

**Social Security Advisory Board  
Minutes  
Board Meeting  
July 18, 2012**

**Location:** 400 Virginia Avenue, S.W., Suite 625  
Washington, D.C. 20024

**Time:** 8:45 a.m. – 4:00 p.m.

**SSAB Members:** Marsha Katz, Acting Chair  
Jagadeesh Gokhale  
Dorcas Hardy  
Barbara Kennelly  
Mark Warshawsky

**Presenters:** Richard Foster, Chief Actuary(Centers for Medicare and  
Medicaid Services (CMS))  
Clare McFarland, Deputy Director for Medicare/Medicaid  
Cost Estimates Group (CMS)  
Stephanie Hall, Deputy Commissioner for Quality Performance  
(SSA)  
Dan Zabronsky, Director, OQP’s Division of Modeling (SSA)  
Michael Soderman, Director, OQP’s Division of Management  
Analysis (SSA)  
Steve Clifton, President of the National Council of Social  
Security Management Associations (NCSSMA)  
Scott Hale, NCSSMA Vice President  
Joe Dirago, NCSSMA Past President  
Rachel Emmons, Government Relations Consultant  
Patrick O’Carroll, Inspector General (SSA)  
James Kissko, Deputy IG (SSA)  
Gale Stone, Deputy Assistant IG for Audit (SSA)  
Srikant Sastry, Global Public Sector Managing Principle (Grant  
Thornton)  
John Short, SSA Engagement Partner (Grant Thornton)  
Carlos Otal, Partner (Grant Thornton)  
Shiva Verma, Director (Grant Thornton)  
Robert Shea, Public Sector Practice Principle (Grant Thornton)

**SSAB Staff:** Debi Sullivan, Staff Director  
Jackie Chapin  
Jeremy Elder  
Joel Feinleib  
Emalie Hoar, Staff Intern  
Paul Monahan, Staff Intern  
Beverly Rollins  
David Warner

During the July meeting, the Board held four fact-finding meetings and met in executive session to discuss current and future Board projects. In the morning, Board members discussed the status of the Medicare Trust Fund with Richard Foster and Clare McFarland. The Board

heard that Medicare and Medicaid prices for inpatient hospital services are currently about two-thirds of those for private health insurance. Future payments will be reduced in accordance with economy-wide gains in productivity such that by 2035, prices for Medicare and Medicaid inpatient hospital services will be about 50 percent of those for private insurance. The sustainability of such payment reductions is questionable given that providers in the healthcare sector have never come close to achieving productivity gains in the rest of the economy. Also, the sustainability of the scheduled reductions in payments to physicians under Medicare is similarly questionable. Medicare payments are roughly 80 percent, and Medicaid 60 percent of private insurance physician payments, with Medicare reductions scheduled to fall to 40 percent by 2030.

During lunch, the Board members met with Stephanie Hall, Dan Zabronsky, and Michael Soderman to discuss SSA's use of predictive modeling. The broad range of predictive models that SSA is using include: the SSI Redetermination Model; the Medical Continuing Disability Review Scoring Model; the Medical Diary Scoring Model, the SSR/IRS Wage Model, the SSR/Child Support Enforcement Wage Model, and the Single Decision Maker Model. The Board heard that predictive modeling focuses on individual behavior and its model estimation is based on known outcomes of a particular event. The specific models are usually estimated at the case level using micro data (individual record level data). SSA uses various approaches for predictive modeling (based largely on classical modeling), and uses linear and regression analysis and relies on standard statistical techniques.

During the first session of the afternoon, the Board met with Steve Clifton, Scott Hale, Joe Dirago, and Rachel Emmons to discuss NCSSMA activities, issues and concerns. The NCSSMA members were visiting D.C. to meet with Capitol Hill staff and SSA executives.

During the second session of the afternoon the Board members met with Patrick O'Carroll, James Kissko, Gale Stone, Srikant Sastry, John Short, Carlos Ota, Shiva Verma, and Robert Shea to discuss their evaluation of SSA's cost allocation system. The Board was told about the results of three reviews that SSA's Inspector General and Grant Thornton performed on SSA's system, including the facts that SSA needs to provide more documentation on how it allocates costs, and that one of its biggest deficiencies lies with its work sampling process. The Board also heard that SSA's Office of Disability, Adjudication and Review's methodology and systems for cost allocation are going well.

I certify that the minutes written for the July 18, 2012 meeting of the Social Security Advisory Board are correct.



August 13, 2012

Chair (A)  
Social Security Advisory Board