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SOCIAL SECURITY

**Government and Other
Uses of the Social Security
Number are Widespread**

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Social Security: Government and Other Uses of the Social Security Number are Widespread

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss usage of the Social Security number (SSN). The SSN was created in 1936 as a means of tracking workers' earnings and eligibility for Social Security benefits. Today over 277 million individuals have a unique SSN. For this reason it is used for myriad purposes not related to Social Security. Both private businesses and government agencies frequently ask individuals for their SSNs because in certain instances they are required to or because SSNs provide a convenient means to track and exchange information.

Perceived widespread sharing of personal information and occurrences of identity theft have raised public concern. To provide information about how the SSN is currently used, in my remarks today I will describe (1) the ways that the federal government uses SSNs and current restrictions on these uses, (2) the nonfederal purposes for which the number is used, and (3) what businesses and state governments believe the effect would be if federal laws limiting the use of SSNs were passed. My testimony is based on findings from a study¹ we conducted during 1998 and recent work conducted to update our information.

In summary, the federal government, state and local governments, and private businesses all widely use SSNs. In the case of the federal government, a number of laws and regulations require the use of SSNs for various programs, but they generally also impose limitations on how these SSNs may be used. However, no federal law imposes broad restrictions on businesses' and state and local governments' use of SSNs when that use is unrelated to a specific federal requirement. Currently, governments and businesses frequently use SSNs to identify and organize individuals' records. Some may also use SSNs to exchange information with other organizations to verify information on file, to coordinate benefits or services, or to ensure compliance with certain federal laws. For example, by sharing information about applicants for the Supplemental Security Income (SSI) program, the Social Security Administration (SSA) can identify individuals whose benefits should be reduced, such as those in prison. In addition, some information brokers use SSNs to retrieve the large amount of personal information on individuals that they collect and sell. Public concern over the availability of personal information has encouraged some to consider ways to limit using SSNs to disclose such information. However, officials from both state governments and private

¹*Social Security: Government and Commercial Use of the Social Security Number Is Widespread* (GAO/HEHS-99-28, Feb. 16, 1999).

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businesses have stated that if the federal government passed laws that limited their use of SSNs, their ability to reliably identify individuals' records would be limited, as would their subsequent ability to administer programs and conduct data exchanges with others. Nonetheless, some state agencies and businesses have voluntarily taken steps to limit their disclosure of SSNs.

Federal Laws and Regulations Require and Restrict Certain SSN Uses

Although SSA originally intended SSNs as a means to identify workers' earnings and eligibility for Social Security benefits, a number of federal laws and regulations now require the use of the SSN to track participation in a variety of federal programs. Use of SSNs facilitates automated exchanges that help administrators enforce compliance with federal laws, determine eligibility for benefits, or both.

The Internal Revenue Code and regulations that govern the administration of the federal personal income tax program require that individuals' SSNs serve as taxpayer identification numbers. Employers and others making payments to individuals must include the individual's SSN in reporting to the Internal Revenue Service (IRS) many of these payments. Reportable payments include interest payments to customers, wages paid to employees, dividends paid to stockholders, and retirement benefits paid to individuals. Other reportable transactions include purchases involving more than \$10,000 cash and mortgage interest payments totaling \$600 or more. In addition, the Code and regulations require that individuals filing personal income tax returns include their SSN and those of any dependents or former spouses to whom they pay alimony. Using the SSNs, the IRS matches the information supplied by entities reporting payments or other transactions with returns filed by taxpayers to monitor individuals' compliance with federal income tax laws.

Similarly, the Social Security Act requires individuals to provide their SSNs in order to receive benefits under the SSI, food stamp, Temporary Assistance for Needy Families (TANF), and Medicaid programs—programs that provide benefits to people with limited income. Applicants give program administrators information about their income and resources, and program administrators use applicants' SSNs to match records with those of other organizations to verify the information. Using SSNs to match records enhances program payment controls and reduces fraud and abuse. For example, SSA uses SSNs to determine whether applicants for SSI benefits have accurately reported their income by matching records with the Department of Veterans Affairs, the Office of Personnel Management, and the Railroad Retirement Board to identify any retirement or disability payments to these individuals. In fact, we have

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recommended in previous reports that SSA match its records with other state and federal program records to reduce SSI payments to individuals whom agencies find residing in nursing homes and prisons. In 1997, SSA estimated that overpayments to individuals in nursing homes may have exceeded \$100 million annually because SSA was unaware that some SSI benefit recipients were in facilities where their care was paid by Medicaid, and thus they continued to receive SSI benefits.² In recent years, SSA has made approximately \$1 billion in annual overpayments to SSI recipients. It is especially important to prevent these overpayments because recovering them once they have been paid out is difficult. The gap between what is collected and what is owed the SSI program is continuing to grow each year.

