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[Supplemental Security Income Quarterly Accounting Period for Determining Eligibility and Benefit Payment Accounts].

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Report to Sen. Russell B. Long, Chairman, Senate Committee on Finance; Rep. Al Ullman, Chairman, House Committee on Ways and Means; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security Programs: Program Monitoring and Administration (1303).

Contact: Human Resources Div.

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance. Rep. Al Ullman; Sen. Russell B. Long.

Authority: Social Security Act (42 U.S.C. 1382). H.R. 7200 (95th Cong.).

Pending legislation contains a provision requiring that Supplemental Security Income (SSI) eligibility and benefit payment amounts be determined on a monthly rather than quarterly bases. The Senate Committee on Finance, in its consideration of the bill, is requiring the Social Security Administration to experiment with various accounting periods and reporting methodologies. Quarterly computation was established to minimize changes in the monthly benefit payments caused by income variations, but this has not happened, and erroneous payments are being made because of frequent variations which are not anticipated before the computation is made. The prospective quarterly accounting period also causes administrative problems in processing overpayments. Many of the problems associated with the prospective quarterly accounting methodology can be resolved if benefits are determined on a retrospective monthly basis, with a 1-month lag between the month used for eligibility determinations and benefit calculations and the month in which payments are made to recipients. The Social Security Act should be amended accordingly with provisions to prevent recipients from initially being paid less when converting to the new accounting method. (HTW)

7295



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(4)

May 26, 1978

The Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate

The Honorable Al Ullman
Chairman, Committee on Ways and Means
House of Representatives

Substantial overpayments to Supplemental Security Income (SSI) recipients occur because the Social Security Administration determines eligibility and benefit amounts on a prospective quarterly basis. Requiring recipients to estimate future changes in their income has resulted in inaccurate monthly benefit payments and administrative difficulties. Further, recipients find it difficult to understand how they were overpaid when they reported the receipt of unexpected income in the quarter. In 1976 alone, Social Security's Office of Quality Assurance estimated that at least \$39 million of overpayments were caused by this accounting method.

Pending legislation--House bill 7200--which has passed the House of Representatives, contains a provision requiring that SSI eligibility and benefit payment amounts be determined on a monthly rather than quarterly basis. In considering this bill, however, the Senate Committee on Finance has incorporated a requirement that Social Security experiment with various accounting periods and reporting methodologies and make recommendations to the Congress based on the data derived from these experiments.

We recently examined the prospective quarterly accounting methodology, and believe many of the problems associated with it can be resolved if benefits are determined on a retrospective monthly basis, with a 1-month lag between the month used for eligibility determinations and benefit calculations, and the month payments are made to recipients. Accordingly, we are providing you the following information for consideration by your Committee before final action is taken on House bill 7200.

HRD-78-114
(105012)

THE ORIGINAL JUSTIFICATION FOR THE
QUARTERLY ACCOUNTING PERIOD

The original SSI legislation (42 U.S.C. 1382(c)(1) (Supp. II 1972)) generally requires Social Security to determine SSI eligibility and benefit payment amounts on a quarterly basis. Social Security computes benefits prospectively; therefore, benefits are based on the income a recipient expects to receive over a projected 3-month period. Once computed, these payments are disbursed in equal monthly installments.

The quarterly computations were established to minimize changes in the monthly benefit payments caused by income variations. Also, as discussed in an April 1977 Senate Finance Committee staff report on the SSI program:

"The adoption of a quarterly accounting period in the original SSI legislation was apparently based on the fact that the Social Security Administration receives quarterly reports of all wages in employment covered by social security. Thus, the use of a quarterly accounting period for SSI could simplify the use of social security wage records to verify an SSI beneficiary's reported income from wages * * *."

HOW THE PROSPECTIVE QUARTERLY BASIS
CAUSES ERRONEOUS PAYMENTS AND
ADMINISTRATIVE DIFFICULTIES

In reality, changes in monthly benefit payments have not been minimized, and erroneous payments are being made because of frequent variations in income, resources, or eligibility status which are reported to Social Security but are not anticipated before the quarterly computation is made. Examples of these changes which may cause erroneous payments include death; marriage; separation or divorce; entering or leaving a public institution; earned income; and unearned income, such as public and private pensions, annuities, inheritances, gifts, and interest or dividends.

Only a small percentage (less than 7 percent) 1/ of the 4.2 million active SSI recipients receive wages or salaries. However, about 55 percent 1/ receive unearned income payments. Since the beginning of the SSI program, about 3.1 million changes other than Social Security title II benefit rate increases have occurred in these unearned income payments, of which, over two-thirds 1/ occurred in the second or third month of a quarter. Unanticipated unearned income payments received and reported in latter months of a quarter almost always result in erroneous payments. Furthermore, many of the remaining one-third 1/ unearned income changes which occurred in the first month of a quarter could also have caused erroneous payments if they were posted to the recipient's record after Social Security had computed the quarterly benefit amount.

The following example shows how computing benefits on the prospective quarterly basis can cause an overpayment.

