligibility.

Initial payments

SSA is generally required to pay eligible SSI applicants from the first of the month in which they apply. Even if approval takes several months, the initial payment will cover the entire retroactive period from the date of eligibility.

Normal processing time for SSI applications usually results in a retroactive initial payment of from 1 to 3 months; however, such payments sometimes cover longer periods. For instance, our sample of large retroactive payments (about 10 percent of all large retroactive payments in April 1977) indicated that all these payments covered a period of 4 months or more. In fact, several of the large retroactive payments in the sample were made to persons applying for benefits in January 1974, but had not been initially paid until April 1977--a period of 40 months.

Generally, large retroactive initial payments result from the time required to process disability or blindness applications. Often the retroactive period has been lengthened because the applicant was first found to be ineligible and later found eligible by one or more levels of appeal. A small number of large retroactive initial payments stem from SSA's processing problems, recipients' delay in providing information, and computer problems.

Post-eligibility payments

Many times, as a result of SSA's annual contact with SSI recipients to reassess their eligibility (called a redetermination) or as a result of a recipient's report, SSA discovers that an SSI recipient has been underpaid. In these cases retroactive post-eligibility payments are required. Common reasons for the underpayment include (1) an unreported change in the recipients' living arrangement and (2) an unreported change in his or her address which causes the checks to be returned. SSA regulations limit retroactive post-eligibility payments to the period beginning 2 years before the underpayment was discovered.

ABOUT 37 PERCENT OF FISCAL YEAR 1977
RETROACTIVE PAYMENTS WERE IN ERROR

SSA's Office of Quality Assurance regularly compiles data showing SSI payment error rates for 6-month periods. The data, based on a review of monthly random samples of all SSI payments, does not isolate retroactive payments. We separated the quality assurance data for the period July 1975 through September 1977 into two groups--regular monthly payments and all retroactive payments. This analysis showed that the error rate for retroactive payments (about 37 percent for fiscal year 1977) was much higher than that for regular monthly payments, as shown in the following table.

Comparison of Error Rates for
Retroactive Payments and Regular
Monthly Payments

<u>Period</u>	<u>Error rate</u>		<u>Monthly payment</u>
	<u>All</u>	<u>\$1,000 and over</u>	
	----- (percent) -----		
July to Dec. 1975	35.3	43.3	27.9
Jan. to June 1976	41.7	53.5	24.5
July to Dec. 1976	32.1	49.6	21.0
Oct. 1976 to Mar. 1977	37.2	56.2	20.3
Apr. to Sept. 1977	37.2	31.6	18.9

Based on our analysis of the fiscal year 1977 quality assurance data, we estimated SSA overpaid 462,195 recipients of retroactive checks about \$75 million and underpaid 206,825 others about \$6 million. While data for the entire fiscal year showed that overpayments were more frequent in checks of \$1,000 or more, data for the last 6-month period indicated a significant drop was experienced in the error rate for these checks. However, based on available information, we were unable to determine whether this is the start of a downward trend in the large retroactive payment error rate.

Fiscal Year 1977 Errors
in Retroactive Payments

<u>Check size</u>	<u>Error rate</u>	
	<u>Overpayments</u>	<u>Underpayments</u>
	(percent)	
\$1 to \$999	25.0	11.6
\$1,000 and over	37.4	8.7

Further analysis of the fiscal year 1977 quality assurance data showed that overpayments were generally larger than underpayments and that the size of the overpayment error was larger in checks of \$1,000 or more.

Average Amount of Error
in Fiscal Year 1977
Retroactive Payments

<u>Check size</u>	<u>Average error</u>	
	<u>Overpayments</u>	<u>Underpayments</u>
\$1 to \$999	\$135.82	\$45.34
\$1,000 and over	499.09	43.38

The error rates computed in our analysis include payment adjustment lag errors that, according to SSA, are errors caused by events which occur too close to the payment date to allow time for adjustments. SSA has excluded such errors from the rates published by its Office of Quality Assurance since the January through June 1975 reporting period.

Our analysis showed that payment adjustment lag errors were much more prevalent in retroactive payments than in regular monthly SSI payments. About 28 percent of the retroactive payment errors were payment adjustment lag errors, while only about 19 percent of regular monthly SSI payment errors were so designated. Many retroactive payment errors, including those designated by SSA as payment adjustment lag errors, can be prevented by SSA increasing the number of prepayment reviews as we recommend later in this letter.

