



## SOCIAL SECURITY

The Commissioner

May 8, 2012

The Honorable Max Baucus  
Chairman, Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to submit our annual report on pre-effectuation reviews of disability determinations conducted during fiscal year (FY) 2010. As required by section 221(c)(3)(C) of the Social Security Act (Act), we conducted reviews of:

- at least 50 percent of all State agency title II initial and reconsideration disability allowances; and
- a sufficient number of continuing disability review continuances to ensure a high level of accuracy.

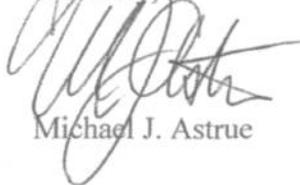
As required by section 1633(e) of the Act, we also reviewed at least 50 percent of all State agency title XVI allowances based on adult blindness or disability.

In FY 2010, we reviewed 490,716 allowances and 8,257 continuances. The direct cost of conducting these reviews was approximately \$48 million. However, we estimate that by preventing incorrect allowances and continuances in these cases, the reviews will result in lifetime savings with a present value (after all appeals) of about \$366 million in cash benefits to the Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund combined. We also estimate lifetime savings of \$60 million in Federal Supplemental Security Income payments, \$199 million to the Medicare trust funds, and \$2 million in the Federal share of Medicaid payments.

I am sending a similar letter to Chairman Camp.

I hope that the information I have provided is helpful. If you have any questions or if I can be of further assistance, please contact me or have your staff contact Mr. Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,



Michael J. Astrue

Enclosure



## SOCIAL SECURITY

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May 8, 2012

The Honorable Dave Camp  
Chairman, Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

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I am writing to submit our annual report on pre-effectuation reviews of disability determinations conducted during fiscal year (FY) 2010. As required by section 221(c)(3)(C) of the Social Security Act (Act), we conducted reviews of:

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Sincerely,



Michael J. Astrue

Enclosure

**Annual Report**  
**on**  
**Social Security Pre-effectuation Reviews of**  
**Favorable State Disability Determinations**



**Fiscal Year 2010**

**PRE-EFFECTUATION REVIEW (PER) OF FAVORABLE  
STATE DISABILITY DETERMINATIONS BY  
THE SOCIAL SECURITY ADMINISTRATION  
FISCAL YEAR (FY) 2010**

**Background**—We submit this annual report pursuant to section 221(c)(3)(C) of the Social Security Act (Act). The Act requires us to report to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate on the PERs conducted during the previous fiscal year. The legislative mandate specifies that the PER report include information on: (1) the numbers of such reviews and (2) our findings based on such reviews of the accuracy of the State agencies' determinations.

Title II of the Act requires the Commissioner to review at least 50 percent of all State disability determination services (DDS) initial and reconsideration allowances of applications for Old-Age, Survivors, and Disability Insurance (OASDI) benefits based on disability. The Act further requires the Commissioner to review a sufficient number of OASDI continuing disability review (CDR) continuances to ensure a high level of accuracy in such determinations.

In addition, Public Law 109-171 added section 1633(e) to title XVI of the Act, requiring similar PERs of specified levels of DDS allowances of applications by persons aged 18 or older for Supplemental Security Income (SSI) benefits based on blindness or disability. Since FY 2008, the required level of our SSI reviews is also at least 50 percent of initial and reconsideration allowances.

We present the PER results for FY 2010 in table 1. The following paragraphs also summarize some of the key findings.

**Initial and reconsideration allowances**—We reviewed 371,622 title II allowances under the PER process, representing 52.2 percent of all DDS allowances for disability benefits in FY 2010. We returned 8,405 deficient cases to the DDSs, representing a return rate of 2.3 percent, 0.2 percentage points higher than in FY 2009. After corrective action, we estimate that 4,599 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.2 percent of the total reviews of allowances initiated under title II. Table 1 presents these overall results for reviews initiated under title II, split between cases that involved only title II benefits and those cases that also involved title XVI benefits.

In addition, for cases involving only title XVI disabled or blind adults, we reviewed 119,094 title XVI initial and reconsideration allowances for adults based on blindness or disability during FY 2010, representing 52.0 percent of all DDS allowances for adult SSI benefits. We determined that 1,959 of these cases were deficient and returned them to the DDSs for corrective action, a return rate of 1.6 percent, 0.1 percentage points lower than in FY 2009. After corrective action, we estimate that 1,073 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 0.9 percent of the total reviews of title XVI allowances. It is important to note that we base these change rate projections on the results of corrective action on at least 95 percent of deficient PER cases; therefore, the actual number of changed decisions could vary slightly from the projected numbers.

