

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



Fiscal Year 2020

**PRE-EFFECTUATION REVIEW OF FAVORABLE
STATE DISABILITY DETERMINATIONS BY
THE SOCIAL SECURITY ADMINISTRATION
FISCAL YEAR 2020**

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 pre-effectuation reviews (PER) conducted during the previous fiscal year of disability and blindness determinations¹ made by the State disability determination services (DDS). 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 DDS determinations.

Title II of the Act requires the Commissioner to review at least 50 percent of all State 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 medical continuing disability review (CDR) continuance determinations by State DDSs to ensure a high level of accuracy in such determinations.

In addition, Public Law 109-171, the Deficit Reduction Act of 2005, 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 disability. Since fiscal year (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 2020 in Table 1. The following paragraphs also summarize some of the key findings.

Initial and reconsideration allowances—We reviewed 265,593 Title II allowances under the PER process, representing 53.2 percent of all DDS allowances for Title II disability benefits in FY 2020. We returned 12,739 deficient cases to DDS offices, representing a return rate of 4.8 percent. After corrective action, we estimate that 5,846 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 2.2 percent of the total reviews of allowances initiated under Title II.² 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 adults, we reviewed 90,002 initial and reconsideration allowances during FY 2020, representing 51.4 percent of all DDS allowances for adult SSI benefits. We determined that 3,564 of these cases were deficient and returned them to DDS offices for corrective action, representing a return rate of 4.0 percent. After corrective action, we estimate that 1,431 of these deficient initial and reconsideration allowances will change to denials, representing a change rate of 1.6 percent of the total reviews of Title XVI adult allowances.²

¹ The Act requires these reviews for determinations involving either disability or blindness. For convenience, we will refer to these collectively as “disability” or “disabled” determinations throughout this report.

² Individuals whose disability decision is reversed due to pre-effectuation review have the right to appeal such reversal. The cited numbers do not reflect the effect of any appeals activity.

It is important to note that we base both the Title II and Title XVI 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 2020, we initiated 2,976 PERs of favorable Title II CDR determinations, representing 1.7 percent of all such DDS continuances. Of these reviews, we returned 66 deficient CDR continuances to State DDS offices, representing a return rate of 2.2 percent. After deficient continuances are corrected, we estimate that 23 of the continuance determinations reviewed in FY 2020 will change to cessations, an estimated change rate of 0.8 percent. Of the 2,976 CDR continuances we reviewed, 576 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 2020.

Table 1.—Pre-effectuation Reviews in FY 2020

	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		
Universe of cases subject to PER—					
DDS allowances:					
Initials	341,654	109,973	451,627	159,920	611,547
Reconsiderations	32,477	15,301	47,778	15,117	62,895
Total, initials and reconsiderations	374,131	125,274	499,405	175,037	674,442
CDR continuances	150,612	26,094	176,706	^a	176,706
Cases reviewed—					
<i>Number of cases:</i>					
Initials	149,340	85,647	234,987	80,325	315,312
Reconsiderations	17,558	13,048	30,606	9,677	40,283
Total, initials and reconsiderations	166,898	98,695	265,593	90,002	355,595
CDR continuances	2,400	576	2,976	^a	2,976
<i>Percent of corresponding cases subject to PER:</i>					
Initials	43.7%	77.9%	52.0%	50.2%	51.6%
Reconsiderations	54.1%	85.3%	64.1%	64.0%	64.0%
Total, initials and reconsiderations	44.6%	78.8%	53.2%	51.4%	52.7%
CDR continuances	1.6%	2.2%	1.7%	^a	1.7%
Cases returned for correction—					
<i>Number of cases:</i>					
Initials	6,048	4,780	10,828	3,137	13,965
Reconsiderations	1,089	822	1,911	427	2,338
Total, initials and reconsiderations	7,137	5,602	12,739	3,564	16,303
CDR continuances	54	12	66	^a	66
<i>Percent of corresponding cases reviewed:</i>					
Initials	4.0%	5.6%	4.6%	3.9%	4.4%
Reconsiderations	6.2%	6.3%	6.2%	4.4%	5.8%
Total, initials and reconsiderations	4.3%	5.7%	4.8%	4.0%	4.6%
CDR continuances	2.3%	2.1%	2.2%	^a	2.2%
Cases projected to have decision changed after review—					
<i>Number of cases:</i>					
Initials	2,603	2,217	4,820	1,209	6,029
Reconsiderations	589	437	1,026	222	1,248
Total, initials and reconsiderations	3,192	2,654	5,846	1,431	7,277
CDR continuances	20	3	23	^a	23
<i>Percent of corresponding cases reviewed:</i>					
Initials	1.7%	2.6%	2.1%	1.5%	1.9%
Reconsiderations	3.4%	3.3%	3.4%	2.3%	3.1%
Total, initials and reconsiderations	1.9%	2.7%	2.2%	1.6%	2.0%
CDR continuances	0.8%	0.5%	0.8%	^a	0.8%

^a Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2020.

