

SOCIAL SECURITY DISABILITY INSURANCE (SSDI) & MEDICARE ENROLLMENT BEST PRACTICES

Social Security Advocacy Management Services – SSAMS™ Summer 2012

Public Consulting Group

I. EXECUTIVE SUMMARY

Due to the financial pressures facing public agencies that administer pension and retiree health care benefits, the time has come to investigate innovative ways for agencies to provide services to their consumers (e.g. retirees, spouses and dependants) in a fiscally and programmatically responsible way. The focus of this paper is not to address aspects of pension and health care fund financial management or policy revisions, but rather to introduce an option states can employ immediately to substantially reduce costs by proactively identifying and enrolling the pre-65 year old consumer disabled population onto Social Security Disability Insurance (SSDI) and Medicare. The services described in this paper are designed to cut costs and establish program efficiencies for customers while providing a financial and programmatic benefit to the state retirement plan and the customer.

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II. INTRODUCTION

Funding public sector pension and retiree health care benefits is a growing concern for retirement systems and health care plans across the country:

- Thirty four state retirement/pension systems are currently funded below the recommended eighty percent threshold with a collective unfunded liability of \$757 billion dollars¹.
- Supporting future pension benefits is causing states significant financial distress and has resulted in recent reforms among states that have altered contribution formulas, enacted benefit cuts, increased employee contributions or a combination of the three in an effort to rein in future costs.
- The Government Accounting Standards Board (GASB) recently approved two new standards that mark a major departure in the way pension costs are accounted for and reflected in financial statements. These changes will likely reflect 'true' liabilities even higher than they are today, as states begin implementing these new standards.

States face an even greater challenge in their ability to fund retiree health care costs given the unpredictability of these future costs:

- The total unfunded liability of health care costs has reached \$627 billion dollars. Some states having funded only twenty five percent of their retiree health care liabilities, while seventeen states have not set aside any money to fund their liabilities².
- One state recently eliminated through legislation free premium health insurance for existing retired judges, lawmakers, university employees, and state workers in an effort to address the annual rising costs of coverage³.

Today's public programs are operating with vastly reduced budgets while accommodating an increasing number of consumers. While reforms are one way to address these converging factors, programmatic efficiencies are another, more immediate option that states can leverage to instantly reduce costs without negatively impacting member services or benefits. Program modifications that shift funding from retiree pension and health plans to other sources is one way agencies can establish efficiencies within their pension and retiree health care systems.

Public retirement systems, health care plans, and public assistance agencies can substantially reduce costs by partnering with the private sector to proactively identify and enroll the pre-65 year old retired disabled population onto Social Security Disability Insurance (SSDI) and Medicare. Public Consulting Group, Inc. (PCG), a Boston-based company that specializes in public/private partnerships, has been providing these services with significant results for these agencies. Using a specialized predictive data modeling approach, PCG identifies members under the age of 65

(including retirees, spouses, and dependents) who are disabled but not yet enrolled in SSDI and Medicare and assists the individual with the enrollment process.

Health care costs for a member who has retired early because of a disability is estimated to be 1.5 times that of an active employee. SSDI benefits help retirement plans decrease monthly plan payments to SSDI-eligible members, and offset their future healthcare costs by up to \$40,000 annually for each member under the age of 65⁴. If implemented proactively, plans can save an average of over 4 years of costs while providing the additional benefits of increased income and medical coverage to the retiree and his/her dependents. Health plans can also realize significant savings by encouraging their members to pursue what is known as a Medicare only disability application for states whose public employees do not pay into Social Security.

This comprehensive solution significantly improves SSDI and Medicare enrollment in the shortest possible time, with the least disruption to the public agency. It helps agencies identify plan members based on the severity of their disability, and individually approaches and enrolls these members onto SSDI and Medicare quickly and efficiently. It emphasizes positive member interactions with exceptional customer service while increasing the number of SSDI and Medicare enrollments, resulting in significant agency savings and increased monthly member income.

III. BACKGROUND/PROBLEM

Both public and private employer pension and health plans face significant challenges due to diminishing financial returns, aging populations, and the rising costs of health care. One of the largest costs that retiree health plans face are for members (spouses and dependants) who have become disabled before they turn 65 years of age, whether before or after retirement. These health plans end up absorbing the higher costs of the member's disability, which can run an average of \$40,000 annually. Because of their disability, some of these members will meet the eligibility requirements of the Social Security Administration's Supplemental Security Disability Insurance (SSDI) program:

¹The PEW Center on the States "The Widening Gap Update". June, 2012.