Similarly, the Commercial Motor Vehicle Safety Act of 1986 requires states to use individuals' SSNs to determine if an individual holds a commercial license issued by another state. This checking is necessary because commercial drivers are limited to owning one state-issued driver's license. States may also use SSNs to search a database to determine whether an applicant's license has been cancelled, suspended, or revoked by another state. In these situations, states use SSNs to limit the possibility of inappropriately licensing applicants. Also, federal law requires that states use SSNs to maintain records of individuals who owe state-ordered child support or are owed child support and to collect from employers reports of new hires identified by SSN. States then transmit this information to the Federal Parent Locator Service, an automated database searchable by SSNs. The use of SSNs in these instances ensures compliance with federal tax laws, enhances program payment controls, reduces the possibility of inappropriately licensing applicants, and facilitates enforcement of child support payments.

Federal laws that require the use of an SSN generally limit its use to the statutory purposes described in each of the laws. For example, the Internal Revenue Code, which requires the use of SSNs for tax purposes, also declares tax return information, including SSNs, to be confidential and prescribes both civil and criminal penalties for unauthorized disclosure. Similarly, the Social Security Act, which requires the use of SSNs for disbursement of benefits, declares that SSNs obtained or maintained by authorized individuals on or after October 1, 1990, are confidential and prohibits their disclosure. Finally, the Personal

²In August 1999, SSA began conducting monthly computer matches with nursing home admissions data obtained from all states.

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Responsibility and Work Opportunity Act, which expanded the Federal Parent Locator Service, explicitly restricts the use of SSNs to purposes set out in the act, such as locating absentee parents to enforce child support payments.

In addition to the restrictions contained in laws that require the use of SSNs, the Privacy Act of 1974 also restricts federal agencies in collecting and disclosing personal information, which includes SSNs. The act requires federal agencies that collect information from individuals to inform the individuals of the agencies' authority for requesting the information, whether providing the information is optional or mandatory, and how the agencies plan to use the information. The act, which also prohibits federal agencies from disclosing information without individuals' consent, does not apply to other levels of government or to private businesses.

Except as discussed above, federal law does not regulate the use of SSNs. Thus, nonfederal agencies and legitimate businesses use SSNs in ways not covered by federal law, which I will now discuss.

Governments and Businesses Use SSNs Extensively

Because there are so many users of the SSN, I will focus on organizations that routinely use SSNs for activities that affect a large number of people. These include state government agencies as well as private businesses that sell health services, financial services, and personal information. In general, organizations may record SSNs in their databases for two purposes: to locate records for routine internal activities, such as maintaining and updating account information and, more frequently, to facilitate information exchanges with other organizations. Governments, health care organizations, and financial services businesses use SSNs, at least in part, to perform services for the person who owns the number. Information brokers, however, collect information that may include SSNs for the sole purpose of selling it.

State Agencies

States use SSNs to support state government operations and offer services to residents. The Social Security Act allows states to use SSNs to identify individuals who pay taxes, receive general public assistance, own a vehicle, or drive. My comments today will focus on two examples of how states use SSNs to administer programs: states' personal income tax programs and licensing of drivers.

All states that have personal income tax use SSNs to administer their programs, according to an official at an organization representing state tax

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administrators. States use SSNs as primary identifiers in their programs and for auditing purposes. Tax administrators from Maryland and Virginia told us that their states require individuals to provide their SSNs on state tax returns and that those who do not risk being considered nonfilers if tax administrators cannot otherwise identify them. In order to monitor taxpayer income reporting, states rely on SSNs to match data with IRS and state tax agencies. In addition, tax administrators said they use SSNs to cross-reference owners' or officers' business income tax returns with their personal income tax returns so that an audit of one triggers an audit of the other. They also use SSNs to identify residents who received income or tax credits in other states. Finally, when they assess liens against a taxpayer, tax administrators may also use SSNs to gather information from credit bureaus and information brokers about a taxpayer's assets.

