

# Social Security Advisory Board

## A Look Back at the Last 10 Years of SSI Program Integrity

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In 1997, the General Accounting Office included the SSI program in its list of high-risk programs because of an increase in overpayments and because of internal control weaknesses that left the program susceptible to fraud, waste, and abuse.<sup>1</sup>

In response, SSA issued its first SSI Management Report at the beginning of FY 1999.<sup>2</sup> That report stated that in reviewing the program to identify its challenges and vulnerabilities, SSA found a need for aggressive action in the areas of: improving overall payment accuracy, increasing continuing disability reviews, combating program fraud, and improving debt collection. The report further stated that SSA had begun taking action in those areas and had submitted proposals to Congress to provide additional authority for the agency to improve its stewardship of the SSI program.

In 2003, GAO removed the SSI program from its high-risk list, noting the considerable progress that SSA had made in addressing weaknesses in program integrity. It cautioned, however, that sustained management attention was needed to ensure that reforms were completely

implemented, and noted that strengthening the integrity of the SSI program remained a major management challenge.<sup>3</sup>

In this Issue Brief we will examine SSA's accomplishments in payment accuracy, continuing disability reviews, combating program fraud, and improving debt collection over the last 10 years. We look at where the program is today and make some recommendations for continued improvement.

### **Obstacles to Payment Accuracy**

Administrative challenges to payment accuracy are inherent in the design of the means-tested SSI program. Beneficiaries' continuing eligibility and payment amount depend on circumstances that may change from month to month. Each month, SSA has to take into account beneficiaries' income, resources, and living arrangements to determine if they are still eligible and what their payment amount should be. SSA depends to a large extent on beneficiary self-reporting of changes.

<sup>1</sup> GAO *High Risk Series: An Overview*, February 1997. GAO/HR-97-1  
<sup>2</sup> *Management of the Supplemental Security Income Program: Today and in the Future*, October 8, 1998.

<sup>3</sup> GAO Performance and Accountability Series, Major Management Challenges and Program Risks: Social Security Administration, January 2003. GAO-03-117.

The timing of benefit payments makes accuracy even more difficult. Benefits are paid for a month on the first day of that month. Changes that occur after payments are made in a given month can affect payment eligibility and amounts for that month. Some information that varies from month to month, such as wages, can only be estimated and then verified after the fact. Even if every beneficiary reported every change in a timely manner, some inaccurate payments would still be made.

Due process requirements also affect payment accuracy. SSA cannot stop, reduce, suspend, or terminate SSI payments without first providing written advance notice that it plans to do so. The advance notice provides beneficiaries with an opportunity to appeal a potentially erroneous adverse action by SSA. Since SSI payments are issued by the Treasury Department, SSA must send its information to Treasury in the month before the payments are made, giving SSA even less time to change its records. Beneficiaries have the right to have their SSI payments continued until a decision is issued at the first level of appeal. If the beneficiary loses at that level of appeal, the continued payments would be considered overpayments.

What is described in the preceding paragraph is the best case scenario, in which beneficiaries report all changes. In fact, most SSI overpayments are made because beneficiaries do not report changes in income, resources, or living arrangements. The most recent report on SSI payment accuracy shows that failure to report information or reporting incorrect information is a major cause of payment inaccuracy:<sup>4</sup>

- The leading cause of overpayments in FY 2007 was excess resources in financial accounts (19 percent of overpaid benefits). 86 percent of the overpaid dollars resulted from a failure to report information, and 11 percent resulted from an incorrect report.
- Wages were the second leading cause of overpayments (18 percent of overpaid benefits). 81 percent of the overpaid dollars resulted from a failure to report, and 8 percent resulted from an incorrect report.
- In-kind support and maintenance (non-cash provision of food, shelter, or something that can be used to obtain food or shelter) was the third leading cause of overpayments. 60 percent of the overpaid dollars resulted from a failure to report, and 24 percent resulted from an incorrect report.

## How Payment Accuracy is Measured

SSA derives accuracy rates by reviewing a random selection of SSI cases. Cases are selected monthly; quality reviewers interview beneficiaries and/or their representative payees and redevelop the non-medical factors of eligibility to determine whether the payment is correct. Any difference between what the quality review determines should have been paid and what was actually paid is expressed as an overpayment or underpayment error. The overpayment and underpayment error rates are calculated and reported separately. Accuracy rates are computed by dividing the error dollars by the total dollars paid for the fiscal year. The resulting percentage is subtracted from 100 to get the accuracy rate.

Since 1998 SSA has been reporting from its quality review what it calls preventable overpayments. It excludes unpreventable overpayments, which result from a beneficiary's change in circumstances that affect payment and/or eligibility, and the agency is precluded from stopping or adjusting the affected scheduled payment. There are two possible reasons why SSA might be precluded from adjusting the payment. One is a matter of timing. This situation occurs when a recipient has a change in circumstances that affects payment and occurs after the point in time when SSA could have adjusted the scheduled payment to reflect the change. Changes in income or resources that occur on or after the first of a month and which result in ineligibility for that month are examples of such situations. For instance, if an SSI beneficiary inherited \$5,000 on the 23rd of a month, the receipt of so much income would render the beneficiary ineligible for any SSI payment in that month. However, the beneficiary would have already received his or her SSI payment on the first of the month, so the overpayment would have already occurred, and there would have been no way to prevent it.

