

Fiscal Year (FY) 1998 Supplemental Security Income (SSI)
Payment Accuracy (Stewardship) Report--INFORMATION (Text of
cover memo)

Attached is the Office of Quality Assurance and Performance Assessment's SSI payment accuracy report for FY 1998. The report is based on the findings from a monthly sample and nonmedical review of SSI cases. This report provides the basic measure the Agency uses to report to Congress and other higher monitoring authorities on the accuracy of SSI payments.

SSI payment accuracy for FY 1998 for overpayments (O/P) was 93.5 percent based on a projected \$1.9 billion in O/P errors from a universe of over \$29 billion in benefit payments. The decline of 1.2 percentage points from the 94.7 rate in FY 1997 is statistically significant.

The decrease in payment accuracy from FY 1997 to FY 1998 for O/Ps is attributable to an increased incidence of recipient failure to report (or report correctly) changes in income, ownership of resources (financial accounts and other countable resources) or changes in living arrangements.

Payment accuracy for underpayments (U/P) was 98.8 percent based on a projected \$347.6 million in U/P errors. Payment accuracy for U/Ps did not change from FY 1997. At the end of FY 1998, there were 6.6 million recipients on the SSI payment rolls.

This decline in payment accuracy for O/Ps from FY 1997 to FY 1998 occurred before the start of the implementation of the Agency's SSI high-risk initiatives. A major initiative for FY 1999 was the increase in the number of high-error profile redeterminations to 505,000 from 286,000 in FY 1998. This, plus additional computer matching and profiling improvements implemented in FY 1999, will increase O/P preventions and collections resulting from redeterminations by an estimated \$600 million over FY 1998. (This estimate was developed following a detailed analysis of these transactions, the report for which will be provided under separate cover within the next few weeks.) The computer matching initiatives include the Office of Child Support Enforcement (OCSE) wage match, the OCSE unemployment compensation match and the Health Care Financing Administration nursing home match.

If you have any questions, please call me on extension 52910. If your staff have questions, they may call Gary Boardley on extension 50355.

FISCAL YEAR (FY) 1998 TITLE XVI PAYMENT ACCURACY (STEWARDSHIP)
REPORT

EXECUTIVE SUMMARY

The Office of Quality Assurance and Performance Assessment reports annually on the findings of its stewardship review of supplemental security income (SSI) cases. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities and are the measure of the health of the SSI program. Data from this review are also of assistance in corrective action planning and monitoring Agency performance as required by the Government Performance and Results Act of 1993.

The stewardship review consists of a monthly sample selection and review of a snapshot of the rolls. In each month, in FY 1998, about 580 SSI cases were selected. In each sample case, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all factors of eligibility are redeveloped as of the current sample month. Findings are input to a national data base for analysis and preparation of an annual stewardship report.

SSI payment accuracy for FY 1998 overpayments (O/P) was 93.5 percent based on a projected \$1.9 billion in O/P errors paid from a universe of about \$29 billion. The decline of 1.2 percentage points from the 94.7 rate in FY 1997 is statistically significant. The decrease in payment accuracy from FY 1997 to FY 1998 for O/Ps is attributable entirely to the increased incidence of recipient failure to report (or report correctly) changes in income, ownership of resources (financial accounts and other countable resources) or changes in living arrangements. Payment accuracy for underpayments (U/P) was 98.8 percent based on a projected \$347.6 million in U/P errors. Payment accuracy for U/Ps did not change from FY 1997. At the end of FY 1998, there were 6.6 million recipients on the SSI payment rolls.

This decline in payment accuracy for O/Ps from FY 1997 to FY 1998 occurred before SSI high-risk initiatives the Agency has begun were implemented. A major initiative for FY 1999 was the increase in the number of high-error profile redeterminations to 505,000 from 286,000 in FY 1998. This, plus additional computer matching and profiling improvements implemented in FY 1999, will increase O/P preventions and collections resulting from redeterminations by an estimated \$600 million over FY 1998. (This estimate was developed following a detailed analysis of those transactions, the report for which will be provided under separate cover within the next few weeks.) The computer matching initiatives include the Office of Child Support Enforcement (OCSE) wage match, the OCSE unemployment compensation match and

the Health Care Financing Administration nursing home match
(136,000 alerts versus 8,000).

