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SUPPLEMENTAL
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Long-Standing Issues
Require More Active
Management and Program
Oversight

Statement of Cynthia M. Fagnoni, Director
Income Security Issues
Health, Education, and Human Services Division



Supplemental Security Income: Long-Standing Issues Require More Active Management and Program Oversight

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) Supplemental Security Income (SSI) program. SSI is the nation's largest cash assistance program for the poor. In fiscal year 1998, the program paid about 6.6 million low-income aged, blind, and disabled recipients a total of approximately \$27 billion. In that same year, current and former SSI recipients owed SSA more than \$3.3 billion in overpaid benefits, including \$1.2 billion in newly detected overpayments for the year. Since assuming responsibility for SSI in 1974, SSA has been significantly challenged in its efforts to serve the diverse needs of recipients while still protecting the financial health and integrity of the program. Our reports and those of oversight agencies have highlighted program abuses and mismanagement, increases in SSI overpayments, and SSA's inability to recover outstanding debt. These and other problems documented over the years have spurred congressional criticism of SSA's ability to effectively manage SSI workloads and have also served to reinforce public perceptions that SSA pays SSI benefits to too many people for too long. In February 1997, we designated SSI a high-risk program because of its susceptibility to fraud, waste, and abuse, and because of insufficient management oversight of the program. We also initiated a broad-based review of the program to determine the root causes of long-standing SSI problems and the actions necessary to address them.¹ Today I would like to discuss the findings of our review and the problem areas that currently pose the greatest risk to the SSI program. I would also like to discuss SSA's recent efforts to improve SSI program integrity and additional actions that should be taken.

In summary, our work shows that, to a great extent, SSA's inability to address long-standing SSI program problems is attributable to two underlying causes: (1) an organizational culture that places a greater priority on processing and paying claims than on controlling program expenditures and (2) a management approach characterized by SSA's reluctance to fulfill its SSI policy development and planning role in advance of major program crises. As a result, SSA has continued to experience significant difficulties with regard to verifying recipients' initial and continuing eligibility for benefits, recovering SSI overpayments, combatting program fraud and abuse, and providing adequate program direction. Since SSI was designated high risk, SSA has taken a number of actions to improve the financial integrity of the program and revise its traditional

¹Supplemental Security Income: Action Needed on Long-Standing Problems Affecting Program Integrity (GAO/HEHS-98-158, Sept. 14, 1998).

approach to program management. However, several of SSA's initiatives are now in the early planning or implementation stages, or require the passage of new legislation before they can move forward. In other areas, SSA's actions have been insufficient. Thus, it is important that SSA sustain and expand its efforts to address problem areas and strike a balance between meeting the needs of SSI recipients and fiscal accountability for its programs.

Background

SSI provides cash benefits to low-income aged, blind, or disabled people. Those who are applying for benefits on the basis of age must be at least 65 years old and financially eligible for benefits; those who are applying for disability benefits must qualify on the basis of financial and medical criteria. To qualify for benefits financially in fiscal year 1998, individuals could not have income greater than the maximum monthly SSI benefit of \$494 (\$741 for a couple) or have resources that exceeded \$2,000 (\$3,000 for a couple). To be qualified as disabled, applicants must be unable to engage in any substantial gainful activity because of an impairment expected to result in death or last at least 12 months.

The process SSA uses to determine an applicant's financial eligibility for SSI benefits involves an initial determination when someone first applies and periodic reviews to determine whether the recipient remains eligible. SSI recipients are required to report significant events that may affect their financial eligibility for benefits, including changes in income, resources, marital status, or living arrangements—such as incarceration or moving into a nursing home. To verify that the information provided by a recipient is accurate, SSA generally relies on matching data from other federal and state agencies, including Internal Revenue Service 1099 information, Department of Veterans Affairs benefits data, and state-maintained earnings and unemployment data. When staff find discrepancies between income and assets claimed by a recipient and the data from other agencies, they send notices to SSA field offices to investigate further.

To determine a person's medical qualifications for SSI as a disabled person, SSA must determine the individual's capacity to work as well as his or her financial eligibility. To determine whether an applicant's impairment qualifies him or her for benefits, SSA uses state Disability Determination Services (DDS) to make the initial assessment. Once a recipient begins receiving benefits, SSA is required to periodically conduct Continuing Disability Reviews (CDR) to determine whether a recipient's disabling condition has improved.