The other type of situation that would result in an unpreventable overpayment is a result of due process requirements for advance notice of an adverse action. SSA must notify a beneficiary that benefits for the next month will be reduced because SSA knows or believes that the person has received some form of countable income that would reduce the amount of SSI the person typically receives. The beneficiary has the right to appeal and ask that no changes be made until the appeal is resolved. In such a case the person would continue to receive a benefit amount calculated without taking the adverse action into account. If it turned out after the appeal that SSA was correct all along, the beneficiary

<sup>4</sup> Supplemental Security Income Stewardship Report, Fiscal Year 2007, August 2008

might have received one or more inaccurate payments that SSA could not have prevented because of the beneficiary's right to appeal a decision with which he or she does not agree.

The program was made somewhat less susceptible to overpayments and underpayments in the 1980s, when SSA began a system known as "retrospective monthly accounting," which uses a three-month cycle. Payments for a given month are based on known circumstances for a past month. The payment for a month is based on the beneficiary's countable income in the second month before the current month. If changes to income are reported promptly and recorded in a timely and accurate manner, they should not result in overpayments. For example, the payment that is made at the beginning of June is generally based on the income for April. If the beneficiary has an increase or decrease in income or a change in living arrangements in April, he or she is supposed to report that change by the 10th of May and should then receive the correct payment in June. This works as long as beneficiaries report changes timely and as long as SSA inputs the information in a timely way. Changes need to be entered into the SSA computer system by a particular time each month in order for that information to be accurately reflected in the check issued on the first of the following month. If the correct information from April is not input before the cutoff date in May, an incorrect payment will be made for June.<sup>5</sup>

### **SSI Payment Accuracy**

The FY 1999 SSI Management Report established a goal of raising the accuracy of SSI payment from the FY 1996 rate of 94.5 percent to at least 96 percent by FY 2002. It went on to describe the actions it would take in order to achieve that improvement.

#### **SSA's FY 1999 action plan: information technology**

SSA's plan to improve its payment accuracy depended in large part on technology, specifically computer data matching, and on redeterminations, which will be discussed later in this Statement.

#### **In its FY 1999 SSI Management Plan, SSA described plans for wage and unemployment compensation**

<sup>5</sup> As we pointed out in our 2005 *Statement on the Supplemental Security Income Program*, retrospective accounting may make it easier for the agency to administer the program, but it does not serve the best interests of beneficiaries who live at or near the poverty level and are concerned with meeting their current needs. Retrospective accounting makes budget planning difficult for beneficiaries even if all the payments are accurate.

matches, nursing home computer matches, reporting agreements with correctional facilities, online access to state databases, matches with the databases of the Immigration and Naturalization Service (as it was then called), and improved or more frequent matches with the Railroad Retirement Board, the Treasury, and the Department of Defense.

SSA has done all that and more. The agency receives data from 44 Federal and 2,385 state data exchange partners, mainly to administer its benefit programs.<sup>6</sup> Specifically for SSI, for example, it uses online queries to access the Office of Child Support Enforcement online wage and new hire files to help avoid and detect wage overpayments.<sup>7</sup> It has data matches with Federal data sources that include the Internal Revenue Service, Department of Labor, Office of Personnel Management, the Department of Veterans Affairs, and law enforcement agencies. It also obtains information from the states, including electronic death registration information to prevent improper payments after a beneficiary's death.

As mentioned above, financial accounts have long been a leading source of overpayment errors in the SSI program. SSA has been working since 1998 on an automated system for data exchanges with financial institutions to reduce SSI overpayments. The FY 1999 SSI Management Plan reported that SSA had submitted a legislative proposal that would allow SSA to obtain financial account information through data exchanges with financial institutions. The proposal required, as a condition of eligibility, that applicants for and beneficiaries of SSI (and other persons, such as parents or spouses whose income or resources were material to determining an individual's eligibility) authorize the release of financial information held by financial institutions. The *Foster Care Independence Act of 1999* gave SSA the authority it had asked for, and the agency issued final regulations in FY 2004 that would enable it to request information from financial institutions. SSA contracted with a firm named Accuity Solutions to create an automated system that would electronically submit requests for verification of financial data and process the replies. Accuity developed a web-based system that automated the consent form and handled the

<sup>6</sup> Government Accountability Office, *Information Technology: Demand for the Social Security Administration's Electronic Data Exchanges Is Growing and Presents Future Challenges*, December 2008, GAO-09-126.

<sup>7</sup> The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* mandated a National Directory of New Hires that would maintain quarterly wage information on individuals to assist with child support enforcement. SSA has permission to use this data. SSA also has an agreement with the Department of Labor to obtain online queries of wage and unemployment compensation data.

sending and receipt of bank account verifications. The software can also search for undisclosed bank accounts at financial institutions near an individual's residence. In FY 2004, 20 SSA field offices participated in a proof-of-concept test, along with 75 percent of the financial institutions in New York and New Jersey. The limited proof-of-concept test showed that the system found undisclosed accounts. This was followed by a larger study of more than 3,000 cases, which showed savings of \$10 per dollar spent.

SSA has said that should funding become available, it would extend the system for access to financial institutions nationwide. At present, it is being used only in field offices in New York, New Jersey, and California and in SSA quality review offices nationwide. SSA recently estimated the cost of a national rollout at \$34 million over a period of a few years. Based on data through 2007, it estimates a 10-to-1 ratio of benefits to costs. It is currently revising its cost-benefit analysis with data from 2008.

### Redeterminations

The FY 1999 SSI Management Report called redeterminations “the most powerful tool available to SSA for improving the accuracy of SSI payments.” Redeterminations are reviews of the non-disability factors (income, resources, and living arrangements) that affect eligibility and payment amounts. The law requires SSA to conduct redeterminations but gives the agency the authority to determine the frequency and manner of conducting them.

