

**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 SIXTH CONGRESS

FIRST SESSION

—————  
FEBRUARY 3, 1999  
—————

**Serial 106-2**

---

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

56-028 CC

WASHINGTON : 1999

## COMMITTEE ON WAYS AND MEANS

BILL ARCHER, Texas, *Chairman*

PHILIP M. CRANE, Illinois	CHARLES B. RANGEL, New York
BILL THOMAS, California	FORTNEY PETE STARK, California
E. CLAY SHAW, Jr., Florida	ROBERT T. MATSUI, California
NANCY L. JOHNSON, Connecticut	WILLIAM J. COYNE, Pennsylvania
AMO HOUGHTON, New York	SANDER M. LEVIN, Michigan
WALLY HERGER, California	BENJAMIN L. CARDIN, Maryland
JIM McCREERY, Louisiana	JIM McDERMOTT, Washington
DAVE CAMP, Michigan	GERALD D. KLECZKA, Wisconsin
JIM RAMSTAD, Minnesota	JOHN LEWIS, Georgia
JIM NUSSLE, Iowa	RICHARD E. NEAL, Massachusetts
SAM JOHNSON, Texas	MICHAEL R. McNULTY, New York
JENNIFER DUNN, Washington	WILLIAM J. JEFFERSON, Louisiana
MAC COLLINS, Georgia	JOHN S. TANNER, Tennessee
ROB PORTMAN, Ohio	XAVIER BECERRA, California
PHILIP S. ENGLISH, Pennsylvania	KAREN L. THURMAN, Florida
WES WATKINS, Oklahoma	LLOYD DOGGETT, Texas
J.D. HAYWORTH, Arizona	
JERRY WELLER, Illinois	
KENNY HULSHOF, Missouri	
SCOTT McINNIS, Colorado	
RON LEWIS, Kentucky	
MARK FOLEY, Florida	

A.L. SINGLETON, *Chief of Staff*

JANICE MAYS, *Minority Chief Counsel*

---

## SUBCOMMITTEE ON HUMAN RESOURCES

NANCY L. JOHNSON, Connecticut, *Chairman*

PHILIP S. ENGLISH, Pennsylvania	BENJAMIN L. CARDIN, Maryland
WES WATKINS, Oklahoma	FORTNEY PETE STARK, California
RON LEWIS, Kentucky	ROBERT T. MATSUI, California
MARK FOLEY, Florida	WILLIAM J. COYNE, Pennsylvania
SCOTT McINNIS, Colorado	WILLIAM J. JEFFERSON, Louisiana
JIM McCREERY, Louisiana	
DAVE CAMP, Michigan	

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

## CONTENTS

---

	Page
Advisory of January 27, 1999, announcing the hearing .....	2
WITNESSES	
Social Security Administration:	
John R. Dyer, Principal Deputy Commissioner .....	9
James G. Huse, Jr., Acting Inspector General .....	23
U.S. General Accounting Office, Cynthia M. Fagnoni, Director, Income Security Issues, Health, Education, and Human Services Division .....	26
-----	
American Coalition for Filipino Veterans, Inc., Eric Lachica .....	39
Arc of the United States, and Consortium for Citizens with Disabilities, Marty Ford .....	34
Filner, Hon. Bob, a Representative in Congress from the State of California ...	6
SUBMISSIONS FOR THE RECORD	
Campbell, Hon. Tom, a Representative in Congress from the State of California, statement .....	56
National Alliance for the Mentally Ill, Arlington, VA, Gerald R. Tarutis, statement .....	57

**SUPPLEMENTAL SECURITY INCOME FRAUD  
AND ABUSE**

---

**WEDNESDAY, FEBRUARY 3, 1999**

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

The Subcommittee met, pursuant to notice, at 3:15 p.m., in room B-318, Rayburn House Office Building, Hon. Nancy L. Johnson (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

January 27, 1999

No. HR-1

### **Johnson Announces Hearing on Supplemental Security Income Fraud and Abuse**

Congresswoman Nancy L. Johnson (R-CT), 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 Wednesday, February 3, 1999, in room B-318 of the Rayburn House Office Building, beginning at 3:30 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, the U.S. General Accounting Office (GAO), and other organizations. 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:**

SSI will provide more than \$27 billion to 6.6 million aged, blind, and disabled recipients this year. In several reports issued since 1997, GAO has kept SSI on its list of government programs at "high-risk" for waste, fraud, abuse, and mismanagement. The problems uncovered by GAO are wide-ranging. One problem is the ability of applicants to divest their assets in order to qualify for SSI benefits. A second problem is the lack of adequate information on the income, resources, and public benefits of SSI recipients that could limit their eligibility for the program. A third 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 addressed some of these problems in the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (P.L. 104-193). For example, the Act 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 Johnson stated: "Although the SSI program continues to be on GAO's list of programs at high risk of waste, fraud, and abuse, I think that we have started to make real progress in fixing the problems. We have taken bi-partisan action such as ending benefits for drug addicts and alcoholics, prisoners, and others who had no rightful claim on taxpayer-paid benefits. We are now working on another set of reforms that we think will lead to further improvements. Working together, we can improve this program, protect taxpayers, and finally get SSI off the list of vulnerable programs."

**FOCUS OF THE HEARING:**

The hearing will focus on fraud and abuse within 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 six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the close of business, Wednesday, February 17, 1999, 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, by close of business the day before the hearing.

**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 submitted on an IBM compatible 3.5-inch diskette WordPerfect 5.1 format, typed in single space and may not exceed a total of 10 pages including attachments. 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, company, address, telephone and fax numbers where the witness or the designated representative may be reached. 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 JOHNSON of Connecticut [presiding]. All right. The hearing on SSI will now begin. First of all, let me compliment the Social Security Administration, the Office of SSA Inspector Gen-

eral, and the General Accounting Office. All of these organizations have worked together with staff from both sides. Oh, I did forget. I don't know how I skipped over it. I am sorry. I did want to introduce the staff before I went on to the rest of the program. Ron Haskins is my chief of staff. Ron, stand up. Why don't you stand up as I introduce you. Cassie Bevan, Margaret Pratt, Shavonne McNeill, and Nick Gwyn, the staff for the other side. But, we are very blessed to have very knowledgeable staffers on both sides of the aisle, and for that, I am very grateful.

To go back to this hearing, this is a hearing that has been prepared in close cooperation and in close communication, more importantly, with the Social Security Administration, the Office of Inspector General, and the General Accounting Office. All of these offices have worked with our staff on both sides and Ben and I, to introduce the bill before us.

It seems especially appropriate to observe that this legislation represents the Federal Government at its best. Both the Inspector General and the GAO have carefully studied the administrative procedures being followed by the Social Security Administration, as well as types of fraud and abuse that were occurring in the program. On this basis, they recommended changes that show promise of reducing fraud and abuse, saving taxpayers' dollars, but protecting and preserving the purpose of the program.

Although I am a new Chairman of this Subcommittee, I served on this Subcommittee for many years under Tom Downing. And I want to emphasize the record of bipartisan work that has developed over all of these years, and a lot over the past 3 years.

Bipartisan bills include legislation on promoting adoption, on ending discrimination in foster care and adoptive placements, and on strengthening child support enforcement. These bills went on to receive overwhelming bipartisan support on the House and Senate floors, and to be signed into law by the President. So, this important SSI bill joins a growing list of measures originated by this Subcommittee that have enjoyed broad bipartisan support.

And as you can tell from my comments, not only have we worked together in many other instances that some of you may recall, but we both come to this subject with a lot of interest and experience in the past and commitment to addressing some of the current problems in the future. In this spirit, I want to draw our attention to what looks like a significant shift in the way the Social Security Administration approaches its responsibilities in dealing with fraud and abuse and the programs under its stewardship.

As the General Accounting Office pointed out in a recent report, the culture of SSA as an organization has been focused almost exclusively on developing procedures to make sure people get their benefits. As a result, SSA does not have a track record of diligence in working to minimize fraud and abuse. I think the role that SSA played in developing this bill, as well as their solid implementation of the 1996 reforms of the SSI Children's Program, shows that they are absolutely capable of seriously implementing fraud and abuse prevention and provisions, and at the same time, guaranteeing a very high level of performance in delivering appropriate benefits.

[The opening statement follows:]

**Opening Statement of Hon. Nancy L. Johnson, a Representative in  
Congress from the State of Connecticut**

I want to begin by complementing the Social Security Administration, the Office of SSA's Inspector General, and the General Accounting Office. All of these organizations have worked together to develop the provisions in the bill that Ben Cardin and I introduced earlier today.

It seems especially appropriate to observe that this legislation represents the federal government at its best. Both the Inspector General and GAO carefully studied the administrative procedures being followed by the Social Security Administration as well as the types of fraud and abuse that were occurring in the program. On this basis, they recommended changes that show great promise for reducing fraud and abuse and thereby saving taxpayer dollars.

Although I am new as Chairman of this Subcommittee, I served on the Subcommittee for many years under Tom Downey and I want to emphasize the record of this Subcommittee in producing bipartisan legislation over the past three years. These bipartisan bills included legislation on promoting adoption, on ending discrimination in foster care and adoptive placements, and on strengthening child support enforcement. All of these bills went on to receive overwhelming bipartisan support on the House and Senate floors and to be signed into law by the President. So this important SSI reform bill joins a growing list of measures, originated by this Subcommittee, that have enjoyed broad bipartisan support.

Mr. Cardin and I have worked on many issues over the years and we share an interest in practical, effective solutions to the nation's social problems. I am looking forward to working with you, Ben, for at least the next two years.

In this spirit, I want to draw attention to what looks like a significant shift in the way the Social Security Administration approaches its responsibilities in dealing with fraud and abuse in the programs under its stewardship. As the General Accounting Office pointed out in a recent report, the culture of SSA as an organization has been to focus almost exclusively on developing procedures to make sure people get their benefits. As a result, SSA does not have a track record of vigilance in working to minimize fraud and abuse. I think the role that SSA played in developing this bill, as well as their solid implementation of the 1996 reforms of the SSI children's program, shows that they now take these issues seriously and that in the future we can expect the same level of performance in attacking fraud and abuse as in providing appropriate benefits.

I thank all our distinguished witnesses for appearing today to give us the benefit of your comments on our bill. We will pay close attention to your testimony. Mr. Cardin, would you care to make an opening statement?

---

Chairman JOHNSON of Connecticut. I thank all of our witnesses who are appearing today, and to give us the benefit of your comments on our bill. We will pay close attention to your testimony.

Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. We are off to a good start. At this hearing we will be concentrating on SSI and fraud, the bill that was filed by the Chair and myself in a very bipartisan way. It is a good start for the Subcommittee and I think it bodes well for our future.

SSI is a very important program to millions of Americans. There are 6.6 million low-income, elderly and disabled Americans who benefit from SSI. It means the difference for many people of being able to keep their heads above water or living or drowning in poverty. Fraud is disturbing in SSI because of the importance of that program. And it is important for us to look at ways to rid out with the system, fraud, so that people who need and benefit from SSI can continue to do so.

Our bill attempts to deal with this problem in a responsible way. The bill provides for the administration to be able to get more data on SSI applicants and make sure that they are truly eligible for the benefits. It adds additional protections that are already in the Med-



icaid Program related to individuals disposing of their assets in order to obtain SSI benefits, and provides stronger penalties for those who are guilty of fraud.

It is important to note, however, the bill does not include past proposals to lower benefits for multiple SSI recipients who live in the same household. It does not limit the evidence used to determine a child's eligibility for SSI or eliminate the cap on how much a recipient's current benefits can be reduced to recoup past overpayments. Our proposal focuses on cutting fraud, not benefits to needy individuals.

I do look forward to listening to the witnesses as to how they believe we can improve SSI and the administration of the program. That we can strike the right balance between reducing fraud while still protecting those in need. We do have a distinguished panel of witnesses today, and we look forward to your testimony. I particularly want to acknowledge my colleague from California, Congressman Filner. It is a pleasure to have you before our Subcommittee.

Chairman JOHNSON of Connecticut. Representative Filner, it is a pleasure to have you and thank you for your interest.

**STATEMENT OF HON. BOB FILNER, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. FILNER. Thank you, Madam Chair. Mr. Cardin and colleagues, I thank you for your courtesy. You have an ambitious agenda ahead of you and I wish you well on it.

I want to thank you for your consideration today in the legislation of a measure to allow Filipino World War II veterans who are currently citizens of the United States and receiving SSI benefits, to return to the Philippines with a portion of these benefits intact. Congressman Gilman, the distinguished Chair of the International Relations Committee, has recently introduced associated legislation, H.R. 26, the Filipino Veterans SSI Extension Act, of which I am an original cosponsor. You may know that Congressman Gilman and I have been working long and hard for several years on behalf of this group of great veterans, and we are most appreciative of your interest in this important matter.

Thousands of Filipino World War II veterans who were drafted into service during World War II by President Roosevelt and then denied benefits by Congress in 1946, have immigrated since to the United States. It was widely, but mistakenly believed by them that when they arrived in the United States, their veterans benefits would be restored, and they would have the financial means to bring their families to the United States. Instead, many of these veterans, who today are in their seventies and eighties, are ill, lonely, and living in poverty in our major cities. Your consideration of a measure to provide relief for these Filipino veterans is very wise.

Most importantly, the measure would allow families to be united and many veterans would no longer be lonely and living in poverty in the United States. But, in addition, our government would save millions and millions of dollars, the amount of savings dependent on how many veterans actually return to the Philippines. Savings would come from the reduced amount of SSI payments the veterans would receive in the Philippines, as well as the elimination of Med-

icaid and food stamp payments, which these veterans currently receive while residing here.

I urge you to include in the legislation that is before you today this provision to allow Filipino World War II veterans who are currently citizens of the United States and receiving SSI payments to take a portion of their benefits with them if they return to live in the Philippines.

Thank you, Madam Chair, for allowing me to speak on behalf of these brave veterans of World War II.

[The prepared statement follows:]

**Statement of Hon. Bob Filner, a Representative in Congress from the State of California**

Madame Chairman and colleagues, I would like to thank you for your consideration, today, of a measure to allow Filipino World War II veterans who are currently citizens of the United States and receiving SSI benefits to return to the Philippines with a portion of these benefits intact.

Congressman Gilman, Chairman of the International Relations Committee, has recently introduced associated legislation, H.R. 26, the Filipino Veterans SSI Extension Act, of which I am an original co-sponsor. You may know that Congressman Gilman and I have been working long and hard for several years on behalf of this group of brave veterans, and we are most appreciative of your interest in this important issue.

Thousands of Filipino World War II veterans, who were drafted into service during the war by President Franklin D. Roosevelt and then denied benefits by Congress in 1946, have immigrated to the United States. It was widely but mistakenly believed by them that when they arrived in the United States, their veterans benefits would be restored and they would have the financial means to bring their families to the States. Instead, many of these veterans who today are in their 70s and 80s are ill, lonely, and living in poverty in our major cities.

Your consideration of a measure to provide relief for these Filipino veterans is very wise! Most importantly, this measure would allow families to be united—and many veterans would no longer be lonely and living in poverty in the United States.

But, in addition, our government would save millions of dollars, the amount of savings dependent on how many veterans returned to the Philippines. Savings would come from the reduced amount of SSI payments the veterans would receive in the Philippines, as well as the elimination of Medicaid and food stamp payments which these veterans currently receive in the United States.

I urge you to include, in the legislation before you today, this provision to allow Filipino World War II veterans who are currently citizens of the United States and receiving SSI payments to take a portion of their benefits with them if they return to live in the Philippines! Thank you, again, for allowing me to speak on behalf of Filipino World War II veterans.

---

Chairman JOHNSON of Connecticut. Thank you, Congressman. You stated the case very, very well, and it is a very important matter to consider. We will discuss it as a Committee and let you know.

Mr. FILNER. Thank you very much.

Chairman JOHNSON of Connecticut. Are there questions? Scott, Congressman McInnis of Colorado.

Mr. McINNIS. Thank you, Madam Chairman. How many other countries do we allow this to occur in? Do we allow it to happen to residents of France that fought in World War II on our behalf or residents of Canada or residents of Mexico?

Mr. FILNER. I know of no other nation, Congressman. However, what we have here is a unique situation. Out of the 66 nations whose nationals actually served in World War II, only one nation, the Philippines, had their nationals denied the benefits that were

implicitly and explicitly promised. That is, we are in a unique situation in terms of an actual act of Congress that was passed in 1946, 53 years ago, that took away the benefits that had been promised. So Congress acted in 1946, and it has been a matter, in my opinion and many people in this Nation, of injustice and a blot on our own historical record that we have been trying to correct since.

Mr. MCINNIS. What is the reasoning? I mean, the Congress didn't just decide to be mean to people from the Philippines. I mean, there must be some basis for this decision in 1946.

Mr. FILNER. To put the best light on it, the Philippines were a dependency of the United States, and did receive their independence in 1946. The Congress at that point said you have got independence, it is your problem now to take care of these folks. And I think there was a tinge of racism, given the fact that nationals of 65 other nations did receive benefits. But to put the best light on it, it was seen as a reaction to the independence, and therefore, solve your own problems.

Mr. MCINNIS. One more question on my mind, Madam Chairwoman. That is, Congressman, do you have copies of the historical records on the—

Mr. FILNER. Oh, yes.

Mr. MCINNIS. Could you give us a copy of that?

Mr. FILNER. We would be happy to. We have tons.

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

Mr. FILNER. This has been an issue that has occupied Congressman Gilman and other Congressmen in this Congress, and Senators, for many, many years. Historians have written on it. There is a statement by Congressman Campbell which summarizes the case; you will have a witness later today on the panel who will have that, but we can provide you with much of the material, and I appreciate your interest, sir.

Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. I might note that the legislation would cover only those who are on the rolls at this time and that the provision will actually save money because of the reduced benefit that those who take up this option would agree to.

Mr. Cardin.

Mr. CARDIN. I was just going to point out that the Committee has received from the last Congress an estimate on H.R. 4716, which I believe is the provision that you are referring to, that it would reduce spending, direct spending by \$4 million over the 1999 to 2003 period, and \$30 million potential savings. So, the bill would reduce middle cost.

Mr. FILNER. Thank you, Mr. Cardin.

Chairman JOHNSON of Connecticut. I have the pleasure to welcome Mr. Jefferson to our meeting. Any questions or comments from any other Member?

Thank you very much, Mr. Filner.

Mr. FILNER. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. I would like to call forward John Dyer, who is Principal Deputy Commissioner of the Social Security Administration. Welcome, it is a pleasure to have you.

**STATEMENT OF JOHN R. DYER, PRINCIPAL DEPUTY  
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION**

Mr. DYER. Good afternoon. Thank you, Madam Chair, and Members of the Subcommittee, for this opportunity to appear before you today to discuss our mutual commitment to strengthening the integrity of SSI, the Supplemental Security Income Program. We have appreciated the opportunity to work closely with this Subcommittee in identifying and refining approaches to strengthen the administration of the Nation's SSI Program.

About 6.5 million aged, blind, and disabled individuals, who have little income or resources, now receive monthly SSI benefits. More than 2 million are age 65 or over, and of these, over half are 75 or older. Nearly three-fourths are women, and many if not most are widows. At the other end of the age spectrum, nearly 890,000 are severely disabled children.

These individuals are also among our most vulnerable citizens. For them, SSI is truly the program of last resort, providing a safety net that protects them from complete impoverishment. We must, therefore, work to increase the administrative efficiency of the SSI Program while assuring the program continues to meet the needs of people who are dependent upon it.

We believe that a key element of stronger SSI management is ongoing program evaluation and public accountability.

Last April, I appeared before this Subcommittee to discuss the development of a comprehensive SSI management plan. We told you we would produce one, and this last October, the Commissioner issued such a plan.

The areas identified for improvement are overall payment accuracy; increasing continuing disability reviews; approving debt collections; and, expanding our effort to combat program fraud. In each area, we have set challenging, but achievable, goals.

To improve payment accuracy, we have expanded our successful electronic information significantly over the last few years with Federal and State agencies, prisons, jails, and other correctional facilities.

This past October, we began State wage and unemployment information matching through the National Directory of New Hires database. This matching effort has produced more than 350,000 alerts about wages on records of SSI beneficiaries and their spouses, or their parents if they are children. By 2002, we expect that this matching effort will prevent \$110 million in overpayments each year.

The President's fiscal year 2000 budget calls for increasing the number of redeterminations of individuals' income and resources to 2.2 million for a total increase of 22 percent over the fiscal year 1998 number of redeterminations. Through this initiative, we expect to reduce overpayments by \$260 million annually by fiscal year 2002. When overpayments do occur, our debt collection efforts are vital. Each year, SSA detects substantial amounts of SSI overpayments, more than \$1.3 billion in fiscal year 1998. SSA has collected about \$539 million of the 1998 debt this past year. Over a period of several years, a substantial part of each year's discovered debt is recovered. For example, so far we have recovered about 60 percent of the new debts that we discovered in 1990.

