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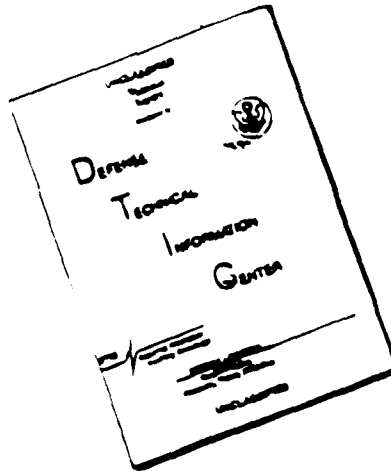
SSA Could Save Millions by Targeting Reviews of State Disability Decisions



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United States
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Washington, D.C. 20548

Human Resources Division

B-238212

March 5, 1990

The Honorable Andy Jacobs, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

The Honorable Daniel Patrick Moynihan
Chairman, Subcommittee on Social Security
and Family Policy
Committee on Finance
United States Senate

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This report, prepared at our own initiative, is an assessment of the Social Security Administration's (SSA's) effectiveness in reviewing disability determinations made by state agencies.

Section 221(c) of the Social Security Act requires SSA to review 65 percent of the state agency decisions that award or continue disability benefits. SSA could substantially improve its performance by using a targeted sample rather than its current random approach. Moreover, reviews of continuances are relatively unproductive, and these administrative resources could be better used reviewing initial awards. This would require a revision of section 221(c) to exclude continuances from the universe of cases that SSA is required to review. The report also illustrates that targeting the reviews would enable SSA to correct more incorrect awards, while reviewing fewer cases.

This report is being sent to the Secretary of Health and Human Services and to interested congressional committees and subcommittees.

Please contact me at (202) 275-6193 if you or your staffs have any questions concerning this report. Other major contributors to this report are listed in appendix III.

Franklin Frazier

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94-19392



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Executive Summary

Purpose

The Social Security Administration (SSA) spent about \$29.2 million in fiscal year 1988 reviewing disability decisions made by state disability determination services (DDSS). These reviews are done primarily to (1) measure DDSS performance in meeting accuracy standards and (2) correct as many erroneous benefit allowances as possible. This report evaluates SSA's effectiveness in accomplishing the latter objective.

Background

SSA administers two disability programs under the Social Security Act: the Disability Insurance program under title II and Supplemental Security Income for disabled and blind persons under title XVI. For both programs, SSA relies on state agencies (DDSS) to make initial disability determinations on individual claims. The DDSS also (1) reconsider unfavorable decisions if requested by claimants and (2) periodically review the medical condition of persons on the disability rolls (continuing disability reviews) to determine if they are still disabled. SSA funds the DDSS, provides guidance to them, and reviews a sample of their decisions.

This report discusses only SSA's reviews of title II decisions made by DDSS. SSA reviewed about 409,000 of the 1.5 million title II decisions DDSS made in fiscal year 1988. About 51,000 of these reviews were classified as quality assurance (QA) reviews, done to determine whether DDSS are meeting standards of accuracy. (See p. 10.) The QA reviews covered both favorable and unfavorable DDS decisions. The remaining 358,000 reviews covered only favorable decisions. They were done to satisfy a 1980 legislative requirement that SSA review at least 65 percent of favorable DDS decisions. All reviews are done before the claimant is notified of the decision, but SSA commonly refers to only the legislatively required reviews as preeffectuation reviews (PERs).

Results in Brief

SSA selects all review cases randomly. While this is appropriate for the QA sample that measures DDS accuracy, the PER sample could produce better results if SSA targeted it to categories of cases most susceptible to incorrect DDS decisions. SSA knows from its QA data that some types of decisions (such as allowances of claims involving back injuries or chronic lung disease) are more difficult for DDSS than others. If SSA focused its sample on the more difficult (error-prone) types of cases, it could correct more erroneous decisions than it does using a random approach, even with a lower volume of reviews.

The current PER reviews of DDS continuances (resulting from continuing disability reviews) change very few DDS decisions. If the resources spent

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on those reviews were made available for targeted reviews of initial DDS allowances, substantially more incorrect benefit awards would be identified and reversed, with future benefit savings.

GAO Analysis

GAO estimated that SSA's reviews of favorable DDS decisions in fiscal year 1988 will result in long-term net savings of about \$69 million—about \$6 million from QA reviews and \$63 million from PER reviews. PER reviews of initial DDS allowances will result in savings of about \$55 million, or \$5.18 in reduced benefit payments for each \$1.00 spent reviewing cases. GAO calculates that targeting fiscal year 1988 PER reviews of initial allowances could have increased SSA's savings to \$87 million. Because such targeting would involve reviewing the more difficult types of cases, it would require an increase in reviewer and physician resources of about \$2.1 million. (See p. 17.)

GAO estimated that SSA's fiscal year 1988 PER reviews of DDS continuances will save \$0.6 million, or \$1.09 in future benefit payments for each \$1.00 spent. If SSA had used the resources spent on these reviews for targeted reviews of initial DDS allowances, additional savings of about \$33 million could have been obtained. (See p. 18.) However, SSA would need legislative authorization to exclude continuances from the universe of cases that SSA is required to review. Without such authorization, SSA could reduce its reviews of continuances and shift some resources to its reviews of initial allowances. GAO did not estimate the fiscal impact of such an adjustment.

Recommendation to the Secretary of Health and Human Services

GAO recommends that the Secretary direct SSA to use a targeted sample for its PER reviews of initial DDS allowances. While this would require some additional review and medical staff, costs would be far exceeded by the reductions in future benefit payments resulting from the targeted reviews.

Recommendation to the Congress

The Congress should revise section 221(c) of the Social Security Act to exclude continuances from the universe of DDS decisions SSA is required to review. SSA could then limit its reviews of continuances to a quality assurance sample and transfer administrative resources to a more cost-effective targeted review of initial DDS allowances.

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Agency Comments

The Department of Health and Human Services (HHS) provided written comments on a draft of this report. HHS agreed that the PER reviews of initial allowances can be targeted to be more effective, and that the PER reviews of continuing disability reviews are only minimally effective. HHS said that, although it agreed that the relative effectiveness of the PER process could be improved, the PER review should not be limited to initial cases only. HHS added that any legislation in this regard should provide maximum flexibility to direct resources where they are most needed.

GAO's recommendation would increase SSA's flexibility by eliminating the current legislative requirement to include continuances in the universe of cases that SSA is required to review. It would not prohibit SSA from reviewing continuances or any other types of cases if SSA thought this was needed to improve the accuracy of decisions. Such reviews would be in addition to the legislatively required reviews of initial and reconsideration allowances.

