Social Security Administration
Fiscal Year 2017
Bipartisan Budget Act of 2015 Section 845(a) Report

Bipartisan Budget Act Reporting Requirements

Section 845(a) of the Bipartisan Budget Act (BBA 845(a)) of 2015 requires SSA to include in our annual budget a report on our activities to prevent fraud and improper payments for each fiscal year (FY) from 2016 through 2021. The report must contain:

- The total amount spent on fraud and improper payment prevention activities;
- The amount spent on cooperative disability investigations (CDI) units;
- The number of cases of fraud prevented by CDI units and the amount spent on such cases;
- The number of felony cases prosecuted under section 208 and the amount spent by our agency in supporting the prosecution of such cases;
- The number of such felony cases successfully prosecuted and the amount spent by our agency in supporting the prosecution of such cases;
- The amount spent on and the number of completed:
    - Continuing disability reviews (CDR) conducted by mail;
    - Redeterminations (RZ) conducted by mail;
    - Medical CDRs conducted pursuant to section 221(i) of the Social Security Act (Act) and pursuant to 1614(a)(3)(H);
    - RZs conducted pursuant to section 1611(c); and
    - Work-related CDRs to determine whether earnings derived from services demonstrate an individual's ability to engage in substantial gainful activity (SGA);
- The number of cases of fraud identified resulting in benefit termination as a result of medical CDRs, work-related CDRs, and RZs, and the amount of resulting savings for each such type of review or redetermination; and
- The number of work-related CDRs in which a beneficiary improperly reported earnings derived from services for more than three consecutive months, and the amount of resulting savings.

Below we provide a brief overview of our programs and anti-fraud activities. Then, we provide the information required by BBA 845(a).

Currently, we do not have the data necessary to report on the following:

- Cases of fraud identified by redeterminations, medical and work-related CDRs, including the resulting savings of each; and

- Number of work-related CDRs in which a beneficiary improperly reported earnings for more than three consecutive months, including the resulting savings.

Overview of Our Programs

Considered one of the most successful large-scale Federal programs in our Nation's history, the Old-Age, Survivors, and Disability Insurance (OASDI) programs provide social insurance for the vast majority of our population. Workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings. About 9 out of 10 individuals age 65 and older receive Social Security benefits. The disability insurance (DI) program provides benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death. Individuals who have worked long enough and paid Social Security taxes and certain members of their families can qualify for DI benefits.

We also administer the Supplemental Security Income (SSI) program, which provides monthly payments to people with limited income and resources who are aged, blind, or disabled. Adults and children under the age of 18 can receive payments based on disability or blindness. General tax revenues fund the SSI program.

We paid nearly $1 trillion during fiscal year 2017 to a monthly average of nearly 70 million beneficiaries.

Our Anti-Fraud Efforts

As good stewards of our resources and the OASDI and SSI programs, it is our duty to work aggressively to prevent and detect fraud and recover improper payments whether fraudulent or not.

In 2014, we enhanced our efforts to efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse in our programs through the establishment of the Office of Anti-Fraud Programs (OAFP). OAFP provides centralized oversight and accountability for our anti-fraud program. OAFP leads our anti-fraud activities and works across organizational lines to ensure that employees throughout the agency have the tools to combat fraud. OAFP is an integral and critical component in our efforts to implement the agency's Anti-Fraud Strategic Plan. This plan supports a comprehensive approach to fraud prevention and aligns anti-fraud efforts with the United States Government Accountability Office (GAO) report, A Framework for Managing Fraud Risks in Federal Programs. The GAO report identifies leading practices for managing fraud risks and identifies control activities to prevent, detect, and respond to fraud in Federal programs. Our agency Anti-Fraud Strategic Plan describes how we will develop and implement a comprehensive unified anti-fraud program.

In FY 2017, OAFP:

- Completed initial installation and configuration of the Anti-Fraud Enterprise Solution (AFES) tool. AFES integrates data from multiple sources and uses industry-proven predictive analytics software to identify high-risk transactions that require further review;

- Applied predictive and rule-based models to our eServices business processes to determine common characteristics and patterns of potential cases of fraud based on lessons learned from past allegations and known cases of fraud. With these models, we identify suspicious and evolving patterns of activities in our workloads and prevent fraudulent actions from advancing; and
- Delivered national required anti-fraud training, which supplemented local and regional anti-fraud initiatives.