As mentioned above, the decline in payment accuracy from FY 1997 to FY 1998 is essentially all attributable to the recipient. The payment accuracy for the other sources combined (failure to follow the Program Operations Manual System, tolerances) did not change.

FISCAL YEAR (FY) 1998 PAYMENT ACCURACY (STEWARDSHIP) REPORT

The payment accuracy data provided in this report represent the findings from reviews of monthly random samples of individuals who were receiving supplemental security income (SSI) payments when the sample was selected. The review is a complete redevelopment of all nonmedical factors of payment eligibility. (Other Office of Quality Assurance and Performance Assessment (OQA) quality reviews focus on a specific adjudicative action (e.g., alerts) or program area (e.g., earned income).) The stewardship review results in a complete picture of the sampled cases; the aggregate data project an overall payment accuracy measurement of the SSI rolls. The Agency bases corrective actions and program enhancement initiatives on the findings from this and the index of dollar accuracy review. Stewardship review data are the core for reports to Congress and other entities having oversight responsibility. Responses to inquiries regarding the efficacy of the SSI program from other sources outside the Agency are often based on data from stewardship review findings.

Prior to FY 1998, the stewardship report was based on a review of cases, selected randomly from the universe of SSI recipients, with the primary requirement that a payment must have been made in the sample month. Consequently, the sample contained only a minimal number of recent redetermination transactions and fewer recent initial claim transactions. Effective with FY 1998, stewardship data are enhanced with the addition of review findings from sample strata having recent initial claims transactions and field office (FO)-processed redeterminations as the principal selection criteria. With this addition, the SSI stewardship sample size increased from approximately 4,000 to about 7,000 cases. This procedure enriches our data. At the same time, the results remain representative of all SSI payments because the different cases are weighted to represent the universes from which they were selected. This enhancement did not have any effect on the accuracy rate.

PAYMENT ACCURACY

For FY 1998, the SSI payment accuracy rate is 93.5 percent with respect to overpayments (O/P), a decline of 1.2 percentage points from the 94.7 rate in FY 1997. This change in the accuracy rate is statistically significant. Since FY 1989, there has been an overall downward trend in the SSI payment accuracy rate for O/Ps from 96.6 percent in FY 1989 to 93.5 percent for FY 1998.

The underpayment (U/P) accuracy for FY 1998 remained unchanged at 98.8 percent; it has been relatively constant over the last 10 years.¹

¹ Precision at the 95-percent confidence level is ± 0.96 for O/Ps and ± 0.36 for U/Ps for FY 1998.

It is important to note that the Agency has begun a major initiative to attack the General Accounting Office designation of SSI as a high-risk program. That effort, announced by the Commissioner in his report of October 8, 1998, is designed to halt the decline and to begin to reverse it. However, these actions were not in place in time to affect FY 1998 payment accuracy. Similarly, initiatives that the Agency is currently working on will not have full effect until after FY 1999.

The major SSI initiative implemented in FY 1999 was the increase in the number of high-error profile redeterminations to 505,000 from 286,000 in FY 1998. This, plus additional computer matching and profiling improvements implemented in FY 1999, will increase O/P preventions and collections resulting from redeterminations by an estimated \$600 million over FY 1998. In total, the corrective action benefits of the redetermination and alert workloads will grow from about \$1.8 billion in FY 1998 to about \$2.4 billion in FY 1999. (This estimate was developed following a detailed analysis of these transactions, the report for which will be provided under separate cover within the next few weeks.) The computer matching initiatives include the Office of Child Support Enforcement (OCSE) wage match (634,000 alerts compared to 352,000 in FY 1998), the OCSE unemployment compensation match (38,000 alerts compared to 19,000) and the Health Care Financing Administration (HCFA) nursing home match (136,000 alerts versus 8,000). Work is continuing on increasing the number of matches.

