

Advantage 2000 Consultants, Inc.

Social Security Disability and Income Tax

This is the time of year when we begin receiving questions from claimants regarding tax implications of their Social Security Disability Insurance (SSDI) award. SSDI benefits *may* be subject to federal income tax depending upon the claimant's particular financial situation. Supplemental Security Income (SSI) benefits are not subject to federal income tax.

The Social Security Administration (SSA) is required to send each SSDI recipient an SSA-1099 by February 1st of the following year in which SSDI benefits were received. Non-resident aliens will receive an SSA-1042S. This SSA-1099 should specify how much of the lump sum SSDI benefits received were for the current tax year or prior years. We always caution claimants to audit their SSA-1099 against the SSA Award Letter to confirm the document is correct.

According to SSA, only about one third of the SSDI recipients are required to pay taxes on their benefits. A portion of SSDI benefits may be taxable depending upon the claimant's "provisional income" level. If the provisional income level exceeds the amount set by congress, then a portion of the SSDI benefits may be taxable. This base amount differs for single tax payers and married taxpayers filing a joint return.

Congress has provided a "special election" for claimants to lower the tax impact of receiving a lump sum SSDI award. This special election can be found in the Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter B, Part II, § 86 (e). Also see IRS Publication 915. For some taxpayers it may be more advantageous for them to take advantage of the "special election". Doing so may also remove the need to file amended returns on prior years.

Special tax relief is available for claimants who use all or a part of their SSDI retroactive benefits to reimburse a Short Term or Long Term Disability (STD/LTD) carrier. This special tax relief is described under Title 26, Subtitle A, Chapter 1, Subchapter Q, Part V, § 1341 of the Internal Revenue Code. You may also see IRS Publication 525.

Depending upon the STD/LTD repayment amount, the claimant may be able to deduct the repayment from the current year's tax return or take a credit for the excess tax paid in the prior year(s). An important consideration for the claimant would be the potential for "phantom" taxable income due to separate 1099 forms issued for the same year by both SSA and the STD/LTD carrier.

The information in this article should not be used by any individual for tax guidance, but rather as a framework of questions to pose to their tax preparer. Advantage 2000 Consultants is a Social Security Representation firm and does not provide Income Tax advice or consultation. Claimants should always seek guidance from a competent and reputable tax professional regarding their Social Security benefits.

For additional tax information, you may contact the IRS at 1-800-829-1040, TDD 1-800-829-4059 or visit www.IRS.gov.

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ISSUE:





Bonita Combs
Director of Claims
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Social Security Proposes Removal of Endocrine Listings

The Federal Register published a Notice of Proposed Rule Making (NPRM) on December 14, 2009 revising the Medical Criteria for Evaluating Endocrine Disorders (impairment categories 9.00 and 109.00). In this proposal all current listings in the endocrine impairment category (listing 9.02 - 9.08) will be removed. All current childhood listings (listings 109.02 - 109.13) will be removed and a new listing 109.08 will be added for children from birth to the attainment of age 6 who have Diabetes Mellitus (DM) and require daily insulin. Comments regarding this proposal will be accepted through February 12, 2010. Those comments will be considered before publishing the final rules for the revised medical criteria.

There have been partial revisions to the endocrine listings in 1992, 1999, and 2002. The last comprehensive revision was published in final rules in the Federal Register on December 6, 1985. The Social Security Administration announced in an advanced notice of proposed rule making (ANPRM) published August 11, 2005 their intent to do a comprehensive revision of the endocrine listings. They received comments from SSA Disability Adjudicators, endocrine support and advocacy groups, medical specialty groups, and the public via an outreach conference on the endocrine body system held in November 2005.

Based on a compilation of those comments, these proposed revisions reflect advances in medical knowledge about evaluating and treating endocrine disorders. Medical science has made significant advances in detecting endocrine disorders at earlier stages and newer treatments have resulted in better management of these conditions. For example, adequate glucose regulation is achievable with improved treatment options such as a wider range of insulin products. Likewise, pituitary gland disorders are now treated with replacement antidiuretic hormones. Modern tests for hyperfunction of the adrenal cortex are more sensitive and accurate than the test required by the current listing and provide better information for evaluating and controlling impairments. Because of these and similar advances in

medical treatment and detection, most endocrine disorders do not reach listing-level severity or remain at a sufficient level of severity for Social Security's 12 month duration requirement.

Additionally, many of the current listings are "reference listings" that are met by satisfying the criteria of other listings. Removal of reference listings is consistent with other recent body system listing revisions. In the Spring 2008 Issue of the Vantage Point we reported several immune system listings that were being eliminated in that body system because the impairment severity was listed in other body system listings. This was also noted in the revision to the malignant neoplasm listings finalized in November 11, 2009.