Mr. Z, an eligible aged individual, expects to receive \$120 in unearned income before exclusions in September 1977 and anticipates no other income for the quarter. Instead of \$120, however, on September 30, 1977, he unexpectedly receives \$180 in unearned income before exclusions, which he immediately reports to Social Security.

The original and adjusted computations for the July through September quarter are shown on the following page:

1/All projections concerning the 4.2 million active recipients are based on a 1-percent random sample of SSI master records as of October 1, 1977, and are subject to a maximum 4-percent sampling error at the 95-percent confidence level.

Original Computation

Standard Payment Amount (\$177.80 x 3 months)	\$533.40
Less income minus exclusion (\$120-\$60)	<u>-60.00</u>
Quarterly SSI payment	<u>\$473.40</u>
Monthly SSI payment	\$157.80

Adjusted Computation

Standard Payment Amount (\$177.80 x 3 months)	\$533.40
Less income minus exclusion (\$180-\$60)	<u>-120.00</u>
Quarterly SSI payment	<u>\$413.40</u>
Monthly SSI payment	\$137.80

Because of the unexpected additional income received in September, a \$60 overpayment was created for the quarter (\$473.40-\$413.40 = \$60.00).

The prospective quarterly accounting period also causes administrative problems in developing and processing overpayments. Because benefit status changes can fluctuate within a quarter, Social Security does not determine the overpayment amounts until the end of a quarter. Thus, a 3-month period may elapse between the time an overpayment occurs and is developed. This development includes (1) the final computation of the overpayment for the quarter and the administrative action needed to determine if the recipient was at fault and (2) whether or not the overpayment should be waived or collected. If collectable, a repayment schedule is usually developed, and agreement is reached on how much should be withheld from the recipient's benefit amount and how long payments should be withheld. According to Social Security district office personnel, this procedure is very confusing to the recipient who does not understand how he/she became overpaid in the first place.

RETROSPECTIVE MONTHLY COMPUTATIONS ARE
NEEDED FOR PROGRAM SIMPLIFICATION AND
REDUCTION OF OVERPAYMENTS

Unanticipated changes in recipient income, resources, and other eligibility circumstances frequently occur within a quarter and often cannot be predicted. Furthermore, although recipients are encouraged to report benefit status changes as soon as they occur, they may delay reporting such changes for up to 30 days from the end of the quarter in which the change occurred without suffering a penalty. In addition, recipients have 10 days to appeal a change in their benefit payment amount before it is reduced or eliminated. Consequently, a benefit amount under the current prospective quarterly accounting period cannot be recomputed and the recomputed amount paid until after (1) a recipient has reported a change; (2) Social Security has processed the change; and (3) the recipient's 10 days to appeal have elapsed or, if appealed within 10 days, the matter has been resolved.

Social Security officials recognize that the present prospective quarterly accounting period should be changed to provide a more effective method for determining SSI eligibility and computing benefits, and believe that sufficient lead time would be needed to make the conversion. The costs involved in making the conversion should be minimal.

Changing the prospective quarterly accounting methodology to just a prospective monthly basis, as recommended in the House version of House bill 7200 and supported by Social Security, would not fully solve the problem--changes in beneficiaries' status would continue to be unpredictable, and erroneous payments would still occur. The Senate version calls for experimentation with various accounting periods, including retrospective accounting periods. This experimentation will most likely be time consuming, and will prolong the problem that currently exists.

We have evaluated the impact that retrospective monthly benefit calculations would have on the accuracy of SSI benefit payment amounts and believe that computing benefits on this basis alone would not fully reduce erroneous payments. However, by allowing a 1-month lag between the month used for eligibility determinations and benefit calculations, and the month payments are made to recipients, reductions in erroneous payments and in Social Security's administrative burden should be realized. Erroneous payments, however,

would continue to occur in those instances where recipients failed to report, or report in a timely manner changes in circumstances.

The 1-month lag is intended to provide Social Security with sufficient time to

- process an initial eligibility determination or reported benefit status change,
- notify the recipients of their right to an evidentiary hearing, and
- calculate a benefit payment amount before any erroneous payments are disbursed.

If our proposed methodology had been used in the example on pages 3 and 4, Mr. Z would not have received a \$60 overpayment but would have instead been paid \$177.80 in September and October, and \$17.80 in November [\$177.80 less countable unearned income received in September of \$160 (\$180 minus \$20 exclusion) results in a \$17.80 benefit payment]. For those recipients who receive earned or unearned income in 1 or 2 months of a quarter, our retrospective monthly accounting period could cause a decrease in benefit payments from what they would have received under the current method of averaging income and exclusion amounts over a quarter. However, this would be true of any monthly accounting period selected. For example, Mr. Z, who only received income in September, would actually receive \$40 less in benefits using a monthly accounting period because income and exclusion amounts would not be averaged over a 3-month period as under the present system.

Thus, for those benefit status changes that are reported timely, our proposed retrospective monthly accounting period with a 1-month lag should substantially reduce erroneous payments caused by the present prospective quarterly accounting period, and reduce the administrative burden of developing and processing overpayments. However, our proposed accounting methodology could delay payments to initial applicants for up to 2 months, depending on the date the applicant filed for benefits and the processing time required by Social Security.