Organizational Culture Has Perpetuated Several Long-Standing SSI Problems

To a significant extent, an agency's culture emanates from and is shaped by top management officials who are charged with establishing the priorities and performance goals that drive day-to-day program operations. Thus, over time, what is regularly emphasized, measured, and rewarded by agency management becomes ingrained in the immediate workload priorities of line managers and field staff. If agency priorities are not adequately balanced, serious program vulnerabilities may arise.

In work spanning more than a decade, we have noted that SSA's operations have been heavily influenced by an organizational culture or value system that places a greater value on quickly processing and paying claims than on controlling program costs. Our most recent work has confirmed the continued existence of an agency culture that views the SSI program in much the same way as SSA's Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs—where emphasis is placed on quickly processing claims for individuals with an earned right to benefits—rather than as a welfare program, where stronger income and asset verification is necessary. SSA's organizational culture has been most evident in the low priority it has often placed on verifying recipients' initial and continuing eligibility for benefits, recovering SSI overpayments, and addressing program fraud and abuse.

Verifying Recipient Eligibility

In regard to verifying recipients' initial and continuing eligibility for benefits, our work has shown that SSA has relied heavily on recipients to self-report important eligibility information relating to their financial status and disabling condition. However, recipients do not always report required information when they should and may not report it at all. Although SSA has procedures in place to verify this information, they are often untimely and incomplete. Over the last several years, we have documented numerous examples of payments made to ineligible recipients as a result of SSA's inattention to the verification aspects of the SSI program, including millions of dollars in benefit payments to prisoners² and nursing home residents.³ These erroneous payments occurred because incarcerations and nursing home admissions were not being reported as required, and SSA lacked timely and complete automated verification data. In the nursing home example alone, SSA has estimated that overpayments may exceed \$100 million annually.

²Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners (GAO/HEHS-96-152, Aug. 30, 1996).

³Supplemental Security Income: Timely Data Could Prevent Millions in Overpayments to Nursing Home Residents (GAO/HEHS-97-62, June 3, 1997).

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SSA also continues to rely heavily on computer matching with other federal and state agencies to verify that recipient financial information is correct. However, these matches are not always the most effective means of verification, because information is often quite old and sometimes incomplete. For example, SSA's computer matches for earned income rely on data that are from 6 to 21 months old, allowing overpayments to accrue for this entire period before collection actions can begin. We have estimated that direct on-line connections (as opposed to computer matches) between SSA's computers and databases maintained by state agencies—welfare benefits, unemployment insurance, and worker's compensation benefits—could have prevented or quickly detected \$34 million in SSI overpayments in one 12-month period.⁴ We also reported in March 1998 that newly available Office of Child Support Enforcement (OCSE) databases maintained by SSA could prevent or more quickly detect about \$380 million in annual SSI overpayments caused by unreported recipient income.⁵ In addition, we concluded that opportunities existed for SSA to prevent almost \$270 million in overpayments by accessing more timely financial account information via a nationwide network that currently links all financial institutions. Such information would help ensure that individuals whose bank accounts would make them ineligible for SSI do not gain eligibility. Our September 1998 SSI report confirmed that SSI verification problems continue. In that report, we recommended that SSA enhance its ability to verify applicant and recipient eligibility information by accelerating efforts to identify more timely and complete financial verification sources.

SSA management has acknowledged that because of the rapidly rising workloads of prior years, the agency decided to emphasize and prioritize the expedient processing and payment of claims rather than delay final decisions by requiring more thorough verification steps. Recently, however, SSA has begun to take more decisive action to protect the financial integrity of the SSI program. For example, SSA has started a program to better identify recipients in jail who should no longer be receiving benefits and is expanding its use of on-line state data to obtain more real-time applicant and recipient information. In accordance with one of our recommendations, SSA also plans to give field offices on-line access to OCSE wage data, new-hire data, and unemployment insurance data by the Spring of 1999. Once implemented, this should allow field staff

⁴Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data (GAO/HEHS-96-163, Aug. 29, 1996).

⁵Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy (GAO/HEHS-98-75, Mar. 27, 1998).

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to better prevent SSI overpayments by identifying undisclosed earnings at application. In its fiscal year 1999 budget, SSA also requested an additional \$50 million to complete additional financial redeterminations of individuals who have been designated as having a high probability of being overpaid. Finally, in May 1998, SSA submitted a legislative proposal to the Congress seeking statutory authority to expand its eligibility verification tools, including the ability to more quickly obtain essential information from financial institutions, state databases, and federal and state prisons in order to determine an individual's eligibility for SSI benefits.⁶ SSA's proposal also sought authority to use a new computer match with the Health Care Financing Administration to more quickly identify SSI recipients residing in nursing homes. If they become law, these and other provisions currently under consideration by the Congress have the potential to improve SSA's ability to better verify initial and continuing eligibility and deter SSI program overpayments.