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Abbreviations

CDR	continuing disability review
DDS	disability determination service
DQB	Disability Quality Branch
GAO	General Accounting Office
HHS	Department of Health and Human Services
PER	preeffectuation review
QA	quality assurance
SSA	Social Security Administration

Background

The Social Security Administration (SSA) administers two disability programs under the Social Security Act: the Disability Insurance program under title II and Supplemental Security Income for disabled and blind persons under title XVI. As required by law, SSA relies on state disability determination services (DDS) to make initial determinations on individual claims. DDS also handle claimant requests for reconsideration of initial denials and periodically review the status of persons on the disability rolls to determine if medical improvement has occurred. These latter determinations are known as continuing disability reviews (CDRs).

SSA funds the DDS, provides guidance to them, and reviews a sample of their decisions. SSA classifies some of its reviews as quality assurance (QA) reviews, which it uses primarily to measure performance in meeting accuracy standards. Other reviews, called preeffectuation reviews (PERS), are done to satisfy a 1980 legislative requirement that SSA review at least 65 percent of DDS title II favorable decisions (allowances and continuances). SSA counts the QA reviews of favorable DDS decisions as part of the 65-percent requirement.

Quality Assurance in the Disability Program

SSA uses a three-tiered quality assurance process to foster accuracy and consistency in the disability program. DDS are required to have internal quality assurance programs, SSA's regional Disability Quality Branches review DDS decisions, and SSA headquarters staff review a sample of the cases examined by the regional branches.

States may vary their approaches to quality assurance to suit their particular needs. We visited the Ohio and Indiana DDS to discuss their internal QA programs. Ohio was randomly reviewing all types of decisions. Indiana was also randomly reviewing all decisions except reconsiderations and cases involving mental impairments. Indiana officials said they had stopped reviewing the latter because they were getting few returns of these decisions from SSA. Both DDS used their internal QA reviews to give accuracy ratings to examiners and examiner units.

SSA's regional branches review decisions to assign accuracy rates to each DDS. The reviewers are SSA employees, while SSA contracts with physicians to provide medical consultation to the reviewers. The regional branches return cases to DDS if they believe the decisions are incorrect or the supporting documentation inadequate. If a DDS disagrees with SSA's reasons for returning a case, it may attempt to rebut SSA's position. If the DDS agrees that its decision was deficient, it changes the decision

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or obtains additional evidence to support its original decision. About one-half of the QA returns result in a change of DDS decisions.

SSA uses the QA results to determine whether DDSs are at least 90-percent accurate in deciding claims and are properly documenting their decisions. (Many documentational errors are corrected without changing the decisions.) If a DDS fails to meet the standards for two consecutive quarters, SSA may conduct a management review and require corrective actions. SSA's Office of Disability Program Quality also monitors consistency among the regions by reviewing a sample of the QA cases from the regional branches.

**Reviews Required by the
1980 Amendments**

In the early and mid-1970s, the title II disability program grew rapidly, straining the resources of the disability trust fund. The program's growth was a result of high numbers of disability applications, a high approval (allowance) rate by DDSs, and benefit increases. In addition, the advent of the title XVI disability program in 1974 greatly increased DDS caseloads.

In an effort to improve the quality and uniformity of DDS decisions, the Congress (in P.L. 265) amended section 221 of the Social Security Act to require SSA to review at least 65 percent of favorable title II DDS decisions (allowing or continuing benefits) before the decisions took effect (hence the name preeffectuation reviews, or PERS).

**SSA's Implementation of
Preeffectuation Reviews**

SSA originally conducted PER reviews on a targeted basis but discontinued targeting once the program was fully implemented. The law provided that PER reviews could be phased in: at least 15 percent in the first year, 35 percent in the second year, and 65 percent thereafter. SSA began in fiscal year 1981 by reviewing certain types of allowances that were more error prone, such as those involving vocational considerations as well as medical conditions. When expanding its sample in fiscal year 1982, SSA added certain types of disabilities, such as back ailments, that were considered difficult to evaluate. SSA also began doing its QA reviews before the decisions took effect, and thus began counting them toward the PER review requirement.

At the 15- and 35-percent review levels, SSA was targeting its samples at the more error-prone types of cases. In September 1981, SSA recommended to the Congress that the 65-percent level be deferred until it could be determined whether the targeted 35-percent review could

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achieve the results that the Congress was seeking at the 65-percent review level. When the Congress made no legislative changes, SSA abandoned targeting and went to a random 65-percent sample. SSA officials told us they abandoned targeting because (1) selecting the sample was becoming burdensome for DDS, (2) it was easier to estimate regional staffing needs with a random sample, and (3) targeting was less effective at the 65-percent review level.

Table 1.1 summarizes the results of SSA's PER reviews from 1981 through 1988. It includes reviews of title II allowances and continuances. The table shows that the percentage of DDS decisions reversed by PER review has steadily declined. SSA officials cited the following reasons for this: (1) targeted sampling was replaced by random sampling, (2) DDS accuracy for allowances has improved, and (3) PER reviews of continuance decisions have yielded fewer reversals since implementation of the medical improvement standard required by 1984 legislation.¹

Table 1.1: SSA's Prefectuation Reviews (Fiscal Years 1981-88)

Fiscal year	Reviews ^a	Returned to DDS	Percent returned	Decision reversed	Percent reversed
1981 ^b	73,738	6,413	8.7	3,725	5
1982 ^b	182,824	12,792	7.0	7,294	4
1983	285,584	12,299	4.3	6,586	2
1984 ^c	282,261	8,525	3.0	4,846	1
1985 ^c	221,983	6,054	2.7	3,297	1
1986	262,418	6,566	2.5	3,559	1
1987	309,202	6,483	2.1	3,565	1
1988	386,150	7,663	2.0	3,540	0

^aBeginning in 1982, SSA counted QA reviews of favorable decisions in meeting the 65-percent requirement.

^bSSA targeted PER samples in 1981 and 1982.

^cSSA suspended continuing disability reviews for part of 1984 and all of 1985.

Reviews in Fiscal Year 1988

SSA reviewed 409,172 DDS title II decisions in fiscal year 1988, at a cost of about \$29.2 million. These included about 51,000 QA reviews of both favorable and unfavorable decisions and 358,000 PER reviews of allowances and continuances. (See table 1.2.)

