

**SUPPLEMENTAL SECURITY INCOME FRAUD AND
ABUSE**

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTH CONGRESS

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**SUPPLEMENTAL SECURITY INCOME FRAUD
AND ABUSE**

TUESDAY, APRIL 21, 1998

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:05 p.m., in room B-318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE

CONTACT: (202) 225-1025

April 13, 1998

No. HR-11

Shaw Announces Hearing on Supplemental Security Income Fraud and Abuse

Congressman E. Clay Shaw, Jr., (R-FL), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on Supplemental Security Income (SSI) fraud and abuse. The hearing will take place on Tuesday, April 21, 1998, in room B-318 of the Rayburn House Office Building, beginning at 3:00 p.m.

Oral testimony at this hearing will be from invited witnesses only. Witnesses will include representatives of the Social Security Administration (SSA), the SSA Office of the Inspector General, and the U.S. General Accounting Office (GAO). However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

In a 1997 report, GAO added SSI, which provided more than \$25 billion to 6 million aged, blind, and disabled recipients in 1997, to its list of government programs at "high risk" for waste, fraud, abuse, and mismanagement. The problems uncovered by GAO are wide-ranging. One major problem is the ability of applicants to divest their assets in order to qualify for SSI benefits. Another problem is fraud by those who receive benefit checks at U.S. post office boxes but actually reside in other countries. Another problem is that many SSI overpayments either go uncollected or are collected at a very slow pace, preventing or delaying the collection of hundreds of millions of dollars incorrectly paid to beneficiaries.

Congress solved some of the problems identified by GAO in the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104-193). For example, Congress created a "bounty" system of cash incentives for local prisons that report lists of inmates for matching against SSI rolls so that prisoners could be disqualified from receiving further SSI benefits. Many of the proposals under review by the Subcommittee expand on such efforts to ensure both that qualified recipients receive the benefits they are due and that taxpayers are protected from attempts to defraud or otherwise abuse the SSI program.

In announcing the hearing, Chairman Shaw stated: "SSI is a program that has been wide open to abuse for too long, costing literally billions of dollars in overpayments and losses due to outright fraud. This program is too important to too many deserving recipients for that to continue. I invite everyone who wants to protect the integrity of this essential program to work with us to develop effective ways to cut out the fraud so we can better serve deserving beneficiaries as well as taxpayers."

FOCUS OF THE HEARING:

The hearing will focus on fraud and abuse involving the SSI program. A major goal of the hearing will be to discuss possible legislative proposals to prevent continued fraud and abuse.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) single-space legal-size copies of their statement, along with an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format only, with their name, address, and hearing date noted on a label, by the close of business, Tuesday, May 5, 1998, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at '[HTTP://WWW.HOUSE.GOV/WAYS_MEANS/](http://WWW.HOUSE.GOV/WAYS_MEANS/)'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. Good afternoon, and welcome to the Subcommittee hearing.

Today the Subcommittee will consider specific proposals to combat fraud and abuse of the Supplemental Security Income Program, the Nation's largest cash welfare program which provides \$25 billion in support to more than 6 million aged, blind, and disabled recipients each year. Two goals should guide us through this hearing:

First, recipients must be assured that SSI will continue to provide benefits for deserving clients. About half of the SSI recipients have no other income. For many others, and especially the aged, Social Security is their only other real income. We simply cannot allow SSI, which is financial life support for so many, to be undermined by lax rules, inadequate antifraud efforts, and bureaucratic neglect.

Second, we must protect taxpayers who support SSI with their hard-earned tax dollars. Everyone—recipients and taxpayers alike—has a right not to be ripped off.

Consider just the example of overpayments to SSI recipients. The General Accounting Office estimates that SSI overpayments now total \$2.6 billion of which only 15 percent are ever repaid. So if nothing changes, more than \$2 billion in current overpayments simply will be written off. In addition, the Social Security Administration has already written off \$1.8 billion in overpayments just since 1989. That makes almost \$4 billion in overpayments that will simply vanish as if into a black hole.

Other examples, such as of fugitives, career criminals, and residents of other countries collecting benefits, are also deeply troubling. Is it any wonder that the American people believe, as the General Accounting Office puts it, that "SSI pays too many people for too long"? Thus, it should surprise no one that SSI is on GAO's list of programs that are at high risk for abuse.

This hearing is a first step toward striking SSI from the list of infamous programs and restoring public confidence that SSI will provide the right benefits to the right beneficiaries.

In advance of this hearing, we assembled a list of possible changes designed to do just that. Most proposals are recommendations from the Social Security Inspector General or the General Accounting Office. We have asked witnesses to address these and other specific reforms, and we understand that the Social Security Administration is compiling its own proposals for change. So we have a lot of work to do in a short time, but given the importance of the task, I know this Subcommittee will rise to the occasion, as it always does.

Let me just add a personal note of welcome to Lynn Thompson, a long-time and now retired Social Security employee from Fort Lauderdale, Florida. After reviewing her testimony, I know we will have a healthy dose of reality about the way the SSI Program works, and in some respects doesn't work. Like all of our witnesses, I appreciate her making the trip here today to help us.

[The opening statement follows:]

**Opening Statement of Hon. E. Clay Shaw, Jr., a Representative in Congress
from the State of Florida**

Today the subcommittee will consider specific proposals to combat fraud and abuse of the Supplemental Security Income program, the nation's largest cash welfare program which provides \$25 billion in support to more than 6 million aged, blind and disabled recipients each year.

Two goals should guide us.

First, recipients must be assured that SSI will continue to provide benefits for deserving clients. About half of SSI recipients have no other income; for many others, and especially the aged, Social Security is their only other real income. We simply cannot allow SSI, which is financial life support for so many, to be undermined by lax rules, inadequate anti-fraud efforts, and bureaucratic neglect.

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Is it any wonder that the American public believes, as GAO puts it, that SSI "pays too many people for too long"?

Thus it should surprise no one that SSI is on GAO's list of programs that are at "high risk" for abuse. This hearing is a first step toward striking SSI from that list of infamous programs and restoring public confidence that SSI will provide the right benefits to the right beneficiaries.

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Mr. Levin....

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Like you, I look forward to this hearing. Clearly where there is abuse or fraud, it has to be rooted out, and I hope we can have a constructive discussion today about these problems, some of which go back many, many years.

I hope as we do this—and it is indicated in your statement—that we will distinguish between procedural proposals and substantive proposed changes. You mentioned that we have to make sure that those in need are protected, and I hope we will do that.

As I reviewed the list, many of them had to do with procedural, structural issues. Some of them had to do, though, with substantive proposals that I think are unrelated to issues of fraud or abuse. And some of them would mean very significant changes in eligibility for receipt of benefits. And I think we need to be careful as we proceed that we separate the so-called wheat from the chaff in terms of problems.

I hope this hearing will proceed with that spirit. Where there is abuse, again, we have to be eternally vigilant. Where there are people in need, we have to be vigilant that, inadvertently or otherwise, we don't bring harm to people in need.

Thank you.

[The opening statement follows:]

**Opening Statement of Hon. Sander Levin, a Representative in Congress
from the State of Michigan**

Thank you Mr. Chairman.

Today's hearing occurs in the context of continued bipartisan efforts to improve the effectiveness and efficiency of the SSI program and to make it more responsive to the elderly and disabled who depend on it.

The most recent success in this arena can be seen in the broad support, from both sides of the aisle, garnered for the proposed Ticket to Work and Self-Sufficiency Act. This bill will provide critical support to SSI and disability recipient as they prepare to enter the workforce. I would like to congratulate Mrs. Kennelly and Mr. Bunning for leading the bipartisan effort on the bill and look forward to clearing its way for passage.

Some of the cost saving measures discussed today may be of interest as potential offsets for the Ticket to Work and Self Sufficiency Act. It is my hope that we can continue to enjoy bipartisan cooperation and interest in common sense policy as we search for ways to save SSI from a multimillion dollar problem surrounding fraudulent usage of the program.

As we work towards our goal of improving the SSI program, it is appropriate to take a hard look at the prevalence of fraud and abuse. Concern about SSI fraud is warranted. The GAO has placed SSI on its list of programs at "high-risk" for waste, fraud, and abuse. This is a problem that we have been concerned with for some time in Congress. In the welfare reform law we included provisions to begin the process of eliminating fraud, in order to protect the integrity of the program for the many elderly and disabled recipient across the nation who rely on SSI payments to survive.

As we delve into the task of reforming SSI, we, the Members of the Ways and Means Committee, must remember that our first order of business must be to keep bonafide recipients' interests at the center of any discussion of measures to prevent fraud and save money. We must ensure that we do not unintentionally make the SSI program less accessible to those for whom the program exists. We must be mindful of the administrative feasibility of proposals and their overall impact on program effectiveness.

If we consider this critical topic with the best interest of the RECIPIENTS at heart, I am confident that we can work in a bipartisan fashion to curb waste, fraud, and abuse which will, in turn, strengthen the foundation of the SSI program and protect the beneficiaries to rely upon it.

Chairman SHAW. Thank you, Sandy.

We have three panels today. The first will be Hon. Wally Herger, a Member from California, and also a Member of this Committee. Welcome. Proceed as you will. You, as other witnesses, know that we have your full statement that will be made a part of the record, and you may summarize as you see fit.

**STATEMENT OF HON. WALLY HERGER, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. HERGER. Thank you, Chairman Shaw and Members, for this opportunity to testify on the topic of fraud in the Supplemental Security Income Program. I want to begin by applauding your efforts—as well as those of Chairman Bunning and Chairman Archer—in addressing the serious problems of waste, fraud, abuse, and mismanagement in our Nation's welfare and entitlement programs.

In passing our historic welfare reform legislation in 1996, Congress took several important steps toward ending fraud and abuse in the SSI Program. I want to focus my testimony on one particular provision of this new law—a provision I authored aimed at cutting off fraudulent SSI benefits to prisoners—that now seems to be making a substantial difference in our effort to combat improper payments.

I was first alerted to the problem of prisoners fraudulently receiving SSI by a local law enforcement official in my congressional district, Butte County Sheriff Mick Grey. Sheriff Grey told me he thought that it was peculiar that his inmates had extra cash to spend at the beginning of every month.

As you may remember, Mr. Chairman, prisoners were already ineligible for SSI benefits prior to the passage of welfare reform. However, it had traditionally been very difficult for the Social Security Administration to match prisoners in State and local institutions with benefit checks mailed by the Federal Government. While the SSA had easy access to lists of prisoners in Federal facilities and was able to disqualify these individuals accordingly, there had been no compelling reason for State and local institutions to turn over their lists of inmates to the SSA. For this reason, the SSA had literally been relying on the inmates themselves to request that they be removed from the benefit rolls in order to disqualify them during their incarceration.

To correct this problem, I introduced legislation in September 1995 entitled “The Criminal Welfare Prevention Act.” This proposal—which attracted nearly 200 bipartisan cosponsors—sought to establish a more effective system to implement the prohibition against the payment of SSI to inmates in State and local facilities. I was very pleased to work closely with you, Mr. Chairman, to include that language in our welfare reform legislation.

Mr. Chairman, my provision set up a new system of monetary incentives for State and local law enforcement authorities to enter into voluntary data-sharing contracts with the SSA. Now, participating local authorities can elect to provide the Social Security numbers of their inmates to the Social Security Administration. If the SSA identifies any matches—instances where inmates are fraudulently collecting Federal benefits—SSA now cuts off those benefits and the participating local authority receives a cash payment of as much as \$400. Again, participation in these data-sharing contracts is strictly voluntary. They do not involve any unfunded Federal mandates.

Mr. Chairman and Members, you may remember that in 1996 CBO had estimated that this provision would save a total of \$100 million. However, at last month’s joint hearing of the Social Security and Human Resources Subcommittees, the Social Security Inspector General testified that the problem of prisoners receiving fraudulent Federal benefits is actually far more widespread than had previously been suspected. According to the IG’s report, an astonishing \$3.46 billion—that is billion with a capital B—in fraudulent payments to prisoners is now expected to be intercepted through the year 2001. While I have not yet been provided a detailed analysis of this updated figure, I am confident that the incentive system I have outlined today has provided the SSA a valu-

able new tool to combat fraud not only in the SSI Program, but in the Social Security Disability Insurance Program as well.

Earlier this Congress, I introduced followup legislation, "The Criminal Welfare Prevention Act, Part II," H.R. 520, which would encourage even more local authorities to become actively involved in fraud prevention. I am pleased to report that the new proposal has also received bipartisan support and has been included by Chairman Bunning in his "Ticket to Work" initiative, which he expects the Full Committee to consider in the near future.

Mr. Chairman, I believe that this incentive approach holds great promise as one possible model for continued efforts at combating waste, fraud, and abuse. I want to commend you for holding this hearing today, and I want to continue working with you, with other interested Members, and with the Social Security Administration in developing new proposals to end waste, fraud, and abuse in our Federal programs.

Thank you.

[The prepared statement follows:]

Statement of Hon. Wally Herger, a Representative in Congress from the State of California

Thank you Chairman Shaw and members of the subcommittee for this opportunity to testify on the topic of fraud in the Supplemental Security Income (SSI) program. I want to begin by applauding your efforts, Mr. Chairman—as well as those of Chairman Bunning and Chairman Archer—in addressing the serious problems of waste, fraud, abuse, and mismanagement in our nation's welfare and entitlement programs.

In passing our historic welfare reform legislation in 1996, Congress took several important steps toward ending fraud and abuse in the SSI program. I want to focus my testimony here today on one particular provision of this new law—a provision I authored aimed at cutting off fraudulent SSI benefits to prisoners—that now seems to be making a substantial difference in our effort to combat improper payments.

I was first alerted to the problem of prisoners fraudulently receiving SSI by a local law enforcement official in my congressional district, Butte County Sheriff Mick Grey. Sheriff Grey told me he thought that it was peculiar that his inmates had extra cash to spend at the beginning of every month.

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To correct this problem, I introduced legislation in 1995 entitled "The Criminal Welfare Prevention Act" (H.R. 2320, 104th Congress). This proposal—which attracted nearly 200 bipartisan cosponsors—sought to establish a more effective system to implement the prohibitions against the payment of SSI to inmates in state and local facilities. I was very pleased to work closely with you, Mr. Chairman, to include that language as Section 203 of the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104-193).

Mr. Chairman, my provision set up a new system of monetary incentives for state and local law enforcement authorities to enter into voluntary data-sharing contracts with the SSA. Now, participating local authorities can elect to provide the Social Security numbers of their inmates to the Social Security Administration. If the SSA identifies any "matches"—instances where inmates are fraudulently collecting federal benefits—SSA now cuts off those benefits and the participating local authority receives a cash payment of as much as \$400. Again, participation in these data-sharing contracts is strictly voluntary; they do not involve any unfunded federal mandates.

Mr. Chairman, you may remember that in 1996, the Congressional Budget Office had estimated that my provision would save a total of \$100 million. However, at last month's joint hearing of the Social Security and Human Resources Subcommittees, the Social Security Inspector General testified that the problem of prisoners receiving fraudulent federal benefits is actually far more widespread than had previously been suspected. According to the Inspector General's report, an astonishing \$3.46 billion in fraudulent payments to prisoners is now expected to be intercepted through the year 2001. While I have not yet been provided a detailed analysis of this updated figure, I am confident that the incentive system I have outlined today has provided the Social Security Administration a valuable new tool to combat fraud not only in the SSI program, but in the Social Security Disability Insurance program as well.

Earlier this Congress, I introduced follow-up legislation, "The Criminal Welfare Prevention Act, Part II" (H.R. 530), which would encourage even more local authorities to become actively involved in fraud prevention. I am pleased to report that this new proposal has also received bipartisan support and has been included by Chairman Bunning in his "Ticket to Work" initiative (H.R. 3433) which he expects the full committee to consider in the near future.

Mr. Chairman, I believe that this incentive approach holds great promise as one possible model for continued efforts at combating fraud. I want to commend you for holding this hearing today, and I want to continue working with you, with other interested members, and with the Social Security Administration in developing new proposals to end waste, fraud, and abuse in our federal programs.

Chairman SHAW. Thank you, Mr. Herger.

I am reading from an article in which your name appeared in the Sun Sentinel, Fort Lauderdale Sun Sentinel, which is my hometown paper, which provides that a crackdown on inmates trying illegally to collect Federal disability checks is reaping rewards for prisons and jails nationwide. Since March 1987, 9,349 prisoners have been stopped—I don't think that 1987 is the correct year—and the government has rewarded institutions with \$3.3 million. I am sure that is supposed to be 1997. And the top six States in prisoners caught: Number one, California. Well, 1,151 people who are not going to vote for you next time.

Mr. HERGER. Shucks.

Chairman SHAW. And that brought about a savings of—a reward that was paid of \$389,400.

Second, Louisiana. I am having fun with this, but I am getting to Florida.

Mr. HERGER. Is Michigan in there anyplace?

Chairman SHAW. No. I looked for it.

Mr. HERGER. OK.

Mr. LEVIN. We cracked down much earlier. [Laughter.]

Chairman SHAW. You've got a great Governor, too.

That is, 799 were caught in Louisiana and rewards paid of \$293,800.

Number five was Florida with 336, with payment of rewards of \$114,200.

This is very, very good, and it is something that I think all of us can take great pride in, and you certainly can for saving the amount of money that you have, and I congratulate you on it.

Mr. HERGER. Thank you.

Are there any other Members who have any questions or comments for Mr. Herger?

If not, we thank you.

Mr. HERGER. Thank you very much.

Chairman SHAW. And we congratulate you for the work that you did in this matter.

Mr. HERGER. Thank you.

Chairman SHAW. Thank you.

Next we have a panel of witnesses, which is John R. Dyer, Principal Deputy Commissioner of the Social Security Administration, and he is accompanied by Susan Daniels, who is a Ph.D., Deputy Commissioner for Disability and Income Security Programs.

We welcome you, and, again, we have your full testimony, which will be made a part of the record, and you may proceed as you wish.

Mr. Dyer.

STATEMENT OF JOHN R. DYER, PRINCIPAL DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY SUSAN DANIELS, Ph.D., DEPUTY COMMISSIONER FOR DISABILITY AND INCOME SECURITY PROGRAMS

Mr. DYER. Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today. I welcome this opportunity to discuss administrative initiatives and legislative proposals that can further enhance the integrity of the Supplemental Security Income Program.

SSI provides financial assistance to 6.5 million aged, blind, and disabled individuals who have little income or resources. These people are among the most vulnerable members of our society. To them, SSI truly is often the program of last resort and the safety net that protects them from destitution.

Who are these beneficiaries? More than 2.3 million are age 65 or over. Of these, nearly half are age 75 or over. And nearly three-quarters are women and many are widows. On the other end of the spectrum, there are 833,000 severely disabled children who generally live in-households below the poverty line. Even adult beneficiaries who live in their own households live in poverty. The Federal SSI benefit rate is \$494 a month, or 74 percent of the poverty guideline for an individual. Eligible couples, both of whom are either aged, blind, or disabled, fare only slightly better. By any measure, SSI recipients are the poorest of the poor. As we seek to improve administration of the SSI Program, we must make sure that any changes that are made do not adversely impact this vulnerable population.

Before I address our plans to improve SSI management and reduce overpayments and fraud, I believe it is important to note that much of what is often characterized as SSI Program fraud is in reality payment inaccuracy. The SSI Program requires that an individual's needs-based eligibility be matched with his or her income, resources, and living arrangements on a monthly basis. All sources of an individual's income, including in-kind income as well as any other assets, have to be explored, considered, and valued. Some individuals forget to report some of these items to us. Others may not understand what we need to know. And still others may not fully understand that their ownership interest in financial accounts or real property may affect their SSI eligibility.

This can lead to payment inaccuracies. Let me delineate the important distinction. Unlike fraud-based error that results from a

deliberate act of deception, payment inaccuracy is caused by inadvertent failure to report a change in eligibility criteria. Or payment inaccuracy may be caused by changes that occur and are reported, but after a monthly benefit has been paid.

SSA's efforts to reduce and recover overpayments, which I will describe below, respond to the major source of overpayments. Shortly, we expect to submit legislative proposals to address reduction and collection of SSI overpayments. The areas of wages, financial accounts, and institutionalization account for nearly half of the overpayments made in the SSI Program. Information concerning other income and resource factors account for a quarter to a third of the overpayments. SSA efforts, therefore, must encompass the vast majority of the causes of SSI overpayments.

We believe that the following expanded payment accuracy and antifraud initiatives will improve in the near term the current payment accuracy rate of 94.5 percent to better than 96 percent by fiscal year 2002. Such an improvement will save hundreds of millions of dollars in SSI Program funds. Some aspects of the initiatives and the others we are analyzing for later development are expected to bring a payment accuracy rate greater than 96 percent.

