
**COMMITTEE ON WAYS AND MEANS**

**SUBCOMMITTEE ON SOCIAL SECURITY**

**U.S. HOUSE OF REPRESENTATIVES**

**April 26, 2017**

# STATEMENT FOR THE RECORD

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**SOCIAL SECURITY ADMINISTRATION**

Chairman Johnson, Ranking Member Larson, and Members of the Subcommittee:

Thank you for inviting me to discuss how the Social Security Administration (SSA) takes seriously our charge to efficiently and effectively detect, deter, and mitigate fraud in the Social Security programs. I am Sean Brune, the Assistant Deputy Commissioner for Budget, Finance, Quality, and Management at SSA. We have testified before this Subcommittee several times about our anti-fraud efforts, and we appreciate your leadership on this important topic over the years, and your leadership on enacting anti-fraud legislation.

**Background**

I would like to provide a brief overview of our programs. We administer the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as "Social Security." Individuals earn coverage for Social Security retirement, survivors, and disability protection and benefits by working and paying Social Security taxes on their earnings.

We also administer the Supplemental Security Income (SSI) program, which provides monthly payments to people with limited income and resources who are aged, blind, or disabled. Adults and children under age 18 can receive payments based on disability or blindness. General tax revenues fund the SSI program.

Few government agencies touch the lives of as many people as we do. Social Security pays monthly benefits to approximately 62 million individuals, consisting of 42 million retired workers and 3 million of their spouses and children; 9 million workers with disabilities and 2 million dependents; and 6 million surviving widows and widowers, children, and other dependents of deceased workers. During fiscal year (FY) 2017, we expect to pay more than $940 billion to Social Security beneficiaries. In addition, in FY 2017, we expect to pay nearly $55 billion in Federal benefits to a monthly average of approximately 8 million SSI recipients. In carrying out these programs, our discretionary administrative costs represent about 1.3 percent of benefit payments that we paid under the OASDI and SSI programs.

**SSA Anti-Fraud Coordination**

We can all agree that fraud in any government program degrades the public's trust in their government and the integrity of the program. We have no tolerance for fraud. We face the ongoing challenge of protecting the agency's benefit programs from fraud. It is despicable that some people will try to take advantage of our programs, which serve the most vulnerable members of our society. Nevertheless, we are dedicated to improving our efforts to detect and prevent fraud, and to deter attempts to defraud the program. Our message to those who attempt to defraud Social Security is clear: We will find you; we will seek the maximum punishment under the law; and we will fight to restore the money you have stolen from the American people.

Traditionally, our front line employees have been the first line of defense against fraud in our programs. These employees are highly skilled and trained to spot anomalies indicative of

potential fraud, which they refer to the Office of the Inspector General (OIG) – the agency lead for combatting fraud – for further investigation. Through this fraud allegation process and other efforts, the agency has been able to detect a number of fraud schemes in recent years, and has provided critical support to OIG in its fraud investigations.

That said, we are working to rapidly increase our fraud prevention capabilities. When the agency testified before this Subcommittee in February 2014, we described our existing efforts and new initiatives to combat fraud. We take a risk-based approach to reducing fraud, focused first on mitigating the highest risk issues.

Since that time, we have made a number of organizational, program, and technology-driven changes to our processes that continue to strengthen our ability to detect attempts to defraud. Today I will give you an overview of how we have enhanced our anti-fraud efforts since that time, and our priorities going forward.

In close coordination with OIG, we use a variety of techniques that identify suspected fraud and help investigators analyze suspicious or questionable claims. We are using data analytics and employing technology to root out fraud. We have engaged in inter-agency information sharing. For example, we participated in the Department of Labor, Internal Revenue Service, Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families workgroup to discuss collaborative solutions to combat fraud schemes that impact multiple programs. We would like to thank the Government Accountability Office (GAO) for recognizing the progress we have made and our efforts to establish an organizational culture and structure conducive to fraud risk management. As GAO notes, our efforts are still evolving. Yet, we are confident we will make substantial progress to address fraud risks and respond to emerging risks.

## The Office of Anti-Fraud Programs

We have a strong commitment to uphold our responsibility to detect and prevent fraud in our programs. In 2014, we committed resources to bring renewed focus and prioritize our efforts to efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse in our programs by establishing the Office of Anti-Fraud Programs (OAFP). OAFP provides centralized oversight and accountability for our anti-fraud program. OAFP leads our anti-fraud activities and works across organizational lines to ensure employees throughout the agency receive training designed to raise awareness about fraud and have the tools they need to combat fraud. For example, OAFP designs and implements mandatory national anti-fraud training for employees on a regular basis.

