

Social Security Administration
Fiscal Year 2020
Bipartisan Budget Act of 2015 Section 845(a) Report

Bipartisan Budget Act Reporting Requirements

Section 845(a) of the Bipartisan Budget Act of 2015 (BBA 845(a)) requires the Social Security Administration (SSA) to include in our annual budget a report on our activities to prevent fraud and improper payments. This report satisfies that requirement with respect to SSA's activities conducted in FY 2020 and gives information on SSA's expected activities in this area for FY 2021. BBA 845(a) directs the agency to include in this report the following:

- 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 sections 221(i) and 1614(a)(3)(H) of the Social Security Act (Act);
 - RZs conducted pursuant to section 1611(c) of the Act; 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 RZ; 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.

A brief overview of our programs and anti-fraud activities as well as information required by BBA 845(a) follows.

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 most 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 that is 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 their own disability or blindness. General tax revenues fund the SSI program.

We pay benefits to about 70 million OASDI beneficiaries and SSI recipients on average each month. We paid over \$1.1 trillion in FY 2020.

Our Anti-Fraud Efforts

Combatting fraud is an agency priority. We have centralized our anti-fraud efforts to take advantage of data analytics and predictive models to prevent fraud, ensure consistent anti-fraud policies, refine employee training, and solidify relationships with other Federal, State, and private partners to identify individuals who wrongfully obtain OASDI and SSI payments.

In FY 2018, we established a Deputy Commissioner-level organization - the Office of Analytics, Review, and Oversight (OARO). Under OARO, we aligned our anti-fraud programs, quality reviews, audits, appellate operations, business improvements, and advanced data analytics. By realigning our organizational structure, we maximized our resources, streamlined collaborative efforts, and centralized the oversight of the agency's anti-fraud efforts consistent with the Fraud Reduction and Data Analytics Act of 2015 and the Government Accountability Office's report, *A Framework for Managing Fraud Risks in Federal Programs*.

Fraud threats are constantly evolving, and we must continuously enhance our anti-fraud efforts to strengthen our ability to detect, deter, and prevent attempts to defraud agency programs.

In FY 2020, we continued our efforts to review potentially fraudulent eServices transactions in order to detect and mitigate fraud committed through the mySSA portal. We continue to develop and refine business processes to improve the efficiency and effectiveness of our eServices reviews. Additionally, we began collaborations with several agencies to identify opportunities for data exchange agreements that will allow us to continue to improve our fraud detection and mitigation efforts.

In accordance with our Enterprise Fraud Risk Management (EFRM) strategy, which establishes a business process and long-term schedule for completing fraud risk assessments across our major

program areas, we have completed four fraud risk assessments and have developed mitigation strategies to further reduce specific risks identified in those assessments. We plan to complete nine fraud risk assessments. Once we complete all initial fraud risk assessments, we will conduct ongoing reassessments of each area at least every three years. In addition to the pre-planned fraud risk assessments listed in the EFRM, we conduct ad hoc fraud risk assessment at the request of other SSA components.

Our Improper Payment Prevention Initiatives

In FY 2019, we implemented a plan to further reduce and prevent improper payments. We established a new Improper Payment Prevention team under OARO to focus solely on developing innovative and effective strategies to mitigate the root causes of our improper payments.

We reestablished the Improper Payments Oversight Board (IPOB) and developed the IPOB Charter, establishing Deputy Commissioner-level responsibility for reviewing, approving, and implementing all improper payment initiatives.

We also established a formal Improper Payment Alignment Strategy (IPAS) that we will use to obtain agency-wide engagement and agreement on actions needed to remedy improper payment issues. IPAS outlines how we determine underlying causes of errors, develop corrective actions with key stakeholders, and identify cost-effective actions to reduce improper payments. IPAS will also serve as a template to ensure we considered and evaluated all required factors before implementing a corrective action. We will conduct annual reviews to evaluate the success of our initiatives, and as needed implement new strategies to address the root causes of improper payments.

In FY 2020, we began laying the groundwork by creating IPASs on the leading causes of improper payments identified through our stewardship reviews. We continued to align our enterprise investments with our improper payments prevention strategies. Additionally, we continued our collaboration with federal partners, stakeholders, and beneficiaries to work toward our agency Strategic Goal 3: Ensure Stewardship.

Bipartisan Budget Act Reporting Requirements

Total Expenditures on Fraud and Improper Payment Prevention Activities¹

We take our responsibility to safeguard the integrity of Federal benefit programs to better serve recipients seriously. In FY 2018, we issued the Agency Strategic Plan for Fiscal Years 2018-2022.² We streamlined our focus and migrated the Fraud and Improper Payment Prevention activities objective from the former goal, Strengthen the Integrity of Our Programs into Strategic Goal 3: Ensure Stewardship. This goal has four objectives:

¹ For more information on our improper payment prevention activities, refer to the Payment Integrity section of the Fiscal Year 2020 Agency Financial Report at <https://www.ssa.gov/finance/>.