¹Under Public Law 98-460 (Social Security Disability Benefits Reform Act of 1984), disability benefit cannot be terminated unless substantial evidence shows that there has been medical improvement in an individual's condition allowing the individual to engage in substantial gainful activity.

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Table 1.2: SSA Reviews in Fiscal Year 1988

	DDS title II decisions	Reviewed by SSA	Percent reviewed
Favorable decisions	628,758	386,150	61
Initial allowances	331,738	197,143	59
QA sample		10,477	3
PER sample		186,666	56
Reconsideration allowances	39,724	35,646	90
QA sample		2,291	6
PER sample		33,355	84
CDR continuances	357,296	153,361	43
QA sample		15,073	4
PER sample		138,288	39
Unfavorable decisions	895,049	23,022	3
Initial denials (QA)	606,940	11,128	2
Reconsideration denials (QA)	254,620	7,929	3
CDR cessations (QA)	33,489	8,965	27
Total	1,523,807	409,172	

Source: SSA State Agency Operations Reports, QA Reports, and PER Reports.

SSA officials believe they achieve the required 65 percent review because some of their clerks review people who have filed simultaneous claims as a disabled worker and disabled widow or disabled child.

Objectives, Scope, and Methodology

This report analyzes how SSA can be more effective in reviewing DDS decisions. SSA has the following objectives for its reviews:

1. To measure the accuracy of disability determinations and to determine DDS performance accuracy, as required by SSA regulations.
2. To detect and correct erroneous disability allowances.

Our work focused on SSA's effectiveness in meeting the second objective.

SSA has said that it could be more effective if it were not required to review as many decisions. It has proposed several times to reduce the review requirement to 50 percent of allowances and 25 percent of continuances. SSA would then target its sample to the more error-prone types of decisions. We considered this and other alternatives in assessing SSA's program.

During our review, we interviewed SSA officials in the Office of Program Integrity Reviews, Office of the Actuary, Office of Disability Operations

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During our review, we interviewed SSA officials in the Office of Program Integrity Reviews, Office of the Actuary, Office of Disability Operations and Office of Management and Budget. We visited DDS in Ohio and Indiana, interviewing management officials and claim supervisors. We visited SSA regional offices in Chicago and San Francisco, interviewing case reviewers, supervisors, and medical directors about their workloads and the impact a targeted PER review sample would have on their work.

We developed a cost-benefit model to estimate the fiscal impact of fiscal year 1988 reviews and various alternatives. Our model shows the potential effects of targeting the PER sample of initial DDS allowances to error-prone types of cases, in comparison with SSA's random approach. We used SSA's quality assurance data from fiscal years 1987 and 1988 to construct a model for targeting the reviews by disability code and basis of DDS decision. Although we did not verify SSA's data, we did review its procedures and controls for collecting and reporting the data. Appendix I presents a detailed discussion of our cost-benefit model and our methodology for estimating the effects of targeting the PER sample.

We did our review from December 1988 through June 1989 in accordance with generally accepted government auditing standards.

Targeting Samples and Reallocating Resources Could Improve Effectiveness of SSA's PER Reviews

SSA's review program saves more in future benefit payments than it costs in administrative funds. However, SSA's reviews could be more effective in identifying and correcting erroneous DDS decisions if (1) SSA had more regional medical staff to review PER cases, (2) SSA targeted its PER reviews to error-prone types of cases rather than using a random sample, and (3) SSA reduced its reviews of continuances and used those resources on a targeted review of initial DDS allowances.

SSA's Reviews Have Some Positive Results, but Leave Many Erroneous Decisions Uncorrected

We estimate that SSA spent about \$29.2 million reviewing DDS decisions in fiscal year 1988, of which about \$7.2 million was for QA purposes and \$22 million for PER reviews. We used a cost-benefit model (see app. 1) to estimate the savings in future benefit payments (disability and Medicare) resulting from those reviews that changed DDS awards to denials. We estimated that total net savings (after deducting costs) from the reviews of favorable decisions in fiscal year 1988 would be about \$69 million, \$5.6 million from QA reviews and \$63.2 million from PER reviews.

Table 2.1 breaks this estimate down into reviews of initial allowances, reconsideration allowances, and continuances. It shows that reviews of allowances are much more cost-effective than reviews of continuances. Table 2.1 also distinguishes the QA review results from the PER results.

Table 2.1: Costs and Future Benefit Reductions From SSA's Fiscal Year 1988 PER Reviews

Dollars in millions, except per-dollar amounts			
	Initial allowances	Reconsideration allowances	CDR continuances
QA reviews:			
Future savings (benefit and Medicare reductions)	\$4.8	\$1.4	\$2.8
Review costs	1.2	0.3	2.1
Net future savings	\$3.6	\$1.2	\$0.8
Future savings per dollar spent	\$4.00	\$5.42	\$1.36
PER reviews:			
Future savings (benefit and Medicare reductions)	\$68.5	\$9.6	\$7.0
Review costs	13.2	2.4	6.4
Net future savings	\$55.3	\$7.3	\$0.6
Future savings per dollar spent	\$5.18	\$4.08	\$1.09

Note: Some totals may not add because of rounding. This table does not include QA reviews of unfavorable DDS decisions.

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Targeting Samples and Reallocating
Resources Could Improve Effectiveness of
SSA's PER Reviews**

As noted in chapter 1, one of SSA's goals for its review program is to detect and correct erroneous disability allowances made by the DDSS. Using SSA's QA results, we estimate that DDSS made 42,342 incorrect decisions in fiscal year 1988, of which over 31,000 were incorrect denials. Through its PER and QA reviews, SSA changed an estimated 4,459, or 10.5 percent, of the incorrect decisions. As table 2.2 shows, most of the incorrect DDS denials were left uncorrected. DDSS deny nearly twice as many claims as they allow. The error rate on denials is twice as high as on allowances. However, some of these claimants can be expected to receive benefits through appeals.

**Table 2.2: SSA's Correction of DDS
Decisions in Fiscal Year 1988**

	Estimated number of incorrect decisions*	Changed	Percentag change
Initial allowances	4 976	2 352	47
Reconsideration allowances	1 112	495	44
CDR continuances	3 345	693	20
Initial denials	22 457	409	1
Reconsideration denials	8 912	101	1
CDR cessations	1 540	409	26
Total	42,342	4,459	10.

*Projected based on SSA's QA data

**Insufficient Medical
Staff Resources May
Reduce the
Effectiveness of PER
Reviews**

SSA's PER reviews do not detect all the estimated erroneous decisions. SSA officials said this is because not enough physicians are under contract to review all the cases selected for review.

