

Hearing on Protecting the Safety Net from Waste, Fraud, and Abuse

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OF THE
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**PROTECTING THE SAFETY NET FROM
WASTE, FRAUD, AND ABUSE**

Wednesday, June 3, 2015
House of Representatives,
Subcommittee on Human Resources,
Committee on Ways and Means,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:03 a.m., in Room 1100, Longworth House Office Building, Hon. Charles Boustany [chairman of the subcommittee] presiding.

Chairman Boustany. This committee will come to order.

Welcome to today's hearing on how we can protect key safety net programs from waste, fraud, and abuse. Today we will review risks involving Unemployment Insurance and Supplemental Security Income, which benefits low-income, elderly, and disabled individuals.

Now, UI and SSI are very different programs. But there is one thing that they have in common. Each wastes billion of dollars in taxpayer funds every year due to their high improper payment rates. Specifically with regard to fiscal year 2014, SSI improperly paid \$5.1 billion, while UI improperly paid \$5.6 billion.

This is a serious problem. I have a little video I want to play here. This is an investigative piece that was done by CNN that I believe explains how vulnerable the UI program is to abuse. So if we could have the video, please.

[Video shown.]

Chairman Boustany. Since fiscal year 2007, SSI and UI improper payments have been near 10 percent, wasting nearly \$100 billion combined in taxpayer funds. I don't see this as a partisan matter. OMB has placed both UI and SSI on their annual list of programs with the highest error rates since they started compiling such a list.

Even worse, these error rates are not improving. They are getting worse. The UI error rate actually rose last year. And a 2012 GAO report found that cumulative SSI overpayment debt rose 92 percent in the prior decade, while overpayment recovery

increased only 40 percent. One cause of higher error rates is that both programs place an emphasis on getting checks out of the door before verifying that they are going to the right person.

Fortunately, we should be able to make progress there without harming those who need this vital help. And they need it right away. There is a way to deal with this. And as we learn from several of our witnesses, data systems exist that agencies can use to better prevent improper payments by identifying thieves, prison inmates, fugitives, people with significant earnings, people with significant savings, or others who simply should not be collecting these benefits.

We are very fortunate to have a number of our colleagues joining us today to discuss specific proposals to protect these programs from abuse. So today we welcome all our witnesses and look forward to learning more about how we can both reduce improper payments and improve services for the Americans who truly are in need.

So I look forward to hearing all the testimony and working with members on both sides of the aisle to do just that.

Chairman Boustany. With that, I am pleased to yield to the ranking member, Mr. Doggett, for his statement.

Mr. Doggett. Thank you, Mr. Chair.

And I thank our colleagues for being here.

I think that, for the most part, this is an issue on which we agree. If there is fraud, if there is wrongful payment, it needs to be eliminated so that those individuals these programs were designed to serve have their needs met.

I think whether that fraud comes from billions of dollars that pharmaceutical companies improperly collect from Medicaid or Medicare or individual receipt of an incorrect monthly payment, Congress should do everything reasonable to prevent abuse.

That is one of the reasons that I have been a sponsor of Mr. Becerra's Social Security Fraud and Error Prevention Act, on which we have been seeking a hearing, and I hope we can secure a hearing on that bill in the near future to provide new enforcement tools.

I think it is very important to not conflate identity theft, which we just heard about and which I believe not a single bill that we are discussing today addresses. It is an issue that Representative Johnson and I and Representative Brady addressed as it related to the Medicare identity and the use of Social Security numbers on Medicare.

And I think it took us many years to address it. And it could not be done without some additional resources being allocated to address this problem. And that goes to the heart

of the identity theft issue. There is a serious identity theft issue with the Internal Revenue Service as well.

If these agencies are not funded to address these new technology crimes adequately, they cannot do their job. And that is something I believe we will hear about more from Representative DeLauro, from some of our other colleagues, the need to see that the resources are there to protect the taxpayer and prevent fraud.

There is a difference between identity theft, fraud of some parent applying for benefits to which they are not entitled, and then that overpayment that occurs from a miscalculation. Some of those miscalculations, to some extent, get exaggerated by the fact that so little has been done to update SSI over the years. The SSI income and earnings limits have not been raised since the program was established in 1974.

And while prompt payment and getting the check out the door may be criticized -- and we certainly don't want that to happen for identity theft -- if you are a parent out there with a disabled child, you want to not have to wait indefinitely to get the resources that this program was designed to provide.

The SSI asset limit has not been raised since the 1980s. These are decades-old standards that mean lower earnings, and assets trigger payments for beneficiaries in ways that were not conceived originally for the program.

There are also other specifics that need to be addressed. Senators Wyden and Hatch in the Senate and Representative Marino and I here in the House have introduced the Ensuring Access to Clinical Trials Act as a result of contact from families who have children with cystic fibrosis and would like to continue the current law that is set to expire soon that allows some beneficiaries to exempt a small amount of their income when they are participating in medical trials from the income determination under SSI.

On the whole, whether it is Mr. Reichert's PERP bill -- we don't want to pay prisoners. That clearly is fraud, and we need to prevent it. I am surprised it hasn't already become law -- to some of the other ideas that are advanced, I agree with the chairman, we need to be working to do everything we can, explore every option to prevent fraud.

But let's also see some focus in this subcommittee on the deficiencies in the program from the standpoint of those who it is designed to help. And there is much more work to be done in that area as well.

I yield back, Mr. Chairman. Thank you.

Chairman Boustany. Thank you, Mr. Doggett.

Without objection, each member will have the opportunity to submit a written statement and have it included in the record.

And I also want to remind our witnesses we are going to adhere to the 5-minute rule for oral statements. But rest assured that, without objection, all written testimony will be made part of the permanent record.

We have two panels today. We will start with a very distinguished member panel. We have Congressman Sam Johnson, Congressman Kevin Brady, Congressman Dave Reichert, Congressman Xavier Becerra, Congressman Tom Reed, Congressman Jim Renacci, and Congresswoman Rosa DeLauro.

Welcome. We are really glad to hear your testimony. We know you have done a lot of work in this area. And so we look forward to going through your testimony.

Congressman Johnson, you may begin.

STATEMENT OF THE HON. SAM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Johnson. Thank you, sir.

You know, I appreciate you and Mr. Doggett holding this hearing today. Thank you.

As the chairman of the Social Security Subcommittee, I have looked at Disability Insurance programs from nearly every angle and have seen how vulnerable the program is to waste, fraud, and abuse. And make no mistake. Waste, fraud, and abuse in the disability program is a problem, a problem for the American taxpayer and a problem for deserving beneficiaries.

Social Security works hand in hand with a number of other programs that are run by the Federal Government. Because of this, many of the commonsense reforms that I have introduced also affect the program under this subcommittee's jurisdiction.

I have enjoyed working with several of you on legislation to improve these programs, and I would like to discuss a number of them today. First, I want to discuss the Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act of 2015.

In a 2012 report, the Government Accountability Office found that, under current law, thousands of people have been able to receive benefits from both unemployment and disability at the same time. Both provide cash to workers, but for different reasons. Unemployment Insurance benefits are there for those workers who have lost their jobs, but are still able to work. However, when a worker is unable to work due to a severe medical condition that is expected to last at least a year or result in death, Disability Insurance benefits are there.

Now, even though disability benefits are there for those who can't work and unemployment benefits are there for those who can work, under current law, someone can receive both at the same time. That doesn't make sense. That is why I introduced commonsense legislation to help preserve Social Security disability benefits only for those who cannot work.

I also recently teamed up with a number of this subcommittee, Congressman Kristi Noem -- thank you, Kristi -- to introduce the Control Unlawful Fugitive Felons Act of 2015. This legislation is just common sense.

That is why similar bills passed the Congress in 1996 and 2004. Our bill would prevent felons fleeing a warrant as well as probation and parole violators from collecting Supplemental Security Income and Social Security.

The legislation is simple. If you are fleeing prosecution, we aren't going to give you the same benefits as law-abiding citizens. Our bill has built-in protections so that only serious criminals can be denied benefits. And Social Security has the authority to determine whether good cause exists for benefits to be restored when the matter is questionable.

Americans won't stand for criminals getting benefits, especially when Social Security will soon lack the money to pay full benefits. This bill has the support of the Social Security inspector general.

I would also like to thank the law enforcement community in my district for supporting this bill.

Mr. Chairman, I ask unanimous consent to submit several statements of support from the police chiefs as well as the country sheriff from back home.

Chairman Boustany. Without objection.

Mr. Johnson. Thank you.

Finally, I have worked closely with the chairman of this subcommittee, Chairman Boustany, on legislation that would help deter, punish, and prevent fraud in the Social Security system.

The Disability Fraud Prevention Act of 2015 would impose additional penalties and charges for those who are defrauding the retirement, disability, or Supplemental Security Income programs. We have seen scandals in West Virginia, New York, and Puerto Rico where fraudsters stole millions of dollars.

The legislation Chairman Boustany and I have produced is simple. If you commit fraud against Social Security, we will punish you and you will repay the money you took from the American taxpayer until it is made whole.

All told, these bills combined would save almost \$10 billion. Of that money, \$6.5 billion would go to Social Security trust funds. With the Disability Insurance trust fund running out of money in a little over a year, Congress should act on these commonsense proposals. The American taxpayers expect nothing less.

I want to thank Chairman Boustany and Congresswoman Noem for working with me on these proposals. And I want to thank you for inviting me today to discuss with you these important and commonsense measures.

Chairman Boustany. Thank you, Chairman Johnson.

Chairman Boustany. Mr. Brady, you may proceed.

STATEMENT OF THE HON. KEVIN BRADY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Brady. Chairman Boustany, Ranking Member Doggett, all the subcommittee members, a good-paying job is the best solution to income inequality and ensures the ladder of success is open to every American willing to get a skill and work hard.

A solid education, workforce training programs that actually perform in better connecting local workers with local jobs, that is the key to good-paying job. And it is even more important as millions of Americans continue to look for work in the worst economic recovery in half a century.

So given our half-trillion dollar deficit that will only grow and the impact that has on future generations, when it comes to safety net programs, our principles should be clear. One, no Federal program should pay more than a job. Two, no Federal program should trap Americans in poverty. And, three, let's fund programs that are proven to work and not a dime to those that don't.

Despite all the Federal programs, we have a lot of Americans still living below the poverty line. It is our job to not only protect taxpayers, but to redirect them towards the programs that actually get people to independence and out of poverty.

Chairman Boustany talked about the stunning \$5.6 billion in improper payments in Unemployment Insurance in 2014. That is as much as we spend for the entire Federal job training program. Think about it. We waste as much as we spend on all the programs to help get people back to work.

Like Congressman Johnson and others on the panel today, I have two suggestions to help stretch those dollars and redirect them. The first one, relatively minor. Stop double dipping of unemployment benefits by furloughed Federal workers.

You may remember that, during the temporary shutdown in 2013, some Federal employees were furloughed and applied for and received unemployment benefits. The

Federal employees were later provided retroactive pay, but some States considered paying their Federal workers twice for not working at all.

The Furloughed Federal Employee Double Dip Elimination Act prevents that in the future. My guess is, while that is not looming on the horizon, some day it may. So let's make it clear you don't get paid twice for not working.

But the bigger solution really is about unemployment. Another problem plaguing America in our unemployment program is illegal substance abuse. We want Americans to earn paychecks instead of collecting unemployment checks. Yet, one of the worst common reasons, most common reasons, individuals can't return to work is due to the fact that they cannot pass a drug test.

In the 2006 report, the Society for Human Resource Management said 84 percent of private employers conducted pre-employment drug testing. That has only grown mostly because of the Federal mandates dealing with security after 9/11.

So with the majority of employers subjecting job applicants to drug testing, the Federal Government should allow States to incorporate drug testing into their UI programs if they believe it will help connect these individuals to full-time employment.

The bottom line is that taxpayers shouldn't subsidize drug use. If you are on illegal drugs, you are simply not job-ready. And, in short, the Federal unemployment program should be a drug-free zone.