Other FY 1999 initiatives include training on the Program Operations Manual System (POMS) instructions most frequently not followed (the latest training was given in June 1999) and the Modernized Supplemental Security Income Claims System 4.4 release.

In FY 1998, over \$29 billion was paid to SSI recipients. By the end of FY 1998, there were 6.6 million recipients on the payment rolls.

ERROR DOLLARS

Projected O/Ps for FY 1998 were \$1.9 billion. Projected U/Ps for FY 1998 were \$347.6 million.

For comparison purposes, the error dollars for FYs 1997 and 1998 are shown below:

	<u>FY 1997</u>	<u>FY 1998</u>
Overpayments	\$1.5 Billion	\$1.9 Billion
Underpayments	\$360.5 Million	\$347.6 Million

DEFICIENCY DOLLARS

Error dollars refer to the incorrect payment made to a case as a whole. Many cases have more than one "error" causing incorrect payment; we refer to these "errors" as deficiencies. Deficiency dollars refer to the individual effect of each separate deficiency. The total of individual deficiencies may exceed the error dollars on a case because of overlap.

There was no statistically significant difference between FY 1997 and FY 1998 deficiency dollars in the categories discussed below, with the exception of financial account O/P deficiencies.

Major O/P Findings:

Total O/P deficiencies project to \$2.0 billion. Deficiency dollars attributable to wages and financial accounts, together, represent the most substantial portion of the increase in error dollars in FY 1998.

Wages

For the past 9 years, wage deficiencies have been the leading cause of deficiency dollars. In FY 1998, at \$521.5 million, they accounted for the most O/P deficiency dollars in a single deficiency category or more than one-fourth of all O/P deficiency dollars. Wages received by a significant number of SSI recipients tend to fluctuate from month to month. Deficiencies caused by fluctuating wages can, as a practical matter, only be reduced by timely reporting. More than three-fourths of the wage deficiencies are apparent recipient failure to timely report receipt of or an increase in wages. O/Ps attributable to these deficiencies have persisted at a high level over the years despite Agency efforts to reduce them. However, the Agency continues to develop strategies to attack this problem as noted below.

It is reasonable to believe that an as yet to be determined percentage of these deficiencies may be inherent in the SSI program; the efficacy of which, in the past, relied to a great extent on timely recipient reporting. However, matches implemented in September 1998 with data bases of OCSE, are expected to reduce the amount of incorrect payments resulting from changes in wages that the recipient fails to report. A study by OQA of alerts generated from the September 1998 match estimated that \$6.5 million in future O/Ps were prevented and \$17.6 million in recoverable O/Ps were detected. Because these matches occur quarterly, several months may pass during which the recipient may be incorrectly paid and before an alert is generated. Therefore, to minimize the impact of unreported changes in wage income identified with OCSE matches, it is important that FOs process the alerts as soon as possible.

Also, online access to OCSE wage information, being piloted in FY 1999, is expected to further the effort to reduce wage deficiency dollars by reducing the time before the Agency is made aware of a change in the recipient's wage status. The more current the wage information the Agency has and processes timely, the more accurate future payments are likely to be. The alerts should help, and the online access will be even faster.

Financial Accounts

Deficiencies in financial accounts rank as the second highest category of O/P dollars, just as they have for at least the two previous reporting periods. For this reporting period, a projected \$392.4 million was overpaid to recipients whose bank balance exceeded the resource limit. These O/Ps were primarily attributable to the recipient. In FY 1997, financial account O/P deficiencies were \$201.2 million, a little more than half of the deficiency dollars in the financial accounts category for this reporting period. As mentioned above, the increase in O/P deficiencies due to financial accounts in FY 1998 compared to FY 1997 is statistically significant.

O/Ps attributable to financial accounts, as for any excess resource deficiency category, result in ineligibility. Consequently, no payment is due, and the overpaid dollars per case are almost always higher than for cases having other types of deficiencies. Additionally, resource deficiencies often have a compound effect because eligibility for other types of benefits may be impacted; e.g., Medicaid, Housing and Urban Development subsidies and food stamps.