Compared with the results of QA reviews, PER reviews do not return as many deficient DDS decisions. Since the QA samples are statistically random samples with a margin of error of 0.3 percent, they should reliably estimate the percentages of deficient DDS decisions expected in the large random PER samples. As table 2.3 shows, the QA sample produced a higher return rate of cases with errors for all categories of reviews in fiscal year 1988 than did the additional PER sample.

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SSA's PER Reviews

Table 2.3: PER Return Rates for Fiscal Year 1988 Compared With QA Return Rates

	Percent of cases returned to DDSs ^a	
	QA sample	PER sample
Initial allowances	3.1	2.2
Reconsideration allowances	4.4	2.9
CDR continuances	2.9	1.3

^aAs explained in chapter 1, not all decisions returned are reversed.

Most of the SSA personnel we interviewed said that this difference resulted because regional medical staff physicians review nearly all QA cases, but can review only about 33 percent of the PER cases. They said that physicians identify some deficiencies in the DDS development of cases that SSA's reviewers do not. SSA's Office of Program Integrity Reviews has asked regional branches to try to achieve 40-percent physician review of PER cases, but the goal is not being met. Administrative budget cuts have affected regional medical staff budgets, and physician review of PER cases fell to about 30 percent in late fiscal year 1989. In an attempt to make the best use of limited resources, SSA has directed that regional reviewers automatically refer certain error-prone categories of cases, such as back ailments and lung diseases, to the medical staffs.

PER Reviews Would Be More Effective If the Sample Were Targeted

One of SSA's objectives for PER reviews is to detect and correct erroneous disability allowances. The reviews could be more effective in accomplishing this objective if SSA targeted its sample to cases more likely to be incorrect rather than selecting cases randomly.

To more fully demonstrate the effects of targeting, we analyzed results using targeted samples ranging from 5 to 100 percent of initial allowances. We used QA data from fiscal years 1987 and 1988 to identify the most error-prone types of decisions. (See app. I.) At the 5-percent level, only the most error-prone types of decisions would be reviewed.¹ For each 5-percent increase in sample size, the types of cases added to the sample would be slightly less error prone than in the smaller sample. Thus, the number of reversals grows more slowly as the sample is enlarged.

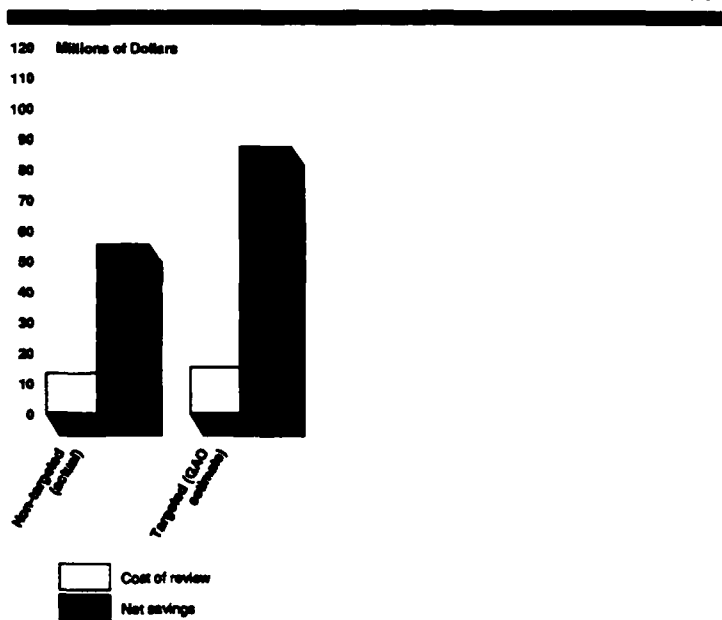
Our analysis shows that if the fiscal year 1988 reviews of initial allowances had been targeted, SSA would have identified and reversed a

¹Fifty-five disabilities would be involved, including chronic lung disease, anxiety, alcoholism, and multiple sclerosis.

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Targeting Samples and Reallocating Resources Could Improve Effectiveness of SSA's PER Reviews

larger percentage of incorrect allowances than it did with its random sample. Using our cost-benefit model (described in app. I), we estimate that with the same number of reviews, net future savings could have increased by \$32 million. (See fig. 2.1.)

Figure 2.1: Benefit Savings From Targeting PER Sample of Initial Allowances



Note: Based on reviewing the same number of cases SSA reviewed in fiscal year 1988 (186 666)

Table 2.4 shows our analysis of future savings that would be generated by targeted samples of other sizes. We present these data to show what could be expected from alternatives to the current 65-percent requirement. Table 2.4 excludes QA reviews because we believe these should be done on a random basis in order to measure DDS accuracy.

We assume in this analysis that SSA's regional medical staffs, in addition to reviewing QA cases, could review up to 20 percent of all PER initial allowances, which is about the number they have been reviewing. This would require some additional medical staff to cope with the higher number of error-prone cases in the sample.

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 Targeting Samples and Reallocating
 Resources Could Improve Effectiveness of
 SSA's PER Reviews

**Table 2.4: Net Future Benefit Savings
 From Alternative Sizes of Targeted PER
 Samples**

Dollars in millions			
Initial allowances reviewed	Percent of total reviewed	Cost of reviews	Net future savings
53,008	16.5	\$6.7	\$58.1
66,180	20.6	8.4	71.7
79,763	24.8	9.3	74.9
97,021	30.2	10.4	77.9
112,441	35.0	11.3	80.2
128,504	40.0	12.3	82.4
145,531	45.3	13.2	84.2
159,988	49.8	14.0	85.6
176,694	55.0	14.8	86.6
195,969	61.0	15.8	87.8
207,856	64.7	16.3	88.3

Ten of the 12 regional reviewers we interviewed said targeting the PER sample would be a good idea, because they now spend part of their time reviewing cases that are obvious allowances with little or no chance of error. However, a targeted sample would be more time consuming because the case mix would be more difficult to review and more cases would be returned requiring written rationale for the disagreement.

We believe SSA would have to increase review and medical staff to do a targeted review if the volume of cases remained at current levels. Also, productivity expectations, in terms of the number of cases reviewers must complete, would have to be reduced. After reviewing SSA's data on productivity of regional review and medical staffs and calculating cost-per-case averages, we concluded that SSA would have to spend an additional \$2.1 million to review the same number of initial allowances it reviewed in fiscal year 1988. (See p. 24.) This calculation is included in our analysis in table 2.4.