To address the problem, Congress has already passed legislation that the President signed, the Middle Class Tax Relief and Job Creation Act of 2012, supported by many lawmakers, Republicans and Democrats, on the Ways and Means Committee. It included a carefully crafted compromise that for the first time allowed States to screen and test unemployment recipients for illegal substances.

Unfortunately, after years of inexcusable delay and roadblocks that ignored the language and intent of the law, the Department of Labor has issued proposed guidance on this provision. It is simply unworkable for States that are interested in drug testing their unemployment recipients and getting the help they need in getting them into a job.

The bottom line is States are ready to implement the law that is on the books. The Federal Government must uphold its promise. My home State of Texas has already passed legislation and has been recognized by the White House for the innovative ways to get Texans back to work.

But, again, the White House needs to apply the law, allow States like Texas and others to continue that innovation and get people back into work and making good wages rather than collecting benefit checks.

Mr. Chairman, ranking member, and members, I am ready to work with the subcommittee as we go forward with these reforms. Thanks for having me here today.

Chairman Boustany. Thank you, Chairman Brady. And thank for your work in this area.

Chairman Boustany. Next, we will hear from Chairman Reichert.

You may proceed.

STATEMENT OF THE HON. DAVE REICHERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. Reichert. Thank you, Mr. Chairman, and thank you, Ranking Member Doggett, for inviting me here today to talk about the PERP Act.

And I just want to take a moment to thank Matt and Ryan of your staff for the innovative acronym. That was, I think, accomplished on behalf of my past profession as a police officer. So PERP Act actually stands for Permanently Ending Receipt by Prisoners. So I thought that was pretty innovative on their part.

I introduced this bill last Congress as chairman of the subcommittee with the full support of many of you that are sitting here today. And I appreciate Chairman Boustany's continued support as well as Mr. Renacci's for joining me once again in introducing this commonsense piece of legislation.

The PERP Act is very straightforward. Understanding that the existing UI program rules that operate in all States, an individual must be able, they must be available, and they must be actively seeking work in order to be eligible to collect UI benefits, which are paid to those who are unemployed through no fault of their own.

Individuals confined in jails, prisons, and other penal institutions are, by definition, not able and not available to work and have historically been presumed to be not eligible for UI benefits. However, in recent years, thanks to news articles that have appeared in multiple States, it has become clear that this law is not being properly enforced.

Headlines included from Illinois State, "More Than 2 million in Unemployment Benefits Went to Inmates"; from New Jersey, "Audit Says 20,000 Inmates Were Mistakenly Paid Nearly \$24 million in State and Federal Benefits"; from Pennsylvania, "Inmates Collect Millions in Unemployment Benefits in Philadelphia Jails"; and, again, from South Carolina, "Government Waste: Inmates Collecting Millions in Fraudulent Unemployment Checks."

These articles and many others make clear that taxpayer money is being wasted on these payments by the millions. We must make it crystal clear that this is absolutely unacceptable. Incarcerated individuals should not be receiving unemployment benefits

meant for individuals and families fallen on hard times and working to get back on their feet.

States must be making affirmative efforts to end this abuse. Law-abiding taxpayers should never have to worry that their tax dollars are being spent on improper payments to those who have broken the same laws they work so hard to follow.

The PERP Act resolves this problem by taking the following steps: Number one, it bars States from paying unemployment insurance checks to local, State, and Federal prisoners, strengthening a current implied prohibition because prisoners are not able and available for work, as I said; number two, it requires State UI agencies to regularly compare UI roles with currently available inmate rosters to ensure UI checks are not paid to current inmates.

At a minimum, these States must access and use prisoner information that the Social Security Administration has collected and used since the late 1990s to prevent the payment of Supplemental Security Income, SSI, benefits checks to currently incarcerated individuals. This current data match is simple, it is quick, and it is efficient and can readily be replicated by States to ensure that UI benefit checks are not paid to prisoners.

In 2011, the UI program paid out a total of \$10.3 billion in improper payments. By ensuring that none of those payments continue to go to individuals in jails and prisons, we can take a major step towards increasing that total amount. By ending the reliance on self-reporting of ineligibility for UI benefits and, instead, requiring States to use already existing Federal databases of prisoners, we can create a simple, efficient, and affordable system.

Again, I thank my Ways and Means Committee colleagues for listening to my testimony today and for the invitation to be here to share thoughts on this legislation. I appreciate your support.

And I yield back.

Chairman Boustany. I thank the chairman for his testimony.

Chairman Boustany. Next, we will go to Congressman Becerra. Thank you. Another member of the Ways and Means Committee.

STATEMENT OF THE HON. XAVIER BECERRA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Becerra. Mr. Chairman, Ranking Member Doggett, and members of the committee, thank you for the opportunity to talk about fighting errors and fraud in the programs Americans depend on.

I want to begin by noting that the Social Security Administration has very effective tools to prevent fraud and errors, and these tools have been proven to work. What SSA does not have are the resources to fully deploy those tools to fight fraud and errors.

Today, as I talk about my legislation, the Social Security Fraud and Errors Prevention Act of 2015, I also want to make sure to discuss how budget decisions Congress makes impact the SSA's ability, the Administration's ability, to use the effective tools it has developed for this purpose of fighting fraud and errors.

Since 2010, the Social Security Administration's local offices, the front lines against fraud and error, have lost more than 5,000 skilled employees to budget cuts and dozens of local offices have closed their doors. And to the point of this hearing, as a result of budget cuts, the Social Security Administration has fewer fraud investigators on the beat now than it had 5 years ago.

In each of the past 5 years, the Social Security Administration received an average of \$1 billion less than it needed to manage Social Security and Supplemental Security Income programs. I said a billion, not a million. The Social Security Administration's budget is lower now than it was in 2010, even though it is providing services to more than 7.5 million additional Americans today than in 2010.

In 2 of the last 4 years, this Congress has failed to allocate funding provided by the Budget Control Act for Social Security and SSI eligibility reviews, which have been demonstrated to save as much as \$13 for every \$1 we invest in those reviews to fight fraud. Using the most conservative estimates of return on investment, American taxpayers have lost between \$2 billion and \$6 billion because of this failure to act.

Budget cuts are also undermining the customer service that American workers pay for with their tax dollars. Americans are waiting more than 2 weeks just to schedule an appointment in a Social Security office. Callers to Social Security's 800 number wait an average of 22 minutes, and that is if they can get through at all. More than a third of the callers get a busy signal and give up before getting an operator.

Processing time for applications for those who qualify on the basis of a disability are rising. Right now, over a million people are awaiting a hearing before an administrative law judge. And wait times are now in excess of 450 days.

Time and again, the Social Security Administration has proven that it can fight effectively against fraud and errors if Congress just provides the resources. Recently, the Social Security Administration discovered sophisticated fraud conspiracies in New York and Puerto Rico. Thanks to the investigators, hundreds of arrests have been made, benefits have been terminated, and improperly paid benefits are being recovered.

The Social Security Administration has developed tools to prevent payment errors, ranging from simple prepayment reviews to sophisticated computer modeling that

identify patterns of fraud and error. On average, using these tools saves more than \$10 for every \$1 the Social Security Administration invests in them.

Last year, about 1,300 people were convicted of Social Security fraud based on investigations conducted by the Social Security Administration's inspector general. The special Social Security Administration fraud prosecutors secured nearly \$9 million in restitution for the Social Security trust fund.

Nearly a year and a half ago, several members introduced a Social Security Fraud and Error Prevention Act, H.R. 1419, in this Congress. Our bill provides a secure stream of dedicated resources to ensure that Social Security can use its most effective proven tools to root out fraud and prevent waste and errors. It also incorporates the recommendations made by the Social Security Administration's inspector general.

We would make sure that there are pre- and post-payment case reviews to make sure that only those who are supposed to receive benefits get them. We would ensure that SSA has enough resources to recover overpayments and collect the monetary penalties that are assessed for fraud.

We would guarantee the fraud investigation budget of the Social Security inspector general. And we would fund special prosecutors for Social Security in order to end the budget cuts that have let some criminals get away with fraud.

Our bill would also expand Social Security's ability to detect and punish fraud by expanding elite fraud-fighting units and increasing penalties against those who conspire to commit fraud, including those in a position of trust, such as doctors who provide false evidence of disability.

The Ways and Means Committee has yet to consider our bill or any other plan to support the Social Security Administration's efforts to reduce fraud and error, but we hope that we will have an opportunity soon to hold that type of a hearing to move forward with the Social Security Administration.

Working together, we can secure Social Security dollars for those who paid them and earned them. And, Mr. Chairman, I think we all agree that we can move on this in a way that helps secure Social Security and all those services that we provide to people because they paid for them and earned them.

I yield back.

Chairman Boustany. Thank you, Congressman Becerra. We appreciate your testimony.

Chairman Boustany. Next we will go to Congressman Reed, another valued member of the Ways and Means Committee.

You may proceed, sir.

Mr. Reed. Well, thank you, Mr. Chairman and Ranking Member Doggett and all the members of the subcommittee.

As a former member of this subcommittee, it is an honor to appear before you today to discuss important reform measures within the Supplemental Security Income program. Too often, Federal policies directed at supporting individuals and families in poverty do not require results, leaving too many Americans in need with too few opportunities to break the cycle of poverty.

What we do know is that education, even a high school diploma, is a key to higher earnings and a likelihood to be employed, which can help break the cycle of poverty that many youth in America are faced with. That is why I introduced H.R. 2511, the School Attendance Improves Lives, or SAIL, Act.

The SAIL Act will require youth, ages 16 and 17, receiving Supplemental Security Income, SSI, to attend school with appropriate, but limited, exceptions when the health of the child does not permit school attendance.

I care about our Nation's youth, and I want them to reach adulthood with the skills they need to succeed. It is imperative to encourage and incentivize young people to stay in school and build a future full of opportunity, self-sufficiency, and economic success. This encouragement must begin with the parents of children receiving SSI.

Parents must provide the best opportunities for their children to succeed. Letting children on SSI drop out of school is not fair to them, and it leaves them far less equipped to succeed as adults. It is for this reason that high school dropouts have the highest rate of unemployment today.

My bill improves accountability within the SSI program to ensure children do not find themselves in this position. Roughly 66 percent of youth on SSI are still in the program at age 19, which drastically increases the likelihood that they will remain on SSI well into their adulthood.

One reason children on SSI continue to receive benefits for extensive lengths of time is that the program does not offer incentives for personal success. This measure is one way to ensure those receiving SSI continue toward the path of self-sufficiency.

We can and must do better for those in this program. Thirty percent of children ages 17 and 18 on SSI are not attending school. By requiring children to remain in school as they receive SSI, these individuals will increase their likelihood of graduation, obtaining employment, and breaking that cycle of poverty that we all agree must be broken. Attending school enables these children to achieve their true potential.

When poverty affects more than 46 million Americans, it is imperative that we work together to address this issue by giving those in need all the tools to empower themselves. Emphasizing education by including accountability measures within SSI is

an important step, in my opinion, toward achieving this goal, and I offer it to the subcommittee for consideration and, hopefully, action soon here in the 114th congressional session.

With that, I yield back, Mr. Chairman.

Chairman Boustany. I thank the gentleman.

Chairman Boustany. Next we will go to Congressman Renacci, another member of the Ways and Means Committee.

You may proceed sir.

STATEMENT OF THE HON. JAMES RENACCI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Renacci. Mr. Chairman, Ranking Member Doggett, members of the Human Resources Committee, thank you for the opportunity to be here today to discuss member initiatives to restore program integrity in UI and SSI.

In 2010, the good people of northeast Ohio elected me to represent them in Washington, and I thank them for the opportunity to help change business as usual.

Since taking office, I have sought to work with both Republicans and Democrats alike to help advance the pro-growth policies we need to get America's economy moving again and to provide faith in the idea of the American Dream: If you work hard, you can be successful.

This is why I firmly believe that we must place progress over politics and work together to end the job-crushing politics that have consumed Washington and choked progress toward economic recovery.

I am honored to serve on the Ways and Means Committee with many colleagues in this room today. We continue to work to implement smart policies aimed at stabilizing our entitlement programs and simplifying our Federal tax system, among other things.