**Disability continuance determinations**—In FY 2010, we initiated 8,257 PERs of favorable title II CDR determinations (continuances), representing 5.5 percent of all such continuances. Of these reviews, we returned 96 deficient CDR continuances to the State DDSs, representing a return rate of 1.2 percent. After we corrected deficient continuances, we estimate that 42 of the continuance determinations reviewed in FY 2010 would change to cessations, an estimated change rate of 0.5 percent. Of the 8,257 CDR continuances we reviewed, 1,788 were concurrent title II/XVI continuances. Unlike title II, there is no requirement to review any title XVI-only CDR continuances, and we conducted no such reviews in FY 2010.

**Table 1.—Pre-effectuation reviews in FY 2010**

	Reviews initiated under title II			Reviews initiated under title XVI	Total
	Title II-only reviews	Title II reviews involving title XVI recipients	Subtotal, title II		
<b>Universe of cases subject to PER—</b>					
DDS allowances:					
Initials .....	427,235	220,550	647,785	210,539	858,324
Reconsiderations .....	37,303	27,310	64,613	18,396	83,009
Total, initials and reconsiderations .....	464,538	247,860	712,398	228,935	941,333
CDR continuances .....	121,893	28,009	149,902	(1/)	149,902
<b>Cases reviewed—</b>					
<i>Number of cases:</i>					
Initials .....	160,665	171,507	332,172	108,688	440,860
Reconsiderations .....	17,256	22,194	39,450	10,406	49,856
Total, initials and reconsiderations .....	177,921	193,701	371,622	119,094	490,716
CDR continuances .....	6,469	1,788	8,257	(1/)	8,257
<i>Percent of corresponding cases subject to PER:</i>					
Initials .....	37.6%	77.8%	51.3%	51.6%	51.4%
Reconsiderations .....	46.3%	81.3%	61.1%	56.6%	60.1%
Total, initials and reconsiderations .....	38.3%	78.1%	52.2%	52.0%	52.1%
CDR continuances .....	5.3%	6.4%	5.5%	(1/)	5.5%
<b>Cases returned for correction—</b>					
<i>Number of cases:</i>					
Initials .....	3,246	4,317	7,563	1,786	9,349
Reconsiderations .....	310	532	842	173	1,015
Total, initials and reconsiderations .....	3,556	4,849	8,405	1,959	10,364
CDR continuances .....	80	16	96	(1/)	96
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	2.0%	2.5%	2.3%	1.6%	2.1%
Reconsiderations .....	1.8%	2.4%	2.1%	1.7%	2.0%
Total, initials and reconsiderations .....	2.0%	2.5%	2.3%	1.6%	2.1%
CDR continuances .....	1.2%	0.9%	1.2%	(1/)	1.2%
<b>Cases projected to have decision changed after review—</b>					
<i>Number of cases:</i>					
Initials .....	1,621	2,453	4,074	967	5,041
Reconsiderations .....	174	351	525	106	631
Total, initials and reconsiderations .....	1,795	2,804	4,599	1,073	5,672
CDR continuances .....	35	7	42	(1/)	42
<i>Percent of corresponding cases reviewed:</i>					
Initials .....	1.0%	1.4%	1.2%	0.9%	1.1%
Reconsiderations .....	1.0%	1.6%	1.3%	1.0%	1.3%
Total, initials and reconsiderations .....	1.0%	1.4%	1.2%	0.9%	1.2%
CDR continuances .....	0.5%	0.4%	0.5%	(1/)	0.5%

1/ Pre-effectuation reviews of title XVI CDR continuances are not required, and we conducted none in FY 2010.

**Findings on the accuracy of favorable disability determinations under title II and title XVI**—Based on results of our PERs in FY 2010, we found that the decision to allow or continue was supportable in 98.8 percent of all DDS favorable title II disability determinations. Regarding title XVI-only adult disability benefit applications, we found that the decision to allow was supportable in 99.1 percent of such DDS allowances.