We are also focusing on program fraud. SSA and our Inspector General have developed a comprehensive antifraud plan, which we call Zero Tolerance for Fraud, which our OIG will discuss later in this hearing.

Last May, Commissioner Apfel sent to the Congress the Supplemental Security Income Program Integrity Act of 1998, and proposals in that bill have been included in the President's fiscal year 2000 budget. We are encouraged that the Subcommittee has included most of our proposals in its draft bill, the SSI Fraud Prevention Act of 1999. These provisions will strengthen the SSI Program and will help us manage this important program.

The SSI proposals under discussion today generally fall into three categories: Payment accuracy, debt collection and antifraud. Both our and the Subcommittee's proposals will improve payment accuracy by providing for data matches that will enable us to identify unreported changes earlier, so that we can prevent or reduce overpayments. Specifically, these proposals would require further matches with the Health Care Financing Administration's nursing home admission data, which will help SSA to identify unreported admissions of SSI beneficiaries.

Second, the proposals would require SSI applicants and beneficiaries to authorize SSA to obtain all financial records from any and all financial institutions so that we can obtain the information electronically. These matches will help uncover undisclosed accounts, and allow us to get information more efficiently. In addition, we support the proposal in the Subcommittee's bill that would deem SSA's rigorous data privacy standards to meet all State standards for the purposes of sharing data.

With regard to debt collection, both our and the Subcommittee's bills would extend to SSI all overpayment debt collection authorities currently available under the Old-Age, Survivors, and Disability Insurance Program. These include reporting delinquent debt to credit bureaus, using private collection agencies and charging interest. We also support the Subcommittee's proposal relating to overpayment collections from individuals convicted of crimes.

Our antifraud initiatives would be greatly strengthened with the enactment of the administrative sanctions that we both have proposed, as would the proposal in the Subcommittee's bill for penalties for attorneys and physicians who commit program fraud. The proposal requiring SSA to look for patterns of abuse by physicians who conduct consultative examinations is a useful tool for strengthening the integrity of the program.

Although not strictly antifraud proposals, we thank the Subcommittee for adopting the Administration's proposals to close loopholes in current law that allow SSI applicants to contravene basic program principles, namely that an individual with the means to provide for his or her needs should use them for this purpose. With the enactment of these proposals, individuals would no longer be able to dispose of their resources for less than fair market value or shelter them in a trust solely to qualify for SSI benefits.

In conclusion, we are pleased that the Subcommittee has included in its bill almost all of the Administration's payment accuracy, debt collection, and antifraud proposals. The Commissioner and I believe that we have common ground to advance meaningful

legislation that will improve SSA's administration of SSI. By working together, we can strengthen this vitally important program.

This concludes my testimony, and you have my written statement. I would be glad to answer any questions, Madam Chair.

[The prepared statement follows:]

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

Madame Chair and Members of the Subcommittee:

I appreciate this opportunity to appear before the Subcommittee to discuss the Social Security Administration's (SSA) ongoing efforts for strengthening the integrity of the Supplemental Security Income (SSI) program and the provisions in the Subcommittee's bill, the "SSI Fraud Prevention Act of 1999." SSA is firmly committed to effective management of the SSI program, and we look forward to working with the Subcommittee to strengthen the SSI program.

We are pleased that the proposals that have been advanced by the Administration have been included in the Subcommittee's own draft bill. We believe that these measures will help SSA to ensure that individuals who are eligible for SSI receive the correct amount of assistance, while further reducing the possibility that individuals erroneously receive benefits. SSA continually strives to balance our responsibility to process initial applications promptly with our duty to ensure that payments made are accurate.

SSA has established major administrative initiatives to improve Agency stewardship of the SSI program. These initiatives demonstrate our commitment to take the actions necessary to effectively deal with program integrity issues. A number of initiatives that SSA has underway will yield results in the near future, while others will take longer to produce significant improvements. We will aggressively monitor each initiative and make modifications when necessary to ensure that the best possible results are achieved.

CURRENT BENEFICIARIES

Before I begin discussing specific program issues and proposals, I would like to give you some idea of the scope of the SSI program. The positive effects that the SSI program has on millions of needy aged, blind, and disabled individuals of this country is best described through the individuals that the program serves.

On average during fiscal year (FY) 1998, 6.6 million aged, blind, and disabled individuals received SSI benefits on a monthly basis. For these beneficiaries, SSI is a vital lifeline that enables them to meet their needs for basic necessities of food, clothing, and shelter. In FY 1998, these individuals received more than \$27 billion in Federal SSI benefits and an additional \$3 billion in State supplementary payments.

More than 2 million of the individuals receiving SSI are 65 or older. Of these, over half (57 percent) are 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 890,000 severely disabled children under age 18 receive benefits.

The 1999 Federal SSI benefit rate is \$500 a month. While the 1999 Federal poverty guidelines have not yet been published, the SSI monthly benefit rate over the years has consistently represented just 74 percent of the Federal poverty guideline for an individual. The Federal benefit rate for eligible couples—\$751—represents 82 percent of the poverty guidelines for two persons.

Here are some typical examples of SSI beneficiaries:

- An aged beneficiary who is a 71 year-old widow and lives alone in a rented apartment, has only a small OASDI check and no other income. For her, the SSI check along with her small survivors benefit provides only a basic level of subsistence;
- A disabled beneficiary who is 45 years old and mentally ill. This beneficiary has had limited or no prior connection to the workforce (and therefore no OASDI benefits) and no other income; and
- A disabled child who is 12-years old with mental retardation, with a single parent who has no income or who works and has fluctuating wages. Their total family income is well below established poverty guidelines.

As you can see, these individuals are among the most vulnerable Americans. For them, SSI is truly the program of last resort and is the safety net that protects them from complete impoverishment.

After a decade of substantial growth, the number of SSI beneficiaries has leveled off. A projection of SSI participants presented in the 1998 "Annual Report of the

Supplemental Security Income Program,” that was sent to Congress in May, indicates that the program is expected to grow only modestly over the next 25 years. Expressed as a percentage of the total U.S. population, the number of Federal SSI beneficiaries declined from its 1996 level of 2.3 percent to 2.2 percent in 1997, and is projected to remain fairly level at roughly 2.2 percent of the population through 2022.

#### PROGRAM ADMINISTRATION

In 1972, when the SSI program was established, Congress moved the responsibility for administering programs for needy aged, blind, and disabled individuals from the States to the Federal Government. SSA was given the job of administering SSI because Congress wanted to provide a standard floor of income to needy aged, blind, and disabled individuals based on nationally uniform criteria.

From that perspective, the program and SSA’s administration of it have been highly successful. SSA has always aimed to administer this program in a uniformly fair, humane, and responsive manner. Our efforts have been designed to maximize the program’s efficiency while, at the same time, to safeguard its integrity and to meet our responsibilities to the American taxpayers. Achieving this balance has been and continues to be one of SSA’s biggest challenges.

However, what the framers of the SSI program may not have fully recognized was the complexity associated with designing and administering a system that is sensitive and responsive to individuals’ changing needs. The program has become increasingly complex over the years due to numerous changes that were enacted in response to concerns about program policies that address the multiplicity of events and situations that occur in the everyday lives of aged, blind and disabled individuals.

We have always been committed to administering the SSI program as efficiently and accurately as possible. It is important to our nation and the needy aged, blind, and disabled individuals that the program serves. We are strengthening the administration of SSI in order to retain public confidence in the program.

Our reliance on recipient reporting, data matches, and selective, periodic eligibility reviews has permitted SSA to achieve a relatively good payment accuracy rate for the SSI program. In FY 1997, the payment accuracy rate—a widely employed gauge of how well the program is being administered—was about 94.7 percent. However, we believe we can improve our administration of the SSI program in ways that will further increase the accuracy rate and reduce erroneous payments.

Our goal is to increase the accuracy rate to 96 percent by 2002 through management improvements and through the changes that we have recommended in our legislative proposals, which are included in the draft bill under consideration by this Subcommittee. Many of the proposals in the Subcommittee bill were included in the “Supplemental Security Income Program Integrity Act of 1998,” which Commissioner Apfel sent to the Congress on May 4, 1998.

#### SSI MANAGEMENT REPORT AND INITIATIVES

As the Commissioner has stated, one of the key elements of stronger management of the SSI program is ongoing evaluation and public accountability. Last April, I appeared before the Subcommittee and discussed the development of a plan which would allow SSA to reach our 96 percent payment accuracy goal. This plan is embodied in the report “Management of the Supplemental Security Income Program: Today and in the Future,” which was issued by Commissioner Apfel in October. Copies of the report were sent to the Subcommittee and the other committees in Congress with responsibility for the SSI program.

The report was prepared at the direction of Commissioner Apfel and led to a comprehensive review of the SSI program, which identified the program’s challenges and vulnerabilities. Our review identified areas in which the SSI program can be better managed: improving overall payment accuracy; increasing continuing disability reviews; expanding our efforts to combat program fraud; and improving debt collections. In each area, we have set aggressive but achievable goals to improve our management of the program. The SSI report—the first ever issued by SSA—demonstrates Commissioner Apfel’s and the Agency’s commitment to meeting these goals.

#### PAYMENT ACCURACY

In order to understand the complexity of the program, it is essential to understand how SSI payments are calculated.

Two factors used to determine an individual's monthly benefit are income and living arrangements. Income can be in cash or in-kind, and is anything that a person receives that can be used to obtain food, clothing, or shelter. It includes cash income such as wages, OASDI and other pensions, and unemployment compensation. In-kind income includes food, clothing, and shelter or something someone can use to obtain those items. Generally, the amount of the cash income or the value of the in-kind income is deducted from the Federal benefit rate, which is currently \$500 a month. SSI is designed to supplement the individual's other income up to a minimum monthly floor of income.

Individuals' SSI benefit amounts also may change if they move into a different living arrangement. By living arrangement, we mean whether a person lives alone or with others, or resides in a medical facility or other institution. When individuals move into nursing homes, their benefits may be reduced to not more than \$30 per month, and when they leave their benefit may be increased. If they move from their own household into the household of another person, and that person provides food, clothing, or shelter, their benefits also may be reduced. If their incomes or resources in a month exceed the limits specified in the law they may be ineligible. The design of the SSI program requires SSA to take into account the many changes in an individual's financial and personal life and make adjustments in benefit payments to reflect those changes.

To a significant extent, SSA must rely on applicants and beneficiaries to report relevant information that may affect their benefits, especially information that is not available from other sources. For example, reports of people moving in and out of a household would not be available from any other source than the recipients. Because it is extremely difficult for SSA to obtain information about every change in an individual's income, resources, or living arrangement in a timely fashion, there will inevitably be some overpayments and underpayments that will be made some month.

The first line of defense against overpayments is to assure that those who receive SSI understand how the program works and why timely reports of changes are important. At every opportunity, our employees emphasize to SSI beneficiaries or their representative payees the importance of reporting changes in their circumstances. However, if beneficiaries do not report or if reports are made or changes occur after benefits have been paid, overpayments may occur. We have found that often, beneficiaries do not fully understand how changes in their everyday situations may affect their eligibility for SSI or the amount of their monthly payment; nor do they always understand their responsibility to report changes, even seemingly minor changes that still can affect their eligibility or monthly payment.

For example, every time the wages of a disabled child's parent fluctuate because of working extra hours, because of a raise, or because of an additional payday within a month, the amount of income deemed to the child changes. 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.

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 and that access to data is vitally important in our plans to improve program administration.

To this end, we have expanded our electronic information exchanges significantly over the years. Currently our computer matching efforts include matches with:

- Office of Personnel Management;
- Department of Veterans Affairs;
- Railroad Retirement Board;
- Internal Revenue Service;
- Health Care Financing Administration (HCFA);
- State wage and unemployment records;
- Savings bonds records; and,
- Prisons, jails, and other correctional facilities.

These matching efforts have been very successful. For example, in October 1998 we began matching SSI records with State wage and unemployment information in the National Directory of New Hires database. This matching effort has produced more than 350,000 "alerts" about wages paid to SSI beneficiaries and their spouses, or, in the case of children, their parents, and we estimate that by 2002 these matches will prevent \$110 million in overpayments annually. In addition, during the same time, there have been over 19,000 "alerts" with regard to unemployment compensation. While undoubtedly many individuals' SSI records already included



wage and unemployment compensation information, it appears that some of the amounts of the income were not accurate, and in some instances, the income had not been reported.

Another example of the effectiveness of data matching is the November 1998 match with Medicaid and Medicare information in HCFA's database. The match disclosed 38,000 nursing home admissions by SSI beneficiaries. Again, not all of these admissions were unreported by the SSI beneficiaries, but it is clear that getting the data from these matches will prevent or reduce SSI overpayments. By 2002, we estimate that these matches will prevent about \$20 million in overpayments each year.

While computer matching produces information at periodic intervals, online access to data allows SSA to electronically access current information held by other organizations for purposes of determining accurate SSI benefit payments. Online access provides the means to prevent overpayments by identifying undisclosed income or resources, or the current value of these items. SSA is testing an on-line approach to State databases—human services, vital statistics, and unemployment and workers' compensation—in a pilot program in Tennessee. SSA has begun implementing this model with multiple agencies in other States.

Another example of successful data exchange involves State reports of death to SSA. Most States currently report death information to SSA promptly. This allows us, and other State and Federal agencies that use SSA's death information file, to avoid paying benefits to deceased individuals. To address problems with reporting of deaths from a small number of States, the Administration has included in its FY 2000 budget a proposal that would improve the timeliness of death reports from the States. Under this proposal, States would be required to furnish SSA with death reports within 30 days after the State receives it. We urge the Subcommittee to support this provision.

We also have a significant matching program underway with over 3,500 prison facilities nationwide, which covers 99 percent of the inmate population. Reports received from these facilities about the incarceration of SSI or OASDI beneficiaries enable us to promptly stop benefits. Since November 1998, we have had the capacity to share this information with other Federal agencies in order to help them prevent overpayments or even fraud with respect to their programs.

These examples show how matches and online data can ensure that SSA makes accurate SSI payments. However, we do not currently have the authority to carry out matches in some situations that would enable us to verify more efficiently individuals' income resources and living arrangements for SSI purposes. The legislative proposals SSA sent to Congress last year and that have been included in both the Administration's and the Subcommittee's bills would strengthen SSA's ability to obtain information electronically that will lead to earlier detection of changes in income, resources, and living arrangements that may have not been reported.

#### DEBT COLLECTION

Each year, SSA detects substantial amounts of individual overpayments in the SSI program (more than \$1.3 billion in FY 1998). In FY 1998, SSA collected \$539.2 million in existing debt. Although these collections represented a relatively small proportion of SSA's entire outstanding portfolio of debt in 1998, the result over time is that a substantial portion of each year's debt is recovered. For example, a recent study of the debt detected in calendar year 1990 shows that as of December 31, 1997, 60 percent of the total 1990 SSI debt had been recovered. Given the current status of the collections for these overpaid dollars, we believe that we will eventually recover more than 62 percent of the 1990 debt.

To recover SSI debts, SSA can currently use the following debt collection tools: benefit offset (SSI and OASDI), repayment by refund, and offsets from tax refunds. The process SSA uses in recovering debt is as follows:

When an individual has been overpaid, SSA sends a notice that explains the reason for the overpayment, the options for repayment, and the individual's rights in connection with the overpayment. Under provisions of the Social Security Act, an individual has the right to appeal the decision that he or she is overpaid or to request that recovery of the debt be waived. Waiver of recovery of an overpayment generally is granted if an individual is without fault in causing the overpayment and repayment would cause a hardship.

Collection is relatively certain from individuals who remain on the SSI rolls. SSA eventually recovers more than 90 percent of overpayments made to individuals who remain on the rolls through offset of their ongoing monthly benefits. Overpayment collection from persons who are no longer receiving SSI is more difficult and costly. Although these individuals may be in better financial circumstances than they were

when they were receiving SSI, they are often only marginally better off. Thus, it is often difficult to obtain voluntary repayments of these overpayments.

SSA has an automated system for managing the pursuit and recovery of these debts. The system sends bills and requests for repayment to overpaid individuals. If these individuals do not repay, SSA sends them a series of follow-up requests for repayment. If these are unsuccessful, SSA's own debt collectors contact these debtors and attempt to negotiate a repayment arrangement.

SSA notifies the Treasury Department of individuals with delinquent debts related to overpayments. These debts are deducted from the individuals' tax refunds. With the expansion of SSA's tax refund offset program in 1998 to include delinquent SSI debts, the collection of debts from those no longer on the rolls has been strengthened. In 1998, SSA collected \$23.5 million in SSI debts via offset, and another \$12.1 million in voluntary repayments from people who wanted to avoid the offsets. SSA uses the tax refund offset program to recover from both the delinquent debtors being pursued through the billing and follow-up process as well as from those debtors whose debts have been written off.

In addition, SSA has a new and important tool to recover SSI debt from the individual's OASDI benefit, and we thank members of the Subcommittee for their support in providing us with this tool. The enactment of the "Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998," authorized SSA to recover an SSI debt from the individual's Social Security benefit (up to a limit of 10 percent of that benefit). Previously, SSI overpayments could be recovered from OASDI benefits only if the person authorized SSA to do so. We expect that we will recover an estimated \$30 million annually using this tool.

We are also implementing wage garnishment to recover SSI debt. While we are only in the preliminary stages of developing policies and procedures for this debt recovery tool, I mention it here as an example of SSA's commitment to collect as much of the debt as possible.

Our SSI recovery tools are somewhat limited in comparison to those that are authorized for the purpose of recovering OASDI debt. In order to expand those tools, the President's budget contains a proposal, that I will discuss later, that will give SSA additional debt collection authorities that will help us do even more to recover outstanding SSI overpayments. We are grateful that an identical proposal is included in the Subcommittee's bill.

#### MEASURES TO ADDRESS VULNERABILITIES TO FRAUD

Although we believe that the most important elements in strengthening the SSI program are improved payment accuracy and debt collection, we are also very concerned about fraud in the SSI program. Included in SSA's strategic plan is a goal to make our management of the SSI program the best in business with zero tolerance for fraud. To this end, SSA and the Office of the Inspector General (OIG) have cooperated in developing a comprehensive anti-fraud plan, which we call "Zero Tolerance for Fraud." The plan has three goals:

- change programs, systems, and operations to reduce instances of fraud;
- eliminate wasteful practices that erode public confidence in SSA; and
- prosecute vigorously, individuals or groups who violate 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.

The SSI Management Report, which I referred to earlier, includes comprehensive descriptions of OIG's efforts concerning residency fraud, and the joint OIG/SSA efforts with regard to collaborator or "middleman" fraud. I will not reiterate what is in the report. However, I do want to mention that we have expanded our efforts at uncovering and preventing residency fraud in the Chicago, New York, and Atlanta regions.

The SSI Management Report also described the pilot project underway in 5 States involving State Disability Determination Service (DDS) Cooperative Disability Investigation (CDI) units made up of OIG and DDS employees. These units are designed to improve the DDS' capability to detect fraud and abuse at the earliest point in the disability determination process, thereby preventing erroneous eligibility. The CDI units are presently located in California, Georgia, Illinois, Louisiana, and New York. Due to the success of the CDI units, two new sites (Missouri and Oregon) have been funded for FY 1999. Consideration is being given to expand the CDI units into other States.

As of the end of 1998, the CDI units had processed 756 case referrals and developed evidence to support 101 denials for benefits for projected program savings of over \$6 million. In addition, over \$100,000 will be recovered through repayment

agreements, restitution orders, offsets to continuing benefits and the return of uncashed checks. These amounts exemplify the success of these operations and SSA's and OIG's commitment to combat fraud through a variety of methods.

In spite of our continued efforts to protect U.S. taxpayers by making sure that only those aged, blind, and disabled individuals who are eligible for benefits receive only amounts due them, there are a small number of persons who attempt to obtain benefits fraudulently. I want to assure the Subcommittee that we will continue to strengthen our ability to prevent, detect, and investigate fraud and to penalize those who misrepresent or omit facts in order to obtain benefits for which they are not eligible.

Both the President's Budget and the Subcommittee bill include proposals for strengthening SSA's hand in preventing fraud.

#### SSI REDETERMINATIONS

Redeterminations are the most powerful tool available to SSA for improving the accuracy of SSI payments. They are periodic reviews of an individual's income, resources, and other nondisability-related factors that affect an individual's eligibility or benefit amounts, and are a very effective way to uncover unreported changes in individuals' income and resources and to avoid large overpayments.

