



SOCIAL SECURITY

MEMORANDUM

Date: May 9, 2023 **Refer To:** TCB

To: Stephen C. Goss ASA, MAAA
Chief Actuary

From: Michael Stephens, ASA /s/
Supervisory Actuary
Chelsea Shudtz, FSA /s/
Supervisory Actuary
Office of the Chief Actuary (OACT)

Subject: Revised Estimates of the Short-Range Effects on Scheduled OASDI Benefit Payments and Federal SSI Payments of a Proposed Implementation of Section 824 of the Bipartisan Budget Act of 2015 (BBA) Establishing a Wage Data Match with Equifax—**INFORMATION**

The subject proposal would allow the Social Security Administration (SSA) to implement a monthly automated exchange with a commercial payroll database, The Work Number (TWN), which is a part of Equifax.¹ Such a match would be done in order to identify unreported, underreported, or overreported wages on a more timely basis than under current procedures. The automated matches would primarily be conducted for the purposes of (1) determining eligibility for and amount of monthly SSI payments for all aged, blind, and disabled recipients who provide authorization to SSA to conduct this match, and (2) determining post-entitlement work activity of OASDI disabled beneficiaries as it relates to their ability to work above the Substantial Gainful Activity Level who similarly provide authorization.² The contract with the TWN would also allow SSA to use the payroll information for the purpose of determining whether disabled applicants are engaging in Substantial Gainful Activity in step 1 of the sequential evaluation process; however, that generally could not be done via an automated exchange.

We previously provided estimates of this proposal in our memorandum dated March 13, 2023. These updated estimates reflect the acquisition of additional payroll provider data by Equifax, as well as better reflecting the reduction in the average time to identify an OASDI overpayment attributable to this proposal.³ We currently estimate that implementation of this proposal would result in net Federal benefit reductions of \$1.8 billion and \$1.9 billion for the OASDI and SSI programs, respectively, over fiscal years 2024 through 2033. These estimates reflect the combined efforts of many individuals in OACT, especially Micah Akerlind and Amir Levy.

¹ More details about The Work Number can be found at <https://theworknumber.com/>.

² Per specification provided by the Office of Retirement and Disability Policy, the matches would not be used in any way to administer the retirement earnings test, automatic or manual benefit recomputations due to earnings after initial entitlement, or any other purpose relating to OASDI entitlement and tax liabilities.

³ “*Estimated Short-Range Effects on Scheduled OASDI Benefit Payments and Federal SSI Payments of a Proposed Implementation of Section 824 of the Bipartisan Budget Act of 2015 (BBA) Establishing a Wage Data Match with Equifax—INFORMATION*”, by Michael Stephens and Chelsea Shudtz, dated March 13, 2023.

Current process

Wage information is obtained under current processes in several ways, including: (1) reporting by SSI recipients, deemors, representative payees, or other third-part individuals through the agency's 800-number, online, and mobile applications; (2) quarterly matches with the National Directory of New Hires (NDNH) provided by the Office of Child Support Enforcement; and (3) annual matches with the Master Earnings File (MEF). Currently, claims representatives and other appropriate agency staff can manually search a TWN database for wage information; however, that process is done only for certain cases on an as-needed basis.

For the SSI program, monthly wages affect both eligibility for and the amount of monthly payments. Both of these aspects depend not only on the wages of the recipients themselves, but also any applicable deemors. The proposed wage match with the TWN would be done for both recipients and deemors, in order to identify all applicable wages as possible. For OASDI disability beneficiaries on a post-entitlement basis, wages primarily affect the determination of eligibility for and entitlement to disability benefits.⁴

In both programs, the current processes can lead to the identification of substantial underpayments and overpayments on a retroactive basis (i.e., after the month in which applicable wages would affect eligibility for and the amount of payments) due to the potential for significant lags in the identification of wages.

Details of the proposal

This proposal would implement the authority provided to SSA in section 824 of the BBA.⁵ Under the proposal, SSA will request authorization from each OASDI disability beneficiary, SSI recipient, and SSI deemor to obtain wage information from TWN; SSA would only be able to conduct a wage match with TWN to obtain wage information for those individuals who have provided authorization.⁶ For individuals who do not give this authorization, SSA would only be able to obtain and verify wages as done under current processes. Once each monthly match is performed, SSA would be able to use these data immediately, without independent verification. However, the proposal would preserve all other current due process protections, including all appropriate appeal rights. Current processes would be retained, since (1) presumably not all individuals would provide authorization to allow the TWN to provide SSA with their payroll information, and (2) the TWN does not cover the entire United States workforce.