State driver licensing agencies are more likely to use SSNs to exchange data with other organizations than to support internal activities. Information from the American Association of Motor Vehicle Administration (AAMVA) and other sources suggests that many states request, but may not require, applicants for noncommercial driver licenses to provide their SSNs. Most state driver licensing agencies that request SSNs include SSNs in driver records as a secondary identifier and devise their own license numbers. To monitor drivers' compliance with state laws, state officials said they use SSNs during the licensing process to search national databases maintained by AAMVA. This allows states to identify driver licenses an applicant may hold in other states and to determine whether the applicant has had a license suspended or revoked in another state. Licensing officials told us that courts and law enforcement agencies may request driver records by SSN when they do not know the driver's license number. In the past, some states have sold personal information collected from drivers and automobile owners, including SSNs, to individuals and businesses. However, the federal Drivers' Privacy Protection Act now prohibits states from disclosing this personal information for purposes such as surveys, marketing, and solicitation without the express consent of the individual.³

Having discussed how state governments use SSNs, I would like now to focus on how private businesses use these numbers. Specifically, I will discuss use of SSNs by health care service organizations, financial services businesses, and businesses that sell information.

³Until a 1999 amendment to the act, states were permitted to disclose this information if they provided drivers with the opportunity to prohibit disclosure and the driver opted not to do so.

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**Health Care Services
Organizations**

Officials representing hospitals, a health maintenance organization (HMO), and a health insurance trade association told us that their organizations always ask for an SSN, but they do not deny services if a patient refuses to provide the number.

Officials from a hospital and an HMO told us that although they ask patients for their SSNs, they assign patients other identifying numbers, which they use internally as the primary identifiers for patient medical records. If a patient either forgets or does not know the patient number he or she was assigned then the hospital or HMO uses SSNs as a backup to identify records. These officials also told us that hospitals and HMOs use SSNs to track patients' medical care across multiple providers because doing so helps establish a patient's medical history and avoid duplicate tests. Similarly, health care providers use SSNs to integrate patients' records when providers merge, a trend that is growing.

We also spoke with a representative from a health insurance trade association to understand how insurers use SSNs. He told us that some health insurers use the SSN or a variation of the number as the customer's insurance number. We were told that the BlueCross BlueShield health insurance plans and the Medicare program frequently use this method. This representative also said that insurers and providers frequently match records among themselves, using SSNs to determine whether individuals have other insurance. This allows insurers to coordinate payment of insurance benefits.

Officials in the health care industry expect their use of SSNs to increase. Because health care services are generally delivered through a coordinated system that includes health care providers and insurers, it is important for health care providers to be able to accurately identify information about patients. However, health care providers may also use SSNs to gather information that is not directly relevant to a patient's health care. For example, one hospital official said that her hospital plans to use SSNs during the admission process to obtain on-line verification of patients' addresses.

**Financial Services
Businesses**

Three national credit bureaus serve as clearinghouses for consumer credit reports and receive information about consumers' credit card transactions and payments from businesses that grant consumer credit. Officials from a bank and a credit card company told us that banks and credit card companies voluntarily report customers' payments and credit card transactions, accompanied by SSNs, to credit bureaus. They do so because ensuring that credit bureaus have up-to-date consumer payment histories

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serves the interest of companies, like themselves, that provide credit. An official for a credit bureau trade association estimated that each national credit bureau has more than 180 million credit records. SSNs are one of the principal identifiers credit bureaus use to update individuals' credit records with the monthly reports of credit and payment activity creditors send them. In addition, credit bureaus use SSNs that are provided by customers to retrieve credit reports on individuals. Credit bureau officials told us that customers are not required to provide SSNs when requesting reports, but requests without SSNs need to include enough information to identify the individual.

Businesses such as insurance companies, collection agencies, and credit grantors use SSNs to request information about customers from credit bureaus. Banks and credit card companies in particular want information on customers' histories of repaying debts and whether customers have filed for bankruptcy or have monetary judgments against them, such as tax liens. Officials representing credit grantors said most banks and credit card companies ask applicants to provide their SSNs, and these credit grantors may choose to deny services to individuals who refuse. These officials said that their organizations generally do not use SSNs as internal identifiers but instead assign an account number as a customer's primary identifier.

**Businesses That Sell
Personal Information**

Continuing advances in computer technology and the ready availability of computerized data have spurred the growth of information brokers who amass and sell vast amounts of personal information, including SSNs, about members of the public. One official from a firm that sells information told us that his organization has more than 12,000 discrete databases with information about individuals. Federal law does not prohibit these businesses from disclosing SSNs.

Brokers buy and sell information from and to a variety of public and nonpublic sources. Examples of the information they buy include public records of bankruptcy, tax liens, civil judgments, real estate ownership, driving histories, voter registration, and professional licenses. The information broker's purchase may include SSNs. Some brokers sell information only to businesses that establish accounts with them; others sell it to anyone. Law firms, law enforcement agencies, research organizations, and individuals are among those who use brokers' services. For example, lawyers, debt collectors, and private investigators may request information about an individual's bank accounts and real estate holdings for use in divorce or other civil proceedings; automobile insurers may want information about whether insurance applicants have been

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involved in accidents or have been issued traffic citations; employers may want background checks on new hires; pension plan administrators may want information to locate pension beneficiaries; and individuals may ask for information to help locate their birth parents.