To avoid any delays in paying new applicants under our proposed accounting methodology, initial applicants should be allowed to file an application for SSI benefits 1 month prior to their date of eligibility, and the amount of benefits

should be based on income and benefit status in the month prior to application. This would allow individuals who will turn age 65 in March to apply for SSI benefits in February. Their SSI benefits would be based on their January income and benefit status, and the check covering that period would be paid to them in March. This would allow new applicants to receive their first payment in the same month that they become eligible.

RECOMMENDATION TO THE COMMITTEES

We recommend that the law be amended to change the basis for determining SSI eligibility and benefit payment amounts from a quarterly accounting period to a retrospective monthly accounting period, with a 1-month lag.

To accomplish our recommendation, the following specific language is suggested as an amendment to section 1611(c)(1) 1/ of the Social Security Act:

"An individual's eligibility for benefits under this title and the amount of such benefits shall be determined on a retrospective monthly basis, with a 1-month lag between the month used for eligibility determination and benefit calculation, and the month payment is made; except that, initial applications for benefits under this title may be filed 1 month prior to the date of eligibility, and the amount of benefits will be based on income and benefit status in the month prior to application. Eligibility for and the amount of such benefits for any month shall be redetermined at such time or times as may be provided by the Secretary."

Section 1612(b)(3)(A) and (b)(3)(B) 2/ of such act should be amended as provided in section 108(b)(I) and (b)(2) of House bill 7200 that passed the House of Representatives on June 14, 1977, to read as follows:

1/42 U.S.C. 1382(c)(1) (Supp. II 1972).

2/42 U.S.C. 1382a(b)(3)(A) and (b)(3)(B) (Supp. II 1972).

"(3)(A) the total unearned income of such individual (and such spouse, if any) in a month [calendar quarter] which, as determined in accordance with criteria prescribed by the Secretary, is received too infrequently or irregularly to be included, if such income so received does not exceed \$20 [\$60] in such month [quarter], and (B) the total earned income of such individual (and such spouse, if any) in a month [calendar quarter] which, as determined in accordance with such criteria, is received too infrequently or irregularly to be included, if such income so received does not exceed \$10 [\$30] in such month [quarter]"; (Underscoring indicates our proposed changes to the law.)

Also, a provision similar to section 108(c) of House bill 7200 should be provided to allow sufficient leadtime to make the conversion as follows:

"The amendments made by this section shall be effective on such date as the Secretary of Health, Education, and Welfare determines to be administratively feasible, but not later than September 30, 1978."

To prevent any recipients from initially being paid less when converting from a prospective quarterly to a retrospective monthly accounting period, we suggest the following provision be incorporated into House bill 7200:

"The benefit payment amount under the retrospective monthly computation period with a 1-month lag shall not be lower for the first 2 months after conversion than the correct benefit payment amount determined under the quarterly computation period."

To coordinate the effective dates of the cost-of-living benefit rate increases of social security programs under our accounting methodology, we suggest that section 1617 1/ of the Social Security Act be amended to read as follows:

1/42 U.S.C. 1382f (Supp. IV 1974).

"Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of determination made under section 215(i), each of the dollar amounts in effect for such month under subsections (a)(1)(A), (a)(2)(A), (b)(1) and (b)(2) of section 1611, and subsection (a)(1)(A) of section 211 of Public Law 93-66, as specified in such subsections or as previously increased under this section, shall be increased by the same percentage (and rounded, when not a multiple of \$1.20, to the next higher multiple of \$1.20), effective with respect to benefits 2 months [for months] after such month; and such dollar amounts as so increased shall be published in the Federal Register 2 months after [together with, and at the same time as] the material required by section 215(i)(2)(D) to be published therein by reason of such determination." (Underscoring indicates our proposed changes to the law.)

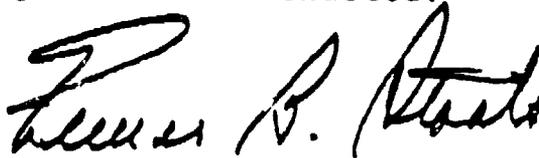
This amendment thus will postpone the cost-of-living increase in SSI payments for 2 months after the cost-of-living increase becomes effective.

AGENCY COMMENTS AND OUR EVALUATION

Because of anticipated early action on House bill 7200, we did not take the additional time needed to obtain formal written agency comments. The matters covered in this letter, however, were discussed with Social Security officials. They expressed concern that a recipient's income for a given month would be considered more than once during the period of conversion (first for the prospective quarterly computation and again under our proposed computation method), and that cost-of-living benefit rate increases would have to be coordinated with the Social Security title II program. They were also concerned about the impact our proposed methodology would have on SSI recipients' need for State emergency assistance and the determination of their eligibility for Medicaid. While these matters would have to be considered under any legislation changing the SSI accounting methodology, we believe the impact of our proposed method would be minimal.

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We hope that this information will give you additional insight into the changing nature of an SSI recipient's status, and the impact these changes have on the accuracy of benefit payments. Also, we hope that you will consider our proposal before pending legislation is enacted.



Comptroller General
of the United States