The Agency initiated a proposal for a new automated clearinghouse standard for the United States which could ultimately result in electronic bank account verification. If the Agency is able to obtain this capability, it should help in reducing the financial account deficiencies. SSA's proposal regarding electronic bank account verification is contained in the Foster Care Independence Act of 1999, which was passed by the House of Representatives in June 1999 and is currently with the Senate Finance Committee.

Living Arrangement (LA) 'D'

Residency in a nursing home or other institution ranks as the third leading category (the same position it had in FY 1997) of O/P deficiencies, a projected \$180.8 million. These O/Ps usually occur when a recipient/payee fails to notify SSA that the recipient has entered a nursing care facility or institution. The HCFA matching, mentioned above, is in place as one effort to address this category of error. This match will not have been in effect for a full fiscal year until FY 2000.

Major U/P Findings:

Total U/P deficiencies project to \$410.0 million. The three major U/P deficiency categories often vary from year to year.

In-kind Support and Maintenance (ISM)

In FY 1998, ISM is the largest category of U/P deficiency dollars. For the 2 fiscal years preceding FY 1998, wages were the leading category for U/P deficiencies. A projected \$115.5 million in underpaid deficiencies can be attributed to ISM. The recipients' failure to report a change in circumstance accounts for 78 percent of U/P deficiency dollars.

LA 'A'

These deficiencies are the second leading cause of U/P deficiencies, having a projected \$97.7 million in deficiency dollars. Individuals in LA 'A' are considered to be living in their own household. An U/P occurs when the recipient/payee fails to report a change in circumstance which would have categorized the recipient as being in his/her own household which would usually result in a larger payment amount.

Wages

The third leading cause of U/P deficiencies is wages, accounting for a projected \$72.2 million deficiency dollars. Recipient failure to report that wages decreased or stopped remains the leading cause of U/P wage deficiencies.

Since the inception of the SSI program, the Agency has attempted to get across to the recipient the importance of reporting changes timely. Ostensibly, many recipients still do not understand that reporting changes may be beneficial to them as evidenced by the amount of underpaid dollars in the above categories. In addition, failure to report changes in wages and LAs accounted for two of the top three categories for both O/Ps and U/Ps.

Concluding Observations

The decrease in payment accuracy from FY 1997 to FY 1998 for O/Ps is attributable entirely to the recipient (failing to report, providing incorrect information). This decrease in payment accuracy attributable only to the recipient is statistically significant. The payment errors attributable to other sources (POMS noncompliance, tolerances) did not effectively change. Therefore, if recipients were excluded as a factor, the payment accuracy rate would not have decreased from FY 1997 to FY 1998.

The O/P error dollars that were attributed to the recipient or the administration (POMS noncompliance, tolerances) are given in the

table below. The "combined" category represents cases in which there were both recipient and administration errors.

	<u>FY 1997</u>		<u>FY 1998</u>	
	<u>Dollars</u> (in Millions)	<u>Percent</u>	<u>Dollars</u> (in Millions)	<u>Percent</u>
Recipient	1,090	71	1,461	76
Administration	343	22	274	14
Combined (Recipient + Administration)	111	7	185	10
TOTAL	1,544	100	1,920	100

Since the recipient is primarily responsible for both O/Ps and U/Ps, it raises the question of whether or not recipients completely understand their reporting responsibilities and whether additional action is needed to address this problem.

FISCAL YEAR (FY) 1998 TITLE II PAYMENT ACCURACY REPORT
(STEWARDSHIP)

EXECUTIVE SUMMARY

The Office of Quality Assurance and Performance Assessment (OQA) reports annually on the findings from its stewardship review of retirement and survivors insurance (RSI) payments. Beginning with FY 1998 data, the title II stewardship review was expanded to include review of the nonmedical aspects of title II disability insurance (DI) payments.

Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and monitoring performance as required by the Government Performance and Results Act of 1993.

Nearly \$322 billion was paid to RSI beneficiaries in FY 1998, and there were 37.9 million beneficiaries on the rolls at the end of the fiscal year. In FY 1998, reported accuracy for RSI overpayments (O/P) was 99.9 percent, based on mispayments totaling a projected \$345.4 million. Accuracy for RSI underpayments (U/P) was also 99.9 percent, based on mispayments projected at \$405.3 million. These accuracy rates are at the same level as those reported for FY 1997.

