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Report to Congressional Requesters

April 1996

SUPPLEMENTAL SECURITY INCOME

Some Recipients Transfer Valuable Resources to Qualify for Benefits

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Health, Education, and
Human Services Division

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April 30, 1996

The Honorable Nancy L. Johnson,
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

The Honorable E. Clay Shaw,
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

The Supplemental Security Income (SSI) program is the country's largest cash assistance program for the poor and one of the fastest-growing entitlement programs. Program costs grew 20 percent annually from 1991 through 1994. In 1995, more than 6 million SSI recipients received nearly $25 billion in federal and state benefits. Recent growth in the SSI program and federal budgetary constraints have increased congressional interest in ensuring that the SSI program focuses on individuals who have no resources with which to meet their needs and that, to the extent possible, individuals rely on their own resources before turning to the SSI program for support.

Currently, the law does not prohibit people from transferring resources to qualify for SSI benefits. In 1988, the Congress eliminated the SSI transfer-of-resource restriction and amended but retained a similar provision affecting Medicaid that prohibits resource transfers at less than fair market value for those applying for Medicaid long-term care coverage. This was done, according to Social Security Administration (SSA) officials responsible for administering the SSI program, because the Congress believed that elderly Americans with substantial financial means were transferring their resources to qualify for costly long-term care under Medicaid. These officials noted that because few SSI applicants were reporting resource transfers and the provision was difficult to administer, the SSI transfer-of-resource restriction was eliminated.

Because of your interest in this issue, you asked us to determine (1) how many SSI recipients are reporting transfers of resources and the type and value of resources being transferred and (2) what savings might be realized if the Congress were to reinstate an SSI transfer-of-resource restriction.

To meet our objectives, we interviewed officials from SSA headquarters and visited SSA field offices in the District of Columbia, Florida, and Georgia. We also analyzed individual SSI recipients' records to identify reported transfers of nonexcludable resources, which should be considered when determining eligibility, from 1988 to 1994 (see app. I for more detail on our scope and methodology).

Results in Brief

The 3,505 SSI recipients who transferred resources between 1990 and 1994 transferred cash, houses, land, and other items valued at an estimated $74 million. Reported resource values were up to $800,000, with the largest number of transfers in the $10,000 to $25,000 range. The total amount of resources transferred, however, is likely to be larger than our estimate because SSA is not required to verify the accuracy of resource transfer information, which is self-reported by individuals. Furthermore, because this information is self-reported, SSA is not likely to detect unreported transfers.

Without a transfer-of-resource restriction, SSI recipients who transferred resources to qualify for benefits would receive about $7.9 million in SSI benefits in the 24 months after they transferred resources. Many of these recipients could also have received Medicaid acute-care benefits at an annual value of between $2,800 and $5,300 per recipient. Although administrative costs may be associated with SSA's implementing a transfer-of-resource restriction, we estimate that from 1990 through December 1995, $14.6 million in program expenditures could have been saved with an SSI transfer-of-resource restriction similar to Medicaid's provision. In addition, an SSI transfer-of-resource restriction could increase the public's confidence in the program's integrity by ensuring that individuals use their own resources for self-support before receiving SSI.

Background

SSI is an income assistance program for people who are aged, blind, or disabled. It was authorized in 1972 and is administered by SSA. To be eligible for SSI, individuals cannot have income greater than the maximum benefit level (in 1995, $458 per month for an individual and $687 for a couple if both spouses were eligible) or resources worth more than $2,000 ($3,000 for a couple), subject to certain exclusions, such as a home that is the primary residence.[1] In 31 states and the District of Columbia, SSI

[1]The monthly SSI benefit is reduced depending upon recipients' incomes, living arrangements, and other sources of support, including Social Security benefits.

recipients are automatically eligible for Medicaid[2] without filing a separate application for benefits with the state Medicaid agency. The remaining states may require a separate application for Medicaid benefits or have more restrictive definitions of disability and financial eligibility requirements than SSI.

Beginning in 1981, individuals filing SSI claims were prohibited from transferring resources for less than fair market value to qualify for SSI. Under the provision prohibiting such transfers, SSI applicants or recipients who got rid of resources to qualify for SSI had the uncompensated value of those resources counted toward the resource limit for 24 months from the date of transfer. As a result, such individuals were probably ineligible for SSI benefits for 2 years after transferring resources, and, in many cases, they were also ineligible for Medicaid for the same length of time.