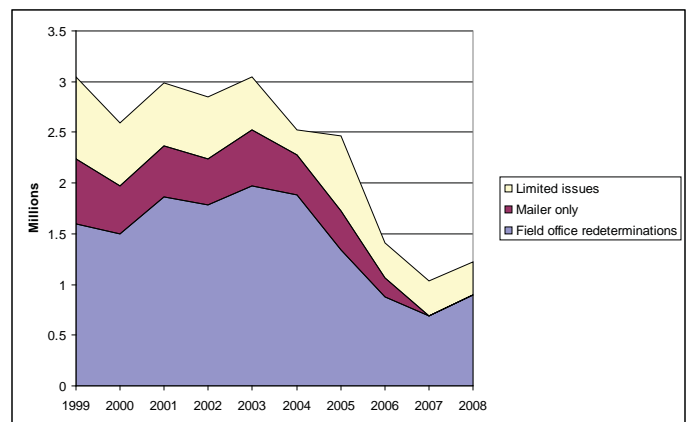
In the late 1970s SSA began using profiling techniques to identify cases that were most likely to have changes that would affect eligibility or payment amount. SSA uses that information to decide the frequency of redeterminations and to decide whether to complete the redetermination through a mailed questionnaire or a field office interview. Related to redeterminations are what SSA calls “limited issues.” These are cases selected for limited review by the field office due to a single issue, such as an alert resulting from a match between SSA's records and those of another agency.

The FY 1999 SSI Management Report noted that redeterminations were very cost-effective, and recent enhancements in its profiling had made them even more effective. At that time, SSA's spending on redeterminations yielded savings (in the form of collected and prevented overpayments) of \$8 for each \$1 spent.

The report noted that the President's proposed FY 1999 budget included additional funds for redeterminations. The report stated that if that funding was approved, SSA would conduct 2.1 million redeterminations in 1999. In addition, the agency planned to further increase the number of redeterminations with a high risk of overpayment beyond 1999.

The number of redeterminations did increase for a time. In 1999 the number of field office redeterminations rose to 1.6 million, with 642,000 mailers. The number of field office redeterminations fell every year from 2004 through 2007, and in 2008 was only 56 percent of what it had been in 1999. The number completed through mailers dropped every year since 2004. An SSA Deputy Commissioner testified in 2008, “We have had to reduce some of our stewardship activities in order to devote necessary resources to service delivery, and our payment accuracy has suffered as a result.”<sup>8</sup>

**Redeterminations 1999 to 2008**

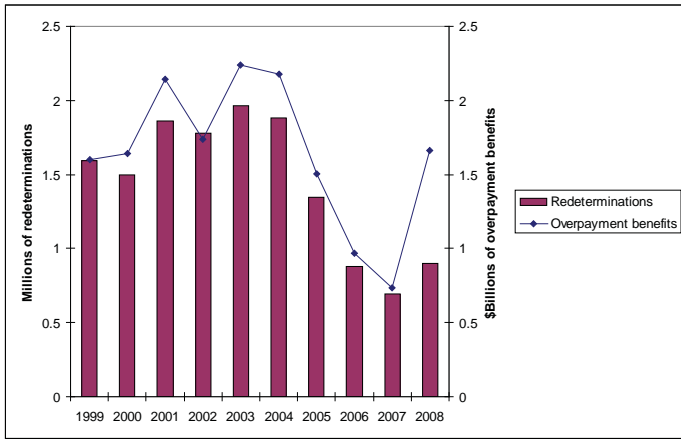


Since FY 2000, SSA has published a Redeterminations Change Rate Study, an analysis of the results of redeterminations it has conducted. This study shows, among other things, the number of redeterminations and the resulting overpayment benefits. Overpayment benefits are defined as overpayments prevented or projected to be collected. In the following chart, the bars show the number of redeterminations per year in millions (left-hand scale) and the line shows the overpayment benefit in billions of dollars (right-hand scale). SSA attributes the large increase in overpayment benefits in FY 2008 to a combination of factors. One was the increase in the volume of high-error profile cases in the redeterminations it conducted in 2008. Another was the

<sup>8</sup> Testimony of David A. Rust, Acting Deputy Commissioner for Disability and Income Security Programs before the Federal Financial Management, Government Information, Federal Services, and International Security Subcommittee of the Committee on Homeland Security and Governmental Affairs, United States Senate, January 13, 2008. [http://www.ssa.gov/legislation/testimony\\_013108.htm](http://www.ssa.gov/legislation/testimony_013108.htm)

fact that the average overpayment benefit for these cases increased due to improved profiling techniques.

### Redeterminations and Overpayment Benefits, 1999 - 2008



Earlier we described overpayments in terms of the type of incorrect information that caused them. It is also helpful to look at them in terms of when they occurred in the life of the claim. SSA's analysis of the leading causes of SSI overpayments shows the importance of redeterminations in preventing overpayments:

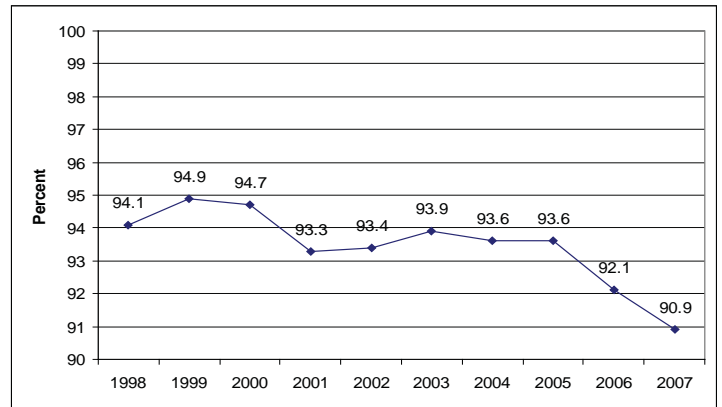
- For overpayments due to financial accounts, 68 percent of the overpaid dollars resulted from a change in circumstances after the most recent redetermination or related limited issue, and 18 percent resulted from a change between the time the initial claim was completed and a redetermination or related limited issue was completed.
- For overpayments due to wages, 77 percent of the overpaid dollars resulted from a change in circumstances after the most recent redetermination or related limited issue, and 18 percent from a change between the time the initial claim was completed and a redetermination or related limited issue was completed.
- For overpayments due to in-kind support and maintenance, 46 percent of the overpaid dollars resulted from a change in circumstances after the most recent redetermination or related limited issue, and 31 percent resulted from a change between the time the initial claim was completed and a redetermination or related limited issue was completed.