Every year SSA contacts SSI beneficiaries to update the income and resource factors which affect eligibility and payment amount. These contacts can be face-to-face comprehensive reviews in which only a single issue is addressed, and those in which a specially designed mailed questionnaire is appropriate.

This year SSA is increasing the number of redeterminations it will conduct from 1.8 million in FY 1998 to 2.1 million. The President's FY 2000 budget calls for yet another increase to 2.2 million. With these increases, SSA by 2002 expects to reduce SSI overpayments by \$260 million annually.

We ask your support for our full administrative budget request for FY 2000.

#### PROPOSALS IN THE PRESIDENT'S BUDGET

Although I said it earlier, it bears repeating: SSA takes the administration of the SSI program very seriously. As careful stewards of the SSI program, SSA has always worked to improve its administration of this vitally important program. Last May, Commissioner Apfel sent to Congress the "Supplemental Security Income Program Integrity Act of 1998." Proposals in that bill have been included in the President's fiscal year FY 2000 budget. We believe that the proposals will give SSA valuable tools to further our efforts, and we are encouraged and grateful that the Subcommittee has included our proposals in its draft bill.

Three of the proposals in the Budget are intended to improve SSA's ability to gather information that is material to an individual's eligibility or correct amount of assistance. These improvements will enable us to identify unreported changes earlier so we can prevent overpayments or reduce the amount of overpayments flowing from the unreported event. The proposals would expand the pool of data available to SSA or make the data available on a more timely and economical basis. The Subcommittee bill includes two similar proposals that:

- Would require the Commissioner to conduct more frequent, periodic matches with Medicare and Medicaid data held by the Secretary of Health and Human Services. It would also authorize the Commissioner to substitute information from the matches for the physician's certification otherwise required in order to maintain the full benefit level of an individual whose institutionalization is expected to last fewer than 3 months. This proposal will allow SSA to correctly adjust the SSI benefit without having to rely on the individual, a family member, or the institution phoning or writing us concerning the change. It will also enable SSA to identify situations in which the individual's admission to a facility has gone unreported; and

- Would authorize the Commissioner to require SSI applicants and recipients to permit SSA to obtain all financial records from any and all financial institutions. Refusal to provide an authorization may result in the individual's SSI ineligibility. Other changes would allow the Commissioner to obtain the information electronically rather than on paper as is done currently. This proposal will allow us to uncover undisclosed accounts and to efficiently get data from the financial institutions without SSA's and the banks' employees having to use the current, time-consuming, paper process. We believe that this provision has the potential to significantly reduce the amount of overpayments from undisclosed financial accounts.

Another proposal in both the President's Budget and Subcommittee bill would allow SSA to improve efforts to collect SSI overpayments by extending to SSI all of the debt collection authorities currently available for the collection of overpayments under the OASDI program. The overpayment recovery tools that would be ex-

tended to the SSI program under this proposal include reporting delinquent debt to credit bureaus, using private collection agencies, administrative offset, Federal salary offset, and interest charging or indexing. These additional tools will help us recover overpayments when our previous recovery attempts have been unsuccessful. This proposal helps address the problem of collecting overpayments from individuals who are no longer SSI or OASDI beneficiaries.

Two of the Administration's proposals are designed to strengthen program provisions that now allow individuals to qualify for the program by disposing of resources for less than fair market value, and by transferring assets to a trust. Actions such as these contravene a basic principle underlying the SSI program—namely that an individual with the means to provide for his or her own needs should use them for this purpose. Proposals on trusts and disposal of assets are also included in both the President's FY 2000 Budget and in the Subcommittee's bill. Although we believe this abuse occurs infrequently, enactment of these proposals will help strengthen the integrity of the program.

The Administration has also advanced a proposal that would authorize SSA to impose specified periods of ineligibility for SSI and OASDI benefits on any individual who knowingly provides us with false or misleading information in order to qualify for benefits. This proposal would provide a way to respond to situations where criminal or civil penalties may not be feasible, for example, when overpayment amounts are low or when the claimant has little or no resources to attach.

In addition, administrative sanctions will give SSA field office employees a tool that they can use to respond appropriately to individuals who knowingly furnish inaccurate or misleading information material to eligibility or payment amount. These sanctions will act as a disincentive for others who may mislead SSA in their attempt to claim benefits.

#### CONCLUSION

We thank the Subcommittee for including most of the Administration's proposals in its bill. I believe that the Administration and Congress can find common ground to enact meaningful legislation that will improve SSA's ability to administer the SSI program in a way that evokes increased congressional and public confidence in both the program and the agency.

I believe that by working together we can strengthen this vital program by adding overpayment collection tools and program sanctions, providing the authority for data matches for verifying SSI eligibility, and closing program loopholes that have been subject to abuse.

This concludes my testimony. We will be glad to answer any questions that the Subcommittee members may have. Thank you.

---

Chairman JOHNSON of Connecticut. Thank you very much, Mr. Dyer. I am going to recognize Mr. English.

Mr. ENGLISH. Thank you, Madam Chair. Mr. Dyer, have you had an opportunity to review in advance the testimony of the GAO that they are presenting here today?

Mr. DYER. Yes, sir.

Mr. ENGLISH. I wonder if you could comment on one portion of Ms. Fagnoni's presentation and specifically:

We have noted that SSA's operations have been heavily influenced by an organizational culture or value system that places a greater value on quickly processing and paying claims than on controlling program costs. Our most recent work has confirmed the continued existence of an agency culture that views the SSI Program in much the same way as SSA's Old Age and Survivors Insurance and Disability Insurance Programs, where emphasis is placed on quickly processing claims for individuals with an earned right to benefits, rather than as a welfare program where stronger income and asset verification is necessary. SSA's organizational culture has been most evident in the low priority it has often placed on verifying recipients' initial and continuing eligibility for benefits, recovering SSI overpayments, and addressing program fraud and abuse.

How do you respond to that assessment?

Mr. DYER. I think we agree with GAO in that we need to have a better balance between payment of claims and program integrity. And I think as you can see with our plan, I should have brought some copies here to show you, we have laid out a very aggressive strategy that goes after overpayments, increasing debt collection, everything that the General Accounting Office has identified in their reports. Both our Inspector General and we have moved, I think, to a more even balance. That is the way we are proceeding.

Mr. ENGLISH. I find their testimony interesting. I find your comments on it somewhat reassuring. I wonder, on another point in the testimony, Marty Ford says that SSA has inadequate procedures for recording earned income by SSI recipients. Do you agree with that claim, and if so, is SSA currently taking adequate steps to improve income reporting?

Mr. DYER. Marty brought this to our attention a few weeks ago, and I think it is something that we need to look into. But I would like to set it in context, that we have about 16 million changes a year in the SSI files. And, you know, I am going to be the first to admit that we may have a few cases where we get behind and we don't get to things quickly.

The second thing is that we have been interested in how to help our SSI claimants and beneficiaries to better understand and be able to give us up-to-date information. I think it is an area we need to look into, do some piloting, do some checking, and work with Marty and other such groups.

Mr. ENGLISH. Well, again, I find your testimony to be interesting, and in some ways, reassuring, and may I add, working with some of your people on the local level, we have a very favorable impression of their professionalism. We do feel that more needs to be done to address the waste of fraud component.

Madam Chair, I would like to yield back the balance of my time.

Mr. DYER. Thank you.

Chairman JOHNSON of Connecticut. Thank you, Mr. English.

Mr. Cardin.

Mr. CARDIN. Thank you, Madam Chair. Mr. Dyer, I also appreciate your testimony, and I agree with all my comments and my colleague. But let me just give a word of caution in our anxiety to make sure we don't pay out any money that shouldn't be paid out. I can relate many situations of casework in my office, and I am sure that every congressional district in the country can tell you examples. But people are very desperate in need of SSI, and I don't want to see the rules not adhered to. I don't want to see people receiving payments who shouldn't be receiving payments. On the other hand, I want to make sure that people who need help can get that help as quickly as possible without too much bureaucracy interfering with their need to get that check.

So I do hope we strike a balance here. And, I think the Inspector General's report is important that we adhere and change the procedures. The bill that we have introduced will give you more tools to do that. But I also hope that you will, as I know you will, be mindful of the objective of this program and not put unnecessary roadblocks in the way of people to get the help that they need.

As you have commented in your statement about the Subcommittee bill, I am curious as to whether you have any objections to any

of the provisions that are in that bill or any changes that you would like to see? In prefacing this question, I would just like to acknowledge the help of your agency in our drafting of this legislation. I want to give you an opportunity if there are any changes that you would like to see made in this bill.

Mr. DYER. I think as you heard in my testimony, we are comfortable with the major provisions. The bill is still being drafted, and I am also cautious before I see the final draft. But at this point, we don't see any objection. We think you have covered most of the bases that we think are priority areas to cover.

Mr. CARDIN. Thank you. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Mr. Lewis.

Mr. LEWIS of Kentucky. Thank you, Madam Chairman. Mr. Dyer, if our Subcommittee bill passes, there are going to be some penalties involved for those that did not disclose their SSI benefits while they were in prison. In the application form now, do you have specific questions about overpayment, past overpayments or past payments?

Mr. DYER. I don't know. I would have to get that for you for the record. I assume we do, but I can't give you the exact answer. That is something we may have to put in to make sure we capture this information if we get the bill passed through this Committee.

[The following was subsequently received:]

In the current application forms, there are no specific questions about prior applications or eligibility for SSI payments. However, all interviewers must currently obtain systems' records on all of the Social Security numbers that the claimant alleges. These records will show whether the claimant has previously filed for SSI or OASDI benefits and whether any overpayments exist.

The Subcommittee may also be interested to learn about a planned improvement to SSI records where overpayments from a prior record will automatically be brought forward to the new record. For example, if a beneficiary stops receiving SSI and has an unpaid debt, and he or she files again, this prior overpayment will automatically be posted to his or her new record for possible recovery. This new control system, which is scheduled to start this summer, will help us in identifying and recovering overpayments.

---

Mr. LEWIS of Kentucky. OK, thank you. Thank you.

Chairman JOHNSON of Connecticut. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Madam Chair. I subscribe to the comments that Ben Cardin made a few minutes ago about the emphasis on the purpose of the program. In that regard, I want to ask whether and what effort is made to distinguish between overpayments which are fraudulent and overpayments which are not, and whether you proceed in these cases differently?

Mr. DYER. Sir, we do. We realize that it is very complicated to the people who are in this program. It is not always that easy, that people start to work and they get a little extra money, and they just don't quite realize that they need to report. So within our regulations and authorities and the procedures we use, our employees are instructed to try to take a look at this as something that was a mistake, an honest mistake, versus really an outright commitment to defraud. For instance, it is clear that they had a bank account, they knew they had it, and they didn't tell us about it, ver-

sus they forgot that they had a small savings account that grandmother left them.

Mr. JEFFERSON. How, with respect to overpayments, can you quantify how much of it, if you will, is fraud and how much of it is a mistake?

Mr. DYER. Actually, we think there isn't all that much fraud in the overpayments. I mean, because if we did, we would be pursuing it. We think a lot of it has to do with mistakes. Inherently, in the program as I said in my testimony, overpayments will routinely occur.

Mr. JEFFERSON. Do you and the GAO disagree on that point?

Mr. DYER. I think we might differ in a very fine line there. But as I said in my testimony, the way the program works is that if somebody gets the check from us and then 2 or 3 days later they start to work, they technically are in an overpayment status. We pay them in advance for the month. So, we realize that there are a lot of overpayment dollars we are going to have to live with. The flip side is that we are asking for this authority here so when those folks fail to report to us they are working, we can catch it faster, intercept it, and correct the record.

Mr. JEFFERSON. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Mr. Dyer, first of all, does the Social Security Administration support the proposal to allow Filipino veterans to receive benefits, and return to the Philippines?

Mr. DYER. We are still reviewing it. We have a couple of concerns. First of all, we need to discuss it with the Veterans Affairs Administration. The other thing is we looked at it. We did have a question about equity, if you look at other veterans and how it might play out. It looks like other veterans would end up with a little less money proportionately. So, we are in the process of reviewing and making an assessment.

As you know, the agency's policy has always been to not pay SSI to people outside the country, except under limited situations. On the other side, we realize that the Filipino veterans were extremely valuable to us in the war effort. They are great people, and we are going to take a fair and balanced look at this proposal.

Chairman JOHNSON of Connecticut. You do now currently only allow some servicemen, students, and what is the other category, to receive benefits abroad?

Mr. DYER. If it is a hardship, a short-term trip.

Chairman JOHNSON of Connecticut. And the Marianas too?

Mr. DYER. Yes.

Chairman JOHNSON of Connecticut. So, this would be an exception?

Mr. DYER. Yes.

Chairman JOHNSON of Connecticut. It is also, however, unique in that these individuals don't receive veterans benefits.

Mr. DYER. I think we just need to touch all the bases and then we will get back to you.

Chairman JOHNSON of Connecticut. Well, we will look forward to your input on that later. We are very sympathetic to this proposal, although it is not in our legislation at this time.

Mr. DYER. OK. Thank you.

Chairman JOHNSON of Connecticut. And then would you just enlarge or clarify your testimony with regard to redeterminations? You say that the President's budget increases the number of redeterminations of individuals and resources to 2.2 million for a total of a 22-percent increase. What percentage—over how many years will you redetermine eligibility of your population, the SSI population? If 22-percent increases is consistent?

Mr. DYER. We did about 1.8 million redeterminations in fiscal year 1998. At that time, when Commissioner Apfel came in, he said that we needed to do a better job in that area. So as part of the fiscal year 1999 proposal, he went in and asked for additional funds that got us up to about 2.2 million, if I recall.

Chairman JOHNSON of Connecticut. But that would mean you would be able to redetermine everyone in about 4 years?

[The following was subsequently received:]

We redetermine some individuals every year based on profiles that target high risk cases. Others are redetermined on a less frequent basis, but no one is seen less than once every 6 years. Our latest studies show we have more than an 8 to 1 return on these high risk cases, and no category of redetermination yields less than a 5 to 1 return on investment. We also see some of these individuals when we conduct continuing disability reviews. In Fiscal Year 1999 we plan to conduct more than 875,000 of these reviews.

---

Chairman JOHNSON of Connecticut. It was also interesting that you expect to collect \$260 million in overpayments in the next 2 years.

Mr. DYER. The \$260 million refers to debt prevented, not collected.

Chairman JOHNSON of Connecticut. That is \$130 million a year. That is pretty formidable.

Mr. DYER. That is right. We have done a lot of studies and analyses with our quality assessment people. The data have shown us that with the way we are now profiling and targeting how we do the redeterminations, we should get those kinds of returns. We also will be monitoring very closely to see if we are getting the recoveries we have been projecting.

Chairman JOHNSON of Connecticut. Would you clarify your recovery rate on overpayments versus debt, which I assume is overpayments from the preceding years that were not collected?

Mr. DYER. The number the General Accounting Office uses is 15 percent. Fundamentally, if you look at it in simple terms, we have about \$3 billion of money owed to us that we have identified, and we are recovering about half a billion dollars of that a year. So, that gets you the 15 percent.

If you go off of the base of everything that is owed us, if you look at it compared to new debt that has occurred, it is another way to count it. I think the different way I think about it is that, of the new debt, if you are detecting \$1.3 billion, we are recovering over one-half billion, so we are doing relatively good in terms of trying to keep up with it. I think you have to look at the numbers differently too, in terms of how successful we are.

As I pointed out, when we did a study tracking recovery of overpayments from 1990 to now, we actually eventually recovered 60



percent of what was owed to us. The other thing that I think the General Accounting Office did when they analyzed our cases, is see how many people are not actually paying us. If you look at the amount of money that is owed us, about 60 percent of that debt is actually recovered. We have a recovery plan in place. We are collecting about 60 percent of those dollars. It is only 40 percent that we are not getting a handle on and recovering.

We would also like to do better. I think the most important thing is not to let debt occur and to intercept the payment before it becomes an overpayment. When you look at all the things we are doing, we think we are covering all fronts that are possible and available to us. If this Committee gives us the additional authority, we can even be more aggressive.

Chairman JOHNSON of Connecticut. So are you saying that then 34 percent of the 40 percent is really the problem?

Mr. DYER. I am saying that of the money that is owed to us, the \$3 billion, that it is out there.

Chairman JOHNSON of Connecticut. Just 40 percent of the debt that is uncollected?

Mr. DYER. No. Of the \$3 billion that is out there to be collected, we will collect about 60 percent. The recovery is just going to take us years.

Chairman JOHNSON of Connecticut. From a recovery plan. OK. One last thing. You have 6.5 million aged, blind, and disabled individuals of which 2 million are over 65 and almost 1 million are severely disabled children. Of the remaining 3½ million, what percentage would you say are working some portion of the time?

Mr. DYER. I will have to get you that for the record.

[The following was subsequently received:]

As of December 1998, approximately 8.5 percent of those receiving SSI aged 18 and older but under age 65 are working.

---

Chairman JOHNSON of Connecticut. Well, I would be interested in that, because we have a much better approach to SSI recipients who want to work some of the time than we do to SSDI recipients who want to work some of the time. So I would be interested in any information you can give me on SSI recipients who are working, how many are working, 10 percent, 25 percent, 50 percent, 75 percent, of the time. Do they get health benefits? How do the health benefits trigger down as the earnings go up and that kind of information?

Mr. DYER. We will be glad to provide you what information we have.

[The following was subsequently received:]

In most States, individuals who receive SSI benefits are also eligible for Medicaid. A few States' Medicaid plans do not cover all SSI beneficiaries. When an SSI beneficiary goes to work, he or she can continue to get cash benefits until his or her countable earnings exceed certain limits. For example, an SSI beneficiary with no other income can earn up to \$1,085 a month and still continue to receive cash SSI benefits. (This "break-even" level is higher in States with federally administered State supplements.) As a technical point, individuals who earn between \$500-\$1,085 receive these "special" cash benefits under section 1619(a) of the Social Security Act, which is one of several work incentives in the SSI program.

Even though a disabled individual's earnings, or a combination of earnings and other income, may be too high to permit a regular or special cash benefit, Medicaid coverage is provided to the working individual under section 1619(b) of the Social Security Act, another SSI work incentive. Medicaid coverage under 1619(b) continues until the person medically recovers, no longer meets other SSI eligibility factors, no longer needs Medicaid in order to work, or generally has gross earnings in an amount to replace Medicaid and other benefits he or she would be eligible for if he or she were not working.

In December 1998, there were 326,475 SSI disabled beneficiaries working which represented 6.2 percent of the total SSI disabled caseload. The total SSI disabled caseload includes beneficiaries who are age 65 or older and who came on as disabled, as well as children under age 18.

Of the total SSI disabled count, there were 59,542 section 1619(b) participants who have special SSI recipient status for Medicaid purposes. Almost three-fourths (72.6 percent) of the SSI disabled beneficiary workers had amounts of earned income below \$500 per month.

SSA does not have data on the number of hours per month worked by working SSI beneficiaries, nor information on any other health benefits other than Medicaid that they may have because of SSI eligibility.

---

Chairman JOHNSON of Connecticut. Thank you. Any other questions?

Thank you very much, Mr. Dyer, for your testimony. It is a pleasure to work with you.

Mr. DYER. It has been our pleasure.

Chairman JOHNSON of Connecticut. I would also mention to the Subcommittee for their review, the plan that Mr. Dyer referred to is in your materials, the bottom item, their plan for greater effectiveness in recovering overpayments, and also the GAO performance review that was issued just in 1999.

Let me call forward the panel. James Huse, Acting Inspector General of the Social Security Administration; Cynthia Fagnoni, the Director of Income Security Issues for the GAO; Marty Ford, the assistant director of governmental affairs of the Arc of the United States, on behalf of the Consortium for Citizens with Disabilities; and Eric Lachica, executive director of the American Coalition for Filipino Veterans.

You may proceed please.

**STATEMENT OF JAMES G. HUSE, JR., ACTING INSPECTOR  
GENERAL, SOCIAL SECURITY ADMINISTRATION**

Mr. HUSE. Thank you. Madam Chairman, and Members of the Subcommittee. Thank you for the opportunity to discuss the draft House resolution entitled SSI Fraud Prevention Act of 1999. You have been given the full text statement of my statement for the record.

Today, I would like to briefly discuss that statement and highlight a few key points. The SSI, Supplemental Security Income, Program, has proven to be an invaluable resource to those who need it most. However, over time, the program has grown significantly more difficult to administer and the complex web of SSI eligibility rules has created opportunities for fraud, waste and abuse. Even before the General Accounting Office added the SSI Program to the high-risk list, the Office of the Inspector General began working with the Social Security Administration and this Subcommittee to help reduce the program's exposure to fraud. To that

end, we have issued a number of audit, evaluation, and management advisory reports in the SSI area.

