



United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-270420

April 30, 1996

The Honorable Shirley S. Chater
Commissioner
Social Security Administration

Dear Commissioner Chater:

The Social Security Administration (SSA) is responsible for a number of programs that provide cash support to recipients. Its Supplemental Security Income (SSI) program provides monthly cash payments to needy aged, blind, and disabled persons. The Retirement and Survivors Insurance (RSI) program provides monthly benefits to retired workers and their dependents and survivors. The Disability Insurance (DI) program provides monthly cash benefits to workers who become disabled and to their dependents. In fiscal year 1994, these programs provided about \$341 billion to recipients, including some overpayments.

SSI, RSI, and DI overpayments are often the result of unreported or excessive earnings by program recipients. As of July 1995, overpayments to recipients in these programs who were receiving benefits totaled \$2.7 billion. SSI overpayments were about \$803 million; RSI overpayments were about \$884 million; and DI overpayments were about \$971 million.

SSA has procedures in place to recover overpayments once they are detected. Generally, SSA recovers overpayments from individuals who are still receiving benefits by withholding a standard percentage of their monthly payment. When these withholding amounts are expressed as a percentage, they increase each time benefits increase, such as when a cost of living adjustment (COLA) is implemented. However, if recipients are unable to pay the standard percentage, they can request a lower fixed dollar withholding amount. If SSA agrees to a lower fixed dollar withholding amount, that amount remains constant throughout the repayment period. If benefits stop before total collection occurs using either one of these methods, recovery from recipients may be more difficult.

At the request of the Subcommittee on Human Resources and the Subcommittee on Oversight, House Committee on Ways and

GAO/HEHS-96-104R SSA Overpayment Recovery

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Means, we are currently reviewing the effectiveness of SSA's computer matching efforts, which are designed to identify incorrect payments. During the course of our work, we identified a concern with how SSA recovers overpayments. We subsequently initiated this study of overpayment recovery procedures to determine whether the recovery of overpayments could be accelerated, especially for recipients still receiving benefits from SSA.

To develop our information, we interviewed SSA officials at headquarters and the Arlington, Virginia; Washington, D.C.; and Columbia, Maryland, field offices. For our analysis, we used SSA's June 1995 Supplemental Security Income Record 10-percent sample tape to identify the number of SSI recipients who were repaying their overpayments at less than the standard 10-percent recovery rate. We also used SSA's July 1995 Recovery Overpayments Accounting Record statements to identify RSI and DI recipients with adjusted withholding amounts. We did not validate the data we obtained from any of these sources, although the Supplemental Security Record is subject to periodic SSA quality assurance reviews. We performed our work between September 1995 and March 1996 in accordance with generally accepted auditing standards.

RESULTS IN BRIEF

When SSA uses its standard monthly withholding percentages to establish repayment arrangements, withholding automatically increases in the event of a COLA. However, there are no similar procedures used when SSA agrees to a lower fixed monthly withholding amount. We determined that if SSA expresses these monthly withholding amounts as percentages, millions of dollars in overpayment recoveries could be accelerated with only a minimal effect on recipients' monthly payments. However, should SSA adopt this approach, it may incur some initial administrative costs such as reprogramming its computer system and notifying recipients of the change in withholding procedures.

BACKGROUND

The Social Security Act (Public Law 74-271), as amended; SSA regulations; and other guidance provide SSA the flexibility to collect overpayments using a variety of techniques. SSA generally recovers overpayments from individuals who are still receiving benefits by withholding some or all of their monthly payment. Initially, the monthly withholding amount is calculated as an established

percentage of either the monthly benefit amount or the recipient's total monthly income. In the SSI program, SSA withholds 10 percent of the recipient's total monthly income from the monthly payment.¹ Before 1984, SSA recovered SSI overpayments by withholding 100 percent of the recipient's monthly payment. The Deficit Reduction Act of 1984 (Public Law 98-369) amended the Social Security Act to limit SSA's recovery of SSI overpayments to 10 percent of the recipient's monthly income, which includes SSI payments. In the RSI and DI programs, SSA procedures provide for withholding 100 percent of the monthly benefit until the overpayment is recovered.