In FY 1998, \$43.3 billion was paid to DI beneficiaries. There were 6.3 million DI beneficiaries on the rolls at the end of the fiscal year. Reported accuracy for DI O/P was 99.1 percent, based on mispayments totaling a projected \$396.2 million. Accuracy for DI U/P was much lower, at 96.7 percent, based on mispayments projected at \$1.4 billion. This is the first time that stewardship data are available for the nonmedical aspects of DI payments.

For the FY 1995 through FY 1998 period, nearly 40 percent of RSI O/P dollars are attributable to relationship and dependency issues. Another 20 percent of RSI O/P dollars are in the Government Pension Offset (GPO) category. About 18 percent of RSI O/P dollars have to do with factors involved in the Annual Earnings Test, and about 14 percent are related to computation errors.

For the same period, nearly 60 percent of RSI U/P dollars are attributable to computations, and about 30 percent of RSI U/P dollars are attributable to errors in the area of wages or self-employment income reporting.

DI deficiencies related to improper imposition of workers' compensation (WC) offset provisions were, by far, the largest category of DI U/P and a leading cause of DI O/P.

During the past year, OQA has been involved in the following Agencywide corrective action efforts directed at addressing the primary causes of nonmedical payment error:

(1) Providing data to support development of a policy decision paper on the Windfall Elimination Provision and GPO; and (2) conducting a WC corrective action test and participating on an intercomponent workgroup with Operations, Policy, Systems and the Office of the Inspector General to significantly improve the accuracy of WC actions. In addition, over the past several years, OQA has been involved with efforts to correct U/P to more than 500,000 beneficiaries involving unprocessed adjustments of the reduction factor/delayed retirement credits and Automatic Earnings Reappraisal Operation actions caused by a problem with the computer software.

**FISCAL YEAR (FY) 1998 TITLE II PAYMENT ACCURACY REPORT
(STEWARDSHIP)**

This is the Office of Quality Assurance and Performance Assessment's (OQA) report of the title II retirement and survivors insurance (RSI) and disability insurance (DI) stewardship reviews for FY 1998. RSI stewardship reviews have been conducted since 1981. Beginning with FY 1998 data, the stewardship sample was expanded to include reviews of the nonmedical aspects of title II DI cases.

The stewardship review provides an overall accuracy measurement of payments to all beneficiaries currently on the rolls. The Social Security Annual Performance Plan includes RSI accuracy measures among the strategic objectives to which the agency has committed. Because this is the first year for the title II DI accuracy rates and the overall title II accuracy rates, strategic performance targets for these measures have not been established. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities.

The stewardship review is based on a monthly sample selection from the payment rolls consisting of beneficiaries in current payment status. Each month, about 80 RSI cases and about 40 title II DI cases are selected. For each of these, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all factors of eligibility are redeveloped as of the current sample month. Findings are input to a national data base for analysis and preparation of an annual stewardship report.

PAYMENT ACCURACY

From a program management perspective, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly.

RSI

In FY 1998, \$321.9 billion was paid from the RSI trust fund, and there were 37.9 million RSI beneficiaries by the end of FY 1998. For RSI, reported accuracy for overpayments (O/P) was 99.9 percent, and reported accuracy for RSI underpayments (U/P) was also 99.9 percent.¹ Both the O/P rate and the U/P rate remain unchanged from the respective accuracy rates reported for FY 1997.

¹ For RSI, precision at the 95-percent confidence level is $\pm 0.3\%$ for O/Ps and ± 0.1 for U/Ps.

For FY 1998, each tenth of a percentage point represents about \$322 million in program outlays in the RSI program.

DI Nonmedical

In FY 1998, \$43.3 billion was paid from the DI trust fund. By the end of FY 1998, there were 6.3 million DI beneficiaries on the payment rolls. In the DI program, reported accuracy for O/P was 99.1 percent and reported accuracy for U/P was 96.7 percent.² Again, this is the first year for which DI stewardship data are available.