Bipartisan Budget Act Reporting Requirements

<u>Total Expenditures on our Fraud and Improper Payment Prevention Activities</u>

In FY 2017, our operating expenses for our strategic goal to "Strengthen the Integrity of Our Programs" were $2.354 billion. These expenditures included both key program integrity workloads and other stewardship activities, some of which are specific to our anti-fraud efforts. It is difficult to distinguish between specific efforts to reduce fraud and our overall efforts to reduce improper payments, as both are key parts of our program integrity workloads. The vast majority of improper payments we detect do not involve any evidence of intent to commit fraud. Rather, they involve complex rules about eligibility for program benefits and delays in access to data on beneficiaries' changing circumstances.

As a result, we do not have the detail level data necessary to compute the expenditures specifically for only our anti-fraud-related activities. Each year we verify that we distribute the correct costs to the proper goals. In 2016, we began discussing how we may track our anti-fraud expenditures. During 2017, we modified our process to track the costs separately for CDI units. We started identifying SSA and State Disability Agency CDI payroll and other object costs through specific/separate claim account numbers. Using Cost Analysis System data, we determine how much of these costs we already distributed to the Program Integrity (PI) workloads. This allows us to remove the costs that hit the PI workloads from the CDI costs to avoid double counting. All PI workloads fall under our strategic goal to "Strengthen the Integrity of Our Programs."

<u>Total Expenditures on CDI Units, the Number of Cases of Fraud Prevented by CDI Units, and the Amount Spent on Such Cases</u>

The CDI program is a key anti-fraud initiative that plays a vital role in combating fraud, similar fault, and abuse within our disability programs. CDI units consist of personnel from our agency, OIG, disability determination services (DDS), and State and local law enforcement. CDI units investigate initial disability claims and post-entitlement events involving suspected fraud. CDI units investigate claimants and beneficiaries as well as third parties who we suspect of committing or facilitating disability fraud.

The mission of the CDI program is to investigate questionable statements and activities of claimants, medical providers, and other third parties to obtain material evidence that is sufficient to resolve questions of potential fraud in the agency's disability programs.

We continue to expand our CDI program as resources allow. We currently have 40 units, covering 34 States, Washington, DC, and the Commonwealth of Puerto Rico.

In FY 2017, SSA spent approximately $25.5 million on CDI units and OIG spent approximately $8.7 million[1] on CDI units, which includes personnel costs, training, travel, and equipment. In FY 2017, CDI investigations resulted in 4,191 claims ceased or denied and 90 judicial actions *(sentencing, pre-trial diversion, civil settlement, and civil monetary penalties)*, which contributed to OIG projecting more than $228 million in savings to SSA programs and scheduled recoveries in excess of $33.3 million.

We do not track CDI-related costs on a per investigation basis. We estimate the average cost per CDI investigation is $6,903, based on 4,954 CDI investigations closed during FY 2017.

For FY 2018, SSA plans to spend approximately $25.5 million on CDI units and OIG plans to spend approximately $9 million[2] on CDI units.

<u>The Number of Felony Cases Prosecuted Under Section 208 and the Amount Spent by the Social Security Administration in Supporting the Prosecution of Such Cases; the Amount of Such Felony Cases Successfully Prosecuted and the Amount Spent by the Social Security Administration in Supporting the Prosecution of Such Cases[3]</u>

Social Security employees refer allegations of potential fraud to OIG to investigate. OIG conducts criminal investigations and refers cases to U.S. Attorneys with the Department of Justice (DOJ) for prosecution. SSA must rely on the U.S. Attorneys to prosecute Social Security fraud, which is a Federal crime. The U.S. Attorneys have prosecutorial discretion whether to accept fraud cases for prosecution and what Federal statutes to charge.[4] As an initiative to increase Social Security fraud prosecutions, the Office of the General Counsel has provided DOJ

---

[1] This figure includes OIG funds that are not derived from amounts described in section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985.

[2] This figure includes OIG funds that are not derived from amounts described in section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985. OIG plans to spend additional funds on CDI units in FY 2018 due to increased personnel costs. The 2019 Budget appropriations language provides for SSA to transfer up to $10 million to the SSA OIG to fund CDI unit team leaders. This anti-fraud activity is an authorized use of the cap adjustment.

[3] Upon further review of the reporting requirements in section 845(a) of the Bipartisan Budget Act of 2015 and section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985, we have revised this section of our Report to focus on how SSA expended funds made available for the prosecution of fraud in the programs and operations of the SSA by Special Assistant United States Attorneys.

[4] Note, Social Security fraud criminal cases are prosecuted under many different fraud statutes. Because this report is limited to cases prosecuted under section 208, it does not represent the total number of Social Security cases involving fraud against our programs that resulted in a successful prosecution. To learn more about OIG's activities and investigations, please see: *Semiannual Report to Congress April 1, 2017 – September 30, 2017,* Fall Edition, p. 17-30, 52 (November 29, 2017), at https://oig.ssa.gov/semiannual-reports/fall-2017.

with attorneys who serve as Special Assistant United States Attorneys (SAUSA) and focus solely on prosecuting Social Security fraud. The goal of this initiative is to increase the number of prosecutions for crimes involving Social Security matters.