When the withholding amount is expressed as a percent, it increases as the monthly benefit or monthly income increases. These increases generally occur when a COLA is implemented. For example, if an SSI recipient has monthly income of \$458, SSA will withhold \$45.80 (10 percent of the SSI recipient's \$458 monthly income). If monthly income increases to \$470, as may be the case when a COLA is implemented, SSA increases the withholding to \$47.00 (10 percent of the \$12 COLA increase).

If recipients are unable to pay the prescribed percentages, they can request a lower withholding amount, which SSA establishes as a fixed dollar amount. Recipients in all three programs can make such a request at any time during the overpayment recovery period if they inform SSA that they are unable to repay at the established percentage. SSA will generally accept the amount proposed by the recipient unless the recovery period extends beyond 36 months. Recovery agreements that extend beyond 36 months require that the recipient disclose the financial circumstances that support the extended timeframe. Currently, the adjusted withholding amount remains constant until the overpayment is recovered, even if the recipient's income increases. For example, if SSA approves the recipient's request to withhold \$20 from his/her \$458 monthly income and that monthly income increases to \$470, SSA would continue to withhold only \$20.

As of June 1995, about 42 percent of the SSI cases involved adjusted withholding amounts below the 10-percent recovery

¹Total monthly income includes earned and unearned income as defined by the program, federal SSI, and state supplemental payments. Monthly recovery amounts greater than 10 percent are allowed if requested by the SSI recipient.

rate. As of July 1995, about 80 percent of the RSI and DI cases involved adjusted withholding amounts below the 100-percent recovery rate.

OVERPAYMENT RECOVERIES CAN BE ACCELERATED

SSA presently collects some overpayments of SSI, RSI, and DI benefits using a fixed dollar amount. This method precludes adjusting the withholding to a higher amount if the recipient's income or benefit increases.

We estimate that as of June 1995, 309,340 SSI recipients were having less than 10 percent of their income withheld monthly to pay back an SSI overpayment. The average established overpayment for these recipients was \$1,211, and the average adjusted withholding amount was \$20.64. Under the current practice of withholding a constant amount, it will take SSA 59 months on average to recover the overpayment.² As of July 1995, 215,597 RSI recipients and 75,325 DI recipients had less than 100 percent of their benefit withheld monthly to pay back their overpayments. The average adjusted withholding amount for RSI and DI recipients was about \$80 and \$70, respectively.

We developed the following example to compare SSA's method of withholding a constant amount with the effect of calculating withholding amounts as a percentage of monthly income. These withholding amounts are adjusted annually by the same percentage as the COLA. The example shows that using the percentage method would accelerate collections while causing only modest increases in the monthly withholding amount.

As shown in table I, when withholding amounts remain constant, total annual recoveries remain constant at \$76.2 million, totaling \$381 million over a 5-year period. Under the percentage method, the average monthly withholding amount increases each year. Although individual annual increases are small, averaging a monthly increase of \$0.57 each year, total recoveries will be accelerated from \$381 million to \$397.8 million over the 5 years. The present value of these accelerated recoveries is \$14.1 million. In this example, the overpayment recovery period is also reduced from the current 59 months to 55 months.

²Fifty-eight payments of \$20.64 and a final payment of \$13.88.

Table 1: Comparison of SSI Overpayment Collections:
Adjusted Versus Percent Withholding Method

Year	Adjusted method		Percent method		Present value of accelerated recoveries (in millions)
	Average monthly withholding amount	Total annual recoveries (in millions)	Average monthly withholding amount	Total annual recoveries (in millions)	
1	\$20.64	\$76.2	\$21.18	\$77.8	\$1.6
2	20.64	76.2	21.73	79.1	2.6
3	20.64	76.2	22.29	79.9	3.2
4	20.64	76.2	22.87	80.4	3.4
5	20.64	76.2	23.46	80.6	3.3
Total		\$381.0		\$397.8	\$14.1

Note: For this example, we assumed a constant 309,340 SSI recipients in repayment status, an equal number of recipients completing repayment and entering into adjusted repayment status each month, and a constant 2.6 percent annual COLA. The amount by which annual recoveries increase depends largely on the amount of the COLA. We also assumed that the new procedures would begin in January of the first year, and the average monthly withholding amounts for existing cases would be increased to \$21.18 at that time. The present value of the accelerated recoveries was determined by discounting the monthly accelerated recoveries at an annual rate of 6.5 percent.