² For more information on the Agency's Strategic Plan for FY 2018-2022, refer to <https://www.ssa.gov/agency/asp/>.

- 3.1 Improve Program Integrity;
- 3.2 Enhance Fraud Prevention and Detection Activities;
- 3.3 Improve Workforce Performance and Increase Accountability; and
- 3.4 Improve Organizational Effectiveness and Reduce Costs.

Our FY 2020 total operating expense for the Ensure Stewardship strategic goal was \$2.387 billion. These expenditures included key program integrity (PI) workloads and other stewardship activities, some of which are specific to our anti-fraud efforts. Distinguishing between specific efforts to reduce fraud and improper payments is challenging, as both are key elements of our program integrity workloads. Most 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 receiving information about changes in beneficiaries' circumstances.

Although we lack the level of detailed data necessary to compute the specific expenditures for each of our anti-fraud-related activities, each year, we verify that we distribute the total correct costs to the proper goals. Additionally, during 2017, we modified our process to better track the SSA costs separately for CDI units. We began to identify agency and disability determination services' (DDS) CDI payroll and other object costs through specific and separate common accounting numbers. We determined the proportion of costs already distributed to the PI workloads and removed those costs from the CDI costs to avoid double counting. All PI workloads fall under our strategic goal to Ensure Stewardship.

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

The CDI program is a key anti-fraud initiative that plays a vital role in combatting fraud, similar fault, and abuse in our disability programs. CDI units investigate claimants and beneficiaries, as well as third parties who we suspect commit or facilitate disability fraud. The units consist of personnel from our agency, the Office of the Inspector General (OIG), DDSs, and State and local law enforcement. CDI units investigate initial disability claims and post-entitlement events involving suspected fraud.

We continue to expand our CDI program and are on track to meet our goal of providing CDI coverage to all 50 states and U.S. territories by October 1, 2022. We currently have 49 units, covering 44 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands.

In FY 2020, we spent a total of approximately \$39.5 million to operate our CDI units, of which \$29.8 million was SSA's cost, and \$9.7 million³ was OIG's cost. These expenditures included personnel costs, training, travel, facilities, and equipment. In FY 2020, CDI investigations resulted in the cessation or denial of 1,729 claims and 77 judicial actions (i.e., sentencing, pre-trial

³ The FY 2020 appropriations language provides that SSA may transfer up to \$10 million to the SSA OIG for the operation of the CDI units (Pub. L. No. 116-94). This anti-fraud activity is an authorized use of the cap adjustment.

diversion, civil settlement, and civil monetary penalties), which contributed to OIG projecting more than \$108 million in savings to SSA programs and monies⁴ of \$37.4 million.

We do not track CDI-related costs on a per-investigation basis. We estimate the average cost per CDI investigation is \$20,233 based on 1,954 CDI investigations closed during FY 2020.

For FY 2021, we plan to spend a total of approximately \$41 million to operate our CDI units, of which approximately \$29.8 million is SSA's cost, and \$11.2 million⁵ was transferred to OIG.

The Number of Felony Cases Prosecuted under Section 208 and the Amount Spent in Supporting the Prosecution of Such Cases; the Amount of Such Felony Cases Successfully Prosecuted and the Amount Spent in Supporting the Prosecution of Such Cases⁶

Our employees refer allegations of potential fraud to OIG for investigation. OIG conducts criminal investigations and refers cases to U.S. Attorney's Offices (USAOs) within the Department of Justice (DOJ), or to State and local prosecuting authorities, for prosecution.⁷ We primarily rely on the USAOs to prosecute Social Security fraud, which is a Federal crime. The federal prosecutors have discretion whether to accept fraud cases for prosecution and what Federal statutes to charge.⁸ As an initiative to increase Federal Social Security fraud prosecutions, the Office of the General Counsel has provided DOJ with attorneys who are sworn in and serve as Special Assistant United States Attorneys (SAUSAs) in multiple USAOs throughout the country. The SAUSAs focus is solely to prosecute Social Security fraud. The goal of this initiative is to increase the number of prosecutions for fraud involving Social Security programs.

Since FY 2003, SAUSA prosecutions have resulted in federal court orders of over \$310 million in restitution and more than 2,100 convictions. We ended FY 2020 with 28 SAUSAs in 25 Federal judicial districts. In FY 2020, our SAUSAs successfully prosecuted 246 criminal cases under section 208 of the Act [42 U.S.C. §408] and other statutes.⁹ Based on these cases, federal courts ordered payment of over \$25.9 million in restitution to the Government, over \$16 million of which was to SSA's Trust Funds. The estimated FY 2020 costs of SAUSAs to obtain these convictions was \$5,267,732, including the salary and benefit costs of these attorneys.