We have initiatives involving computer data matching, which have proven to be a highly cost-effective means to identify changes that affect SSI eligibility and payment amounts. Data matches that we now conduct result in a benefit-to-cost ratio of 8:1. SSA is aggressively pursuing more frequent matches for current exchanges of data, including online access and new matches that can give us more current information than we now have. For example, in the area of wages, we will begin in October of this year to match, once each quarter, beneficiary payment data with the earnings data from all States through the Office of Child Support Enforcement's databases. This replaces a twice-a-year match against wages reported by employers to the unemployment agencies of 44 States who have data matching agreements with SSA.

In the area of financial accounts, we have been looking into the possibility of doing away with manual processing by electronically obtaining the same data. This would also better identify any undisclosed bank accounts because we can canvass banks electronically better than by paper.

In the area of institutionalization, this year we will begin to match data, twice a year, on nursing home admissions from all States provided to the Health Care Financing Administration. This replaces a yearly match with only 29 States.

In the President's budget proposal, we are asking for an increase of \$50 million funding for nonmedical redeterminations of SSI disability and improved SSI debt collection measures.

Regarding continuing disability reviews, we processed more than 690,000 periodic CDRs in fiscal year 1997, a 38-percent increase over the previous year, and in fiscal year 1998, we expect to process more than 1.2 million CDRs.

Finally, while the most significant results in strengthening the SSI Program can be realized through improved payment accuracy and debt collection, program fraud remains a significant concern. A strong Inspector General's Office, working closely with SSA employees in local offices, is the most effective means we have to con-

trol fraud and abuse. To this end, SSA and the Inspector General have cooperated in developing a comprehensive antifraud plan that emphasizes fraud prevention and detection, referral and investigation, and enforcement.

In your letter of invitation to appear here, Mr. Chairman, you asked for comments on the potential Subcommittee proposals. We have been looking at some similar proposals ourselves. We believe we can work with your Subcommittee to develop proposals that could have bipartisan support.

We do, however, have some concerns about the Subcommittee's proposals. Some appear to have effects on the beneficiaries that need to be fully analyzed before we can offer a complete evaluation. Others need to be more fully developed. For instance, we have serious reservations about any proposal that includes a rote application of the two marked standards to all childhood disability listings. There are listings that currently use wholly medical criteria that do not easily fit into the two marked mold, such as the listings for cancer. SSA is committed to updating the listings where appropriate. However, this process requires careful consideration of the latest medical information for each impairment.

In conclusion, we would like to work with your Subcommittee staff to develop a more complete understanding of the proposals with the goal of achieving a bipartisan approach. Again, I thank you for the opportunity to appear before you, and I would be glad to answer any questions you might have.

[The prepared statement follows:]

Statement of John R. Dyer, Principal Deputy Commissioner, Social Security Administration

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today on behalf of the Social Security Administration (SSA) to discuss our administrative initiatives and legislative proposals for protecting the integrity of the Supplemental Security Income (SSI) program. Before I begin, however, I would like to reiterate what Commissioner Apfel said before this Subcommittee last month—SSA is committed to improving the management of the SSI program now and in the future.

SSI is a vitally important program that provides nearly 6.5 million aged, blind, and disabled individuals the means to provide themselves with basic necessities of food, clothing, and shelter. These individuals are among the most vulnerable Americans. These individuals have little in the way of personal savings or other income. For them, SSI is truly the program of last resort and is the safety net that protects them from complete impoverishment.

I want to give you some idea of who gets SSI benefits. More than 2.3 million individuals receiving SSI are aged 65 or older. Of the 2.3 million, nearly half (47 percent) are aged 75 or older. Seventy-three percent of those over 65 are female and many, if not most, are widowed. At the other end of the age spectrum, nearly 880,000 severely disabled children under age 18 receive benefits. These children generally live in households below the poverty line. Even adult beneficiaries who live in their own households live in poverty. The 1998 Federal SSI benefit rate is \$494 a month. This amount represents 74 percent of the 1998 Federal poverty guideline for an individual. Eligible couples—both of whom are either aged, blind, or disabled—fare only slightly better. The couple's Federal benefit rate represents 82 percent of the poverty guidelines for two persons. There are nearly 260,000 eligible couples receiving SSI. By any measure, SSI recipients are among the poorest of the poor.

We need to keep these individuals in mind as we seek to improve the administration of the SSI program. We must be sure that any changes we make do not adversely impact this very vulnerable part of our population.

It should be noted that although the SSI program experienced substantial growth between 1985 and 1994, in the 4 years since then the program has essentially reached a plateau and experienced little or no growth in the number of beneficiaries.

One reason for this is that with funding support from Congress, we have substantially increased continuing disability reviews (CDRs). Also there have been several changes enacted recently concerning eligibility for SSI. Another factor is the improved economy. But the important point is that the number of beneficiaries in the SSI program has stabilized and SSA can focus more closely on the continuing eligibility of, and accuracy of payments to, those who are on the rolls.

Let me assure you that we have always been committed to administering the SSI program as efficiently and accurately as possible. It is important to our nation and the low-income aged, blind, and disabled individuals that the program serves. We have every intention of strengthening the administration of SSI in order to restore public confidence in this important program.

REASONS FOR OVERPAYMENTS

By design, the SSI program is intended to provide vital assistance to individuals who are aged, blind, or disabled and have limited income and resources. It is a means-tested program that requires SSA to investigate, and the beneficiaries to divulge, all of their income and assets. All sources of an individual's income, including in-kind income, and any assets are explored, considered, and valued. Some individuals forget to report to us about some of these items, others may not understand what we need to know, and may not fully understand that their ownership interests in financial accounts or real property may affect their eligibility for SSI.

Overpayments occur for a variety of reasons. For example, every time the wages of a disabled child's parent fluctuate because of working extra hours, the amount of income deemed to the child changes and the possibility of an overpayment exists. If an individual has slightly more than the allowable resource limit in his or her bank account at the beginning of a month, he or she may be overpaid SSI for the month. An unanticipated living arrangement change in the middle of a month can cause an overpayment.

SSI is a program that requires an individual's need be matched with his or her income, resources, and living arrangements on a monthly basis. Because it is a practical impossibility for SSA to get every bit of information about every change in a timely fashion, there will inevitably be some amount of overpayment or underpayment. This is inherent in the nature of a program such as SSI. Nevertheless, there are several things that can be done to minimize these overpayments, improve program payment accuracy, ensure that only those who are truly eligible are on the rolls, and strengthen the integrity of the program.

Notwithstanding these administrative challenges, in FY 1996, SSA made correct payments in 94.5 percent of SSI cases. We can do better, and improving SSI payment accuracy is one of SSA's highest priorities. SSA has developed a comprehensive approach that includes strategies for greatly reducing the problems that cause inaccurate payments and measures the success of the actions. At the core of the plan is a focus on the early identification of changes that affect benefit levels and the prevention, detection, and collection of overpayments.

SSA's efforts to reduce anyments which I describe below respond to the major sources of overpayments.

The areas of wages, financial accounts, and institutionalization account for nearly half of the overpayments made in the SSI program. We believe that matching information with various databases holds great promise in the prevention of overpayments caused by these factors. SSA has already undertaken steps in this area and we will do more.

Information concerning other income and resource factors account for a quarter to a third of overpayments. An indispensable element in identifying these types of overpayments is the periodic redetermination of SSI recipient eligibility conducted by SSA's claims representatives. The President has included in his budget a proposal to authorize a cap adjustment for \$50 million in FY 1999 for nonmedical redeterminations of SSI recipients. These funds will help in reducing overpayments in these areas by providing additional resources for this important workload.

Questions of residency in the United States also lead to a relatively small number of overpayments nationally, however, these overpayments generally tend to be concentrated in certain geographic areas. As I describe, below, both SSA and the IG have initiatives underway to reduce overpayments cause by misinformation on residency.

SSA's efforts in all of these areas therefore encompass the vast majority of the causes of SSI overpayments. We also have initiatives to address directly fraud and abuse in the program. In addition, SSA will maintain its ongoing efforts, supported by this Subcommittee, to increase the numbers of continuing disability reviews and to improve our debt collection.

Shortly, we expect to submit legislative proposal to address the reduction and collection of SSI overpayments. Let me now describe SSA's current efforts in these areas.

MEASURES TO IMPROVE PAYMENT ACCURACY

Much of the overpayments in the SSI program are the result of payment inaccuracy. Payment inaccuracy, unlike fraud-based error which results from a deliberate act of deception, is caused either by inadvertent failure to report a change or by changes that occur—and are reported—after the monthly benefit has been processed for payment.

Prevention and detection require knowing the causes of overpayments and instituting cost efficient methods of rooting out these causes. Using agency program review data and Inspector General (IG) and Government Accounting Office (GAO) observations, SSA has identified the leading causes of SSI overpayments: these are wages, financial accounts, and institutionalization. These three areas represent a large percentage of the total overpayment dollars. Better detection of these events—which ideally will lead to prevention of overpayments due to these causes—depends on enhancing existing data matching activities and capitalizing on emerging on-line data exchange opportunities.

Computer data matching has proven to be a highly cost-effective means to identify changes that affect SSI eligibility and payment amounts. Data matches that we currently conduct result in a benefit-to-cost ratio of eight to one. We estimate that the planned new matches will yield the same or even better results.

SSA is aggressively pursuing more frequent matches for current exchanges and new matches that will offer more current information than is received presently. New key matches are:

- **Wages**—Beginning in October 1998, we will match once a quarter with earnings data from all States through the Office of Child Support Enforcement's (OCSE) data bases. This replaces twice-a-year matches with wages reported by employers to the unemployment agencies of the 44 States that have agreed to cooperate with SSA in making this wage data available for the purpose of SSA's administering the SSI program. Wages from OCSE's data bases could be available on-line to SSA field offices by as early as December 1999. We understand that an amendment was accepted in the Senate to H.R. 3130 that would significantly limit the value of the data to SSA by requiring the deletion of the data by OCSE after 12 months in most cases. A retention period of less than 24 months for any report will significantly erode the value of the directory as a means of strengthening the administration of the SSI and DI programs. The Administration strongly opposes this provision and I urge you to oppose the Senate provision in conference.

- **Financial accounts**—In order to verify amounts of resources in bank accounts, we currently have to get a signed authorization from the applicant or beneficiary and send it to the bank. The bank then searches its files and either provides us with information about the account balances or tells us that the individual does not have an account at the bank.

We have been looking into the possibilities of electronically obtaining these same data for several years. Doing away with the manual processing of the requests and replies regarding bank account information would save time and money. Additionally, we would be better able to identify cases in which there are undisclosed bank accounts because we will be able to canvass more banks electronically than we can by paper to determine if and where individuals have undisclosed accounts.

- **Institutionalization**—Individuals who are in nursing homes for a full calendar month and who will remain in the institution for longer than 3 months may only be eligible for a reduced SSI benefit of \$30 (the "personal needs allowance"), or may be ineligible if they have other income. In 1993, a provision was added to the Social Security Act requiring nursing homes to report admissions of SSI beneficiaries. We have undertaken several initiatives at the regional office level to encourage nursing home operators to comply with this requirement, but our not knowing of individuals' admissions to nursing home admissions still is a frequent cause of overpayments.

We currently match once a year with nursing home admissions from 29 States through the Health Care Financing Administration. We are exploring more frequent matches of data with all States.

SSA has long recognized that on-line access to databases offers the possibility of immediate prevention of overpayments. Under the current scenario in most SSA offices, verification of wages or unemployment compensation, for example, requires contact with the employer or the unemployment compensation agency. Most often this is done by phone or mail, and takes claims representatives' time and the time of the person or agency from whom/which we are requesting the information. In the

case of redeterminations, while we are waiting for verification, we continue to pay the individual based on the information in the file that we verified the last time we contacted the beneficiary. If that information has changed, the individual is either overpaid or underpaid. In addition to improving payment accuracy for current beneficiaries, on-line access also would simplify and speed up initial application and payment processing because verification would be received immediately.

With on-line data access, the claims representative will be able to go to a computer terminal while the individual is still in the office, get verification, and correct the SSI record immediately. This is the approach that we have piloted in our Tennessee offices. Under this pilot, employees in SSA field offices have on-line access to the State's human services, vital statistics, and unemployment and workers' compensation records and the State agencies have on-line access to SSI records.

The Tennessee pilot has been very successful and the idea has been expanded to other States. SSA currently has on-line access to State records with 30 agencies in 20 States. In all but two States—California and Texas—these are not pilot programs; they are real time, on-line programs with the access and conditions for the information's use stated in agreements entered into between SSA and the State. In many of these States we have on-line access to data from only one or two State agencies, but we continue to negotiate with States and their agencies to expand on-line access. This approach holds promise for improving SSI payment accuracy and saving administrative time and money.

Another area that is a key factor in how well overpayments are prevented and detected is the execution of program procedures. SSA is conducting a campaign of quality assurance to focus attention on persistent sources of error to improve claims development skills through program highlights, training, and process reviews and strengthening of key instructional material. Two areas of immediate emphasis will be wages and in-kind support and maintenance.

We project that these and other administrative payment accuracy initiatives will improve the current payment accuracy level of 94.5 percent to better than 96 percent by FY 2002. Such an improvement will save millions of dollars in SSI program funds.

On March 11, 1998, Commissioner Apfel sent an Administration bill to the Congress, which included a proposal for discretionary cap adjustment authority related to increased funding in FY 1999 for nonmedical redeterminations of SSI eligibility. Redeterminations are periodic reviews of an individual's income, resources, and other nondisability-related factors that affect an individual's eligibility or benefit amounts. (Determinations of whether individuals remain disabled are done generally through the continuing disability review process, which I will discuss later.) Redeterminations often uncover unreported changes in individuals' incomes or living arrangements and enable us to correct the SSI record to reflect these changes before large overpayments have been made. Having the resources to conduct additional redeterminations of income and resource eligibility will reduce incorrect payments and result in 5-year program savings of nearly \$216 million.

DEBT COLLECTION

Improving payment accuracy will be a significant achievement, but a robust debt collection system also is an essential element in strengthening the integrity of the SSI program. SSA has a long-standing commitment to debt management and we are continually engaged in projects that improve our performance in this area.

In 1997 alone, SSA collected \$1.7 billion in overpayment debts. Of that total, \$1.2 billion was returned to the OASDI Trust Funds while about \$437 million in recovered SSI overpayments were returned to the Treasury's general fund.

SSA recovers more than 80 percent of the SSI and OASDI debt that it is owed when an individual remains on the benefit rolls, but is unable to match that performance when an individual leaves the benefit rolls. The President's budget includes a provision that addresses the problem. This provision would authorize SSA to collect SSI overpayments from a former SSI beneficiary's current OASDI benefit. Nearly half of all uncollected SSI overpayments were paid to former SSI beneficiaries currently receiving OASDI benefits; however, there is no authority in present law that authorizes SSA to collect SSI overpayments from the current OASDI benefits of an uncooperative debtor. This proposal will significantly strengthen SSA's ability to recover SSI overpayments and is expected to result in \$170 million in program savings over 5 years. We urge the Congress to act quickly on this proposal that would give SSA an important tool in debt collection.

As I mentioned, if the overpaid individual has left the benefit rolls, no offset against SSI or OASDI benefits is currently possible. However, as part of our debt collection initiatives, we began using the tax refund offset (TRO) beginning in Janu-

ary of this year to recover SSI overpayments in such cases. Under TRO, an individual's overpayment is recovered from tax refunds that are owed to the individual. If an individual meets the TRO criteria, SSA will send a notice advising him or her that any income tax refund due would be used to recover the overpayment, and providing an opportunity for the debtor to protest.

TRO for SSI overpayments has been very successful. So far in 1998, we have recovered an estimated \$18.4 million in SSI overpayments through TRO. An additional \$4.8 million in SSI overpayments have been repaid by overpaid individuals after they have been notified of the TRO in order to prevent their being reduced or withheld. Therefore, in less than 4 months, TRO has resulted in the recoupment of \$23.2 million in the SSI program alone.

CONTINUING DISABILITY REVIEWS

Another way in which we ensure the integrity of the SSI program, as well as the DI trust fund, is through continuing disability reviews (CDRs). During FY 1996, SSA processed roughly half a million periodic CDRs, with estimated lifetime savings (including Medicare and Medicaid) of nearly \$2.5 billion. Under President Clinton's leadership, SSA has processed more CDRs more cost-effectively than ever before. During FY 1997, we processed over 690,000 periodic CDRs, a 38 percent increase over 1996. In FY 1998, we expect to process over 1.2 million periodic CDRs, more than double the number of CDRs in 1996. Our improved profiling/mailed process provides a high level of confidence in both our ability to achieve our estimated workload targets and in the accuracy and reliability of the decision resulting from our case reviews.

Our achievements in processing CDRs over the last two years demonstrate Congress' and the Administration's commitment to addressing this crucial workload. Discretionary cap adjustments for additional funds have been authorized to enable SSA to become current in the processing of OASDI CDRs by FY 2000 and title XVI CDRs by 2002. We are proud of our recent accomplishments and are confident that our CDR strategy will lead to reliable and cost-effective monitoring of the disability rolls.

PRISONER REPORTING

We have increased integrity in both the SSI and OASDI programs with our aggressive activities relating to suspending benefits to prisoners. A little background in this area may be helpful to understand where we are now.

Since its inception in 1974, the Supplemental Security Income (SSI) program has prohibited benefit payments—with certain exceptions for medical facilities—to an individual for any month in which he or she is an inmate of a public institution (including prisons and jails) throughout the calendar month. Provisions enacted in 1980 suspended Disability Insurance benefits to prisoners who were incarcerated as a result of a felony conviction. In 1983, the law was expanded to include Retirement and Survivors Insurance beneficiaries. In 1994, the OASDI nonpayment provisions were expanded to include individuals found not guilty by reason of insanity (or a similar finding or verdict) with respect to an offense punishable by confinement for more than one year (regardless of actual sentence imposed), and those found incompetent to stand trial with respect to such an offense. In addition, the felony incarceration requirement was changed to conviction of an offense punishable by confinement for more than one year (regardless of the actual sentence imposed).

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) included several provisions pertaining to reporting of prisoners for SSI program purposes. One of these is a provision which authorizes the Commissioner of Social Security to enter into agreements which provide for incentive payments to certain State and local institutions for furnishing information to SSA which results in ineligibility of an SSI beneficiary. An institution becomes eligible for a \$400 incentive payment for each individual reported within 30 days of confinement and \$200 for each individual reported within 31 through 90 days from confinement.

Under the Clinton Administration, SSA has been in the forefront of enforcing the prisoner ineligibility rules. Before Congress enacted the incentive payment provision, we began a major initiative in 1995 to strengthen prisoner reporting. Under this initiative we contacted all correctional facilities and by the end of 1995, we had reporting agreements with over 3,500 jails, prisons, and local facilities, covering over 99 percent of the inmate population in the United States.

SSA established a highly effective process for receiving prisoner admission data. In addition, we have acquired historical data from the Federal Bureau of Prisons and most State prisons to ensure that we have identified and suspended benefits to all ineligible prisoners. SSA estimates that in calendar year 1995, program out-

lays were lower by \$167 million in OASDI and \$90 million in SSI due to suspension of payments to prisoners. In the past 3 years, SSA has suspended nearly 200,000 prisoners.

In May 1996, in order to further encourage prisons to report to us, the Administration proposed its own version of legislation that would provide incentive payments to prisons for each prisoner that had their SSI benefits suspended because of their reports. This provision was similar to the one eventually enacted in PRWORA later in 1996. SSA has paid 9,000 incentive payments under the PRWORA provision.

MEASURES TO ADDRESS VULNERABILITIES TO FRAUD

Although the most important elements in strengthening the SSI program are improved payment accuracy and dd is a significant concern. A strong IG, working together with SSA's employees in local offices, is the most effective means we have to control fraud and abuse in the SSI program. To this end, SSA and the IG have cooperated on developing a comprehensive anti-fraud plan, which we call "Zero Tolerance for Fraud." The plan has three goals: (1) to change programs, systems, and operations to reduce instances of fraud; (2) to eliminate wasteful practices that erode public confidence in SSA; and (3) prosecute vigorously, individuals or groups who challenge the integrity of SSA's programs. The activities in the plan fall generally under the categories of fraud prevention and detection, referral and investigation, and enforcement. There are presently 33 anti-fraud initiatives in the plan.

Commissioner Apfel, in his March 12 testimony before the Subcommittee, described two very successful anti-fraud initiatives involving attempted claims of false U.S. residency and "middlemen" interpreters, so I will not go into a great deal of detail about them.

Under the IG's Border Vigil project, the Southwest Tactical Operations Plan (STOP) identified individuals who were receiving SSI after fraudulently claiming United States residency. As a result of the IG's work, we revised our policies for verifying U.S. residency and identifying potentially problematic cases. We are extending the program to both border areas in the United States.