Several of our recommendations from these reports were adopted in SSA's comprehensive report, "Management of the Supplemental Security Income Program: Today and in the Future," which was issued last October. Other recommendations, however, require amendment of the Social Security Act for full implementation. Therefore, we are extremely pleased that this Subcommittee has expressed an interest in many of our SSI-related recommendations. I applaud the Subcommittee for developing the draft bill that addresses the problems associated with administering this program.

Our work has indicated that the SSI Program is susceptible to fraud from the following sources. Representative payees who improperly collect benefits on the records of individuals who are deceased, prisoners who improperly collect benefits, individuals who transfer valuable assets to become eligible for SSI benefits, individuals who provide false residency information, and third-party facilitators who commit fraud involving SSI eligibility determinations. Your draft bill proposes legislation that would combat these types of fraud, and therefore, we fully support the draft bill.

Before I close, I would like to emphasize two key issues that the Subcommittee should consider. These issues involve the administrative sanctions provisions that are in your draft. First, we believe administrative sanctions should apply to all Social Security and SSI benefits as opposed to strictly disability benefits.

Second, in light of the severity of the penalties imposed, the violations should be supported by the investigative process. This will provide SSA with a body of evidence to present at any subsequent administrative proceedings.

We would be happy to assist this Subcommittee in addressing these issues before the Chairman's markup to clarify these points. We want to ensure that this legislation strengthens the Subcommittee's fight against fraud, and provides both SSA and the OIG with the best possible means of fighting fraud in the SSI Program. Although our work has been successful in combating SSI fraud, there is still more work to do. We are committed to continuing our audit and investigative work at a national level to help SSA in its fight against fraud.

I would like to thank the Subcommittee for its continued interest in combating fraud, and for its support of the OIG. With this Subcommittee's support and with the passage of the Subcommittee's bill, I believe we can strike even harder at SSI-related fraud. Thank you.

[The prepared statement follows:]

**Statement of James G. Huse, Jr., Acting Inspector General, Social Security Administration**

Madame Chairman Johnson and members of the Subcommittee, thank you for the opportunity to discuss the draft House Resolution entitled SSI Fraud Prevention Act of 1999.

The Supplemental Security Income (SSI) program has proven to be an invaluable resource to those who need it most. However, over time, the program has grown significantly more difficult to administer, and the complex web of SSI eligibility rules has created opportunities for fraud, waste, and abuse. Even before the General Accounting Office (GAO) added the SSI program to the high-risk list, the Office of the Inspector General (OIG) began working with the Social Security Administration (SSA), GAO, and this Subcommittee to help reduce the program's exposure to fraud,

waste, and abuse. To that end, we have issued a number of audit, evaluation, and management advisory reports in the SSI area.

Several of our recommendations from these reports were adopted in SSA's comprehensive October 1998 report entitled Management of the Supplemental Security Income Program: Today and in the Future. Other recommendations, however, require amendment of the Social Security Act for full implementation. Therefore, we are extremely pleased that this Subcommittee has expressed an interest in many of our SSI-related recommendations. I applaud the Subcommittee for developing a draft Bill that addresses the problems associated with administering this program.

Our work has indicated that the SSI program is susceptible to fraud from the following sources: representative payees who improperly collect benefits on the records of individuals who are deceased, prisoners who improperly collect benefits, individuals who transfer valuable assets to become eligible for SSI benefits, individuals who provide false residency information, and third-party facilitators who commit fraud involving SSI eligibility determinations. I would like to briefly discuss each of these areas.

#### RECOVERY OF OVERPAYMENTS FROM REPRESENTATIVE PAYEES.

A recent OIG evaluation found that representative payees received about \$41 million in overpayments. These payments were made after the death of the beneficiary they were representing. Recovery of these overpayments, some of which were obtained fraudulently, continues to be a significant and ongoing problem for SSA. When we completed our evaluation, SSA had recovered or accounted for \$13 million, leaving \$28 million uncollected or unaccounted for. Based on the results of our evaluation, SSA agreed to consider legislation that would hold the overpaid representative payees primarily liable for overpayments made after a beneficiary's death. Your draft Bill accomplishes this important objective, and we support it as a means of combating this type of fraud, waste, and abuse.

#### RECOVERY OF OVERPAYMENTS FROM PRISONERS.

In most circumstances, the Social Security Act prohibits the payment of benefits to prisoners under the Old-Age, Survivors, and Disability Insurance and SSI programs. We conducted an audit to determine whether SSA was effective in collecting overpayments from prisoners who were subject to such nonpayment provisions. Our audit found that payments to prisoners were not always detected, and SSA had only limited success in recovering overpayments made to these prisoners.

SSA implemented a new system (Prisoner Update Processing System) to control alerts resulting from prisoner data matches. Under this System, alerts are transmitted to field offices electronically, and, if the case is still pending after 120 days, it is sent to the respective Regional Office for follow-up.

Your draft Bill would allow more aggressive pursuit of such overpayments. Therefore, we fully support the prisoner and fugitive collection provision set forth in the draft Bill.

#### TRANSFER OF VALUABLE ASSETS.

We conducted an audit to determine whether individuals were transferring assets to become eligible for SSI benefits. Our audit revealed that individuals were transferring assets within 3 years of applying for, or while receiving, benefits; (2) the value of assets transferred could have been a substantial resource for meeting beneficiary financial needs; and (3) assets were generally transferred to relatives, which kept the assets within the family. Our audit fully supports the need for legislative changes to prevent individuals from abusing the SSI program by disposing of valuable assets solely to receive SSI benefits.

#### FALSE RESIDENCY INFORMATION.

To receive SSI benefits, an individual must be a U.S. resident. SSA field office personnel were concerned that individuals were obtaining SSI benefits based on false statements regarding their residence. Because of this concern, we worked with SSA staff to conduct a series of residency verification projects. Our work resulted in the issuance of an informational report suggesting that individuals who provide false residency information on their initial applications for SSI benefits should be subject to criminal penalties and/or periods of ineligibility for SSI benefits.

Since SSI is a gateway program for Medicaid, Food Stamps, and other Federal and State assistance programs, the impact of individuals who are fraudulently receiving SSI benefits can be far-reaching. For that reason, we fully support the lan-

guage in the draft Bill, which would institute a period of ineligibility for those SSI applicants or beneficiaries who defraud the program.

#### THIRD-PARTY FRAUD.

OIG, SSA, and a State Disability Determination Service (DDS) formed a cooperative team to identify potential vulnerabilities in the disability determination process. In December 1997, this team conducted a Special Joint Vulnerability Review of an extended family in a small Georgia town. There were 181 members of this family, which spanned 4 generations, receiving SSI benefits. The same medical provider conducted the consultative examinations (CE) for many of these family members.

Based on the results of this joint review, recommendations were made to

- monitor and disclose questionable medical reports and disqualified CE providers,
- provide more information in medical reports relating to applicant performance on psychological tests to detect malingering,
- modify the SSI information systems display to alert subsequent users of potential fraud or abuse, and
- emphasize rotating CE providers.

Because the SSI program is especially vulnerable to disability fraud, we have created Cooperative Disability Investigative (CDI) units in five major cities. These units use the combined skills and knowledge of OIG Special Agents, State law enforcement authorities, and SSA professionals to identify and resolve disability fraud reported by front-line SSA employees at the application stage. These ongoing projects have illustrated the need to sanction third-party facilitators who engage in fraudulent activities as many of the allegations to date involve third-party facilitators, such as physicians, lawyers, interpreters, and other service providers.

Before I close, I would like to emphasize two key issues that the Subcommittee should consider. These issues involve the administrative sanctions provisions.

First, we believe administrative sanctions should apply to all Social Security and SSI benefits, as opposed to strictly disability benefits. Second, in light of the severity of the penalties imposed, the violations should be supported by the investigative process. This will provide SSA with a body of evidence to present at any subsequent administrative proceedings.

We would be happy to assist the Subcommittee in addressing these issues before the Chairman's mark-up to clarify these points. We want to ensure that this legislation strengthens the Subcommittee's fight against fraud, waste, and abuse and provides both SSA and the OIG with the best possible means for fighting fraud in the SSI program.

Although our work has been successful in combating SSI fraud, there is still more work to do. We are committed to continuing our audit and investigative work at a national level to help SSA in its fight against fraud.

I would like to thank the Subcommittee for its continued interest in combating fraud and for its support of the OIG. With this Subcommittee's support and with the passage of the Subcommittee's Bill, I believe SSA and the OIG can strike even harder at SSI-related fraud.

---

Chairman JOHNSON of Connecticut. Thank you. We have actually rewritten the text to reflect those suggestions that you have just reiterated, and we look forward to your looking at the language of the new bill, and providing us with any comments you may have.

Mr. HUSE. I would be glad to do that. Thanks.

Chairman JOHNSON of Connecticut. Ms. Fagnoni.

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

Ms. FAGNONI. Thank you. Good afternoon, Madam Chair, and Members of the Subcommittee. I am pleased to be here this afternoon to discuss the Social Security Administration's Supplemental Security Income Program.

Reports by the media and oversight agencies have highlighted SSI Program abuses and mismanagement, increases in SSI overpayments, and SSA's inability to adequately recover outstanding SSI debt. These issues have spurred congressional criticism of SSA's ability to effectively manage SSI workloads. As you know, in February 1997, we designated SSI a high-risk program because of its susceptibility to fraud, waste, and abuse, and insufficient management oversight of the program.

Today I will discuss the underlying causes of longstanding SSI problems, the progress SSA has made in improving SSI Program management and oversight, and the additional actions needed to ensure the financial integrity of this important program. Our work has shown that to a great extent, SSA's inability to address its most significant longstanding SSI Program weaknesses is attributable to two underlying causes, an organizational culture that places a greater priority on processing and paying claims than on controlling program expenditures, and a management approach characterized by SSA's reluctance to fulfill its policies, development, and planning roles in advance of major program crises.

As Mr. English mentioned earlier, regarding organizational culture, SSA has tended to view the SSI Program much the same way as its Social Security and DI Programs, where emphasis is placed on quickly processing claims for individuals who have an earned right to the benefits. But SSI is a welfare program where additional income and asset verifications are necessary. During fiscal year 1998, for example, current and former SSI recipients owed SSA more than \$3.3 billion, including \$1.2 billion in newly detected overpayments for the year. Based on prior experience, SSA is likely to collect less than 15 percent of the outstanding debt in a given year.

SSA's culture has contributed to the lack of priority placed on recovering payments once they are identified. This has been evidenced by SSA's traditional reluctance to use overpayment recovery tools currently available and aggressively pursue additional tools when warranted. Recently, SSA has taken a number of actions to improve the financial integrity of the SSI Program. For example, SSA is expanding its use of online data maintained by State DDSs to better verify recipient financial information and prevent program overpayments. SSA has also sought statutory authority, as you have heard, to use credit bureaus, private collection agencies, interest levies, and other ways to recover more SSI overpayments.

Regarding the second issue, policy development and planning, our work shows that SSA has been reluctant to use its research and policy development capabilities to assess the effects of demographic changes in the SSI population and legislative and court-mandated program changes. In addition, SSA has often hesitated in initiating changes in internal policy to address identified weaknesses or suggest changes in laws governing SSI. For example, in the congressional debate surrounding SSI eligibility for children, SSA did not develop and communicate timely information to the Congress on the effects of prior legislative and court-mandated changes.

SSA has acknowledged the need to play a more active policy development role, and is currently in the process of restructuring its

research and policy components to better address these concerns. In this regard, SSA has made conducting effective policy development, research, and program evaluation a key agency goal, and attention to the SSI Program is an important element of this goal. Additional staff and resources are being obtained by SSA's Office of Policy. Consequently, SSA should be better positioned to develop policy alternatives in the SSI Program.

SSA is also taking certain measures that it believes will strengthen the integrity of the SSI Program. SSA produced its first management report, as Mr. Dyer noted, in October 1998, which discusses the need to take aggressive action in four areas; Improving overall payment accuracy, increasing continuing disability reviews, combating program fraud, and improving debt collection. The management report established goals to measure the anticipated yearly impact of its planned initiatives in each of these areas. The agency now intends to begin planning how it will implement these goals in its day-to-day operations. Toward this end, each SSA component is defining its specific role in these initiatives.

To remove the SSI Program from our high-risk list, however, SSA must produce and use research information on the program, be more responsive in suggesting legislative changes, and improve program policies. The agency should also continue to search for ways to improve its payment controls and debt collection activities. Until additional progress is made in each of these areas, the SSI Program will maintain its high-risk designation.

Thank you. This completes my statement. I would be happy to answer any questions.

[The prepared statement follows:]

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

Madam Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Social Security Administration's (SSA) Supplemental Security Income (SSI) program. SSI is the nation's largest cash assistance program for the poor. In fiscal year 1998, the program paid about 6.6 million low-income aged, blind, and disabled recipients a total of approximately \$27 billion. In that same year, current and former SSI recipients owed SSA more than \$3.3 billion in overpaid benefits, including \$1.2 billion in newly detected overpayments for the year. Since assuming responsibility for SSI in 1974, SSA has been significantly challenged in its efforts to serve the diverse needs of recipients while still protecting the financial health and integrity of the program. Our reports and those of oversight agencies have highlighted program abuses and mismanagement, increases in SSI overpayments, and SSA's inability to recover outstanding debt. These and other problems documented over the years have spurred congressional criticism of SSA's ability to effectively manage SSI workloads and have also served to reinforce public perceptions that SSA pays SSI benefits to too many people for too long. In February 1997, we designated SSI a high-risk program because of its susceptibility to fraud, waste, and abuse, and because of insufficient management oversight of the program. We also initiated a broad-based review of the program to determine the root causes of long-standing SSI problems and the actions necessary to address them.<sup>1</sup> Today I would like to discuss the findings of our review and the problem areas that currently pose the greatest risk to the SSI program. I would also like to discuss SSA's recent efforts to improve SSI program integrity and additional actions that should be taken.

In summary, our work shows that, to a great extent, SSA's inability to address long-standing SSI program problems is attributable to two underlying causes: (1) an organizational culture that places a greater priority on processing and paying claims

<sup>1</sup>*Supplemental Security Income: Action Needed on Long-Standing Problems Affecting Program Integrity* (GAO/HEHS-98-158, Sept. 14, 1998).

than on controlling program expenditures and (2) a management approach characterized by SSA's reluctance to fulfill its SSI policy development and planning role in advance of major program crises. As a result, SSA has continued to experience significant difficulties with regard to verifying recipients' initial and continuing eligibility for benefits, recovering SSI overpayments, combatting program fraud and abuse, and providing adequate program direction. Since SSI was designated high risk, SSA has taken a number of actions to improve the financial integrity of the program and revise its traditional approach to program management. However, several of SSA's initiatives are now in the early planning or implementation stages, or require the passage of new legislation before they can move forward. In other areas, SSA's actions have been insufficient. Thus, it is important that SSA sustain and expand its efforts to address problem areas and strike a balance between meeting the needs of SSI recipients and fiscal accountability for its programs.

#### BACKGROUND

SSI provides cash benefits to low-income aged, blind, or disabled people. Those who are applying for benefits on the basis of age must be at least 65 years old 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 in fiscal year 1998, individuals could not have income greater than the maximum monthly SSI benefit of \$494 (\$741 for a couple) or have resources that exceeded \$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 moving into 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.

#### ORGANIZATIONAL CULTURE HAS PERPETUATED SEVERAL LONG-STANDING SSI PROBLEMS

To a significant extent, an agency's culture emanates from and is shaped by top management officials who are charged with establishing the priorities and performance goals that drive day-to-day program operations. Thus, over time, what is regularly emphasized, measured, and rewarded by agency management becomes ingrained in the immediate workload priorities of line managers and field staff. If agency priorities are not adequately balanced, serious program vulnerabilities may arise.

In work spanning more than a decade, we have noted that SSA's operations have been heavily influenced by an organizational culture or value system that places a greater value on quickly processing and paying claims than on controlling program costs. Our most recent work has confirmed the continued existence of an agency culture that views the SSI program in much the same way as SSA's Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs—where emphasis is placed on quickly processing claims for individuals with an earned right to benefits—rather than as a welfare program, where stronger income and asset verification is necessary. SSA's organizational culture has been most evident in the low priority it has often placed on verifying recipients' initial and continuing eligibility for benefits, recovering SSI overpayments, and addressing program fraud and abuse.



*Verifying Recipient Eligibility*

In regard to verifying recipients' initial and continuing eligibility for benefits, our work has shown that SSA has relied heavily on recipients to self-report important eligibility information relating to their financial status and disabling condition. However, recipients do not always report required information when they should and may not report it at all. Although SSA has procedures in place to verify this information, they are often untimely and incomplete. Over the last several years, we have documented numerous examples of payments made to ineligible recipients as a result of SSA's inattention to the verification aspects of the SSI program, including millions of dollars in benefit payments to prisoners<sup>2</sup> and nursing home residents.<sup>3</sup> These erroneous payments occurred because incarcerations and nursing home admissions were not being reported as required, and SSA lacked timely and complete automated verification data. In the nursing home example alone, SSA has estimated that overpayments may exceed \$100 million annually.

SSA also continues to rely heavily on computer matching with other federal and state agencies to verify that recipient financial information is correct. However, these matches are not always the most effective means of verification, because information is often quite old and sometimes incomplete. For example, 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 have estimated that direct on-line connections (as opposed to computer matches) between SSA's computers and databases maintained by state agencies—welfare benefits, unemployment insurance, and worker's compensation benefits—could have prevented or quickly detected \$34 million in SSI overpayments in one 12-month period.<sup>4</sup> We also reported in March 1998 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.<sup>5</sup> In addition, we concluded that opportunities existed for SSA to prevent almost \$270 million in overpayments by accessing more timely financial account information via 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 September 1998 SSI report confirmed that SSI verification problems continue. In that report, we recommended that SSA enhance its ability to verify applicant and recipient eligibility information by accelerating efforts to identify more timely and complete financial verification sources.

SSA management has acknowledged that because of the rapidly rising workloads of prior years, the agency decided to emphasize and prioritize the expedient processing and payment of claims rather than delay final decisions by requiring more thorough verification steps. Recently, however, SSA has begun to take more decisive action to protect the financial integrity of the SSI program. For example, SSA has started a program to better identify recipients in jail who should no longer be receiving benefits and is expanding its use of on-line state data to obtain more real-time applicant and recipient information. In accordance with one of our recommendations, SSA also plans to give field offices on-line access to OCSE wage data, new-hire data, and unemployment insurance data by the Spring of 1999. Once implemented, this should allow field staff to better prevent SSI overpayments by identifying undisclosed earnings at application. In its fiscal year 1999 budget, SSA also requested an additional \$50 million to complete additional financial redeterminations of individuals who have been designated as having a high probability of being overpaid. Finally, in May 1998, SSA submitted a legislative proposal to the Congress seeking statutory authority to expand its eligibility verification tools, including the ability to more quickly obtain essential information from financial institutions, state databases, and federal and state prisons in order to determine an individual's eligibility for SSI benefits.<sup>6</sup> SSA's proposal also sought authority to use a new computer match with the Health Care Financing Administration to more quickly identify SSI recipients residing in nursing homes. If they become law, these and other provisions

<sup>2</sup>Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners (GAO/HEHS-96-152, Aug. 30, 1996).

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

<sup>4</sup>Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data (GAO/HEHS-96-163, Aug. 29, 1996).

<sup>5</sup>Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy (GAO/HEHS-98-75, Mar. 27, 1998).

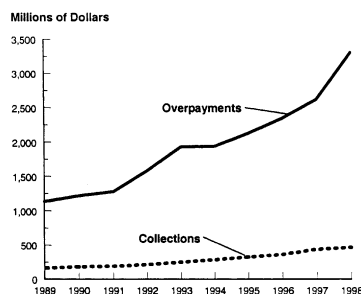
<sup>6</sup>This proposal is entitled the Supplemental Security Income Program Integrity Act of 1998 and was submitted to the Congress on May 4, 1998.

currently under consideration by the Congress have the potential to improve SSA's ability to better verify initial and continuing eligibility and deter SSI program overpayments.

#### *Recovering Overpayments*

In addition to problems associated with SSA's verification of SSI eligibility information, SSA has not always aggressively pursued the recovery of overpayments. Thus, over time SSA's recovery efforts have been outpaced by outstanding SSI debt, which is becoming an increasingly large portion of all debt owed to the agency. Between 1989 and 1998, outstanding SSI debt and annual overpayments more than doubled to about \$3.3 billion. Although overpayment recoveries also increased each year during this period, the gap between what is owed SSA and what is actually collected has continued to widen (see fig. 1).