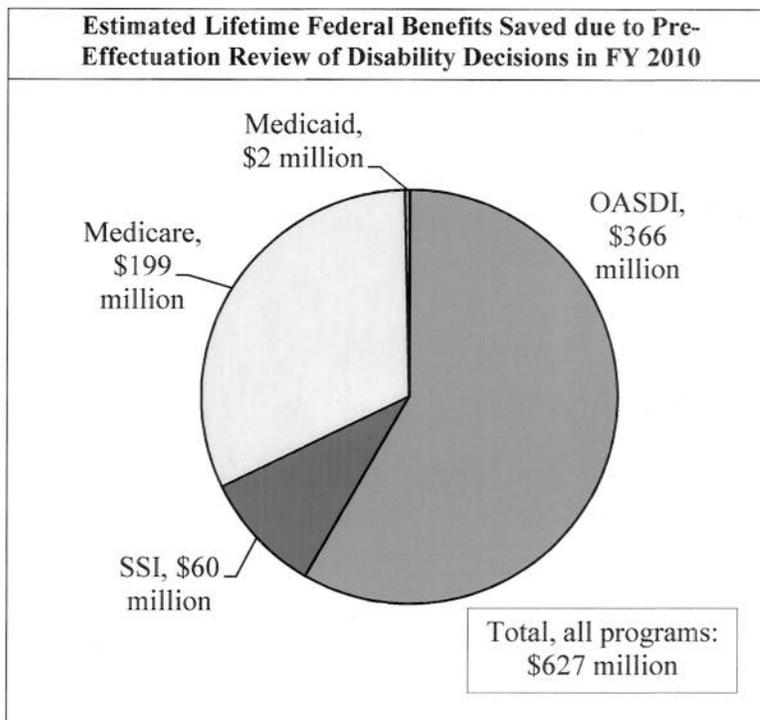
**Estimated savings attributable to PER**—Individuals denied because of a PER, as with all DDS-level decisions, may appeal the decision. Following all appeals, we estimate that 2,628 title II initial and reconsideration error cases (0.7 percent of all such PER reviews) will remain denials. For the corresponding reviews of title XVI-only cases, we estimate that 646 cases (0.5 percent of all such PER reviews) will remain denials. For reviews of title II CDR cases, we estimate that 21 of the continuance error cases (0.3 percent of all such reviews) will remain cessations after all appeals. These changed determinations reduce lifetime benefits that would have been payable from the OASDI, SSI, Medicare and Medicaid programs had we not conducted the PERs. Overall, we estimate that the PER process for FY 2010 will result in savings in Federal outlays totaling \$627 million in lifetime Federal benefits. We present details of these estimates in table 2.

Item	Initial and reconsideration allowances	CDR continuances	Total, all reviews
Estimated number with decision changed after review, and after all appeals:			
Cases initiated under title II.....	2,628	21	2,649
Cases initiated under title XVI.....	646	(3/)	646
Estimated present value of lifetime benefits saved, as of the end of fiscal year 2010 (in millions):			
OASDI benefit payments 1/.....	\$363	\$3	\$366
Medicare benefit payments 2/.....	198	2	199
Federal SSI payments:			
Title XVI-only cases.....	41	(3/)	41
Concurrent cases.....	19	(4/)	19
Subtotal, SSI savings.....	60	(4/)	60
Federal share of Medicaid payments: 2/			
Title XVI-only cases.....	(4/)	(3/)	(4/)
Concurrent cases.....	3	(4/)	3
Subtotal, Medicaid savings.....	2	(4/)	2
Total, all Federal savings:			
Cases initiated under title II.....	582	5	587
Cases initiated under title XVI.....	40	(3/)	40
Total.....	623	5	627
1/ Includes a net loss of \$1.6 million from changing the date of disability onset in certain initial and reconsideration cases.			
2/ The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for savings in the Medicare and Medicaid programs.			
3/ Pre-effectuation reviews of title XVI CDR continuances are not required, and we conducted none in FY 2010.			
4/ Between -\$0.5 million and \$0.5 million.			
Note: Totals may not equal sum of components due to rounding.			

As shown in table 2, we estimate that the prevention of incorrect allowances and continuances of FY 2010 cases will result in lifetime savings (after all appeals) of \$366 million in OASDI benefit payments, \$60 million in Federal SSI payments, \$199 million in Medicare benefits, and \$2 million in the Federal share of Medicaid payments. For this report, the estimated Federal share of Medicaid savings are significantly lower than in prior reports. This change is largely

attributable to the effect of an Affordable Care Act provision that would allow most of the individuals with SSI denials due to the PER process to obtain Medicaid coverage beginning January 1, 2014. We illustrate the relative size of these PER savings contributions in the chart below.

The direct cost of the pre-effectuation review of 490,716 allowances and 8,257 continuances was about \$48 million. This amount, however, does not include the cost of processing appeals of allowances or continuances that we reversed to denials or cessations after a PER. We estimate the total amount expended to achieve these estimated Federal savings, including the cost of processing appeals of PER reversals, to be approximately \$54 million. Thus, we estimate that the reviews conducted in FY 2010 will result in savings of approximately \$13 for every \$1 spent directly on PERs, or \$12 for every \$1 of the total cost of PERs. We present a complete summary of these benefit-to-cost ratio results in table 3 below.



**Table 3.—Cost effectiveness of the FY 2010 PER process**

Item	Reviews initiated under --		Total, all reviews
	Title II	Title XVI	
Estimated present value of lifetime Federal benefits saved under the OASDI, SSI, Medicare, and Medicaid programs (in millions).....	\$587	\$40	\$627
Cost of conducting PER (in millions):			
Direct cost of PER reviews .....	43	4	48
Estimated cost of appeals of PER reversals.....	6	1	6
Total cost of PER .....	49	5	54
Benefits saved per \$1 of --			
Direct PER review cost <sup>1</sup> .....	13.6	9.0	13.2
Total PER cost <sup>1</sup> .....	12.1	7.6	11.6

<sup>1</sup> Computed using unrounded amounts of estimated benefits and administrative expenses.  
Note: Totals may not equal sum of components due to rounding.