In 1988, the Congress eliminated the SSI restriction for resource transfers at less than fair market value, allowing individuals who dispose of resources to qualify for benefits. The Congress, however, retained a similar restriction for the transfer of resources by individuals applying for Medicaid nursing home benefits. Under the current Medicaid provision, applicants for Medicaid long-term care benefits who transfer resources at less than fair market value within 3 years of application or within 3 years of entering a nursing home are deemed to be temporarily ineligible for such benefits.[3] Since information on resource transfers is relevant to the Medicaid nursing home eligibility decision, the law requires SSA to ask SSI applicants about resource transfers even though their answers do not affect the determination of their SSI eligibility. SSA is also required to provide this information to state Medicaid agencies.

A provision to reinstate a transfer-of-resource restriction for certain transfers was included in welfare reform legislation passed by the 104th Congress, which was subsequently vetoed by the President. SSA is currently considering the merits of reinstating an SSI transfer-of-resource restriction and may include such a proposal in its fiscal year 1997 legislative proposals.

[2]Medicaid provides medical assistance to low-income aged, blind, or disabled individuals; members of families with dependent children who receive benefits from the Aid to Families With Dependent Children program; and certain other children and pregnant women.

[3]The period of ineligibility is determined by dividing the value of the resource transferred by the average monthly cost of nursing home care in the state where the person is applying for benefits. For example, in a state where the average monthly cost of nursing home care is $3,000, an individual transferring $15,000 from a bank account would be ineligible for 5 months.

Recipients Are Increasingly Transferring Resources Worth Millions of Dollars

Since 1989, the number of SSI recipients reporting nonexcludable resource transfers has substantially increased, from fewer than 500 in 1989 to almost 2,800 in 1994. Between 1988 and 1994, 9,326 recipients reported transferring resources. While the number of recipients reporting resource transfers is relatively small compared with the total number of SSI recipients, it represents a growing population receiving millions of dollars in SSI benefits each year.

We analyzed data on those individuals for whom data were maintained centrally in an automated database at SSA headquarters; this represented about one-third of the 9,326 SSI recipients who reported resource transfers, about 3,505 recipients (see app. I for more details).

We estimate that between 1990 and 1994 these recipients transferred cars, homes, land, cash, and other resources worth over $74 million.[4] The average value of transferred resources was about $21,000. This recipient group of 3,505 does not include the more than 5,800 transfers documented in nonautomated case files, nor does it include recipients who failed to report resource transfers. Consequently, the total amount of resources transferred is larger than our estimate.

Table 1: Distribution of Estimated Values of Resources Transferred by 3,505 SSI Recipients

Range of reported transfer value	Percent of recipients
$0	5.5[a]
$1-999	11.2
$1,000-1,999	4.5
$2,000-4,999	14.9
$5,000-9,999	15.3
$10,000-24,999	19.9
$25,000-49,999	10.3
$50,000-99,999	6.9
$100,000-199,999	2.7
$200,000 +	1.4
Value not reported	7.4
Total	**100**

[a]Although these individuals reported transferring resources, they reported their value as $0.

[4]This estimate excludes cases where recipients' records we sampled indicated that the resources transferred may have included homes that were primary residences and, therefore, were excludable resources. According to SSA officials, other cases involving transfers of excludable resources may be in our sample but they could not identify them because the information was not noted in the record.

Although SSI benefits are for those with limited income and resources, the resources recipients transferred were often of considerable value. These individuals could receive millions of dollars in SSI benefits in the 24 months after they transferred resources. For example, one individual transferred an apartment complex valued at $800,000 to a nonrelative in May 1994. In July 1994, this person applied for SSI and has subsequently received about $6,800 in SSI payments. Another individual gave away about 380 acres of land valued at $100,000 to a relative in September 1993. This person applied for SSI in October 1993 and has received about $4,200 in SSI payments.

In many cases individuals applying for SSI benefits reported having transferred large amounts of cash. For example, one individual gave away almost $38,000 in cash to a relative in July 1992 and applied for SSI in August 1993. This person has received about $4,900 in SSI payments. In another case, a person gave away $29,000 to a relative in September 1993 and applied for SSI in the same month. This person has received about $4,300 in SSI payments.

Actual Extent of Resource Transfers Is Unknown, and the Value of Many Transferred Resources Is Unreported or Underreported

Since repeal of the resource transfer restriction in 1988, 9,326 SSI recipients reported transferring resources before applying for or while receiving SSI; however, the actual number of people who did so is unknown. The extent of resource transfers is unknown because field office claims representatives accept self-reported information. If an applicant does not report a transfer, SSA does not verify this information nor is it required to. Consequently, instances in which individuals transfer resources but do not report the transfer are not detected.

