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Program Integrity Discretionary Cap Adjustments Explained



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Sometimes, more can get you less. More cops can reduce crime. More food inspectors can reduce illness. And the same goes for certain types of federal spending. More money for some federal programs can actually save the government money by reducing waste, fraud, and abuse—in addition to making things work better. These types of things are referred to as *program integrity* initiatives. These efforts bear a large responsibility of reducing fraud and waste within the federal government for a relatively small amount of money. ¹

Some program integrity efforts get special treatment in the budget and appropriations process. In this report, we explain three particular program integrity efforts that utilize a wonky term called discretionary cap adjustments. We break down what cap adjustments do and then explore each of the efforts on health care, disability spending, and unemployment insurance.

What are Program Integrity Discretionary Cap Adjustments?

In 2011, Congress put limits on annual discretionary spending through the Budget Control Act (BCA). However, there have been special carve outs to promote good governance efforts that may actually save the government money.

Notably, due to scoring rules, these efforts don't get credit for the savings they produce. ² Instead, Congress provides a "cap adjustment" under discretionary spending caps so program integrity does not count towards the funding total. As a result, these program integrity efforts don't have to compete for federal dollars with other priorities.

These cap adjustments are a specified amount of budget authority that agencies are allowed to spend. There are three specific categories of program integrity adjustments which all receive funding in the Labor, Health and Human Services, and Education Appropriations bill:

1. **Medicare:** Health Care Fraud and Abuse Control
2. **Social Security Administration:** Continuing Disability Reviews and Redeterminations
3. **Unemployment Insurance:** Reemployment Services and Eligibility Assessments

The first two program integrity categories related to Medicare and Social Security disability were implemented in the Budget Control Act. ³ At the time, the Congressional Budget Office estimated that \$15.1 billion in total program integrity spending would produce \$15.6 billion in non-scoreable mandatory spending savings over a decade. ⁴ The third program integrity category focused on Unemployment Insurance was added in the Bipartisan Budget Act of 2018. ⁵

After the BCA expired, Congress continued to provide for program integrity cap adjustments in FY 2022 and FY 2023. ⁶ With the revival of discretionary spending caps in the Fiscal Responsibility Act enacted in 2023, formal program integrity spending adjustments were specified for FY 2024 and FY 2025. ⁷ Over the next decade, these efforts are projected to save \$82.4 billion in mandatory spending, for a net savings of \$50.7 billion. ⁸

Cap Adjustment #1: Medicare Fraud

What this targets: Health care fraud and abuse control.

This program integrity initiative increases medical reviews in Medicare to oversee claims made by health care providers. The goal is to increase valid payments in Medicare Parts C and D and Medicaid to ensure the government is paying correct amounts for services as well as measure

improper payments in the Affordable Care Act health insurance marketplaces. The funding is allocated between the Centers for Medicare and Medicaid Services, HHS Office of Inspector General, and the Justice Department, allowing agencies to coordinate federal, state, and local law enforcement activities. ⁹

Funding levels: Health care fraud and abuse control received \$604 million in cap-adjusted appropriations in FY 2024. ¹⁰ The FRA allows for \$630 million for health care fraud and abuse control for FY 2025.

Successes and savings: As a result of total health care fraud and abuse control program integrity efforts, investigations conducted by HHS's Office of Inspector General in FY 2022 resulted in 661 criminal actions and 726 civil actions, and the agency excluded 2,332 individuals and entities from participation in federal health care programs. ¹¹

President Biden's FY 2025 budget estimates that the health care fraud and abuse control activities covered under the cap adjustments would produce a total of \$14.9 billion in mandatory savings over the next decade, for net savings of \$8.3 billion. ¹² Savings come from prevention and recoupment of improper payments made to providers and recoveries related to civil and criminal penalties. Using OMB data calculated over 10 years, these program integrity funds would yield a return of nearly \$2.30 for every \$1 invested. ¹³

Improper payment rates among major health care programs are carefully tracked, partially using program integrity funds: 7.38% for traditional Medicare, 6.01% for Medicare Part C, 3.72% for Medicare Part D, 8.58% for Medicaid, 12.81% for CHIP, and 0.58% for ACA premium tax credits. ¹⁴

Cap Adjustment # 2: Social Security Disability

What this targets: Continuing disability reviews and non-medical evaluations known as "redeterminations" within the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) programs.

These program integrity activities include conducting continuing disability reviews, evaluating SSI eligibility, and investigating and prosecuting fraud through cooperative disability investigation units and special attorneys for fraud prosecutions. Continuing disability reviews are medical, periodic re-evaluations to determine whether beneficiaries continue to meet disability standards, while redeterminations focus on non-medical factors like income and resources and may result in revisions of individual benefit levels.

Funding levels: Continuing disability reviews and redeterminations received \$1.578 billion in cap-adjusted appropriations in FY 2024 through the Social Security Administration (SSA) budget. ¹⁵ The

FRA allows for \$1.630 billion for continuing disability reviews and redeterminations for FY 2025.