The focus of this hearing is finding ways to reduce waste, fraud, and abuse in the UI and SSI systems. And I applaud my colleagues who are testifying with me on their efforts to improve program integrity.

Over the last several years, we have been discouraged by some of the worst job reports we have seen in recent times. Though the unemployment rate has ticked down, it is largely due to our shrinking labor force. The lesson learned is clear: We must turn to pro-growth solutions that will help northeast Ohioans and Americans across the country get back to work.

That is why I introduced the Flexibility to Promote Reemployment Act with my friend John Carney from Delaware, a co-founder of a bipartisan working group that he and I had founded 4 years ago.

This bipartisan bill would encourage job creation by providing States with more flexibility to help unemployed individuals collect paychecks instead of benefit checks.

Under the Middle Class Tax Relief and Job Creation Act of 2012, the Department of Labor was granted waiver authority within the Unemployment Insurance program. The waivers allowed unprecedented flexibility in the use of State UI funds, enabling States to operate demonstration projects designed to assist the unemployed in their efforts to reenter the workforce.

To date, Texas is the only State that has applied for a waiver, and its application was swiftly denied. Many States have described the rigorous application process created by the Department of Labor as onerous and time-consuming, including my State, Ohio. So, today, no State is participating.

At a time when too many continue to struggle with unemployment, we should be doing everything we can to help incite growth and investment in our local communities. It is time for the Department of Labor to go back to the drawing board and reassess its application requirements.

The Flexibility to Promote Reemployment Act would require the Department of Labor to do just that, benefiting both employers and employees. It would implement a series of reforms to the current waiver in an attempt to make it more appealing to States, increasing States' flexibility to help unemployed individuals find employment.

Among the reforms in the Flexibility to Promote Reemployment Act, this bill would clarify application requirements and demonstration activities, allow for greater transparency in the demonstration determination process, and require an evaluation from the Department of Labor with cooperation by the States. Additionally, this legislation further extends the deadline for waiver applications to 2019.

It is critical that we reduce the unnecessary Washington red tape that stands in the way of job growth in Ohio's 16th District and throughout the country. A good place to start is by working with States to make unemployment programs more effective to both job seekers and job creators.

Encouraging job creation is not a partisan issue. Democrats and Republicans alike agree we must advance policies that will fuel the economic recovery we so desperately need.

I fully expect that my colleagues on both sides of the aisle will support the Flexibility to Promote Reemployment Act, and I look forward to seeing this bipartisan, commonsense legislation swiftly moved through the legislative process.

Again, thank you for holding this hearing. I look forward to working with all of my colleagues to advance many of the initiatives discussed today.

Chairman Boustany. I thank my colleague for his testimony.

Chairman Boustany. Next, we will go to Congresswoman DeLauro.

You may proceed.

STATEMENT OF THE HON. ROSA DELAURO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Ms. DeLauro. Thank you very much, Mr. Chairman. It is a pleasure to join with you and Ranking Member Doggett and the distinguished members of the Ways and Means Committee, all of whom are colleagues on this panel as well this morning.

I thank you for inviting me to testify about two of the most important programs in our social safety net, Supplemental Security Income and Unemployment Insurance.

We must not lose sight of the people these programs are there to help. Millions of American families rely on them every day to make ends meet, and they make a real difference.

SSI supports low-income seniors and people living with disabilities, including families who need extra help to raise a disabled child. For a great many people, SSI is a critical piece that helps them to live their lives day to day.

UI helps workers who lose their job through no fault of their own to continue putting food on the table, paying their bills, and raising their families. And despite an improving economy, millions of Americans still need that support to get through a tough period in their lives.

Both programs help the economy as recipients spend their benefits on the necessities of life. I hope and I know we can agree that these benefits should always be there for struggling families who need them. Eliminating fraud and abuse is a critical part of keeping these programs strong for the vast majority of recipients whose need is all too genuine.

Clearly, those who break the law should be prosecuted, and we all agree to that. However, as the ranking member on the Labor, HHS, Education Appropriations Subcommittee, I must highlight the damage years of budget cuts have done, including to the very programs that are designed to root out fraud and abuse.

At the Department of Labor, the Labor, HHS, Education bill funds activities known as, quote, "reemployment eligibility assessment and reemployment services," or REARES. These programs help beneficiaries to access reemployment services, but they

also identify and remove individuals who are not eligible for UI. In this way, every dollar invested in REARES saves the UI system an estimated \$3 to \$4 in benefits.

In the 2010 budget resolution, we provided a \$50 million cap adjustment for these anti-fraud activities. It is estimated by OMB to have saved more than \$200 million in State UI funds. Unfortunately, American taxpayers no longer recoup all of those savings because the Budget Control Act eliminated the cap adjustment.

So my first suggestion to this committee is to convince our colleagues on the Budget Committee to reinstate the cap adjustment and then to double it. If we do that, we can save taxpayers \$400 million each year, \$4 billion over the next decade.

And the Social Security Administration, which oversees SSI, the Labor, HHS, Education bill, funds two program integrity initiatives: continuing disability reviews, known as CDRs, and SSI redeterminations. For every \$1 invested, SSI redeterminations save about \$4. CDRs save around \$15.

In the 2015 budget, the President asked for more than \$1.7 billion for these cost-cutting initiatives. Because of the years of underfunding of SSA's operating budget, the subcommittee had to cut the request by \$211 million, another casualty of budget austerity. As a result, taxpayers are missing out on a potential savings of more than \$2 billion.

My second suggestion to the committee is to increase the allocation for Labor, HHS appropriations bill so we can fully fund the President's request. Some of my colleagues may think the solution is to take more funds from SSA's operating budget. That would be a mistake. SSA's operating budget has already been cut by more than \$1.2 billion in real terms since 2010. SSA has lost 11,000 staff between 2010-2013, has closed at least 64 field offices in the last 5 years.

You need to talk to seniors in your district to think about what these closures mean. People are forced to spend seven times as long on the phone to reach an SSA agent. Five times as many callers are faced with a busy signal. The average wait for a disability hearing decision is now more than 15 months.

We cannot expect SSA to do more with less. It can only do less with less. I agree that fraud and abuse needs to be stamped out, but we need to not slash the SSA's operating budget to do it.

I would leave you with this: The allocation -- I know it is not in the purview of the Ways and Means Committee -- is \$3.7 billion lower than it was for 2015. That means less for the Department of Labor, less for SSA.

I believe it is the wrong direction. And what we can do is we can prevent errors and, at the same time, root out fraud and abuse, but without hurting hard-working Americans and the services that they have earned.

So I ask you to keep those programs in mind as you move forward. The programs are too important to be allowed to wither. We need to root out that fraud and abuse. We do not need to do it in a way that undermines these programs for millions of families who support them.

Thank you for the opportunity to be here this morning.

Chairman Boustany. We thank you for your testimony.

[The statement of Ms. DeLauro follows:]

Chairman Boustany. I want to at this point thank all the members for the great work you have done in this area and for your testimony and appearing before the committee today.

At this point we will refrain from questions. We know we can talk to you on the House floor or whenever to further discuss these items. So at this point we thank you.

And we will call up our second panel.

Ms. DeLauro. Thank you.

Chairman Boustany. We are very pleased to welcome our next panel. This is a very distinguished panel who I believe will lend tremendous expertise to the discussion of this topic and potential pathways forward.

First, we will be hearing from Patrick P. O'Carroll, Jr., Inspector General, Social Security Administration.

Welcome.

Next, Dan Bertoni, Director, Education, Workforce, and Income Security issues, from the Government Accountability Office.

Thirdly, Mr. Curt Eysink, from my home State of Louisiana, where he serves as Executive Director of the Louisiana Workforce Commission. He will bring a State perspective to this.

Fourth, we have Debra Rohlman, Vice President of Government Sales, Equifax Workforce Solutions, considerable private sector expertise.

Last, but certainly not least, Rebecca Vallas, Director of Policy, Poverty to Prosperity Program, Center for American Progress.

We welcome all of you. This will be a good, lively debate and discussion. We appreciate the expertise that you all bring to this.

So, with that, we will start with you, Mr. O'Carroll.

I would ask each of you to try to adhere to the 5-minute rule for your oral testimony. As I said earlier, your written testimony will be made a part of the record in total.

So, Mr. O'Carroll, you may proceed.

**STATEMENT OF PATRICK P. O'CARROLL, JR., INSPECTOR GENERAL,
SOCIAL SECURITY ADMINISTRATION**

Mr. O'Carroll. Good morning, Chairman Boustany, Ranking Member Doggett, and members of the subcommittee. Thank you for the invitation to testify.

Last September, police in Richmond, Virginia, issued an arrest warrant for a man who had committed serious crimes. The suspect was wanted for, amongst other crimes, carjacking, using a firearm to commit a felony, and malicious wounding. Within weeks, a U.S. Marshal's fugitive task force, along with OIG special agents, located and arrested the man in Virginia.

Because this fugitive received SSI payments, the task force found him with an assist of our Fugitive Enforcement Program. Through information sharing and collaboration with law enforcement agencies across the country, this program has helped bring thousands of fugitives to justice.

In the past, SSA would have suspended this fugitive's SSI payments based on the felony arrest warrant from Richmond. But since he was wanted for carjacking rather than for fleeing justice, SSA could not take action to stop his payments until he was behind bars.

For many years, we have worked with local law enforcement to locate fugitive felons and help SSA cut off their payments. However, since 2009, two court decisions have dramatically limited SSA's ability to stop these payments. I discuss these decisions further in my written testimony, but they essentially stopped SSA from suspending payments unless someone is wanted specifically for flight or escape.

As I said, the effect has been dramatic. In 2009, SSA suspended benefits for more than 58,000 individuals. In 2014, after the court decisions, SSA suspended benefits for 830 individuals. The court decisions did not affect our ability to share locator information with law enforcement. And we continue to help those agencies in their efforts to apprehend fugitives.

Your subcommittee, with support from the Subcommittee on Social Security, recently introduced the Control Unlawful Fugitive Felons Act. This law would again discontinue payments to individuals who are the subject of an outstanding felony arrest warrant.

The Social Security Act also prohibits payments to prisoners, and we have a long history of overseeing and improving the agency's efforts in this area. Some of our earliest audit

work recommended that SSA improve collection of prisoner information and pursue agreements to obtain this information.

Because of our work, SSA now has agreements to obtain prisoner data from 50 States, the Federal Bureau of Prisons, and thousands of local corrections facilities. SSA matches this inmate data against its payment records every month to make sure that prisoners don't receive a check. SSA estimates that it suspends benefits to about 60,000 prisoners each year, saving about \$500 million per year. This success story is a good example of the potential that data matches for ensuring that SSA payment accuracy.

For many years, my office has recommended these matches to SSA. For example, we work with Homeland Security to match Customs travel data to SSA records, an estimated \$150 million in overpayments to SSI recipients based on their absence from the United States for more than 30 days.

And as your subcommittee knows, we recently reviewed SSA's process for removing self-employment earnings from SSI recipient records and notifying the IRS of this discrepancy. We recommended that SSA work with the IRS to identify earned income tax credit fraud.

Unfortunately, we in SSA are limited in our ability to secure data matches under the Computer Matching and Privacy Protection Act. We have proposed an exemption from the CMPPA only for data matches intended to identify fraud and waste. One current House proposal, the Inspector General Empowerment Act, includes this exemption.

In conclusion, SSI payment accuracy is a high priority for my office. The program is a critical safety net for the most vulnerable citizens in our society. We must also not forget that we are accountable to the taxpayers who fund this program to ensure that only those who are eligible can receive these payments.

I appreciate your interest in improving the integrity of the SSI program. We look forward to collaborating with your subcommittee on the best ways to do this effectively. Thank you again for the invitation to testify, and I will be happy to answer any questions.

Chairman Boustany. Thank you very much, Mr. O'Carroll.

Chairman Boustany. Mr. Bertoni, you may proceed.

**STATEMENT OF DANIEL BERTONI, DIRECTOR, EDUCATION,
WORKFORCE, AND INCOME SECURITY ISSUES, GOVERNMENT
ACCOUNTABILITY OFFICE**

Mr. Bertoni. Thank you, Mr. Chairman, Ranking Member Doggett, members of the subcommittee. Good morning.

