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SUPPLEMENTAL  
SECURITY INCOME

Long-Standing Problems Put  
Program at Risk for Fraud,  
Waste, and Abuse

Statement of Jane L. Ross, Director  
Income Security Issues  
Health, Education, and Human Services Division



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# Supplemental Security Income: Long-Standing Problems Put Program at Risk for Fraud, Waste, and Abuse

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Madam Chairman and Members of the Subcommittee:

I am pleased to be here to discuss the Social Security Administration's (SSA) Supplemental Security Income (SSI) program and our decision to designate the program one of our high-risk areas. As you know, the SSI program provides means-tested income support payments to eligible aged, blind, or disabled people. Since the program's inception in 1974, the number of individuals receiving SSI cash benefits has grown significantly. About 6.6 million recipients now receive roughly \$22 billion in federal benefits. In the past several years, a major reason for growth in the SSI rolls has been an increasing number of younger recipients with mental impairments who have limited work histories. Rapid growth in the number of children receiving SSI benefits has further contributed to changes in the program's character. The increased number and diversity of SSI recipients have spurred criticism that the SSI program is increasingly susceptible to fraud, waste, and abuse. Through our work, we have also demonstrated that the SSI program has been adversely affected by internal control weaknesses, complex policies, and insufficient management attention. (A list of related GAO products dealing with SSI program vulnerabilities appears at the end of this statement.)

Today, I would like to discuss several long-standing problems in SSI that have caused us to designate the program as high risk. These problems involve the methods SSA uses to verify recipients' initial and continuing eligibility for SSI benefits and the agency's efforts to get SSI recipients into the workforce. These deficiencies have placed the program at considerable risk and contributed to significant annual increases in overpayments to SSI recipients. Overpayments include payments to people ineligible for the program, as well as to those receiving higher benefit payments than their income and assets warrant. During 1996, SSA had \$2.3 billion in overpayments that was owed to the agency, including \$895 million in newly detected overpayments during the year. In that year, the agency was successful in recovering only \$357 million of the total outstanding debt.

To briefly summarize our findings, the SSI program has had significant problems in determining initial and continuing financial eligibility because of the agency's reliance on individuals' own reports of their income and resources and failure to thoroughly check this information. Moreover, the judgmental nature of SSA's disability determination process and SSA's past failure to adequately review SSI recipients to determine whether they remain disabled have also exposed the program to fraud, waste, and

abuse. Finally, SSA is at risk of paying some SSI recipients benefits for too long because it has not adequately addressed their special vocational rehabilitation needs nor developed an agencywide strategy for helping recipients who can enter the workforce. The Congress has recently made several changes that address program eligibility issues and increase the frequency of SSA's continuing eligibility reviews. SSA has also begun addressing its program vulnerabilities and has made the prevention of fraud and abuse a part of its plan for rebuilding public confidence in the agency. However, our concerns about underlying SSI program vulnerabilities and the level of management attention devoted to these vulnerabilities continue. As part of our high-risk work, we are continuing to evaluate the underlying causes of long-standing SSI problems and the actions necessary to address them.

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## Background

SSI provides cash benefits to low-income aged, blind, or disabled people. Currently, the aged SSI population is roughly 1.4 million and the blind and disabled population more than 5.2 million. Those who are applying for benefits on the basis of age must be age 65 or older and be financially eligible for benefits; those who are applying for disability benefits must qualify on the basis of two criteria: financial and disability eligibility. To qualify for benefits financially, individuals may not have income greater than the current maximum monthly SSI benefit level of \$484 (\$727 for a couple) or have resources worth more than \$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 residence in 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 form 1099 information, Department of Veterans Affairs benefits data, and state-maintained earnings and unemployment benefits data. When SSA 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 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 SSI 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 condition remains disabling.

Regarding returning recipients to work, the Social Security Act states that to the maximum extent possible, individuals applying for disability benefits should be rehabilitated into productive activity. To this end, SSA is required to refer SSI recipients to state vocational rehabilitation agencies for services intended to prepare them for returning to work. The act also provides various work incentives to safeguard cash and medical benefits while a recipient tries to return to work.

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## **SSA Pays Inadequate Attention to Verifying Recipients' Financial Eligibility**

To correctly determine an individual's initial and continuing financial eligibility, SSA needs accurate and timely information because it is much easier to prevent overpayments than to recover them. SSA tries to get this information directly from applicants and recipients but also supplements these data through the use of computer matches with other federal and state agencies. To do this, SSA compares federal and state data with information claimed by SSI applicants. In many instances, these matches allow SSA to detect information that SSI recipients fail to report; in other cases, they provide more accurate information. However, our prior reviews have found that data from computer matches are often quite old and sometimes incomplete. For example, 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. This puts SSI at risk because it collects only about 15 percent of outstanding overpayments. Another weakness in this process is that SSA does not conduct some matches that could help to detect additional overpayments. For example, SSA has not matched data from Aid to Families With Dependent Children (AFDC) to detect SSI recipients who may be receiving benefits from this program.