SSA ADMINISTRATIVE COSTS WILL INCREASE SLIGHTLY

Conversion to the percentage method of recovery will require some initial investment by SSA and increase its administrative costs. For example, SSA will need to reprogram its automated systems to convert adjusted withholding amounts to a percentage. These reprogramming costs should generally be one-time costs incurred in the first year. If SSA makes these adjustments for existing cases, it will also incur some costs to notify recipients with adjusted withholding amounts that their withholding amounts will increase. However, SSA already contacts recipients to inform them that their payments will increase when a COLA is implemented. Notice of the increase in the withholding amount could be included with the COLA notification. This notice could also inform recipients

that they may request a lower withholding amount if the new withholding amount causes a financial burden. In addition, field offices may receive some inquiries about this change, which could affect their other workloads, such as processing initial claims.

CONCLUSIONS

Although SSA has a system in place to recover overpayments, recoveries can be accelerated without imposing an undue burden on recipients or causing SSA to incur excessive costs. If SSA takes advantage of the opportunity to increase adjusted monthly withholding amounts each time a COLA or other increase occurs, it could accelerate recoveries by millions of dollars, while recipient withholding amounts would increase by only a few dollars. Accelerating recoveries while recipients are still receiving benefits improves SSA's chance of collecting overpayments. For the most part, SSA's increased administrative costs would primarily occur in the first year of implementation. Once the system changes are implemented, the cost of notifying recipients about this new procedure should be negligible because SSA already explains repayment processes to recipients when overpayments are first detected and notifies recipients of COLA increases.

RECOMMENDATIONS

To recover overpayments in a shorter period, we recommend that SSA make all future adjusted recovery amounts in the SSI program a percentage of the total monthly income and all future adjusted recovery amounts in the RSI and DI programs a percentage of the monthly benefit amount. In addition, SSA should determine whether it would be cost effective to convert all existing adjusted recovery amounts in the SSI, RSI, and DI programs to a percentage of the monthly payment amount.

AGENCY COMMENTS AND OUR EVALUATION

In discussing our findings with SSA officials they agreed that using percentages to calculate withholding amounts would accelerate overpayment recoveries. However, they said that SSA would have collected these overpayments eventually, and the only benefit was interest on the accelerated collections. They believe that the interest benefit may not exceed the costs of implementing our recommendations; however, they have not estimated the costs. SSA officials said that there may be significant

costs to reprogram SSA's computer systems to implement our recommendations, especially in the RSI and DI systems. They also speculated that SSA's workload may increase if recipients contact SSA field offices to ask why their repayment amounts increased. They also said that recipients may not be able to afford an increase in the amount withheld from their monthly payments. Finally, they said that there are other system reprogramming projects already planned that would yield higher savings and they suggested that even if SSA agreed to make our proposed changes they may be given a low priority.

Despite the concerns expressed by these officials, we believe that SSA should take advantage of this opportunity to accelerate overpayment recoveries. We acknowledge that the principal benefit of adopting our recommendations will be interest on the accelerated collections. We continue to believe that these interest benefits, which will be realized indefinitely after implementation, will exceed the costs of implementation.

We expect that when SSA and the recipient originally agree to a withholding amount, SSA would tell the recipient that the withholding amount will increase if the monthly benefit increases. This should minimize the number of inquiries to field offices from recipients asking about why their withholding amount was increased. Generally, the small increase (less than a dollar annually in our example) in the monthly amount withheld from a recipient's check would occur at the same time a COLA is implemented. As a result, the recipients would usually experience a net increase in their monthly payments. Additionally, nothing in our recommendations precludes SSA from reducing the increased withholding amount at any time if requested by the recipient. Finally, we believe that SSA could consider incorporating the reprogramming necessary to implement our recommendations with other systems changes already planned.

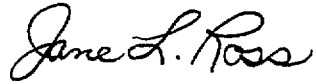
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We will provide copies of this letter to the Chairman of the Subcommittee on Human Resources and the Chairman of the Subcommittee on Oversight, House Committee on Ways and Means. We will also send copies, on request, to other interested parties. If you have any questions concerning

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this letter, please contact me at (202) 512-7215, or Chris Crissman at (202) 512-7051.

Sincerely yours,

A handwritten signature in cursive script that reads "Jane L. Ross".

Jane L. Ross
Director, Income Security Issues

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