An SSA project in Chula Vista, California that used contract investigators to identify individuals who were not U.S. residents led us to the institution of similar efforts along other parts of the southern border. The direct costs associated with the Chula Vista project were \$11,475, with indirect costs of a similar magnitude. The project revealed about \$500,000 in overpayments and prevented about \$400,000 in erroneous payments.

The encouraging results of the Chula Vista project led us to expand the pilot to 12 additional sites in California, New Mexico, and Texas in November 1997. Under this pilot, cases involving questionable U.S. residence are referred to a contractor to perform an investigation of the residence issue and to provide a report on the investigations for use by SSA in making residency determinations.

Another of our successes involves thwarting "middlemen" acting as interpreters but providing SSA with misleading or incomplete information. We substantially increased the number of bilingual employees in local offices to act as interpreters and increased funding to pay for the services of interpreters when bilingual SSA employees are not available. In addition, we developed strong policies to carry out the provision in P.L. 103-296 that allows us to disregard evidence in a claim—including that provided by a third party—if we have reason to believe that fraud or similar fault was involved in providing the evidence.

In the area of referral and investigation, SSA and IG have two initiatives underway that strengthen the SSI program's integrity and lessen its vulnerabilities.

In 1994, SSA awarded a demonstration grant to the California Disability Determination Service (DDS) for a Fraud Investigation Unit to serve their Los Angeles area branch offices. Now funded from the regular DDS operating budget, this unit's mission is to take referrals of suspected fraud from DDS adjudicators, and to make timely decisions on the suspect aspects of the claims. Through February, 1998, this small fraud unit has processed 372 referrals and provided the investigative evidence to support a denial in 49 cases.

Last year, based on the success of the California pilot and similar interagency taskforce activity in the Seattle region, SSA and the IG proposed setting up investigative units in five more locations. These units—called "Cooperative Disability Investigation (CDI) teams"—will have the same basic mission as in California with regard to early "in-line" fraud prevention. Although the California unit is staffed entirely with DDS investigators, the new CDI teams will consist of an IG special agent, two investigators from a State or local law enforcement agency, and two DDS and/or SSA personnel. The first CDI team began operations in New York City on

March 10th. The others (Atlanta, Chicago, Baton Rouge, and Oakland) will follow over the next several months.

We expect this project to produce almost \$35 million in prospective program savings (roughly 10 times its costs) over the next 2 years. In addition, we expect to see increases in employee morale and public confidence as SSA and the DDSs have another tool for a more proactive stand against fraud. If these expectations are borne out, we will seek to expand the concept to other DDSs in coming years.

SUBCOMMITTEE DRAFT PROPOSALS

Mr. Chairman, in your letter of invitation, you asked for comments on potential Subcommittee draft proposals. SSA has been looking at some similar proposals.

We believe that we can work with the Subcommittee to develop proposals that have bipartisan support.

We do, however, have some concerns about the Subcommittee proposals. Some appear to have effects on beneficiaries that need to be fully analyzed before we can offer a complete evaluation. Others need to be more fully developed. For instance, I have serious reservations about any proposal that includes a rote application of the two "marked" standard to all of the childhood listings. There are listings that currently use wholly medical criteria that do not fit easily into the two "marked" mold, such as the listings for cancer. SSA is committed to updating the listings where appropriate. However, this process requires careful consideration of the latest medical information for each impairment.

We and other affected agencies would like to work with the Subcommittee staff to develop a more complete understanding of these proposals with the goal of achieving a bipartisan approach.

CONCLUSION

SSA's stewardship of the SSI program has been both compassionate in its concern for the well-being of the people the program serves as well as vigilant in its concern for its responsibilities to the general public whose taxes support the program.

SSA currently operates the SSI program at a 94.5 percent accuracy level. We are not satisfied with that. We want to improve on that percentage. To achieve that, we have taken a range of actions, the most important of which I have mentioned in my statement today. We will be performing more continuing disability reviews and more frequent general eligibility reviews of SSI recipients whose case characteristics indicate a high potential for error. And, in coordination with our Inspector General, we will continue to develop initiatives to quickly identify and react to circumstances where individuals are attempting to defraud the taxpayers.

In the area of debt collection, SSA's track record is also good. SSA recovers more than 80 percent of the debt it is owed when the individual remains on the SSI or OASDI rolls. Overall, in 1997, SSA collected \$1.7 billion in overpayment debt. Of that amount \$437 million was returned to the Treasury's general fund. With the help of the legislation in the President's budget, we will improve our collection efforts through recovery of SSI overpayments from OASDI benefits.

Our goal is to strengthen the integrity of the SSI program while maintaining the essential function it serves of providing basic income support for the aged, blind, and disabled. We believe we are on the right track.

Mr. Chairman and members of the Subcommittee, I wish to thank you for the opportunity to discuss this important subject with you today.

Chairman SHAW. Thank you, Mr. Dyer.

Mr. McCrery.

Mr. MCCRERY. Mr. Dyer, let's examine the issue of overpayments and debt collection for just a couple of minutes. We have received, of course, a report from GAO that indicates that we are not doing a very good job on collecting overpayments from beneficiaries, and I know that your agency has been working on that, and you have a proposal, I think, that you are about to make with regard to collection of overpayments. Is that right?

Mr. DYER. Yes, sir.

Mr. MCCREERY. And can you give us an estimate as to what percentage of overpayments will be collected in the future if you are able to implement your proposal as compared to—I think it is 15 percent now that is estimated to be collected?

Mr. DYER. First of all, you have got to look at the 15 percent a little bit carefully, because that is all of the debt. There is a lot of old debt that may eventually be hard to recover.

When you look at the actual percentage of what we recover from the prior year, it is 26 percent. If you look at new debt, what we detected, for instance, in fiscal year 1997, we actually collected 45 percent of that.

In the area, though, of additional legislation, right now if anybody is receiving title II funds from us, we cannot offset to recover any money they might owe us under title XVI. So we are proposing some legislation in that area so we can recover.

We have other initiatives where, through administrative means, as I mentioned before, we can try to get on it quicker and faster. The other area that we have found very effective is new from Congress—well, we have actually had it for quite a few years and just implemented it—the tax refund offsets. We have picked up an extra \$22 million this year. So we are pursuing the tools that exist in our arsenal and looking for additional authority.

Mr. MCCREERY. Good. Can you take me just briefly through the steps that SSA uses to determine if there is going to be a waiver granted for collection of an overpayment?

Mr. DYER. Yes, sir. Fundamentally, when it comes to our attention that there has been an overpayment, we notify the beneficiaries. We tell them how much we want to recover from them. If they decide that they want to ask us for a waiver, we sit down and review it, and we look at the waiver in terms of do we think it happened because of something beyond their control, that they were somewhat confused and didn't understand completely and are innocent. We will look at that when considering a waiver.

We also have some thresholds, for instance, we figure whether the amount that is being waived from recovery would cost us more administratively to collect than what we would recover. We look at those kinds of variables.

The other thing we work out on waivers sometimes is just what the repayment period is. As I mentioned before, the people in our program tend to be rather on the low-income side, and we have to devise workable repayment periods.

So those are the various approaches we take.

Mr. MCCREERY. What do you do if a person was on SSI, received overpayments and then gets off of SSI. For one reason or another you can't collect the debt from him, and then he gets back on SSI at a later date? What do you do then? Do you have any set procedure?

Mr. DYER. We will try to work out some kind of payment schedule with them so we can recover some of what they owe us. But, obviously, once they get back on SSI, they have few resources and generally lack the ability to pay us back, but we do try to recover.

Let me just try to put the waiver in context. When you look at all the debt we have, on average we waive about 4 percent.

Mr. MCCREERY. Four?

Mr. DYER. Four percent.

Chairman SHAW. Four percent of what?

Mr. MCCRERY. I remember a GAO figure of 42 percent, I thought, of requests for waivers were granted. Is that not—

Mr. DYER. But, again, when you actually look at the dollar amounts on an average year, for instance, in 1997, we waived \$81 million, which was 4.1 percent of the outstanding debt of about \$2 billion.

I think when you look at the GAO numbers, they are starting to look at what is included in what you can't collect, where we don't collect, and that, of course, looks much higher.

Mr. MCCRERY. What percent, though, of requests for waivers are granted?

Mr. DYER. I will have to get that for the record. I don't have that.

Mr. MCCRERY. Because, obviously, a lot of those folks who owe overpayments are—

Mr. DYER. Sure, but a lot of them, sir, are rather small amounts, too.

Mr. MCCRERY. Let a sleeping dog lie. They are not going to contact you. But you don't have a figure for me as to what percent of requests—

Mr. DYER. I would have to get that. Unfortunately, that is one number I forgot to memorize.

Mr. MCCRERY. That is OK.

[The following was subsequently received:]

Data on the number of requests for waiver of recovery of overpayments are not captured or maintained on the Supplemental Security Record (SSR). For this reason, I am unable to provide you with a quantitative answer. However, as I pointed out in my statement the number of overpayment dollars waived is very small. Our experience is that there are many more inquiries about the possibility of waiver than there are actual formal requests. This is so because many individuals screen themselves out after receiving an explanation of the requirements that must be met.

Mr. MCCRERY. Well, certainly we are concerned, or at least I am concerned about the volume of overpayments and failure to collect on those. Even though you evidently did a better job in 1997, again, we are told by GAO that there was \$1 billion that was not collected, and that is a substantial sum. So I am pleased that you are aware of our concern over this and that you are about to implement some procedures that we hope will get better results in the collection of debt from SSA.

Mr. DYER. We would like to do that.

Mr. MCCRERY. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Let me ask you, carry on with the questions along the lines of Mr. McCrery. I am not going to ask you about some of the substantive—they are not even suggestions, but ideas, and you referred to one of them, the two marked standard provision or about, for example, the family cap. These are very, very different kinds of issues than the issue of mistakes, of miscalculations, and of fraud and abuse. I don't think there has been a foundation for these suggestions, and I would oppose action on them. And I think raising

them really may divert us from attention where we could find some common ground and where there has been a foundation laid for action.

So let me focus on the whole issue of miscalculations, overpayments, and fraud and abuse. Mr. Dyer, I am sorry I don't know this. How long have you been with the agency?

Mr. DYER. Since 1988.

Mr. LEVIN. So are you a civil—

Mr. DYER. I am a career—

Mr. LEVIN. You are a careerist.

Mr. DYER. Yes.

Mr. LEVIN. And, Dr. Daniels?

Ms. DANIELS. Four years.

Mr. LEVIN. And you—

Ms. DANIELS. I am an appointee.

Mr. LEVIN. Appointee. So you, Mr. Dyer, are a careerist. You have been in since 1988.

Mr. DYER. Yes, sir.

Mr. LEVIN. So let me ask you about some of the statements in the GAO testimony, because I am a bit concerned, and I would appreciate your reaction. You have been here through several administrations and for some—for 10 years.

They make this statement, now we are talking about fraud and abuse: "Since becoming an independent agency in 1995, SSA has begun to take more decisive action to address SSI Program fraud and abuse." And then they go on to say: "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." And then it goes on to say: "However, many years of inadequate attention to program integrity issues have fostered a strong skepticism among both headquarters and field staff that fraud detection and prevention is an agency priority."

Now, give us your frank reaction to that.

Mr. DYER. I think program integrity and fraud detection has always been important to the agency. I think that what the General Accounting Office was alluding to is that if you go back to the early nineties, we saw a very large increase in applicants, people applying for the disability programs, while we had a very large, fast increase in the workload, and the attention was just to maintain—what we did is we maintained all of the program integrity and antifraud efforts we had going on, but our attention was addressed to processing the claims. We had millions of people coming to our door saying we need your help. I think during those years the agency did not focus totally on program integrity.

In the last year or two, as we have gotten the processing a bit more under control, we have turned our attention very vigorously toward it. When we became an independent agency, we moved immediately to increase the Inspector General resources. We doubled their investigators as fast as we could because we knew we needed to have more out there.

In terms of prisoners, we realized that we were not doing as good a job as we should on the legislation we had, and over the last 2 years, we have systematically gone about making sure that we are getting data from all 3,500 prisons out there. All the Federal,

State, and major county prisons are reporting to us. We have pressed hard.

In the area of continuing disability reviews, there was difficulty at times getting funds; we had to make tough tradeoffs. Over the last few years, we were able to work, with the help of this Committee and the Congress and others, to find a way to score the funds for that, outside the caps. So as you heard before, we have gone from 600,000 to 1.2 million to 1.7 million in fiscal year 1997.

So I think this is an agency that has always cared that we had good stewardship from our employees, but I think that when you look at the pressures we were under in the early nineties, we were not able to put as much additional effort into it as we would have liked.

Mr. LEVIN. So your contention is that fraud detection and prevention is now an agency priority?

Mr. DYER. Yes, sir.

Mr. LEVIN. And the \$50 million additional, just as I finish my time, tell me a bit about that.

Mr. DYER. That is so we can do a couple hundred thousand extra redeterminations. This is not where we look at the medical situation of people on SSI. We actually go out and see if their earnings or their income levels still make them eligible for SSI. And we feel by increasing it, that will save about \$200 to \$250 million in SSI Program dollars over the next few years, and we think it is a good investment.

Mr. LEVIN. And this would increase the number of redeterminations to what?

Mr. DYER. I think we go from about 1.4 million to 1.6 million. It is a sizable increase.

Mr. LEVIN. Thank you.

Chairman SHAW. Could I ask, what pressures were you under in the early nineties?

Mr. DYER. We had a lot of people filing claims. We went from about, I think, 1.5 million people filing claims to about 2.5 million filing disability claims.

Chairman SHAW. What caused that?

Mr. DYER. Excuse me, sir?

Chairman SHAW. What caused that? Was there a change in the law then or something?

Mr. DYER. Well, I think the—well, we tried to do studies and evaluations to understand what happened. We have never been able to get a clear picture. We think it was caused in part because of the downturn of the economy. We think the other piece of it was a lot of States, when they were trying to reduce their outgo, their program costs for assistance-type programs, they began to try to direct people to our program. There are various reasons. I think the program became more familiar to people. They began to realize it was there.

We saw an upturn, and we were having up to 6, 7, 8, 10 months' backlog trying to process those cases. So any free dollar we had, we invested in that.

Chairman SHAW. OK.

Mr. Hayworth.

Mr. HAYWORTH. Thank you, Mr. Chairman, and let me for the record state I truly appreciate your efforts, sir, to bring the fraud and abuse in SSI to light in today's Subcommittee hearing. As a member of the House Results Caucus, I have been working with GAO and SSA over the past couple of years to identify flaws in the SSI system that allow fraud and abuse, sadly, to continue.

The goal of the Results Caucus is to assist Federal agencies in plugging the holes that allow fraud and abuse and to assist Federal agencies in working their way off of the GAO high risk list. I am very pleased that representatives from SSA and GAO are here today and express their willingness to work with our Subcommittee to combat the weaknesses that have been plaguing the SSI Program. And I am certain we can work together to eliminate SSI from the high risk list.

Mr. Dyer, in that spirit, I thank you for coming in to testify today. One of the troubling "could have's," "should have's," as we take a look at the litany in the review of the challenges facing SSI deals with using tax refund offsets to collect SSI overpayments. Now, they have been relatively good so far. Indeed, one could point to that as a positive, although certainly much more can be done.

One of the ironies, if I am not mistaken, is it took until January 1998 for SSI to begin using these offsets to collect overpayments. And I guess the big question is: Why? Why did it take until January 1998, when statutory authority existed since 1984?

Mr. DYER. I would be glad to answer that one because, since I was the Chief Financial Officer, I was always pressing to go after tax refund offsets.

I think, first of all, the agency felt that it could get a higher return from title II, and so we did concentrate on that.

Second, within the agency there was division as to whether we would really get that much from SSI. There was a real doubt that people poor enough to qualify for SSI would have a tax refund. Plus, there was a period where the economy wasn't doing so well; there was a very high unemployment rate, so there was a lot of skepticism of doing the tax refund offset.

In the last 2 years, we decided to move forward. We thought it would have a payoff, and it has proven to have a good payoff.

Mr. HAYWORTH. Well, take me back again, because you are telling us that there was a difference of opinion, to say the least, that you would push for this and that, in essence, you were overruled.

Mr. DYER. Well, I don't think I was overruled. I just think that when the policy officials looked at the tradeoffs and where to put their energy, they just didn't think there was that high a return here and decided to pursue other things.

Sir, you need to know that over the last few years we have, for instance, put a lot of systems investments in improving debt collection so we could report it accurately and know what was going on. So, you know, we are constantly making those series of tradeoffs, and when you are looking at that tax refund offset, if I remember the estimates at that time, it might have been, some people thought, as low as \$1, \$2 million to \$5 million. That is sort of low.

I think that, again, as I come back, in the last few years with the economy rebounding, and our having gotten some other priority

systems investments, this was something we wanted to move forward with and did, and it is paying off.

Mr. HAYWORTH. You say those initial estimates were as low as \$1 to \$2 million?

Mr. DYER. That is my memory, sir. I will have to go back and check, but they were rather low.

Mr. HAYWORTH. If you could supply that from the archives, that is a—I know that forecasts are forecasts, whether for meteorology or money, but that is a glaring discrepancy.

Mr. DYER. Well, but I come back to, you know, people said these are poor folks, the unemployment rate I think was pretty high; you know, the odds of them getting any tax return at all were very low. Many of them probably were not even in the economy and didn't even pay taxes. So the thought was, you know, it was low. But I will go back and provide that for the record.

Mr. HAYWORTH. I would very much like to see that.

[The following was subsequently received:]

The total of recovered dollars was estimated to be about \$6.3 million.

Mr. HAYWORTH. I appreciate the fact that people can attack these problems from different perspectives, but let me continue for just 1 second on tax refund offsets.

Accepting for the moment your evaluation that times are good and that more people are paying taxes, that we think policies here on Capitol Hill have helped Main Street and Wall Street and everybody in between, and we are glad to see a stronger economy, let's continue the pursuit of this notion of tax refund offsets.

Do you believe this mechanism, sir, can be used to collect past overpayments, for example, the \$1.8 billion in overpayments SSA has written off since back in 1989?

Mr. DYER. I don't think so because, again, the only thing that we can recover through tax refund offset is when people get tax refunds. I will be very honest with you, when I saw the \$20 million in collections, even I was surprised. It was much higher than I expected. Because, again, this population is usually pretty poor to begin with, poor education, disabled, and when you look at the data of how many return to the work force and other kinds of things, let alone the kinds of jobs they go into, it is doubtful that you could recover the kind of debt we are looking at through a tax refund offset.

Mr. HAYWORTH. And I will close out with this: I am troubled a bit by the assertion because it would seem to suggest that these folks are hopelessly mired at the lower end of the socioeconomic scale and there is no chance for them to improve their lot in life. You are not suggesting that, are you?

Mr. DYER. No, not at all.

Mr. HAYWORTH. Well, I hope not, because the one thing we have to avoid, these programs, it seems to me, sir, exist to help people get out of their situation, not to be locked and trapped into this, and so let's all make sure that as we work together, we don't end up in this type of resignation of, well, there is not much these folks

can do and nothing much is going to improve their lot in life. And I know you weren't trying to leave that impression, but——

Mr. DYER. No, and as I say, again, I am thrilled that we are seeing \$20 million, and I would like to see more.

Mr. HAYWORTH. Great. Thank you, sir.

Chairman SHAW. OK. The time of the gentleman has expired.

Mr. Collins.

Mr. COLLINS. I don't have any questions.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Thank you. I apologize for coming in a little late. I have glanced through your testimony, and I appreciate you being here today to shed some light on this, because I think we all have a real concern about the lack of program integrity that we have been reading about and seeing in the press, and obviously that you confirm.

I am a little concerned that there isn't more certainty with what caused some of these problems in the early nineties. You cited a number of factors, but it would seem to me that this would have set off alarm bells within the agency and they would have looked at what these concerns are and come up with specific reasons. And if the oversight on this had been—internal oversight on this had been effective, that there would have been, I guess, a more rigorous review and a more certain result. And I did look at your report. I didn't have a chance to thoroughly read it, but I know there is quite a bit in there about trying to continue to protect taxpayer funds. And I just want a sense that with all the good these programs do, it really does call into question their integrity when reports are confirmed that there have been a number of problems. A number of problems.

So I guess I would like to continue to see a real commitment to that, and I know that you have testified to that. And I look forward to working with you as we continue to resolve those problems.

Thank you.

Chairman SHAW. Mr. Dyer, you mentioned in your statement that you had reviewed some of the proposals that our staff has made. I assume you are talking about the draft proposal dated April 21, which is the same statement that is in front of all the Members, and that you are preparing your own proposal. When might we be able to see a copy of that?

Mr. DYER. I would hope in the next week or so, because I know the Committee is planning to mark up about the 29th.

