



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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HUMAN RESOURCES  
DIVISION

September 2, 1982

Mr. John A. Svahn  
Commissioner of Social Security  
Department of Health and Human Services

Dear Mr. Svahn:

Subject: Social Security Needs to Determine the Cost Effectiveness of the Supplemental Security Income Redetermination Process and to Implement Recommendations Made for Eliminating Erroneous Payments (GAO/HRD-82-126)

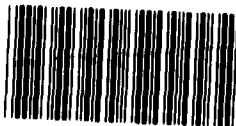
We recently undertook a survey of the cost effectiveness of the Social Security Administration's (SSA's) procedures and practices for redetermining a Supplemental Security Income (SSI) recipient's continued eligibility and correct benefit amount and to determine if improvements in the process were needed to achieve its intended purpose. In fiscal year 1981, almost 3.3 million redeterminations were performed at a cost of about \$163 million. Our work was performed at the regional and selected district offices in the State of New York and SSA headquarters in Baltimore, Maryland.

In May 1982, we briefed Office of Assessment officials on our survey and on the lack of information on eligibility and benefit payment corrections attributed to the redetermination process. The Office of Assessment concurred with the need for a cost effectiveness analysis of the process and agreed to perform one as part of its assessment responsibilities. Consequently, we are discontinuing our survey.

Based on the survey work we performed, however, we would like to share with you our observations concerning the redetermination process and other mechanisms we believe should be adopted for reducing payment errors in the program.

BACKGROUND

In 1972, legislation was enacted to establish the SSI program and to provide for periodic reexamination of SSI recipients whose financial status fluctuated during the year and to ensure that benefits paid were based on their current income. SSI redeterminations were expected to be made quarterly or less frequently when significant increases in income were unlikely. In this



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regard, section 1611(c)(1) of the Social Security Act requires that eligibility for and the amount of SSI benefits be redetermined at such time or times as provided by the Secretary of the Department of Health and Human Services.

Federal regulations (20 CFR 416.204) require SSA to periodically schedule a redetermination of the eligibility and payment amount of each recipient depending on the likelihood of change in conditions--income and resources (hereinafter referred to as changes in financial status). Unscheduled redeterminations may occur whenever information is received that such a change has occurred.

During the first few years of the SSI program which began operation in 1974, redeterminations for SSI recipients were required to be conducted annually in district and branch offices. This policy was established because (1) many SSI recipients had been transferred from State public assistance rolls and had received benefit payments without SSA personally advising recipients of the need to report changes in their financial status, which could affect their eligibility, (2) financial data transferred from State records was inaccurate, and (3) systems needed for cross checking recipients' earnings or benefits received from other Federal programs were not yet fully operational.

However, annual redeterminations were taking longer than originally anticipated and were error prone. From 1974-77, recipients had not received annual redeterminations, and program payment errors <sup>1/</sup> ranged from 6.8 to over 11 percent. The amount of overpayments alone totaled \$1.2 billion for the 2-year period, July 1974 through June 1976.

In 1978, SSA began performing redeterminations of cases with low probability of changes at SSA headquarters. Redeterminations of these cases consisted of SSA headquarters mailing recipients short questionnaires and reviewing the returned questionnaires to identify changes in the recipients' financial status. For fiscal year 1978, SSA's Office of Assessment quality assurance review projected a reduction in program payment errors to about 6.1 percent, which amounted to \$395 million.

In 1979, SSA began using "error prone" profiles in an effort to make sure that redeterminations were completed on schedule and better targeted to recipients most likely to have payment errors. Quality assurance began identifying the financial characteristics of recipients which are associated with SSI payment errors in sample cases it reviews semiannually. SSA uses these data to project the probable presence of errors for each recipient case in the

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<sup>1/</sup> Program payment errors include overpayments, payments to ineligible, and underpayments that are projected by SSA's semiannual quality assurance reviews.

SSI program universe and breaks these cases down into high, medium, and low error profiles. High error profile and selected medium and low profile cases receive full redeterminations <sup>1/</sup> in district and branch offices, while the remaining medium and low profile cases are redetermined at SSA headquarters using the short questionnaire.