²Ibid.

³Chicago Tribune "Retired state workers will have to pay for health insurance; Quinn signs legislation ending the free ride". June 22, 2012.

⁴PCG sample customer actual results FY 2012

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SOCIAL SECURITY DISABILITY INSURANCE (SSDI/TITLE II)
Available only to individuals unable to engage in "substantial gainful activity: due to a disability expected to endure ≥ 12 months or result in death
Entitlement earned through payment of Social Security (FICA) tax
Automatic Medicare enrollment (generally after 24 month eligibility period)
Retroactive and ongoing cash payments to enrollees
Benefit amount based on taxes paid

Many of these members have not yet qualified for SSDI due to the complexities of application development and the inherent delays in the SSA disability determination process. As a result, members who would meet SSDI eligibility criteria are not enrolled into the SSDI program. To contain costs—and ensure that plan members, spouses and dependants receive the disability assistance to which they are entitled—plans should prioritize the identification and enrollment of all disabled members into SSDI and ultimately into Medicare, thus relieving themselves of a significant financial burden while ensuring that their members remain covered.

IV. SOLUTION

Two overarching goals should drive agencies implementing an SSDI and Medicare identification and enrollment solution:

- 1. Enhance Services to Pension and Retiree Health Care Plan Members:** Deliver to members a personable, one-on-one, case management solution; and
- 2. Optimize Pension and Health Care Plan Savings:** Ensure that the plan achieves optimal savings by maximizing the volume of potential SSDI and Medicare member enrollments.

There are significant challenges to identifying disabled members, working with them to apply for SSA benefits, and enrolling them onto SSDI and Medicare. Navigating and interpreting complex federal regulations, managing comprehensive information systems to identify members, performing financial cost-benefit analyses, and developing an efficient process for contacting and enrolling these members are just a few of these challenges.

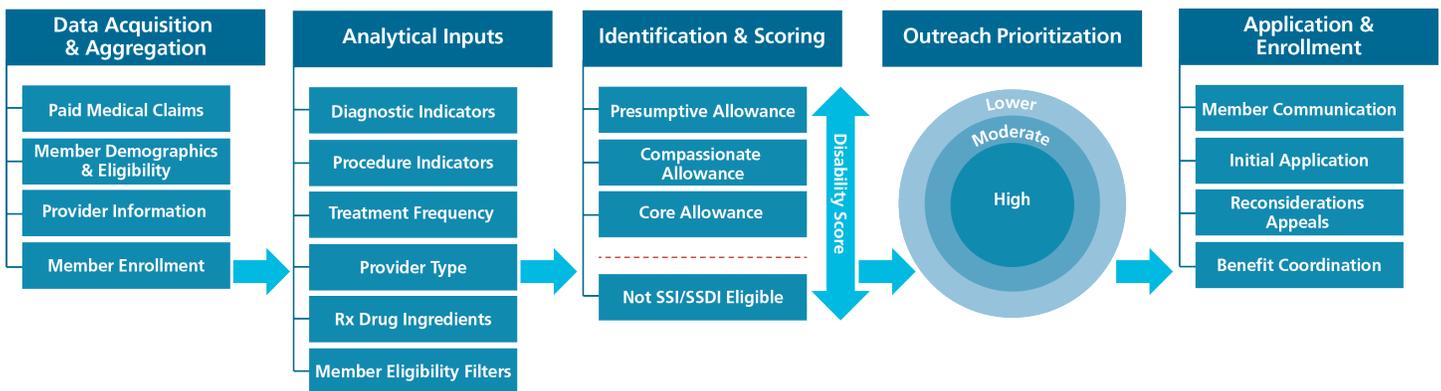
An optimal SSDI and Medicare identification and enrollment solution maximizes plan cost-savings and member benefits available through SSDI enrollments while minimizing the burden on plan resources. Characteristics include:

- Identification of potentially eligible individuals by applying predictive data modeling and analytics to health claims and eligibility data to isolate members who demonstrate a likelihood of eligibility for coverage under SSDI and Medicare.
- Multi-faceted member outreach to build relationships and guide members through all levels of the program enrollment, from application to allowance.
- Benefits application and case management.
- Support through all levels of the appeals process, including face-to-face hearings.
- Liaise with SSA and DDS nationwide.
- Strategies to avoid future health care plan payments as primary liability now rests with the Medicare program. Includes loading enrollment information into the member eligibility file once enrollments are complete.