[The information is being retained in the Committee files.]

Chairman SHAW. If we could have that not the next week or so, but as quickly as possible, it would be very helpful. And I also would appreciate if you would submit to us a critique of the proposal that we have received from our own staff here and your comments—you don't have to go to great elaboration. You could say you agree with a bunch of these, and then you can say that there are a few that you would disagree with, and then enumerate them and give reasons.

Mr. DYER. We would be glad to do that.

[The information was not available at the time of printing.]

Chairman SHAW. That would be helpful, because there is no reason why we can't work together in trying to solve this problem, be-

cause I think you admit it is a problem and we certainly recognize it is a problem. I don't know of anybody that says that the loss of this kind of money is not a problem. If we can work with you and the administration in trying to plug these holes, it would certainly be helpful.

I just have one question with regard to one of the proposals that caught my eye that our staff prepared; that is, the doctors and attorneys who commit fraud in helping individuals qualify for benefits are barred from future SSI/DI activity. Is that a huge problem?

Mr. DYER. It is a problem, but we don't see it at this time as a huge problem. When a doctor has committed fraud and the State agency knows about that, we don't accept any medical input from those doctors. And we put out procedures to the State agencies telling them that. So, you know, we know there are doctors out there defrauding us, and that has been our bigger worry. In other words, the ones that we know about I think we have handled and we have procedures. There still are doctors out there who are defrauding us, and we have been working with the State agencies to start to create special units in the State agencies where we can see what kind of medical information is coming in where we might find cases of fraud. We have been doing this with our Inspector General and others.

So it is more finding the ones out there we don't know about that has been our bigger headache.

Chairman SHAW. Well, it would appear to me that the doctors that are fraudulently setting up these claims would also have a liability themselves for the amount that we lose because of their fraud. If that is not the case, we ought to look to a statute that would provide that we could go after these doctors. I will recognize that you can't get blood out of a turnip, and some of your clients who have been overpaid, there is no way in the world you are ever going to be able to get the money back without spending five and six times more than you would ever get back. And I understand that. But if you find that there are some attorneys and doctors who are setting up really fraudulent programs in which they are doing many of these and collecting fees for doing this, I certainly think that if there is not an action that presently exists that would go after them for the money that we lose because of their fraud, we should consider that in the form of—

Mr. DYER. I think that is something we should consider.

Chairman SHAW [continuing]. In the form of—well, yes, it is.

Mr. DYER. I would like to put them in jail if we can't recover anything from them.

Chairman SHAW. It is a crime, but we ought to be able to recover the moneys that we pay out, also. And I think this is something that we should also—

Mr. DYER. We need to look at it. I am not sure what they do. We can take a look at that.

Chairman SHAW. Well, I thank you for your testimony. We had originally included you with the next panel. If your time allows, I would appreciate your staying around, not only to hear what they have to say but also to be available in case there are additional questions.

Mr. DYER. I would be glad to, Mr. Chairman.

Chairman SHAW. We appreciate it. Thank you for your testimony.

Mr. DYER. Thank you very much.

Chairman SHAW. The next panel is made up of Cynthia Fagnoni, who is the Director of Income Security Issues, U.S. General Accounting Office, and correct me if I mispronounced your name; Hon. David C. Williams, Inspector General, the Social Security Administration; and Lynn Thompson, whom I mentioned in my opening statement, from the city of Fort Lauderdale, former Social Security claims representative.

We welcome all three of you, and we have your full testimony, which will be made a part of the record, and we would invite you to summarize as you see fit.

Ms. Fagnoni, did I—

Ms. FAGNONI. It is Fagnoni.

Chairman SHAW. That is a tough one. Fagnoni. Thank you.

STATEMENT OF CYNTHIA FAGNONI, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. FAGNONI. Thank you. Good afternoon, Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to discuss needed changes in the Social Security Administration's Supplemental Security Income Program. SSI is the Nation's largest cash assistance program for the poor. In 1996, the program paid about 6.5 million low-income aged, blind, and disabled recipients \$25 billion.

The SSI Program's vulnerability to fraud and abuse and the magnitude of overpayments, which reached \$2.6 billion in 1997, were primary factors in our decision to designate SSI a high risk area in 1997. Today I will focus on three problem areas that we believe have affected SSA's ability to control program expenditures and provide effective management direction. These are: The priority SSA places on verifying recipients' initial and continuing eligibility for benefits; deterring and collecting SSI overpayments; and addressing SSI Program fraud and abuse.

My observations are based on indepth interviews with SSA personnel at all levels of the agency, an extensive review of SSI Program studies, and examination of program performance data.

Regarding the first issue, determining SSI eligibility, SSI relies heavily on applicants to report information relevant to their financial status and disabling condition. This approach is an outgrowth of an agency culture that has tended to view the SSI Program in much the same way as SSA's title II programs, with their emphasis on making payments to an entitled population rather than as a welfare program that requires stronger income and asset verification procedures and policies. Although SSA has procedures in place to verify eligibility information, these procedures are often untimely, incomplete, and subservient to the primary agency goal of processing and paying claims, and our prior work suggests that recipients do not always report required information when they should and may not report it at all.

To help verify that recipient financial information is correct, SSA generally relies on computer matching with other Federal and

State agencies. In many instances, these matches allow SSA to detect information recipients fail to report. However, we recently reported that 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 concluded that newly available Office of Child Support Enforcement databases maintained by SSA could prevent or more quickly detect about \$380 million in annual SSI overpayments caused by unreported recipient income. However, to date, SSA has put only minimal effort into incorporating these data into its financial verification processes.

The second area where SSA has not focused adequate attention is on recovering overpayments. Statistics show that, on average, SSA collects only about 15 percent of all outstanding overpayments. Thus, over time, SSA's collection actions have been outpaced by outstanding SSI debt which is becoming an increasingly large portion of all debt owed to the agency. One reason SSI overpayment recoveries remain low is SSA's failure to implement debt collection tools it has had the authority to use for many years. As we have noted earlier, SSA has only recently begun to use the tax refund offset while it has had authority to do so since 1984.

Another reason SSI overpayment debt has increased is that SSA does not have the authority to use more aggressive debt collection tools such as using private collection agencies and charging interest on outstanding SSI debt. SSA management has acknowledged that such tools are valuable in collecting program overpayments. However, SSA has not yet advocated or sponsored any such legislative proposals for change.

A third area of concern is the SSI Program's vulnerability to fraud and abuse. Since becoming an independent agency in 1995, SSA has begun to take more decisive action to address this problem. For example, the number of IG investigators has nearly tripled, and in 1997, combating program fraud and abuse became a key agency goal. Last year, SSA also established special committees to better identify, track, and investigate patterns of fraudulent activity. However, 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.

To a great extent, SSI Program problems are attributable to an ingrained organizational culture that has historically placed a greater value on quickly processing and paying SSI claims than on controlling program expenditures. More recently, SSA has acknowledged the need to strike a better balance between serving the public and protecting the financial integrity of its programs. As we have noted throughout our written testimony, SSA is also taking steps to address some of the weaknesses in the SSI Program.

SSA has made a commitment to complete a comprehensive action plan to improve the management of the SSI Program this year. To be effective, this plan should include a carefully designed set of initiatives aimed at addressing the longstanding problems affecting SSI Program performance as well as specific measures to evaluate progress and hold the agency accountable.

If successful, SSA's action should serve to reduce SSI overpayments, facilitate an underlying change in the agency's organiza-

tional culture, and ultimately improve the financial health and public image of the SSI Program. If decisive action is not taken, however, the SSI Program will remain open to those who believe they can manipulate the program without penalty.

Mr. Chairman, this completes my testimony this afternoon. I would be happy to answer any questions you or Members of the Subcommittee may have.

[The prepared statement follows:]

Statement of Cynthia Fagnoni, Director, Income Security Issues, Health, Education, and Human Services Division, U.S. General Accounting Office

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss needed changes in the Social Security Administration's (SSA) Supplemental Security Income (SSI) program. SSI is the nation's largest cash assistance program for the poor. In 1996, the program paid about 6.5 million low-income, aged, blind, and disabled recipients \$25 billion. Since its inception, the SSI program has grown in both size and complexity, and SSA has been significantly challenged in its efforts to serve the diverse needs of recipients while still protecting the financial integrity of the program. A major reason for the growth and changes in the SSI rolls has been an increasing number of younger recipients with mental impairments and limited work histories. Rapid increases in the number and diversity of SSI recipients; media reports highlighting instances of program abuse; and our prior work documenting internal control weaknesses, complex program policies, and insufficient management attention have spurred congressional criticism of SSA's ability to effectively manage SSI workloads. Those factors have also reinforced public perceptions that SSA pays too many people for too long.

In 1997, SSI program overpayments reached \$2.6 billion, including more than \$1 billion in newly detected overpayments for the year. Of that amount, SSA recovered only \$437 million. The SSI program's vulnerability to fraud and abuse and the magnitude of overpayments involved were primary factors in our decision to designate SSI a high-risk area in 1997 and to begin a broad-based review of the program to determine how SSA's management has influenced performance. Today I will focus on three problem areas that we believe have affected SSA's ability to control program expenditures and provide effective management direction. These include the priority SSA places on verifying recipients' initial and continuing eligibility for benefits, deterring and collecting SSI overpayments, and addressing SSI program fraud and abuse—areas that we believe currently pose the greatest near-term risk to the financial health of the SSI program but also offer significant opportunities for improvement. In the next several months, we plan to issue a comprehensive report on our findings that will elaborate on the problem areas discussed today and will include a full discussion of additional long-standing problems identified during our review. Our review was conducted at SSA headquarters and four regions, which account for more than 50 percent of the SSI population. It included more than 100 in-depth interviews with SSA personnel at all levels of the agency; an extensive review of more than 100 internal and external studies of the SSI program dating back to its inception; and an examination of program performance data related to SSI beneficiary groups, overpayments, payment accuracy rates, and so forth.

In summary, the SSI program is at considerable risk of waste, fraud, and mismanagement because of an agency culture that has tended to view the SSI program in much the same way as SSA's title II programs—which place emphasis on making payments to an “entitled” population—rather than as a welfare program that requires stronger income and asset verification policies. Because of this culture, SSA has often relied heavily on applicants to self-report important eligibility information, which it has tried to validate with untimely and incomplete verification processes. SSA also continues to lack essential collection tools to pursue SSI overpayments once they are identified and has not made fraud detection and prevention an agencywide workload priority. Thus, annual SSI overpayments have increased steadily, program abuses continue to occur, and the gap between overpayments recovered by SSA each year and what is owed the program continues to grow. As outstanding SSI overpayment debt has mounted, annual SSI write-offs have increased. Since 1989, SSA has written off more than \$1.8 billion in SSI overpayments. These write-offs represent overpaid taxpayer dollars that SSA will probably not recover.

More recently, SSA management has focused increasing attention on addressing some of its long-standing SSI program problems and intends to develop an SSI Action Plan in accordance with the Government Performance and Results Act of 1993, which provides agencies with a new uniform framework with which to develop their

plans and monitor progress. However, many of SSA's initiatives are still in the planning or early implementation stages, and SSA still lacks a comprehensive long-term strategy for improving SSI program performance. Thus, our concerns about underlying SSI program vulnerabilities remain.

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 is about 5.1 million. Those who are applying for benefits on the basis of age must be 65 years or older 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, individuals may not have income greater than the current maximum monthly SSI benefit level of \$494 (\$741 for a couple) or have resources that exceed \$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 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.

INATTENTION TO VERIFYING RECIPIENTS' INITIAL AND CONTINUING ELIGIBILITY HAS HAD NEGATIVE EFFECTS

When determining SSI eligibility, SSA relies heavily on applicants' reporting information relevant to their financial status and disabling condition. Although SSA has procedures in place to verify this information, they are often untimely, incomplete, and subservient to the primary agency goal of processing and paying claims. Our prior work suggests that recipients do not always report required information when they should and may not report it at all. In 1996, we reported that about 3,000 current and former prisoners in 13 county and local jails had been erroneously paid \$5 million in SSI benefits, mainly because 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.¹ In a report issued last year on SSI recipients admitted to nursing homes, we found that despite legislation requiring recipients and facilities to report such admissions, thousands of nursing home residents continued to receive full SSI benefits.² These erroneous payments occurred because recipients and nursing homes did not report admissions and SSA lacked timely and complete automated admissions data. SSA has estimated that overpayments to recipients in nursing homes may exceed \$100 million annually.

To help verify that recipient financial information is correct, SSA generally relies on computer matching with other federal and state agencies. In many instances, these matches allow SSA to detect information recipients fail to report. However, SSA's data matches are not always the most effective means of verifying recipient financial status, because the information is often quite old and sometimes incomplete. In 1996, we estimated that direct on-line connections (as opposed to computer matching) between SSA's computers and databases maintained by state agencies—welfare benefits, unemployment insurance, and workers' compensation benefits—

¹ Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners (GAO/HEHS-96-152, Aug. 30, 1996).

² Supplemental Security Income: Timely Data Could Prevent Millions in Overpayments to Nursing Home Residents (GAO/HEHS-97-62, June 3, 1997).

could have prevented or quickly detected \$34 million in SSI overpayments in one 12-month period.³ In 1998, we reported that 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 concluded 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.⁴ These databases include more timely state-reported information on newly hired employees, as well as the quarterly earnings reported for these individuals. However, to date, SSA has put only minimal effort into incorporating these data into its financial verification processes. In the same report, we also concluded that opportunities existed for SSA to prevent almost \$270 million in overpayments by obtaining more timely financial account information on SSI beneficiaries. This could be accomplished if SSA moves to obtain access to 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 most recent field work confirmed that recipient self-reporting and SSA's ineffectiveness at verifying this information remain a major SSI program weakness. Staff and managers were particularly concerned that recipients were not reporting changes in their living arrangements that could result in lower SSI payments. When determining SSI eligibility, SSA's claims processors are required to apply a complex set of policies designed to document individuals' living arrangements and any additional support they may be receiving from others. For many years, SSA's quality reviewers have deemed this process to be highly prone to error, susceptible to manipulation, and a major source of SSI overpayments. In one field office we visited, staff identified a pattern of activity involving recipients who, shortly after becoming eligible for benefits, claim that they have separated from their spouse and are living in separate residences. Staff suspected that these reported living arrangement changes occurred as married recipients became aware that separate living arrangements would substantially increase their monthly benefits. Staff also suspected that several local attorneys were preparing "boiler plate" separation agreements for these individuals to help them qualify for higher benefits. However, because of a lack of field representatives to investigate these claims, only rarely were these cases closely reviewed or challenged.

During our review, we identified several internal and external studies of SSI living arrangement issues conducted over many years. Some of these studies recommended ways to simplify the process by eliminating many complex calculations and thereby making it less susceptible to manipulation by recipients. Others contained recommendations for making the SSI program less costly to taxpayers by requiring that benefit calculations be subject to maximum family caps or economies of scale or both when two or more recipients reside in the same household. In 1989, SSA's Office of the Inspector General (OIG) reported that a lied an economies-of-scale rationale to all SSI recipients living with another person would result in fewer decisional errors and reduce annual overpayments by almost \$80 million.⁵ However, the OIG concluded that such a change would require legislative action. Despite these studies, and the potential program savings associated with addressing this issue, we could find no evidence that SSA has ever acted on the recommendations or submitted proposals for changing laws governing current living arrangement policies.

More recently, SSA has begun to take some actions to improve the verification aspects of the SSI program. For example, SSA has begun a program to identify SSI recipients in jail who should no longer receive benefits and is expanding its use of on-line state data to obtain more real-time applicant and recipient information. However, progress has been slow and SSA still does not adequately use on-line access as an overpayment detection and prevention tool. SSA has opted instead to use the on-line connections it does have primarily as a tool for helping staff with claims processing. In regard to SSI recipients residing in nursing homes, SSA plans to use a newly developed Health Care Financing Administration system to more effectively capture admissions to these and other facilities. However, automated nursing home data already available in all state Medicaid agencies could be used now by SSA to

³ Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data (GAO/HEHS-96-163, Aug. 29, 1996).

⁴ Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy (GAO/HEHS-98-75, Mar. 27, 1998).

⁵ U.S. Department of Health and Human Services, Office of the Inspector General, *SSA Should Consider Restructuring Federal SSI Benefits Based on Living Arrangements*, A-10-89-00008 (Washington, D.C.: June 9, 1989).

identify SSI recipients living in nursing homes within 1 to 3 months of admission. SSA's failure to use this information while waiting for the implementation of an alternative system has left the SSI program open to continued abuse and millions of dollars in potential overpayments. Finally, SSA told us that it is continuing to study SSI living arrangement policies and may ultimately consider proposing legislative changes to reduce the complexity of the process and prevent overpayment of program dollars to recipients. Nevertheless, more than two decades after implementation of the SSI program, this issue still has not been addressed effectively.

SSA OVERPAYMENT COLLECTIONS HAVE RECEIVED INADEQUATE AGENCY ATTENTION

In addition to problems associated with SSA's verification of important SSI eligibility information, SSA has not placed adequate priority on recovering overpayments, which reached \$2.6 billion by 1997. Statistics show that, on average, SSA collects only about 15 percent of all outstanding overpayments. Thus, over time, SSA's collection actions have been outpaced by outstanding SSI debt which is becoming an increasingly larger portion of all debt owed to the agency. Between 1989 and 1997, SSI debt carried on SSA's books more than doubled to about \$2.6 billion. Although annual overpayment recoveries also increased during this period, the gap between what is owed SSA and what is actually collected each year has continued to widen.

One reason SSI overpayment recoveries remain low is SSA's failure to implement debt-collection tools it has had the authority to use for many years. For example, SSA only recently announced that it will begin using tax refund offsets (TRO) to recover delinquent SSI debt from former recipients, despite having the authority to do so since 1984. The agency estimates that this initiative will result in \$6 million in additional overpayment recoveries in 1998 alone. While the dollar amounts associated with TRO are not that large compared with total program outlays, this initiative represents one of the few tools available to SSA for recovering overpayments from those who have left the program. Sustained use of TRO may also serve a larger purpose of deterring recipients from misreporting important eligibility information to SSA in the future. Waiting many years to move forward with this important overpayment recovery tool has likely cost the SSI program millions of dollars in SSI collections.

Another reason SSI overpayment debt has increased is that SSA does not have and has not adequately pursued the authority to use more aggressive debt collection tools, including 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 SSI debt. In 1995, we reported that welfare programs that used a broad range of collection tools, such as those listed above, experienced better rates of overpayment recovery than programs that did not.⁶ Although the agency lacks statutory authority to use these tools to pursue SSI overpayments, in a recent testimony, SSA management acknowledged that such tools are valuable in collecting program overpayments. However, SSA has not yet advocated or sponsored any such legislative proposals for change.

To recover overpayments from current beneficiaries, SSA relies primarily on offsetting recipients' monthly SSI benefits. However, the agency is prohibited under the Deficit Reduction Act of 1984 from offsetting more than 10 percent of an overpaid recipient's total monthly income, even if that person willfully or chronically fails to report essential information. In discussing the barriers to increased overpayment collections, headquarters officials noted that the 10-percent withholding ceiling has affected SSI collection efforts. However, we reported in 1996 that SSA generally agrees to accept lower amounts than the 10-percent ceiling if a recipient requests it rather than base such a decision on the individual's financial situation.⁷ In a review of cases involving adjusted withholding agreements, we estimated that 42 percent of recipients were repaying less than the 10 percent limit each month. The difference in potential additional collections between those repaying at the full 10-percent level and those paying less was nearly \$1 billion in one 12-month period. Although raising the current maximum withholding limit will likely increase SSI collections capacity, our findings suggest that the potential exists to recover more SSI overpayments even within the current 10-percent limit. This will require SSA to make more effective determinations as to who can afford to repay at a higher level and who cannot.

⁶ *Welfare Benefits: Potential to Recover Hundreds of Millions More in Overpayments* (GAO/HEHS-95-111, June 20, 1995).

⁷ *SSA Overpayment Recovery* (GAO/HEHS-96-104R, Apr. 30, 1996).

Finally, SSA is not adequately using overpayment penalties as a means of ensuring that recipients comply with reporting policies. Overpayment penalties range from \$25 to \$100. However, SSA's own reviews have found that overpayment penalties are rarely used by staff, even for individuals who have a history of failure to make timely reports of earnings or living arrangement changes. Our analysis of data from all 10 of SSA's regions also confirmed that SSI overpayment penalties are rarely applied. In one 12-month period, SSA detected about 2.3 million overpayment instances totalling \$1.2 billion in erroneous payments. However, less than \$80,000 in penalties were actually assessed and only \$8,000 was collected. These infrequent penalty assessments provide little incentive for recipients to change their reporting habits.