**Figure 1: Gap Between SSI Overpayments and Recoveries Continues to Widen, Fiscal Years 1989-98**



Source: SSA's Office of Finance, Assessment, and Management.

As noted in our September 1998 report, to a great extent overpayment recoveries have remained low because of SSA's reluctance to use debt collection tools already available to it or seek statutory authority for more aggressive tools. We reported that SSA only began using tax refund offsets in 1998 to recover overpaid SSI benefits, despite having had the authority to do so since 1984. The tax refund offset represents one of the few tools available to SSA for recovering overpaid benefits from former recipients. In the first 4 months of 1998, SSA reported that it had collected more than \$23 million through this initiative. Waiting many years to move forward with this important recovery tool has likely cost the SSI program millions of dollars in collections. We also reported that, until recently, SSA had not pursued the authority to use more aggressive debt collection tools, such as 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 debt.

Our work also identified another potential barrier to increased overpayment recoveries: the law that limits the amount SSA can recover each month from overpaid SSI recipients. Before 1984, SSA could withhold up to 100 percent of an overpaid individual's benefit amount. However, pursuant to the Deficit Reduction Act of 1984 (P.L. 98-369), SSA was limited to offsetting a maximum of 10 percent of a recipient's total monthly income. Thus, SSA lost the discretion to withhold larger amounts, even for individuals who willfully and continually fail to report essential information. Our September 1998 report recommended that SSA seek legislative authority to withhold larger amounts than the current 10-percent maximum from recipients who chronically and willfully abuse program reporting requirements.

Following a number of GAO briefings over the last year, and our April 1998 testimony before this Subcommittee in which we noted SSA's continued reluctance to pursue more aggressive debt collection tools, SSA submitted a legislative proposal to the Congress seeking statutory authority to use credit bureaus, private collection agencies, interest levies, and other tools to strengthen its collection efforts. To date, SSA has taken no action on our recommendation to withhold greater amounts for recipients who abuse reporting requirements. However, SSA did include a provision in its legislative proposal that would allow the agency to suspend for a period of

time the benefits of individuals who provide false information or withhold information that affects their eligibility.

#### *Addressing Fraud and Abuse*

Over the years, we have documented the SSI program's susceptibility to fraud and other abusive practices. For example, we have reported that "middlemen" were facilitating fraudulent SSI claims by providing translation services to non-English-speaking individuals applying for SSI.<sup>7</sup> We are also currently conducting a follow-up review of the activities of middlemen in the SSI program. In prior work, we also found that thousands of individuals had transferred ownership of resources such as cars, cash, houses, land, and other items valued at an estimated \$74 million to qualify for SSI benefits.<sup>8</sup> Although such 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. The Congressional Budget Office has estimated that more than \$20 million in additional savings could be realized through 2002 by implementing an asset transfer restriction.

The SSI program continues to be vulnerable to fraud and abuse. Although SSI represents less than 8 percent of total agency expenditures, when compared with SSA's other programs—OASI and DI—the SSI program accounted for about 37 percent of allegations received by SSA's fraud hotline and 24 percent of convictions obtained. However, SSA has begun to take more decisive action to address SSI fraud and abuse since the program was designated high risk. For example, the number of Office of Inspector General (OIG) investigators have been increased significantly, and combatting fraud and abuse was made a key goal of SSA's 1997 Agency Strategic Plan. SSA has also established national and regional anti-fraud committees to better identify, track, and investigate patterns of fraudulent activity. Several OIG "pilot" investigations are also under way that are aimed at detecting fraud and abuse earlier in the application process. In addition, SSA has established procedures to levy civil and monetary penalties against recipients and others who make false statements to obtain SSI benefits. Finally, in its May 1998 legislative proposal to the Congress, SSA included a provision aimed at preventing individuals from transferring assets in order to qualify for SSI.

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, we have noted that many years of inadequate attention to program integrity issues have fostered a strong skepticism among both headquarters and field staff about whether fraud detection and prevention is an agency priority. Many staff believe constant agency pressure to process more claims has impeded the thorough verification of claims and the development of fraud referrals. Staff also have expressed concern that SSA has not developed office work credit measures, rewards, and other incentives to encourage employees 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 the time they spend developing fraud cases. As a result, many staff may be unwilling to devote significant time to more thorough claims verification because they fear production—that is, cases processed—will be negatively affected. Our report recommended that SSA reevaluate its field office work credit and incentive structure to encourage better verification of eligibility information and attention to fraud and abuse. SSA has initiated a review of its existing work measurement system with a specific focus on the kind of work that is counted and how time values are assigned to units of work. SSA expects to complete this review by mid-1999.

#### RECENT CHANGES IN MANAGEMENT APPROACH MAY IMPROVE PROGRAM DIRECTION

In addition to long-standing problems attributable to SSA's organizational culture, our work suggests that SSA's management of the SSI program has often led to untimely and flawed program policies and inadequate program direction. Proactive program management requires a willingness on the part of an agency to identify and decisively address problems before they reach crisis levels. Where internal operational remedies are insufficient to address a particular program weakness, the agency should then suggest and develop legislative proposals for change. Proactive

<sup>7</sup> *Supplemental Security Income: Disability Program Vulnerable to Applicant Fraud When Middlemen Are Used* (GAO/HEHS-95-116, Aug. 31, 1995).

<sup>8</sup> *Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits* (GAO/HEHS-96-79, Apr. 30, 1996).

management also requires a willingness to identify short-and long-term program priorities and goals and to develop a clearly defined plan for meeting those goals. In prior reports, we have noted that program direction and problem resolution at SSA have been hindered by SSA's continued reluctance to take a leadership role in SSI policy development before major program crises occur. We have also reported that program direction has been impaired by a strategic planning process that has not sufficiently focused on the specific needs of the SSI program and its recipients. However, recent actions taken by SSA show that the agency has begun to take a more proactive role in both SSI policy development and program planning.

#### *SSI Policy Development*

As the nation's SSI program expert, SSA is uniquely positioned to assess the program impacts of trends in the SSI population and initiate internal policy "fixes" to address problems. If internal revisions would not be effective, SSA is best qualified to identify areas where new legislation is needed and assist policymakers in exploring options for change. However, we concluded in our September 1998 report that SSA has not always been sufficiently aggressive in this regard. Our report also included numerous examples in which SSA did not take a leadership role in SSI policy development before major crises occurred. An example of SSA's approach was evident in the congressional debate surrounding SSI for children in which the Congress ultimately passed legislation limiting SSI childhood eligibility. SSA did not develop and communicate timely information to the Congress on the effects of prior legislative and court-mandated changes. Nor did SSA develop its own proposals for revising childhood eligibility policies, despite the fact that it had information that guidelines for determining the severity of childhood mental and physical impairments were difficult to interpret, unclear, and too subjective. At a much earlier time, this information could have been shared with the Congress for consideration in reassessing whether the SSI program was meeting the needs of the most severely disabled children.

SSA has acknowledged the need to play a more active policy development role and has restructured its research and policy development components to better address our concerns. In this regard, SSA has also made conducting effective policy development, research, and program evaluation a key agency goal. Additional staffing resources are also being obtained by the newly created Office of Policy. Consequently, SSA should ultimately be better positioned to develop policy options and proposals for the SSI program. As noted earlier, SSA also recently developed and submitted to the Congress its first major SSI legislative proposal aimed at improving program integrity by ensuring that only eligible individuals receive benefits. This proposal responds to many of our prior recommendations and, if enacted, has the potential to significantly improve SSA's ability to deter and recover SSI program overpayments.

#### *SSI Strategic Planning*

Our earlier work has also shown that SSI program direction has suffered as a result of SSA's failure to develop program-specific goals, priorities, and plans for addressing program weaknesses. The persistence of the long-standing problems discussed today demonstrates SSA's inability to focus on its most critical program challenges. To a significant degree, this may be due to SSA's strategic planning efforts, which generally involve agencywide goals and concerns with no programmatic focus. As required by the Government Performance and Results Act of 1993,<sup>9</sup> SSA issued its current agency strategic plan in September 1997. This plan outlines SSA's strategic goals and objectives for the next 5 years. SSA also recently published its fiscal year 1999 annual performance plan, which provides more detailed information on how SSA intends to achieve its goals and measure performance. In reviewing these plans, we found that SSA still had not adequately developed programmatic goals, initiatives, and performance measures to address the specific needs and problems of the SSI program. Thus, we recommended that SSA move forward in developing an SSI-focused plan with clearly defined goals and measures to gauge SSA's progress in addressing its SSI program challenges.

In response to our recommendation, SSA produced its first SSI management report in October 1998, which discusses the need to take aggressive action in four areas: improving overall payment accuracy, increasing continuing disability reviews, combatting program fraud, and improving debt collection. The management report established specific goals to measure the anticipated yearly impact of planned initia-

<sup>9</sup>The Results Act requires federal agencies to implement results-oriented management reforms, such as conducting strategic planning, establishing program goals and objectives, measuring progress in meeting those goals, and reporting publicly on that progress.

tives in each of these areas. In this report, SSA notes that a number of initiatives should achieve results in the near future, while others will take longer to produce significant impacts. The agency plans to closely monitor each initiative and make modifications when necessary to ensure that the best possible results are achieved.

#### CONCLUSIONS

Because the SSI program is essential to the financial health and well being of millions of low-income aged, blind, and disabled recipients, it is essential that the program is adequately protected from fraud, waste, and abuse. However, after more than 20 years of operation, the SSI program remains vulnerable and faces significant, long-standing challenges. To a large extent, the problems we have discussed today are attributable to an ingrained organizational culture that has historically placed a greater value on quickly processing and paying claims than on controlling program costs, and a management approach characterized by a reluctance to address SSI problems requiring long-term solutions and/or legislative changes. As a result, billions of dollars have been paid over the years to ineligible individuals and SSA has not always dealt proactively with its most pressing program problems.

SSA has acknowledged the important role of management in defining organizational priorities and the need to strike a better balance between serving the public and fiscal accountability for its programs. As noted, SSA has begun to take steps internally and in coordination with the Congress to address a number of SSI program vulnerabilities. This includes seeking out more timely and complete automated sources for verifying recipient eligibility information, stepping up its efforts to combat fraud and abuse, and working with the Congress to obtain legislative authority for additional debt collection tools. We believe that this combination of internal program solutions and legislative proposals for change is essential to improving program integrity.

All of the ongoing and proposed initiatives we have discussed have the potential to improve the integrity and financial health of the SSI program. However, many of the difficulties experienced by the SSI program are the result of more than 20 years of inattention to payment controls. Therefore, significantly revising SSA's underlying culture and management approach will require a concerted effort at the highest levels of the agency and a willingness by the Congress to provide SSA with needed legislative authorities.

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

---

Chairman JOHNSON of Connecticut. Thank you very much.  
Ms. Ford.

**STATEMENT OF MARTY FORD, ASSISTANT DIRECTOR,  
GOVERNMENTAL AFFAIRS OFFICE, ARC OF THE UNITED  
STATES; AND COCHAIR, SOCIAL SECURITY TASK FORCE,  
CONSORTIUM FOR CITIZENS WITH DISABILITIES**

Ms. FORD. Madam Chair, and Members of the Subcommittee, thank you for this opportunity to comment on issues under consideration. I am here in my capacity as a cochair of the Social Security Task Force of the Consortium for Citizens with Disabilities. We applaud your willingness to work in a bipartisan manner on these issues.

As you have heard, we want to caution that not all errors in the system are caused by people acting with fraudulent intent. Therefore, we believe that statutory provisions should be carefully crafted to ensure that they do not harm innocent people who are the intended beneficiaries of the program.

I think it is important to note that the disability community has been concerned about overpayments for quite some time, and in fact, a colleague reminded me yesterday that there is testimony in the Subcommittee going back at least as far as 1987, 1988, and

1990, dealing with some of these issues. It is to be expected that a certain level of overpayments and corrections will take place on a regular basis in the SSI Program given the retrospective accounting system. The disability community, however, struggles with the inability of SSA's reporting and recording systems to keep pace with fluctuating income of beneficiaries. As we understand it, there is no specific way in which SSA requires earned income reports to be made. You can make them in writing, by calling the 800 number, or by stopping in to report in an SSA field office. There is no particular form to file and no official record that the beneficiary can use in the future to prove that that report was made.

In addition, there appears to be no effective internal system for recording the income which beneficiaries report. To add to that, the program rules and formulas are so complex that when an individual reports and assumes they have done the right thing in terms of following the rules, they may not know that they are incurring an overpayment because they don't understand how the formulas work in relation to their income, anyway.

As a result of the system's insufficiencies and the tremendous impact it has on an individual to receive a notice of overpayment, the disability community often views the potential for overpayments as a distinct work disincentive. People with disabilities experience that numerous reports to SSA and their requests to adjust benefits often go unheeded by the administration. I am sorry, I can't offer you any data. We don't have the ability to collect that. But these issues are regularly occurring complaints from our memberships.

While there are some administrative improvements that could be made, we think it is critical to get some statutory changes also. We believe SSA should be required to make improvements in its reporting and recording systems so that beneficiaries are notified of overpayments in a timely manner. It is not uncommon to be notified years after an overpayment has occurred. A reasonable time period should be allowed for SSA to notify the beneficiary, and where there is no suggestion of fraud, if SSA does not meet that time limit, we believe that the overpayment should be waived.

We are pleased to see the inclusion of a study in section 17 of the bill, which would address the measures to improve processing of reported income changes by beneficiaries. Streamlining SSA's procedures could eliminate many overpayments, could reduce the administrative hassle involved, and certainly prevent the disastrous personal circumstances that arise when SSA withholds much needed funds. Given the view of overpayments discussed above, we have a slightly different perspective of some of the provisions in the bill and have offered some comments on those provisions to assist in avoiding harsh results or unintended results, and those are included in my testimony.

I would like to just touch briefly on a couple of the other issues in the bill. The first is the treatment of assets held in trust and preventing the disposal of resources for less than fair market value. We thank the Subcommittee for its work in incorporating the Medicaid transfer of asset and trust exceptions into the corresponding SSI provisions in the bill. We think that is quite important. We would also urge you to take a look at the penalty period for people

who have transferred assets and consider limiting that to no more than the old 2-year penalty. We applaud the inclusion of authority for the Commissioner to waive the bar in cases of undue hardship. We also urge that there be some way to coordinate between the Social Security Administration and the Health Care Financing Administration the penalty periods between SSI and Medicaid, so that there isn't double counting of the same amount of income.

And finally, just to highlight, we urge verification of computer matches. For instance, if someone has been in a nursing home and if the data does not indicate that they have been discharged, those things should be verified before action is taken.

Again, we thank you for this opportunity to address these proposals. We appreciate the work you have done to address our concerns to date, and we look forward to working with you on these and other issues as the bipartisan legislation moves forward. Thank you.

[The prepared statement follows:]

**Statement of Marty Ford, Assistant Director, Governmental Affairs Office, Arc of the United States; and Cochair, Social Security Task Force, Consortium for Citizens with Disabilities**

Chairwoman Johnson, Members of the Human Resources Subcommittee, thank you for this opportunity to comment on issues under consideration before the Subcommittee. We believe that there is much to be gained from an on-going dialog which allows different perspectives to be brought to the table in discussions of any potential changes to the Supplemental Security Income law which affects so many people in such vital areas as food, clothing, and shelter. We applaud your work in making this a bipartisan bill.

I am Marty Ford, Assistant Director of the Governmental Affairs Office of The Arc of the United States. I am here today in my capacity as a co-chair of the Social Security Task Force of the Consortium for Citizens with Disabilities.

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 bill that the Subcommittee is reviewing under the general goal of preventing fraud and abuse in the program.

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; therefore, statutory provisions should be carefully crafted to ensure that they do not harm innocent people who are the intended beneficiaries of the program.

Chairwoman Johnson and Members of the Subcommittee, we are appreciative that you have listened to our concerns and that certain proposals which were under consideration earlier last year are not contained in the draft legislation. We believe that your willingness to listen to concerns from the perspective of people with disabilities has contributed to a better understanding of the potential impact of those proposals.

We are in support of the overall goals of the draft bill. As noted, we believe that the integrity of the program must be protected and that only people who are actually eligible should be receiving benefits. Improvements should be made to the Social Security Administration's systems that strike a balance: to further the goal of improved integrity of the SSI program by fixing the system where there are inadequacies while attacking real fraud. Following are our recommendations for additions to certain provisions as well as some cautions regarding the potential impact of certain provisions on people with disabilities.

## OVERPAYMENTS

Before making some specific recommendations regarding overpayments and collection of overpayments, it is important to note that the disability community has also been concerned about overpayments for quite some time. However, we view the overpayment problem from a different point of view, seeing it as less a problem of fraud and more of a problem of inadequate reporting and recording systems in the SSA structure.

First, given the retrospective accounting that takes place in SSI, it is to be expected that a certain level of overpayments and corrections would take place on a regular basis. This is particularly true given SSI provisions (such as Sections 1619(a) and (b)) that encourage work often cause fluctuations in monthly benefits which must be reconciled after the fact with fluctuating monthly earnings.

The disability community struggles with the inability of SSA's reporting and recording systems to keep pace with the fluctuating income of beneficiaries. There is no specific way in which SSA requires earned income reports to be made; they can be made in writing, by calling the 800 number, or by stopping in to report at an SSA field office. There is no particular form to file and no official record for the beneficiary to use to prove the report was made. In addition, there appears to be no effective internal system for recording the income which beneficiaries report. Finally, the program rules and formulas are so complex that, when an individual reports income and there is no change in the benefit amount, the individual may not be aware that an overpayment is occurring. As a result of the system's inefficiencies and the impact on the individual of an unexpected overpayment, the disability community often views the potential for overpayments as a distinct work disincentive.

A nightmare that occurs often for people with disabilities is a notice from SSA stating the existence of an overpayment that amounts to thousands, if not tens of thousands, of dollars which accumulated over several years. Even for those people on SSI who are savvy enough to realize that an overpayment is occurring, it may be hard to fix. People with disabilities experience that numerous reports to SSA and requests to adjust benefits often go unheeded by the Administration. Yet, because they are on SSI, beneficiaries cannot "save" the excess for ultimate pay-back to SSA, without risking excess "resources" and loss of basic SSI eligibility. An additional nightmare can be the request from SSA to produce pay-stubs and receipts going back many years.

The CCD Task Force on Social Security has raised these issues with SSA and recognizes that SSA is operating under certain limitations, such as the fact that certain reports are only available to SSA on an annual basis. While there are some administrative improvements that SSA can make, we believe that it is critical to get some statutory changes to help alleviate the situation. SSA should be required to make improvements in its reporting and recording systems to ensure that beneficiaries are notified of overpayments in a timely manner. A reasonable time period should be allowed for SSA to notify the beneficiary and correct the overpayment; where there is no suggestion of fraud, overpayments which are not corrected and for which beneficiaries are not notified within the time limits should be waived.

We are pleased to see the inclusion of a study (Section 17 of the bill) which would address measures to improve processing of reported income changes by beneficiaries. In reviewing GAO reports, I have not found any discussion of what actually happens, or does not happen, to the earnings reports that beneficiaries make. We believe that this is where the real crux of the problem lies. Until systems inadequacies are minimized, it will be difficult to ferret out cases of true fraud. Streamlining SSA's procedures to ensure that the information is input and acted upon immediately could eliminate many overpayments (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.

Since the disability community views the majority of large overpayments as the result of SSA's administrative practices, our comments (below) on other overpayment issues reflect that perspective.

*Increased Collection of Certain SSI Overpayments*

We believe the 50 percent minimum for collection of overpayments from lump sum payments may be too high. Often, people awaiting receipt of their benefits go without and/or incur debts 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 people in these difficult circumstances.



*Increased Collection of SSI Overpayments to Convicted Criminals*

We believe that, to protect people with mental retardation and mental illness who are or have been incarcerated and who may not fully understand the complex SSI rules, there needs to be a requirement that SSA specifically ask for information about past overpayments on the application and record the individual's answer. SSA should have an affirmative responsibility to inquire about the needed information and to assist people in understanding the request. In addition, we urge you to consider giving the Commissioner discretion to waive the penalty where the Commissioner finds that the individual's impairment itself is part of the reason for the individual's failure to properly report.

Further, we are concerned about the potential impact on a prisoner's family of the requirement for SSA to continue debt collection while the individual is incarcerated. The Commissioner appears to have some flexibility in the draft bill and we urge that such flexibility remain. Otherwise, we could imagine scenarios where SSA would be required to attach resources or assets that other family members are dependent upon, such as a home or car.