Moreover, we found cases in which questionable data were accepted by the claims representatives. Although SSA requires an applicant to provide a bill of sale or other documents to establish that the applicant no longer owns the resource, it does not verify the value because resource transfers do not affect the amount of SSI benefits an individual receives. As a result, our estimate of $74.3 million in resource transfers from 1990 to 1994 probably understates the actual value of resources transferred. Some recipients (5.5 percent) reported transferring resources such as homes and other property but reported the value as $0. For example, one individual gave a house and 72 acres of land to a relative and reported a market value of $0. Moreover, 7.4 percent of recipients reported transferring resources without reporting any value for the resources.

In addition to those recipients reporting the value of their resources as $0, other recipients apparently reported inaccurate market values of the resources they transferred. For example, an individual gave away 4 acres of land and reported the value as $10. Another individual gave away two homes and reported the total value of the homes as $20.

Reinstating Restriction Would Reduce Program Expenditures

Under the restriction in effect until 1988, resources transferred by individuals were counted as a resource for 2 years after the date of the transfer, making such individuals ineligible for SSI benefits until 24 months elapsed. We estimate that the 3,505 recipients who reported transferring resources between 1990 and 1994 would receive about $7.9 million in SSI benefits during the 24 months following the date the resources were transferred. Assuming that some individuals did not report such transfers, the total amount of benefits paid is likely to be larger than our estimate, which was based on the 3,505 cases.

Currently, the period of ineligibility for Medicaid long-term care is based on the value of the resources transferred at less than fair market value. That is, the period of ineligibility is calculated by dividing the uncompensated value of the resource by the average monthly cost of nursing home care in the state where the person lives. We estimate that from 1990 through December 1995 about $14.6 million in SSI program expenditures could have been saved if SSI had in place a transfer-of-resource restriction similar to Medicaid's provision. For example, if an individual gave away $25,000, under the previous SSI transfer-of-resource restriction, the person would have been ineligible for SSI benefits for 2 years. However, basing the period of ineligibility on the uncompensated value of the resource divided by the maximum SSI payment that can be awarded would have resulted in about 4-1/2 years of ineligibility.

SSI Transfer-of-Resource Restriction Could Also Reduce Medicaid Expenditures

Most of the 3,505 recipients who reported transferring resources were, like most SSI recipients, eligible for Medicaid acute-care benefits. In 1994, aged SSI recipients who received Medicaid benefits averaged about $2,800 in benefits, and blind and disabled SSI recipients averaged about $5,300, excluding nursing home and institutional care.[5]

An SSI transfer-of-resource restriction could possibly result in savings in the Medicaid program. Some of the individuals denied SSI benefits would not become eligible for Medicaid during the period in which they were

[5]In this instance, disabled recipients aged 65 and over are counted with the disabled, not the aged.

ineligible for SSI. We cannot estimate potential Medicaid savings because some individuals denied SSI could possibly receive Medicaid by applying for "medically needy" coverage directly to the state in which they live.

Reinstating Restriction Would Result in Additional SSA Administrative Costs

SSA estimated that it spent about $600,000 in fiscal year 1995 to obtain transfer-of-resource information. However, virtually all of these costs were related to explaining the provision and asking individuals about resource transfers. SSA incurred little cost to verify the accuracy of reported information.

If a restriction were reinstated, SSA would have to substantially expand the effort required to verify the accuracy and completeness of transfer information reported by individuals as well as detect unreported transfers. This is important because individuals may be less likely to report transfers if such transfers affect SSI eligibility. Verifying the accuracy of reported transfer information would be less costly than detecting unreported transfers. Although no data exist to estimate the potential costs of the additional verification and detection requirements that SSA would have to initiate, the costs could be significant.

Conclusions

Eliminating the SSI transfer-of-resource restriction has increased SSI benefit expenditures and program costs, which is especially troublesome considering current budgetary constraints. The number of new recipients reporting transfers of resources has increased dramatically since repeal of the restriction. These individuals, who transferred resources that they could have used for self-support, are instead receiving SSI benefits. In addition, many of these individuals, by virtue of their admission to the SSI program, have also become eligible for Medicaid acute-care benefits.