Since FY 2003, SSA SAUSAs have secured over $200 million in restitution and more than 1,300 convictions. Although we began FY 2017 with 24 SAUSAs, ongoing attrition has reduced this to 14[5] SAUSAs as of September 2017. Nonetheless, in FY 2017, our SAUSAs successfully prosecuted 186 criminal cases under section 208 of the Social Security Act [42 U.S.C. §408]. In 150 of those cases, courts ordered the payment of over $145.2 million in restitution to the government, over $79.6 million of which was to SSA's Trust Funds. The estimated FY 2017 costs of our SAUSAs to obtain these convictions was $2,774,870, which includes the salary and benefit costs of these attorneys.

Program Integrity Expenditures and Numbers

Periodic Continuing Disability Reviews

The American public expects and deserves outstanding stewardship of the Social Security Trust Funds and general revenues that finance our programs. As such, we are committed to ensuring that program rules and eligibility standards are fully enforced. One of our most important program integrity tools is the CDR process. CDRs are periodic reevaluations to determine whether beneficiaries still qualify to receive benefits. We conduct periodic CDRs to ensure that only those beneficiaries who continue to be disabled, based on our strict standard of disability, continue to receive monthly benefits. We schedule almost all medical CDRs based on a beneficiary's likelihood of experiencing medical improvement (MI) rather than on suspicion or evidence of fraud. The primary purpose of a CDR is to determine if a beneficiary continues to be entitled to benefits because of his or her medical condition; a finding of MI does not mean that the beneficiary committed fraud. However, our ability to perform additional CDRs may allow us to detect potentially fraudulent or suspicious activities. We would like to note that there are no improper payments associated with the medical CDR process. Benefits for individuals who have medically improved are only improper if the agency fails to suspend payment after we fully complete the CDR appeals process, or the individual had failed to cooperate with the CDR.

For case reviews initiated through our centralized process when a medical review diary matures, we conduct periodic CDRs using one of two methods. We send some cases to the DDS for a full medical review; we complete others using the mailer process. We decide whether to initiate a full medical review or send a mailer after profiling all cases to identify the likelihood of medical improvement. We send cases with a higher likelihood of medical improvement to DDSs for full medical reviews. For those cases with a lower likelihood of medical improvement, we send mailers to obtain more information from the beneficiaries, which we evaluate to determine if there is any indication of MI. If we find an indication of MI, we send the case to a DDS for a full medical review. Otherwise, we set a new medical review diary and schedule the case for a

[5] In October and November 2017, we hired 18 additional fraud attorneys bringing our total to 32. To reach our authorized total of 35 fraud attorneys, we anticipate the remaining 3 to be in place by the end of the first quarter of FY 2018.

future CDR. Each year, we refresh the case priority selections based on the results of a predictive statistical scoring model.

We conduct some CDRs outside the centralized process based on events such as voluntary or third party reports of MI. We always send these CDRs to the DDSs for a full medical review. In addition, there is a subset of cases where the medical review diary matures, but we curtail further development for technical reasons, such as the suspension or termination of benefits for non-medical reasons. SSA estimates that continuing disability reviews conducted in 2019 will yield net Federal program savings over the next ten years of roughly $9 on average per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare and Medicaid effects.

Work-Related Continuing Disability Reviews

When a beneficiary is receiving disability benefits from the DI program, we review his or her case to determine if the beneficiary is performing substantial gainful activity (SGA), and if eligibility for benefits should continue. We commonly refer to this process as a "work CDR."

We learn about work activity through two primary ways. We initiate some work CDRs when beneficiaries report their work or earnings as required by law. DI beneficiaries must report any changes in work activity, and we must determine whether such work constitutes SGA. We are planning to expand the options for a DI beneficiary to report work activity by creating an internet reporting process. Currently DI beneficiaries report work activity through the local field office or by calling the National 800 Number. On September 23, 2017, we created an internet reporting application called myWageReport (myWR), which allows DI beneficiaries and representative payees to report wages to us and provides a receipt of the report. Both self-reporters and representative payees can report wages that occurred within a two-year timeframe from the reporting date. Future functionality will allow us to accept SSI and concurrent wage reports via myWR.

We generate other work CDRs through WorkSmart, which is a process that selects enforcement CDRs. The Continuing Disability Review Enforcement Operation (CDREO), which is a part of WorkSmart, is an automated process that uses IRS earnings data. The Quarterly Earnings Project (QEP) is also a part of WorkSmart and uses quarterly earnings data from the National Directory of New Hires (NDNH).