*Added Debt Collection Tools*

While we understand the need for SSA to have debt collection tools for those situations where a beneficiary has left the program, we urge that notice and an opportunity to contest the overpayment be given to the individual before the matter is turned over to a collection agency. Especially given the view that people with disabilities hold about SSA's role in how overpayments occur, it would be particularly harsh for people to discover an overpayment and action against them in the normal course of conducting their personal business, such as applying for a first mortgage or a car loan.

## OTHER ISSUES

*Treatment of Assets Held in Trust and Preventing the Disposal of Resources for Less Than Fair Market Value*

Many important public policy issues regarding the long-term planning often required for a young person with significant disability were taken into consideration in the work done in conjunction with passage of the OBRA 93 tightening of the Medicaid rules regarding transfers of assets and trusts. Chairwoman Johnson, we thank the Subcommittee for its work in incorporating those Medicaid transfer of asset and trust exceptions into the corresponding SSI provisions included in this bill.

Regarding the prohibition on transfers of assets, we believe that the penalty period formulation in the bill (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 even this two-year bar could be life-threatening for many people who are elderly or disabled, we applaud the inclusion of authority for the Commissioner to waive the bar in cases of undue hardship.

Further, if assets incur a penalty period in both SSI and Medicaid, there should 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. We appreciate your consideration of this issue.

*Administrative Sanctions Process*

In the section addressing the sanctions for criminal conviction for fraud, we urge that the loss of benefits period for a beneficiary be made consistent with that for the attorneys' and physicians' first conviction (five years) rather than the ten years now included in the draft.

*Annual DDS Evaluation of Performance of Consultative Examiners*

We believe that one additional performance criteria should be included for evaluation of consultative examiners by SSA and the Disability Determination Service: evaluation of 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.

*Computer Matches with Medicaid and Medicare Data*

While we recognize the need for better data matching, we believe that some protections need to be incorporated since data may not be accurate or up-to-date and, for instance, where some people may have very short stays in nursing homes, the

matched data may not reflect the more recent events, such as discharge. We urge that SSA be required to corroborate any information before it relies upon it in changing benefits.

*Referrals of Fraud to the OIG and Authority to Contract Out*

We believe that 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 investigators, working on commission, disrupting the lives of innocent, law-abiding citizens.

*Treatment of SSI Income*

We urge the Subcommittee to consider a provision to bar counting SSI income for purposes of TANF income determination for other family members. Otherwise, families may be placed in a Catch-22 situation where SSI funds are intended to be dedicated to the needs of the individual, yet they are counted as income to the whole family.

*Evaluation of 18-year-olds*

Finally, we urge the Subcommittee to consider a provision to correct an application of the law which encourages 18-year-olds to leave school before completion of secondary-level education. Current law requires a redetermination of an 18-year-old's SSI eligibility under the adult standard. For those young people who are still in school, application of the work-based adult standard is inappropriate. We urge the Subcommittee to consider delaying the application of the adult standard until such time that the young person has completed secondary-level education.

Again, we thank you for the opportunity to address these proposals. We appreciate the work you have done to address our concerns to date and look forward to working with you on these and other issues as this bipartisan legislation moves forward.

ON BEHALF OF:

American Council of the Blind	National Association of Developmental Disabilities Councils
American Counseling Association	National Association of Protection and Advocacy Systems
American Foundation for the Blind	National Association of State Directors of Developmental Disability Services
American Network of Community Options and Resources	National Mental Health Association
Bazelon Center for Mental Health Law	National Parent Network on Disabilities
Children and Adults with Attention Deficit Disorders	NISH
International Association for Psychosocial Rehabilitation Services	Paralyzed Veterans of America
Inter/National Association of Business, Industry and Rehabilitation	Research Institute for Independent Living
National Alliance for the Mentally Ill	The Arc of the United States
	United Cerebral Palsy Associations, Inc.

Chairman JOHNSON of Connecticut. Thank you very much, Ms. Ford.

Mr. Lachica.

**STATEMENT OF ERIC LACHICA, EXECUTIVE DIRECTOR,  
AMERICAN COALITION FOR FILIPINO VETERANS, INC.**

Mr. LACHICA. Good afternoon, Madam Chairman, and Members of the Subcommittee. My name is Eric Lachica. I am the executive director of the American Coalition for Filipino Veterans, a nonprofit organization that advocates for the interest of Filipino-American World War II veterans. We are based here in Washington, DC. Our national coalition is composed of more than 45 organizations, and has 1,200 individual members. We are campaigning for recognition, justice, and equal treatment of our elderly Filipino veterans in America. I am also the son of a 78-year-old Filipino-American vet-

eran, who was honorably discharged in 1946 from the U.S. Armed Forces in the Far East. My father now lives in Bakersville, California.

Madam Chairman, with your permission, I would like to briefly introduce to the Subcommittee, the president of our coalition, Patrick Ganio, Sr., a veteran who fought in the battles of Bataan and Corregidor. He is also a recipient of the Purple Heart, and a former teacher who now lives in the District. Also, with us here today, are 12 feisty veterans. Could you stand up? Mr. Alisuag, a retired teacher, Mr. Caberto, and Mr. Rumingan, a disabled New Philippine Scout, are all from the Washington, DC area. They all fought for America's freedom as U.S. soldiers more than half a century ago. Today they are still fighting for recognition as American veterans.

We are here this afternoon to ask for your Committee's support for the bipartisan and humanitarian bill, the Filipino Veterans SSI Extension Act, introduced by Congressman Gilman and Congressman Filner. It would permit Filipino-American World War II veterans currently receiving SSI to continue to receive their SSI payments in the Philippines with a reduction in payments.

There are two compelling reasons for your Committee to support this bill. First, it would provide a humanitarian relief for an estimated 7,000 elderly, Filipino-American vets who are poor, lonely, and isolated in the United States, and are financially unable to petition their families to immigrate to the United States, and therefore, want to rejoin them in the Philippines. Second, it would save the American taxpayers millions of dollars annually in SSI, Medicaid, and food stamp payments.

Let us look at the supporting facts. Regrettably, since the 1946 Rescission Act was passed by Congress, the Department of Veterans Affairs has denied pension, medical coverage and burial benefits to Filipinos who are nonservice-connected veterans. During the past 2 years, our veterans have frequently demonstrated at the White House and on the steps of the Capitol to remind our President, Congress, and fellow Americans of the wartime pledges of President Harry Truman and General MacArthur.

I would like to quote President Truman in 1946. He said,

The Philippine Army veterans are nationals of the United States and will continue in that status until July 4, 1946. They fought under the American flag and under the direction of our military leaders. They fought with gallantry and courage under the most difficult conditions. I consider it a moral obligation of the United States to look after the welfare of the Filipino veterans.

The CBO, in a December 16, 1998 memorandum, estimated 17,000 veterans are naturalized under the 1990 Immigration Act, and became U.S. residents. If this bill is passed, we expect, however, the great majority of our veterans will choose to remain in the United States because of the disincentives of the reduction, the loss of Medicaid, as well as their newly established family ties in America. But for our desperate veterans who chose to return to the Philippines, this would mean the chance to be with their loved ones when they die.

H.R. 26 is fiscally appealing because no additional appropriations will be made. In fact, the CBO again estimated it will save \$30 million in direct budget savings over 4 years. According to our veteran

leaders, these desperate veterans would be willing to give up, sacrifice 25 percent of their monthly SSI, give up their Medicaid and their food stamps just so they can be with their families in the Philippines. In our judgment, the 25-percent reduction would be the most realistic and acceptable. Any further reduction would lead to a situation of diminishing returns.

Example. In April last year, we lost a member from Arlington, Virginia, Rosa Nanalig. She was 73 years old. She usually joined us at the demonstration at the White House. Ms. Nanalig was a former Filipino nurse's aide who fought in the war with the rank of third lieutenant and she saved a few U.S. soldiers' lives. In the last 2 years of her life, she lived on SSI and Medicaid, because she was quite ill from heart problems and a form of leukemia. She desperately wanted to go back to her husband and six grown children, which she could not have petitioned to join her here. She had to obtain regular transfusions at the Arlington Hospital. And she had to save what she could from her SSI. According to her landlord, when she realized that her end was near, she left for Manila. She died 3 months later with her family at her bedside. Her example vividly depicts the lonely life that faces a number of veterans.

Madam Chairman, Members of the Subcommittee, we urge you to be fair and compassionate to these honorable men and women. They are Americans too. They deserve to live with dignity with their loved ones in their few remaining years. I thank you for this great honor of testifying in this hearing.

[The prepared statement follows:]

**Statement of Eric Lachica, Executive Director, American Coalition for Filipino Veterans, Inc.**

Good afternoon, Madame Chairman and members of the committee.

My name is Eric Lachica, the executive director of the American Coalition for Filipino Veterans. Our nonprofit organization advocates for the interests of Filipino American WW II veterans and is based in Washington, D.C.

Our national coalition is composed of more than 45 organizations and has twelve hundred (1,200) individual members. We are campaigning for recognition, justice, and equal treatment of our elderly Filipino veterans in America.

I am also a son of a 78-year-old Filipino American veteran who was honorably discharged in 1946 from the U.S. Armed Forces in the Far East. My father now lives in Bakersfield, California.

Madame Chairman, with your permission, I would like to briefly introduce to the Committee, the president of our coalition, Mr. Patrick Ganio Sr., a veteran who fought in the battles of Bataan and Corregidor. He is a recipient of a Purple Heart, and a former teacher who lives in the District.

Also, with us here today are other feisty veteran leaders like, Mr. Alisuag, a retired teacher from Oxon Hill, Maryland, Mr. Caberto of Washington DC, and Mr. Rumingan of Arlington, Virginia, a disabled New Philippine Scout.

They all fought for America's freedom as U.S. soldiers more than half a century ago. Today, they are still fighting for recognition as American veterans.

During the 105th congress, we and our allies garnered 209 cosponsors for the "Filipino Veterans Equity" bill, nine votes shy of majority in the House.

We are here this afternoon to ask for your committee's support for the bipartisan and humanitarian bill, "The Filipino Veterans SSI Extension Act," H.R. 26 introduced on January 6, 1999 by Rep. Gilman and Rep. Filner. It would permit Filipino American WW II veterans currently receiving Supplemental Security Income to continue to receive their SSI monthly benefits in the Philippines with a reduction in payments.

There are two compelling reasons for your committee to support this bill

FIRST, It would provide a HUMANITARIAN RELIEF for an estimated 7,000 elderly Filipino American vets who are POOR, LONELY AND ISOLATED in the U.S. and are financially unable to petition their families to immigrate to the U.S.; and therefore, want to rejoin them in the Philippines,

SECOND, It would SAVE THE AMERICAN TAXPAYERS MILLIONS of dollars annually in SSI, Medicaid and Food Stamps payments.

Let us look at the supporting facts:

The eligible veterans covered by this bill are American citizens and U.S. residents by virtue of their well-documented and loyal military service in the U.S. Army more than fifty years ago. As a result, they were given the right to become American citizens during the period from 1990 until February 3, 1995.

Regrettably, since the "Rescission Act" was passed by Congress in 1946, the Department of Veterans Affairs has denied pension, medical coverage and burial benefits to our Filipino nonservice connected veterans.

During the past two years, our veteran leaders have frequently demonstrated at the White House and on the steps of the Capitol to remind our President, Congress, and fellow Americans of the wartime pledges of President Harry Truman and General Douglas MacArthur.

As an example, on February 20, 1946, President Truman, who objected to the "Rescission Act," said, and I quote,

"The Philippine Army veterans are nationals of the United States and will continue in that status until July 4, 1946. They fought under the American flag and under the direction of our military leaders. They fought with gallantry and courage under the most difficult conditions... They were commissioned by us. Their official organization, the army of the Philippine Commonwealth was taken into the Armed Forces of the United States on July 26, 1941. That order has never been revoked nor amended. I consider it a moral obligation of the United States to look after the welfare of the Filipino veterans."

In a December 16, 1998 memorandum, the Congressional Budget Office estimated 17,000 Filipino veterans were naturalized under the 1990 Immigration Act and became U.S. residents.

If this SSI bill is passed, we expect the GREAT MAJORITY OF OUR VETERANS TO REMAIN IN THE U.S. because of the DISINCENTIVES of the reduction, the loss of Medicaid, as well as their newly established family in America.

BUT, for our DESPERATE veterans who choose to return to the Philippines, this would mean the chance to be with their loved ones when they die.

H.R. 26 is fiscally appealing because most of these veterans are currently receiving SSI and no additional appropriations would be made. In fact, the *Congressional Budget Office* on Dec. 16, 1998 estimated that H.R. 4716 (the previous version of H.R. 26), which proposed a 25 PERCENT reduction of SSI benefits, would mean \$30 MILLION DIRECT BUDGET SAVINGS over four years (1999-2003).

The C.B.O. assumes that 7,000 Filipino AMERICAN veterans would choose to return to the Philippines.

As you know, the SSI program was created to assure a minimum DIGNIFIED level of income to aged, blind or disabled Americans of limited income and resources.

Under the SSI law, a recipient can only receive SSI benefits overseas if he or she is 1) a disabled student, or 2) a dependent of a US military personnel, or 3) a Northern Marianas Islands resident.

According to our veteran leaders, these desperate veterans would be willing to sacrifice 25 PERCENT of their monthly SSI, give up their Medicaid, and their Food Stamps, just so they can be with their families in the Philippines.

In our judgment, the 25 PERCENT reduction rate would be the most realistic and acceptable. Any further reductions would lead to a situation of diminishing returns.

From our community's perspective, this legislation would mean FINANCIAL SAVINGS. As an example: when a poor Filipino veteran dies in America, it costs our community an average of \$5,000 to ship his remains to the Philippines for burial.

With a conservative 2 PERCENT annual mortality rate or ONE poor veteran dying each day, it would cost us \$150,000 per month or nearly \$2 MILLION per year.

In April last year, we lost a member from Arlington Virginia, MS. ROSA NANALIG, age 73. She usually joined us at the demonstrations at The White House. Nanalig was a former nurse's aide who fought in the war with a rank of third lieutenant. And she SAVED a few U.S. soldiers' lives.

In the last two years of her life, she lived on SSI and Medicaid because she was quite ill from heart problems and a form of leukemia. She desperately wanted to go back home to her husband and six grown children. However, she could not. She had to obtain regular blood transfusions at the Arlington Hospital, and she had to saved what she could from her SSI.

According to her landlord, when she was realized that her end was near. She left for Manila. She died a three months later with her family at her bedside.

Her example vividly depicts the lonely life that faces a number of our vets.

Madame Chairman, and members of the committee, we urge you to be FAIR AND COMPASSIONATE to these honorable men and women. They are Americans too. They deserve to live with DIGNITY with their loved ones in their few years remaining. I thank you for this great honor of testifying in this hearing.

Madame Chairman, I will be glad to answer any questions.

---

#### OUR ORGANIZATION RECEIVES NO FEDERAL GRANTS

ACFV Support Organizations: Filipino War Veterans, Inc. (DC), American Legion Post, Alejo Santos (PA); Veterans of Foreign Wars, Douglas MacArthur Post (MD); Filipino Veterans Families Foundation (DC); United Filipino American Veterans (Los Angeles); Fil-Am Vets of Carson CA; Society of Guerrillas and Scouts (L.A.); Newly Arrived WWII Filipino Veterans (S.F.); U.S. Filipino WW II Veterans (San Jose); U.S. Filipino WW II Veterans (Seattle), U.S. Filipino WW II Veterans (Hawaii), Phil. Am. Veterans Organization, New Jersey & NY; Filipino Civil Rights Advocates; Sons & Daughters Assn. Filipino Veterans; Philippine Nurses Assn of America; Phil. American Bar Assn., Filipino Am Women's Network, Asian Am Voters Coalition; Phoenix Filipino Community; Phil. Am. Heritage Federation (DC) Natl. Federation Filipino American Assoc.; Natl. Filipino American Council; Fil. Am. Service Group (L.A.); S.F. Veterans Equity Center; and others.

---

#### Questions & Answers:

1) *Under this Act, how much will the Filipino American WWII veteran get if he/she returns to the Philippines?*

ANSWER: A maximum of \$379 dollars per month at the proposed 25% reduction proposed rate. See table, Exhibit 1.

2) *How will this be administered in Manila?*

ANSWER: The U.S. Social Security Administration has an adequately staffed office in Manila managed by the Veterans Affairs Dept.

3) *Will the SSI Extension Act make the Filipino veterans a special class?*

ANSWER: NO. Dependents of US military personnel and disabled students studying abroad are eligible to receive SSI payments. 46,000 residents of the Northern Marianas Islands are eligible too.

As a COMPARISON: According to the VA in Puerto Rico, the Puerto Rican WW II veterans who are poor and disabled are generously covered by the U.S. Department of Veterans Affairs "nonservice connected pension." It reaches a monthly maximum of \$722 for each veteran depending on their income level. 7,416 nonservice connected Puerto Rican WWII veterans received a total of \$3,088,250 for the month of November 1998.

4) *Will the veteran's spouse and children be eligible for SSI in the Philippines?*

ANSWER: NO.

5) *How would you compare the proposed SSI payments REDUCED by 25 percent and Medicaid benefits with the Veterans Department benefits?*

ANSWER: The reduced SSI payment would be \$343 less per month than the VA pension and \$126 less per month than the full SSI rate. The returning Filipino American veteran will not have Medicaid nor Food Stamps in the Philippines. See attached table, Exhibit 1.

---

Exhibit No. 1. Comparison of SSI and VA Benefits with the Proposed "Filipino Veterans SSI Extension Act"

Supplemental Security Income for Individuals in U.S. or No. Marianas/dependent US MILITARY	U.S. Veterans Nonservice Connected Pension 1998 rate payable anywhere	PROPOSED H.R. 26 "Filipino Vet SSI Ext. Act" 25% Reduction
\$ 505 per month .....	\$722 per month .....	\$379 per month
Medicaid & Food Stamps .....	VA Medical coverage .....	None
Additional SSI to Spouse & dependents.	Additional Pension to Spouse & dependents.	NONE
BUDGET SAVINGS—NONE ..	BUDGET SAVINGS—NONE	CBO Estimate SAVINGS—\$30 MILLION

By the American Coalition for Filipino Veterans, Inc. 2/3/99

Chairman JOHNSON of Connecticut. And we thank you for your eloquent testimony, Mr. Lachica, and we welcome the Filipino veterans who are with us today. I appreciate your having brought this to our attention. It is surely a terrible injustice.

I would like to just ask a question of the three of you. Mr. Huse, you mentioned the complexity of the rules, and Ms. Ford, you eloquently testified to the impact of that complexity on people's lives, that it is very hard in fact to know when you are in the moving end of status of overpayment. I thought it was particularly interesting that there is no simple and consistent way for people to report or inquire or keep track of that issue themselves.

And Ms. Fagnoni, you mentioned that the department has not used its resources to develop policy or to impact policy changes, to develop policy proposals and to implement them to the degree that you think they should have. This does seem to me like a very obvious area that you need to look at. Complexity really does deny people equity at a certain point. And people then end up accused of fraud, when actually they were trying to comply. And I think particularly when people are on disability benefits, they have enough difficulty in their lives without our support program posing other difficulties and threats to them.

It is my understanding that we have asked the SSA to study this issue and to report back to us on how these procedures can be changed, you know, how the system may be changed. It may take legal changes to make the regulations simpler, but I think we really need to address this. When we get that report back, Ms. Ford, we will look forward to your view of it and your input into it.

There are just so many instances in which complexity really literally creates a situation where people are accused of fraud. We see this in Medicare, we see this with the IRS. It is really a common pattern as we have let our laws and regulations become ever more complex. So I hope you will work on this and maybe use Ms. Ford as a source of examples of problems that need to be attacked. Because certainly, the agency ought to have the ability to move particularly with today's technology toward a more effective way of relating to recipients and beneficiaries to see that they do know and can communicate with the agency in a way that is good for everybody.

Mr. Cardin.

Mr. CARDIN. Mr. Huse, you point out in your statement a pretty extreme case where 181 members of a family or four generations had qualified for SSI benefits, received SSI benefits. What intrigued me about that is that you indicated that it was the same medical provider who conducted most of the consultative examinations. My question is, have you noticed whether we have taken action against physicians who have routinely been in cases that are suspect on qualifications for SSI?

Mr. HUSE. Our experience with this type of work is really 3 years old, since independence, we are only an agency that has been in the field for 3 years. This was one of the first big cases that the Office of the Inspector General was confronted with when we came into existence. To answer your question, we have improved our ability in terms of our investigative work to try and see these patterns where consultative examinations, anybody in this category of third-party facilitators commits what appears to us to be fraudulent activity, would be then brought to appropriate criminal justice resolutions. But it is something that takes a very comprehensive investigation.