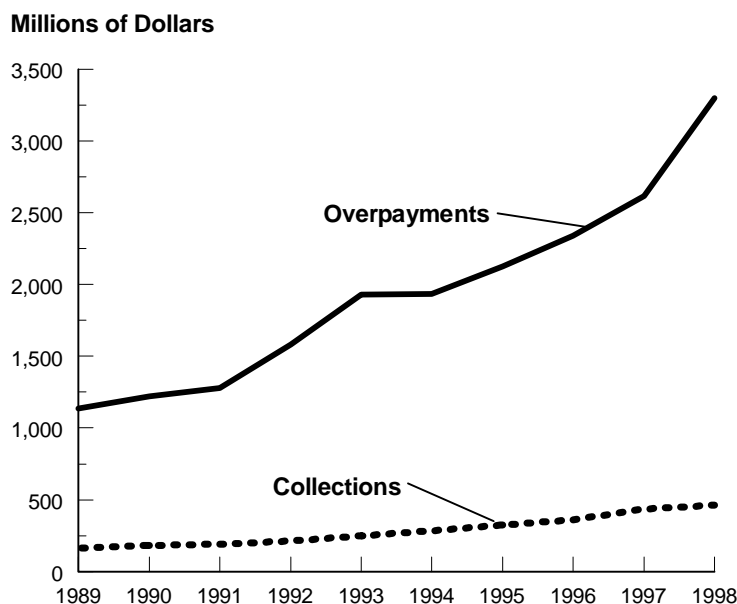
Recovering Overpayments

In addition to problems associated with SSA's verification of SSI eligibility information, SSA has not always aggressively pursued the recovery of overpayments. Thus, over time SSA's recovery efforts have been outpaced by outstanding SSI debt, which is becoming an increasingly large portion of all debt owed to the agency. Between 1989 and 1998, outstanding SSI debt and annual overpayments more than doubled to about \$3.3 billion. Although overpayment recoveries also increased each year during this period, the gap between what is owed SSA and what is actually collected has continued to widen (see fig. 1).

⁶This proposal is entitled the Supplemental Security Income Program Integrity Act of 1998 and was submitted to the Congress on May 4, 1998.

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**Figure 1: Gap Between SSI
Overpayments and Recoveries
Continues to Widen, Fiscal Years
1989-98**



Source: SSA's Office of Finance, Assessment, and Management.

As noted in our September 1998 report, to a great extent overpayment recoveries have remained low because of SSA's reluctance to use debt collection tools already available to it or seek statutory authority for more aggressive tools. We reported that SSA only began using tax refund offsets in 1998 to recover overpaid SSI benefits, despite having had the authority to do so since 1984. The tax refund offset represents one of the few tools available to SSA for recovering overpaid benefits from former recipients. In the first 4 months of 1998, SSA reported that it had collected more than \$23 million through this initiative. Waiting many years to move forward with this important recovery tool has likely cost the SSI program millions of dollars in collections. We also reported that, until recently, SSA had not pursued the authority to use more aggressive debt collection tools, such as the ability to administratively intercept other federal benefit payments recipients may receive, notify credit bureaus of an individual's indebtedness, use private collection agencies, and charge interest on outstanding debt.

Our work also identified another potential barrier to increased overpayment recoveries: the law that limits the amount SSA can recover each month from overpaid SSI recipients. Before 1984, SSA could withhold up to 100 percent of an overpaid individual's benefit amount. However, pursuant to the Deficit Reduction Act of 1984 (P.L. 98-369), SSA was limited to offsetting a maximum of 10 percent of a recipient's total monthly income. Thus, SSA lost the discretion to withhold larger amounts, even for individuals who willfully and continually fail to report essential information. Our September 1998 report recommended that SSA seek legislative authority to withhold larger amounts than the current 10-percent maximum from recipients who chronically and willfully abuse program reporting requirements.

Following a number of GAO briefings over the last year, and our April 1998 testimony before this Subcommittee in which we noted SSA's continued reluctance to pursue more aggressive debt collection tools, SSA submitted a legislative proposal to the Congress seeking statutory authority to use credit bureaus, private collection agencies, interest levies, and other tools to strengthen its collection efforts. To date, SSA has taken no action on our recommendation to withhold greater amounts for recipients who abuse reporting requirements. However, SSA did include a provision in its legislative proposal that would allow the agency to suspend for a period of time the benefits of individuals who provide false information or withhold information that affects their eligibility.