In the DI program, each tenth of a percentage point represents about \$43 million in program outlays.

Title II Summary

The inclusion of nonmedical reviews of DI cases provides, for the first time, the stewardship data needed to determine an overall accuracy (excluding medical determinations) for all title II payments. These data also allow us to report on aspects of the DI program that do not relate to the medical factors of the disability determination. Because this is the first year that DI data are available, the Agency does not have a performance target for an overall title II measure.

Total outlays for title II in FY 1998 were \$365.2 billion, and there were a total of 44.2 million beneficiaries on the rolls at the end of the fiscal year. Reported accuracy for all title II O/P was 99.8 percent, and accuracy for all title II U/P was 99.5 percent.

ERROR DOLLARS

Error dollars refer to incorrect payment made to a case as a whole. An O/P occurs when the payment for the sample month to all individuals on the sampled Social Security number (SSN) was more than the amount that should have been paid. An U/P occurs when the payment for the sample month to all individuals on the sampled SSN was less than the amount that should have been paid. For comparison purposes, the RSI error dollars for FY 1995 through FY 1998 are shown in the following chart. As noted above, this is the first year for the DI measure.

² For DI, precision at the 95-percent confidence level is $\pm 0.8\%$ for O/Ps and $\pm 1.6\%$ for U/Ps.

RSI Error Dollars
(in Millions)

	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Overpayments	\$257.3	\$592.2	\$452.8	\$345.4
Underpayments	\$403.5	\$513.5	\$312.0	\$405.3

DI Error Dollars
(in Millions)

	<u>FY 1998</u>
Overpayments	\$ 396.2
Underpayments	\$1,436.3

The DI O/P dollars in FY 1998 were about the same as the amount for RSI, even though DI payments were about one-eighth the total of RSI payments. DI U/P dollars were about three and one-half times the amount for RSI.

DEFICIENCY DOLLARS

Many cases have more than one "error" causing incorrect payment. Each of those "errors" is referred to as a deficiency. Deficiency dollars track the individual effect of each separate deficiency. The total of individual deficiencies may exceed the "error" dollars on a case because of overlap.

For internal management purposes, OQA uses a variety of tools and techniques to analyze error-prone areas. Based on current sample sizes, we only identify a small number of deficiency cases each year. To better track the causes of error and help pinpoint areas for corrective action, deficiency data are viewed for several years at a time.

Major RSI Findings

<u>Deficiency Type</u>	<u>RSI Overpayment Dollars</u> (in Millions)				
	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>TOTAL</u>
Annual Earnings Test (AET)	\$ 44.8	\$145.4	\$ 96.0	\$ 11.1	\$297.3
Application/ Month of Entitlement	\$ 9.4	\$ 0.0	\$ 1.3	\$ 3.0	\$ 13.7
Age	\$ 6.7	\$ 0.0	\$ 2.2	\$ 1.8	\$ 10.7
Computations	\$ 54.1	\$ 78.0	\$ 49.0	\$ 48.4	\$229.5
Relationship/Dependency	\$ 57.3	\$296.8	\$164.7	\$125.6	\$644.4
Wages/ Self-employment Income	\$ 56.9	\$ 65.4	\$ 2.8	\$ 11.6	\$136.7
Other	\$ 20.0	\$ 8.1	\$140.8	\$151.8	\$320.7

For the FY 1995 through FY 1998 period, nearly 40 percent of the O/P dollars are attributable to relationship and dependency issues. Another 20 percent of the O/P dollars are in the "Other" category and are primarily related to Government Pension Offset (GPO). About 18 percent of the O/P dollars have to do with factors involved in AET, and about 14 percent are related to computation errors.

Although relationship and dependency errors account for a significant dollar amount, they only represent about 3 percent of the error cases for the FY 1995 through FY 1998 period. These cases involved a variety of issues such as unreported remarriage, not having child-in-care and students who were not in full-time attendance. The Payment Accuracy Steering Committee, that includes representation from the Office of the Inspector General (OIG) and other involved SSA components, is considering relationship and dependency as an item for further study in FY 2000.