Error rates for retroactive initial payments

Since April 1976 SSA's Office of Quality Assurance has compiled data from special reviews based on samples of retroactive payments showing retroactive initial payment errors of about 40 percent. SSA has issued two reports summarizing the error rates developed from these special reviews and is developing a third report for an additional 6-month period ended in September 1977. Payment adjustment lag errors have comprised about 40 percent of the total errors. The following table summarizes the error rates.

Errors in Retroactive Initial Payments

<u>Period</u>	<u>Total error rate</u> (percent)	<u>Payment adjustment lag errors as a percent of total errors</u>
Apr. to June 1976	41	43
July to Dec. 1976	43	44

SSA IS ATTEMPTING TO REDUCE ERRORS BUT SHOULD DO MORE

Since August 1977 SSA has implemented two measures that have good potential for reducing retroactive payment errors. One is a modification of the priority redetermination procedure implemented in October 1975. The other involves a special prepayment review of all retroactive payments of \$5,000 or more.

Priority redeterminations should be increased

SSA developed the priority redetermination procedures in October 1975 for all initial claims cases where an appeal to the Administrative Law Judge (ALJ) or higher level results in a decision favorable to the applicant. The procedure requires district offices to immediately review factors that might have affected a person's eligibility or payment amount after he or she applied. When first implemented, the priority

redetermination was usually done after the retroactive initial payment had been made. Accordingly, it did not prevent payment errors in most cases, but only discovered them. Under a new policy implemented by SSA in September 1978, almost all cases, in which an ALJ or a higher level of appeal decision results in an initial payment, will be subject to a priority redetermination before the payment.

However, under the new policy, priority redeterminations are still limited in that they apply only to payments resulting from ALJ or higher level decisions. Data is not readily available that shows the percentage of large retroactive payments which are attributable to such decisions. One SSA study indicated, however, that only about 3 percent of all initial payments were attributable to these decisions. Also, our random sample of initial payments made during April 1977 showed that only 36 percent of the initial payments of \$1,000 or more resulted from cases appealed to ALJ or higher levels. Apparently, ALJ or higher level decisions account for only a small part of large retroactive payments and, therefore, only a small part of such payments are subject to priority redeterminations.

We believe that priority redeterminations should be made for a much larger number of retroactive initial payments and that they should always be made before the payment. No data is available on the dollar amount of errors discovered by priority redeterminations or on the cost of performing such redeterminations. However, an indication of potential benefits and costs can be developed under the following assumptions:

- The cost of a priority redetermination is not much different than the cost of a yearly redetermination.
- The same errors identified in a quality assurance analysis would be identified and corrected or prevented by a priority redetermination.

Under these assumptions and using the figures shown in the table on page 5, we estimate the potential costs and benefits of a prepayment priority redetermination for retroactive initial payment of \$1,000 and more as follows:

<u>Cost</u>	<u>Benefits</u>
\$18.67 (note a)	--overpayment of \$499.09 avoided.
x <u>3</u> (note b)	
\$56.01	--costs associated with recording and attempting to collect the overpayment avoided.

a/SSA estimate of cost to do one redetermination.

b/Based on an overpayment error rate of 33 percent, three redeterminations will be done before an error will be found. Also, the redeterminations would avoid underpayments that are taking place.

Admittedly, this analysis is not very precise, but we believe it indicates that the potential benefits from priority redeterminations for large retroactive checks outweigh their costs. A more precise determination of the costs and benefits would enable SSA to develop criteria for performing prepayment priority redeterminations which would optimize the net benefits.

Special prepayment review should be expanded

In August 1977, because of concern about inaccurate retroactive payments, SSA began a special prepayment review at its headquarters of all payments--both initial and post-eligibility--of \$5,000 or more. The review group first examines the computer record of the payee. If this record does not contain enough information to fully justify the payment, the review group requests the district office to confirm that the payment was computed on the basis of accurate eligibility information. If the recipient's file in the district office does not contain sufficient information, then the district office is expected to contact the individual. Most of the \$5,000 and over payments resulted from appealed cases, for which the district office is required to do a priority redetermination anyway. The special review insures that a prepayment priority redetermination is made for appealed initial claims of \$5,000 or more.