Resources Used to Review CDR Continuances Could Be Better Used Reviewing Initial Awards

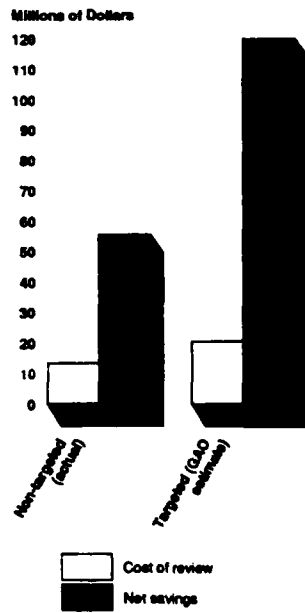
The PER reviews of DDS continuances, done by SSA's Office of Disability Operations and program service centers, change very few DDS decisions. By our estimate, PER reviews of continuances produced only \$1.09 in future benefit savings for each \$1.00 spent in fiscal year 1988, compared with \$5.18 from SSA's PER reviews of initial DDS allowances. (See table 2.1.)

SSA could do somewhat fewer continuance PER reviews if it chooses. However, SSA would need legislative authorization to exclude continuances from the universe of cases that it is required to review. If the resources used to review continuances were available to the regional review branches for a targeted review of initial DDS allowances, substantially more could be saved in future benefit payments. As explained earlier, SSA's PER reviews of initial allowances would be more effective if review and regional medical staffs were larger. This would be especially true with a targeted sample of initial allowances, which would focus on the more time-consuming cases.

If the fiscal year 1988 PER reviews of initial allowances had been targeted and the funds now spent reviewing continuances had been used, PER reviews could have identified cases with a potential for about \$120 million in net future benefit savings. This would have been an increase of \$64 million over the estimated \$56 million saved by SSA's actual PER reviews of initial allowances (\$55.3 million) and continuances (\$0.6 million). (See fig. 2.2.)

²We did not estimate the fiscal impact of such adjustments.

Figure 2.2: Savings From Targeted
 Sample Using Reallocated CDR
 Resources



Note: Based on reviewing the same number of cases SSA reviewed in fiscal year 1988: 186,666

Table 2.5 shows net future benefit savings (disability and Medicare) for alternative sample sizes in the same way that table 2.4 did, except that table 2.5 assumes that over \$7 million (mostly from the continuance reviews) could be made available for a more intensive review of initial allowances. This would make it possible for regional medical staffs to review up to 50 percent of all initial allowances. (See table 1.7 for sample sizes from 5 to 100 percent.)

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 Targeting Samples and Reallocating
 Resources Could Improve Effectiveness of
 SSA's PER Reviews

Table 2.5: Net Future PER Savings From
 Alternative Sizes of Targeted Samples
 Using Reallocated CDR Resources

Dollars in millions			
Initial allowances reviewed	Percent of total reviewed	Cost of reviews	Net future savings
53,008	16.5	\$6.7	\$58.1
66,180	20.6	8.4	71.7
79,763	24.8	10.0	82.0
97,021	30.2	12.0	92.0
112,441	35.0	13.8	99.8
128,504	40.0	15.6	107.3
145,531	45.3	17.5	113.4
159,988	49.8	19.1	118.3
176,694	55.0	19.9	119.3
195,969	61.0	20.9	120.6
207,856	64.7	21.4	122.5

Conclusions

SSA's PER reviews could be more effective if the sample were targeted according to error-prone characteristics rather than selected randomly. This would, however, produce a sample of cases that are more difficult and time-consuming to review. If no change is made in the legislative requirement to review 65 percent of favorable DDS decisions, SSA would have to provide its regional review branches with more resources to adequately review a targeted sample. Our analysis shows that the additional administrative spending would be justified by the substantial increase in future benefit savings generated by the reviews.

The current reviews of DDS continuances yield little in future savings. A shift of resources from these reviews to a targeted review of initial allowances should be beneficial because it would permit a more intense review of such allowances with more medical staff reviews. This would enhance the effectiveness of a targeted review of error-prone allowances.

Chapter 2
Targeting Samples and Reallocating
Resources Could Improve Effectiveness of
SSA's PER Reviews

**Recommendation to
the Secretary of
Health and Human
Services**

We recommend that the Secretary direct SSA to use a targeted sample for its PER reviews of initial DDS allowances. While this would require some additional review and medical staff, costs would be far exceeded by the reductions in future benefit payments resulting from the targeted reviews.

**Recommendation to
the Congress**

The Congress should revise section 221(c) of the Social Security Act to exclude CDR continuances from the universe of DDS decisions SSA is required to review. SSA could then limit its reviews of continuances to a quality assurance sample and transfer administrative resources to a more cost-effective targeted review of initial DDS allowances.

Agency Comments

On January 22, 1990, the Department of Health and Human Services (HHS) provided us with written comments on a draft of this report. (See app. II.) HHS agreed that the PER review of initial allowances can be targeted to be more effective and that the PER review of CDRs is only minimally effective. HHS also agreed that targeted PER reviews generally require more administrative resources.

HHS said that while it agreed that the relative effectiveness of the PER reviews can be improved by reducing the number of CDRs, it did not believe that the PER review should be limited to initial cases only. HHS said any legislation

"should provide the maximum flexibility to direct resources where they are most needed. That would enable us to judge what types of cases are most error-prone at any given time and expend resources to remedy the problem, whether it involves allowances, denials or continuing disability review cases. Legislation either specifying percentages and types of cases SSA is to review or excluding types of cases from review severely restricts SSA's ability to manage the disability program effectively."

Our recommendation would increase SSA's flexibility by excluding continuances from the universe of cases that SSA is required to review. It would not prohibit SSA from reviewing continuances or any other types of cases if SSA thought this was needed to improve the accuracy of decisions. However, such reviews would be in addition to the legislatively required reviews of initial and reconsideration allowances.

Methodology and Tables

We developed a cost-benefit model to estimate (1) the effect of SSA's PER reviews on the disability and Medicare trust funds and (2) the effect of targeted sampling at sample levels from 5 to 100 percent. We also used the model to estimate the effect of shifting resources from reviewing continuances to a targeted review of initial allowances.

Cost-Benefit Model

Our model used the following cost-per-case averages:

- \$63 for regional Disability Quality Branch (DQB) QA reviews of initial and reconsideration decisions,
- \$77 for regional DQB QA reviews of continuing disability decisions,
- \$53 for regional DQB PER reviews,
- \$54 for regional medical staff reviews,
- \$38 for program service center and Office of Disability Operations PER reviews of continuances, and
- \$63 for central medical staff reviews of continuances.