Program Integrity Expenditures and Numbers

⁴ SSA monies include recoveries, restitution, fines, penalties, judgments and settlements.

⁵ The FY 2021 appropriations language provides that SSA may transfer up to \$11.2 million to the SSA OIG for the operation of the CDI units (Pub. L. No. 116-261). This anti-fraud activity is an authorized use of the cap adjustment.

⁶ Consistent with our 2019 report, this section of our report focuses on how SSA expended funds made available for the prosecution of fraud in the programs and operations of SSA by SAUSAs

⁷ This report does not include financial information pertaining to the success of OIG investigations.

⁸ Social Security fraud criminal cases are prosecuted under many different fraud statutes. Because this report is limited to cases prosecuted under section 208 (42 USC 408) and its functional equivalent, 18 USC 641 (theft of public funds), it does not represent the total number of Social Security cases involving fraud against our programs successfully prosecuted. To learn more about OIG's activities and investigations, please see: OIG's *Semiannual Reports to Congress* at <https://oig.ssa.gov/newsroom/semiannual-reports>.

⁹ Our SAUSAs sometimes exercise their discretion to charge 18 USC 641 rather than 42 USC 408 for the same fraudulent conduct to enhance the agency's prospect of obtaining court-ordered restitution, which is mandatory under section 641 and discretionary under section 408.

We take seriously our responsibilities to ensure eligible individuals receive the benefits to which they are entitled, and to safeguard the integrity of benefit programs to better serve recipients. We conduct continuing disability reviews (CDRs) to ensure that only beneficiaries who still qualify to receive benefits under the OASDI and SSI programs continue to receive them benefits (includes both medical and work CDRs). For those receiving SSI, we also perform non-medical redeterminations to determine whether recipients continue to meet the program's income and resource limits.

Periodic Medical Continuing Disability Reviews

The American public expects and deserves outstanding stewardship of the Social Security Trust Funds and general revenues that finance our programs. One of our most important program integrity tools is the medical CDR. CDRs are periodic reevaluations to determine whether disabled beneficiaries continue to be eligible for benefits because of their medical conditions. 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. A finding of MI does not mean the beneficiary committed fraud; however, our ability to perform additional CDRs may allow us to detect potentially fraudulent or suspicious activities. There are no improper payments associated with medical CDRs. Benefits for individuals who have medically improved are improper only if the agency fails to suspend payment after we fully complete the CDR appeals process or the individual fails to cooperate with the CDR.

When an adult beneficiary's medical review diary matures, we conduct periodic CDRs using one of two methods: a full medical review or an abbreviated review mailer. We decide which method to use after we profile all cases and identify individuals with a higher probability of no longer meeting our standard of disability and the likelihood of MI related to the beneficiary's ability to work. For individuals with a higher likelihood of MI, we send their cases to the DDSs for full medical reviews. For individuals with a lower likelihood of MI, we send a mailer and use information gathered to determine any indication of MI. If we find an indication of MI, we then send the case to a DDS for a full medical review. If there is no indication of MI, we set a new medical review diary and schedule the case for a future CDR. Every year, we refresh the case priority selections based on the results of a predictive statistical scoring model. Due to the COVID19 pandemic, we had temporarily suspended certain workloads, including medical CDRs and CDR cessations during part of FY 2020. Additionally, we temporarily had suspended consultative examinations (CE) which affected DDS workloads, including CDRs. These workloads resumed by the end of FY 2020.

We conduct some CDRs outside the centralized process based on events, such as voluntary or third party reports of MI. We send these CDRs to the DDSs for full medical reviews. 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. Current estimates indicate that CDRs conducted in 2022 will yield a return on investment (ROI) of about \$9 on average in net Federal program savings over 10 years per \$1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare and Medicaid program effects.

Work-Related Continuing Disability Reviews

When a disabled OASDI beneficiary is receiving benefits and earning wages, we review his or her case to determine if the beneficiary is performing SGA, and if eligibility for benefits should continue. We commonly refer to this process as a “work CDR”.

The table below reflects actual CDR workload volumes for FY 2020.

FY 2020			
Actual Volumes	Title II	Title XVI	TOTAL
Full Medical CDRs	179,188	284,076	463,264
CDR Mailers	790,405	239,257	1,029,662
Work CDRs	232,505	-	232,505

Note: The split of full medical CDRs between titles II and XVI for FY 2020 is estimated.

In FY 2020, we spent \$477 million¹⁰ on periodic medical CDRs, which included the cost of CDR mailers. We spent an additional \$221 million¹¹ on work CDRs.