The traditional approach to member identification currently used by some pension and retiree health care plans, where a plan initiates SSA benefits application for only those members who are "disabled" under pension rules, will miss eligible cases because it does not take into consideration the complex mix of elements that need to be considered under Social Security's definition of disability. The combination of a person's age, education, and work history, a comprehensive list of all conditions (physical and mental) and the functional limitations of each, plus the effects of treatment and medications all determine a member's likelihood of being found eligible for SSDI and Medicare. Using paid health care claims and any available demographic and eligibility data to target likely disabled, high-cost members for SSDI and Medicare enrollment can identify those individuals who would otherwise "slip through the cracks". This solution goes well beyond simply looking for ICD 9 codes in a member's medical record and matching those with SSA's "Listing level conditions". It leverages demographic, adjudicated health claims, provider, and benefit eligibility information gathered over years of disability representation to evaluate all members for both the likelihood of a health or mental disability and subsequent chance of a successful enrollment.

The diagram on the following page provides an overview of the five stages of a comprehensive, proactive SSDI and Medicare identification and enrollment solution like the one provided by PCG that you can use as a guide when developing your own program:

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1. Data Acquisition and Aggregation: Acquire all available data in order to synthesize member eligibility profiles. Aggregate member demographics, plan eligibility, adjudicated health claims, provider information, and Medicare enrollment data into relational database architecture for systematic evaluation and expedient analysis. Analyze data from each of these source files to determine the likelihood of SSDI eligibility. Establish a routing data exchange process to ensure consistently updated information.

2. Analytical Inputs: Extract multiple variables from aggregated data to develop member profiles, the basis for the disabled member’s identification and prioritization analysis. Integrate medical condition, member eligibility, and demographic factors into analysis. Each variable impacts a member’s disability eligibility score and is weighted according to the impact that variable has on a successful enrollment. Apply a complex set of algorithms and predictive models to these factors to identify and score members’ probability for enrollment based on analytical inputs. Routinely recalibrate scoring methodology based on enrollment outcome feedback for health care plan members, including both quantitative and qualitative characteristics into feedback loop.

3. Identification and Scoring: Leverage member characteristics and medical activity patterns correlated to SSDI and Medicare enrolled individuals to identify likely SSDI and/or Medicare eligible members. Assign a relative score to each member that is indicative of the probability of enrollment based on historic knowledge. A member’s score is the weighted-average sum of the scores assigned to each analytical input variable. A member’s specific condition weighs significantly in the score.

4. Outreach Prioritization: Implement effective prioritization strategy. Scoring methodology will prioritize members for outreach on the bases of probability of entitlement, expediency of enrollment, and value of cost-savings. Member scores are classified into a three-tier prioritization scale including High, Moderate, and Lower classifications:

5. Application & Enrollment: The application and enrollment phase includes all aspects of member communication, completing the initial application, filing reconsideration and appeals (if necessary), and conducting member and agency benefit coordination activities.

HIGH

- Members qualify for automatic or expedited SSDI & Medicare benefits with conditions under the Compassionate Allowance or Presumptive Disability categorizations
- This group is characterized by a small number of target individuals with significant cost savings

MODERATE

- Members classified into the moderate priority category exhibit severe disabilities
- These members are different from members in high priority category because their disabilities follow SSA’s standard application and enrollment timeline
- Moderate priority members also generates significant costs

LOWER

- Members from the lower priority category often qualify for SSDI & Medicare
- The claim development process is more intensive and time-consuming with an emphasis on documentation of condition(s) and personal interviews to build evidence for a strong disability claim
- The SSA application review and enrollment process is often 6 - 9 months for the category

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SSDI enrollment is the first step in the path to Medicare enrollment. Once enrolled, each member is automatically enrolled into Medicare 24-months from the date of disability onset. A 12-month limit applies to the retroactive date of disability, resulting in a minimum 12-month SSDI enrollment period prior to Medicare enrollment. Immediate Medicare enrollment exceptions are available to members with End-Stage Renal Disease (ESRD) and Amyotrophic Lateral Sclerosis (ALS).