We derived these averages from cost and workload data supplied by the relevant components of SSA. We allocated regional DQB costs to the different types of reviews based on productivity studies done by SSA's Office of Disability Program Quality.

To estimate future benefit savings due to PER reviews, we used the number of cases reversed by SSA's reviews, reduced by an estimated number who would be expected to file successful appeals or file successful new claims in future years.

To determine the effects of appeals and new claim filings, we studied the 1,192 disabled worker claims that were reversed to denials by PER reviews from January 1 through June 30, 1987. This study, reported in table I.1, also determined the sex and average age of claimants who did not successfully appeal their denials. We used the age and sex variables in determining the present value of the benefit awards (including Medicare benefits) that would have been made to these claimants if not for the PER reviews. We derived the average present value from SSA's table of present values by age and sex, which take into account that some persons will die or recover from their disabilities before reaching age 65 at which time they would be eligible to receive retirement benefits rather than disability benefits.

Appendix I
Methodology and Tables

Table I.1: Results of GAO's Study of Claimants Denied Benefits by PER Reviews (Jan-June 1987)

	DDS initial awards	DDS reconsideration awards
Reversed by PER reviews	923	269
Benefits granted on appeal	373 (40.4%)	155 (57.8%)
Benefits denied	550 (59.6%)	114 (42.2%)
Status of denials (Feb. 1989):		
Receiving disability benefits from a new application	38	7
Filed 7/87-6/88	27	6
Filed 7/88-10/88	11	1
Receiving retirement benefits	105	16
Retirement beneficiaries deceased	5	0
Not receiving benefits	402	91
Average age of denied claimants	49	47

Effect of Targeted Sampling

We used SSA's QA data to identify the most error-prone types of cases. Our database was the 30,275 initial DDS allowances reviewed by SSA for QA purposes in fiscal years 1987 and 1988. SSA provided data showing the number reviewed and the number returned to DDS for each disability (primary diagnosis) code. We were also able to separate the cases that DDS decided using both medical and vocational factors from those decided on a medical basis only. The medical/vocational allowances generally have a higher error rate than allowances based on medical condition alone.

Using these case characteristics, we ranked each type of case from those with the highest return (error) rates to those with the lowest. We then calculated the percentage of all erroneous cases that would be reviewed if SSA reviewed 5 percent of all DDS allowances, focusing on the types of cases with the highest error rates. We made this calculation for each 5-percent increase in sample size up to a 100-percent review. We then projected these results to the universe of initial DDS allowances in fiscal year 1988. This permitted us to compare targeted sampling at various levels with SSA's actual PER results in fiscal year 1988. We excluded the QA cases from the universe of allowances, on the assumption that the QA sample would remain the same regardless of how SSA selected the PER sample.

Appendix I
Methodology and Tables

Table I.2 shows the results of the above calculations. In this table, it is assumed that the medical staffs would be able to review 20 percent of initial DOS allowances, about the number they actually reviewed in fiscal year 1988. Because the medical staff review all QA cases, QA results and PER results are equal up to the 20-percent level. For additional PER cases reviewed above a 20-percent sample, SSA would be dependent on its non-medical reviewers to identify incorrect or inadequately documented decisions. Hence the PER results above a 20-percent sample are lower than would be projected from QA results.

Table I.3 shows the effect of increasing the medical and review staffs up to the point that 50 percent of initial allowances could be reviewed with the same attention given to QA cases. These additional resources would be approximately equal to what is now expended on PER reviews of continuances. The number of erroneous decisions identified increases considerably in this illustration compared with table I.2.

Tables I.4 and I.5 use our cost-benefit model to show the future benefit savings from the various levels of targeted sampling compared with SSA's fiscal year 1988 reviews of initial DOS allowances. Table I.5 shows the increased benefit savings that would result from using additional resources, as done in table I.3.

Tables I.6 and I.7 include the costs of the reviews and subtract them from the projected savings to obtain net savings. In estimating reviewer costs, we made adjustments to reflect the difficulty in reviewing error-prone cases. Based on SSA productivity data, we adjusted reviewer costs at 10-percent sample intervals. The costs are highest for the first 10-percent sample; they then decrease for each 10-percent increase in the targeted sample. This takes into account that each increase in the sample contains fewer erroneous cases and is thus less time-consuming to review. Table I.7 shows the increased costs that would be incurred and the increased future benefit savings from reviewing initial allowances if resources were shifted from continuance reviews.

Appendix I
Methodology and Tables

Table I.2: Potential Results of Targeting
PER Sample

Initial allowances reviewed	Percent reviewed	Percent of erroneous cases reviewed	Percent actually identified ^a	Number identified
16 706	5.2	17.3	17.3	1 745
34 054	10.6	27.8	27.8	2 804
53 008	16.5	38.2	38.2	3 853
66 180	20.6	47.2	47.2	4 761
79 673	24.8	54.2	49.6	5 001
97 021	30.2	61.3	52.0	5 245
112 441	35.0	66.9	53.9	5 437
128 504	40.0	72.4	55.8	5 626
145 531	45.3	77.1	57.4	5 787
159 988	49.8	80.9	58.7	5 917
176 694	55.0	84.2	59.8	6 030
195 969	61.0	87.8	61.0	6 154
207 856	64.7	89.7	61.7	6 219
225 204	70.1	92.3	62.5	6 308
240 303	74.8	95.6	63.7	6 421
258 294	80.4	97.5	64.3	6 467
274 357	85.4	98.9	64.8	6 535
290 099	90.3	99.7	65.1	6 562
306 162	95.3	100.0	65.2	6 570
321 261	100.0	100.0	65.2	6 570
SSA's fiscal year 1988 results:				
186 666	58.1	58.1	40.3	4 069

^aThis table assumes regional medical staffs can review only 20 percent of PER cases. Thus, at higher levels (above 20 percent), not all erroneous decisions are being returned to the DDSs.