The point at which the overpayments occurred shows that overpayments could be greatly reduced if redeterminations were conducted more frequently.

### Results: SSI payment accuracy since FY 1999

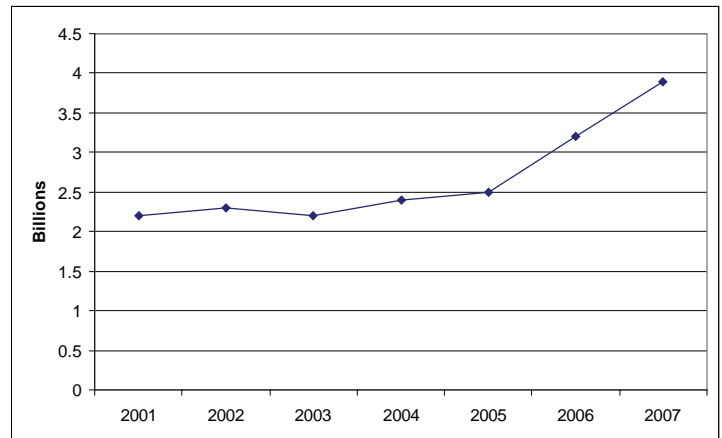
Despite the agency's efforts, while SSA's overpayment accuracy rate increased slightly following its FY 1999 SSI Management Report, it has never reached the 96 percent goal. In fact, it has fallen dramatically since 2005, and as of 2007, the most recent year for which data are available, was at its lowest level in more than 30 years.

### Overpayment Accuracy Rate 1998-2007



In dollar terms, SSI overpayments have risen from about \$2 billion in 2001 to nearly \$4 billion in 2007. Total Federal SSI payments were nearly \$29 billion in 2001 and nearly \$37 billion in 2007.

### Overpayment Dollars 2001-2007



SSA periodically reviews disability cases to determine whether individuals who are receiving benefits because they are disabled have improved so that they no longer meet SSA's definition of disability. These reviews are called continuing disability reviews, or CDRs. Before the mid-1990s, SSA did not conduct many SSI CDRs. Until 1994, the law did not require CDRs for SSI beneficiaries, and SSA directed its limited resources to

CDRs of Old-Age, Survivors, and Disability Insurance (OASDI) beneficiaries.

By regulation, SSA sets CDR diaries for six to 18 months for beneficiaries who are expected to improve, up to three years for beneficiaries for whom medical improvement is possible, and five to seven years for beneficiaries who are not expected to improve.

Beginning in 1994, SSI CDRs were mandated by statute. Legislation in 1994 required SSA to conduct CDRs on 100,000 SSI beneficiaries and on at least one-third of SSI beneficiaries reaching age 18 in each fiscal year from 1996 through 1998. Legislation in 1996 required CDRs within one year on all children eligible because of their low birth weight, every three years on all SSI childhood beneficiaries who were considered likely to improve medically, and medical redeterminations using the adult disability standard on all SSI childhood beneficiaries within a year after reaching age 18.<sup>9</sup>

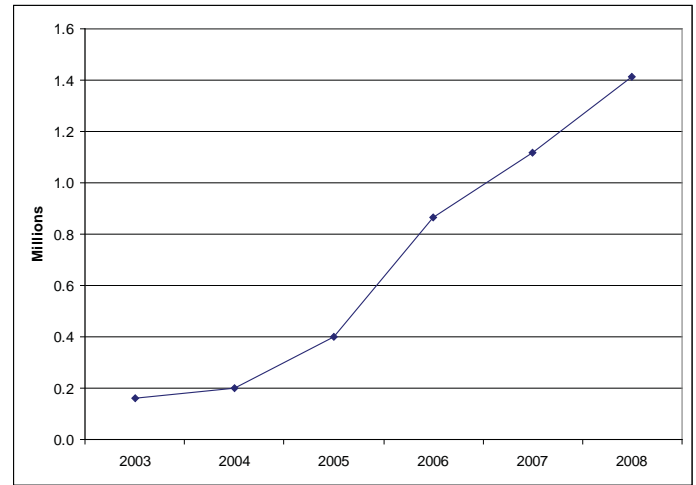
When this legislation was enacted, there was already a large backlog of CDRs. There had been an unexpected increase in initial disability claims in the early 1990s, and SSA moved resources from CDRs to initial claim processing. By the end of FY 1996, about 4.3 million CDRs were due or overdue. In response, Congress gave SSA more than \$4 billion in special funding for OASDI and SSI CDRs for FYs 1996 through 2002.

Ten years ago, when SSA issued its SSI Management Report, it was in the early stages of working through its seven-year plan to become current in its CDR workload. Its goal was to be current in conducting CDRs by FY 2002. It was current with OASDI CDRs by FY 2000 and with all CDRs by FY 2002.

Beginning with 2003, however, backlogs have grown again. About 1.6 million CDRs come due every year. Because of budgetary constraints, SSA has consistently been unable to process the number that come due.