I am pleased to discuss our work in the Supplemental Security Income program and issues affecting program integrity which, left unchecked, increase the potential for waste, fraud, and abuse.

Last year, SSA paid almost \$56 billion to over 8 million SSI recipients. Given the size of the program, even small errors in benefit payments can result in substantial loss to taxpayers.

My statement is based on a body of work conducted over several years and describes SSA's challenges with ensuring SSI program integrity.

In summary, the agency faces real challenges in preventing and detecting overpayment. To ensure that only eligible individuals receive benefits, follow-up reviews after benefits are granted provide an important check on growth and are key to program integrity.

Federal law requires that SSA conduct periodic continuing disability reviews, or CDRs, to determine whether recipients have medically improved and to cease benefits as appropriate. However, last year SSA reported a backlog of 1.3 million reviews.

Moreover, we found that adult reviews declined by 70 percent. Those for children with mental impairments fell by 80 percent. We also noted that 435,000 child cases with mental impairments were overdue a CDR, oftentimes for many years, including thousands originally deemed likely to medically improve within 12 to 18 months.

We recommended that SSA address this backlog and calculated the agency would save \$3 billion over 5 years as a result. Since the report was issued, the agency has increased the number of child CDRs conducted annually and plans to eliminate the backlog. However, it is unclear whether it will continue to use any new funding increases to review children most likely to medically improve.

Beyond untimely reviews, overpayments can also occur when recipient bank account and wage information is incomplete or outdated. The unreported value of bank accounts and wages represent nearly 40 percent of all SSI overpayments.

While the agency has developed tools to better capture banking and wage information, there are limitations. For example, the agency now has electronic access to recipient banking data. It can query this information when determining benefit eligibility. However, this data is not entirely complete, and staff rely on recipients to self-report such accounts and the amounts of funds in them.

SSA also uses telephone wage reporting to capture recipient wage information to adjust benefits to prevent improper payments. However, the accuracy of this information is also limited due to recipient self-reporting and SSA's inability to process wage information for those with multiple employers.

Beyond prevention, the agency has also had difficulties with overpayment recovery and management of its waiver process. Generally, recipients must repay overpaid benefits, but can request a waiver under certain circumstances. SSA approves about 76 percent of all waiver requests. And documentation and management oversight is limited.

Specifically, we found that staff can approve waiver requests of \$2,000 or less without any supervisory approval. We recommended that SSA review this policy and amend it to improve program integrity. The agency agreed with our recommendation, but has not taken action, despite a 2015 internal study that showed 50 percent of such waiver decisions were incorrect.

To improve oversight, we also recommended that SSA study waiver activity to identify patterns specific to its regions, field offices, and even individual staff. Unfortunately, the agency declined to conduct such analyses and will continue to be limited in its efforts to recover overpaid taxpayer dollars.

Finally, I would be remiss in not stating that SSI program complexity has been a longstanding challenge, contributing to high administrative costs and risk of overpayments. Beyond documenting income and resources, staff must also apply a complex set of rules to assess recipients' living arrangements and other financial support received.

In prior work, we have cited program complexity as a major driver of payment errors, program abuse, and excessive administrative costs. In light of this longstanding issue, we have begun work for this subcommittee, examining potential options and barriers to streamline policies for calculating recipient benefits.

As we proceed, we will continue to work closely with you in your efforts to enhance the design and integrity of the SSI program.

Mr. Chairman, this concludes my remarks. I am happy to answer any questions that you may have. Thank you.

Chairman Boustany. Thank you, Mr. Bertoni.

Chairman Boustany. Mr. Eysink, you may proceed.

STATEMENT OF CURT EYSINK, EXECUTIVE DIRECTOR, LOUISIANA WORKFORCE COMMISSION

Mr. Eysink. Thank you, Chairman Boustany, Ranking Member Doggett, and members of the committee for this opportunity to share with you some of the progress Louisiana has made in reducing fraud, waste, and abuse in the Unemployment Insurance system and, also, to suggest an approach which may improve the performance of the system while lowering its costs across the country.

That focus should be on reemployment activities. During the Great Recession, it became apparent that claimants who got help from the State and local staff in all of our offices got a good result faster than those who relied only on our self-service tools to look for work entirely on their own.

Now in Louisiana they must appear almost every 2 weeks during the first 10 weeks of their claims for coaching, labor market information, job search assistance, assessments or other services identified in their customized reemployment plans. They must conduct certain fundamental job search actions in our system so that we can continue to validate their eligibility.

And it is working. About 75 percent of otherwise eligible claimants initially fail to meet the requirements and their benefits are suspended. Only about one-third of those with suspensions returned to the system to comply and resume their benefits. That means about half of all claimants who receive an initial payment are quickly disqualified. Crosschecks against our wage records and new hires databases shows that only a small percentage of those who are disqualified, in the single digits, do not return to work.

Last year an analysis by Louisiana State University economists showed that, since we launched this program, our trust fund has grown in the tens of millions of dollars, more than they could account for by the strengthening of our economy. Louisiana's unemployment rate is 1.2 percentage points higher than the national average, but the average duration of benefits is more than a week less.

Congress deserves a lot of credit for this approach. You launched and funded the Reemployment and Eligibility Assessment Program to help States and their claimants recover from the Great Recession. Our brand is blended with that program. It is more intense and it more tightly integrates unemployment insurance with workforce development and job placement. It is proving to work well in better economic times, also. We are not the only State experimenting with variations of this theme, but more States should join us.

Another very important benefit of having people show up in person and prove they are who they claim they are is that it blocks them from being able to use others' identities for fraud. This is as true for identity theft rings as it is for an individual who borrows the identity of a friend or a relative who is incarcerated. And if they are already working, they can't show up to try to maintain eligibility for benefits.

This summer we will launch the second phase in the modernization of our Unemployment Insurance system. It will greatly increase automation, reduce costs, and improve integrity by, among other things, building in 40 different crossmatches with State, Federal, and private databases. These crossmatches will verify each claimant's identity in realtime and force claimants to address discrepancies before they can complete their claim.

Mr. Eysink. Those discrepancies, for example, could be a Social Security number that doesn't match their name or birth number associated with it or it could be that the claimant identify matches a prison inmate.

I want to give you an example of a crossmatch that is really working today, as proposed to us by Texas and jointly developed by our two States. Many claimants work in one State and live in the other across the border. Those claimants still have to register for work in the State in which they leave.

Well, we weekly swap information on those claimants and those who don't register are disqualified. So far, since that program began 3 years ago, we have together avoided \$36.7 million, an estimate, of improper payments in our two States. The total programming and implementation cost was just \$43,000.

We are also instituting the same kinds of integrity on the employer side. We have a portal which they have to use to file their wage records. When they file, we validate the identity of the employer, but also the identities of their staff members who engage in that system, so that nobody can commit fraud from that side or file false reports. It has improved our error rate dramatically and lowered our costs.

Finally, I want to talk about -- I leave you with one thought. I do not believe that States have to choose between good customer service and paying claims timely, on one hand, and UI integrity, on the other. It does take time and money to rebuild a broken system, but it is possible to improve service and integrity at the same time. And the investment is returned many times over. In 2008, our system ranked very poorly, 52nd or 53rd against other States, for many indicators, other states Guam, Puerto Rico and D.C.

Today we are doing much, much better. Our improper payment rate has been cut to about the OMB threshold and continues to improve. We have reduced the duration of claims, and we are a national leader, I believe, in identifying misclassified workers.

The cost burden of our Unemployment Insurance system as a percentage of payroll is the second lowest amongst the States. We could not have made these improvements without the persistence and support of the Department of Labor and the great ideas and lessons learned from many other States. Such collaboration, along with the State's ability to develop solutions that best fit their own circumstances, are keys to the continued improvement of the entire system.

I am happy to answer any questions. And thank you for your time today.

Chairman Boustany. Thank you for sharing the Louisiana experience with us and for the leadership you have provided in that regard. So thank you. I appreciate you being here today.

Chairman Boustany. Ms. Rohlman, you may proceed.

STATEMENT OF DEBRA ROHLMAN, VICE PRESIDENT OF GOVERNMENT SALES, EQUIFAX WORKFORCE SOLUTIONS

Ms. Rohlman. Good morning, Chairman Boustany, Ranking Member Doggett, and distinguished members of the subcommittee. My name is Debra Rohlman, and I serve as Vice President of Government Sales Solutions and Client Relations for Equifax Workforce Solutions, a subsidiary of Atlanta-based Equifax, Inc., which is based in Congressman Lewis' district.

I appreciate the opportunity to appear before you today and provide information related to the employment and income verification services that Equifax Workforce Solutions provides State and Federal agencies to assist in their administration of public assistance programs.

Separate from our traditional credit-reporting business, our automated employment and income verification service is provided through our proprietary database known as The Work Number. This database, which is governed by all applicable Federal and State regulations, is comprised of the current payroll data of thousands of employers with the salary information of their workforces.

Equifax is then able to deliver a streamline, secure, and timely transfer of information between employers and verifiers that ultimately benefits the consumer by accelerating the decision process on their loan or government benefit while freeing the employer from the disruption of verification requests.

In 2014, we provided over 18 million verifications to government entities, including agencies in all 50 States and Washington, D.C. We help these agencies by providing data for applicants of various programs, such as SNAP, TANF, CHIP, Medicaid, UI, SSI, as well as for child support enforcement and states and local housing authorities.

My written testimony provides a more detailed overview of how we work with these and other Federal agencies. We commend the bipartisan efforts to address the issues around implementation of Treasury's Do Not Pay portal, originally intended to reduce improper payments, yet hindered by statutory privacy concerns.

I would now like to address the potential changes that should be considered to improve the efficacy of the UI and SSI programs.

In SSI, one area where change is needed is the frequency in which benefit charges against employers, unemployment accounts are issued. Our data indicates improper payments are more easily identified and addressed when State UI agencies provide benefit-charged statements with a weekly breakdown of data versus some agencies' practices of quarterly or even annual data. We would welcome the committee's support in requiring all States to provide weekly UI benefit charge detail.

The second area where opportunity exists is the format of wage audit and earnings verification forms. The majority of UI agencies require wage data be provided in a weekly, Sunday through Saturday, format. In practice, this is not a common payroll frequency and often results in complex recalculations by employers, incorrect data provided or simply noncompliance.

If UI agencies would accept wage information in an employer's customary format at the initial earnings wage audit and pursue a detailed breakdown only on actual or suspected fraud cases, compliance would improve. We would encourage the committee to require State UI agencies' consideration of more traditional payroll systems, verification databases, and technologies.

In regard to the current SSI verifications process, there are two areas that can be improved. First, SSI verifications are currently performed on a manual per-applicant basis that is both labor- and time-intensive.

We would welcome the committee's support in expanding the SSA's use of commercial databases to allow batch verifications of applicants. This batch process would ensure that every SSI applicant is checked on a monthly basis for any changes to their employment or income and, therefore, preventing potential improper benefit payments.

Second, due to statutory limitations, SSI is only permitted to verify income for eligibility at initial application and for annual redetermination because an applicant's job status can change a number of times throughout a year.

Congress should consider passing legislation that would allow the SSA to verify income with a third-party database on a monthly basis in a batch format instead of annually on a per-applicant basis.

In closing, Equifax encourages the committee to review the program improvement recommendations I highlighted today and in my written testimony. We stand committed to helping State and Federal agencies make eligibility determinations, reduce improper payments, improve service, and increase overall program integrity.

Thank you for the opportunity to testify, and I welcome your questions.

Chairman Boustany. We thank you, Ms. Rohlman.

Chairman Boustany. Next we will go to Ms. Vallas.

You may proceed.

**STATEMENT OF REBECCA VALLAS, DIRECTOR OF POLICY OF THE
POVERTY TO PROSPERITY PROGRAM, CENTER FOR AMERICAN
PROGRESS**

Ms. Vallas. Thank you, Chairman Boustany, Ranking Member Doggett, and members of the subcommittee for the invitation to appear today. My name is Rebecca Vallas, and I am the Director of Policy for the Poverty to Prosperity Program at the Center for American Progress.