The adult impairment category for endocrine impairments will remain with an explanation about how to evaluate endocrine disorders and the impairments those disorders may cause. Similar guidance will be included in the introductory text of section 109.00, the childhood endocrine listings. There will not be any specific listing criteria in either section of the listings except for the new childhood listing 109.08 for children from birth through the attainment of 6 years of age with insulin dependent DM.

The new childhood listing is being proposed because careful monitoring of blood glucose levels is crucial to the health and survival of individuals with DM. Children under age 6 who require daily insulin to regulate glucose generally have not developed adequate cognitive capacity for recognizing and responding to hypoglycemic symptoms. An adult must supervise and monitor the child's insulin, food intake, and physical activity 24 hours a day to control the child's blood glucose level. This degree of help satisfies the fifth example of functional equivalence in the functional equivalence regulations; the requirement for 24-hour-a-day supervision of a child for medical reasons.

If you have any questions concerning the proposed rule please contact Bonita Combs, Director of Claims Operations.

TECH TALK.....

With: Jeff Fields
Customer Relations
Manager



The Effect of Early Retirement on SSDI



How is a Social Security Disability Insurance (SSDI) claim affected by a Social Security Retirement (SSR) benefit? Since many LTD plans also allow for offset of SSR, it is important to know how the two claims will be handled and paid by the Social Security Administration (SSA). It could impact the eventual recovery of LTD overpayment dollars.

One can be eligible to receive a retirement benefit from SSA as early as age 62. An actuarial reduction is applied to the benefits if they are taken at any point from age 62 up to the applicant's Full Retirement Age (FRA). The FRA gradually increases from age 65 to 67 for everyone born in 1938 or later. For a retirement claim, any applicable reduction is calculated at five-ninths of 1% per month for the first 36 months prior to FRA, and five-twelfths of 1% per month for every month over 36 months prior to FRA. The number of months that exist between the month of entitlement to reduced SSR and the FRA month is called the "reduction factor". The reduction factor is used to calculate the actual dollar amount to be deducted from the applicant's Primary Insurance Amount (PIA) resulting in the monthly benefit amount. If a person chooses to wait until they reach FRA to receive SSR benefits, no reduction is ap-

plied and the full PIA is paid each month.

The reduction of a retirement benefit is relatively straightforward. However, it becomes a little more confusing when retirement and disability claims are filed on the same record. An applicant may file an SSDI claim alleging a disability onset date at any point prior to their FRA. That means they can elect reduced SSR at age 62 and file an SSDI claim later if they choose. If they are eventually awarded benefits on the SSDI claim, their benefit record will be recalculated to apply the higher disability amount to their payment history. Their monthly benefit amount will be adjusted for the increase and the additional benefits due will be paid for the retroactive period in a lump sum check.

Whether a reduction is applied to the SSDI benefit depends on the Date of Entitlement (DOE) established for the two claims. If the established SSDI DOE precedes the original SSR DOE, there is no reduction and the full PIA is applied and paid retroactively as an SSDI benefit. A review of the benefit record would show that the SSR payments were over-written and the entire record would appear to have been paid as an SSDI claim. If the SSR DOE precedes the established

SSDI DOE, the reduction factor is recalculated to include only those months that exist between the two DOEs. The reduction factor will be smaller and the benefit should increase. However, the new (smaller) reduction factor will still be applied using the same formula mentioned above. Looking at the benefit record after the recalculation, one would see that the benefit went from retirement to disability. In other words, if the date of early retirement precedes the established date of disability there is still a permanent, although smaller, reduction on the claimant's PIA.

In this situation, the most important issue for the LTD administrator is to be aware of how all of this affects the retroactive benefits and offset calculations. If the insured is age 62 or over, it is important to know whether they have filed for and are receiving SSR. If they have applied and the plan allows for SSR offset, it is important to get the benefit data and the offset in place as soon as possible. If the insured is eventually awarded SSDI, they will only receive the difference between the two benefits in retroactive payments.

If you have questions regarding Social Security Retirement Benefits, please contact Jeff Fields, Customer Relations Manager.

Breast Cancer

THE CUTTING EDGE

There are two main types of cancer that start in the tissues of the breast. Ductal carcinoma starts in the tubes (ducts) that move milk in the breasts. Most breast cancers (78%) are of this type. Lobular carcinoma (5%) starts in the lobules, or parts of the breast that produce milk. Rarely does cancer start in other areas of the breast such as muscles, fat and blood vessels.