According to OMB, this spending level will allow SSA to conduct 575,000 full medical continuing disability reviews and approximately 2.5 million SSI non-medical redeterminations of eligibility.¹⁶

Successes and savings: President Biden's budget estimates that continuing disability reviews and redeterminations over the next decade would produce a total of \$59.8 billion in mandatory savings for net savings of \$41 billion.¹⁷ Based on OMB data calculated over 10 years, these program integrity funds would yield a return of nearly \$3.20 for every \$1 invested.¹⁸ These returns also grow over the decade, with savings per dollar spent increasing from less than \$1 in FY 2025 to nearly \$5 by the end of the budget window.

According to a more detailed OMB breakdown of specific activities, continuing disability reviews will yield about \$9 on average over 10 years for every \$1 invested in 2025, and redeterminations will yield about \$3 on average per \$1 invested.¹⁹

Cap Adjustment #3: Unemployment Insurance

What this money targets: Reemployment services and eligibility assessments.

This program integrity work provides reemployment services and eligibility assessments for those likely to be unemployed the longest and gives them additional services to find a job. This may include mandatory meetings with UI claimants and reviews of their work search log and contacts with potential employers, generally targeted at individuals who are determined to be likely to exhaust their UI benefits.²⁰

Funding levels: Reemployment services and eligibility assessments received \$265 million in cap-adjusted appropriations in FY 2024 through the UI state administration budget.²¹ The FRA allows for \$271 million for reemployment services and eligibility assessments for FY 2025.

Successes and savings: President Biden's FY 2025 budget estimates that reemployment services and eligibility assessments over the next decade would produce a total of \$7.7 billion in mandatory savings, for net savings of \$1.3 billion.²² Based on OMB data calculated over 10 years, these program integrity funds would yield a return of roughly \$1.20 for every \$1 invested.²³

The federal program was modeled off a program in Nevada that combined reemployment services with eligibility assessments. That program produced an average reduction in UI durations of 1.82 weeks and average benefit reduction of \$536.²⁴

Conclusion

Program integrity efforts have achieved major successes and produced savings for a relatively small amount of money. These three particular efforts should be lauded for their return on investment for the federal government. The \$2.447 billion provided for program integrity adjustments in FY 2024 made up just 1.24% of the \$196.9 billion combined base and cap-adjusted appropriations provided for the Labor-HHS-Education budget last year. ²⁵

Let's not stop there. Policymakers should build on these successful efforts and evaluate the next generation of issues that could be covered by program integrity funds like this in the future.

Potential candidates include things such as more UI modernization, IRS enforcement funding, and various inspector general initiatives such as the reviews of government contracts.

ENDNOTES

1. Offices of inspector general also contribute to the work of combatting fraud, but they are generally funded through the base discretionary budget.
2. See “Beyond Dynamic Scoring: Enhancing CBO’s Evaluation of Program Integrity Spending,” for further explanation of scoring rules.

Hall, Keith. “Beyond Dynamic Scoring: Enhancing CBO’s Evaluation of Program Integrity Spending.” Mercatus Center, 11 June 2024,
<https://www.mercatus.org/research/research-papers/beyond-dynamic-scoring-enhancing-cbos-evaluation-program-integrity>. Accessed 14 October 2024.

3. Congress.gov. “S.365 – 112th Congress (2011–2012): Budget Control Act of 2011.” Library of Congress, 2 August 2011,
<https://www.congress.gov/bill/112th-congress/senate-bill/365/text/pl>. Accessed 14 October 2024.
4. Congressional Budget Office. “CBO Analysis of August 1 Budget Control Act.” Congressional Budget Office, 1 August 2011,
<https://www.cbo.gov/publication/41626>. Accessed 14 October 2024.
5. Congress.gov. “H.R.1892 – 115th Congress (2017–2018): Bipartisan Budget Act of 2018.” Library of Congress, 9 February 2018,
<https://www.congress.gov/bill/115th-congress/house-bill/1892/text/pl>. Accessed 14 October 2024.
6. Congressional Budget Office. “CBO Estimate for H.R. 2471, the Consolidated Appropriations Act, 2022, as Cleared by the Congress on March 10, 2022.” Congressional Budget Office, 14 March 2022,
<https://www.cbo.gov/publication/57928>. Accessed 14 October 2024.
And; Congressional Budget Office. “CBO Estimate for Divisions A through N of H.R. 2617 (as modified by S.A. 6552), the Consolidated Appropriations Act, 2023.” Congressional Budget Office, 21 December 2022,
<https://www.cbo.gov/publication/58872>. Accessed 14 October 2024.