SSI PROGRAM REMAINS VULNERABLE TO FRAUD AND ABUSE

In prior work, we identified several SSI program areas subject to fraud and abuse. For example, in 1995 we reported that "middlemen" were facilitating fraudulent SSI claims by providing translation services to non-English-speaking individuals applying for SSI.⁸ These individuals often coached claimants on appearing to be mentally disabled, used dishonest health care providers to submit false medical evidence to SSA, and provided false information on claimants' medical and family history. The following year, we reported that between 1990 and 1994, approximately 3,500 recipients admitted transferring ownership of resources such as cars, cash, houses, land, and other items valued at an estimated \$74 million to qualify for SSI benefits.⁹ This figure represents only resource transfers recipients actually reported to SSA. Although these 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. We estimated that for the cases above, eliminating asset transfers would have saved \$14.6 million in program expenditures. The Congressional Budget Office (CBO) has estimated that more than \$20 million in additional savings could be realized through 2002 by implementing an asset transfer restriction.

Although SSI represents less than 8 percent of SSA's total expenditures, the number of fraud referrals received by OIG is significant. For example, between November 1996 and July 1997, SSA's fraud Hot-Line received 12,680 allegations of fraud. When compared with SSA's other programs, SSI fraud referrals represented about 37 percent of all allegations. Since becoming an independent agency in 1995, SSA has begun to take more decisive action to address SSI program fraud and abuse. For example, the number of OIG investigators has nearly tripled from 76 to 227 headquarters and field agents, and in 1997, combatting program fraud and abuse became a key agency goal. Last year, SSA also established National and Regional Anti-Fraud Committees to better identify, track, and investigate patterns of fraudulent activity. In addition, several OIG "pilot" investigations are under way that are aimed at detecting fraud and abuse earlier in the SSI application process. According to SSA, this new emphasis on early prevention represents a major shift away from how it has traditionally dealt with SSI fraud and abuse. Finally, SSA recently established procedures to levy civil and monetary penalties against recipients and others who make false statements to obtain SSI benefits.

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, many years of inadequate attention to program integrity issues have fostered a strong skepticism among both headquarters and field staff that fraud detection and prevention is an agency priority. In fact, SSA's own studies show that many staff believe OIG does not adequately review fraud referrals or provide feedback on the status of investigations. Others noted that constant agency pressure to process more claims impeded the thorough verification of recipient-reported information and the development of fraud referrals. Staff were also concerned that SSA has not developed office work credit measures, rewards, and other incentives to encourage them 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 time they spend on developing fraud cases. As a result, many staff may be unwilling to devote the necessary time.

⁸Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used (GAO/HEHS-95-116, Aug. 31, 1995).

⁹Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits (GAO/HEHS-96-79, Apr. 30, 1996).

It thus appears that SSA's new anti-fraud activities and its current work credit system may be working against each other.

CONCLUSIONS

As overpayment debt has grown, the amounts deemed "uncollectible" and written off each year by SSA have also increased. Since 1989, SSI write-offs have totalled \$1.8 billion, including \$562 million in 1997 alone. When these write-offs are combined with the SSI debt currently owed the agency, the actual amount of SSI overpayments exceeds \$4.4 billion. This is a significant amount of taxpayer money that will likely never be recovered. In light of the magnitude of SSI overpayments and outstanding debt, it is important that actions be taken to address the long-standing problems we have discussed today.

To a great extent, SSI program problems are attributable to an ingrained organizational culture that has historically placed a greater value on quickly processing and paying SSI claims than on controlling program expenditures. More recently, SSA has acknowledged the need to strike a better balance between serving the public and protecting the financial integrity of its programs. As noted throughout this testimony, SSA is also taking steps to address some of the weaknesses in the SSI program. However, reversing how the SSI program has traditionally operated will depend heavily on SSA's willingness to move beyond recognizing that a rebalancing of program priorities is long overdue. SSA management must enhance and demonstrate its commitment to controlling program payments by seeking out the most timely and complete automated sources for verifying recipient eligibility information. SSA should also aggressively pursue SSI overpayments once they occur by using the collection tools currently available to it and working with the Congress to obtain legislative authority for those it does not have. SSA should also sustain and expand fraud-prevention initiatives that have been shown to be effective. Finally, SSA needs to use its office work credit and measurement system to hold staff and managers accountable for protecting program funds and should find better ways to reward those who do so.

In its new annual performance plan, SSA has made a commitment to complete a comprehensive action plan to improve the management of the SSI program in fiscal year 1998. This step links to SSA's strategic goal of making its "programs the best in the business with zero tolerance for fraud and abuse." However, such a plan has not yet been completed, and it is still unclear whether SSA will adequately focus on its most significant SSI program challenges. To be effective, the plan should include a carefully designed set of initiatives aimed at addressing the long-standing problems affecting SSI program performance as well as specific measures to evaluate progress and hold the agency accountable. If successful, SSA's actions should serve to reduce SSI overpayments, facilitate an underlying change in the agency's organizational culture, and ultimately improve the financial health and public image of the SSI program. If decisive action is not taken, however, the SSI program will remain open to those who believe they can manipulate the program without penalty.

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

RELATED GAO PRODUCTS

SSA's Management Challenges: Strong Leadership Needed to Turn Plans Into Timely, Meaningful Action (GAO/T-HEHS-98-113, Mar. 12, 1998).

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

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

High-Risk Program: Information on Selected High-Risk Areas (GAO/HR-97-30, May 16, 1997).

Supplemental Security Income: Long-standing Problems Put Program at Risk for Fraud, Waste, and Abuse (GAO/T-HEHS-97-88, Mar. 4, 1997).

High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

High-Risk Series: Quick Reference Guide (GAO/HR-97-2, Feb. 1997).

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).

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

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

Chairman SHAW. Thank you very much.
Mr. Williams.

**STATEMENT OF HON. DAVID C. WILLIAMS, INSPECTOR
GENERAL, SOCIAL SECURITY ADMINISTRATION**

Mr. WILLIAMS. Chairman Shaw and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Office of the Inspector General's plans for addressing SSI fraud within the Social Security Administration.

Since the creation of SSA's OIG, the public and SSA employees have greatly increased their desire to combat fraud in SSA's operations and programs. We project that in fiscal year 1998, the SSA's hotline will receive 65,000 allegations related to Social Security and the SSI Program, which is an increase from 18,000 allegations it received in 1997 and the 800 it received in 1996. We anticipate that this increase in allegations will result in a substantial increase in the number of SSI fraud investigations.

In response to this strong demand for investigative services, the OIG has expanded its case investigative activities. In fiscal year 1997, the Office of Investigations opened over 5,400 criminal investigations. Our investigative work resulted in 2,507 criminal convictions. In addition, these investigations resulted in over \$65 million in fines, restitutions, and savings to the government. This figure has also risen sharply from early recoveries of \$22 million in 1996.

As we continue to refine our investigative strategies in response to the fraud trends that our investigations are finding, I anticipate that our investigative productivity will continue to gain momentum and show increased results.

Our national strategy has been developed to address what we believe are the most pressing investigative priorities: Employee corruption, unscrupulous welfare and disability service providers, SSA program fraud, and enumeration fraud.

To respond to these priorities, we have organized five nationwide operations. These operations target the following criminal activities: Identity theft; employee corruption, with Operation Clean Slate; disability fraud, Operation Contender; international border issues, Operation Border Vigil; and career criminals and fugitives, Operation Water Witch.

These five national operations are designed to focus our resources on high impact cases and target organized criminal enterprises.

Because SSI is a cash benefit program, it is especially vulnerable to fraud. One of the reasons GAO included the SSI Program in its list of high risk Federal programs was because of its susceptibility to program abuse. Our investigations have identified the following types of common fraud schemes: Claimants and their service providers who fabricate or exaggerate disabilities, representative payees who steal from recipients, individuals living outside the United States who illegally collect SSI, and fugitives from justice who have funded their flights from the law with SSI payments.

A recent residency verification project along the Mexican border identified 156 recipients who did not meet SSI eligibility criteria.

As a result of our investigations, \$1.6 million in fraudulent payments were identified and stopped.

In a case in New York City, an individual was sentenced to 21 months' incarceration after applying for and receiving SSI payments under 16 different identities. During a 7-year period, he received over \$1 million in benefits from SSI, food stamps, and Aid to Families with Dependent Children.

Our new fugitive operation has identified over 300 fugitives who were illegally receiving SSI payments. Payments were suspended to all these fugitives, and many have since been arrested. Total savings to the SSI Program as a result of this new operation have been estimated at \$3 million.

Similar to other Federal and State benefits programs, the SSI Disability Program has been especially vulnerable to fraud from unscrupulous claimants, representative payees, translators, doctors, and lawyers seeking lucrative opportunities to defraud the system. In Washington State, a combined task force of SSA employees and Federal and State investigators identified approximately 600 Cambodian SSI recipients who were suspected of receiving fraudulent disability benefits with the assistance of middlemen, who referred claimants to corrupt medical practitioners. Thus far, there have been 31 convictions and 60 cases accepted for prosecution, and \$3.5 million in restitution and savings to the SSI Program. As a follow-on to this success, five similar projects have been initiated in New York, Illinois, Georgia, Louisiana, and California. I anticipate that, when operational, these projects will make substantial progress in identifying fraudulent SSI disability claims before losses occur and in addressing the fraudulent postentitlement claims.

In conclusion, I would like to thank the Subcommittee for its willingness to equip the OIG and SSA with new legislative tools to attack fraud within the SSI Program. As our results indicate, we have made the SSI Program a priority in our overall attack on fraud. I would especially appreciate the ability to discuss statutory law enforcement authority for the special agents in our office. We look forward to the opportunity to refine our national strategies as new tools become available.

[The prepared statement follows:]

Statement of Hon. David C. Williams, Inspector General, Social Security Administration

Chairman Shaw and members of the Subcommittee, thank you for the opportunity to appear here today to discuss the Office of the Inspector General's (OIG) plans for addressing SSI fraud within the Social Security Administration (SSA).

Since the creation of SSA's OIG, the public and SSA employees have greatly increased their desire to combat fraud in SSA's operations and programs. We project that in FY 1998, the SSA Fraud Hotline will receive 65,000 allegations related to Social Security and the SSI program, which is an increase from the 18,000 allegations it received in 1997, and the 800 it received in 1996. We anticipate that this increase in allegations will result in a substantial increase in the number of SSI fraud investigations. In response to this strong demand for investigative services, the OIG has expanded its case investigative activities. In FY 1997, the Office of Investigations opened over 5,400 criminal investigations. Our investigative work resulted in 2,507 criminal convictions. In addition, these investigations resulted in over \$64 million in fines, restitutions, and savings to the Government. This figure has also risen sharply from early recoveries of \$22 million in 1996. As we continue to refine our investigative strategies in response to the fraud trends that our inves-

tigations are finding, I anticipate that our investigative productivity will continue to gain momentum and show increased results.

Our national strategy has been developed to address what we believe are the most pressing investigative priorities:

- employee corruption,
- unscrupulous welfare and disability service providers,
- SSA program fraud, and
- enumeration fraud.

To respond to these priorities, we have organized five nation-wide operations. These operations target the following criminal activities.

- Identity theft
- Employee corruption (Operation Clean Slate)
- Disability fraud (Operation Contender)
- International border issues (Operation Border Vigil)
- Career criminals and fugitives (Operation Water Witch)

These five national operations are designed to focus our resources on high-impact cases and target organized criminal enterprises.

Because SSI is a cash-benefit program, it is especially vulnerable to fraud. One of the reasons GAO included the SSI program in its list of high-risk Federal programs was because of its susceptibility to program abuse. Our investigations have identified the following types of common fraud schemes:

- claimants and their service providers who fabricate or exaggerate disabilities,
- representative payees who steal from recipients,
- individuals living outside the United States who illegally collect SSI, and
- fugitives from justice who have funded their flights from the law with SSI payments.

• A recent residency verification project along the Mexican border identified 156 recipients who did not meet SSI eligibility criteria. As a result of our investigations, \$1.6 million in fraudulent payments were identified and stopped.

• In a case in New York City, an individual was sentenced to 21 months' incarceration after applying for and receiving SSI payments under 16 different identities. During a 7-year period, he received over \$1 million in benefits from SSI, food stamps, and Aid to Families with Dependent Children.

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Similar to other Federal and State benefit programs, the SSI disability program has been especially vulnerable to fraud from unscrupulous claimants, representative payees, translators, doctors, and lawyers seeking lucrative opportunities to defraud the system. In Washington State, a combined task force of SSA employees, and Federal and State investigators identified approximately 600 Cambodian SSI recipients who were suspected of receiving fraudulent disability benefits with the assistance of "middlemen," who referred the claimants to corrupt medical practitioners. Thus far, there have been 31 convictions, 60 cases accepted for prosecution, and \$3.5 million in restitutions and savings to the SSI program. As a follow-on to this success, five similar projects have been initiated in New York, Illinois, Georgia, Louisiana, and California. I anticipate that, when operational, these projects will make substantial progress in identifying fraudulent SSI disability claims before losses occur and in addressing the fraudulent post entitlement claims.

In conclusion, I would like to thank the Subcommittee for its willingness to equip the OIG and SSA with new legislative tools to attack fraud within the SSI program. As our results indicate, we have made the SSI program a priority in our overall attack on fraud. I would especially appreciate the ability to discuss statutory law enforcement authority for the Special Agents in our Office. We look forward to the opportunity to refine our national strategies as new tools become available.

Chairman SHAW. Ms. Thompson.

STATEMENT OF LYNN THOMPSON, FORMER SOCIAL SECURITY CLAIMS REPRESENTATIVE, FT. LAUDERDALE, FLORIDA

Ms. THOMPSON. Mr. Chairman and Members of the Subcommittee, I began my career with Social Security in 1961 as a claims representative, and I worked in that capacity in the SSI Program for

13 years. I also was an SSI supervisor for 3 years. I retired in 1995, and since that time I have been a volunteer mentor and resource person for the trainees in the SSI unit in the district office in Fort Lauderdale, Florida.

As the other people have said, the very nature of the SSI Program lends itself to fraud and abuse. It is a welfare program, and for the most part, we must rely on the recipients to report information and changes to us. The areas most susceptible to fraud and abuse are living arrangements, determination of income and resources, and deeming.

One of the most confusing concepts of SSI is the determination of living arrangements. If the recipient has rental liability or home ownership, then all we have to determine is whether anyone is helping him pay his bills. However, if he lives in someone else's household, we must develop what the monthly household expenses are, how many people live in the household, and whether or not he is paying his proportionate share. If not, then his check is reduced.

Also, in determining household expenses, we depend on information supplied by the head of the household. It is very easy for the recipient to tell the householder what information to supply us in order to indicate that he is paying his share. If SSI could do away with the living arrangement requirement and just pay each recipient a flat monthly amount from which any other income is subtracted, it would reduce the workload and eliminate this opportunity for abuse.

In many cases, the only reason that a recipient notifies us that he has moved is to make sure that he receives his check. With Social Security's new requirement that by 1999 all benefits must go into a bank account by direct deposit, a recipient will no longer need to notify us when he moves.

A recipient is not entitled to SSI if he is in jail during an entire month or out of the United States for more than 30 days. We now have in place a computer matching system whereby prisons notify us of any prisoner receiving SSI benefits. But we still have no way of knowing if a person leaves the country. This fact is especially troublesome for States that border Canada or Mexico or that have large immigrant populations, like Florida.

Our computer system already interfaces with Internal Revenue, State unemployment compensation records, and U.S. savings bond records. This capability, along with wages which show up on our own records, is the way we most often find out about unreported income and resources. The only problem with this information is that by the time we get it as a result of W-2s and 1099s, it is usually at least 1 year old. With all the computer networking capabilities currently available, if we could work out a matching procedure with racetracks, bingo parlors, and State lotteries so that we could get current information, we could avoid many overpayments caused by unreported income.

Verification of income and resources is not only required for each recipient on a monthly basis, but also for each person whose income is deemed to be available for the recipient's support. A deemor is a spouse who lives in the same household if the recipient is an adult, or parents and stepparents who live in the same household if the recipient is a child.

Now, in 1973, when the rules and regulations were first written for the SSI Program, the definition of spouse included a man and woman who held themselves out to the community as husband and wife, even though they were not legally married. In those days, just living together was still frowned on. SSI identified these couples as having a holding out relationship and, for deeming purposes, counted the holding out spouse the same as a legal spouse. In children's cases, the holding out spouse of a parent was considered the same as a stepparent.

However, in today's permissive society, it is no longer necessary for couples who live together to pretend to be anything other than what they actually are. And it is very difficult for us to establish the two as a holding out couple for deeming purposes if they deny that they are.

Why should couples who are legally married be penalized by receiving less money than two individuals who just live together? Why should a child whose parents are legally married get less money because we count the income of both parents than a child whose parent just lives with someone else and we count only the parent's income?

If a person has a countable resource worth more than the allowable resource limit and finds out it makes him ineligible for SSI, he often transfers it or sells it to a friend or relative for less than the actual value just to make himself eligible.

Until about 10 years ago, we continued to count the actual value of this resource for 24 months after such a transfer. However, we no longer do so, and eligibility can be restored once the resource is transferred. I feel that the former 24-month period should be reinstated.

One of the most frustrating situations for employees who have developed a case of fraud or abuse is to be told by OIG that the courts refuse to prosecute because the recipient is aged or infirm or the amount of the overpayment is less than \$30,000. Everybody we pay is either aged or infirm. Those are the only people eligible for SSI. What kind of message does this send to the SSI recipient? And unless he has been found guilty of fraud, the law prohibits our withholding more than 10 percent of a recipient's check to recover the overpayment. How long will it take to recover \$5,000 at \$49.40 a month?

The bottom line is that if we can simplify some of the SSI requirements to make the program easier to administer, use the interfacing capability of the highly sophisticated computer networks available to get information from other sources more timely, give us the authority to institute other recovery procedures, and make it easier for OIG to prosecute, we would see a large drop in the fraud and abuse so prevalent in the SSI Program today.

Thank you for this chance to voice my opinion.

[The prepared statement follows:]

Statement of Lynn Thompson, Former Social Security Claims Representative, Ft. Lauderdale, Florida

Because so many deserving recipients count on the SSI program for support, it is critical that we take strong steps to combat fraud and abuse in every way that we can.

The very nature of the SSI program lends itself to fraud and abuse. It is a welfare program and, for the most part, we must rely on the recipients to report information

and changes to us. It doesn't take them long to realize that the amount of their monthly check, as well as their entitlement to Medicaid and possibly food stamps, can be affected by the information they furnish to us.

When a person is approved for SSI, we not only go over verbally with him the things that must be reported to us, but also give him a written list along with the phone number of the local office and Social Security's 800 number. However, our next formal contact with him to review his current situation may be 2 or 3 years later when his case is scheduled for a redetermination of eligibility. If we haven't heard from him in the meantime, we presume there have been no changes in his situation and that the benefits we have been paying him each month are correct. Very seldom is this the case.

One of the most confusing concepts of SSI is the determination of living arrangements. If the recipient has rental liability or home ownership and is responsible for his own food and shelter expenses, then all we have to determine is whether anyone is helping him pay them. However, if he lives in someone else's household, we must develop what the household expenses are, how many people live in the household, and whether or not he is paying his proportionate share. If not, then his check is reduced by the difference between his share and what he pays. If he lives with someone else who furnishes both food and shelter, his check is reduced by one third.

Because of the instability of the life of many recipients, they may move 3 or 4 times in a year. We must determine the correct living arrangement for each may move into or out of the household, thereby changing the recipient's proportionate share of the expenses. The necessity of reporting such changes to us rarely come to mind, especially if it involves a birth or death within the household rather than an actual move. Also in determining the household expenses, we depend on information, often unsubstantiated, supplied by the head of the household. It is very easy for the recipient to tell the householder what information to supply in order to indicate that he is paying his share.

If SSA could do away with the living arrangements requirement and just pay every recipient a specified monthly amount from which we subtract other income, it would reduce the workload and eliminate this opportunity for abuse.

In many cases, the only reason a person tells us he is moving or has moved is to make sure he gets his check timely. With Social Security's new requirement that by 1999 every recipient have a bank account into which his check can be sent by direct deposit, a recipient will no longer need to tell us when he moves. His checks will continue to go to his bank account each month no matter where he is. Many states pay a supplement to the federal SSI amount to their residents. The amount of state supplement varies from state to state. Many states like Florida do not pay a state supplement. If a person moves to Florida from New York, Massachusetts, California, or any other state that pays a state supplement, he immediately loses the state supplement he has been receiving. Now with direct deposit, he may continue incorrectly receiving state supplement for months or years until we somehow find out he is no longer there.