Findings on the accuracy of favorable disability determinations under Title II and Title XVI—Based on results of our PERs in FY 2020, we found that the decision to allow or continue was supportable in 97.8 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 98.4 percent of such DDS allowances.

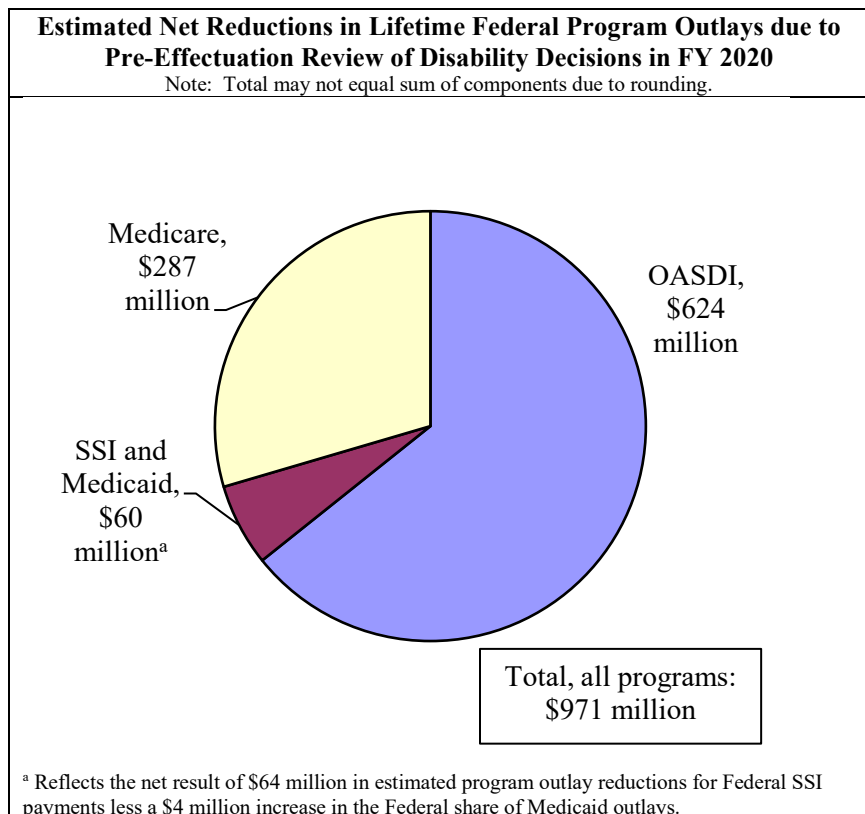
Estimated net reductions in Federal program outlays attributable to PER—Individuals denied because of a PER, as with other DDS-level determinations, may appeal the determination. Following all appeals, we estimate that 3,181 Title II initial and reconsideration error cases (1.2 percent of all such PER reviews) will remain denials. For the corresponding reviews of Title XVI-only adult cases, we estimate that 919 cases (1.0 percent of all such PER reviews) will remain denials. For reviews of Title II CDR cases, we estimate that 12 of the continuance cases with errors (0.4 percent of all such reviews) will remain cessations after all appeals. These changed determinations result in a reduction in lifetime program outlays that would have been payable from the OASDI and SSI programs had we not conducted the PERs, along with net reductions in Medicare program outlays and a small increase in Medicaid program outlays. Overall, we estimate that the PER process for FY 2020 will result in net reductions in Federal program outlays totaling \$971 million in net 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.....	3,181	12	3,193
Cases initiated under Title XVI.....	919	^a	919
Estimated present value of net lifetime program outlay reductions, as of the end of FY 2020 (in millions):			
OASDI benefit payments ^b	\$622	\$2	\$624
Medicare benefit payments ^c	286	1	287
Federal SSI payments:			
Title XVI-only cases.....	47	^a	47
Concurrent cases.....	17	^d	17
Subtotal, SSI payments.....	64	^d	64
Federal share of Medicaid payments ^c :			
Title XVI-only cases.....	-3	^a	-3
Concurrent cases.....	-1	^d	-1
Subtotal, Medicaid payments.....	-4	^d	-4
Total, all Federal program outlays:			
Cases initiated under Title II.....	924	3	927
Cases initiated under Title XVI.....	44	^a	44
Total.....	968	3	971
^a Pre-effectuation reviews of Title XVI CDR continuances are not required, and we conducted none in FY 2020.			
^b Includes a net reduction in program outlays of \$33.7 million from changing the date of disability onset in certain initial and reconsideration cases.			
^c The Office of the Actuary in the Centers for Medicare & Medicaid Services provided the estimates shown in the above table for net reduction in Medicare and Medicaid program outlays.			
^d Between -\$0.5 million and \$0.5 million.			
Notes: 1. The estimates are based on the intermediate assumptions from the <i>2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds</i> , the intermediate assumptions of the <i>2021 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds</i> , and assumptions underlying the <i>2021 Annual Report of the Supplemental Security Income Program</i> .			
2. The estimated net program outlay reductions represent the direct effects on net lifetime Federal benefits of disability applications ultimately denied OASDI or SSI program eligibility as a result of the PER process. See the body of the report for further information.			
3. Totals may not equal sum of components due to rounding.			