While ductal and lobular are the main types of breast cancer, there are also several rare types of breast cancer. Some of these rare breast cancers are medullary carcinoma (3-5%), inflammatory breast cancer (1-5%), tubular carcinoma (2%), mucinous or colloid carcinoma (1-2%), Paget disease (1%), and metaplastic breast cancer (<1%).

Metaplastic, medullary, and tubular breast cancers have atypical cell structures. Metaplastic breast cancer consists of cells that are normally not found in the breast such as cells that look like skin cells or cells that make bone. Medullary carcinoma is characterized by cells that resemble the gray matter of the brain. Paget disease starts in the breast ducts and spreads to the skin of the nipple and areola. Inflammatory breast cancer is very aggressive and blocks lymph nodes. Colloid carcinoma has mucous producing cells.

Unfortunately, breast cancer is not limited to women. Men are subject to the same types of breast cancers as women. Infiltrating ductal carcinoma accounts for 80% of all male breast cancers and infiltrating lobular carcinoma accounts for about 2% of all male breast cancers.

Once cancer has been diagnosed, it is important to determine whether the cancer is invasive or non-invasive. Noninvasive (in situ) refers to cancer that has stayed in the place where it originated; that is, cancer

cells have not spread to breast tissue around the duct or lobule. Invasive (or infiltrating) breast cancers spread outside the ducts or lobules and invade the surrounding tissues.

Staging is the process of finding out the extent of the cancer in the body. This helps determine the best treatment. The stage is based on the size of the tumor, whether the cancer is invasive or noninvasive, how many lymph nodes are involved, and if the cancer has spread to other parts of the body (metastasis). Tools that aid in staging include chest x-rays, mammograms, bone scans, CT scans, MRI scans, PET scans, ultrasounds, and tissue biopsies.

Stages of breast cancer range over a continuum from 0 to IV. In Stage 0 atypical cells have not spread outside of the ducts or lobules. Ductal carcinoma in situ (DCIS) is in this category. Also in this category is lobular carcinoma in situ (LCIS), which is not considered to be a cancer, but an indicator that a woman has an increased risk of developing breast cancer. Stage I is early stage invasive breast cancer with tumors no larger than two centimeters (about an inch). At this stage cancer cells have invaded but not spread beyond the breast tissue. Stage II includes larger tumors without extensive tumor spread. Stage III is defined as locally advanced cancer. At this stage the cancer is divided into categories according to tumor size, lymph involvement, and site of tumor spread. Stage IV breast cancer is defined as cancer with distant metastasis, i.e. spread to other parts of the body such as the lungs, liver, brain, or bone.

Once diagnosed and staged there are a variety of treatment options for breast cancer, which Social Security calls antineoplastic therapy. These include surgery, radiation therapy, chemotherapy, and hormone

therapy. Depending on the size of the tumor, breast conserving procedures of a lumpectomy or partial mastectomy may be used to remove only the tumor and a small area of surrounding tissue. Other tumors may require a modified radical mastectomy removing the entire breast and some lymph nodes in the armpit. The radical mastectomy removes the breast and its underlying muscle, and all of the lymph nodes from the armpit.

External and internal radiation therapy is used to shrink the tumor before surgery or kill any possible remaining cells. In internal radiation (brachytherapy) radioactive seeds are placed in or next to the tumor.

Chemotherapy is a form of systemic therapy given before surgery (neoadjuvant) to reduce the size of the tumor. Chemotherapy given after surgery (adjuvant) is given to kill any cancer cells that may have been left behind or may have entered the blood stream. Hormone therapy is another form of systemic therapy, because it blocks the effect of estrogen which is known to promote the growth of many breast cancers. Hormone therapy is most frequently used as adjuvant therapy to reduce the risk of recurrence of breast cancer and to treat breast cancer that has recurred.

Metastasis under the Social Security guidelines for evaluating breast cancer means tumors that have spread from the initial or primary site beyond the regional lymph nodes (distant metastasis). Recurrent cancer is a malignancy that had been in complete remission or was entirely removed surgically and has returned. Breast cancer, except sarcoma, is evaluated under Listing 13.10.

For further information please contact Bonita Combs, Director of Medical Development.

February 1, 2001

SSA Press Release

SSA Awards Nearly \$20 Million in Recovery Act Contracts for Electronic Medical Records



Michael J. Astrue, Commissioner of Social Security, today announced that 15 healthcare providers and networks have received \$17.4 million in contract awards to provide electronic medical records to the agency. These electronic medical records, which will be sent through the Nationwide Health Information Network (NHIN), will significantly shorten the time it takes to make a disability decision and will improve the speed, accuracy, and efficiency of the disability program.