We learn about work activity in two primary ways: self-reported wages and earnings enforcements. We initiate work CDRs when beneficiaries directly self-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. DI beneficiaries report work activity through their local field offices or by calling the National 800 Number. In September 2017, we expanded the options to report work by creating an Internet reporting application—myWageReport (myWR). In June 2018, we began to accept SSI and concurrent (DI/SSI) reports of earnings through myWR. The application not only allows DI beneficiaries and representative payees to report wages to us, it also provides a receipt of the report.

We also generate work CDRs through earnings enforcement. The Continuing Disability Review Enforcement Operation (CDREO) uses annual Internal Revenue Service (IRS) earnings to identify records likely to have large overpayments. We also initiate work CDRs based on quarterly earnings received by the Office of Childhood Support Enforcement. The quarterly earnings are timelier than IRS data and allow us to learn about unreported work activity sooner. Section 824 of the BBA also provides us the ability to contract with third party payroll providers to obtain monthly payroll data.

¹⁰ This figure represents the total workload costs chargeable to PI, CARES Act efforts, and our Information Technology modernization (IT Mod) efforts. The total amount includes \$218 million in costs allocated to DI, retirement and survivors insurance (RSI), and hospital insurance/supplementary medical insurance/Part D (HI/SMI/Part D) and \$259 million in costs allocated to SSI.

¹¹ This figure represents the total workload costs chargeable to PI, CARES Act, and IT Mod. This figure includes about \$94 million in costs allocated to DI, \$63 million in costs allocated to RSI, and \$64 million in costs allocated to HI/SMI.

In FY 2019, we awarded a contract to build an information exchange for monthly earnings data from third party payroll data providers. We will use the monthly earnings obtained from the payroll provider(s) to identify work CDRs. In FY 2020, we began to plan the integration of information exchange within our systems. We look forward to incorporating the monthly data into our enforcement operation by the end of FY 2021.

The following table reflects enacted CDR workload volumes for FY 2021.

FY 2021			
Estimated Volumes	Title II	Title XVI	TOTAL
Full Medical CDRs	177,876	317,124	495,000
CDR Mailers			1,100,000
Work CDRs year-to-date (YTD) ⁱ	147,440		147,440
<i>i/We do not develop official volume projections for work CDRs; therefore, we have included our most recent FY 2021 YTD figures, which are through March.</i>			

In FY 2021, we anticipate spending a total of approximately \$703 million¹² on full medical CDRs, CDR mailers, and work CDRs. Since work CDRs are not an agency-controlled workload, we do not develop official volume projections for that workload in a given fiscal year. Historically, work CDR volumes are consistently 250,000–300,000 annually.

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

Supplemental Security Income Non-Medical Redeterminations (RZ)

Another important program integrity workload is the SSI RZ, conducted under section 1611(c) of the Act, which is a periodic review of non-medical eligibility factors, such as income and resources. The RZs can identify overpayments, underpayments, or both.

Changes in recipients’ living arrangements, 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 scheduled or unscheduled RZs at periodic intervals that vary depending on the likelihood of payment error. We select most scheduled reviews using a predictive statistical model that we implement each year to prioritize reviews with the highest expected overpayment amount. We conduct other scheduled RZs as a limited review of a certain aspect of eligibility, resulting primarily from a computer match against other data sources. Typically, information reported by

¹² This figure includes an estimated \$253 million in costs allocated to SSDI, RSI, and HI/SMI/Part D and \$450 million in costs allocated to SSI.

recipients, representative payees, or other third parties results in the initiation of an unscheduled RZ.

RZs are a key workload that ensures the integrity of the SSI program, and maintains and improves payment accuracy. We estimate that non-medical RZs conducted in 2022 will yield a ROI of approximately \$3 on average of net Federal program savings over 10 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 2020, we spent \$743 million¹³ to conduct 2,153,109 SSI RZs pursuant to section 1611(c) of the Act.

In FY 2021, we plan to spend \$736 million to conduct 2,360,000 SSI RZs.

The Number of Cases of Fraud Identified for Which Benefits Terminated Due to Medical CDRs, Work-Related CDRs, and Redeterminations, and the Amount of Resulting Savings for Each Such Type of Review or Redetermination

We do not track the number of instances of identified fraud where we terminated benefits because of medical CDRs, work CDRs, or RZs. On January 18, 2020, the Office of Program Integrity implemented the Allegation Referral Intake System to replace our fraud referral process. Neither our fraud referral form nor our case management systems capture these specific events. We will include this data element on our list of future enhancements to the system.

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

Since DI beneficiaries are not required to report earnings monthly, we define “improperly reports earnings” to mean a DI beneficiary who reports inaccurate information or does not report a change in work activity. We identify non-reporters through our IRS earnings match, commonly referred to as CDREO. The number of cases alerted through CDREO in FY 2020 was 222,591.¹⁴

¹³ This figure represents the total workload costs chargeable to PI, CARES Act efforts, and our IT Mod efforts.

¹⁴ Historically, about 40 percent of these alerted cases result in completed work CDRs.

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