7. Congress.gov. "H.R.3746 - 118th Congress (2023-2024): Fiscal Responsibility Act of 2023." Library of Congress, 3 June 2023, <https://www.congress.gov/bill/118th-congress/house-bill/3746/text>. Accessed 14 October 2024.
8. Office of Management and Budget. "Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025." Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.
9. The health care fraud and abuse control account was originally established in 1996 under the Health Insurance Portability and Accountability Act (HIPAA), although it began to receive funds with special budgetary status years later under the BCA program integrity caps. The discretionary funds covered under the appropriations caps supplement mandatory program integrity funds that cover anti-fraud activities in the Justice Department and the HHS Office of Inspector General.

Congress.gov. "H.R.3103 - 114th Congress (1995-1996): Health Insurance Portability and Accountability Act of 1996." Library of Congress, 21 August 1996, <https://www.congress.gov/bill/104th-congress/house-bill/3103/text/pl>. Accessed 14 October 2024. And; U.S. Department of Justice, Office of the Attorney General, and U.S. Department of Health and Human Services, Office of the Secretary. "Annual Report of the Departments of Health and Human Services and Justice: Health Care Fraud and Abuse Control Program FY 2022." U.S. Department of Justice and U.S. Department of Health and Human Services, November 2023, <https://oig.hhs.gov/documents/hcfac/1156/OIG-HCFAC-2022-Complete%20Report.pdf>. Accessed 14 October 2024.
10. Total discretionary program integrity funds reached \$915 million in FY 2024, including \$311 million in base discretionary funding.

U.S. Senate Committee on Appropriations. "Explanatory Statement, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2024." U.S. Senate Committee on Appropriations, 23 March 2024, <https://docs.house.gov/billsthisweek/20240318/Division%20D%20LHHS.pdf>. Accessed 14 October 2024.

- 11.** These investigations were supported by both discretionary and mandatory program integrity spending for the health care fraud and abuse control account in FY 2022, including but not exclusively the cap-adjusted program integrity funds.

U.S. Department of Justice, Office of the Attorney General, and U.S. Department of Health and Human Services, Office of the Secretary. “Annual Report of the Departments of Health and Human Services and Justice: Health Care Fraud and Abuse Control Program FY 2022.” U.S. Department of Justice and U.S. Department of Health and Human Services, November 2023, <https://oig.hhs.gov/documents/hcfac/1156/OIG-HCFAC-2022-Complete%20Report.pdf>. Accessed 14 October 2024.

- 12.** Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

- 13.** Authors’ calculations based on Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

- 14.** Department of Health and Human Services. “Agency Financial Report Fiscal Year 2023.” Department of Health and Human Services, 14 November 2023, <https://www.hhs.gov/sites/default/files/fy-2023-hhs-agency-financial-report.pdf>. Accessed 14 October 2024.

- 15.** Total program integrity funds reached \$1.851 billion in FY 2024, including \$273 million in base discretionary funding.

U.S. Senate Committee on Appropriations. “Explanatory Statement, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2024.” U.S. Senate Committee on Appropriations, 23 March 2024, <https://docs.house.gov/billsthisweek/20240318/Division%20D%20LHHS.pdf>. Accessed 14 October 2024.

16. Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

17. Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

OMB also notes that with both base discretionary and cap adjustment program integrity funding combined, OASDI, SSI, Medicare and Medicaid programs would recoup approximately \$82 billion in gross Federal savings over the 10-year period, including approximately \$60 billion from access to adjustments, with additional savings after the 10-year period.

18. Authors’ calculations based on Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

19. Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

20. Chief Evaluation Office, U.S. Department of Labor. “Reemployment Services and Eligibility Assessments (RESEA) Evidence Building and Implementation Study.” Chief Evaluation Office, U.S. Department of Labor, March 2024, https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/resea/RESEA-Evidence-Building-and-Implementation-Study_OnePager.pdf. Accessed 14 October 2024.

- 21.** Total program integrity funds reached \$382 million in FY 2024, including \$117 million in base discretionary funding.

U.S. Senate Committee on Appropriations. “Explanatory Statement, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2024.” U.S. Senate Committee on Appropriations, 23 March 2024, <https://docs.house.gov/billsthisweek/20240318/Division%20D%20LHHS.pdf>. Accessed 14 October 2024.

- 22.** Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

- 23.** Authors’ calculations based on Office of Management and Budget. “Analytical Perspectives, Budget of the U.S. Government Fiscal Year 2025.” Office of Management and Budget, 11 March 2024, https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf. Accessed 14 October 2024.

- 24.** U.S. Department of Labor Employment and Training Administration. “Reemployment Services and Eligibility Assessment Grants (RESEA): Facilitating Reemployment and Increasing Program Integrity.” U.S. Department of Labor Employment and Training Administration, 2024, <https://www.dol.gov/agencies/eta/american-job-centers/RESEA>. Accessed 14 October 2024.

- 25.** Authors’ calculations based on U.S. Senate Committee on Appropriations. “Explanatory Statement, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2024.” U.S. Senate Committee on Appropriations, 23 March 2024, <https://docs.house.gov/billsthisweek/20240318/Division%20D%20LHHS.pdf>. Accessed 14 October 2024.