Without our Nation's safety net, America's poverty rate would be twice as high as it is today and more than 40 million more Americans would be poor. In addition to mitigating poverty and hardship in the short term, our safety net is also an investment that pays long-term dividends.

For example, children, helped by programs such as the EITC and the Supplemental Nutrition Assistance Program have improved health, are more likely to graduate high school and attend college, and have increased employment and earnings as adults.

A strong safety net is of the utmost importance to us all, given that fully half of Americans will experience at least 1 year of poverty or near poverty at some point during our working years, a figure that rises to a whopping 80 percent if you include unemployment and needing to turn to the safety net.

Unemployment Insurance, Social Security Disability Insurance, and Supplemental Security Income are some of our Nation's most effective antipoverty tools. While the benefits that these programs provide are modest, they are nothing short of a lifeline.

UI replaces less than half of wages for the typical worker, but it protected 5 million hard-hit Americans from poverty in 2009, at the height of the Great Recession, and it prevented 1.4 million foreclosures between 2008 and 2012.

Disability Insurance benefits are so modest that 1.6 million beneficiaries live in poverty. But without DI, more than 4 million disabled worker beneficiaries would be poor.

SSI benefits are even more modest, on average, just \$541 per month, half the Federal poverty line for an individual. But for many beneficiaries, these benefits are the difference between having a roof over their heads and being out on the streets. SSI is also particularly vital for families caring for children with the most significant disabilities and severe health conditions.

As we seek to ensure a strong safety net, ensuring program integrity must be a top priority. Thankfully, these programs have rigorous safeguards to root out improper payments and have payment accuracy rates of over 90 percent.

It is important to keep in mind that the vast majority of improper payments are not due to fraud, which comprises just a tiny fraction of overpaid benefits in these programs. We must work together to ensure that payment error rates remain as low as possible, and providing DOL and SSA with adequate administrative funding is of critical importance to achieving that goal.

Unfortunately, appropriators have long deprived these agencies of the resources they need to perform critical program integrity activities that pay for themselves many, many times over in the long run.

The Social Security Fraud and Error Prevention Act introduced by Mr. Becerra and Ranking Member Doggett would ensure that SSA has the administrative resources it needs as well as taking other important steps, such as heightening the penalties for defrauding Social Security, keeping evidence from fraud-committing doctors out of the disability determination process with limited good-cause exceptions, putting CDI units in all 50 States and more. These are crucial steps with bipartisan support, and I would urge Congress to swiftly pass these important legislation.

Importantly, we must take a hard look at proposals that aim to enhance program integrity to ensure that they will not lead to unintended consequences. For example, the SAIL Act, which we heard about earlier, raises significant concerns along these lines.

Education is, without question, the key to success, and ensuring that all young people have access to a high-quality education must be a foremost national priority.

However, as currently constructed, this bill would penalize our Nation's most vulnerable youth for experiencing legitimate and understandable interruptions in their schooling. H.R. 918, the DI/UI Double Dip Elimination Act also raises serious concerns along these lines.

Policymakers and elected officials on both sides of the aisle have long shared the goal of helping people with disabilities to work. However, this bill would undermine this bipartisan objective by punishing beneficiaries who do attempt to return to work.

Finally and fundamentally, in addition to keeping fraud and abuse as rare as possible, achieving the goal of program integrity also requires that we address egregious backlogs so that Americans with severe health conditions need not die by the thousands waiting for the benefits that they need, as is currently happening across the United States, that State UI phone systems work properly so that unemployed workers can timely access jobless benefits while seeking to get back on their feet, and that beneficiaries do not get hit with large overpayments, despite doing everything right, due to massive delays in processing work reports. Adequate administrative resources are critical to keeping these basic promises to the American people.

In addition, I discuss in detail in my written testimony several commonsense steps that would strengthen vital programs while also reducing improper payments, such as simplifying Social Security's work rules, improving its earning reporting and recording systems, using computer algorithms to prevent overpayments before they happen instead of just to detect them after the fact, and, finally, reforming SSI's outdated asset limits, which have not budged in nearly 3 decades, as well as the program's income counting rules, which also have not changed since the program was established.

I look forward to working with the members of this subcommittee to ensure program integrity in our safety net. Thank you. And I am happy to take any questions that you may have.

Chairman Boustany. We thank you for your testimony.

Chairman Boustany. And we thank all of you for your very profound testimony.

Now we will move to a series of questions. And I will start by stepping back for a moment.

I showed a video at the very beginning. I know that Mr. O'Carroll and Mr. Bertoni have been looking at this problem for quite some time.

Mr. Eysink, from a State perspective, Ms. Rohlman from Equifax's perspective on this, are those concerns valid? Is this a serious problem?

Obviously, the CNN investigative piece depicted what appears to be a very serious problem. We have heard numbers. Is it your view that this is a serious problem, a growing problem?

Mr. Eysink. It is a serious problem, and it is, I think, where we have to be more vigilant in the future than we have been today. I think that is the next frontier in fraud prevention, is these rings that get very sophisticated about the data that they get through hacking or whatever means and then use it to defraud our systems.

But I think, at least I hope, that our approach of requiring claimants to show up in person will allow us to stop any claims like that very quickly. I think validating identities and so forth with all of our crossmatches up front will prevent many of them from getting the claim through the first screen.

And the other, I think, requirement in every State that would prevent a lot of this, too, is the work registration requirement. It is unlikely that somebody who has a system to defraud Unemployment Insurance directly is also going to be able to meet the work registration requirement which, in most cases, is an entirely different system, and that needs to be enforced very widely.

Chairman Boustany. I think in your oral testimony you mentioned some costs associated with the reforms Louisiana had implemented.

Is this -- I mean, the general cost of what you're proposing, is it unduly expensive for the States to implement?

Mr. Eysink. It is very expensive and difficult for States that have not yet moved off of their old mainframe systems to implement these crossmatches and all these other

interfaces. I think the States -- and I think it is in the teens now that have launched these new systems. We are in process.

It gets much easier when it is a Web-based system dealing with a Web-based system. But there is a cost associated with that that will have to be borne. The benefits are great to the trust funds, but the cost is borne on the administrative side.

Chairman Boustany. Could you give us an order of magnitude on cost.

Mr. Eysink. For us, we are going to spend close to \$10 million to modernize our system. Other States could spend considerably more than that, depending on the route they have taken or the method that they are taking, working with other States or not or going alone. Several States have tried and failed. So they are having to duplicate those costs again. It can easily get into the tens of millions per State.

Chairman Boustany. Ms. Rohlman, do you want to comment? Same questions, basically.

Ms. Rohlman. Sure. So I would agree definitely that this is a serious problem. We know that the improper payment rate remains over 11 percent. Much of what has been said about the modernization of systems is necessary.

The Department of Labor has certainly been trying to address this issue and others, again, with the database, as I mentioned in my testimony about Do Not Pay, how that database was trying to reduce improper payments as well. Definitely something that needs improvement.

Chairman Boustany. What is a reasonable amount of time to get these new systems in place?

Mr. Eysink. It can take -- for us, it is going to take, probably by the time we are done, a little over 3 years to make that whole transition.

I would say there are some relatively unsophisticated things States can do to protect against some kinds of fraud, for instance, scan for sequential Social Security numbers. It sounds obvious, but some of these rings just crank them out like that. The other thing is multiple claims from seemingly unrelated people going to the same addresses.

Chairman Boustany. And implementing the personal appearance requirement, was that an expensive endeavor or was it difficult to implement?

Mr. Eysink. It was difficult to implement because it required a change in practices and culture in our one-stops around the State. They didn't schedule. It was all walk-in traffic.

But now we have to schedule those visits when they have low walk-in traffic so that people don't get stacked up and wait. They have to do some activities in a classroom style. But these are just logistics issues.

There is some expense in that it requires staff and many officers who they really could not afford to have at the time. There are some facilities expenses. Not all of them are really equipped for that volume of people. But these are logistics issues that can and should be solved.

Chairman Boustany. Mr. O'Carroll and Mr. Bertoni, the two of you have been looking at these problems systematically. I know, Mr. O'Carroll, we spoke in the office not long ago about some of this.

And, I mean, there are specific bills that have been proposed. You heard some of the testimony from members. There are other bills out there. I think you heard what my home State of Louisiana is doing.

Could you comment further on these kinds of steps to get program integrity in place.

Mr. O'Carroll. Yes, Chairman. One of the things that I mentioned in my testimony is the legislation on allowing IGs to be exempt from the Computer Matching Act.

And the reasoning behind it is pretty much as we were talking before with identity theft, that, in government databases, we know and have a lot of identifying information about individuals that the agencies can share with each other, which would identify who the person is and make sure that the right person is getting the right benefits.

So, in that regard, that would be -- one of the bills is the IG Empowerment Act. But of the bills that are being proposed by this committee here, all of them -- the Fraud Act, the CUFF Act -- each of those are going after the facilitators, the organized groups that are going out there trying to defraud us.

I think that is a major step in the right direction and then making sure that the people that are fleeing from us aren't going out there doing more crimes while we are still giving them checks.

Chairman Boustany. Thank you.

Mr. Bertoni.

Mr. Bertoni. I think, in general, we need to move into a 21st-century verification system. So many times we hear about recipients self-reporting without third-party verification across numerous programs across government. I have been reporting on it for 20 years.

So we need to move into the realm of data crossmatching. We need to create interfaces, whether it be State to Federal, Federal to Federal, Federal to State, you know, whatever needs to happen. We need to triangulate data so we have corroboration of what people are attesting to.

As an example on the UI side, we talk about face-to-face interaction. I can go on the Internet and go to a Web site in Hong Kong and get the highest grade driver's license that will pass TSA screening and TSA -- you know, whatever their verification devices, have that in my pocket, walk into an Unemployment Insurance agency, present that. They look at the picture. It matches the license. And we are good to go.

What you need to do is verify that license with a third party. So with an interface with a DMV, a driver's license entity, if you ran that and that picture comes back in an online mode and, if the technologies are there, you could see that there was a disconnect between that person's face on the license and the one that the DMV has. So a classic example of data crossmatching that could work.

Chairman Boustany. Seemingly simple solutions, yet we are still fighting with this identity theft issue. I certainly appreciate the input and the insights you provided.

I am now pleased yield to my ranking member, Mr. Doggett, for questions.

Mr. Doggett. Thank you, Mr. Chairman.

And thanks to each of our witnesses for their testimony.

You know, I am as outraged as anyone by the notion that someone who's incarcerated is getting public benefits when public benefits are under such siege here and in many State capitals and there is so much need out there.

But I think it is apparent from the testimony that we don't get law enforcement in this area any less expensively than we get it for any other kind of crime. Whether it is identity theft, whether it is getting, as you were saying, Mr. Bertoni, triangulation data, the States cannot be expected to do this for free and neither can the Federal Government.

And so, while I am in favor of and probably will have an opportunity to vote for a number of the measures discussed this morning, really, they don't begin to scratch the surface of this issue the way providing the resources to the law enforcement agencies involved here, as, particularly, Ms. DeLauro and Mr. Becerra pointed out in their testimony here, unless we do that. So if there really is a desire to prevent fraud, to prevent overpayment, we would provide the funding necessary for these agencies do their job.

As much as is the case with the Internal Revenue Service, it is always difficult to defend additional appropriations for an agency that generally is so disliked across the American

public, but we are losing billions of dollars a year because we are not providing the money for the IRS to deal with tax fraud. And the same thing applies here.

I appreciate the testimony of all of our witnesses. I am going to address my questions to Ms. Vallas.

First, just draw attention, if you would, to the difference here between identity theft, overpayment, and fraud. And how on the overpayment side does this occur? And what can we do to prevent the miscalculation that may occur there quite innocently, but that has an impact?

Ms. Vallas. Thank you for the question, Congressman.