Medicare Only Disability Applications

Health care plans can also realize significant savings by encouraging their members to pursue what is known as a Medicare only disability application. Health care plan members who pay into Medicare are eligible to receive Medicare coverage prior to the age of 65 if a disability can be established. Cash payments through SSDI are not available to members who have not paid into Social Security, but health care plans can realize significant costs savings by assisting members in their pursuit of Medicare coverage based on their disability. Member incentive stems from the benefit of becoming dually insured where Medicare is the primary payer and their current health care plan is secondary. Depending on the plan, this can be significant in

reducing members' out-of-pocket health care expenses. Health care plans who offer this no-cost service to their members incentivize members to pursue Medicare eligibility where they otherwise may put it off, or not pursue altogether.

The Medicare only disability application is administered by SSA using the same criteria as SSDI, which means the disability criteria and application process is the same as it is for people applying for SSDI cash benefits. A member's date of birth, number of years paid into Medicare, and date of disability are all factors to consider.

SSA notes that until recently, these types of claims were extremely rare. States are now increasingly encouraging and incentivizing their members to seek these benefits due to budgetary constraints at the state level. These disability applications should always be flagged as "Medicare only" since SSA admits they often miss these cases unless they are properly identified at the time the application is filed.

Benefits to Members and Health Plans

Implementing a comprehensive SSDI and Medicare identification and enrollment solution provides a number of advantages to pension and retiree health care plans and their members, among them:

Retirement & Health Care Plan Impact	Member Impact
<ul style="list-style-type: none">• Improve retirement fund financial position by shifting members onto federal disability SSDI benefits, reducing the monthly pension benefit payment to SSDI-eligible members (dependant upon retirement plan rules).• Medicare becomes primary payer; Health Care Plan costs are significantly offset through Medicare enrollment of SSDI-eligible members.• Net annual Health Care Plan savings average \$40,000; accrues savings for 4.60 years prior to age 65 on average.• Plans recoup Medicare overpayments for individuals who received Medicare benefits unbeknownst to the plan.	<ul style="list-style-type: none">• Retroactive SSDI lump-sum cash payment of up to \$40K for SSDI-eligible members (compensation for retroactive eligibility).• Ongoing monthly Primary Insurance Amount cash payment of \$1,700 on average; SSDI-eligible members receive an increased monthly income amount from the addition of these benefits to their plan payment.• Increase medical coverage through dual eligibility; enrollment in Medicare in addition to existing health plan.• Good will between plan members.

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Medicare Eligibility

For pre-65 individuals who become eligible for SSDI the Medicare waiting period (29 months from the date of disability onset) must be met before Medicare will begin to cover medical insurance claims. The first month is often established by the month in which the individual filed for disability with SSA; however, SSA will allow the first month to be calculated 12 months prior to filing the application if the medical evidence can prove the onset of the individual's disability met the SSA criteria at that time or any month within the 12 month period prior to filing. Developing and presenting medical evidence to ensure SSA establishes the earliest onset date for claimants is essential to gain them not only additional cash benefits but also a significantly shorter path to Medicare eligibility.

Case Study – Annual Financial Impact

Below is a case study of a current PCG client that demonstrates how one plan and its members achieve significant financial benefits from SSDI and Medicare enrollment:

BENEFITS TO MEMBERS	
• Average annual SSDI income per year, per member	\$21,408
• Total annual SSDI income per year for 1,000 successful members	\$21.4M
• Total one-time retroactive disability benefits for 1,000 successful members	\$ 13.54 M
RETIREMENT SYSTEM BENEFITS	
• Annual pension savings per retiree enrolled	\$4,800
• Pension recovery per retiree (average of four years, until member turns 62)	\$19,200
• Total annual pension benefit savings for 1,000 retirees	\$19.2M
• Annual health care plan savings per disabled member (with Medicare)	\$40,000
• Health care plan total savings per disabled member transitioned onto Medicare prior to age 65 (average 4 year period)	\$160,000
• Total annual health care savings for 1,000 disabled members (average 4 year period)	\$ 160 M

Plan Member Testimonials – Example Member Outreach Response Summary

The financial benefits of a program such as the one described above are substantial. However, one of the most gratifying aspects of implementing a comprehensive SSDI and Medicare identification and enrollment solution is the positive impact it has on the member's life. Below are real examples of thankful testimonials received from the member community:

"I am shocked that I received \$21,872.00 in retroactive pay. I appreciate all you have done for me and I am excited about the Medicare portion; that will help with my medical bills." (Pamela, MI)