For fiscal year 1978, the review group prevented overpayments of about \$1.4 million and identified underpayments of about \$65,000. The group identified errors in about 40 percent of the payments reviewed. Most errors resulted from changes in the claimant's circumstances which occurred during the retroactive period.

SSA is considering lowering the limit for the special prepayment review from the current level of \$5,000 to \$3,000. While we encourage this type of action, we are concerned that it does not go far enough. There is no data to support the assumption that cases involving retroactive checks between \$1,000 and \$2,999 are any less error prone than those that are \$3,000 and more. We believe SSA should look beyond the \$3,000 level and develop cost/effective means of reducing errors that are in payments above \$1,000. This measure is warranted because, as previously discussed on page 4, quality assurance data indicated that overpayments are more common in retroactive payments that are \$1,000 or more. In addition, preventing the overpayment avoids the administrative costs of identifying and collecting overpayments and the loss of uncollected overpayments.

In conducting studies for expanding the special prepayment reviews of retroactive payments, SSA should determine whether it would be less costly and more effective to shift responsibility for these reviews to its field offices. Pending the completion of these studies, however, we believe the special central office review effort should be expanded until it can be demonstrated that the field offices can effectively assume responsibility for reducing the retroactive payment errors.

RETROACTIVE PAYMENT GOALS AND EVALUATION NEEDED

Fundamental elements missing from SSA's program for reducing retroactive payment errors have been goals, measurements, and district office accountability for reducing retroactive payment error rates. SSA had an overall accuracy goal of 85 percent by the end of fiscal year 1977 and has been measuring overall error rates since late 1974. SSA has never identified special goals for retroactive payment accuracy, however, nor has it developed consistent measurements of retroactive payment accuracy even though it has been aware of the high frequency of retroactive payment errors since mid-1975.

District office procedures implemented by SSA to reduce retroactive payment errors have not been systematically reviewed by SSA for effectiveness. District offices have not been monitored to determine if they were improving retroactive payment accuracy except for payments of \$5,000 or more. Some district offices were not aware that retroactive payments have much higher error rates than regular monthly payments.

The lack of goals and evaluation techniques may have contributed to SSA's lack of progress in lowering the retroactive payment error rate.

CONCLUSIONS AND RECOMMENDATIONS

SSA has not been successful in significantly improving the accuracy of SSI retroactive payments. Error rates averaged almost 40 percent from July 1975 through September 1977. As a result, in fiscal year 1977 SSA made estimated overpayments of about \$75 million to retroactive check recipients and failed to pay recipients an estimated \$6 million to which they were entitled. Larger retroactive payments contain larger errors and generally a higher error rate than smaller retroactive payments. An expansion of SSA's effort to review retroactive payments before they are made should prevent most payment errors, including payment adjustment lag errors caused by changes in recipients' circumstances.

We recommend that you direct the Commissioner of SSA to:

- Evaluate the cost/effectiveness of expanding the special review group effort to include more retroactive payment cases. The cost/effectiveness studies should consider whether it would be less costly and more effective to eventually have these reviews performed by SSA's field offices as part of the priority re-determination process.
- Include analyses of errors attributed to retroactive payments in the ongoing Quality Assurance Office review. The analyses should at least cover district office and regional office performance in processing retroactive payments, a determination of the cause of retroactive payment errors, and recommendations to improve accuracy.

- Establish goals for reducing retroactive payment errors.
- Evaluate the cost/effectiveness of expanding the number of priority redeterminations being made before large retroactive checks are issued.


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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter report to the Chairmen of the House Committee on Government Operations, Senate Committee on Governmental Affairs, House Committee on Appropriations, House Committee on Ways and Means, and Senate Finance Committee. We are also sending copies of this letter to the Chairman, Subcommittee on Public Assistance and Unemployment Compensation, House Committee on Ways and Means; Chairman, Subcommittee on Labor, Health, Education, and Welfare, Senate Committee on Appropriations; and Director, Office of Management and Budget.

We appreciate the cooperation and assistance given by SSA personnel during our review and would appreciate being periodically informed of the progress being made to implement our recommendations.

Sincerely yours,


Gregory J. Ahart
Director