I would reiterate, as you have and as others have this morning, the importance of keeping in mind the difference between an overpayment, which can be an accident or a miscalculation, and fraud, which really does require the intent to defraud a system or a program. And the vast majority of overpayments in the programs we are discussing this morning are not due to fraud. They are due to administrative error, miscalculations and so forth.

And I will give you one example which ties in very much with administrative resources or the lack thereof, which you mentioned in your question.

One significant consequence of years of appropriators depriving the Social Security Administration of the resources it needs in order to keep up with its workload is that there is now a significant and massive delay in processing beneficiary's earnings reports.

The most recent statistic that I have heard from the agency is that the delay in processing a beneficiary's work report, how much they earned, is now 270 days, or 9 months. That is how long it sits on someone's desk waiting to be processed.

So a DI or SSI beneficiary can do absolutely everything right, faithfully report his or her earnings, and, yet, still get hit with a massive overpayment that is not his or her fault and that really is just a mistake months later.

Another leading cause of needless overpayment is the outdated asset limits and income limits that you mentioned, Congressman, in the SSI program. They have barely budged from where they were set in the 1970s.

And so beneficiaries are effectively prohibited from having even modest, just precautionary, savings just in case there's a leaky roof or their water heater breaks. They cannot even have more than \$2,000 in the bank. So, as a result, what we are seeing is overpayments that would never have occurred under the original intent of the SSI program. And the same is true with the income rules as well.

Mr. Doggett. And who are these SSI beneficiaries? We don't have any here today. But what kind of people are we talking about?

Ms. Vallas. Well, it is really worth mentioning and reiterating how strict the disability standard is. So, in addition to the 2 million very-low-income seniors who receive SSI benefits, we are also talking about individuals with the most significant disabilities, the most severe illnesses, many of them actually terminally ill, people with significant cerebral palsy, Alzheimer's, severe mental illness and so forth.

And these are individuals so have largely nothing else to turn to, nothing else to rely on. And so SSI benefits really are for them. It is the difference between having a roof over their head, being out on the street. It can enable people to afford needed copays on life-sustaining medications. I can't reiterate the importance of the SSI program to its beneficiaries.

Mr. Doggett. Thank you very much.

Mr. Young. [Presiding.] I will yield myself 5 minutes. The chairman had to step out. I thank all of the panelists for your testimony today. Very informative, each of you.

I think all of us agree our safety net programs have to reflect our values. And those values, I think collectively as a country, are about regarding every single American as an asset to be realized and not a liability to be written off.

That is really the function of these safety net programs. And to the extent to which we can further improve the integrity of these programs, the better we realize that overall objective.

In a previous life, I worked as a management consultant. And, specifically, I did most of my work in the state and local government space. So have some appreciation for the value that the private sector can add with respect to project management, program integrity, innovation, technology, implementation, and business process redesign.

So I was very much struck by Ms. Rohlman's testimony and the good work, Equifax, your company, is doing to improve program integrity especially through the automated income and employment verification services that you offer through your proprietary database, The Work Number.

Your solutions facilitate a delivery of a streamlined, secure, and timely transfer of information between employers, on the one hand, and verifiers to help ensure that we have an accelerated decision-making process of an individual's government benefit eligibility.

This means cutting through bureaucratic red tape, reducing program abuse. There is less back-and-forth under your process, less waste of paperwork and human resources, and we

can spend more time helping people who really need a hand up instead of trying to verify employment and income.

I would like Ms. Rohlman kindly to elaborate on specifically how your automated verification services can improve the process to assist individuals who are at need at the State and Federal level.

Ms. Rohlman. Certainly, and thanks for your question.

We actually work with the State of Indiana today on all of your other benefit programs. We are integrated with your systems today.

And to give an example of how that works, someone comes into an office, a case worker pulls up their data, and if we have employment and income information on them, it goes straight into your system at that point in time.

You can see if, in fact, we have employment and income available. You can see if there have been changes if they were in a month before and X wages were reported and now Y wages are reported. It helps to make decisions that are necessary to allow those benefits to be applied.

For UI purposes, we are not working with the State today, but one of the actions that was underway in the past was both -- I mentioned Do Not Pay and that process. We have also met with the Department of Labor -- we do that on an ongoing basis -- and spoke with them about modernizing systems, their efforts towards data analytics in the future, and definitely working with Web-based verification systems.

They are very familiar with our database and believe that it can provide tremendous value in this space, once again, to just make sure that we are not only relying on self-reporting and trust, but that the data is there and use of databases and commercial databases both from private, public, State, Federal back and forth can work.

Mr. Young. Thank you.

We are here to improve program integrity. And so I would be remiss if I didn't ask you in my remaining minutes which I yielded to myself what sort of barriers Equifax encounters in various States.

I can recall, as a management consultant, there would be different risk factors in every implementation, every project, some of them legislative, others regulatory, some human resource.

How can we help improve program integrity, working with companies and other entities like yours?

Ms. Rohlman. Great question, because we see this a lot.

Modernization of systems is something that is underway in many States. It does take a while. Definitely the legislative statutory requirements around data sharing are necessary.

I know that we work with SSA today and, again, they are not allowed to use batch. Our system for batch verifications is on a per-applicant basis, and it is all because of a statutory requirement that they are not allowed to do that.

Again, DOL expects that same issue. Do Not Pay ran into that. We did work with Treasury in the past. And, again, it is a statutory requirement that we believe can be changed pretty simply.

Mr. Young. Thank you. Very helpful.

I now yield to Mrs. Noem.

Mrs. Noem. Thank you, Mr. Chairman.

Inspector General, could tell me why we are not allowed to use batch. I guess I wanted to follow up on that question a little bit to see if you could give us a little bit of insight as to why that is not able to be utilized or maybe some historical perspective.

Mr. O'Carroll. Yes, Congresswoman. That kind of falls under the Computer Matching Act. The purpose of that act when it was initially passed was that it was for the privacy of the citizen. And they were feeling that, if government was using all this information that they had, that it would be used unfairly towards the citizenry.

But what we are saying is that we would like the exemptions for that to be done on antifraud initiatives, not for blanket information on citizens, but just to be able to compare that information. And most of it is against the batches.

So, as an example, we can do one-on-one queries of other agency databases, but when we get into doing it in batch form, all we can use it for is audits. We can't use it for antifraud initiatives. We can't use it for that.

Mrs. Noem. Okay.

Mr. O'Carroll. So that is why we are asking for the exemption for not only the IG, but also for the agency to be able to use it for antifraud and abuse.

Mrs. Noem. Okay. Thank you. I appreciate that insight.

I take it very seriously that our job here today is to try to discuss the programs that we have out there, the dollars that are being spent, and make sure that we do restore integrity where there is opportunity to do that.

The Congressional Budget Office reports that fugitive felons will receive up to \$5 billion in Social Security and SSI benefits in the next decade unless we enact reforms such as the CUFF Act, which the Inspector General has referenced earlier, and which I am cosponsoring with Congressman Johnson.

Inspector General, could you tell us a little bit about the history of this provision and then -- I know you talked about that in your opening statement -- also, the court cases and the impact that they have had on actions that have been taken.

But I wanted to give you another opportunity to go a little bit deeper into that to see how we can put this kind of -- why this legislation would be necessary to make sure that we could take the action to not continue payments whether they are not justified to felons.

Mr. O'Carroll. Congresswoman, that bill -- well, in 1996, the bill was passed that fleeing felons wouldn't be able to receive benefits. That was for the SSI program. And then, in 2005, it was applied to all of SSA's programs. So it would be, also, the other programs of SSA. And then, in 2009, what happened was there were several court decisions.

The court decisions were basically saying that the terminology of the bill was "fleeing felons," and the belief was that, if a person was not fleeing, that they would not be liable to having their benefits cut off. And so that one, which is called the Martinez settlement, went into effect.

And then, at that point there, just to give you a little bit of idea of the sizing it, we were talking about 50,000 people were ineligible up until Martinez. And then, at that point, we are at about 800 -- well, we had identified about 50,000 people that were ineligible. And now, with all the different constraints that are put on it in relation to fleeing, we are down to about 800.

Mrs. Noem. Do you have any idea of the dollar amount change that that encompassed?

Mr. O'Carroll. Yeah. We were talking -- let me think. I have that somewhere right here in front of me.

Congresswoman, let me get back to you on that. I should have it right here.

Mrs. Noem. Sure. That is okay. You can certainly get that to me in the future.

Mr. O'Carroll. I do have it in front of me right now.

We were talking improper payments of about -- \$321 million was our original audit, and it has gone down to about \$14 million.

Mrs. Noem. Okay. Thank you very much.

Mr. O'Carroll, do you support the CUFF Act, which would amend the Social Security Act to prohibit Titles II and XVI from being paid to felons?

Mr. O'Carroll. Yes. We not only support it, but we have helped on some of the technical work on developing it.

Mrs. Noem. Okay. Thank you. I appreciate that.

And I appreciate the committee bringing this to the hearing today and other bills that will help prevent abuse and improper payments going forward.

I yield back.

Chairman Boustany. [Presiding.] I thank the gentlelady.

Next we will go to Mr. Lewis.

Mr. Lewis. Thank you, Mr. Chairman, for holding this hearing this morning.

I want to thank all of the witnesses for being here.

Ms. Rohlman, thank you for coming all the way from Atlanta to be here and to testify.

Ms. Vallas, as we work to prevent overpayment, you have cautioned us about avoiding unintended consequences, that they end up hurting qualified disability or UI claimants.

Can you review for us proposals that might end up being benefit cuts for very needy Americans as opposed to reduction in fraud and abuse.

Ms. Vallas. Thank you for the question, Congressman.

I did mention that in my written testimony and in my opening statement because I think it is important that we take great care as we work together in a bipartisan fashion to root out fraud and abuse that we not unwittingly move forward legislation that would carry with it unintended consequences that could weaken these vital programs and really serve as benefit cuts for the neediest Americans.

I mentioned the SAIL Act, which I have great concerns could result in interruption of SSI for children with significant disabilities who face very legitimate and understandable interruptions in their schooling. So, for example, many SSI beneficiaries are too sick for full-time school. Many are actually terminally ill. Back in 2013, 7 percent of the SSI child caseload was terminated due to the death of the child.

Other reasons for interruptions in school can include homelessness and poverty, which can lead to movement, geographic mobility, a high risk of needing to enroll in different

schools. Students with disabilities are also substantially more likely to be bullied than their peers, which can lead to gaps in school enrollment.

And, finally, students with disabilities are disproportionately likely to be suspended or expelled from school, which then the SAIL Act could result in a destabilization of the family's income at the very time when they are also dealing with school discipline.

You mentioned the Double Dip Elimination Act, which pertains to Unemployment Insurance and Disability Insurance, and I have significant concerns about that piece of legislation as well.

First, Social Security's disability programs contain strong work supports and incentives for those who may be able to return to work. And so people who receive Social Security disability benefits are permitted and, in fact, encouraged to work. As a result, they can experience job loss. It can end up resulting in Unemployment Insurance eligibility.

And what we really don't want to do here is to take a step backwards and to create work disincentives for disabled worker beneficiaries who, I think, on a bipartisan basis, we all want to work together to encourage and support in returning to work if they are able.

There are other reasons I have detailed in my written testimony of why I am concerned about that bill as well.

And, finally, I would mention the CUFF Act, which came up previously. And while the Social Security Act appropriately prohibits individuals who are fleeing to avoid law enforcement from receiving Social Security or SSI benefits, it is important to keep in mind that the previous SSA policy of terminating benefits anytime they had a match with a database that revealed an outstanding warrant had significant problems in its approach.

First, SSA frequently suspended or denied benefits in cases where warrants were so old that the law enforcement entity had no intention of pursuing them anymore, decades-old warrants.

Second of all, there were frequent cases of mistaken identity because of unreliability of criminal records databases.

So, for example, Rosa Martinez, a 52-year-old disabled woman, in 2008 was notified that she would lose her disability benefits because of a 1980 arrest warrant for a drug offense in Miami, Florida. Now, it came to light that Ms. Martinez had never been arrested in her life, had never used illegal drugs, and had never even been to Miami.