"Thank you for your work on my case. I will receive \$25,000.00 retroactive payment and I am astounded my case was allowed in 3 months. My previous job was as a union representative, and the average time for disability cases to be approved was 2 years. I will be recommending you and put in a good word with the Regional Union Representative." (Thomas, MI)

"If I hadn't received the letter from the [PCG Client], I would not have known about the dual medical insurance coverage. I would never have considered applying for any type of help nor did I know this was available to me. This will help me tremendously as my medicines aren't completely covered and I pay approximately \$2,000.00/month myself." (Frank, NY)

V. CONCLUSION

Funding public sector pension and retiree health care benefits is a growing concern for retirement and health care plans across the country. Due to the financial pressures facing public sector agencies that administer pension and retiree health care benefits, the time has come to implement innovative ways for agencies to provide services to their members in a fiscally and programmatically responsible way. One of the largest costs that plans face are for members (spouses and dependants) who have become disabled before they turn 65 years of age. These plans end up absorbing the higher costs of the member's disability which can run an average of \$40,000 annually.

Because of their disability, some members will meet the eligibility requirements of the SSDI program. Many have not yet qualified for SSDI due to the complexities of application development and the inherent delays in the SSA disability determination process. The traditional approach to member identification—where a plan initiates SSA benefits application for only those members who are "disabled" under pension rules—will miss eligible cases because it does not take into consideration the complex mix of elements that need to be considered under Social Security's definition of disability. Using paid health claims and any available demographic and eligibility data to analyze, identify, and target likely disabled, high-cost recipients for SSDI and Medicare enrollment can identify those individuals who would otherwise "slip through the cracks", which includes those members who will develop disabilities after their retirement date. Consistently reviewing your members' health needs and medical situation on an ongoing basis is critical.

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To contain costs—and ensure that plan members, spouses and dependants receive the disability assistance to which they are entitled—plans should prioritize the identification and enrollment of all disabled members into SSDI and ultimately into Medicare, thus relieving themselves of a significant financial burden while ensuring that their members remain covered. Implementing a comprehensive SSDI and Medicare identification and enrollment solution provides a number of advantages to both retirement services organizations and their members.

VI. ABOUT PCG

Public Consulting Group (PCG) has over 25 years of proven experience and results in working with the Social Security Administration (SSA) and the Centers for Medicare and Medicaid Services (CMS) to better coordinate and manage Disability and Medicare benefits for retirees under 65 and their spouses and dependents.

Public Consulting Group, Inc. (PCG) provides industry-leading management consulting and technology to clients in the areas of human services, healthcare, and education using technology to help them achieve their performance goals and optimize services to their target audience. Established in 1986 with headquarters in Boston, Massachusetts, PCG is a global management consulting firm with more than 1,000 professionals in 40 offices across the U.S., Montreal, Canada, London, England, and Lodz, Poland.

At PCG, we focus on finding and developing significant savings opportunities for our clients in the most proficient and cost-effective manner. We have helped numerous organizations to maximize resources, make better management decisions using performance measurement techniques, improve business processes, improve compliance, and improve client outcomes.

PCG collaborates with pension plan agencies, healthcare plans, state public assistance agencies and long term disability providers to proactively identify members (retirees, spouses and dependents) who are disabled but not yet enrolled in SSDI. SSDI benefits help pension plan agencies decrease monthly plan payments to SSDI-eligible members under the age of 65, long term disability providers recoup disability benefits, and health care plans offset health care costs for Medicare enrollment of SSDI-eligible members under age 65.

We provide the following services:

- Data acquisition and mining
- Identification and prioritization of likely eligible beneficiaries using predictive modeling
- SSA representation, application development and submission, and enrollment
- Plan member outreach and engagement
- Employee training services
- Support through all levels of the SSDI appeals process
- Case management and financial management of awarded benefits
- SSA program assessments and recommendations

Other services we provide:

- Revenue optimization
- Long term care
- Elders and persons with disabilities
- Medicaid – Medicare
- Health care reform
- Independent Verification & Validation (IV&V)
- Operations outsourcing
- Financial management
- Child welfare and youth services
- Early education and child care
- Supplemental Nutrition Assistance Program (SNAP)
- Temporary Assistance for Needy Families (TANF)
- Welfare To Work (WTW) and Workforce Services
- Physician group practices
- Cost allocation plans
- Public and private hospitals
- Patient accounting and billing services



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