Addressing Fraud and Abuse

Over the years, we have documented the SSI program's susceptibility to fraud and other abusive practices. For example, we have reported that "middlemen" were facilitating fraudulent SSI claims by providing translation services to non-English-speaking individuals applying for SSI.⁷ We are also currently conducting a follow-up review of the activities of middlemen in the SSI program. In prior work, we also found that thousands of individuals had transferred ownership of resources such as cars, cash, houses, land, and other items valued at an estimated \$74 million to qualify for SSI benefits.⁸ Although such transfers are legal under current law, using them to qualify for benefits has become an abusive practice that raises serious questions about SSA's ability to protect taxpayer dollars from waste and abuse. The Congressional Budget Office has estimated that more than

⁷Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

⁸Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits (GAO/HEHS-96-79, Apr. 30, 1996).

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\$20 million in additional savings could be realized through 2002 by implementing an asset transfer restriction.

The SSI program continues to be vulnerable to fraud and abuse. Although SSI represents less than 8 percent of total agency expenditures, when compared with SSA's other programs—OASI and DI—the SSI program accounted for about 37 percent of allegations received by SSA's fraud hotline and 24 percent of convictions obtained. However, SSA has begun to take more decisive action to address SSI fraud and abuse since the program was designated high risk. For example, the number of Office of Inspector General (OIG) investigators have been increased significantly, and combatting fraud and abuse was made a key goal of SSA's 1997 agency Strategic Plan. SSA has also established national and regional anti-fraud committees to better identify, track, and investigate patterns of fraudulent activity. Several OIG "pilot" investigations are also under way that are aimed at detecting fraud and abuse earlier in the application process. In addition, SSA has established procedures to levy civil and monetary penalties against recipients and others who make false statements to obtain SSI benefits. Finally, in its May 1998 legislative proposal to the Congress, SSA included a provision aimed at preventing individuals from transferring assets in order to qualify for SSI.

It is too early to tell what immediate and long-term effects SSA's activities will have on detecting and preventing SSI fraud and abuse. However, we have noted that many years of inadequate attention to program integrity issues have fostered a strong skepticism among both headquarters and field staff about whether fraud detection and prevention is an agency priority. Many staff believe constant agency pressure to process more claims has impeded the thorough verification of claims and the development of fraud referrals. Staff also have expressed concern that SSA has not developed office work credit measures, rewards, and other incentives to encourage employees to devote more time to developing fraud cases—a process that often takes many hours. Our review of SSA's work credit system confirmed that adequate measures of the activities and time necessary to develop fraud referrals have not been developed. Nor has SSA developed a means of recording and rewarding staff for the time they spend developing fraud cases. As a result, many staff may be unwilling to devote significant time to more thorough claims verification because they fear production—that is, cases processed—will be negatively affected. Our report recommended that SSA reevaluate its field office work credit and incentive structure to encourage better verification of eligibility information and attention to fraud and abuse. SSA has initiated a review of

its existing work measurement system with a specific focus on the kind of work that is counted and how time values are assigned to units of work. SSA expects to complete this review by mid-1999.

Recent Changes in Management Approach May Improve Program Direction

In addition to long-standing problems attributable to SSA's organizational culture, our work suggests that SSA's management of the SSI program has often led to untimely and flawed program policies and inadequate program direction. Proactive program management requires a willingness on the part of an agency to identify and decisively address problems before they reach crisis levels. Where internal operational remedies are insufficient to address a particular program weakness, the agency should then suggest and develop legislative proposals for change. Proactive management also requires a willingness to identify short- and long-term program priorities and goals and to develop a clearly defined plan for meeting those goals. In prior reports, we have noted that program direction and problem resolution at SSA have been hindered by SSA's continued reluctance to take a leadership role in SSI policy development before major program crises occur. We have also reported that program direction has been impaired by a strategic planning process that has not sufficiently focused on the specific needs of the SSI program and its recipients. However, recent actions taken by SSA show that the agency has begun to take a more proactive role in both SSI policy development and program planning.