In the case of this particular study, much of this issue of whether there was or was not criminality involved was very confusing and complex, very difficult for the U.S. Attorney's Office, and the State concerned to deal with it also. However, on our investigative side, and on the agency's side, we are improving our ability to be able to take on physicians, and in another context, the legal community that provide this type of underpinning to these frauds.

Mr. CARDIN. And, of course, the legislation that we are working on tries to give some additional help there. We certainly are concerned about individuals who are wrongfully receiving payments. But when there are professionals out there who are aiding and abetting this type of activity, I would hope that would be a high priority. So the information you supply there could be very helpful.

Mr. HUSE. One of our key new projects, in partnership with SSA, is the deployment of what we call cooperative disability investigative teams. These are teams made up of SSA, OIG/OI agency, State DDS professionals as well as local law enforcement entities who knock away from these benefits those who are fraudulently trying to obtain them. At the same time, we are gathering intelligence about physicians who are providing boilerplate evidence or perhaps some other type of third-party facilitators that are trying to subvert this complex area.

Mr. CARDIN. Ms. Fagnoni, in your statement you talk about the 10-percent cap of overpayment that can be collected from an individual as a problem on SSA's ability to recover for overpayments. And then you indicate that there should be some relaxation of that for recipients who chronically and willfully abuse program reporting requirements. My reading of the current law is that you already have the ability to do that, that the 10-percent cap does not apply in cases of fraud, willful misrepresentation, or concealment of material information. Am I wrong, or is there something more that you were trying to bring out to the Subcommittee's attention here?

Ms. FAGNONI. Well, I think we were trying to make the recommendation that in the DI Program right now, SSA has more



flexibility to go above the 10-percent limit, and we think as with other tools that SSA should have more flexibility to go above that 10-percent limit. That one way to target it would be to those who were more chronically abusing the system.

Mr. CARDIN. Well, do you have specific changes that you would like to make to fraud, willful misrepresentation or concealment of material information which is recurrent?

Ms. FAGNONI. Well, I think that we wanted to be a little bit broader to give SSA a little bit of flexibility if they wanted to target certain people that they felt they wanted to go over that 10-percent limit, but might not make that current strict definition, that they would have the flexibility where other people have the resources to collect above that 10 percent.

Mr. CARDIN. Well, it seems to me that the language where they can currently go is broader than recipients who chronically and willfully abuse the program reporting requirements, but maybe we can talk about that a little bit later. I am curious, how many programs that are on the high-risk fraud have been identified by the GAO?

Ms. FAGNONI. Right now, we have 26, not just programs, 26 either programs, agencies or areas that we have identified as high risk.

Mr. CARDIN. And if SSA continues their internal improvements, if the bill that we are suggesting is enacted and implemented by SSA, what is the prospect that they could get off this list?

Ms. FAGNONI. Well, agencies and programs do get off our list. Since we began the high-risk list in 1990, six programs or agencies have been. We have taken them off the list for different reasons where we saw sustained improvement in management, in particular. So, there is the opportunity—

Mr. CARDIN. There is hope.

Ms. FAGNONI [continuing]. In the program to get off. Right.

Mr. CARDIN. Good. Glad to hear that. I just wanted to let SSA know that there is hope that we can succeed here. That is always encouraging.

Ms. FORD, there is part of the statement, that you have in your written statement. It intrigues me because I don't understand why the current law requires an automatic redetermination of SSI when a youngster reaches 18 years of age and is still in high school. Age eligibility for SSI continues. That is not a problem. Redeterminations should be done, but why trigger a redetermination when the child is still in high school? And you point out that it may even discourage the individual who is staying in high school.

Ms. FORD. Correct. That was one of the changes made in the 1996 welfare law as part of the change in the childhood SSI eligibility. And what we are concerned about is that an 18-year-old may still be in school, particularly a child who might be in special education or some other program. And because we are dealing with a family which is by definition low income, to remove the SSI income may force the child out of school early and into the work force, when perhaps staying in school and being supported through that would be better for the individual in the long run.

Mr. CARDIN. If the automatic redeterminations were required for a child on SSI when either the child over 18 left high school or reached 21, would that take care of most of your concerns?

Ms. FORD. It would take care of our concern regarding this issue. Yes, I think if we could put the redetermination on hold, the application of the adult standard on hold while the child is in school, that would be a very important step to take.

Mr. CARDIN. Thank you. Thank you, Madam Chair.

Chairman JOHNSON of Connecticut. Mr. Lewis.

Mr. LEWIS of Kentucky. Yes, Mr. Huse, you have mentioned in your testimony that asset transfers—can you tell me what type of asset transfers, what they are and what they are worth?

Mr. HUSE. They are relatively easy to describe. It would be cash, residences, financial assets such as life insurance policies, trusts, bonds, notes, that type of thing. Not anything too sophisticated.

Mr. LEWIS of Kentucky. And do you have any total of what—

Mr. HUSE. No, I don't have any totals. In those instances where we get a case like that, of course, we investigate, but we don't have any broad guess.

Mr. LEWIS of Kentucky. OK.

Mr. HUSE. Broad estimate.

Mr. LEWIS of Kentucky. This Subcommittee has been really good from stopping checks from going to prisoners. What type of advice would you have for us with fugitive felons and stopping the checks from going to those individuals?

Mr. HUSE. Well, sir, as you know in the Welfare Reform Act of 1996, if I can use the short version, the long title is a little wordy, it does provide for the fact that anyone who is a fugitive from justice, from prosecution, those who are violating probation and parole in a felony area, are not entitled to, if they have, the SSI benefit. We have addressed this particular obligation with SSA, and we have a very comprehensive plan that we are now working on. We have amassed some success with it already. If I could just take 1 second to explain exactly what the universe is here.

The FBI tells us from their National Crime Information Center statistics that we have about 700,000 felony warrants recorded at the Federal Government level every year. We don't even know what the number would be if we tried to amass that total State by State. But of that 700,000, we estimate that about 3.5 percent of that number would be individuals collecting SSI. That gives us a very challenging task then as an agency, and as the OIG, to ensure that of the 3.5 percent, the warrants that deem those people as fugitives are valid, which those of you familiar with our criminal justice system know that that requires a little bit of an investigation since these are not always timely. We have to be sure that the warrant is still in effect. And then from there we have a comprehensive process of suspending those benefits after we identify the fugitive.

By way of numbers, I think I can say that we believe, looking at the next 2 budget years, that we could possibly save around \$95 million in benefit payments from this particular process. We expect that we will at least identify 24,000 or so of these suspensions a year after we conduct this investigation, and certainly, at least 5,000-plus of those felonies will actually be people who are re-

turned and arrested by local, State, county and Federal law enforcement. So, it is a really vigorous program of ours.

Mr. LEWIS of Kentucky. Right. Thank you. Ms. Fagnoni, you mentioned organizational culture, could you explain that a little bit?

Ms. FAGNONI. What we are really talking about there is that historically SSA was an agency that for decades dealt with the Social Security and Disability Insurance Programs, where people earned the right to those benefits and were entitled to those benefits. And when they were eligible to receive those benefits, particularly in the case of Social Security, it is a fairly straightforward determination if they've kept their records correct.

With the SSI Program coming under SSA's purview in the early seventies, that's a different kind of program, being a means-tested program. With that comes added requirements to look at income verification and to keep track of that and to continue to look at income eligibility. It is that area that SSA really historically has not put an adequate focus on relative to the emphasis on as quickly as possible getting checks out to people.

And what we've been emphasizing is that SSA needs to maintain and strike a better balance between those two. Clearly, getting the checks out are important, but they have to make sure it's the right amount of money to the right people.

Chairman JOHNSON of Connecticut. Mr. Jefferson.

Mr. JEFFERSON. Thank you.

Mr. Lachica, I want to just thank you for your testimony. I don't have a question for you, but it's a very rare opportunity that this Subcommittee and the government gets a chance to do the right thing and save money at the same time. In that regards, your testimony is extremely eloquent and timely, and I thank you for it. And I hope this Subcommittee will take you up on the opportunity you've given us.

Mr. LACHICA. Thank you.

Mr. JEFFERSON. I want to follow with a line of questioning that was pursued by Phil English before he left, he's not here anymore, and the most recent inquirer on this issue of high risk. What do you mean by that really? Is there some objective criteria or standards that are used to determine when a program is high risk as essentially used here?

Ms. FAGNONI. We designated SSI as high risk because of its vulnerability to fraud and abuse, as well as what we have found as longstanding management inattention. The objective measure of that we used was the level of overpayments in the SSI Program, particularly relative to the size of the benefits being paid out, and the fact that overpayments had been increasing over time, and that historically SSA has not been able to recover much of those overpayments.

So that's really in general why we put programs, agencies, and areas on the high-risk list, is concerns about vulnerability. But specifically for SSI, it was the concern about not only vulnerabilities, but also the lack of management oversight historically.

Mr. JEFFERSON. There is some concern about—some testimony about the increase in payments which because of an increasing population that is asking for them, requiring them, and the fact

that not all the payments come out to fraud anyhow. And I am just trying to see if you have a whole lot of overpayments and they aren't fraudulent, you can't conclude that they are vulnerable to fraud if they aren't fraudulent payments in the first place.

Ms. FAGNONI. Well, as I said, it's not just vulnerabilities to fraud and abuse, but also lack of management attention. Overpayments can result from a number of different reasons, one of which would be fraud. But others might have to do with people not knowing what the rules are adequately, SSA is not being active and proactive enough in quickly checking income and resources of people to prevent people from going into an overpayment status. So, it's a combination of reasons that have to do both with management as well as more abusive type practices that make the program integrity a question and things need to be tightened.

Mr. JEFFERSON. I ask you these questions because I was concerned about the line in your testimony that Phil read that talks about the culture of the system placing a greater value, is the word used in your testimony, on quickly processing and paying claims and on controlling costs. Well, now, I can't believe you mean that there shouldn't be a greater value on paying, on timely paying claims and processing claims. I can understand if you say there ought to be adequate attention paid to controlling costs. But you don't mean these ought to be equal missions of the—

Ms. FAGNONI. We do believe SSA needs to strike a better balance between quickly processing payments and making sure that the payments that are processing are the correct payments to the correct people. And in our work, we continually strive to look for ways that SSA can use tools and tap into databases that will allow it to quickly verify income, for example, so that it can both verify and protect the program while, at the same time, quickly processing people's claims.

Mr. JEFFERSON. I was going to ask you for some specific ways that you see that this can be accomplished without compromising the issue of quickly processing claims, because as our Chairlady points out, you talk about people are themselves extremely vulnerable. You don't want to have a high set of bureaucratic rules that make it difficult for people to get payments on the idea that you have to be precise in every case about how it works out, particularly if you have some other measures and standards to correct the errors if they are made.

Do you have some specifics on how the agency ought to be doing its work so that it can strike this balance better, as you describe it?

Ms. FAGNONI. Well, some of the legislative tools and proposals that are being considered by this Subcommittee, many of which we have highlighted and recommended in our reports would be one way. As I said, we continually look for ways that SSA could tap into online, get online access to information. For example, online access to some new databases that will get SSA information on new hires and those sorts of information, where they could quickly check people's income online, so they can do the verification while not slowing down the claims processing.

So in trying to strike a better balance, the goal is for SSA to seek ways to quickly and efficiently ensure that it's making the correct

payments. It's a combination of better legislative tools, as well as some of the online access and quicker access to different kinds of information to be able to verify the income information.

Mr. JEFFERSON. My time is up. I thank you, Madam Chair. I have other questions I could ask. Thank you.

Chairman JOHNSON of Connecticut. Thank you, Mr. Jefferson.

Mr. Foley.

Mr. FOLEY. Thank you very much. I am empathetic to the people who work in the Social Security offices. I have visited many times and watched the stress that they work under in trying to approve applications. But in watching some of the flow of people coming through, clearly in Florida, my State of representation, we have a great deal of stress in both dealing with the illegal population that's there and the new law that was passed denying benefits after a date certain.

I wondered if either could answer how do we come to grips with this arbitrary date, when we set it August 26, 1996? How do we, in fact, determine whether the people may be potentially illegal and that they entered prior to or after that date, since we have no way of determining when they may have arrived to begin with? Has that been fleshed out as far as a procedure from the Social Security Administration?

Mr. HUSE. Are you speaking in terms of residency, sir?

Mr. FOLEY. Residency for entitlement to benefits under the act, whether it's SSI or any other benefits of a public nature.

Mr. HUSE. I may need some help here from my legal staff, but I believe the act is specific that it doesn't look back. It just goes forward from August 1996.

Mr. FOLEY. Right. I guess my problem is we set that date and, now thinking about it, anyone coming to the SSI office to make a claim will say I've been here 7 years. I mean, how do we actually determine the date of entry to begin with?

Mr. HUSE. From whatever documentation that they can provide. I am probably not the best person to answer the question as to what the claims processing might be. But again, this is where there is some potential for fraud if the documentation is counterfeited, which is a huge national issue anyway. But other than that, I don't know the answer to your question.

Mr. FOLEY. Another issue is—and I've noticed this in several cases that I've helped to process for people with significant physical impairment—they seem to struggle to get access to the needed assistance from the system. And then when there are complaints and reported complaints about people who are, in fact, taking advantage of disability benefits—that they are physically able but receiving benefits—how do we go back and check that fraud and abuse provisions from the General Accounting Office? Have you seen in place systems and procedures in order to flush out complaints that are lodged against potential abusers of this system?

Ms. FAGNONI. Well, SSA has the continuing disability reviews that would look at an individual's disability status, and, if there's something that sort of got through initially, they could doublecheck the circumstances under which the person was deemed eligible for disability benefits. That's one example. They also do redetermina-

tions where they, of course, have to check for the income eligibility piece of it.

But as you've heard from the IG in terms of really trying to target and go after people who may be abusers, it can be a fairly labor-intensive effort to really ferret out who's doing the abusing.

Mr. FOLEY. Well, and that seems to be a bigger problem, because it's labor intensive. But we don't seem to target the fraud with enough of the emphasis to get after the fraud. And so ultimately, we penalize those with significant disabilities because they can't make a claim, because everybody is suspicious of their claim. So we somewhat disadvantage people who have real material physical impairments by making them go through all of these various trials and tribulations. But then we make a copout by saying, no, we simply don't have the resources in order to ferret out the fraud. That seems to be the quickest response.

I am not targeting that negativity at you, but it seems to be one of our quickest responses. We will, we can find out about food stamp fraud, so let's not pursue it. We will just add another 10 percent to the equation and hopefully—yes, sir?

Mr. HUSE. If I might, sir, to answer that question. We are trying some new things. We have two really wonderful tools now that we didn't have 3 years ago. One is our fraud hotline, which is the largest hotline in government. We have 54 operators who take calls all day. And this is a place where a lot of anecdotal, early warning information about people's perception of fraud comes to us. And we're able to digest that as an agency, as the OIG, and work along with the administrative sanctions perhaps that's in this new legislation to really do some good.

Second, these new cooperative disability investigative teams that we have will actually work on the front end of these before enrollment, before these people are actually put on the rolls, to knock away people who are trying to cheat the system. So, we've really tried to find that solution to your question.

Mr. FOLEY. Would you be willing to submit that to us?

Mr. HUSE. Absolutely. I would be glad to provide you a lot of detail about that.

[The following was subsequently received:]

The first is our expanded Fraud Hotline, which is currently the largest in Government. Our Hotline started with a staff of 9 operators in 1995 and now has a staff of 54 operators who answer our 800-number telephone and process other incoming fraud allegations that are sent to OIG via fax or mail. Our Hotline provides a valuable service to our investigative operations by managing the large number of incoming allegations and filtering these allegations to the appropriate OIG field offices, SSA components, or other Government organizations that can take appropriate action.

The second are our cooperative disability investigations (CDI) teams. The CDI teams, composed of staff from OIG, SSA, State Disability Determination Services and local law enforcement agencies, focus on *preventing ineligible applicants from getting on the rolls*. In FY 1998 the teams received 518 allegations and confirmed 53 cases of fraud. They documented \$41,508 in restitution and scheduled recoveries to SSA as a result of suspended benefits and \$2,855,250 in SSA program savings. The results of the first quarter of FY 1999 are even more promising since the teams have received 292 allegations, confirmed 48 cases of fraud, and documented \$59,615 in scheduled recoveries and restitution and \$3,948,506 in savings to SSA.

These CDI teams also enrich our investigative process by providing additional intelligence on third party facilitators. As fraudulent applications are denied as a result of the efforts of these teams, our investigators are provided information that helps to identify patterns of criminal activity and to identify doctors, lawyers, inter-

preters, and other service providers who facilitate and promote disability fraud. A narrow focus on these third party facilitators can have a significant deterrent effect.

Mr. FOLEY. Right. Thank you.

Chairman JOHNSON of Connecticut. Thank you.

Mr. McInnis.

Mr. MCINNIS. Thank you Madam Chairwoman. Ms. Fagnoni, is that the correct pronunciation?

Ms. FAGNONI. Fagnoni.

Mr. MCINNIS. Fagnoni. OK, I too reference the statement on the organizational culture, but, contrary to my respected colleague, I think it's absolutely of equal value to me, because if the system, much like a bank, if a bank does not take the time to verify the withdrawals on account, even if the person pulling out the money owns the account, if they don't take time to verify, the bank would not be in business very long.

The integrity of this system is absolutely imperative for the people that need the money out of this system. And for us to say, Well, it's more important that we rush the money out the door, that's not what my colleague said, but some would say it's more important to rush it out the door in an organizational culture based on values than have accounting.

So I just want you to know there are some of us who feel very strongly that this integrity of the system is important. Standing out like a bear in a cave to me is a statement that you made later, at least in your written comments, that you reported the SSA only began using tax refund offsets in 1998. For 14 years, 14 years they had this tool available, and they didn't use it.

My question would be would you supply to my office or do you have information available of any other tools or systems you have recommended on this report or previous reports or subsequent reports to this, and then could you let me know if those are, in fact, if they are in place. I don't know whether that exists, but they missed it here.

Ms. FAGNONI. We can do that.

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

Ms. FAGNONI. Although I will say that a number of the tools that both SSA put forth in its legislative proposals last spring as well as what's before the Subcommittee now address a number of the areas that we have either highlighted or recommended in previous reports. So, to some extent, we could say SSA is playing catchup on some of these, including that tax refund offset.

Mr. MCINNIS. And that information would be helpful too.

Mr. Huse.

Mr. HUSE. Yes.

Mr. MCINNIS. Mr. Huse, if you have a fraud—I was interested in your hotline, the fraud hotline. Do you have available your statistics on exactly how many cases of fraud were filed, actually filed last year and how many convictions resulted from those case filing?

Mr. HUSE. I do. As I said earlier, we're 3 years old, and in our first year of existence we took 802 fraud calls over our hotline at the time. To give you an idea—

Mr. MCINNIS. Well, let me do this because we're going to be limited on time. Would you supply the material for me? I would like to review it, but not just based on the hotline. I would like to know how many cases of fraud through your system, not just the hotline, but other cases have been filed, what the prosecution rate is, and what the conviction rate is. I would like to put that in proportion to the amount of money that is going out of this, which you believe is going out of the system through fraud or overpayment. If you could provide some of that information for me so that I could look at that, I think that would be very helpful.

Mr. HUSE. You want any of that now?

Mr. MCINNIS. No, I am afraid.

Mr. HUSE. Separate. OK, sure.

Mr. MCINNIS. I don't want to take the time, and because I need—

[The following was subsequently received:]

*Q. How many cases of fraud (were processed) through your system, not just the Hotline, but other cases have been filed?*

The total number of allegations received by our office in FY 1998 was 29,218. In FY 1998, we opened 6,291 criminal investigations.

*Q. What is the prosecution rate?*

In FY 1998, our agents presented 2,224 cases to the Office of the United States Attorney. Of those, 1,420 or 63.8 percent were accepted for prosecution. The U.S. Attorneys declined to prosecute 724 cases mainly because the dollar amount of the fraud did not meet a minimum threshold. The remaining 80 cases are still under review by federal prosecutors.

*Q. What is the conviction rate?*

In FY 1998, we reported 2,762 criminal convictions. This number includes the number of illegal aliens and fugitives apprehended as a result of our investigations. Those convicted solely for violations that related more closely to SSA program fraud totaled 1,027.