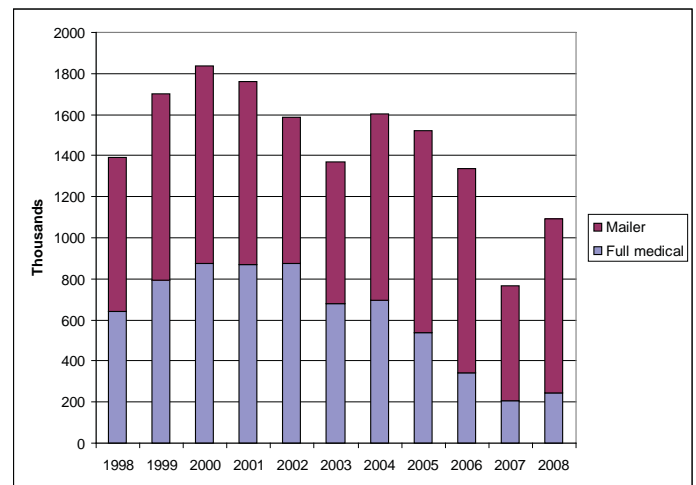
Of the total 1.4 million backlogged CDRs at the end of FY 08, more than 500,000 were SSI children, and more than 400,000 were SSI adults. (The rest were non-SSI disability cases.)

**CDR backlogs, 2003-2008**



To help cope with the CDR workload, SSA has used a process based on profiling since 1993. Cases that are profiled as having a high likelihood of medical improvement are sent to the state Disability Determination Services (DDS – the same agency that makes decisions on initial disability claims) for a full medical review. Cases that are profiled as having a low or medium likelihood of medical improvement are sent a brief mailer questionnaire. (The mailer process is not used for SSI disabled children.) If the responses to the mailer indicate a possible medical improvement, the case is sent to the DDS for a full medical review. By using profiling, SSA has been able to conduct more CDRs than if it did a full medical review of each case.

**Full medical and mailer CDRs, 1998-2008**



SSA has been refining its profiling in order to focus its full medical CDRs where they are most needed. Beginning in 2001, it worked with contractor assistance to refine and enhance its profiling models, using more comprehensive data and more advanced statistical modeling techniques. In 2007, with the help of a

<sup>9</sup> 20 CFR 416.990. The regulation also provides for non-diaried CDRs in other circumstances, such as a report of return to work or substantial earnings posted to the earnings record.

contractor, it completed a profiling model for SSI children. Since then it has worked on incorporating Medicare claims data and the relationship between pre-entitlement earnings and medical improvement into its profiling models. SSA has also developed an improved diary model, used to set a date for a CDR when an initial claim is approved.

The administrative cost of conducting CDRs results in much greater savings of program costs. For the period 1996 through 2006, CDRs yielded savings-to-cost ratios averaging \$10.4 to \$1. For FY 2007, the ratio was estimated at \$11.7 to \$1. Looking specifically at SSI, CDRs conducted in FY 2007 will result in an estimated reduction in Federal benefit payments of \$1.2 billion over a 10-year period, and a reduction in the Federal share of Medicaid payments of \$715 million over the same period<sup>10</sup>

### SSI Program Fraud

The FY 1999 SSI Management Report noted that the potential for fraud is inherent in any cash benefit program. Because the extent of fraud is not accurately measurable, we cannot draw any conclusions about the amount by which the agency may have reduced fraud in the SSI program, but we can note some of the efforts.

Even before the 1999 report was issued, SSA had already increased its anti-fraud activity. Over a three-year period, SSA added to its Office of Inspector General, increasing its staff (mainly investigators) by two-thirds. SSA also formed a joint Payment Accuracy Task Force with OIG that reviewed SSI payment errors and recommended measures for improvement. Another initiative that started before the management report was the creation in FY 1998 of five pilot projects using investigative teams composed of OIG, SSA, State DDS employees, and State law enforcement officials in five States. These pilots became the Cooperative Disability Investigation (CDI) program. By the end of FY 2008 there were 19 CDI units in 17 States working to identify and resolve issues of fraud and abuse in initial and continuing disability claims. In FY 2008, these units received 4,940 allegations of fraud and confirmed 3,464 of them.

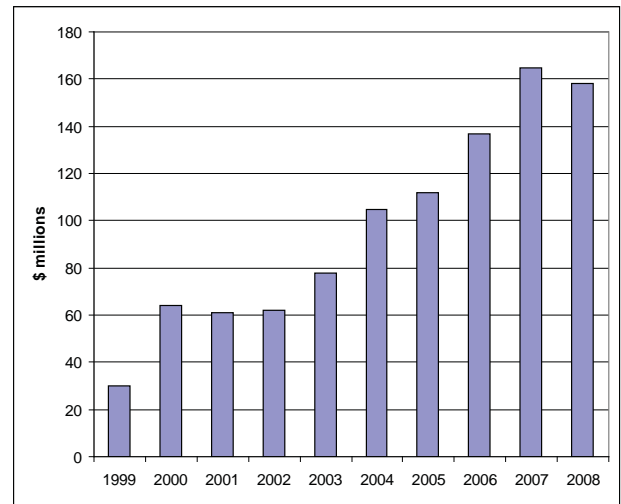
The management report observed that front-line SSA employees have an important role in detecting potential fraud. The number of fraud allegations from SSA employees increased from 22,000 in FY 1999 to 34,000

<sup>10</sup> SSA, *Annual Report of Continuing Disability Reviews*, Fiscal Year 2007.

in FY 2008. In FY 1999 26 percent of allegations dealt with SSI disability benefits and 3 percent with SSI aged benefits. In FY 2008, 40 percent dealt with SSI disability benefits and 1 percent with SSI aged.