A person is not entitled to SSI if he is in jail for the entire month or if he is outside the U.S. for more than 30 days. Also, if he is hospitalized for more than 30 days, his checks may be reduced or stopped depending on who is paying for his care. We now have in place a notification system whenever who receives Social Security or SSI benefits. The Medicaid system also notifies us of hospitalization of SSI recipients. But we still have no way of knowing if a person leaves the country. This fact is very troublesome for states that border Mexico or Canada or that have large immigrant populations such as Florida, Texas, and California.

Our records already interface with IRS, state unemployment compensation records, and U.S. savings bonds. This fact, along with wages which show up on our own records, is the way we most often find out about unreported income and resources. However, by the time we get the report, it is a year or so after the fact. Employers used to report wages quarterly. Now they only report yearly on the W-2 form. W-2's and 1099's are required to be furnished to the IRS by February of the following year. By the time this information gets on Social Security records, it is May or June. Then each office gets a list of 400-500 alerts regarding people in its servicing area, and it may be another six months before we can work all these alerts and post the income to a person's record so an overpayment can be computed. In most cases, recipients have not kept pay stubs, winning tickets, or monthly bank statements, so we have to request this information directly from employers, banks, race tracks, bingo parlors, state lotteries, etc.

Since SSI benefits are computed monthly, it is not sufficient to have a yearly total. We must know how much income the person actually received in each month of each year, or how much was in his bank account at the beginning of each month,

or the value of his stock portfolio each month so that we can determine if he had excess resources in any month.

Verification of income and resources on a monthly basis is not only required for each SSI recipient, but also for each person whose income is deemed available for his support. A deemor is a spouse who lives in the same household if the recipient is an adult, parents or stepparents who live in the same household if the recipient is a child. If the recipient is an alien, he may also be subject to deeming from his sponsor who has agreed to be financially responsible for him for a period of 3 years.

In 1973, when the rules and regulations for the SSI program were first written, the definition of spouse was pretty clear cut. A spouse was someone to whom another person was legally married. However, there were certain people who lived together as husband and wife even though they were not legally married. They usually held themselves out to the community as being husband and wife because just living together was frowned on. SSA identified such couples as having a "holding out" relationship and, for deeming purposes, counted the "holding out" spouse the same as a legal spouse. In children's cases, the "holding out" spouse of a parent was considered the same as a stepparent.

However, in today's permissive society, it is no longer necessary for couples who live together to pretend to be anything other than what they actually are. This makes it very difficult for us to establish the two as a "holding out" couple for deeming purposes if they deny that they are—even though they may have had several children together. In the case of a child, if the two adults with whom he lives are his natural mother and father, it is immaterial whether or not they are married; however, if only one is a natural parent, it is very difficult to establish the other as a stepparent whose income should be deemed.

We have had instances where one member of a "holding out" couple has been receiving SSI benefits for years. Then the other member becomes disabled or reaches age 65 and is also eligible for SSI benefits. Even though the recipient has claimed the other as a spouse for years and is so identified on our records, once they discover that a couple does not receive as much as two individuals, all of a sudden they are no longer "holding out".

Why should couples who legally marry be penalized by receiving less than two individuals who just live together? In both cases they share the same household expenses. I feel that if a man and woman live together as girl-friend and boy-friend or whatever term they may use, we should be able to consider them the same as a married couple for benefit and deeming purposes whether they are "holding out" or not.

The state Division of Children and Families has instituted a family cap on AFDC benefits, and I think that such a cap would be a good idea for the SSI program also. We have some cases where an adult is receiving SSI benefits and has 2, 3, or 4 children, all living in the same household, who are also receiving SSI benefits. That can often amount to several thousand dollars a month of tax free income which is more than the average family earns working five days a week. Receipt of SSI also automatically entitles each of them to Medicaid and, in most cases, food stamps and possibly subsidized housing.

A household cap rather than a family cap might also be considered for households where unrelated persons who receive SSI live together and share common expenses. The SSI program was designed to help cover expenses for basic food and shelter. It was never meant to provide a surplus to be spent on new cars, trips, gambling, etc. It never ceases to amaze me how someone who is trying to live on \$494.00 per month would risk even \$2.00 of that amount on a lottery ticket or bet on a horse race; yet we are constantly getting notices from IRS that winnings, sometimes quite substantial ones, are reported for an SSI recipient or deemor. By the time we find out about it and question them as to what they did with the money, it's all gone. Many of them say they used it all to buy more tickets or bet on more races and lost it all, but very rarely do they have any proof. They have not put it in a bank account so that we have documented proof of how they spent it. We just have to take their word that they no longer have it.

Sometimes people have property or other resources whose value is too high to permit eligibility for SSI. When this fact is explained to them, they give it away or sell it fr to make themselves financially eligible. Up until about 10 years ago, we continued to count the actual value of a resource that was transferred for less than the actual value for a period of 24 months if the reason for the transfer was to make a person eligible for SSI. However, even though the Medicaid program still follows this procedure, SSI now does not. I feel that we should reinstate this procedure in determining countable resources for SSI. Why should the government pay to provide someone's basic necessities when he could have sold that resource or used that money to pay his own bills?

One of the most frustrating situations for SSA employees who have developed a case of fraud or abuse is to refer the case to OIG, only to be told that they refuse to prosecute because the person is aged or infirm or the amount of the overpayment is less than \$30,000.00. Everyone we deal with is either aged or infirm. Only those people qualify for the SSI program. What kind of message does this send to the SSI recipient? Even a child soon learns that if you threaten but never do anything, he doesn't need to take you seriously. And unless a recipient has been found guilty of fraud, SSI law prohibits us from withholding more than 10% of his check each month to recover an overpayment unless he voluntarily requests that we withhold more. How long do you think it takes us to recover a \$5,000.00 overpayment at \$49.40 per month? It also doesn't take the grapevine long to circulate this information among other SSI recipients.

The recovery procedure that has been instituted recently to withhold income tax refunds and apply them toward SSI overpayments has been wonderful! As a result, we have heard from people who haven't contacted us in years.

It is very difficult to get refunds of an overpayment once a person is no longer eligible for SSI. If they are receiving Social Security benefits, we can sometimes get them to agree to have a certain amount withheld monthly. But this also is strictly voluntary and can be stopped by the person at any time. I feel that we should be able to withhold more than 10% of a person's SSI check to recover an overpayment if such overpayment was caused by his failure to notify us of a change of income, resources, or living arrangement. I also feel that if a person is no longer eligible for SSI but receives Social Security, we should be able to withhold a monthly amount from that check whether the recipient voluntarily agrees or not. I also feel that we should be able to put a lien against any property he may own or bank account he may have in the event he refuses to make arrangements for installment payments.

And like the prison system which runs each prisoner's Social Security number against a computerized list of Social Security numbers of people who receive SSI benefits, if race tracks, bingo parlors, and state lotteries, who are required to get the Social Security numbers of winners, could also run them against a similar network so that we could be notified immediately, this would also help prevent abuse.

The bottom line is that if we can simplify some of the SSI requirements to make the program easier for recipients to understand and Social Security to administer, use the interfacing ability of the highly improved computer networks available today to get information from other sources to us more timely, give us the authority to take other measures to recover the money owed us, and give OIG the authority to more easily prosecute or use other punitive measures, we would see a large drop in the fraud and abuse so prevalent in the SSI program today.

Chairman SHAW. Thank you.

Mr. Collins.

Mr. COLLINS. I like the lady's opinion. [Laughter.]

We appreciate your coming, Ms. Thompson, and being so frank about the situation. It is amazing to me that we have an agency that has just let this thing run astray for so long. You know, these funds we use to pay these benefits to the recipients, it doesn't grow on a tree around here. It has to come from someone else. It is a transfer payment, which I don't think under the Constitution of this country is right to begin with. So we appreciate your frankness, and hopefully through the office and through this Committee and the Congress itself, we can put in place some things that will help you, and we appreciate your suggestions.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Well, let me see if I can get some difference of opinion and make this a little more lively. I think there is general agreement that there needed to be improvement.

Ms. Fagnoni, has there been improvement?

Ms. FAGNONI. Well, what we have observed over time is each time we would look at a specific issue or problem that we had iden-

tified was of concern to the SSI Program, for example, looking at recipients who go into nursing homes, looking at the prisoner situation, looking at sources for better identifying and more quickly identifying overpayments. And each time we would identify a problem, write a report, we would generally see some kind of reaction and movement from SSA, sometimes as we were doing our work, sometimes in reaction to a recommendation, to try to rectify a specific situation. But I think what we saw over time and one of the reasons we felt we needed to put the program on the high risk list and why we felt we needed to do a more comprehensive look at the management of the program is that instead of attacking problems one by one and sort of in a sense, reacting to specific problems we and others raised, that it would be better if SSA management could have a more comprehensive, proactive strategy which continually looks for ways to more quickly and efficiently prevent and deter overpayments, to make sure it has the tools in place for the debt collection.

So while we have seen actions and some improvement over time, we feel that some more comprehensive and longer range concerted effort is needed to make a difference in this program.

Mr. LEVIN. And do you see indications that that kind of a plan is forthcoming?

Ms. FAGNONI. Well, SSA officials have told us that they are committed to developing such a comprehensive plan this year, and we are waiting for them to have this plan of action.

Mr. LEVIN. You said over time these reports, they go back how far?

Ms. FAGNONI. Well, you know, it is interesting. I was just looking. If you look at the last page of our testimony, related GAO products, there is a fairly long list that only goes back to 1995. Those are only our more recent efforts to look at specific issues and areas related to SSI, but, in fact, our work in this area dates back years. And—

Mr. LEVIN. Meaning what? Five years? Ten years?

Ms. FAGNONI. From the early- to mideighties through the present.

Mr. LEVIN. OK. Now, Mr. Williams, in the testimony from Ms. Thompson, she says that one of the most frustrating situations for SSA employees who have developed a case of fraud or abuse is to refer the case to OIG. That is you, I guess.

Mr. WILLIAMS. That is me.

Mr. LEVIN. Only to be told they refuse to prosecute because the person is infirm or aged or the amount of the overpayment is less than \$30,000.

Mr. WILLIAMS. Yes.

Mr. LEVIN. Tell us your reaction to that.

Mr. WILLIAMS. When I first arrived—I have been aboard 2 years and a few months. When I first arrived, there were many problems with the investigative program. When we first began—and I think GAO recognized that—I conducted an audit to try to find out the pathways of fraud referral, and I discovered that some of the frustrations that you heard this morning existed.

We have been trying to invent ways of straightening out the referral process so that it is quicker and better. We also have

launched a very aggressive program, and it has been with the support of your Committee, which we appreciate very much. The arrests had fallen below 500 and now they are above 2,500. We have been pretty aggressive at getting the money back. Where \$64 million was how much we brought back last year, we hope to get around \$100 million this year. So it is a much expanded program. And yet the frustration continues, probably for a couple of reasons.

First, I think perception always continues for a while after you have begun to address the problem, particularly where it lasted so long.

Second, there are prosecutive thresholds, and they vary in different judicial districts, and we do have trouble getting all of the cases prosecuted that we would like. But we have had a lot of luck at prosecuting, and they have prosecuted many more than they have ever prosecuted in the past. And when we go to local prosecutors, sometimes they are able to be more aggressive and take smaller cases.

Every trick in our bag of tricks we are using to try to become more aggressive and to try to address that. I know that that is a very frustrating feeling, and my heart does go out to people like Lynn who are trying to do their best to combat fraud.

Mr. LEVIN. So you think you are making progress?

Mr. WILLIAMS. Oh, yes. I think we are clearly making progress.

Mr. LEVIN. And when you say arrests, I take it when fraud is committed, there isn't only an effort to recapture money, but people are put in jail, as they should be?

Mr. WILLIAMS. They are. We try to—and, actually, some of the ideas that you have suggested will really fill this in. But we try to have a seamless attack on fraud where on the one end we cut off benefits, we try to add penalties, and you have suggested some very interesting new arrivals in the continuum, and on the far end there are criminal penalties. So we try to take actions as we deem appropriate from merely stopping the payment and stopping the problem to putting people in prison, and they have gone to prison for a very long time.

Mr. LEVIN. Good. Thank you.

Chairman SHAW. I want to pursue part of your statement regarding doctors, and you referred to this as far as some Cambodians, I think. On the application that is made to go on SSI, is the doctor mentioned? Do we get that information at SSA?

Mr. WILLIAMS. Yes, sir. Actually, both SSA receives it and then it is an important part of the document that is processed in the State disability determination centers.

Chairman SHAW. Where I am getting to is that if you see that all of a sudden there is a flurry of applicants from the same doctor, I would think that would raise a flag in anybody's mind that these cases should be very closely scrutinized and perhaps the doctor should be closely scrutinized.

Mr. WILLIAMS. Yes, I agree with that. I mentioned Operation Contender earlier. We are trying to go up with five pilot projects where we put State and Federal investigators together inside the DDS. We think the early things they are going to find are claimants who are illegally filing claims. Their real purpose for being there, though, is to find service providers, doctors and lawyers and

other kinds of service providers—in the case of the Cambodians, translators who were actually coaches—were an important element in breaking that case. We expect big things from that, and we are very hopeful that we can do exactly what you just said, find doctors that are clearly in need of investigation and action.

Chairman SHAW. Ms. Thompson, you mentioned in your testimony that in 1999 these checks will be direct deposited into banks. I would think that that would destroy the effort that we had that Mr. Herger was testifying to a little while ago about whether somebody is in prison or not. Also, we are going to make a proposal that anybody who receives a check by post office box should have to come in at least once a year to establish his residency and prove his residency through rent receipts, tax receipts, or whatever it is, to show that they have, in fact, been living here.

Can all these checks be put into a bank account?

Ms. THOMPSON. If they don't have a bank account, they are working out something like a debit card where they can just go and get the money on the debit card. But it is my understanding that the Treasury Department, effective 1999, is not going to be sending out any more paper checks because of the cost of printing up the checks and the cost of mailing them.

Chairman SHAW. I will throw this out to anybody, including you, Mr. Dyer, that wants to answer this, is that by statute or is that by what the Treasury Department—that is statute? Wouldn't everybody here think that we should change that statute, particularly as it—as regular Social Security, that is an earned benefit, but when you start talking about SSI and some of these things that people are going to lose if they leave the country or if they go to prison or something like that, I think we ought to have a very close look at that and change that.

I would urge the staff on both sides of the aisle to be sure that that becomes part of the new legislation. That is pure insanity. And the prisoners and everybody else are going to get all kinds of money, and we won't be able to catch them.

Mr. WILLIAMS. If I could volunteer a couple of things on that subject, I would appreciate it.

Chairman SHAW. Yes, sir.

Mr. WILLIAMS. There are certain types of fraud that will be a bit harder to investigate because—and, actually you named most of the important ones—because they are being direct deposited. The advantages of direct deposit in my mind outweigh those because what we do gain is all the checks that are lost through mail theft and other kinds of schemes that involve the ability to take possession of the paper check. Those will all be denied to the criminals.

Within the world of SSI, there will be a very large number of people, probably well beyond this statutory period, that don't have banks and that will not receive the accounts by direct deposit. In one way, it is a shame. In another way, the initiatives that you have suggested will probably continue to have strong meaning. The people that don't have checks are probably the people most likely to be targeted by—that don't have banks will be most likely targeted by your suggestion, which I endorse and think is a good one.

Chairman SHAW. I think that is something that we ought to certainly try to thrash out because we need verification.

Let me just ask a question. Ms. Thompson, you talked about the amount of people who live offshore and come back and forth in Florida, and that would apply in New York and various other places, and certainly along all the border States. The case that you referred to, I was just looking at a Washington Times article regarding the Texas case that you brought up in your testimony. It appears that we really need to take a close look at what we can do and how we can prevent some of the fraud in that area.

[The article follows:]

SSI fraud search pays off in Texas

Incidents are low, but savings are high

By Cheryl Wetzstein
THE WASHINGTON TIMES

A review of 2,107 welfare recipients in a Texas border town found that fewer than 10 percent had enrolled in the program illegally.

However, dropping the 153 welfare recipients who had enrolled under false pretenses will save taxpayers nearly \$3 million over five years, investigators told the Social Security Administration (SSA) in a recent report.

The findings are part of several efforts in the SSA to clamp down on abuse of the \$27 billion-a-year Supplemental Security Income (SSI) program, which sends monthly checks to low-income persons who are blind, disabled or over age 65.

The fast-growing SSI program has been criticized as wasteful and mismanaged by the General Accounting Office (GAO).

An estimated \$2.6 billion is being erroneously paid to recipients, a top GAO official is expected to tell a House subcommittee today at a hearing on SSI fraud.

Since Republicans took over Congress in 1995, they have acted to tighten the program and curtail SSI benefits to prisoners, drug addicts and alcoholics, noncitizen aliens and children with mild disabilities.

The SSI program is intended to serve people who live in the United States, but in many cities along the Mexico-U.S. border, there has been concern that Mexican nationals are registering for the SSI benefits, which range from \$300 to nearly \$500 a month.

Since SSI "is an entry point for receiving other assistance, the im-

pact of individuals fraudulently receiving SSI is far-reaching," the SSA's Office of the Inspector General wrote in a report issued March 31.

The OIG report explained that in early 1997 the SSA sent letters to 2,107 SSI recipients who said they lived in two ZIP-code areas in El Paso, Texas.

El Paso, a city of 650,000, is connected by many bridges to Ciudad Juarez, a Mexican city of 1.2 million, which sits across the river.

Of the 2,107 SSI recipients contacted, 18 cases were immediately closed, including 10 in which the recipients were deceased.

Inspectors asked the other 2,089 SSI recipients to mail in proof of their U.S. residency.

Eventually, 153 SSI recipients were found ineligible for SSI benefits, either because they lived in Mexico or failed to meet another residency rule.

The 153 recipients who were dropped from SSI will save the program \$2.9 million over five years, the OIG estimated.

The OIG noted that the suspended recipients had "common characteristics," which could guide wider reviews and reforms.

For instance, the report said, almost half of the suspended recipients had not had a face-to-face review with a SSA official for seven years or more. This suggests a need for more frequent personal contact, the report said.

Inspectors also found that abuses often occurred when recipients didn't get SSI checks directly deposited into a bank account, used post office boxes as their address or listed different addresses for their residence and mail receipt.

Chairman SHAW. My final comment or question is to you, Ms. Fagnoni. You heard Mr. Dyer's testimony with regard to the SSA. Would you like to comment on that? Because it seemed that your testimony and his didn't really reconcile too well, particularly as to recouping the overpayments that had been made.

Ms. FAGNONI. Well, if you are referring to the 15-percent figure we use, the way we calculated, the way we did our assessment of how well SSA is doing in its overpayments is to not simply look at what its new overpayment detections are, but look at collections in relation to all of the moneys that SSA is trying to collect. So that is where we get the 15 percent. That doesn't include the \$1.8 billion that SSA has already written off. So it just seems to us to be a reasonable way to present the picture of how they are doing on overpayments because that is \$437 million over the \$2.6 billion that they say they are still trying to collect.

I would agree with Mr. Dyer that clearly the older some of these debts are that they are trying to still collect, the more difficult it is going to be to collect them, which is why in our work we have stressed so much any kind of efforts that can be made to quickly and timely prevent overpayments at the beginning and detect them quickly will help prevent a situation where they have to deal with a lot of aging debts.

Chairman SHAW. Ms. Thompson referred to the percentage limitation on the recovery of overpayments.

Ms. FAGNONI. Yes, 10 percent.

Chairman SHAW. What is your thought with regard to that? It appears to me that if the moneys are owed that perhaps there ought to be some discretion given, but we shouldn't be into some type of a straitjacket as to the 10-percent limitation, even though that may be where you would end up.

Ms. FAGNONI. Well, one point of context, at one time SSA was authorized—

Chairman SHAW. I think that goes back to Mr. McCrery's question, too.

Ms. FAGNONI. Right. But they were authorized at one time to collect 100 percent, and that was brought down to the 10 percent. So they are restricted by law now from only collecting the 10 percent.

Chairman SHAW. The statute says that they cannot collect more than 10 percent of moneys that was paid out that shouldn't have been paid out?

Ms. FAGNONI. Well, no. It is that they can't collect more than 10 percent of a recipient's benefit in a month.

Chairman SHAW. Of the benefit, yes.

Ms. FAGNONI. Right, in attempting to make the collection. But what we recently pointed out in a report is that even with that restriction, we found a number of cases—I think it was 42 percent of the cases where they had some kind of collection in place—where they weren't even collecting up to the 10 percent. So there was even room, potentially—

Chairman SHAW. That is 42 percent of the cases where they are paying out SSI benefits that they were not collecting even 10 percent of what is owed from overpayments in the past?

Ms. FAGNONI. For those cases where they were trying to recoup benefits, they weren't recouping them up to that 10-percent limit, right. And so there is some potential, there would be some potential for them—

Chairman SHAW. That is almost half the cases.

Ms. FAGNONI. Right, to collect even within that current limit.

Chairman SHAW. OK.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. Just one question for Mr. Williams.