Appendix I
Methodology and Tables

**Table I.3: Potential Results of Targeting
PER Sample Using Reallocated CDR
Resources**

Initial allowances reviewed	Percent reviewed	Percent of erroneous cases reviewed	Percent actually identified ^a	Number identified
16,706	5.2	17.3	17.3	74
34,054	10.6	27.8	27.8	280
53,008	16.5	38.2	38.2	385
66,180	20.6	47.2	47.2	476
79,673	24.8	54.2	54.2	546
97,021	30.2	61.3	61.3	616
112,441	35.0	66.9	66.9	674
128,504	40.0	72.4	72.4	730
145,531	45.3	77.1	77.1	777
159,988	49.8	80.9	80.9	816
176,694	55.0	84.2	82.0	827
195,969	61.0	87.8	83.2	835
207,856	64.7	89.7	83.9	846
225,204	70.1	92.3	84.8	855
240,303	74.8	95.6	85.9	866
258,294	80.4	97.5	86.5	873
274,357	85.4	98.9	87.0	877
290,099	90.3	99.7	87.3	880
306,162	95.3	100.0	87.4	881
321,261	100.0	100.0	87.4	881
SSA's fiscal year 1988 results:				
186,666	58.1	58.1	40.3	406

^aThis table assumes regional medical staffs can review 50 percent of PER cases

Appendix I
Methodology and Tables

Table I.4: Calculation of Future Benefit Savings From Targeting PER Sample

Initial allowances reviewed	Percent of total reviewed	Erroneous decisions returned	Decisions reversed (.54)	Denials after appeals (.60)	Tentative benefit savings (78,384)	Savings lost to new claims (.32)	Adjusted savings
16 706	5.2	1 745	942	565	\$43 185 986	\$13 819 516	\$29 366 470
34 054	10.6	2 804	1 514	908	69 394 558	22 206 254	47 188 304
53 008	16.5	3 853	2 081	1 248	95 355 647	30 513 807	64 841 840
66 180	20.6	4 761	2 571	1 543	117 827 209	37 704 707	80 122 502
79 673	24.8	5 001	2 701	1 620	123 766 828	39 605 385	84 161 443
97 021	30.2	5 245	2 832	1 699	129 805 442	41 537 741	88 267 701
112 441	35.0	5 437	2 936	1 762	134 557 138	43 058 284	91 498 854
128 504	40.0	5 626	3 038	1 823	139 234 588	44 555 068	94 679 520
145 531	45.3	5 787	3 125	1 875	143 219 083	45 830 107	97 388 976
159 988	49.8	5 917	3 195	1 917	146 436 377	46 859 641	99 576 736
176 694	55.0	6 030	3 256	1 954	149 232 948	47 754 544	101 478 404
195 969	61.0	6 154	3 323	1 994	152 301 752	48 736 561	103 565 191
207 856	64.7	6 219	3 358	2 015	153 910 399	49 251 328	104 659 071
225 204	70.1	6 308	3 406	2 044	156 113 008	49 956 163	106 156 845
240 303	74.8	6 421	3 467	2 080	158 909 579	50 851 065	108 058 514
258 294	80.4	6 487	3 503	2 102	160 542 975	51 373 752	109 169 223
274 357	85.4	6 535	3 529	2 117	161 730 899	51 753 888	109 977 011
290 099	90.3	6 562	3 543	2 126	162 399 106	51 967 714	110 431 392
306 162	95.3	6 572	3 549	2 129	162 646 590	52 046 909	110 599 681
321 261	100.0	6 572	3 549	2 129	162 646 590	52 046 909	110 599 681
SSA's fiscal year 1988 PER results:							
186 666	58.1	4 069	2 197	1 318	100 701 305	32 224 418	68 476 887

Note: QA cases are excluded on the assumption that SSA would continue to select them.

Appendix I
Methodology and Tables

Table I.5: Calculation of Future Savings From Targeting PER Sample Using Reallocated CDR Resources

Initial allowances reviewed	Percent of total reviewed	Erroneous decisions returned	Decisions reversed (.54)	Denials after appeals (.60)	Tentative benefit savings (76,364)	Savings lost to new claims (.32)	Adjusted saving
16 706	5.2	1,745	942	565	\$43,185,986	\$13,819,515	\$29,366.47
34 054	10.6	2,804	1,514	908	69,394,558	22,206,259	47,188.30
53 008	16.5	3,853	2,081	1,248	95,355,647	30,513,807	64,841.84
66 180	20.6	4,761	2,571	1,543	117,827,209	37,704,707	80,122.50
79 673	24.8	5,467	2,952	1,771	135,299,590	43,295,869	92,003.72
97 021	30.2	6,184	3,339	2,004	153,044,205	48,974,145	104,070.05
112,441	35.0	6,749	3,644	2,187	167,027,060	53,448,659	113,578.40
128,504	40.0	7,303	3,944	2,366	180,737,682	57,836,058	122,901.62
145,531	45.3	7,778	4,200	2,520	192,493,180	61,597,817	130,895.36
159,988	49.8	8,161	4,407	2,644	201,971,823	64,630,983	137,340.84
176,694	55.0	8,274	4,468	2,681	204,768,394	65,525,886	139,242.50
195,969	61.0	8,398	4,535	2,721	207,837,198	66,507,903	141,329.29
207,856	64.7	8,463	4,570	2,742	209,445,845	67,022,670	142,423.17
225,204	70.1	8,552	4,618	2,771	211,648,454	67,727,505	143,920.94
240,303	74.8	8,665	4,679	2,807	214,445,025	68,622,408	145,822.61
258,294	80.4	8,730	4,714	2,829	216,053,672	69,137,175	146,916.49
274,357	85.4	8,778	4,740	2,844	217,241,596	69,517,311	147,724.28
290,099	90.3	8,806	4,755	2,853	217,934,551	69,739,056	148,195.49
306,162	95.3	8,816	4,761	2,856	218,182,035	69,818,251	148,363.78
321,261	100.0	8,816	4,761	2,856	218,182,035	69,818,251	148,363.78
SSA's fiscal year 1988 PER results:							
186,666	58.1	4,069	2,197	1,318	100,701,305	32,224,418	68,476.88

Note: QA cases are excluded on the assumption that SSA would continue to select them randomly.