As the following chart shows, dollar amounts from penalties, assessments, savings, recoveries, and restitutions related to SSI investigative activities increased from \$30 million in 1999 to \$158 million in 2008.<sup>11</sup>

**SSI dollar amounts from investigative activities**



In addition to its investigative activities, the OIG also conducts audits of SSA activities. Some of these have looked into aspects of the SSI program that are susceptible to fraud. For example, in FY 2008, the OIG issued a report on SSI beneficiaries with automated teller machine withdrawals indicating that they were outside the United States. (SSI beneficiaries are not eligible for benefits for any calendar month if they are outside the United States throughout the month.) Another audit looked into SSI beneficiary marriages not reported to SSA. Another analyzed SSI beneficiaries with excess income or resources. In each of these cases, it recommended corrective actions that SSA followed.

### Debt Collection

The FY 1999 SSI Management Report described the debt collection tools that SSA then had available to it:

- **Benefit offset: Overpayments to beneficiaries who were still on the benefit rolls could be**

<sup>11</sup> Data provided by SSA's Office of the Inspector General. Figures for 1999 through 2003 differ from figures reported in Performance and Accountability Reports for those years, because the figures used here exclude savings from the Fugitive Felon Program, which were no longer reported after 2003.

recovered by withholding a portion of the ongoing monthly benefit until the debt was collected. In addition, former SSI beneficiaries who received OASDI benefits could repay an SSI overpayment by voluntarily requesting offset of their OASDI benefit. SSA could not at that time recover an SSI debt from an OASDI benefit without the beneficiary's consent.

- Repayment agreements: These were agreements to repay by installments, and were difficult and costly ways to recover overpayments.
- Tax refund offset: SSA had authority to refer delinquent debtors to the Treasury Department, which could withhold tax refunds until the SSI debt was repaid.<sup>12</sup>

The report also mentioned that SSA had submitted to Congress legislative proposals to give the agency additional authorities to collect debts. The Foster Care Independence Act of 1999 gave SSA the following additional authorities for recovering overpayments:

- SSA could report delinquent SSI debts to credit bureaus, which has led to repayment of delinquent overpayments.
- SSA could withhold SSI overpayments from OASDI benefits without the consent of the beneficiary. (SSA received additional authority in the Social Security Protection Act of 2004 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments.)
- SSA could issue garnishment orders to employers to collect SSI overpayments.
- SSA could automatically net SSI overpayments against SSI underpayments.

The following table shows the dates that each of these initiatives was implemented, and the amount of SSI overpayments that have been collected as a result through the end of FY 2008.

Results of overpayment initiatives through FY08		
Initiative	Began	Results (\$ in billions)
Credit bureau reporting	1999	\$0.217
Cross-program recovery	2002	\$0.409
Wage garnishment	2005	\$0.008
Automatic netting	2002	\$0.596
<b>Total</b>		<b>\$1.230</b>

<sup>12</sup> GAO later pointed out that SSA had only started using tax refund offsets to recover SSI overpayments in 1998 although it had had the authority to do so since 1984. (GAO, Supplemental Security Income: Long-Standing Issues Require More Active Management and Program Oversight, February 3, 1999. GAO/T-HEHS-99-51.)

In FY 2006 SSA also implemented what it calls its non-entitled debtors program. This is an automated system to control recovery activity for debts owed by people who do not receive benefits. This system controls, for example, recovery of debts from representative payees who receive benefits after the death of a beneficiary.

Overall, SSI collections increased from \$640 million in FY 1999 to nearly \$1.1 billion in FY 2008.

### Conclusions and Recommendations

Since issuing its SSI Management Report in FY 1999, SSA has taken the actions it outlined and has gone beyond those actions. It has made increased use of technology to collect information on income, resources, and living arrangements. It achieved its goal of being current with continuing disability reviews as of FY 2002. It has improved its profiling of redeterminations. It has obtained authority for and has implemented new methods of collecting overpayments.

Despite these actions, the bottom line results are disappointing. SSA has yet to reach the goal it set in FY 1999 to attain an overpayment accuracy rate of 96 percent. In fact, in recent years, accuracy levels have declined, and overpayment dollars have climbed.

To improve its bottom-line results, SSA needs an increased number of redeterminations and CDRs. These program integrity efforts help ensure the accuracy of benefit payments. The administrative funds expended on them also result in program savings. SSA estimates that for each dollar spent on redeterminations and CDRs, the agency saves \$10 in program costs. But quality and program integrity should not become concerns only after claims are approved. SSA should also focus on improving the accuracy of its initial claims processes. It can realize the largest savings by doing things right the first time.

SSA should also continue to improve and expand its use of technology for program integrity, work to improve beneficiary reporting, and simplify the SSI program rules.

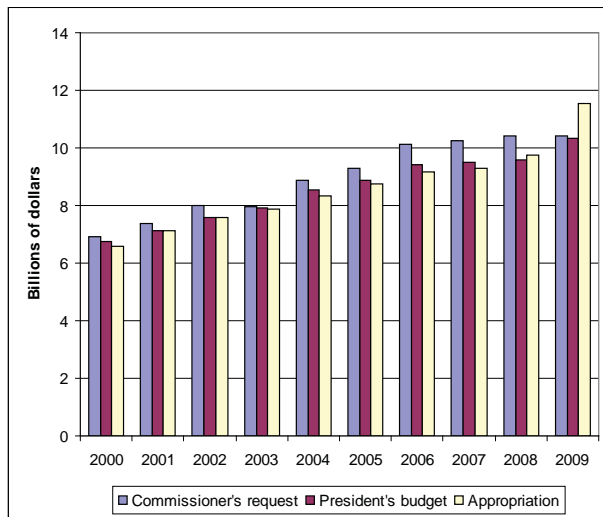
### Funding increased redeterminations and CDRs

A reliable source of funding for redeterminations and CDRs is essential to improving SSA's stewardship of the SSI program. Since the end of special funding for CDRs, SSA has reduced its stewardship activities in



order to devote resources to basic service delivery.<sup>13</sup> The following chart shows the amount of the Commissioner's request, the President's budget request for SSA, and the appropriation for the agency. In no year since 2000 has the President's budget met the amount requested by the Commissioner, and in only the last two years has the appropriation exceeded the President's request.