Under GPO, identification of the existence of State and local pensions which require self-reporting by applicants/beneficiaries is problematic. Beneficiaries are often unaware of the offset provisions. To address this issue, OQA provided data to support development of a policy

decision paper on the Windfall Elimination Provision (WEP)/GPO. The decision paper suggests several options to improve enforcement of various GPO rules.

Analysis has shown that the impact of AET is also not as significant as the dollars suggest. Usually, when there is an AET O/P, there is also a benefit rate U/P. These actions offset one another almost to the point of canceling each other out (i.e., a "wash").

In FY 1998, computation errors accounted for \$48.4 million in O/Ps. Most of these errors involve failure to apply the provisions of WEP. Other causes of computation deficiencies are related to incorrect calculation of the monthly benefit amount (MBA) and delayed retirement credits (DRC).

RSI Underpayment Dollars
(in Millions)

<u>Deficiency Type</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>TOTAL</u>
AET	\$ 16.1	\$ 13.3	\$ 17.8	\$ 24.6	\$ 71.8
Application/ Month of Entitlement	\$ 7.6	\$ 4.1	\$ 0.0	\$ 0.0	\$ 11.7
Age	\$ 0.8	\$ 0.0	\$ 17.6	\$ 7.3	\$ 25.7
Computations	\$139.7	\$356.6	\$140.9	\$341.7	\$978.9
Wages/ Self-employment Income	\$225.2	\$101.9	\$132.2	\$ 29.4	\$488.7
Other	\$ 40.0	\$ 49.2	\$ 0.0	\$ 19.7	\$108.9

For the FY 1995 through FY 1998 period, nearly 60 percent of the U/P dollars are attributable to computations, and about 30 percent of the U/P dollars are attributable to problems with wages or self-employment income reporting.

For FY 1998, the majority of computation deficiency dollars were due to incorrect computation of DRC. The next leading cause of computation was incorrect calculation of the retirement insurance benefit limitation. Other computation deficiencies were the result of incorrect primary insurance amount (PIA) computations and incorrect or untimely processing of adjustments of the reduction factor and the Automatic Earnings Reappraisal Operation (AERO).

Over the past several years, the Agency has taken to correct U/P to more than 500,000 beneficiaries. These U/Ps involved

unprocessed adjustment of the reduction factor/DRC and AERO actions caused by a problem with the computer software. In addition to paying correcting payments, the Agency has also updated the software to eliminate the problem that led to these errors. As such, we anticipate that dollars in this category should be reduced in future years.

In the area of wages, earnings record deficiencies accounted for the second highest amount of RSI U/P in FY 1998. Most of these U/P were due to failure by SSA to develop gaps in the earnings record or incorrect determinations with respect to military wages or credits. Other earnings record deficiencies were due to incorrect wage postings. Self-employment income reporting problems involved incorrect reporting between spouses (i.e., payments associated with the wrong spouse). OQA, working with Operations and Systems components, has initiated an effort to analyze and address U/P associated with wage posting problems.

Major DI Nonmedical Findings

DI Overpayment Dollars (in Millions)

<u>Deficiency Type</u>	<u>FY 1998</u>
Age	\$ 11.0
Computations	\$ 0.3
Wages/ Self-employment Income	\$ 28.9
Unreported Death	\$198.1
Workers' Compensation (WC) Offset	\$189.0
Other	\$ 8.0

DI O/P deficiencies dollars are distributed somewhat differently than for RSI O/P deficiencies. This is caused by factors such as the imposition of WC offset, which is not applicable in RSI cases.

Of the deficiency dollars attributable to DI O/P in FY 1998, untimely reporting of death of the wage earner was the largest cause. The second leading cause of DI O/P dollars was the WC offset category.

The "Unreported Death" cases illustrate why caution must be exercised in drawing conclusions based on a small number of deficiency cases each year. While the cases in this

category meet the definition of error as of the sample month, they are frequently corrected within a few months and mispayments are often repaid to SSA.