*Q. What is the total amount of money going out of the system through fraud or overpayment?*

The statistics that we have relate to the *actual investigations* we conduct. In FY 1998, our agents reported over \$61.6 million in restitution, fines, recoveries, and program savings as a result of their investigations. This figure represents money from SSA's programs. Those we investigated also defrauded other Government programs, businesses, and credit card companies of more than \$32.5 million. Together, those figures equal over \$94 million for FY 1998.

---

Chairman JOHNSON of Connecticut. I think it is important for the rest of the Subcommittee if you could give us just a brief summary. But I think a larger question that Mr. McInnis asks also needs to be answered. But I think if you could very briefly, in a couple of sentences, just give us a sense of your success or failure in this area.

Mr. HUSE. Just to give you an idea of our success, we're up now to where we took in 29,214 allegations last year. We had 2,762 criminal convictions last year. We opened 6,291 full criminal investigations and closed 5,448. And that's with an investigative staff of 253 special agents, so I think we're really out there and effective.

Mr. MCINNIS. And let me finally, let me ask you. In your investigative process are you under pressure from management to follow



the organizational culture that may have been adopted that places a greater value on quickly processing paying the claims and controlling program costs?

Mr. HUSE. No. But we serve a criminal investigative function in a social insurance agency, so we know that there are a tremendous number of people who are in need of these benefits. So we keep that in front of us. But we're there to root out the fraud.

Mr. MCINNIS. Thank you, Madam Chairman.

Chairman JOHNSON of Connecticut. I just want to pursue a couple of things. First of all, you say in your testimony, Mr. Huse, that representative payees received \$41 million in overpayments, payments made after the death of the beneficiary. And you only recovered \$13 million of those. Now, it does seem to me that in that specific instance, where you have a representative payee, and you've paid them and you have the death certificate and everything that it might, it ought to be fairly easy to collect those overpayments. So \$13 million of \$41 million, leaving \$28 million uncollected doesn't seem terrific.

Mr. HUSE. It is a significant number. I am probably not the person to speak to the policy. We do report what's extant with the policy. I believe there's a needed legislative remedy for that.

Chairman JOHNSON of Connecticut. Well, in the bill, we do hold the representative payee accountable.

Mr. HUSE. Exactly.

Chairman JOHNSON of Connecticut. And we also I think provide you with better ability to cross check death records.

Mr. HUSE. Correct. But we need to hold representative payees—

Chairman JOHNSON of Connecticut. This is not really such a rocket science here, yes.

Mr. HUSE [continuing]. Representative payees accountable themselves, and that's—there's been some difficulty in doing that because obviously these people, in a sense, provide a service for those who can't manage their own affairs.

Chairman JOHNSON of Connecticut. Right. Well, that's why since they are deemed to be responsible entities by the government, it seems to me we ought to be able to collect more than \$13 million out of \$41 million from them.

Mr. HUSE. We agree with those sentiments.

Chairman JOHNSON of Connecticut. So, we certainly will be looking to see some improvement in that area.

Also, I do want to ask you, do beneficiaries receive a notice of overpayment? And are they given, if they respond promptly, and the overpayment is clearly not motivated by an intent to defraud the government, a timeframe that says if you respond promptly, there will be no penalty?

Mr. HUSE. Correct. You mean, before the OIG comes after them?

Chairman JOHNSON of Connecticut. Right.

Mr. HUSE. Of course.

Chairman JOHNSON of Connecticut. I mean, is it the policy of the department that if you notify someone of overpayment and they respond promptly that there's no penalty?

Mr. HUSE. I am not sure what you mean by a penalty, but I know that there's certainly no—

Chairman JOHNSON of Connecticut. I really should have asked that.

Mr. HUSE. Jeopardy from law enforcement or prosecution.

Chairman JOHNSON of Connecticut. Ms. Ford, would you have any comment on that?

Ms. FORD. Well, I am not sure of the exact answer to that, but I do know that the letters are very confusing.

Chairman JOHNSON of Connecticut. I think we need to look at this because frankly, in fairness, people ought to receive a notification. And if they respond promptly and there was no intent to defraud, at least my experience as Chairman of Oversight was that a lot of the problems with the IRS were really rather minor. Had they been attended to promptly and had the agency been able to sort of waive penalties, that this would have been the right thing to do, and a mark of good administration rather than of fraud and abuse. So you mentioned that in your testimony, and we would like to look at that with you in more depth.

Mr. HUSE. There is some considerable emphasis on the part of the agency to improve the notices themselves so that they are in plainer English and easier to understand which would help.

Chairman JOHNSON of Connecticut. I would say that we've made tremendous progress on that issue in the IRS, and I would hope you really would work on that. We'd like to say when you do do a letter, we would very much like to see the old letter and the new letter so that we have some sense of how you are communicating with the public, because it is really, truly appalling that the government can't communicate more directly and simply.

Yes, Ms. Ford.

Ms. FORD. Could I add that it might be helpful if we didn't see overpayments as wrong. An overpayment, as was described earlier by Mr. Dyer, I believe, occurs if you receive SSI today, and you begin working tomorrow, you're in overpayment status beginning tomorrow. It's not wrong, and in fact the SSI Program encourages people to go to work and to attempt to work and get off the system.

It's just that a benefit adjustment has to be made 2 to 3 months down the road. And it's this issue of making that adjustment, when the earnings report is made, that becomes the big issue for people with disabilities.

Chairman JOHNSON of Connecticut. I think it is important to describe these things accurately. And I think we ought to look at this problem and make sure that in talking about it between ourselves and the beneficiary, who clearly knows that there will be a benefit adjustment that we look at that, and I'd like to look at that soon enough to be able to see if there's any need for statutory changes. I do think we ought to differentiate between benefit adjustments and fraud. And so if we can look at that more closely, I would appreciate it. And also, we certainly are interested in your comments about the 18-year-old redetermination. And we'll look at that, but then more in the future.

If there are no further questions? I thank the panel for your testimony, and it was very thoughtful and very useful to us. And we will look forward to working with all of you.

Thank you.

[Whereupon, at 4:45 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

**Statement of Hon. Tom Campbell, a Representative in Congress from the State of California**

Honorable Chairwoman Nancy Johnson, Members of the House Human Resources Subcommittee, it is an honor to join my colleagues, and co-sponsors again in expressing support of legislation that is very important to me: The Filipino Veterans Equity Act.

We must pass the Filipino Veterans Equity Act, it's an important means of preserving our national honor by recognizing the contribution of the thousands of brave Filipinos who served in the United States Armed Forces during World War II. These American allies are split into two critical groups: Commonwealth Army Veterans (CAVS) who are former members of the Philippine Commonwealth Army with service in the U.S. Armed Forces during the War, and Special Philippine Scouts who enlisted in the U.S. Armed Forces between 1945 and 1947 to assist in occupation duty in the Pacific theater of the war. According to the Department of Veterans Affairs (VA), approximately 100,000 Commonwealth Army veterans and Special Scouts survive today.

Soon after the Second World War broke out, President Franklin Delano Roosevelt issued an Executive Order drafting the soldiers of the Philippine Commonwealth Army to serve in the United States Armed Forces. These freedom fighters served with great distinction and honor under the American flag in the hard-fought but lost battles of Bataan and Corregidor against incredible odds. Alongside their American comrades, thousands of Filipino soldiers valiantly gave their lives in battle and as prisoners of war during the more than three years of brutal occupation of the Philippine Islands by the Imperial Japanese Army.

After the liberation of the Philippine Islands by U.S. Armed Forces, dedicated Filipino personnel continued their service to America. Special Philippine Scouts enlisted in the U.S. Armed Forces between 1945 and 1947 to assist in occupation duty throughout the Pacific, an important contribution to the restoration of order and democracy in this region.

Despite their distinguished record of brave service during and after World War Two, and despite the assurances of our government to the contrary, the 79th Congress in 1946 voted to deny full veterans benefits to Filipino personnel serving in the U.S. Armed Forces. Over fifty years have passed, and Congressional correction of this injustice is long over-due.

The Filipino Veterans Equity Act would rightly entitle Commonwealth Army Veterans and Special Scouts to full veterans benefits, including the National Service Life Insurance program, medical care through all Veterans Administration facilities, including the Veterans Memorial Medical Center in Manila in the Philippines, and veterans' compensation. Survivors would be eligible for full dependency and indemnity compensation (DIC) benefits. Currently, compensation and DIC paid to Commonwealth Army Veterans, Special Scouts, and survivors are half the rate paid to veterans and survivors in the United States.

The bravery, honor, and distinguished service of the Filipino men and women who served during and after World War Two must be recognized. I urge all of my colleagues to cosponsor this important legislation. We should pass the Filipino Veterans Equity Act promptly; it is not too late to restore our honor as a nation in this small but significant way. Thank you so much for your kind attention today.

*U.S. Congressman Tom Campbell is a Republican representing the San Jose area and a member of the Banking and International Relations Committees.*



**Statement of Gerald R. Tarutis, National Alliance for the Mentally Ill,  
Arlington, Virginia**

Chairwoman Johnson, Representative Cardin and members of the Human Resources Subcommittee, I am Gerald R. Tarutis of Seattle, Washington. In addition to serving on the Board of the National Alliance for the Mentally Ill (NAMI), I am also an attorney in private practice. I am pleased to have the opportunity to share NAMI's views on the SSI Fraud Prevention Act of 1999. NAMI believes that there is much to be gained from an on-going dialog that allows different perspectives to be brought to the table in discussions of any potential changes to the laws and regulations governing the Supplemental Security Income (SSI) program.

In over 25 years of practicing law, I have represented many clients with severe disabilities who have been claimants for Social Security cash benefits. While some of my clients' cases before Social Security were dealt with in a fair and straightforward manner, many others found the experience of endless appeals, examinations and bureaucratic delays frustrating and in many cases, humiliating. This is especially true for adults with severe mental illnesses and other disabilities that are not readily apparent to the staff of Social Security Administration (SSA) field offices.

Too many adults with severe mental illnesses find their dealings with the SSA on matters ranging from appeals for denial of eligibility, to reporting wages, to seeking a straight answer regarding an alleged overpayment to be intimidating. Beyond the laudable goal of preventing fraud in the SSI program, NAMI also believes that this Subcommittee should closely examine ways that SSA could improve its performance as a customer service agency, from simplifying its correspondence with beneficiaries to upgrading its retrospective wage reporting systems.

SSI is a means-tested income supplement program intended to help people with severe disabilities who meet specific income and assets tests. The federal government provides a base amount of income that states are allowed to supplement. In nearly every state, eligibility for Medicaid is tied to the receipt of SSI cash benefits. The federal government's eligibility standards for disability for the SSI program are among the toughest in the world—total disability based upon an inability to work at any job in the national economy. For adults with serious brain disorders—including schizophrenia, manic-depression, major depression and severe anxiety disorders—SSI serves as a critical federal safety-net program that is essential to meeting the most basic needs for food, clothing and shelter.

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 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 meet the program's 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. From NAMI's perspective both as taxpayers, and as people with severe disabilities who must rely on the SSI and OASDI programs, it is critical that precious funding not be wasted on fraud or abuse. NAMI applauds the Subcommittee's efforts both to root out existing fraud and abuse and to change the law to prevent such fraud and abuse in the future.

However, NAMI would also like to urge members of the Subcommittee to measure both these proposals as well as all future fraud and abuse prevention efforts against 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 target beneficiaries who legitimately receive benefits and rely on these programs for basic needs. Again, NAMI would like to caution that not all errors in the system are caused by people acting with fraudulent intent; therefore, statutory provisions should be carefully crafted to ensure that they do not harm innocent people who are the intended beneficiaries of the program.

NAMI would like to respond to a number of provisions in a draft of the SSI Fraud Prevention Act of 1999 that were made available to us by the Subcommittee last week.

## OVERPAYMENTS TO BENEFICIARIES AND RECOVERY OF OVERPAYMENTS BY SSA

Before making some specific recommendations regarding overpayments and collection of overpayments, we would like to note that NAMI and many of our colleague organizations in the disability community have been concerned about overpayments for quite some time. However, we view the overpayment problem from a different point of view, seeing it as less a problem of fraud and more of a problem of inadequate reporting and recording systems in the SSA structure.

First, given the retrospective accounting that takes place in SSI, it is to be expected that a certain number of overpayments and corrections would take place on a regular basis. This is particularly true given SSI provisions (such as Sections 1619(a) and (b)) that encourage work often cause fluctuations in monthly benefits that must be reconciled after the fact with fluctuating monthly earnings.

Adults with severe mental illnesses struggle with the inability of SSA's reporting and recording systems to keep pace with the fluctuating income of beneficiaries. There is no specific way in which SSA requires earned-income reports to be made. They can be made in writing, by calling the 800 number, or by stopping in to report at an SSA field office. There is no particular form to file and no official record for the beneficiary to use to prove the report was made. In addition, there appears to be no effective internal system for recording the income that beneficiaries report. Finally, as I note above, the program rules and formulas are so complex that when an individual reports income and there is no change in the benefit amount, the individual may not be aware that an overpayment is occurring. As a result of the system's inefficiencies and the consequences to the individual of an unexpected overpayment, NAMI views the potential for overpayments as a strong disincentive to employment for many consumers.

In my personal experience, beneficiaries will report monthly earnings on or about the first month when they are paid. At best, this information will be processed by SSA some 2 or 4 months later. This means that earnings from, say January of a given year will result in a reduction in benefits the following May. At this point in time, an individual with a severe episodic mental illness, e.g. schizophrenia, may not be employed and will likely not have sufficient income to survive. Additionally, even with timely and accurate reporting, many of my clients continue to receive SSI or SSDI checks for months to years after finding full-time work. Unbelievably, mailing or returning the checks does not cure the problem, payments continue to be made. Even the most strong willed and honest find themselves tempted to spend this money when faced with the types of economic crises that are all too often experienced by adults with severe disabilities.

A nightmare that occurs often for adults with severe mental illnesses is when they receive a notice from SSA stating the existence of an overpayment that amounts to thousands, if not tens of thousands, of dollars that accumulated over several years. Even for those people on SSI who are savvy enough to realize that an overpayment is occurring, it may be hard to fix. Perhaps the biggest problem is that reports to SSA and requests to adjust benefits often go unheeded by SSA. Yet, because they are on SSI, beneficiaries cannot "save" the excess for ultimate pay-back to SSA without risking excess "resources" and loss of basic SSI eligibility. An additional nightmare can be the request from SSA to produce pay-stubs and receipts going back many years.

NAMI and a number of colleague organizations in the disability community have raised these issues with SSA. We recognize that SSA is operating under certain limitations, such as the fact that certain reports are only available to SSA on an annual basis. While there are some administrative improvements that SSA can make, we believe that it is critical to make some statutory changes to help solve the problem. SSA should be required to make improvements in its reporting and recording systems to ensure that beneficiaries are notified of overpayments in a timely manner. A reasonable time period should be allowed for SSA to notify the beneficiary and correct the overpayment. Where there is no suggestion of fraud, overpayments that are not corrected and about which beneficiaries are not notified within the time limits should be waived.

We are pleased that you have included a study in this legislation (Section 17 of the bill) that addresses measures to improve processing of reported income changes by beneficiaries. In reviewing GAO reports, I have not found any discussion of what actually happens, or does not happen, to the earnings reports that beneficiaries make. NAMI believes that this is where the real crux of the problem lies. Until systems inadequacies are minimized, it will be difficult to ferret out cases of true fraud. Streamlining SSA's procedures to ensure that the information received is acted upon immediately could eliminate many overpayments (or substantially reduce the amount of overpayments), reduce the administrative hassle involved in overpay-

ments for SSA and recipients, and prevent the disastrous personal circumstances that arise when SSA withholds much-needed funds. Since NAMI views the majority of large overpayments as the result of SSA's administrative practices, our comments (below) on other overpayment issues reflect that perspective.

#### INCREASED COLLECTION OF CERTAIN SSI OVERPAYMENTS

NAMI believes that the 50-percent minimum for collection of overpayments from lump sum payments may be too high. Often people awaiting receipt of their benefits go without basic necessities and/or incur debts 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 people in these difficult circumstances.

#### INCREASED COLLECTION OF SSI OVERPAYMENTS TO CONVICTED CRIMINALS

NAMI believes that it is important to protect people with severe mental illnesses who are currently, or have been, incarcerated and who may not fully understand the complex SSI rules. Thus we believe there is a need for a requirement in which SSA specifically asks for information about past overpayments on the application and records the individual's answer. SSA should have an affirmative responsibility to inquire about the needed information and to assist people in understanding the request.

In addition, NAMI urges you to consider giving the Commissioner discretion to waive the penalty when the Commissioner finds that the individual's impairment itself is part of the reason for the individual's failure to properly report. Finally, NAMI believes that any attempt to impose a stiff sanction such as 10-year bar on eligibility for failure on the part of prisoner to notify SSA of an overpayment or agree to a repayment plan, should include some minimal protections. For example, SSA should be required to prove that a beneficiary either knew of a previous overpayment, or knowingly refused to repay or meet obligations of a repayment agreement.

Further, NAMI is concerned about the potential impact on a prisoner's family of the requirement that SSA continue debt collection while the individual is incarcerated. The Commissioner appears to have some flexibility in this legislation and we urge that such flexibility remain. Otherwise, we can imagine scenarios where SSA would be required to attach resources or assets that other family members are dependent upon, such as a home or car.

#### ADDED DEBT-COLLECTION TOOLS

While we understand the need for SSA to have debt-collection tools for situations in which a beneficiary has left the program, we urge that notice and an opportunity to contest the overpayment be given to the individual before the matter is turned over to a collection agency. Given the view that people with disabilities hold in regard to SSA's in the occurrence of overpayments, it would be particularly harsh for people to discover an overpayment and action against them in the normal course of conducting their personal business, such as applying for a first mortgage or a car loan.

#### TREATMENT OF ASSETS HELD IN TRUST AND PREVENTING THE DISPOSAL OF RESOURCES FOR LESS THAN FAIR MARKET VALUE

Adults with severe mental illnesses and their families typically face many varied and complicated decisions regarding long-term planning for supports and housing. Congress has spent a great deal of time in recent years ensuring that beneficiaries (both current and future) do not game the system by either hiding or transferring assets solely for the purpose expediting eligibility for SSI and Medicaid. Most recently, Congress tightened the rules governing transfers of assets and trusts for Medicaid eligibility as part of the OBRA 1993 legislation. NAMI would like to thank the Subcommittee for its work in incorporating those Medicaid transfer of asset and trust exceptions into the corresponding SSI provisions included in this bill.

Regarding the prohibition on transfers of assets, we believe that the penalty period formulation in the bill (time barred from benefits as related to the value of the transfer) should be limited to no more than the former two-year statutory bar. However, since even this two-year bar could be life-threatening for many people who are severely disabled, we applaud the inclusion of authority for SSA to waive the bar in cases of undue hardship. Further, if assets incur a penalty period in both SSI

and Medicaid, there should 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. We appreciate your consideration of this issue.

#### ADMINISTRATIVE SANCTIONS PROCESS

In the section addressing the sanctions for criminal conviction for fraud, we urge that the loss of benefits period for a beneficiary be made consistent with that for the attorneys’ and physicians’ first conviction (five years) rather than the ten years now included in the draft.

#### ANNUAL DDS EVALUATION OF PERFORMANCE OF CONSULTATIVE EXAMINERS

NAMI believes that one additional performance criteria should be included for evaluation of consultative examiners by SSA and the Disability Determination Service: evaluation of 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.

#### COMPUTER MATCHES WITH MEDICAID AND MEDICARE DATA

While there is certainly the need for better data matching, we believe that some protections need to be incorporated since data may not be accurate or up-to-date. For example, when someone has a very short stay in a psychiatric hospital, nursing home, or other institutional setting, the matched data may not reflect more recent events, such as discharge. NAMI therefore urges that SSA be required to corroborate and verify any information before it relies upon it for changing benefits.

#### REFERRALS OF FRAUD TO THE OIG AND AUTHORITY TO CONTRACT OUT

NAMI believes that this provision should be limited to cases in which there is a strong suspicion that fraud is an issue. NAMI advises against allowing numerous private investigators, working on commission, disrupting the lives of innocent, law-abiding citizens.

#### EVALUATION OF 18-YEAR-OLDS

Finally, we urge the Subcommittee to consider a provision to correct an application of the law that encourages 18-year-olds to leave school before completion of secondary-level education. Current law requires a redetermination of an 18-year-old’s SSI eligibility under the adult standard. For those young people who need to remain in school due to their disability, application of the work-based adult standard is inappropriate. We urge the Subcommittee to consider delaying the application of the adult standard until the young person has completed secondary-level education.

#### CONCLUSION

Mr. Chairman, thank you for the opportunity to share NAMI’s views on this important legislation.