**SSA administrative budget, 2000-2009**



Greater transparency in SSA budgeting would be helpful. The Commissioner's request is published as a number without any explanation. The Advisory Board has previously recommended that SSA be able to submit its entire request and budget justification to Congress without having it first obtain the approval of the Office of Management and Budget. SSA's budget justification would be helpful to Congress in assessing the agency's needs. As the Board's chairman has testified, "Additional transparency in budgeting could help Congress better understand what is needed to fund the administrative costs adequately."<sup>14</sup>

The Advisory Board has previously recommended that all of SSA's administrative expenses be excluded from discretionary spending caps. In our 1999 report on service to the public, we stated, "It is entirely appropriate that spending for administration of Social Security programs be set at a level that fits the needs of Social Security's contributors and beneficiaries, rather than an arbitrary level that fits within the current government cap

on discretionary spending."<sup>15</sup>

The Government Accountability Office has noted that "the earmarking of funds for activities such as CDRs could help SSA keep current with these activities. For example, if the number of initial applications for disability benefits continues to increase over the next several years, holding apart the necessary funds for CDRs could be a prudent measure."<sup>16</sup> The President's FY 2010 budget proposes \$759 million for SSA CDRs and redeterminations, and a total of \$4.3 billion for fiscal years 2010 through 2014. The proposal uses the same sort of cap adjustment that was used for CDR funding in FY 2002 through 2006 to ensure that this funding will not supplant other Federal spending on these activities or be diverted for other purposes.

Budgetary transparency and cap adjustments are helpful, but we believe that a more fundamental approach is needed to establish a reliable source to fund program integrity activities. As the Board's chairman has said to the Ways and Means Committee, "I realize that there is a budgetary distinction between administrative and benefit spending, but that is an artificial distinction that most taxpayers supporting Social Security would consider ludicrous. You might want to support an incentive-based stewardship approach whereby the Agency can retain a percentage of such stewardship savings. Abandoning the ability to minimize improper payments is not only wasteful, but will worsen the future year total deficits that will constrain future discretionary spending."<sup>17</sup>

The Chief Financial Officer Council and the President's Council on Integrity and Efficiency established a workgroup on reduction of improper payments that proposed a similar government-wide funding mechanism from collections of erroneous payments. The proposal called for legislation that would authorize all Federal agencies and Offices of Inspector General to use a percentage of actual collections of erroneous payments to fund activities to prevent, detect, and collect erroneous payments. The legislation the workgroup proposed would establish permanent indefinite appropriations, subject to apportionment by OMB, which would be

13 Testimony of David Rust, Acting Deputy Commissioner for Disability and Income Security Programs to the Federal Financial Management, Government Information, Federal Services, and International Security Subcommittee, January 31, 2008

14 Testimony of Sylvester J. Schieber to the Subcommittee on Social Security of the Committee on Ways and Means, U.S. House of Representatives, February 14, 2007.

15 *How the Social Security Administration Can Improve Its Service to the Public*. <http://www.ssab.gov/Publications/ServicePublic/stpweb.pdf>

16 GAO, *Social Security Disability: Reviews of Beneficiaries' Disability Status Require Continued Attention to Achieve Timeliness and Cost-Effectiveness*. GAO-03-662, July 2003.

17 Testimony of Sylvester J. Schieber, Chairman, Social Security Advisory Board to the Committee on Ways and Means, U.S. House of Representatives, April 23, 2008. <http://www.ssab.gov/documents/SchieberWaysand-Means042308.pdf>

based on a percentage of actual collections. Agencies and OIGs would report on how these funds were used to prevent, detect, and collect erroneous payments.<sup>18</sup>

### **Improved use of technology**

The Advisory Board has recently published a report on information technology (IT) at SSA.<sup>19</sup> In that report, we recommended improved strategic planning, comprehensive business plans, a restructured IT governance process, integrated electronic service delivery, and an ongoing commitment to future technologies. All of those recommendations apply to SSA's program integrity activities. SSA should include program integrity concerns in all that it does to update its systems. As it models its business processes, it should strive to ensure that it does things correctly the first time and to integrate program integrity into its systems.

Looking back over the last 10 years, we see that SSA has made some advances in its use of technology that point the direction to a more effective future. It has moved from periodic matches with other databases to online query capability. In the case of its automated program for access to data from financial institutions, it is working toward integrating it with its claims processing system, to reduce the amount of employee intervention required. There is still a substantial need in program integrity, as in its other business processes for further improvements. We encourage SSA to continue its work with the Access to Financial Information project and expand it nationally as soon as feasible.

### **Program simplification**

The Board has frequently pointed out that the complexity of the SSI program makes it difficult for claimants and beneficiaries to understand and challenging for the agency to manage. We have also made some recommendations for improving program design and rules.<sup>20</sup> In 2003, when it removed the SSI program from its high-risk list, GAO pointed out that program complexity was a key program vulnerability associated

18 Testimony of Inspector General James G. Huse, Jr., Hearing before the Subcommittee on Human Resources of the Committee on Ways and Means, U.S. House of Representatives, July 25, 2002. SSA has drafted a legislative proposal along these lines. See SSA Office of the Inspector General, *Congressional Response Report: Opportunities and Challenges for the Social Security Administration*, April 2009, p. 14.