Our work in the last few years suggests that recipients do not always report required information when they should and may not report it at all. For example, last year we reported that about 3,000 current and former prisoners in 13 county and local jails had been erroneously paid \$5 million

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**Supplemental Security Income:  
Long-Standing Problems Put Program at  
Risk for Fraud, Waste, and Abuse**

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in SSI benefits, mainly because SSA lacked timely and complete information on their incarceration. Recipients or their representative payees did not report the incarceration to SSA as required, and SSA had not arranged for localities to report such information. SSA told us that it has begun a program to identify SSI recipients in jails who should no longer be receiving benefits.

Our ongoing SSI work is identifying similar program problems and weaknesses as those noted in prior reports. For example, SSA staff have indicated that recipients' reporting of changes in living arrangements is frequently subject to abuse. One common scenario involves recipients who become eligible for SSI benefits and shortly thereafter report to SSA that they have separated from their spouse and are living in separate residences. SSA field staff suspect that these reported changes in living arrangements take place because recipients become aware that separate living arrangements will substantially increase their monthly benefits. Another ongoing study of SSI recipients admitted to nursing homes has found that despite SSA procedures and recent legislation to encourage reporting such living arrangement changes, thousands of SSI recipients in nursing homes continue to receive full benefits, resulting in millions of dollars in overpayments each year. This happens because recipients and nursing homes do not report changes in living arrangements and because computer matches with participating states to detect nursing home admissions are not done in a timely manner and are often incomplete. Consequently, these admissions and the resulting overpayments are likely to go undetected for long time periods.

In a final area related to financial eligibility, we recently reported that between 1990 and 1994, approximately 3,500 SSI recipients transferred ownership of resources, such as cash, houses, land, and other items valued at an estimated \$74 million, to qualify to SSI benefits. This figure represents only transfers of resources that recipients actually told SSA about. Although these transfers are legal, using them to qualify for SSI benefits raises serious questions about SSA's ability to protect taxpayer dollars from waste and abuse and may undermine the public's confidence in the program. SSA has acknowledged and supports the need to work with the Congress to develop legislation to address this problem.

To obtain more timely and accurate recipient data, SSA is currently testing the use of online access to state databases to supplement the information it receives. Online access provides direct connections between SSA's computers and the databases maintained by certain state agencies. Data

can be obtained immediately by SSA staff as soon as requested and used for a variety of purposes, including verifying the amount of AFDC or other benefit income a client reports. After reviewing this SSA initiative, we concluded that nationwide use of online access to state computerized data could prevent or more quickly detect about \$130 million in overpayments due to unreported or underreported income in one 12-month period. Online access could save program dollars by controlling overpayments and reducing the administrative expense of trying to recover them. In responding to our review, SSA noted that it was exploring options for expanding online access and was examining the cost-effectiveness of doing so. Although some states can currently provide online access to their data inexpensively and easily, SSA has moved slowly in this area. In addition to state data, online access to other federal agencies' data may help SSA save program dollars. SSA has also moved slowly in this area, however.

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## **Program Vulnerabilities Are Associated With Determining Disability Eligibility**

In addition to financial eligibility, for those who apply for disability benefits, SSA must also determine their disability eligibility or their capacity to work. SSA's lengthy and complicated disability decision-making process results in untimely and inconsistent decisions. Adjudicators at all levels of this process have to make decisions about recipients' work capacity on the basis of complex and often judgmental disability criteria. Determining disability eligibility became increasingly difficult in the early 1990s as younger individuals with mental impairments began to apply for benefits in greater numbers. Generally, mental impairments are difficult to evaluate, and the rates of award are higher for these impairments than for physical impairments.

SSA's processes and procedures for determining disability have placed the SSI program at particular risk for fraud, waste, and abuse. For example, in 1995, we reported that SSA's ability to ensure reasonable consistency in administering the program for children with behavioral and learning disorders had been limited by the subjectivity of certain disability criteria. To address these problems, recent welfare reform legislation included provisions to tighten the eligibility rules for childhood disability and remove children from the rolls who have qualified for SSI on the basis of less restrictive criteria. It is too early, however, to tell what impact the new legislation will ultimately have on SSI benefit payments and SSA's ability to apply consistent disability policies to this population.

In addition, we reported in 1995 that middlemen were facilitating fraudulent SSI claims by providing translation services to non-English-speaking individuals who were applying for SSI. These middlemen were coaching SSI claimants on appearing mentally disabled, using dishonest health care providers to submit false medical evidence to those determining eligibility for benefits, and providing false medical information on claimants' medical and family history. In one state alone, a middleman arrested for fraud had helped at least 240 people obtain \$7 million in SSI benefits. SSI's vulnerability to fraudulent applications involving middlemen was the result of the lack of a comprehensive strategy for keeping ineligible applicants off the SSI rolls, according to our review. SSA told us that half of all SSI's recently hired field office staff are bilingual, a step that it believes will reduce the involvement of fraudulent middlemen.