Assumptions and estimated effects

As a result of implementing this proposal, there would be several effects because of the generally earlier identification and correction of wage amounts. First, there would be changes in ongoing monthly benefits effectuated earlier. Because wages are generally unreported or underreported more often, and to a greater degree than wages are overreported, this should result in net reductions in benefits and payments on an ongoing basis, as well as a net reduction in the numbers of beneficiaries and recipients in current payment status. Second, there would be reductions in identified overpayments and underpayments on a retroactive basis, with the net effect being a net reduction in identified improper payments. Finally, as improper payments would be identified on average earlier under this proposed process relative to current processes, overpayments would be collected (and underpayments paid) earlier on average, with net increases in earlier years and net decreases in later years for a given cohort of incurred overpayments.

The attached table provides the estimated net reductions in scheduled OASDI benefits and Federal SSI payments on an annual basis for fiscal years 2024 through 2033. These estimates reflect the assumptions underlying the President's Fiscal Year 2024 Budget and an assumed effective date of October 1, 2023. The estimates further importantly assume that SSA will not contract with any commercial payroll

⁴ The identification of wages earned after the year of entitlement can also affect the computation of a worker's Primary Insurance Amount, and as a result monthly OASDI benefits payable. This is part of the Automatic Earnings Reappraisal Operation. Per guidance from the agency, this proposal would not affect these earnings recomputations.

⁵ See <https://www.congress.gov/114/plaws/publ74/PLAW-114publ74.pdf>, page 25.

⁶ SSA has been requesting and obtaining authorization for these wage matches since late in 2017. Current data indicates that about 98% of those individuals asked do provide such authorization.

databases other than the TWN by Equifax. In making these estimates, we have necessarily made several other important assumptions, described next:

1. SSA's administrative data indicates that approximately 98 percent of all individuals who have been asked to provide authorization for this proposed wage match provided such authorization.
2. Based on the 98 percent of those who have been asked and provided authorization, for these OASDI estimates we have assumed that the total number of disabled OASDI beneficiaries will gradually increase over time as new benefit awards come on to the rolls and as work-related continuing disability reviews are initiated.
3. According to SSA administrative data, among recipients of SSI payments in July 2022, approximately 56 percent of such recipients and 67 percent of their deemors have provided authorization for SSA to obtain wage information from TWN since the agency began requesting for such authorization in late 2017. This is consistent with the 98 percent authorization rate discussed above. We assume that the share of the SSI rolls who have provided authorization will gradually increase to cover almost the entire population of SSI recipients.
4. Both the OASDI and SSI estimates assume that 10 percent of individuals who would have wages identified under the proposed wage match would not have wages identified under the current process. The remaining individuals who would have wages identified under the proposed match would have the wages identified more quickly than under the current process.
5. The SSI estimates assume that for those recipients for whom this wage match identifies new or additional wages, there would be ongoing reductions in their monthly payment amounts.
6. The OASDI estimates assume that about 50 percent of overpayments resulting from the identification of new or additional wages would ultimately be collected over a ten-year period. The SSI estimates assume an 80 percent ultimate recovery rate.

Attachment

cc: Karen P. Glenn

Estimated net change in scheduled OASDI benefit payments and Federal SSI payments for
the proposed implementation of an automated match with The Work Number consistent with
the authority provided in section 824 of the Bipartisan Budget Act of 2015,
fiscal years 2024–33
(In millions)

<u>Fiscal year</u>	<u>OASDI</u>	<u>SSI</u>
2024	-\$164	-\$249
2025	-128	-136
2026	-177	-146
2027	-201	-159
2028	-189	-205
2029	-181	-170
2030	-178	-206
2031	-180	-195
2032	-186	-198
2033	-211	-215
 Totals:		
2024–28	-860	-895
2024–33	-1,796	-1,879

Notes:

1. The estimates are based on the assumptions underlying the President’s Fiscal Year 2024 Budget.
2. The proposed regulation is assumed to apply to all determinations beginning October 1, 2023.
3. See covering memorandum for details of the proposal and assumptions used in the development of these estimates.
4. Federal SSI payments due on October 1st in fiscal years 2029 and 2034 are included with payments for the prior fiscal year.
5. Totals may not equal sum of components due to rounding.

Social Security Administration
Office of the Chief Actuary
May 9, 2023