19 [http://www.ssab.gov/documents/Bridging\\_the\\_Gap\\_pre-publication\\_release\\_april\\_2009.pdf](http://www.ssab.gov/documents/Bridging_the_Gap_pre-publication_release_april_2009.pdf)

20 The Board has recommended program simplification since its Statement in 1999 and made some specific recommendations in its Statements beginning in 2005. Earlier Statements are available at: <http://www.ssab.gov/Publications/Subject.html>.

with SSI overpayments.

Since then, SSA has achieved some simplification of the program, but they have been relatively minor. The Social Security Protection Act of 2004 included provisions simplifying some income exclusion and income counting rules and establishing a uniform resource exclusion period. Regulations issued in 2005 simplified an income counting rule and added resource exclusions.<sup>21</sup> Although SSA has studied various options for major program simplifications, it has not proposed specific legislative changes.

The most recent study is an article on options for eliminating the counting of in-kind support and maintenance, one of the most complex aspects of SSI.<sup>22</sup> The article points out that since the SSI program began 35 years ago, at least 10 workgroups, studies, and reports have examined ways to simplify the program, and most of them have looked at the issue of in-kind support and maintenance, with only limited progress at simplifying these rules. The article illustrates the difficulty of simplifying this aspect of SSI policy in a way that is budget neutral. Eliminating the counting of in-kind support and maintenance is estimated to save about \$70 million per year in administrative costs, but at a program cost of \$1.2 billion per year. To maintain budget neutrality, the costs are recouped by reducing the benefits of beneficiaries who share housing. As the article points out, the redistribution seems disproportionate to the administrative savings, and there are distributional concerns about how the costs would be recouped, with some groups of beneficiaries gaining and others losing.

Wages are another error-prone area in the SSI program where policy changes may be helpful. Payment errors are due in part to lack of reporting or incorrect reporting by beneficiaries. Other errors are caused by field office personnel either not verifying or incorrectly verifying

21 Rene Parent and Richard Balkus, "Efforts Since 2000 to Simplify the SSI Program: Legislative and Regulatory Changes," Policy Brief 2008-01, April 2008, SSA Office of Policy. <http://www.ssa.gov/policy/docs/policybriefs/pb2008-01.html>. See also, Erik Hansen, "A Legislative History of the Social Security Protection Act of 2004," Social Security Bulletin, vol. 68, no. 4, 2008, 41-52.

22 Richard Balkus, James Sears, Susan Wilschke, and Bernard Wixon, "Simplifying the Supplemental Security Income Program: Options for Eliminating the Counting of In-kind Support and Maintenance," Social Security Bulletin, Vol. 68, no. 4, 2008, 15-39. <http://www.ssa.gov/policy/docs/ssb/v68n4/v68n4p15.pdf>.

In-kind support and maintenance is non-cash support to beneficiaries for food or shelter, which is counted as unearned income and reduces the SSI benefit. Determining the amount of this type of income requires obtaining detailed information on household composition, household expenses, and contributions by members of the household.

wages.<sup>23</sup> SSA has developed systems for online reporting and automated telephone reporting, but it remains to be seen how widely these will be used. SSA has established online access to state wage data, but those data are in a quarterly format, and current SSA procedures require monthly verified wage amounts. The President's budget for FY 2010 proposes to restructure the Federal wage reporting process to increase the frequency with which wages are reported to SSA, but that would only increase from annual to quarterly reporting. SSA should consider policy changes that might make more use of quarterly wage data and reduce its labor-intensive verification processes.

### **Improving beneficiary reporting**

Much of what we know – or think we know – about the failure of beneficiaries to report relevant information is anecdotal in nature. We have heard, and can readily believe, that many beneficiaries do not understand program requirements or remember the reporting instructions they received when they first filed for benefits. It is also likely that some beneficiaries withhold information in order to get a higher benefit. And given the near impossibility of getting through to some local field offices by phone and the delays in getting through to the 800-number system, we can understand that

beneficiaries might be discouraged from reporting. SSA has been working on an automated telephone system and an on-line system for reporting wages, but progress has been slow.

Given the importance of beneficiary reporting to SSI payment accuracy, an evidence-based approach to improving that reporting would be worth investigating. The United Kingdom's Department for Work and Pensions recently issued a study on *Reporting Changes in Circumstances: Factors Affecting the Behaviours of Benefit Claimants*.<sup>24</sup> The study showed that ignorance and confusion were the main factors underlying non-reporting or late reporting of changes. Other factors included resentment about program rules that were perceived as unfair, difficulties in making contact and relaying information to agencies, and a widespread misunderstanding that if a beneficiary reports a change to one agency, that agency will convey the information to others that need it. A similar study of the SSI population would provide information from which SSA could devise ways to improve beneficiary reporting.

SSA has come a long way in a decade, but considerably more remains to be done through technology, simplification, and improved reporting.

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23 SSA, Office of Quality Performance, SSI Transaction Accuracy Review Wage Report, October 24, 2006.

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24 Research Report no. 544, published 2009. <http://www.dwp.gov.uk/asd/asd5/rports2009-2010/rrep544.pdf>.

# Social Security Advisory Board

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created a 7 member bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters relating to the Social Security and Supplemental Security Income (SSI) programs. Advisory Board members are appointed to 6 year terms, made up as follows: three appointed by the President (no more than two from the same political party); and two each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and the Ranking Minority Member of the Committee on Ways and Means) and by the President pro tempore of the Senate (in consultation with the Chairman and Ranking Minority Member of the Committee on Finance). Presidential appointees are subject to Senate confirmation.

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