An SSI transfer-of-resource restriction similar to Medicaid's restriction could save millions in SSI program expenditures by delaying individuals' date of eligibility for benefits. Such a restriction could also save an unknown amount of Medicaid expenditures. If a restriction were reinstated, SSA would have to considerably expand the steps it takes to verify the value of transferred resources as well as develop mechanisms to detect unreported transfers. This is especially important because individuals might be less likely to report transfers once they affected SSI eligibility. As a result, SSA would incur additional administrative expense in implementing such procedures. However, these cost estimates are not readily available and would have to be developed by SSA. Moreover, this use of SSA's limited resources and the increased administrative costs should be properly balanced with the benefits of bolstering the program's integrity by assuring the public that people may not rely on public services when they can use their own resources and by guaranteeing that only those who need SSI will receive it. SSA is considering whether to include such a proposal in its fiscal year 1997 budget request.

Matter for Congressional Consideration

In light of the potential for reduced program expenditures and increased program integrity, the Congress may wish to consider reinstating an SSI transfer-of-resource restriction. The restriction could be calculated in a way that takes into account the value of the resource transferred so that individuals transferring more valuable resources would be ineligible for SSI benefits for longer periods of time than those who transfer less valuable resources.

Agency Comments and Our Evaluation

SSA agreed with our findings and conclusions that reinstating a transfer-of-resource restriction would increase the SSI program's integrity. SSA noted that it is continuing to work with the Congress to include a provision restoring an SSI transfer-of-resource restriction in welfare reform legislation.

SSA also stated its concern that our excluding eight cases from our sample significantly understates the number of cases with excludable resources. We excluded cases on the basis of comments in individuals' files indicating that the resources transferred involved primary residences. Other cases involving transfers of excludable resources may also exist, but SSA could not identify which, if any, involved such resources, and we had no other means to identify those cases. SSA acknowledged that identifying such cases would be difficult since information on many of the transfers would not have been noted in the case files.

The agency also made other technical comments, which we incorporated throughout the report as appropriate. (See app. II.)

We are sending copies of this report to the Commissioner of the Social Security Administration and other interested parties. Copies also will be available to others on request. If you or your staff have any questions concerning this report, please call me on (202) 512-7215. Other GAO contacts and staff acknowledgments are listed in appendix III.

Jane L. Ross

Jane L. Ross
Director, Income Security Issues

Contents

Abbreviations

MSSICS	Modernized Supplemental Security Income Claims System
SSI	Supplemental Security Income
SSA	Social Security Administration
SSR	Supplemental Security Record

Scope and Methodology

Data on the nature and value of the resources transferred in over half of the reported 9,326 transfers that occurred between 1988 and 1994 were not readily available because the information was not centrally located or contained in an automated database. This information was documented in case files in field offices or other storage facilities. In 1990, however, SSA began using an automated claims process, the Modernized Supplemental Security Income Claims System (MSSICS), to collect and document application information about SSI claimants. These data were centrally located at SSA headquarters and contained relevant automated information on 4,293 individuals who transferred resources. Of these individuals, 3,550 transferred their resources between 1990 and 1994 and received SSI benefits; the other 743 were denied benefits.

From the 4,293 individuals, we selected a random sample of 750 individuals whose SSI applications were processed in MSSICS and obtained their transfer-of-resource data. We subsequently found that, of these 750 individuals, only 631 had been determined eligible for SSI; the other 119 were denied benefits.

Under SSA operating guidance, field office claims representatives should only collect transfer-of-resource information on countable resources, that is, any assets that count toward the resource limit. The value of resources such as a home that is the primary residence or one automobile is excluded when calculating an individual's resources. SSA officials expressed concern that some of the homes transferred by SSI recipients included in our sample were in fact primary residences. Because such transfers would not have been penalized under the previous transfer-of-resource restriction, SSA did not believe they should be included in our sample. SSA, however, could not identify which, if any, of the cases involved excludable resources.

In response to SSA's concern, we reviewed our sample and on the basis of comments noted in the cases determined that eight resource transfers may have involved primary residences. We excluded those cases from our sample. As a result, our revised sample size is 623. Although other cases involving potential transfers of excludable resources may be in our sample, comments indicating this were not noted in the individuals' records, and we had no other available means to identify those cases.

We assumed that the proportion of the 3,550 recipients with automated resource data in MSSICS who transferred resources other than primary residences would be the same as the proportion of these individuals in our random sample, 98.73 percent. Thus, we based our estimates on a population of about 3,505 recipients.