In your statement, you said our national strategy has been developed to address what we believe are the most pressing investigative priorities. Number one is employee corruption. Did you find a lot of employee corruption in your investigation?

Mr. WILLIAMS. We found a rather low level. It accounts for about 1 percent of our allegations and a little more than 1 percent of our cases that we have taken on. We don't consider that high, but we consider it devastating to have an employee inside our offices that is corrupt. Also, the impact could be very great. A single employee could do mischief with hundreds or thousands of people.

Mr. COLLINS. Were you able to actually identify particular employees?

Mr. WILLIAMS. Yes, we have. There was a very large case, that I think I discussed last time I appeared before the Committee, in New York City where we found employees selling Social Security numbers to a West African organized crime group, and a number of them were arrested and sent to prison. We also rounded up people from the organized crime group, and they have been sent to prison since I have last spoken to you about this.

We have a number of employees that we have investigated and have either been fired or, more often, they have been indicted and convicted for selling Social Security numbers, but also for involvement in manipulating claim forms in order to have benefit payments made indirectly to themselves or to colleagues working outside the Social Security office.

Mr. COLLINS. I know you have operations that target following criminal activities to identify theft and employee corruption, Operation Clean Slate. What do you mean by Operation Clean Slate?

Mr. WILLIAMS. Operation Clean Slate focuses on surveillance of computer transactions in order to try to identify anomalies for an employee. You would expect to find certain numbers of inquiries that a certain type of claims representative might make. Where we begin to see anomalies and that climbs higher, that would be an example of an instance in which we would open an investigation and try to recreate the audit trail in order to get evidence on an employee that is engaged in criminal conduct.

Mr. COLLINS. OK. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Collins.

If none of the other Members has any further questions or comments, I want to thank this panel and I also want to thank Mr. Dyer for staying around to listen to the testimony. I think it is always nice to hear what other people are saying about you, whether you like it or not—unless you are a politician, and then you want to stay away from them. Or read it in the morning paper.

We thank you all very much for being with us. You have been a great panel.

[Whereupon, at 4:29 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Consortium for Citizens with Disabilities Social Security Task Force

on behalf of:

American Association on Mental Retardation

American Congress of Community Supports and Employment Services

American Network of Community Options and Resources

Association of Maternal and Child Health Programs

Bazelon Center for Mental Health Law

International Association for Psychosocial Rehabilitation Services

National Alliance for the Mentally Ill

National Association of Developmental Disabilities Councils

National Association of Protection and Advocacy Systems

National Parent Network on Disabilities

NISH (formerly the National Industries for the Severely Handicapped)

The Arc of the United States

Title II Community AIDS National Network

United Cerebral Palsy Associations, Inc.

World Institute on Disability

The Consortium for Citizens with Disabilities is a working coalition of national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 54 million children and adults with disabilities and their families living in the United States. The CCD Task Force on Social Security focuses on disability policy issues and concerns in the Supplemental Security Income program and the disability programs in the Old Age, Survivors, and Retirement programs.

The undersigned member organizations of the CCD Social Security Task Force appreciate this opportunity to comment on the ideas which the Subcommittee is reviewing under the heading of "SSI/DI Reform Proposals," in the document dated April 21, 1998 provided to us by Subcommittee staff. Our comments are based upon a review of the list only and not upon actual legislative language.

The Consortium for Citizens with Disabilities Social Security Task Force believes that fraud in the Supplemental Security Income program and other programs should be weeded out. From the point of view of taxpayers and also from the point of view of people with severe disabilities who must rely on the SSI and OASDI programs, it is critical that precious funding not be wasted on fraudulent situations. However, we must caution that not all errors in the system are caused by people acting with fraudulent intent, nor should sweeping provisions be enacted that would harm innocent people who are the intended beneficiaries of the program.

Following are our positions on the various proposals on the list. Unfortunately, many of the proposals go far beyond prevention of fraud in their impact; some would make substantial changes to the program, including the criteria for determination of eligibility, that would significantly alter the program. We believe that changes of that magnitude should not be considered in the context of targeting fraud.

1. CREATION OF NEW ADMINISTRATIVE SANCTION PROCESS

a. Create new administrative sanctions process.

We oppose this provision. Before adding additional layers of bureaucracy, the current procedures should be evaluated to see if they are structured sufficiently and if SSA's level of oversight is sufficient. In this case, we recommend conducting a thorough study first to determine where systems are weak.

b. Finding of fraud leads to loss of benefits (first time, one year; second time, ten years; third time, forever).

We oppose this provision as described. First, there must be statutory language making it clear that to find fraud, SSA must determine that the person intended to secure benefits to which s/he otherwise was not entitled. SSA must also determine that the individual had the capacity to understand the rules. These are very important points. The SSI program is very complex and it can be very easy for individuals to misunderstand the requirements. Further, by the nature of the population served, there will be many people who are unable to understand the rules. SSA should have to show a clear finding of intent to commit fraud.

Finally, we believe that lifetime penalties are simply too harsh. Limits should be placed on the penalties.

c. 10 year bar for stating false residence.

Again, we oppose this provision as described. A blanket loss of eligibility for false statements of residence will hurt people who are homeless (who may list a place where they can receive their check) or who are impaired in ways which result in mistakes being made. Provision must be made for those who cannot list a residence, and exceptions must be made for those who unintentionally and unknowingly provide a false residence, but would otherwise be eligible for benefits.

d. Create financial reward system (\$400 per case) for workers who report fraud that results in ineligibility.

We oppose this provision. This will create a very real conflict of interest for SSA staff who should be helping applicants and recipients. From the beneficiaries' perspective, SSA staff is often guilty for failing to input reports of changes they receive from recipients; later they claim the person never told them because the information is not in the computer. Adding a financial reward would inappropriately elevate what are now bad overpayment cases to the fraud level, with devastating consequences for innocent recipients and the creation of a need for wholly new oversight and investigation of staff actions.

2. PREVENTION OF PROFESSIONAL ABUSE

a. Doctors and attorneys barred if commit fraud.

We believe that two precautions must be included in this approach: (1) The alleged fraud cannot simply be a difference of opinion with SSA about the extent of a person's disability. (2) To protect against the first problem, there must be evidence of a pattern of intentional, willful activity that constitutes fraud over a number of cases. Without these precautions, physicians and attorneys would possibly be subject to personal retaliation by SSA employees or offices and claimants would have difficulty in finding physicians and attorneys willing to assist them in pursuing their cases.

b. Annual DDS evaluation of performance of consultative examiners.

We believe that one additional performance criteria should be included for evaluation. SSA should also evaluate the performance of consultative examiners for the "completeness of exams" they perform. Too often, the exams are so cursory as to be meaningless, resulting in needless administrative waste.

3. PREVENTION OF FRAUD

a. If an SSI recipient uses P.O. box, s/he must provide proof of residence at least annually.

We believe that this provision is far too broad and would have harsh impacts on people who are elderly or disabled and who live in rural areas and use post office boxes to collect their mail. It would also hurt homeless people.

To avoid those problems, the provision must be modified to say that (a) once a person has proven the same address in three consecutive years, annual proof will not be required but SSA will continue to seek the evidence in intervals it determines to be appropriate; (b) failure to provide the evidence of residence in a timely manner will not result in an immediate termination—the person will be sent a notice informing him/her that if the evidence has not been provided within 30 days, benefits will be terminated and SSA cannot input any information about the potential termination into the computer for action until after that time frame has expired; (c) where the person is known to SSA (either in fact or by virtue of the nature of his/her impairments or advanced age) to be someone who has difficulty providing evi-

dence, SSA shall take additional steps, including a home visit, prior to taking action to terminate benefits; and (d) in cases where the person does not have telephone or rental bills in his own name, a statement from the homeowner or other reasonable evidence of residency will be acceptable.

b. Reduce subjectivity by requiring that determinations be based on medical evidence.

We oppose this provision. While the statute already requires that there be medical evidence of an impairment, many types of functional evidence are used to assist in determining eligibility. Alone, without medical evidence to support the diagnosis, such evidence is insufficient to establish disability. However, functional evidence is often essential to providing a full picture of the nature and limitations of the person's condition. Failure to consider this evidence would deprive people with disabilities, including disabled workers, of the full and fair evaluations they are entitled to receive.

We believe that this provision would represent a significant, fundamental change to the SSI and OASDI programs which goes far beyond an attempt to weed out fraud.

c. Require large representative payees to submit annual report on how funds are spent and on continued eligibility of recipients.

There are some problems with this provision as described. While an annual report stating how funds are spent would be legitimate and very helpful, representative payees should not be put in the position of determining whether an individual continues to be eligible. Not only would this jeopardize the payee's unique relationship with the recipient, but also, the payee is not the party to make this determination. Instead, (1) Require that the payee provide the information needed for SSA to make its own determination; (2) Require payees to notify SSA immediately of the death of a recipient and to include this information in annual reports (particularly if checks have not stopped). Additionally, since requiring this report annually could be very burdensome for payees, considering requiring it to be done on the continuing disability review (CDR) cycle (depending on the nature of impairments, one year to 18 months; every three years; or every seven years).

d. Prohibit transfer of assets.

We oppose this provision. Congress eliminated the SSI transfer of asset penalty in 1988, recognizing that people generally transferred assets to establish Medicaid eligibility, not SSI eligibility, and that the requirement just created an administrative nightmare for elderly and disabled recipients as well as SSA. People who are applying for SSI are not in the same financial league with those who were hiring attorneys and financial planners to assist them in becoming Medicaid eligible. By the time they apply for SSI, they are by definition very poor. Earlier penalties fell very hard on many elderly people who had transferred modest assets to children or other relatives and who were unable to sustain themselves during the penalty period. At a minimum, the formulation in the proposal (time barred from benefits is related to the value of the transfer) should be limited to no more than the old two year statutory bar. However, since this bar could be life-threatening for many people who are elderly or disabled, SSA must have authority for waiver of the bar. Further, if assets incur a penalty period in both SSI and Medicaid, there must be coordination of the penalty periods to prevent the same amount of funds from being "double-counted" as if the person could have covered his/her own SSI and Medicaid expenses with the same finite amount of money.

Further, in Sections 1917(c) and (d) there are certain exceptions to the Medicaid transfer of asset provisions that allow people to transfer assets to, or for the benefit of, people with disabilities without incurring the transfer of asset penalties. There are also provisions that allow people with disabilities under age 65 to transfer assets into irrevocable trusts for their own benefit (under certain conditions and generally to provide services and goods unavailable through SSI and Medicaid) which also exempt them from the transfer of asset penalties. If the proposal is adopted, it is essential that the full and complete Medicaid exceptions to the prohibitions on transfers of assets also be included.

e. Status as a "career criminal" showing ability to "work" disqualifies person. No comment.

4. INCREASED COLLECTION OF OVERPAYMENTS

a. Replace the current SSI 10 percent rule with a series of rules.

We oppose this provision as simply too harsh, particularly when the vast majority of overpayments are created by SSA's failure to properly input information reported by recipients into the computer. SSI recipients (and dual eligibles) are living on virtually nothing—a 10 percent reduction is already a tremendous hardship. In terms of the particular proposals:

1. 10 percent as a floor rather than a ceiling (see a, above).
2. Waivers of collection are only available in up to 10 percent of all cases, and only for "extreme hardship." We oppose this provision. This is not a state using federal dollars, it's the federal government, which, as we have mentioned, is the source of most of the overpayments. To include a requirement like this would shift even further the burden of the government's errors to poor people who are least able to afford it. Furthermore, how would it work? If the computer says that SSA just granted the last available waiver in Texas, would an SSI recipient in Florida be left destitute? This is unworkable and unfair.
3. Waivers of collection are temporary, that is, can only be granted for up to 3 consecutive months in any single case. We oppose this provision. To have received a waiver the person had to be without fault in creating the overpayment and unable to pay it back. If the person's financial circumstances haven't changed, what possibly could justify depriving them of the waiver, especially if the overpayment is for greater than 3 months due to SSA's failure to input data? If this becomes law, the number of totally destitute people who are elderly and disabled will soar.
4. Waivers of collection of overpayments are not available to organizational payees (states, counties, nursing homes) and
5. the floor for collection from organizational payees is 20 percent. We oppose these provisions. They seem likely to discourage organizational payees from serving in that capacity, creating bigger administrative nightmares for SSA and in all likelihood leading to greater problems as recipients are forced to seek other less experienced people as payees.
6. SSA may reduce the SSI benefit by as much as 100 percent to collect overpayment. We oppose this provision. Except in cases of fraud, this could not ever be appropriate, assuming that the person's financial status continues to render him/her eligible for SSI (which it must or there would not be a benefit to withhold). In the early 1980's, SSA did withhold 100 percent of elderly people's benefits and stopped when the Congressional outcry grew. In many cases, just SSA's threat that they would withhold 100 percent led to "agreements" that SSA could withhold huge portions of checks which people could not afford. The harm to people who were elderly and disabled was very great.

Alternative: Rather than impose the provisions discussed above, it would be very helpful to include a study of SSA's practices that lead to the majority of overpayments and steps that need to be taken to correct these practices. For example, SSA's chronic failure to update computer files with the information supplied by recipients leads to a huge number of overpayments. When SSA eventually discovers the information and the overpayment that results, it is the innocent recipient who bears the brunt, even though s/he did everything required. Streamlining SSA's procedures to ensure that the information is input and acted upon immediately would eliminate the overpayment (or substantially reduce the amount of overpayments), reduce the administrative hassle involved in overpayments for SSA and recipients, and prevent the disastrous personal circumstances that arise when SSA withholds much-needed funds.

b. Require netting in all cases.

We believe the 50 percent minimum is too high. Often, people awaiting receipt of their benefits go without and/or incur debts to survive that need to be repaid (i.e., the landlord waits for the rent, the corner grocer extends a little more credit, the telephone company hasn't been paid and is about to terminate service). A lower minimum (such as 20 percent) with statutory language requiring SSA to consider these types of circumstances would help.

c. Fugitives and prisoners: failure to tell SSA they previously received benefits results in 10 year disqualification.

There are some issues here that need to be taken into account. (1) There needs to be a requirement that SSA specifically ask this question on its application and record the person's answer. Individuals cannot be expected to simply offer this information. (2) 10 years is a very long time. Unless this is modified, it will result in the virtually permanent bar of thousands of individuals who are mentally ill (and

often homeless) from SSI. This provision needs to reflect the reality of their lives. When homeless people with mental illness are arrested for a typically very insignificant misdemeanor charge (public nuisance, disturbing the peace, etc.), their counsel may advise them not to plead incompetent to stand trial or Not Criminally Responsible (NCR) and instead to take the jail time. This is because jail time is usually far less than the time they might spend if they are found NCR and involuntarily committed to a state hospital. The proposal here is not limited to felonies and would cover all misdemeanors. It is important that the provision, if it continues, either exempt misdemeanor charges that result in jail time, or in the alternative, devise a way to select out those prisoners who have a mental illness and exclude them from the rule.

d. Require SSA to hold payees liable for overpayments if the recipient dies; prohibit waiver of collection of funds used in "best interests" of dead beneficiaries.

Some modifications need to be considered here.

- Payees should not be collecting money for months after the person died and should repay it. However, they should not be required to pay back the benefits for the month in which the person died (assuming this applies to OASDI). While that month also creates an overpayment, it was accepted in good faith and in all likelihood used on the person's behalf before the person's death. To do otherwise would either discourage people from being payees for elderly or sick people and/or create a conflict of interest between the payee and the recipient (i.e., the payee would want the person to die earlier in a month so that less would have been spent).

- The same applies to the best interests language. The current rules should not be changed to penalize payees who act in the best interests of the beneficiaries they had been serving.

- A payee should never be responsible for overpayments that occurred before s/he became the person's payee.

e. Cross-program recovery of overpayments between SSI and OASDI.

If cross-program recovery is instituted, it is imperative that the 10 percent limit (for SSI overpayment recovery) be incorporated for people who are dually eligible for OASDI and SSI, since SSI recipients are, by definition, very low income.

f. Require SSA to use credit bureau reports, debt collection (including private debt collection agencies) and other means to facilitate collection of overpayments.

We have several concerns about this provision. SSA's forays into the use of private debt collectors was disastrous in the early 1980's. Wholesale use of private debt collectors is ill-advised. However, they could be very helpful in collecting money owed to SSA from people who are no longer on the rolls, including estates. Consider requiring SSA to create a pilot project using private debt collectors only in cases where the person is no longer receiving benefits.

5. DATA MATCHING

a. Require SSA to match SSI data with TANF receipt.

This provision should be approached cautiously. There are parents who receive SSI for themselves and TANF for a child. There are also parents who receive SSI as a payee for a disabled child and receive TANF for themselves and other children in the household. It is essential that any matching take these very common fact patterns into account and that no actions be taken based on evidence from TANF rolls without independent corroboration of the information by SSA.

b. Matching of lists with law enforcement.

This provision is too broad. It would provide extremely broad access to SSA information. Is it wise for thousands of individual law enforcement agencies to have easy access to information in SSA's system? There must be further consideration given to including some tough limits on this access and the use of the information.

c. Require all prisons to report to SSA. No suggestions for change.

d. Matching of Medicaid data for nursing homes.

Some protections need to be incorporated since some people have very short stays in nursing homes. Require that SSA corroborate any information before it relies upon it.

e. Compare SSI applicants to the OCSE New Hire Data Base and Quarterly Wage Data Base.

Some modifications are necessary. A similar requirement already exists for workers' compensation. There are three issues. (1) What will SSA do with the information? The new hires data base only indicates that the person had a job for at least a day, not that s/he was able to work on a sustained basis, nor how much s/he earned. Unless the information is checked with the applicant, there could be problems, particularly for people with disabilities who are working in compliance with available work incentives. Therefore, independent corroboration of the information and consideration of its applicability within the SSI disability rules is a key requirement. (2) The time frames (10/1/98 and 1/1/99) are probably too short and should be lengthened. (3) With regard to the 1/1/99 requirement, it would be very harmful for applicants, who are generally in severe financial straits when they apply for SSI, to have SSA's failure to promptly check the OCSE data base be a barrier to receipt of benefits. This language should be deleted.

f. Information from financial institutions. No comment.

6. SETTING A FAMILY CAP AND ENDING THE SSI MARRIAGE PENALTY

a. Apply the SSI family cap specified in the Slattery Commission Report.

We oppose this provision. Further, if there were any limitation on the amount of SSI available to a family with multiple childhood SSI beneficiaries, it should be structured with graduated benefits payments depending on the number of eligible children in the family. This should be done as a varying percentage of the SSI payment for each individual child or as a percentage of the poverty line. We do not support a cap; graduated payments must be available for each child.

b. Apply similar family cap to other households with multiple SSI beneficiaries.

We oppose this provision. The way to eliminate the marriage penalty in SSI is to increase the couple's benefit to the level of two individual SSI benefits, not to create fictions about relationships among others in order to reduce their benefits. If two elderly women or two women with disabilities are able to afford the rent of an apartment by sharing the apartment, they should not each have their SSI reduced simply because they have figured out a way to survive on their limited incomes. Furthermore, this provision would discourage people from sharing housing if they are using SSI and would make it even harder for them to meet their daily living expenses. It is important to note that the Department of Housing and Urban Development requires households that receive federal housing assistance to spend no more than 30 percent of their income on rent. However, it takes, on average nationwide, 69 percent of an SSI recipient's income to obtain a one bedroom unit. The 69 percent average is even well above HUD's definition of worst case needs (spending over 50 percent of income on housing). HUD's April 1998 report shows that between 1.2 and 1.4 million people with disabilities fall into this worst case needs category—and do not currently receive federal housing assistance.

Applying this proposed provision beyond two adults, to homes where multiple SSI recipients live together, will have a very devastating effect on group homes serving people with disabilities, many of whom receive SSI and contribute all but a very small portion of their monthly benefits to the household expenses. If this provision becomes law, the number of such homes and the quality of care they are able to provide will significantly decrease.

7. SSA REFORM

a. Require SSA to issue new guidelines to disability examiners to help them identify and prevent SSI/DI fraud.

If this provision is adopted, it is imperative that specific language be incorporated instructing SSA to assume that, unless there is evidence to the contrary, individuals are acting in good faith, and to treat them with the respect to which they are entitled.

b. Require SSA to report to Congress on legislative improvements to prevent SSI/DI fraud. No suggestion for change.

c. Create specific statutory authority for SSA to contract out to private companies (such as private investigators) anti-fraud activities.

This provision should be limited to cases in which there is a strong suspicion that fraud is an issue. Good public policy would counsel against numerous private inves-

tigators, working on commission, disrupting the lives of innocent, law-abiding citizens.

d. Require all cases involving potential fraud to be referred to the SSA OIG.