SSI Policy Development

As the nation's SSI program expert, SSA is uniquely positioned to assess the program impacts of trends in the SSI population and initiate internal policy "fixes" to address problems. If internal revisions would not be effective, SSA is best qualified to identify areas where new legislation is needed and assist policymakers in exploring options for change. However, we concluded in our September 1998 report that SSA has not always been sufficiently aggressive in this regard. Our report also included numerous examples in which SSA did not take a leadership role in SSI policy development before major crises occurred. An example of SSA's approach was evident in the congressional debate surrounding SSI for children in which the Congress ultimately passed legislation limiting SSI childhood eligibility. SSA did not develop and communicate timely information to the Congress on the effects of prior legislative and court-mandated changes. Nor did SSA develop its own proposals for revising childhood eligibility policies, despite the fact that it had information that guidelines for determining the severity of childhood mental and physical impairments were difficult to interpret, unclear, and too subjective. At a much earlier

time, this information could have been shared with the Congress for consideration in reassessing whether the SSI program was meeting the needs of the most severely disabled children.

SSA has acknowledged the need to play a more active policy development role and has restructured its research and policy development components to better address our concerns. In this regard, SSA has also made conducting effective policy development, research, and program evaluation a key agency goal. Additional staffing resources are also being obtained by the newly created Office of Policy. Consequently, SSA should ultimately be better positioned to develop policy options and proposals for the SSI program. As noted earlier, SSA also recently developed and submitted to the Congress its first major SSI legislative proposal aimed at improving program integrity by ensuring that only eligible individuals receive benefits. This proposal responds to many of our prior recommendations and, if enacted, has the potential to significantly improve SSA's ability to deter and recover SSI program overpayments.

SSI Strategic Planning

Our earlier work has also shown that SSI program direction has suffered as a result of SSA's failure to develop program-specific goals, priorities, and plans for addressing program weaknesses. The persistence of the long-standing problems discussed today demonstrates SSA's inability to focus on its most critical program challenges. To a significant degree, this may be due to SSA's strategic planning efforts, which generally involve agencywide goals and concerns with no programmatic focus. As required by the Government Performance and Results Act of 1993,⁹ SSA issued its current agency strategic plan in September 1997. This plan outlines SSA's strategic goals and objectives for the next 5 years. SSA also recently published its fiscal year 1999 annual performance plan, which provides more detailed information on how SSA intends to achieve its goals and measure performance. In reviewing these plans, we found that SSA still had not adequately developed programmatic goals, initiatives, and performance measures to address the specific needs and problems of the SSI program. Thus, we recommended that SSA move forward in developing an SSI-focused plan with clearly defined goals and measures to gauge SSA's progress in addressing its SSI program challenges.

In response to our recommendation, SSA produced its first SSI management report in October 1998, which discusses the need to take aggressive action

⁹The Results Act requires federal agencies to implement results-oriented management reforms, such as conducting strategic planning, establishing program goals and objectives, measuring progress in meeting those goals, and reporting publicly on that progress.

in four areas: improving overall payment accuracy, increasing continuing disability reviews, combatting program fraud, and improving debt collection. The management report established specific goals to measure the anticipated yearly impact of planned initiatives in each of these areas. In this report, SSA notes that a number of initiatives should achieve results in the near future, while others will take longer to produce significant impacts. The agency plans to closely monitor each initiative and make modifications when necessary to ensure that the best possible results are achieved.

Conclusions

Because the SSI program is essential to the financial health and well being of millions of low-income aged, blind, and disabled recipients, it is essential that the program is adequately protected from fraud, waste, and abuse. However, after more than 20 years of operation, the SSI program remains vulnerable and faces significant, long-standing challenges. To a large extent, the problems we have discussed today are attributable to an ingrained organizational culture that has historically placed a greater value on quickly processing and paying claims than on controlling program costs, and a management approach characterized by a reluctance to address SSI problems requiring long-term solutions and/or legislative changes. As a result, billions of dollars have been paid over the years to ineligible individuals and SSA has not always dealt proactively with its most pressing program problems.

SSA has acknowledged the important role of management in defining organizational priorities and the need to strike a better balance between serving the public and fiscal accountability for its programs. As noted, SSA has begun to take steps internally and in coordination with the Congress to address a number of SSI program vulnerabilities. This includes seeking out more timely and complete automated sources for verifying recipient eligibility information, stepping up its efforts to combat fraud and abuse, and working with the Congress to obtain legislative authority for additional debt collection tools. We believe that this combination of internal program solutions and legislative proposals for change is essential to improving program integrity.

All of the ongoing and proposed initiatives we have discussed have the potential to improve the integrity and financial health of the SSI program. However, many of the difficulties experienced by the SSI program are the result of more than 20 years of inattention to payment controls. Therefore, significantly revising SSA's underlying culture and management approach

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will require a concerted effort at the highest levels of the agency and a willingness by the Congress to provide SSA with needed legislative authorities.

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

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