As shown in Table 2, we estimate that the action taken in these cases will result in net lifetime reductions in program outlays (after all appeals) of \$624 million in OASDI benefit payments, \$64

million in Federal SSI payments, \$287 million in Medicare benefits, and a net increase of \$4 million in the Federal share of Medicaid payments. The Medicaid estimates reflect the effects of an Affordable Care Act provision whereby States, starting in 2014, provide Medicaid coverage to individuals residing in households with income up to 138 percent of poverty³ with significantly higher Federal matching on the benefits paid under the expanded coverage than without the expansion. We illustrate the relative size of these contributions of program outlay reductions attributable to the PER process in the chart below. It is important to note that the estimated net program outlay reductions presented in this report represent the direct effects on net lifetime Federal benefits of disability applications ultimately denied OASDI or SSI program eligibility as a result of the PER process. In addition to the direct program outlay reductions resulting from PER in FY 2020, there is an indirect effect on determinations where the accuracy of adjudicated cases will improve as a result of feedback from PER in prior case determinations. Such indirect effects are not reflected in the estimates shown in Table 2 and the accompanying chart.

The direct administrative cost of performing PERs of 355,595 allowances and 2,976 continuances was about \$57 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 program outlay reductions, including the cost of processing appeals of PER reversals, to be approximately \$62 million. Thus, we estimate that the reviews conducted in FY 2020 will result in net reductions of approximately \$17 on average per \$1 spent directly on PERs, or about \$16 on average per \$1 of the total cost of PERs. We present a complete summary of these benefit-to-cost ratio results in Table 3 below.



³ The Affordable Care Act provides this Medicaid expansion for households with adjusted gross income up to 133% of the Federal poverty level; however, in practice, households are provided with a 5% exclusion of adjusted gross income, effectively making the expansion available for households under 138% of Federal poverty.

Table 3.—Estimated Cost Effectiveness of the FY 2020 PER Process			
Item	Reviews initiated under --		Total, all reviews
	Title II	Title XVI	
Estimated present value ^a of net lifetime Federal program outlay reductions under the OASDI, SSI, Medicare, and Medicaid programs (in millions)	\$927	\$44	\$971
Cost of conducting PER (in millions):			
Direct cost of PER reviews.....	49	8	57
Estimated cost of appeals of PER reversals.....	5	1	6
Total cost of PER	54	8	62
Program outlays reduced per \$1 of --			
Direct PER review cost ^b	19.0	5.8	17.2
Total PER cost ^a	17.1	5.3	15.6
^a As of September 30, 2020			
^b Computed using unrounded amounts of estimated benefits and administrative expenses.			
Note: Totals may not equal sum of components due to rounding.			

As indicated in Table 3, reviews conducted in FY 2020 that were initiated under Title II provided on average more than three times as much in Federal program outlay reductions as those initiated under Title XVI, per \$1 of the cost of conducting PERs.