DI Underpayment Dollars
(in Millions)

<u>Deficiency Type</u>	<u>FY 1998</u>
Application/ Month of Entitlement	\$ 38.1
Age	\$ 0.9
Computations	\$ 48.5
Wages/ Self-employment Income	\$ 50.7
WC Offset	\$1,322.8

Deficiencies related to improper imposition of WC offset were, by far, the largest category of U/P. These deficiencies were due to both the Agency not processing WC information that was available as well as failure of beneficiaries to provide correct information relative to the amount of WC they received.

Although we are convinced that WC offset is the single largest cause of DI underpayments, the small DI sample results in very large variation in the estimates when the data are broken down to small categories. Therefore, to get a better picture of the scope of the WC problem, OQA conducted a corrective action test (CAT). The WC CAT revealed that these cases are complex in nature due to issues such as manual computation of WC rate, average current earnings, triennial redeterminations, retroactive lump-sum awards, attorney fees, breaks in periodic payments and auxiliary offset. Initial awards are also problematic because documentation in file may be outdated. This is a manual workload, and correcting the cases is labor intensive.

As a result of the WC CAT, OIG reviews, stewardship findings and earlier OQA reviews, an intercomponent workgroup with Operations, Policy, Systems, OIG and OQA has been convened to develop an action plan with a goal of significantly improving the accuracy of WC actions.

Earnings record deficiencies accounted for the second highest amount of DI U/P deficiencies. These deficiencies were due to a wide variety of causes such as scrambled wages, incorrect military wage credits, failure by SSA to develop gaps in the earnings record or incorrect wage postings. Computation deficiencies were the third leading cause of U/P. These deficiencies were primarily due to incorrect computation of the MBA or of the PIA.

Fiscal Year (FY) 1998 Title II Payment Accuracy (Stewardship)
Report--INFORMATION

Attached is the Office of Quality Assurance and Performance Assessment's (OQA) title II payment accuracy report (stewardship) for FY 1998. This report is based on the findings from a monthly sample and review of retirement and survivors insurance (RSI) cases and nonmedical aspects of title II disability insurance (DI) cases. It provides the basic measure the Agency uses to report to Congress and other higher monitoring authorities on the accuracy of title II payments. The report contains a brief analysis of the major deficiencies for the title II program.

For RSI, reported accuracy for overpayments (O/P) was 99.9 percent, based on a projected \$345.5 million in O/P. Reported underpayment (U/P) accuracy was also 99.9 percent, based on a projected \$405.3 million in U/P. In FY 1998, RSI beneficiaries received nearly \$322 billion in payments. At the fiscal year's end, there were 37.9 million beneficiaries. RSI payment accuracy rates are at the same level as reported for FY 1997.

Beginning with FY 1998 data, the title II stewardship review was expanded to include the nonmedical aspects of DI payments. Reported accuracy for DI O/P was 99.1 percent, based on \$396.2 million in O/Ps. Reported accuracy for U/P was much lower at 96.7 percent, based on \$1,436.3 million in U/P. In FY 1998, DI recipients were paid \$43.3 billion. At the end of the fiscal year, there were 6.3 million DI recipients on the payment rolls.

Based on current sample sizes, we only identify a small number of deficiency cases each year. To better track the causes of error and help pinpoint areas for corrective action, deficiency data are viewed for several years at a time. For the FY 1995 through FY 1998 period, nearly 40 percent of RSI O/P dollars are attributable to relationship and dependency issues. Another 20 percent of RSI O/P dollars are in the Government Pension Offset category. About 18 percent of RSI O/P dollars have to do with factors involved in the Annual Earnings Test, and about 14 percent are related to computation errors. For the same period, nearly 60 percent of RSI U/P dollars are attributable to computations, and another 30 percent are attributable to errors in the area of wages or self-employment income reporting.

For DI, deficiencies related to improper imposition of workers' compensation (WC) offset provisions was, by far, the largest category of U/P and also a major cause of O/P. SSA is giving high priority to correcting these types of errors. An intercomponent workgroup with OQA, Operations, Policy, Systems and the Office of the Inspector General has been convened to develop an action plan with a goal of significantly improving the accuracy of WC actions.

If you have any questions, please call me on extension 52910.

If your staff have any questions, they may call Jack Raso on extension 50818.