While GAO Estimates 0.5% of DI Payments May Have Been Improper, Actual Rate Potentially Lower Due to Factors Not Analyzed

In August 2013, the Government Accountability Office (GAO) issued a report examining payments to a sample of Social Security Disability Insurance (DI) beneficiaries ("Work Activity Indicates Certain Social Security Disability Insurance Payments Were Potentially Improper" - GAO 16-365, August 2013). The report makes clear that GAO's methodology yielded only estimates, and that the scale of any potential improper payments was very low, at about one-half of one percent of DI payments.

What GAO examined

GAO compared Social Security Administration (SSA) data on a sample of individuals who were DI beneficiaries as of December 2010, with earnings data from the National Database of New Hires (NDNH), to estimate how many DI beneficiaries may have received potentially improper payments due to work activity over permitted levels: (1) during the 5-month waiting period before DI payments start for new beneficiaries, or (2) after the 9-month trial work period and the grace period for DI beneficiaries who are attempting to return to work.

Limitations in GAO's methodology

GAO did not take into account SSA's work rules.

GAO compared quarterly earnings data from the NDNH with SSA data on DI payments to beneficiaries, to estimate beneficiaries with work activity potentially over permitted levels (defined as earnings above Substantial Gainful Activity (SGA), about $1,000 per month for the period of GAO's report). GAO notes that to adequately assess an individual's work status for DI eligibility, a detailed evaluation of all the facts and circumstances must be conducted for each beneficiary – **which GAO's data and methodology did not permit**.

- **Under SSA's rules, certain "impairment-related work expenses" (IRWEs) should be deducted from earnings, but these expenses were not considered in GAO's analysis**. IRWEs include items and services such as wheelchairs, specialized work-related equipment, and work-related attendant care services.

- **GAO's methodology did not take into account "unsuccessful work attempts" (UWA**). Some individuals with disabilities attempt work for brief periods before or while receiving DI benefits, and ultimately find that they are unable to sustain work at all, or at a substantial level. UWAs during the 5-month waiting period do not preclude a finding of disability – yet earnings from UWAs were not excluded from the data on which GAO based its estimate.

- As SSA noted in its response, if IRWEs and UWAs had properly been considered as is required to determine DI eligibility under SSA's rules, many of the "potentially improper" payments GAO included

in its estimates may in fact have been appropriate payments under SSA's rules. **Thus, SSA contends that GAO's estimates of improper payments are likely too high.**

<u>**What GAO estimated**</u>

Between December 2010 and January 2013, 0.4% of DI beneficiaries may have received improper payments equal to 0.5% of DI payments overall.

GAO created an estimate of "potentially improper payments" but notes that a more precise number "cannot be determined without detailed case investigations by SSA." GAO estimated $1.29 billion in potentially improper DI benefit payments to about 36,000 individuals as of January 2013: $920 million in potential overpayments to 21,000 DI beneficiaries due to work activity during the 5-month waiting period, and $368 million in potential overpayments to 15,500 DI beneficiaries due to work activity beyond the trial work period.

- **GAO's estimate equals 0.5% of DI payments during the two-year period of the report, and 0.4% of DI beneficiaries**.

- GAO notes that **as of the time of their audit, SSA had already identified and established overpayments for some of the individuals GAO reviewed**, and some of these individuals had already agreed to repayment plans.

- In one of the individual cases that GAO concluded may have involved an improper payment, the beneficiary died due to her disability (a malignant tumor) during the period of GAO's study.

<u>**What GAO recommended**</u>

- **GAO issued only one new recommendation as a result of its report**: that SSA should explore the feasibility and cost-benefit analysis of extending its enforcement activities to look at individuals with work activity in the year prior to receiving DI benefits. SSA agreed with this recommendation.

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*<u>What are impairment-related work expenses (IRWE)?</u> POMS DI 10520.001: The cost of certain items and services that a person with a disability needs in order to work (**impairment-related work expenses**) can be deducted from earnings in determinations of SGA, even though such items and services are also needed for normal daily activities. https://secure.ssa.gov/apps10/poms.nsf/lnx/0410520001*

*<u>What is an unsuccessful work attempt (UWA)?</u> POMS DI 24005.001: An **unsuccessful work attempt** is an effort to do substantial work in employment or self-employment which was discontinued or reduced to the non-SGA level after a short time (no more than 6 months) because of the individual's impairment or the removal of special conditions related to the impairment that are essential to the further performance of work. https://secure.ssa.gov/poms.nsf/lnx/0424005001*

*<u>What is a trial work period (TWP)?</u> POMS DI 13010.035: The **Trial Work Period** (TWP) gives a disabled beneficiary the chance to test his or her ability to work and hold a job without the threat of losing benefits. During this period, the beneficiary may perform services for remuneration or gain, and still be considered disabled. SSA defines "Services" as any activity in employment, or self-employment that is performed or is normally performed for pay or profit. SSA cannot cease disability during the TWP based on a beneficiary's work activity. https://secure.ssa.gov/apps10/poms.nsf/lnx/0413010035*