In light of the difficulty of determining disability and SSI's demonstrated vulnerability to fraud and manipulation, periodic reviews are essential to ensure that recipients are disabled. Our work has shown, however, that SSA has not placed adequate emphasis on CDRs of SSI cases. In 1996, we reported that many recipients received benefits for years without having any contact with SSA about their disability. We also noted that SSA performed relatively few SSI CDRs until the Congress mandated in 1994 that it conduct such reviews. Furthermore, SSA's processes for identifying and reviewing cases for continuing eligibility did not adequately target recipients with the greatest likelihood for medical improvement.

Currently, SSA is implementing new review requirements in the welfare reform law. In addition, SSA had about 2-1/2 million required CDRs due or overdue in the Disability Insurance (DI) program and 118,000 SSI CDRs due or overdue as of 1996. Despite the importance of CDRs for ensuring SSI program integrity, competing workloads from implementing welfare reform legislation will challenge SSA in completing the required number of SSI CDRs.

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## **SSA Has Not Emphasized Return to Work and Vocational Rehabilitation**

As mentioned previously, the Social Security Act states that as many people as possible who are applying for disability benefits should be rehabilitated into productive activity. We have found, however, that SSA places little priority on helping recipients move off the SSI rolls by obtaining employment. Yet, if only a small proportion of recipients were to leave the SSI rolls by returning to work, the savings in lifetime cash benefits would be significant.



Technological and societal changes in the last decade have raised the possibility of more SSI recipients returning to work. For example, technological advances, such as standing wheelchairs and synthetic voice systems, have made it easier for people with disabilities to enter the workplace. Legislative changes, such as the Americans With Disabilities Act, and social changes, such as an increased awareness of the economic contributions of individuals with disabilities, have also enhanced the likelihood of these individuals finding jobs. During the past decade, the proportion of middle-aged SSI recipients has steadily increased. Specifically, the number of SSI recipients between the ages of 30 and 49 has increased from 36 percent in 1986 to about 46 percent in 1995 to about 1.6 million people. Thus, many SSI recipients have many productive years in which to contribute to the workforce.

Despite these factors, SSA has missed opportunities to promote work among disabled SSI recipients. In 1972, the Congress created the plan for achieving self-support (PASS) to help low-income individuals with disabilities return to work. The program allows SSI recipients to receive higher monthly benefits by excluding from their SSI eligibility and benefit calculations any income or resources used to pursue a work goal. SSA pays about \$30 million in additional cash benefits annually to PASS program participants. Despite these cash outlays, almost none of the participants leave the rolls by returning to work.

SSA has poorly implemented and managed the PASS program. In particular, SSA has developed neither a standardized application containing essential information on the applicant's disability, education, and skills nor ways to measure program effectiveness. We have recommended that SSA act on several fronts to control waste and abuse and evaluate the effect of PASS on recipients' returning to work. In general, SSA has agreed with our recommendations and taken some steps to more consistently administer the PASS program.

In the past several months, however, some efforts have begun to place a greater emphasis on returning disabled people to work. The administration is seeking statutory authority to create a voucher system that recipients could voluntarily use to get rehabilitation and employment services from public or private providers and is also seeking legislation to extend medical coverage for recipients who return to work. The Congress has also put forth several proposals in these areas.

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## **Conclusion**

The problems we have identified in the ssi program are long-standing and have contributed to billions of tax dollars being overpaid to recipients. They have also served to compromise the integrity of the program and reinforce public perceptions that the ssi program pays benefits to too many people for too long. Although many of the changes recently enacted by the Congress or implemented by SSA may result in improvements, the underlying problems still exist.

Our work has shown that ssi's vulnerability is due both to problems in program design and inadequate SSA management attention to the program. Revising SSA's approach to managing the program will require sustained attention and direction at the highest levels of the agency as well as actively seeking the cooperation of the Congress in improving the program's operations and eligibility rules. One challenge for the new SSA Commissioner will be to focus greater agency attention on management of ssi and the future viability and integrity of this program.

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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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## **Contributors**

For more information on this testimony, please call Jane Ross on (202) 512-7230 or Roland Miller, Assistant Director, on (202) 512-7246.

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# Related GAO Products

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Social Security Disability: Improvements Needed to Continuing Disability Review Process (GAO/HEHS-97-1, Oct. 16, 1996).

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

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

SSA Disability: Return-to-Work Strategies From Other Systems May Improve Federal Programs (GAO/HEHS-96-133, July 11, 1996).

Social Security: Disability Programs Lag in Promoting Return to Work (GAO/T-HEHS-96-147, June 5, 1996).

SSA Disability: Program Redesign Necessary to Encourage Return to Work (GAO/HEHS-96-62, Apr. 24, 1996).

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

PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed (GAO/HEHS-96-51, Feb. 28, 1996).

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

Social Security: New Functional Assessments for Children Raise Eligibility Questions (GAO/HEHS-95-66, Mar. 10, 1995).

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