These are the kinds of people whose lives would be negatively impacted by returning to the overbroad policy that SSA rightfully reversed subsequent to the court decisions that the IG mentioned.

Mr. Lewis. Thank you very much for your response.

Mr. Chairman, I yield back.

Chairman Boustany. I thank the gentleman.

Mr. Meehan, you are recognized.

Mr. Meehan. I thank the chairman.

And I thank all of the panelists for their attention to this issue.

I mean, obviously, the safety nets are there for a purpose. And so our objective is not to just indiscriminately go across the ground, so to speak, and try to disrupt where it is appropriate.

But you have each given very telling testimony about just, really, frankly, remarkable inefficiencies in the way we share data and otherwise allow people to utilize the system in a way. I hesitate to use the word "manipulate" because we do know there are some people that may be caught in unemployment, employment.

But there is also a lot of people that take advantage of the system, the earned income tax credit being filed at one point in time and then later filing for unemployment benefits. So we have examples in which there are two separate documents filed to the same agencies that are by their very nature competing with each other.

Ms. Rohlman, you are in the private sector, and a lot of what I am hearing here is the inefficiency or inability for databases to talk to each other. What should we be doing better?

Because in the private sector I am amazed at how quickly information changes. All I have to do is do a search on something and now I have companies coming to me trying to sell me products because I have looked at something. And people are making evaluations while I am using a credit card. They are looking at databases.

What's missing in our system that we are so incapable?

Ms. Rohlman. So I would say again that the ability to use commercial databases and to share data between those -- there is no question the value of data matching and data sharing. Again, the privacy laws in some cases that have been referred to are already prohibiting that sharing between the databases.

Mr. Meehan. What about the privacy laws? What is there that needs to be fixed in that that could allow us to catch appropriate protection for people's privacy, but identify those who are acting fraudulently?

Ms. Rohlman. I can share what I am aware of. We did hear this, again, from the Department of Labor, we heard this from Treasury, Department of Labor as it relates

specifically to UI, Treasury as it related to the Do Not Pay, and SSA as it refers to our agreement with SSA that we are in every day.

There is a statutory provision that does not allow them to share with the commercial database specifically for the batch matching with SSA. I know that there is something in their 2016 budget which will help to revise that. So certainly looking at that would be the first thing I would do.

The DOL and Do Not Pay -- I mention Do Not Pay only because, again, their first efforts were around UI integrity. We did engage with Do Not Pay, Treasury, the Federal Reserve Bank, St. Louis and Kansas City. We had initial matching going back and forth.

We were in production with two States, Utah and Arizona. It had to be stopped because they were not allowed to share between the State and the Federal Government. The law governing Do Not Pay, for example, only allowed them to share with Federal agencies. So it did not allow them to work with the state agencies and share the data that we --

Mr. Meehan. Notwithstanding that many of these programs are Federal programs that are operated through the States. So the State's acting as an agent for the Federal Government in many of these or at least working as a supplementary source. So they are complementing each other. But many are working simultaneously already.

Ms. Rohlman. Correct. So the UI program, again, as it was written in the Do Not Pay -- and we did hear the same thing from Department of Labor -- there is a provision that -- again, I am outside my area of expertise because of the law in this case, but they continued to say repeatedly it was a statutory provision not allowing them to share data between the States and the Federal agency and it was related to the Privacy Act.

Mr. Meehan. Well, this issue alone -- Mr. O'Carroll, Mr. Bertoni, others, do you have any comments that would supplement that or any observations in this area?

Mr. Bertoni. I would say there is no blanket answer. I would think you would have to look at each individual desire to match databases with the circumstances and the laws associated with it.

A good example is the Death Master File. Right now Social Security Administration, per law, in the Social Security Act, there is a little line in there that says, if it is data that is reported from the States, it comes from state vital statistics agencies, SSA is prohibited from sharing that information with everyone but seven or eight Federal benefit-paying agencies.

So if you are not a Federal benefit-paying agency, you can't get that state information. DEA for drug enforcement purposes, Department of Homeland Security for other purposes, can't get the full death data. They have to get an abbreviated file.

So, again, on an individual fact basis, you are going to run into these quirks in the law that prevent full interface.

Mr. O'Carroll. Congressman, one of the things you were talking about was the earned income tax credits as an example.

Just to give you an example of where computer matching would help, you have the Department of Treasury that sends out the check for the earned income tax credit, which is the same one that is sending out the benefit checks for Social Security on it, and they don't match the two. And when --

Mr. Meehan. So within their own database they should be running that check as a first kind of screen against --

Mr. O'Carroll. But, again, since it is two benefit programs, they are not allowed to match on that one. It gets very complicated.

Another one is that Department of Labor can be giving government unemployment benefits to a person and then SSA at the same time will be giving them disability payments on it where the two agencies aren't matching again.

Mr. Meehan. Well, it appears there are certainly a lot of windows.

I appreciate your testimony in this area and your observations built out of your experience. It is very important for us to be able to find the ways to alleviate this.

Thank you

Chairman Boustany. I thank the gentleman.

Mr. Davis, you are recognized.

Mr. Davis. Thank you very much. Mr. Chairman, let me thank you and the ranking member for calling this hearing.

You know, I grew up during in era when people put a great deal of emphasis on the notion that an ounce of prevention was worth much more than a pound of cure and that, if you could prevent things from happening, then, of course, you would experience the benefit of that.

Mr. O'Carroll and Mr. Bertoni, both of you have been engaged in this effort to ferret out what we call waste, fraud, and abuse for quite some time.

In your experiences, what have you found the most? Has it been waste? Has it been fraud? Has it been abuse that you could just categorize?

Mr. O'Carroll. Congressman Davis, I will take a first crack at that.

Yes. We have improper payments, and a big portion of improper payments can be accidental, can be because of laws, rules, whatever, that makes that money go out before it is validated. And then, you know, it is very difficult to bring back.

Our biggest concern and one of the things that we have been trying to do is to assess what part is fraud and what part is just straight improper payment, accidental, intentional, or whatever. It is very difficult.

And Chairman Johnson on the Subcommittee for Social Security has asked us to try to size the amount of fraud in SSA, and we have taken attempts for it. It is very difficult. We are in the process of doing it now. We would be one of the first government agencies to do it because it is so difficult to show.

I guess the one thing I try to remind everybody is, although fraud is a very small percentage of the improper payments, when you are dealing with billions of dollars in terms of payments, it is still a very high number and it outrages the public.

Mr. Bertoni. In terms of fraud, historically, in trying to define it, I think even SSA defines it very narrowly. It is only after it has been pursued and conviction has been obtained. That is fraud.

But the funnel starts very large. There is the allegation. There is some sifting through the information. Cases go out. Others stay. The funnel keeps narrowing down to what is suspected fraud. It is picked up by a justice. It is prosecuted. That is fraud.

But that larger funnel is sort of the waste and the abuse where things start. I believe there is a lot more of the waste and a lot more abuse. If the agency is supposed to be doing something and if they don't and it results in an overpayment situation or wasted Federal dollars, that is waste.

If a recipient who is supposed to be reporting their work activities, their wages, a change in their wages, their resources, they know the program rules, they don't and they do that consistently or egregiously multiple times, now we are getting down to abuse.

So, in my view, I think this funnel includes all of it, fraud, waste, and abuse. And I do believe the waste and abuse factor is larger than a lot of folks want to admit.

Mr. Davis. Mr. Eysink, I am going to ask you. What has been the most effective in the State of Louisiana in your experiences?

Mr. Eysink. I think having people show up is what has been most effective for us. But I think that there are a couple of other things, too. And I agree entirely with the description of what is fraud, waste and abuse.

There are two sources of improper payments. One is clearly as a result of errors and, therefore, is wasteful. And that is when employers who pay all of the UI taxes don't report timely or comprehensively to requests for information so that we can accurately adjudicate those claims. We have to do a better job of training our adjudicators, but employers hold the biggest key to solving that issue, and that is wasteful.

Abuse. It is the law that, when somebody who is receiving benefits goes back to work, once they start earning, they are not eligible anymore. But, in their mind, they translate that often into the fact that they hadn't received their first paycheck yet. So they still try to claim for the first week or two that they worked before they got their first check.

No question about whether that is fraud or abuse. Did they really know, had they been through that before, you know, and so forth. And then there is obviously fraud where people just out and out set out to get money that they are not due and they know that.

In the abuse case, employers hold the key to that, too, and that is reporting to state and national directors of new hires as soon as they hire somebody and give us the start date through those databases so we can crossmatch. But those are bigger leakages of money out of the system than fraud.

Mr. Davis. Thank you very much, Mr. Chairman. My time has expired. So I yield back.

Chairman Boustany. I thank the gentleman.

I go next to Mr. Smith. You are recognized.

Mr. Smith. Thank you, Mr. Chairman.

Thank you all for being here today for your testimony.

I want to focus my remarks on the Unemployment Insurance because this program provides cash benefits for people in the State of Missouri through the payroll taxes.

In the fiscal year 2014, the improper payment rate was 11.6 percent. It included \$5.6 billion. To me, that is completely unacceptable and very awful.

I think about it from the perspective that, if I went to McDonald's and ordered an extra value meal, I would have over a 10 percent chance of having an incorrect order. Or if I went to my local bank and wanted to deposit my funds or to withdraw some funds, what if the bank was wrong more than 10 percent of the time in the amount that they gave me or the amount that they took out of my account? That would be completely unacceptable.

What do you think Members of Congress would think whenever they received their check every month that it was 10 percent less than what they were expecting? Or what

about any, any, individual working from day to day on their paycheck got 10 percent less?

The American people don't accept this and it is just not absolutely right. It is unacceptable. When you look at more than \$200 billion of Federal money being inappropriately or fraudulently spent, that is a problem.

The Department of Labor has set a goal of reducing their annual and proper payment rate from 11.6 percent to 11.3 for 2015.

Ms. Rohlman, do you think that is good enough?

Ms. Rohlman. I would say that Department of Labor is working diligently to combat fraud. I think there are a couple of small things that could be done I mention in my testimony that could have a dramatic impact.

First of all, again, I mention about the reporting system, again, the weekly breakdown of data. If, in fact, States were encouraged by the Department of Labor to provide weekly reporting, it would help. Today there are only 14 States who provide weekly breakdown of data. It may be on a quarterly basis, but it at least comes back weekly. So it does help the employers.

Another thing that could be done from a small process perspective is relaxation of the rules about the format for wage audits and those verification forms. Today it is a requirement in most States to have a Sunday to Saturday reporting back to the UI agency. And, in fact, that is very outdated logic, actually.

Our data shows that there are between 20 and 30 percent of employers who report weekly, but it may not necessarily be Sunday, Saturday. It may be Monday, Sunday or it may be et cetera. And the traditional formats for employers are semimonthly and they are biweekly. We find that about two-thirds of employers are reporting that way.

So if there was just a tweak, which was allowed to use the data that is available and then only process those or send to investigation those where there is a dramatic difference in the data matching that is seen in UI reporting, it would make much more efficient use of the process and of investigator resources. And we strongly believe it would reduce improper payments.

Mr. Smith. So you think just relaxing the rules, what you said, basically, modifying it, which is in the power of the Department of Labor, would probably reduce improper payments by how much?

Ms. Rohlman. I don't have an exact number, sir. But if Department of Labor allowed that direction to the States and let them slow that down and say, "You can relax these rules," we definitely believe that compliance would go up.

It would allow more time to provide the benefits to those who deserve them, but then also to focus on those where there may, in fact, be a discrepancy.

Mr. Smith. Mr. Eysink, would you respond to that.

Mr. Eysink. Yes, Congressman. First, I want to point out that all improper payments are not fraud and that improper payments can occur when everybody is acting in good faith, and often they do.

For instance, there could be a decision made in adjudication to award Unemployment Insurance claims and later on during the process, after the claimant has started to receive benefits, those awards are overturned for -- as I say, in cases where there is just a difference of opinion on how the facts should be applied to that case.

Also, many of these improper payments are recovered. We and, I think, nearly all States, if not all States now, recover or seize overpayments from tax refunds, both State and Federal, and we recover millions of dollars that way every year.