**Appendix I
Methodology and Tables**

Table I.6: Costs and Net Future Benefit Savings From Targeting PER Sample

Percent of allowances reviewed	Number reviewed	Future savings	Review costs	Medical staff costs	Total costs	Net savings	Return per dollar spent
5.2	16,706	\$29,366,470	\$1,252,950	\$902,124	\$2,155,074	\$27,211,396	\$13.63
10.6	34,054	47,188,300	2,554,050	1,838,916	4,392,966	42,795,334	10.74
16.5	53,008	64,841,840	3,880,830	2,862,432	6,743,262	58,098,578	9.62
20.6	66,180	80,122,502	4,802,870	3,573,720	8,376,590	71,745,912	9.57
24.8	79,763	84,161,443	5,685,765	3,573,720	9,259,485	74,901,958	9.09
30.2	97,021	88,267,701	6,807,535	3,573,720	10,381,255	77,886,446	8.50
35.0	112,441	91,498,854	7,732,735	3,573,720	11,306,455	80,192,399	8.09
40.0	128,504	94,679,520	8,696,515	3,573,720	12,270,235	82,409,285	7.72
45.3	145,531	97,388,977	9,633,000	3,573,720	13,206,720	84,182,257	7.37
49.8	159,988	99,576,737	10,428,135	3,573,720	14,001,855	85,574,882	7.11
55.0	176,694	101,478,405	11,263,435	3,573,720	14,837,155	86,641,250	6.84
61.0	195,969	103,565,191	12,227,185	3,573,720	15,800,905	87,764,286	6.55
64.7	207,856	104,659,071	12,762,100	3,573,720	16,335,820	88,323,251	6.41
70.1	225,204	106,156,846	13,542,760	3,573,720	17,116,480	89,040,366	6.20
74.8	240,303	108,058,514	14,146,720	3,573,720	17,720,440	90,338,074	6.10
80.4	258,294	109,169,223	14,866,360	3,573,720	18,440,080	90,729,143	5.92
85.4	274,357	109,977,011	15,428,565	3,573,720	19,002,285	90,974,726	5.79
90.3	290,099	110,431,392	15,979,535	3,573,720	19,553,255	90,878,137	5.65
95.3	306,162	110,599,681	16,461,425	3,573,720	20,035,145	90,564,536	5.52
100.0	321,261	110,599,681	16,914,395	3,573,720	20,488,115	90,111,566	5.40
SSA's fiscal year 1988 results:							
58.1	186,666	68,476,887	9,893,298	3,326,388	13,219,686	55,257,201	5.18

Notes:

1. This analysis assumes that regional medical staffs can review cases up to the 20-percent level.
2. Reviewer costs are highest for the 10 percent of cases in the most error-prone categories, and decrease with each additional 10 percent.

Appendix I
Methodology and Tables

Table I.7: Costs and Future Savings From Targeting PER Sample Using Reallocated CDR Resources

Percent of allowances reviewed	Number reviewed	Future benefit savings	Review costs	Medical staff costs	Total costs	Net savings	Return per dollar spent
5.2	16,706	\$29,366,470	\$1,252,950	\$902,124	\$2,155,074	\$27,211,396	\$13.6
10.6	34,054	47,188,300	2,554,050	1,838,916	4,392,966	42,795,334	10.7
16.5	53,008	64,841,840	3,880,830	2,862,432	6,743,262	58,098,578	9.6
20.6	66,180	80,122,502	4,802,870	3,573,720	8,376,590	71,745,912	9.5
24.8	79,763	92,003,721	5,685,765	4,307,202	9,992,967	82,010,754	9.2
30.2	97,021	104,070,059	6,807,535	5,239,134	12,046,669	92,023,390	8.6
35.0	112,441	113,578,401	7,732,735	6,071,814	13,804,549	99,773,852	8.2
40.0	128,504	122,901,624	8,696,515	6,939,216	15,635,731	107,265,893	7.8
45.3	145,531	130,895,362	9,633,000	7,858,674	17,491,674	113,403,688	7.4
49.8	159,988	137,340,840	10,428,135	8,639,352	19,067,487	118,273,353	7.2
55.0	176,694	139,242,508	11,263,435	8,639,352	19,902,787	119,339,721	7.0
61.0	195,969	141,423,174	12,227,185	8,639,352	20,866,537	120,556,637	6.7
64.7	207,856	143,920,948	12,762,100	8,639,352	21,401,452	122,519,496	6.7
70.1	225,204	145,822,617	13,542,760	8,639,352	22,182,112	123,640,505	6.5
74.8	240,303	146,916,497	14,146,720	8,639,352	22,786,072	124,130,425	6.4
80.4	258,294	147,724,285	14,866,360	8,639,352	23,505,712	124,218,573	6.2
85.4	274,357	148,195,495	15,428,565	8,639,352	24,067,917	124,127,578	6.1
90.3	290,099	148,363,784	15,979,535	8,639,352	24,618,887	123,744,897	6.0
95.3	306,162	148,363,784	16,461,425	8,639,352	25,100,777	123,263,007	5.9
100.0	321,261	148,363,784	16,914,395	8,639,352	25,553,747	122,810,037	5.8
SSA's fiscal year 1988 results:							
58.1	186,666	68,476,887	9,893,298	3,326,388	13,219,686	55,257,201	5.1

Notes

- 1 This analysis assumes regional medical staffs can review cases up to the 50-percent level
- 2 Reviewer costs are highest for the 10 percent of cases in the most error-prone categories and decrease with each additional 10 percent

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 22 1990

Mr. Lawrence H. Thompson
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Thompson:

Enclosed are the Department's comments on your draft report, "Social Security: SSA Could Save Millions by Targeting its Reviews of State Disability Decisions." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

Appendix II
Comments From the Department of Health
and Human Services

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "SSA COULD SAVE
MILLIONS BY TARGETING ITS REVIEWS OF STATE DISABILITY DECISIONS"
(NRD-90-28)

General Accounting Office Recommendations

- That the Secretary of the Department of Health and Human Services direct the Social Security Administration (SSA) to use a targeted sample for its preeffectuation reviews (PER) of initial disability determination services (DDS) allowances. While this would require some additional review staff and medical staff, costs would be far exceeded by the reductions in future benefit payments resulting from the targeted reviews.
- The Congress should revise Section 221(c) of the Social Security Act to exclude CDR continuances from the DDS decisions SSA is required to review. SSA could then limit its reviews of continuances to a quality assurance (QA) sample, and transfer administrative resources to a more cost-effective targeted review of initial DDS allowances.

Department Comment

We agree that the PER of initial allowances can be targeted to be more effective, and that the continuing disability review (CDR) PER is only minimally effective. We also agree that targeted reviews generally require more administrative resources.

While we agree that the relative effectiveness of the PER process can be improved by reducing the number of CDR continuance reviews, we do not believe that the PER review should be limited to initial cases only. Any legislation in this regard should provide the maximum flexibility to direct resources where they are most needed. That would enable us to judge what types of cases are most error prone at any given time and expend resources to remedy the problem, whether it involves allowances, denials or continuing disability review cases. Legislation either specifying percentages and types of cases SSA is to review or excluding types of cases from review severely restricts SSA's ability to manage the disability program effectively. However, if Congress insists on retaining requirements regarding percentages and types of cases to be reviewed, those contained in the Administration's bill (Section 702 of "Social Security Amendments of 1989") are superior to those contained in present law.

Appendix III

Major Contributors to This Report

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