When we learn of work activity, we analyze the work activity to determine if we must investigate. After we review the earnings, we may screen out many work reports and CDREO alerts because they do not meet the requirements for a work CDR. In addition, many CDREO alerts may identify payments that are not earnings from work activity (e.g., sick pay or long-term disability benefits); these payments also do not require a work CDR.

Please see the below table for actual CDR workload volumes for FY 2017

FY 2017 Actual Volumes	Title II	Title XVI	TOTAL
Full Medical CDRs	338,763	535,648	874,411
CDR Mailers	866,260	516,469	1,382,729
Work-Related CDRs	313,172	-	313,172

In FY 2017, we spent $697 million[6] on Periodic CDRs, which includes the cost of CDR Mailers. We spent an additional $232 million[7] on Work-Related CDRs.

Please see the below table for enacted CDR workload volumes for FY 2018:

FY 2018 Estimated Volumes	Title II	Title XVI	TOTAL
Full Medical CDRs[i]	337,000	553,000	890,000
CDR Mailers			1,100,000
Work-Related CDRs (YTD)[ii]	93,386		93,386

i/ Volumes above are based upon CDRs available to process. We have the authority to reallocate funds based upon Section 201(g) of the Social Security Act.

ii/ We do not develop official volume projections for Work-Related CDRs, therefore we have included our most recent FY 2018 YTD figures, which are through December.

In FY 2018, we anticipate spending a total of $801 million[8] on Full Medical CDRs, CDR Mailers, and Work-Related CDRs. Since Work-Related CDRs are not an agency-controlled workload, we do not develop official volume projections for that workload in a given FY. Historically, work CDR volumes are consistently 250,000 – 300,000 annually.

In formulating the budget, we fully incorporated the projected costs of work CDRs into the total projected costs for CDRs.

SSI Redeterminations

---

[6] Includes $347 million in costs allocated to DI, retirement and survivors insurance (RSI), and hospital insurance/supplementary medical insurance/Part D (HI/SMI/Part D) and $350 million in costs allocated to SSI

[7] Includes about $107 million in costs allocated to DI, $67 million in costs allocated to RSI, and $58 million in costs allocated to HI/SMI

[8] Includes $303 million in costs allocated to DI, RSI, and HI/SMI/Part D and $498 million in costs allocated to SSI

Another important program integrity tool is SSI redeterminations (RZ), under section 1611(c) of the Act, which are periodic reviews of non-medical eligibility factors such as income and resources.

Changes in recipients' living arrangements or the amount of their income and resources can affect both their eligibility for SSI and the amount of their payments. To ensure the accuracy of SSI payments, we conduct RZs. To select RZs, we use a predictive statistical model, which we implement each year to prioritize redeterminations to focus on reviews most likely to result in the correction of improper payments. RZs are a key activity in ensuring the integrity of the SSI program and maintaining and improving payment accuracy. SSA estimates indicate that non-medical redeterminations conducted in 2019 will yield a return on investment of about $4 on average of net Federal program savings over ten years per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects.

Effective October 2008, we ceased conducting SSI RZs via mail, as we determined they were not cost effective.

In FY 2017, we spent $674 million to conduct 2,589,638 SSI RZs pursuant to section 1611(c).

In FY 2018, we plan to spend $696 million to conduct 2.9 million SSI RZs pursuant to section 1611(c).

<u>The Number of Cases of Fraud Identified for which Benefits were Terminated as a result of Medical CDRs, Work-Related CDRs, and Redeterminations, and the Amount of Resulting Savings for Each Such Type of Review or Redetermination</u>

The agency does not track the number of instances of fraud identified where we terminated benefits because of a medical CDR, work-related CDR, or redetermination. Neither our fraud referral form nor our case management systems capture these specific events. We plan to include this capability in our revised referral intake process.

<u>The Number of Work-Related CDRs in which a Beneficiary Improperly Reported Earnings Derived from Services for More Than Three Consecutive Months, and the Amount of Resulting Savings</u>

Since DI beneficiaries are not required to report earnings monthly, we define "improperly reports earnings" to mean a DI beneficiary who reports inaccurately or not all when there is a change in work activity. We identify non-reporters through our IRS earnings match commonly referred to as the CDREO. The number of cases selected with CDREO in FY2017 was 292,137.[9]

[9] Historically, about 40% of these alerted cases end in completed work CDRs

Other Reports of Interest

We have provided below additional agency reports of interest.

- Fiscal Year 2017 Agency Financial Report
  (https://www.ssa.gov/finance/)

- Annual Performance Report 2016 - 2018
  (https://www.ssa.gov/agency/performance/)