To meet the needs of the parties to whom they sell information, information brokers have databases that can be searched by identifiers that may include SSNs; brokers may also include SSNs along with the other information they provide to customers. When possible, information brokers retrieve data by SSN because it is more likely than other identifiers to produce records for a specific individual.

**Business and State
Officials Believe
Federal Laws
Restricting Uses of
SSNs Would Have a
Negative Effect on
Their Activities and
Programs**

Officials from the businesses and agencies we contacted told us that federal restrictions on using SSNs could hamper their ability to conduct routine internal activities and their ability to exchange data. For each of these entities, correctly matching a specific individual to a corresponding record of information is an important concern. Consequently, these officials told us, federal limits on the use of SSNs could adversely affect their activities and programs. They told us that limits on the use of SSNs, for example, would lessen the certainty with which credit information could be matched to specific individuals and hinder health care service providers' ability to track patients' medical histories over time and among multiple providers. They also told us that such action could impede state tax agencies' ability to identify those who file taxes, make it difficult to associate tax return information received from other tax agencies with tax information reported by residents, and make it more difficult for states to link driver license applicants to traffic violations they may have acquired under other state licenses. Finally, officials from state agencies that license drivers told us that if they could not use SSNs to query their databases, it would increase the likelihood that government and law enforcement agencies would receive the records of multiple people with the same name when they requested information about a particular individual.

Because of privacy concerns raised by the disclosure of personal information, some businesses and states have voluntarily restricted their disclosure of such information, including SSNs. In December 1997, 14 of the self-identified industry leaders of those businesses that sell personal information voluntarily agreed to make the SSNs they obtain from nonpublic sources available only to a limited range of customers. They identified such customers as those having appropriate uses for this information, such as law enforcement. Although these brokers agreed to limit their disclosure of SSNs obtained from nonpublic sources, it should

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be noted that most of the SSNs they acquire come from public sources, according to an official from an information brokerage company. As part of their agreement regarding disclosure of SSNs, the 14 organizations also agreed to annual compliance reviews by independent contractors. If an organization fails to comply with the agreement, the Federal Trade Commission can cite the organization for unfair and deceptive business practices. The agreement became effective on December 31, 1998. Recent reports indicate that the first round of compliance reviews is complete and all of the companies have generally complied with the agreement.⁴

In addition to the voluntary efforts of businesses, some states are discontinuing practices that result in routine disclosure of SSNs. For example, since July 1, 1997, Georgia no longer automatically prints SSNs on licenses but rather assigns its own numbers for driver licenses and uses the SSN as a license number only if requested by the license holder to do so. Ohio, which before July 29, 1998, routinely printed SSNs along with state-assigned numbers on driver licenses, now allows drivers the option of not having SSNs printed on their licenses. Also, AAMVA officials believe most states in which driver records are public now exclude SSNs when responding to requests for driver records.

Finally, SSA has stated that the expanded use and misuse of SSNs poses an administrative burden for the agency. According to agency officials, widespread use of SSNs as identifiers requires SSA to meet more requests for SSN verification from employers and government agencies. In addition, the disclosure of SSNs increases those instances in which the agency must issue individuals new SSNs when theirs are being misused by another party.

Concluding Observations

In conclusion, the widespread use of the SSN is permissible under existing laws and regulations, but because it provides a means to build and share databases of personal information, it creates privacy concerns and enables the growing problem of identity theft. The Congress must weigh such concerns about individual privacy and confidentiality of sensitive data against the government's need for timely and accurate information to control payments and prevent fraud and abuse in its benefit and loan programs. Moreover, limiting the use of SSN's in the commercial sector could slow or hamper some of the benefits of information sharing, such as speedy processing of applications for loans or credit. Although such

⁴One company no longer offers products that fall within the scope of the agreement.

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restrictions could reduce identity theft, in our increasingly electronic world, protecting privacy will continue to be a public policy challenge.

Mr. Chairman, this concludes my prepared statement. At this time, I will be happy to answer any questions you or other Members of the Subcommittee may have.

**GAO Contact and
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Acknowledgments**

For information regarding this testimony, please contact Barbara Bovbjerg at (202) 512-7215. Individuals who made key contributions to this testimony include Kay Brown, Jacquelyn Stewart, and Roger Thomas.

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