Mr. Smith. Let me ask you a quick question, then. The \$5.6 billion that is used as improper payments in 2014, would that mean that there was actually, in fact, more improper payments above \$5.6 billion and they factored in the money that they did recover or is the recovered amount included in the \$5.6 billion?

Mr. Eysink. The recovered amounts are not included in the numbers reported for States and what their improper payments are. So I doubt that they are included in that \$5.6 million, but I can't tell you for sure.

Mr. Smith. Thank you, Mr. Chair.

Chairman Boustany. I thank the gentleman.

Next we go to Mr. Crowley. You are recognized for 5 minutes.

Mr. Crowley. Thank you, Mr. Chairman.

I thank the panelists for your testimony today. And I also want to thank the previous panel made up of Members of the House. I appreciate the interest and engagement on these issues.

The hearing announcement is described as -- and I quote -- "Protecting the Safety Net from Waste, Fraud, and Abuse." And I appreciate very much, Mr. Chairman, the titling of the hearing today.

I think these are all noble goals. I don't think any of us, whether Democrat or Republican, wants to see waste, fraud, and abuse taking place in crucial social programs

like Supplemental Security Income or Unemployment Insurance.

Mr. Crowley. Frankly, I would like to see more hearings begin with protecting the safety net. Maybe we can start by protecting it from budget cuts and sequestration to start.

But back to waste, fraud, and abuse, as I said, this is something that we all, if we don't agree on, we all certainly should agree on. But how we approach this problem makes an important difference. For example, look at Social Security. The Social Security inspector general's office of investigations supports the front line investigators fighting Social Security fraud. But in 3 of the past 5 years, the majority has cut the inspector general's budget. That means we lost experienced investigators and now have fewer people helping to fight fraud than we did 5 years ago.

In other cases, programs haven't been updated as needed, which would reduce the rate of overpayments. So in some ways, we are limiting our ability to fight fraud and abuse. Beyond that, I want to make sure we all understand what we are talking about when we say fraud and abuse. Not every overpayment is fraud. And not every unusual circumstance is abuse. These are important programs that can make the difference between supporting a family and falling further behind in poverty. These benefits are needed and not enjoyed. They are appreciated, not savored. Somehow, over the years, there has become this legend of people who would rather receive unemployment benefits than work, that somehow they are content to live happily off these government funds without facing any hardship. These kinds of myths do a disservice to the hard-working Americans who lost their jobs through no fault of their own and rely on these funds to make ends meet. Ms. Vallas, let me ask you to clarify, what is the average unemployment benefit per month?

Ms. Vallas. Thank you for the question, Congressman. The average weekly unemployment benefit at the end of 2014 was \$317, which comes to \$1,268 per month.

Mr. Crowley. And what is the Federal poverty level for a family of three?

Ms. Vallas. For a family of three, the Federal poverty level in 2014, so we can compare apples to apples, was \$1,649 per month.

Mr. Crowley. So, in other words, the unemployment benefits don't even keep a family above the poverty level, is that correct?

Ms. Vallas. That is exactly right. That is the case for many families unfortunately.

Mr. Crowley. So all these mythical people who are abusing the program, who are gaming the system and committing fraud, which is an actual crime with actual penalties, they are still not even meeting the basic poverty level, is that correct?

Ms. Vallas. That is correct, Congressman.

Mr. Crowley. What about disability insurance? How much of a windfall is that? How much per month?

Ms. Vallas. The average, well, I should say, first, for the typical worker, a DI benefit replaces less than half of their previous earnings. So for most folks, it really is a significant drop in their standard of living. The average DI benefit in this year, 2015, is \$1,165 per month, which is just over the Federal poverty level for an individual.

Mr. Crowley. Can you tell us more about the people who receive disability benefits? How many live in poverty even with the benefits provided by the Federal Government?

Ms. Vallas. Even with the benefits, because they are so modest, fully 1.6 million DI beneficiaries live in poverty, that is 1 in 5 DI beneficiaries.

Mr. Crowley. And these are people with severe, life-changing disabilities or illnesses, is that correct?

Ms. Vallas. That is correct.

Mr. Crowley. Thank you. I know some have tried to dismiss these conditions as just anxiety and backaches. And that simply isn't the case. Yes, fraud and abuse happens. Our Founding Fathers recognized the propensity in human nature. And we should make sure we are giving our agencies the tools they need and have asked for to fight real incidents of fraud and abuse and I would also add waste. I just want to make sure that we all understand this. Because as we focus on reducing real fraud and abuse, let's make sure we are not putting additional hurdles in the way of benefiting the people who need these benefits to help them survive.

Going back to my initial statement about protecting the safety net, that is also critical, protecting the safety net, while at the same time addressing and going after those who would abuse it, going after those who would commit fraud. They need to be fully prosecuted to the full extent of the law. But not losing sight of the millions of individuals and their families who rely upon this to eek by, not to get rich off the Government, but to simply make ends meet if they can possibly do that. They certainly can't do that in Woodside, Queens on this level of payment. So with that, Mr. Chairman, I will yield back.

Chairman Boustany. I thank the gentlemen. Mr. Dold, you are recognized for 5 minutes.

Mr. Dold. Thank you, Mr. Chairman. And I certainly want to thank all of our witnesses for coming and for your testimony today. And really the topic that we are talking about, I am going to agree with Mr. Crowley, in talking about protecting the safety net, that is a goal that we all share. And, frankly, when we look at the abuse, when we look at the fraud that happens out there, the people that it hurts the most are the folks that need the safety net the most. And ultimately, I think what we want is we want confidence, we

want confidence in the system, that it is going to work, that the Government is actually out there working. And when we have the, what we are looking at is billions of dollars in terms of just payments, improper payments paid out, Mr. Smith was talking about, it is about 10 percent, 9.2 percent for SSI and 11.6 percent for UI. He is talking about a McDonalds on this thing. I would talk about it as if you are driving a car and you know, 1 in 10 doesn't work or is recalled, we are going to have a big problem. And so I recognize that some of these overpayments or mispayments can be rectified. My hope is, is that we do, that we root out this waste, fraud, and abuse. What I am really looking for from each and every one of you, from your subject matter expertise, is what can we do? We want to come up with solutions to these problems so that this number gets as close to zero as possible, so that we can end waste, fraud, and abuse.

And, certainly, Ms. Rohlman, your idea about trying to make sure that the government is accepting the private sector data in a way that it is easy for them to do it makes all the sense in the world. Many of you who were here to listen to the first panel that had a number of pieces of legislation. Ms. Vallas, you talked a little bit about some concerns that you had. But I would be interested from all of you, in terms of the five different pieces of legislation, from permanently ending receipt by prisoners or the PERP Act, The Furloughed Federal Employee Double Dip Elimination Act, the School Attendance Improves Lives Act, the Flexibility to Promote Reemployment Act, and the Control Unlawful Fugitive Felons. Of these, you know, which of these pieces of legislation has merit in your eyes that we should be really trying to focus and move forward? Because, today, if we come and you talk and we don't have an action item going forward about how to really solve these problems in a bipartisan way, then it was really more of a waste of time. And that is not what we are looking to do. We need to solve some problems.

Mr. O'Carroll, we can start with you? Are there some merit in some of the pieces of legislation that you look at? Can you pick your top two or three that you think may be worthy of moving forward?

Mr. O'Carroll. Yes, Congressman. As was mentioned before, is that we are in favor of, you know the CUFF Act, we assisted on that. One of the things that I wanted to correct, too, was when I was asked by Congresswoman Noem on the dollars of it, was that at the time of 2009, when they kicked in with Martinez, there was about \$500 million in savings on it. And since that act, it has been reduced by about two-thirds of that. I just wanted to correct what I had said before and my numbers on that. Anyway, in terms of the other acts, the Fraud Act is one that we are particularly interested in because it is going after the facilitators, it is going after those people that make a business out of stealing money from the Government and facilitating other people to do it, and making sure that, you know, one, when they are caught, they are going to be sentenced correctly, and, two, that the money is going to be brought back to the Government. So of all the acts, that and the CUFF Act would be the two I am most familiar with.

Mr. Dold. Okay. Mr. Bertoni?

Mr. Bertoni. I would defer. I don't think we have done enough analysis to endorse or really weigh in on much. I would say that what the Congress can do is do what you are doing. I think your oversight role, to hold agencies accountable for doing what they said they were going to do. Certainly the appropriations process, you can direct funds to areas of greatest vulnerability. We have looked at the CDR process. We have given the agency some direction as to how they can mine that data and to work certain subpopulations of the data that would give them a significant return on the investment.

You have already done that with age-18 redeterminations and low-weight babies. The return on investment, the cessation rate there is 52 percent and 60 percent, respectively. We have put some other subpopulations on the table. A speech and language delay for children, 38 percent return on investment for CDRs. Mood disorders, 39 percent investment.

So there are ways that you can through the appropriations process target funds to specific areas where the agency can be more effective in their reviews. And by removing some of these cases, the program can become less costly. You can also remove a lot of these children from the roles that could benefit from being in a different track, not labeled as being Special Ed, just mainstream them and getting them the supports they need to be successful. So I think there is opportunities in your role to direct the agency to areas where they can be most effective.

Mr. Dold. Thank you. Mr. Eysink.

Mr. Eysink. Thank you. As with any good idea, I wish I had had it before the person really had it. I think both the name, to call it the PERP Act, I think that is great. In Louisiana, we prevent people from getting hunting and fishing licenses if they have defrauded our UI system. So anything that gets to people to what they want to do, that is going to, you know, what their passion is, if we put a barrier and the barrier is paying what they owe before they can go do what they want to do, I think that would be helpful. I think continuing to push forward with the development of the Unemployment Insurance Integrity Center of Excellence, which is being stood up now, I think that is very important, particularly as we get to the new frontier of fraud schemes that are much more sophisticated, and requiring collaboration amongst the States, all of the States, the Federal Government, and all of its agencies that are relevant to these particular programs.

And then another big thing I think, you know, we have spoken and there was some very good questions about the difficulty in interfacing with different databases. There are databases that all of the States should be able to easily interface with. It doesn't make sense to me that all 50 States need to go develop their own contract, if it is a commercial database, or their own particular little interface, if it is a Federal database that we all should be connecting with. So I would advocate for the Department of Labor to get information from States on what those databases should be and to develop a single interface with that entity so that we are all connecting the same way. And maybe that could be made available through existing means that now, maybe through the National

Association of State Workforce Agencies which operate some of those tools on behalf of all States and the Federal Government. There might be easier ways to actually connect these databases together.

Mr. Dold. Mr. Chairman, I know I am out of time but I just don't want to let --

Chairman Boustany. Yes, briefly.

Ms. Rohlman. Briefly, I would start with the Reemployment Act. I think that that begins to build the integrity from one end to the other of the process. And then continuing with the UI New York Center of Excellence and, again, helping that to define the processes and those databases that would help all the States, again, from one central location makes complete sense.

Mr. Dold. Ms. Vallas?

Ms. Vallas. Thank you, Congressman. I would begin with Mr. Becerra and Mr. Doggett's Social Security Fraud and Error Prevention Act. CAP fully supports this bill which appropriately heightens the penalties for fraud, puts special fraud-fighting units in all 50 States, and targets bad apples without ensnaring law abiding applicants and beneficiaries. Importantly, it also provides SSA with the critical administrative funding that it needs to do important program integrity work such as CDRs and processing work reports which, I mentioned, are now currently suffering significant delays, which I think really is crucial to the bipartisan goal of rooting out fraud and abuse to the extent possible.

Mr. Dold. I appreciate it. I thank you all for your testimony and appreciate it and look forward to working with you all. Thank you, Mr. Chairman.

Chairman Boustany. Well we thank you. This concludes all questioning. I want to thank the members and our witnesses for being here today. This was outstanding testimony, very helpful to us as we try to grapple with these difficult problems. So thank you for being here. Members may have additional questions that they will submit to you. And, if so, I would ask that you try to get answers back within 2 weeks so we can complete the record. With that, the subcommittee stands adjourned.

[Whereupon, at 12:14 p.m., the subcommittee was adjourned.]

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