All of the sampling errors reported below have a confidence level of 95 percent. For estimates of the value of resources transferred when a value was not reported by a recipient, we considered the value of that transfer to be $0. Our estimate of the total value of resources that recipients reported having transferred, $74.3 million, has a sampling error of plus or minus $12.9 million. The estimate of the average value of transferred resources, $21,000, has a sampling error of plus or minus $3,672. For the estimates of proportions in column 2 of table 1, sampling errors do not exceed plus or minus 3 percentage points. In addition, sampling errors associated with estimates of benefits to be received ($7.9 million) and potential program savings ($14.6 million) do not exceed plus or minus $1 million.

Since the principal source of our automated data, the Supplemental Security Record (SSR), is subject to periodic SSA quality assurance reviews, we did not independently examine the computer system controls for the SSR. Except for the limitations noted, our review was done between May and December 1995 in accordance with generally accepted government auditing standards.

Comments From the Social Security Administration

SOCIAL SECURITY
Office of the Commissioner

MAR 28 1996

Ms. Jane L. Ross
Director, Income Security
Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Ross:

Enclosed are two copies of the Social Security Administration's comments on the U.S. General Accounting Office's (GAO) Draft Report, "Supplemental Security Income: Some Recipients Transfer Valuable Assets to Qualify for Benefits" (GAO/HEHS-96-79), dated March 7, 1996.

We agree with GAO's findings and conclusions that reinstating a supplemental security income (SSI) transfer penalty would increase program integrity. We have been aware of this problem and in early 1995, began working on a legislative proposal to restore a penalty to the SSI program. We have been actively working with Congress on Welfare Reform legislation to include a provision dealing with the transfer of resources.

We appreciate the opportunity to comment. Please let us know if we may be of further assistance.

Sincerely,

Shirley S. Chater

Shirley S. Chater
Commissioner
of Social Security

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT, "SUPPLEMENTAL SECURITY INCOME: SOME RECIPIENTS TRANSFER VALUABLE ASSETS TO QUALIFY FOR BENEFITS" (GAO/HEHS-96-79)

We appreciate the opportunity to comment on the General Accounting Office (GAO) draft report regarding transfer of resources in the supplemental security income (SSI) program. We agree with GAO's findings and conclusions that reinstating an SSI transfer penalty would increase program integrity. We have been aware of this problem and in early 1995, began working on a legislative proposal to restore a penalty to the SSI program. We have been actively working with Congress on Welfare Reform legislation to include a provision dealing with the transfer of resources.

OTHER MATTERS

On page 1, paragraph 2, the report states that "assets" are "referred to as resources in this report." As there are instances where the term assets continues to be used, we want to point out that for SSI purposes, these terms are not interchangeable. The correct term for the provision is transfer of resources.

On page 9, the report cites examples of transfers of valuable resources that were identified. The second and fourth examples involve the transfer of an individual's house or home. Because homes are excludable resources, we recommend these specific transfers not be mentioned in the body as examples of transfers of resources of "considerable value."

In Appendix I, under **SCOPE AND METHODOLOGY**, the report states that SSA previously raised concerns that the transferred resources included in GAO's study totals were or would have been excluded resources exempt from the transfer penalty. Although GAO identified only eight primary residences that were removed from the study, we continue to believe that this number is significantly understated. We recognize that identifying these resources was difficult since many of them were transferred prior to SSI application and would not have been developed or noted in the file. Upon reinstitution of a penalty, development of applicable exclusions at the time of transfer will be another administrative difficulty and cost-related factor to be considered.

Finally, under the section entitled, **MATTER FOR CONGRESSIONAL CONSIDERATION**, page 15, we would suggest that GAO acknowledge that there has been action in the 104th Congress dealing with the transfer of resources under the SSI program and that there was a provision in the Welfare Reform legislation that would establish penalties for certain transfers of resources.

GAO Contacts and Staff Acknowledgments

GAO Contacts

Christopher Crissman, Assistant Director, (202) 512-7051
George A. Scott, Evaluator-in-Charge, (202) 512-5932

Staff Acknowledgments

In addition to those named above, the following individuals also made important contributions to this report: Graham D. Rawsthorn, Evaluator; Daniel A. Schwimer, Senior Attorney; Vanessa R. Taylor, Senior Evaluator (Computer Science); Nancy L. Crothers, Communications Analyst; James P. Wright, Assistant Director (Study Design and Data Analysis); and Joel I. Grossman, Social Science Analyst.

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