PAYMENT ERRORS CONTINUE DESPITE  
THE REDETERMINATION PROCESS

From October 1978 to March 1981, the program payment error rate has remained relatively unchanged at about 6.5 percent but the total overpayment and underpayment changes combined for this 2-1/2-year period amounted to about \$1.2 billion. The redetermination process which is intended to identify and eliminate payment errors in the program has not been fully effective, notwithstanding SSA's efforts to direct its resources to recipients most likely to have changes in their financial status. Moreover, the cost effectiveness of these efforts is unknown. Although SSA studies have recommended improvements in the process, many recommendations have not been fully implemented.

Use of profiles has  
had limited impact on  
reducing payment errors

Although payment errors had decreased to 6.1 percent in fiscal year 1978, there has not been any noticeable change in the payment error rate since the profiling technique was introduced in 1979. However, the dollar amount of SSI overpayments and payments to ineligible increased from \$337 million in fiscal year 1979 to \$424 million in fiscal year 1981. Underpayments during fiscal year 1979 amounted to almost \$96 million and \$110 million for the 12 month period ending March 1981. The major cause of these errors has been attributed to the recipients' failure to report or correctly report ownership of bank accounts, wages, and other changes in financial status.

Profiling was expected to reduce payment errors; instead, increases in the dollar amount of payment errors have occurred and the primary cause of these errors remain unchanged. The Office of Assessment projected payment errors of \$395 million during fiscal year 1978, the year before profiling was implemented. These errors increased to \$522 million for the 12 month period ending March 1981. This Office reported that since fiscal year 1979, the redetermination process should have identified about 50 percent of the SSI

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<sup>1/</sup>An indepth interview preferably face to face, is required plus completion of a detailed form to determine the continued eligibility for and correct SSI payment. Additional development and documentation on income, living arrangements, and resources are required depending on the recipients' financial characteristics.

program payment errors. However, SSI officials have been unable to provide complete data on the payment errors actually identified during the process. Such information is essential in determining the cost effectiveness of the process.

Profiling of SSI cases for redetermination may not be meeting another of its intended purposes--minimizing the amount of agency resources needed to adequately monitor the program. SSA's Office of Management, Budget, and Personnel data show that the number of redeterminations completed have decreased from 4.6 million in fiscal year 1979 to 3.3 million in fiscal year 1981, while at the same time, costs have increased from \$124 million to \$163 million. The number of staff resources increased by 350, while the costs for each completed redetermination increased from \$27 to about \$50 during these 3 years.

Many recommendations for improving the process have not been implemented

Since 1976, SSA reviews of the SSI program have identified problems in the redetermination process and have recommended actions needed to correct the problems. Despite SSA efforts to improve the process, SSA continues to experience substantial errors in determining recipients' eligibility for the program and paying correct benefit amounts.

Over the past 5 years, quality assurance reports have shown that about one-half of the payment errors have been generally located in the redetermination process. Office of Assessment officials have concluded in their reports that most of the payment errors could be avoided or corrected through more efficient and effective redeterminations.

The Office of Assessment has recommended various improvements to the process. These recommendations were directed primarily toward improvements in district office operations and ways to reduce the major cause of payment errors involving--bank accounts, wages, support and maintenance, and living arrangements. Over half of all SSI dollars incorrectly paid occurred in these four areas. The Office of Assessment has continuously recommended that district office operations

- improve interviewing techniques with SSI recipients,
- develop recipient data relating to the four areas,
- verify bank accounts, and
- advise recipients of their responsibility to report financial information to SSA.

Furthermore, the Office of Assessment has recommended matching SSI recipient records with other third-party sources.

In addition to the quality assurance reviews, the Social Security Commissioner in 1978 established an SSI Redetermination

Task Group to make recommendations for improving the redetermination process. The Task Group reported that this process must be effective if SSA was to meet the Secretary's goals to reduce fraud, waste, and abuse and meet SSA's error rate correction goal. The Task Group reported that there had been considerable criticism from the Office of Management and Budget that the current approach to performing redeterminations was too labor intensive, too expensive, and not targeted as narrowly as possible to identify payment errors. The Group's recommendations were approved by the Commissioner in 1979, however, many of the recommendations still have not been implemented due to incomplete studies on the subject and/or a lack of SSA resources. These recommendations dealt with improvements to (1) SSI recipient interviewing techniques, (2) SSA requirements for reporting changes in recipients' financial status, and (3) management information for the redetermination process and assessment of alternatives.

Despite SSA's efforts in 1979 to implement a Task Group recommendation by establishing special procedures to identify undisclosed bank accounts, this area remained the major deficiency for payment error and resulted in incorrect payments of \$95 million for the 12 month period ending March 1981.