Once again, some limits should be placed on this provision. "All" cases will scoop up some very minor matters. SSA's OIG should get the cases that make sense and are a good use of an investigator's time, not all of them. Further, people who are elderly or disabled, and who are largely unrepresented and unable to afford counsel, should not have to deal unnecessarily with the SSA OIG.

e. Administration proposal to adjust FY 1999 discretionary spending limit for non-disability redeterminations. No suggestions for change.

f. Require SSA to adjust the medical listings so all meet at least the 2 marked standard "required under the welfare reform law."

We oppose this provision. It appears to apply to adults as well as children. Even as applied only to children, we oppose the provision and note that we are on record along with several Senators regarding our interpretation that the Senate-drafted language which was adopted as the new statutory standard for children (in the welfare law changes of 1996) did not require this level of disability. This arbitrary change would hurt people (both young and adult) who are mentally retarded, people with epilepsy, people with asthma, people with cerebral palsy, and many others. There is simply no justification for this wholesale change in the long-standing use of SSA's listings. The provision is not targeted to address fraud issues and would, instead, impose significant, fundamental change throughout the SSI and OASDI programs.

Again, we thank you for the opportunity to address these proposals. We urge you to incorporate our comments in any final versions put forward by the Subcommittee.

Statement of Judge David L. Bazelon Center for Mental Health Law

The Judge David L. Bazelon Center for Mental Health, a legal rights organization working on behalf of persons with mental disability, submits this statement for the record concerning two aspects of the package of proposed "fraud and abuse" amendments to Social Security Disability programs (Supplemental Security Income, Title XVI and Social Security Disability Insurance, Title II).

The Bazelon Center is the leading national legal-advocacy organization representing people with mental disabilities. Through precedent-setting litigation, in the public-policy arena and by assisting legal advocates across the country, the center works to define and uphold the rights of adults and children who rely on public services and ensure them equal access to health and mental health care, public benefits, education, housing and employment.

We support efforts to eliminate fraud and abuse from federal disability programs, but we also urge caution. Before significant changes are made to the law, there must be clear evidence that, in fact, fraud is being perpetrated or that the program is subject to abuse and not fulfilling its required mandate. Not all errors that may occur in a program as large as Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) programs are the result of fraud or abuse. Complex rules and regulations guide disability examiners and other decision makers, who are being asked to make extremely difficult decisions about who can and who cannot work.

We strongly urge the committee not to approve the proposed package of amendments now being circulated, in particular we urge the Subcommittee to reject:

- amendments which would have the effect of requiring that all disability determinations be based solely on medical evidence, ignoring the importance of functional assessments, and
- amendments to reduce the level of benefits to eligible individuals on the basis that they are living in structured community arrangements along with other unrelated individuals.
- amendments to require SSA to adjust the medical listings so that all meet at least the "two marked limitations" required under the welfare reform law

It is very important that the Subcommittee not rush to judgment. Members should not assume fraud and abuse without a careful investigation; nor should the Subcommittee create a quick, simplistic "fix" even if there were, in fact, a problem.

DETERMINATION OF DISABILITY USING ONLY MEDICAL EVIDENCE

We oppose the proposal to limit the evidence used to determine disability to only medical evidence.

The determination of disability must be based on the most comprehensive and best evidence which it is possible to obtain in order to be fair to those applying for benefits as well as to the American taxpayers. However, it must be recognized that this is a most complex task. It requires the consideration of several factors, of which medical signs and symptoms is just one. The statute already requires the use of medical evidence as an early step in the disability determination process, but to make effective determinations medical evidence must be supplemented with additional information to provide a full picture of the nature and limitations of the person's condition. Currently, Social Security considers whether an individual has an identified medically determinable mental impairment, assesses the individual's functional limitation to determine if it would render the individual unable to perform competitive work and assesses the duration of the impairment. Only after all these factors are considered, is a decision made on eligibility. Failure to consider each part of this body of evidence would both deprive people with disabilities of the full and fair evaluations they are entitled to receive and cause significant errors in the awarding of benefits to individuals who may not, in fact, be entitled to them.

Evidence of individual functioning is a key component of disability assessment for both adults and children with mental impairments. There is not a clear one-to-one correspondence between the severity of psychiatric symptomatology and an individual's functional capacity, and therefore their eligibility for disability benefits. Functional evidence, collected from various sources, is critical to making accurate determinations of disability. Congress itself has repeatedly recognized this fact; in its most recent amendments to the SSI child disability program (under the welfare reform law) Congress reiterated the need to consider functioning as part of the disability determination process.

Absent a careful study of the impact of this proposal, this amendment should not be considered. We urge the committee to reject any proposal which would limit evidence to only medical evidence.

REDUCING BENEFITS FOR THOSE IN CONGREGATE LIVING ARRANGEMENTS

Group homes are designed primarily as transitional housing for people with disabilities, and typically house four to six residents. They provide appropriate services and supports for residents, and assist them in building the skills they need to live more independently. Stable housing is critical to developing the full human potential of all people with disabilities, including those recovering from the symptoms of mental illness. Because of their declining access to public and assisted housing, and because of the closure of state hospitals and other large residential facilities, people with disabilities have come to rely heavily on group homes and other shared living arrangements to secure basic shelter.

While group homes take on many aspects of family living, residents do not have a legal obligation to support one another. Most derive their entire income from SSI benefits which, with the exception of a small monthly allowance, are customarily turned over to group home providers to cover operating expenses. Reducing SSI benefits to residents of group homes would create perverse incentives for people with disabilities to move from such homes, and for providers to shun people who had only SSI income. Alternatively, reducing benefits for people living in group homes would result in poorer quality homes with fewer supports and reduced allowances for living expenses.

According to the 1997 Worst Case Housing Needs report issued last week by the U.S. Department of Housing and Urban Development, people with disabilities experience some of the highest levels of unmet housing needs and are more likely to live in substandard housing. By reducing the economic viability of group homes for SSI recipients, the proposed reduction of benefits would clearly exacerbate these trends. The inevitable result is that people with disabilities will be housed in inappropriate, unduly restrictive, and unnecessarily expensive settings, such as hospitals, nursing homes and homeless shelters.

"TWO MARKED" STANDARD IN MEDICAL LISTINGS

We urge the Subcommittee to reject the proposal to require that all of the medical listings be based on a standard of "two marked" limitations. We opposed a similar provision in the welfare reform law with respect to children's SSI, and it is our interpretation that the welfare reform law did not require this level of disability for children.

The “two marked” standard is not an appropriate level of disability for adults. This would have the effect of significantly raising the level of disability required for benefits, and would be especially detrimental with respect to individuals with mental retardation, epilepsy, asthma, and cerebral palsy.

There is no evidence that this change is needed to address problems of fraud or abuse, and again there has been no careful study of the impact of such a change. What is the evidence that individuals who meet the current Medical Listings standard are not disabled and entitled to benefits?

CONCLUSION

This testimony concerns only three of the proposals which are circulating as potential amendments to the disability programs. However, the Bazelon Center also has concerns about other issues, and endorses the testimony of the Consortium for Citizens with Disabilities on these issues.

Thank you for the opportunity to submit this statement.

Statement of Laurie M. Flynn, Executive Director, National Alliance for the Mentally Ill

Mr. Chairman and members of Subcommittee, I am Laurie M. Flynn, Executive Director of the National Alliance for the Mentally Ill (NAMI). With more than 172,000 members, NAMI is the nation's leading grassroots organization solely dedicated to improving the lives of persons with severe mental illnesses including schizophrenia, bipolar disorder (manic-depressive illness), major depression, obsessive-compulsive disorder, and anxiety disorders. NAMI's efforts focus on support to persons with serious brain disorders and to their families; advocacy for nondiscriminatory and equitable federal, state, and private-sector policies; research into the causes, symptoms and treatment for brain disorders; and education to eliminate the pervasive stigma surrounding severe mental illness. NAMI has more than 1,140 state and local affiliates in all 50 states.

NAMI would like to thank you for holding this important hearing on combating fraud and abuse in the Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) programs. Immediately prior to this hearing, NAMI was provided with a list of proposed changes to the SSI and SSDI programs that are intended to address growing concerns about fraud and abuse on the part of beneficiaries, representative payees and intermediaries in the disability determination process. This list, dated April 21, contains over two dozen proposals, some of which would substantially change the current policy and structure of SSI and SSDI.

At the outset, I would like to make clear that NAMI is very concerned about the impact of fraud and abuse on both the SSI and SSDI programs. Improper overpayments, manipulation of existing benefit standards and lax oversight of the eligibility rules are issues that the NAMI membership believes both Congress and SSA should pay more attention to.

NAMI is troubled by reports from agencies such as the General Accounting Office (GAO) and the Office of Inspector General at SSA that fraud continues to occur in both the SSI and SSDI programs. Because so many people with the most severe and disabling mental illnesses rely on SSI and SSDI for basic support to live in the community, NAMI believes that every effort should be made to ensure that cash benefits go only to those who strictly comply with program rules governing eligibility and benefits. Fraud and abuse in these programs only serves to undermine the integrity of SSI and SSDI, and thereby endanger the future of a critical piece of the safety net for the most vulnerable people in our society.

While some of the proposals included in the Subcommittee's April 21 draft list of changes are important steps forward in combating fraud and abuse, others are troubling. Because the April 21 draft contains several vague and imprecise proposals, NAMI's comments are sometimes framed in the context of further questions about the potential implications that flow from changes in existing policy.

In addition, NAMI's comments also raise concerns as to whether some of these proposals are targeted reforms designed to root out fraud and abuse, or major changes in federal policy that may require further scrutiny about how deserving beneficiaries will be impacted. NAMI would urge members of the Subcommittee to measure each of these proposals by a standard of how they target documented patterns of fraud and abuse. Proposals that are unrelated to fraud and abuse should, in turn, be left for future reform efforts for SSI and SSDI. More importantly, NAMI urges the Committee to be careful to ensure that policy changes do not unfairly tar-

get beneficiaries who legitimately receive benefits and rely on these programs for basic needs.

RESPONSES TO THE SUBCOMMITTEE'S APRIL 21 REFORM PROPOSALS LIST

1. *"Bounty Hunter" expansion (#1d)*—This proposal appears to create a financial reward system for SSA workers and state DDS staff that report fraud and abuse in the SSI program. NAMI believes that this change in existing federal policy raises a number of concerns. Is it legal and proper for SSA workers and state DDS staff to have a personal financial stake in the outcome of pending claims and appeals before their agencies? Does this proposal have the potential to induce SSA and state DDS officials to manufacture evidence of fraud and abuse in order to gain personal financial reward? Does this proposal contain any provisions making it illegal for SSA and state DDS staff to manufacture such evidence? Are there specific penalties for agency staff that make false or unsubstantiated allegations against beneficiaries or applicants? What is the impact of this proposal on the traditional role of SSA and state DDS officials in counseling and information referral about rules governing SSI-SSDI eligibility and benefits (i.e., conflicting role of advocate and police)? Will this have a chilling effect on communications between SSA and state DDS agencies and the people they are supposed to be serving?

2. *Annual proof of residency requirement (#3a)*—This would require annual proof of residency in order to continue receiving cash assistance for persons whose benefits are sent to post office boxes. NAMI is concerned about the impact this change would have on persons with the most severe disabilities (including serious and persistent mental illness) who are at greatest risk of homelessness. Would beneficiaries who reside in group homes be required to present utility bills or other written proof if such evidence is not in their possession? What role would representative payees play in the process of offering the suggested proof of residence (utility bills, property tax bills, etc.) i.e., would representative payees be able to offer such proof on another's behalf? Does this proof requirement cover electronic transfer of funds? Would there be any provision to waive this requirement if an individual was experiencing a short-term hospitalization or other health emergency that prevented offering such proof? If cash benefits cease as a result of not providing such proof (for a valid reason) how would their benefits be reinstated? Finally, how would this change impact beneficiaries in remote areas that must have their mail delivered at a post office box?

3. *Limit use of non-medical functional evidence in the disability determination process (#3b)*—It is NAMI's understanding that this change is intended to bar introduction of evidence of non-medical functional impairment in the disability determination process. While this proposal on its face sounds reasonable (and the statute already requires that there be medical evidence), in practice, it would have disastrous consequences for people with severe mental illnesses.

Currently, many types of functional evidence are used to assist in determining eligibility. The current medical listings are often insufficient to support a finding of disability, even for an individual with a severe and persistent brain disorder such as schizophrenia or manic-depressive illness. In these cases, functional evidence—the very essence of disability—becomes critical to providing a full picture of the nature and limitations of an individual's condition. Failure to consider this evidence would deprive people with disabilities, including disabled workers, of the full and fair evaluations they are entitled to receive.

Moreover, restricting the use of functional evidence could actually have the unintended consequence of expanding eligibility for both SSI and SSDI beyond congressional intent. Current law bases eligibility upon a standard of disability that completely prevents a claimant from working in any job in the American economy. This high threshold helps prevent the program from being abused by those who, while diagnosed with an illness or condition on the medical listings, has the capacity to work. Central to this definition is the concept of an impairment limiting a claimant's functional capacity. Barring use of evidence related to functional capacity, i.e. relying solely on the medical listings, would create an enormous incentive for claimants and physicians to develop a diagnosis, just to get on the disability rolls. Allowing use of non-medical functional evidence will ensure that only those claimants with the most severe disabilities get on to these programs.

4. *Prohibition of transfer of assets (#3d)*—This proposal would bar asset transfers that facilitate SSI eligibility, i.e. adopting a standard consistent with recent changes in the Medicaid program (transfers made within 3 years are treated as financial resources of the person making the transfer and eligibility is restricted until the cumulative amount of benefits that would have been paid equals the uncompensated value of the transferred asset). Congress eliminated the SSI transfer of asset pen-

alty in 1988, recognizing that people transferred assets to establish Medicaid eligibility, not SSI eligibility. Moreover, Congress recognized in 1988 that administering a bar on transfers in the SSI program simply created an administrative nightmare for SSA, as well as for recipients who are elderly or disabled.

NAMI is very concerned that any attempt on the part of SSA to reinforce a ban on asset transfers will create huge problems for the agency, beneficiaries and families. The formulation in the proposal (relating a time bar on benefits to the value of the transfer) is fairer than the old two-year statutory bar. However, this bar could be life-threatening for many people who are severely disabled and have no means of survival during the time they are barred. Moreover, it is essential that the language protect transfers that are made to assist in providing for the life-long support of people with severe mental illnesses who are currently protected in Medicaid.

3. Repeal of the 10% rules on overpayments (#4a)—This proposal would eliminate the current 10% restriction on recovery of overpayments. While NAMI supports greater accountability in collection of SSI overpayments, we are concerned that adequate protections remain in the law for those persons with the most severe disabilities who rely on cash benefits for their most basic human needs. In many cases, plans for recovery of overpayments have been carefully tailored to allow the individual to continue in a stable housing environment and meet essential needs. Immediately doubling the amount recovered from their monthly benefits will, for many people, immediately result in loss of housing. For persons living in group homes who already have as much as 70% to 80% of their monthly benefits directed towards the group home sponsor/manager, cash assistance would end.

This proposal is especially troubling given SSA's own assessment that a substantial portion of instances of overpayments to beneficiaries occur as a result of errors made by agency staff, both at headquarters and in field offices. While NAMI agrees that such overpayments should be recovered, we are concerned that eliminating the current 10% cap is especially unfair in cases where the overpayment was the fault of SSA. Beyond these basic concerns, NAMI has a number of other questions regarding this proposal. Would SSA have complete discretion with respect to reducing benefits by 100% in order to collect overpayments? Would this proposal eliminate the "extreme hardship" protections in the law? Would SSA have any flexibility with respect to negotiation of waivers and extension of waivers?

4. Family cap (#6b)—This proposal would apply "family cap" reductions to multiple unrelated SSI recipients living in the same household, starting at 75% of benefits for 2 persons, on a sliding scale, down to 60% for 5 persons. In addition, the proposal would bar SSA from valuing in-kind support and maintenance (ISM). It is NAMI's understanding that this proposal is intended to cover unrelated persons living in group homes or other shared living arrangements that are managed and licensed by the local mental health or mental retardation authority. NAMI strongly opposes this proposal.

With regard to restricting valuations of ISM, NAMI is supportive, so long as this proposal is not joined to a "family cap" on unrelated individuals. The efforts of SSA to conduct valuations of ISM is an often difficult process for families who have a loved one with a severe mental illness. While NAMI applauds the efforts of the Committee to simplify this process for families, we are concerned that this important reform should not be joined to any plan to impose across-the-board cuts on beneficiaries solely because they are in a group living arrangement.

NAMI believes that Congress and SSA are rightly concerned that some beneficiaries may be manipulating current SSI program rules that increase monthly benefits for single adults. It is also true that shared living arrangements among SSI beneficiaries do provide some benefit to residents in terms of economies of scale. Unfortunately, this proposal makes no attempt to delineate alleged abuses involving former spouses and other unmarried persons co-habiting and unrelated persons living in group homes. By contrast, residents in group homes are typically complete strangers prior to their moving into a shared living arrangement.

There is simply no independent evidence from the General Accounting Office (GAO) or the SSA Inspector General (i.e., no reference was made at the April 21 Subcommittee hearing) that persons move into group homes for the purpose of defrauding SSA to collect more benefits. In fact, if this proposal were adopted, it is likely that persons now residing in group homes would be induced to leave to return to a 100% monthly cash benefit. In most instances, this would result in their leaving a stable housing environment (where they have access to treatment and supports) for homelessness.

NAMI believes that it is important to note that group homes are the current preferred model for community-based living for persons with the most severe disabilities, especially mental disabilities. Most treatment professionals view group homes as a cost effective means of linking housing and services in a way that prevents

costly institutionalization. In most group homes serving people with disabilities, the sponsor/manager is already permitted to “garnish” a substantial portion of monthly SSI benefits of residents in order to defray the costs of managing the group home (for staff salaries, food, utilities, etc.). An additional 25% to 40% cut in monthly benefits would result in cash assistance being completely eliminated; nothing would be left to cover other essential expenses such as clothing, education, transportation and health care (including whatever Medicaid cost sharing requirements that may exist in the state).

This proposal has the potential to lock residents permanently in group homes, with no hope for improvement in one’s prospects through education and job training. NAMI feels strongly that federal policy should not foster such permanent dependence on public programs. Moreover, if a group home resident is also under an overpayment recovery action, they would likely be in a negative benefit situation, i.e. SSA would be attempting a higher overpayment recovery from someone still eligible for SSI, but whose cash benefit is zero.

5. “2 Marked” standard in the SSA medical listings (#7f)—This proposal appears to establish a new standard throughout the SSA medical listings based on the new standard for the Children’s SSI program. This new “2 marked” standard was the subject of extensive debate in the 104th Congress as part of the exhaustive work the Committee did on welfare reform legislation. However, this debate occurred in the context of childhood disability in general, and childhood mental impairments in particular. This “2 marked” standard was developed, in part, because of the imprecise nature of diagnosis of mental illness in children. However, scientific knowledge on mental illness in adults is very different. For example, a brain disorder such as schizophrenia has precise boundaries in adults, but is extremely rare in young children. As a result, SSA’s medical listings are able to function properly and accurately in determining who is eligible for benefits.

Beyond concerns about the propriety and scientific merit of adopting a “2 marked” standard in the medical listings, NAMI believes that there are procedural problems with enacting such a major policy change as part of a limited package of narrow SSI–SSDI anti-fraud reforms. The brief description contained in the Subcommittee’s April 21 list leaves many questions unanswered. Would this new standard be applied retroactively to existing beneficiaries? Would SSA be required to re-evaluate every adult SSI and SSDI recipient by a fixed date (as was done with the SSI children’s standard), or would re-evaluations occur as part of regularly scheduled CDRs?

At this point, no hearings have been held in either the Human Resources or Social Security Subcommittees on enacting such a major change to the current medical listings. Moreover, SSA is currently undertaking a comprehensive examination of medical listings to ensure that they are updated to reflect medical advances in diagnosis and treatment of disabling illnesses. NAMI supports efforts to ensure that the medical listings reflect the most advanced science regarding disability. Across the board changes to the substantive standards in the medical listings should wait for recommendations from GAO, SSA, NASI and scientific bodies such as the IOM and the NSF. Targeted anti-fraud and abuse provisions are simply an inappropriate legislative vehicle for such changes.

CONCLUSION

Mr. Chairman, NAMI would like to thank you for the opportunity to raise these concerns with the Subcommittee. NAMI’s membership stands ready and willing to work with you and your colleagues to ensure that the integrity of the SSI and SSDI programs is preserved. However, we are very concerned that some of these attempts to eliminate fraud and abuse may, in fact, go too far and would, if enacted, unnecessarily restrict eligibility and benefits for people with the most severe and disabling mental illnesses. We urge the Subcommittee to carefully weigh each of these proposals to ensure that none of them unfairly targets the most vulnerable in our society.