“Using health information technology will improve our disability programs and provide better service to the public,” Commissioner Astrue said. “We’ve seen a significant increase in disability applications. To process them, the agency sends more than 15 million requests annually for medical records to healthcare providers. This largely paper-bound workload is generally the most time-consuming part of the disability decision process. The use of health IT will dramatically improve the speed, accuracy, and efficiency of this process, reducing the cost of making a disability decision for both the medical community and the American taxpayer.”

The contract awards are funded through the American Recovery and Reinvestment Act. They will require awardees, with a patient’s authorization, to send Social Security electronic medical records through the NHIN. The NHIN, a safe and secure method for receiving access to electronic medical records over the Internet, is an initiative of the Department of Health and Human Services supported by multiple government agencies and private sector entities.

For the last year, Social Security has been successfully testing health IT to obtain electronic medical records. Disability applications processed with electronic medical records from the test sites in Massachusetts and Virginia have significantly reduced processing times. Some decisions are now made in days, instead of weeks or months. Social Security expects to receive more than 3.3 million applications in fiscal year (FY) 2010, a 27 percent increase over FY 2008.

Contracts were awarded to the following organizations:

- Cal RHIO, San Francisco, CA - \$1,625,000
- CareSpark, Kingsport, TN - \$1,363,000
- Center for Healthy Communities, Wright

- State University, Healthlink, Dayton, OH - \$999,000
 - Central Virginia Health Network/MedVirginia, Richmond, VA - \$1,139,000
 - Community Health Information Collaborative (CHIC), Duluth, MN - \$977,000
 - Douglas County Individual Practice Association, Roseburg, OR - \$502,000
 - EHR Doctors Inc., Pompano Beach, FL - \$1,000,000
 - HealthBridge, Cincinnati, OH - \$1,400,000
 - Lovelace Clinic Foundation (LCF), Albuquerque, NM - \$1,083,000
 - Marshfield Clinic Research Foundation, Marshfield, WI - \$998,000
 - Memorial Hospital Foundation & Memorial Hospital of Gulfport Foundation, Inc., Gulfport, MS - \$1,100,000
 - Oregon Community Health Information Network (OCHIN), Portland, OR - \$284,000
 - Regenstrief Institute, Inc, Indianapolis, IN - \$350,000
 - Science Applications International Corporation (SAIC), Reston, VA - \$1,587,000
 - Southeastern Michigan Health Association, Detroit, MI - \$2,988,000
- More information on Social Security’s use of health IT is available at www.socialsecurity.gov/hit.

EMPLOYEE SPOTLIGHT



**Kevin Miles
Hearing Unit Supervisor**

Kevin Miles started with Advantage 2000 on April 1, 1998 as a Claims Analyst. He has since held positions of Senior Claims Analyst, Claims Supervisor, and is now the Hearing Unit Supervisor in our Swansea, IL office.

Kevin waited tables and tended bar through high school and college, but actually began his professional career here with us after he earned his degree in Business Administration from Illinois

Wesleyan University.

He grew up in Highland, IL where he has enjoyed 10 years of married life with his high school sweetheart. This is where Kevin and his wife are raising their first grade son and preschool daughter, along with their Shi-tzu, Addie. If he is not playing basketball, Kevin is volunteer coaching on community sports teams where his children participate. Kevin also volunteers his time for H.I.S.K.I.D.S., an organization dedicated to providing support to families affected by childhood cancer. One can find him organizing and running their golf tournament fundraiser every year.

In addition to spending time with his family or entertaining friends, Kevin enjoys swimming, sporting events, watching movies, cooking, and dining at his favorite restaurants.

Kevin has a great aptitude for attention to detail. With his degree and experience, he brings new insights to A2K.

A HELPING HAND...

A2K employees came through with an abundance of donations during our 2009 Holiday Charity Drive. 2,395 holiday cards with hand written notes of “thanks” were given to Scott Air Force Base in Belleville, IL to be handed out to wounded soldiers. 839 food and hygiene items were packaged and delivered to Haven of Grace in St. Louis, MO. These items were used for homeless food banks and families reuniting into rent-free, small apartments who were originally split between homeless shelters. Of those 839 items, 237 of

them were ready-to-eat meat items. We collected 176 toys that were used by Scott Air Force Base in a needs-based program for all branches of the military. We also delivered 102 pet supply and pet food items to the Open Door Animal Sanctuary in House Springs, MO. Advantage 2000 employees continue to be honored with opportunities to reach out to those less fortunate.