OTHER MECHANISMS FOR IDENTIFYING  
AND ELIMINATING PAYMENT  
ERRORS SHOULD BE USED

SSA needs to implement alternative mechanisms to supplement the redetermination process for identifying and eliminating payment errors. The Social Security Act provides that eligibility for SSI benefits should not be determined by SSA solely on the information furnished by recipients, but such information should be verified from independent and collateral sources.

Over the years the General Accounting Office, a Presidential task force directed by the Office of Management and Budget, and SSA's quality assurance reviews have recommended using third-party informational sources to minimize payment errors attributed to recipients failing to report or correctly report changes in their financial status. 1/ Such third-party sources include Federal compensation and pension data, and State and local government information on workers and unemployment compensation and vital statistics.

SSA has matched SSI recipient records against records of other Federal programs, and this action has been a major contributing factor in reducing benefit payment errors. SSA is currently attempting to obtain Internal Revenue Service data which are received from banks and similar institutions in order to match against recipient records. SSA believes that this effort will identify

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1/A listing of relevant GAO reports is enclosed.

recipient income and resources, including unreported bank account data and will save the Federal and State governments more than \$140 million in benefit overpayments annually. SSA plans to begin obtaining that information from the Internal Revenue Service in September 1982.

In matching State and local government records with SSI records, SSA has taken a phased State-by-State approach. Some State and local governments under contract with SSA, have pilot tested the matching of State worker and unemployment compensation and vital statistic records against SSI records to verify unearned income data and to determine if the recipients were deceased. Several test matches indicated that they are cost effective. Additionally, SSA is planning its own pilot test in October 1982, matching SSI recipient records with 15 States and local government Bureaus of Vital Statistics to determine if any recipients are deceased. However, SSA has not developed a comprehensive approach, as we recommended (HRD-80-4; October 16, 1979) in order to obtain and use all government records to assure the accuracy of SSI data.

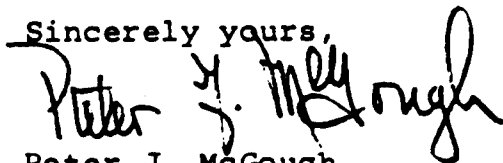
### CONCLUSIONS

We were unable to determine the cost effectiveness of the re-determination process because data on eligibility and benefit payment corrections made as a result of this process were not readily available. On June 14, 1982, agreement was reached with your Office of Assessment that it would carry out a cost-effectiveness analysis and we understand that its analysis has now begun. This analysis should consider implementing previously reported recommendations, including the adoption of alternative effective mechanisms that could be used for determining the changes in financial status of SSI recipients to control errors and reduce program costs. One such alternative has been the matching of SSI recipient records with those of other Federal, State, and local agencies, i.e., third-party sources. It is our view that the redetermination process should be concentrated on principally identifying those changes in financial status that are ineffective or too costly to obtain from sources other than the recipient.

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We appreciate the cooperation extended to us during the survey and although we are suspending our work at this time, we would like to be kept informed of actions resulting from the Office of Assessment analysis.

We are sending copies of this report to interested congressional committees and subcommittees, to the Secretary of Health and Human Services, and to the Director, Office of Management and Budget.

Sincerely yours,  
  
Peter J. McGough  
Associate Director

LISTING OF U.S. GENERAL ACCOUNTING  
OFFICE REPORTS

<u>Report title or subject</u>	<u>Report number</u>	<u>Date issued</u>
Supplemental Security Income Payment Errors Can Be Reduced	HRD-76-159	11/18/76
Privacy Issues and Supplemental Security Income Benefits	HRD-77-110	11/15/77
Review of SSA's SSI Program Concerning Substantial Over- payments to Recipients	HRD-78-118	05/22/78
SSA Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients	HRD-79-21	01/16/79
Accuracy of Benefits Paid to SSI Recipients Who Also Receive Military Retirement Pensions	-	04/11/79
Social Security Should Obtain and Use State Data to Verify Benefits for All Its Programs	HRD-80-4	10/16/79
Millions Can Be Saved by Identifying Supplemental Security Income Rec- ipients Owning Too Many Assets	HRD-81-4	02/04/81
Legislative and Administrative Changes to Improve Verification of Welfare Recipients' Income and Assets Could Save Hundreds of Millions	HRD-82-9	01/14/82