OAFP is an integral component in our efforts to implement the agency Anti-Fraud Strategic Plan. This plan supports a comprehensive approach to prevent fraud across all of the programs we administer, including the disability program, and aligns our anti-fraud efforts with the Agency Strategic Plan and the GAO report, *A Framework for Managing Fraud Risks in Federal Programs*. The GAO report identified leading practices for managing fraud risks and identified control activities to prevent, detect, and respond to fraud in Federal programs. Our agency Anti-

Fraud Strategic Plan describes how we are developing and implementing a comprehensive unified anti-fraud program to align with GAO's framework.

National Anti-Fraud Committee

We established the current National Anti-Fraud Committee (NAFC) in 2014 to provide a focal point for our national and regional anti-fraud efforts. The NAFC is a visible demonstration of our commitment to combating fraud in our programs, and consists of executive members from all of our Deputy Commissioner-level and agency-level components, as well as the OIG.

The NAFC provides an open forum for agency senior executives to communicate on efforts to address fraud challenges. The committee evaluates potential anti-fraud initiatives introduced by the Regional Anti-Fraud Committees, workgroups, and employee suggestions to determine whether regional projects can and should be expanded or enhanced for national adoption. As we continue to develop our agency anti-fraud strategy, the NAFC will measure and recommend necessary corrective action to ensure our initiatives achieve our stated objectives and goals. We will seek opportunities to prioritize those initiatives and activities through a risk based approach to mitigating the risk of program fraud. For example, as a result of the NAFC, we have expanded anti-fraud initiatives that have commenced in one region and expanded them to other locations. In short, the NAFC works to make sure our agency remains focused on improving our anti-fraud efforts, and communicates the importance of all employees reporting alleged fraud to OIG.

Fraud Risk Assessment

Recently, GAO issued an audit report titled *SSA Disability Benefits: Comprehensive Strategic Approach Needed to Enhance Anti-fraud Activities*. We agreed with GAO's recommendations and are moving forward to integrate those recommendations into our anti-fraud efforts.

GAO recommended that we complete a comprehensive fraud risk assessment of SSA's disability program that is consistent with leading practices, and develop a plan to regularly update the assessment. We will conduct fraud risk assessments on our programs, beginning with the disability program this fiscal year. For example, we will be reviewing the disability process from the initial claim through the end of the adjudication process to identify possible vulnerabilities and determine, through data analysis, whether existing controls mitigate fraud risk. Based on this assessment, we will develop a fraud risk management strategy for the disability program that is consistent with leading practices identified in the GAO report, *"A Framework for Managing Fraud Risks in Federal Programs."*

GAO recommended we develop, document and implement an anti-fraud strategy that is aligned with our assessed fraud risks. We will prioritize and align the agency's anti-fraud strategy to outcomes of the fraud risk assessment focusing on disability, and the other programs we administer. We will ensure our fraud risk assessments are consistent with leading practices and develop a plan for regularly updating the assessments. We will identify and assess risks for likelihood and impact, and prioritize to address first those risks that yield the highest impact.

GAO recommended we work with components responsible for implementing anti-fraud initiatives to develop outcome-oriented metrics, including baselines and goals, where appropriate, for antifraud activities. We are collaborating across all agency components, and with our OIG, to develop and implement outcome-oriented metrics, including baselines and goals, where appropriate, for anti-fraud activities. We have already requested input from our OIG on new metrics that would more effectively measure our progress identifying and reducing fraud.

GAO recommended we review progress toward meeting goals on a regular basis, and recommended that the NAFC make changes to control activities or take other corrective actions to any initiatives that are not meeting goals. As we identify new fraud risks, we will develop new anti-fraud activities to reduce and prevent fraud in the disability program. The NAFC will make changes to internal control activities or take other corrective actions to any initiatives that are not meeting goals.

We believe that integrating GAO's recommendations will further align our anti-fraud program with GAO's framework for managing fraud risks.

**SSA Anti-Fraud Efforts**

Fighting fraud is a multi-faceted effort, which is reflected in the tools we already use to fight fraud. Our anti-fraud efforts cover all Social Security programs, including disability, retirement and survivors, and enumeration. Below, I provide examples of our anti-fraud efforts relating to our disability programs.

Employees on the Front Lines of Fighting Fraud

In all of our anti-fraud efforts, our front-line employees remain an important line of defense in detecting and preventing fraud, and we remain committed to improving our anti-fraud training for these employees. Since 2014, we have required anti-fraud training for all agency and disability determination services (DDS) employees. The annual mandatory national anti-fraud training ensures employees remain informed on the current and proper means to support the agency's efforts to detect and prevent fraud. When our field office employees and State disability examiners uncover potential fraud, we instruct them to report all fraud allegations to the OIG Office of Investigations Field Division using the electronic referral form. Our employees prevent fraud by promptly referring allegations to OIG for investigation, and assisting OIG by developing case information for fraud investigations. On average, our employees refer around 20,000 allegations relating to disability to OIG each year, more than what the OIG receives from all other sources. We also provide ad hoc training related to handling claims associated with third party facilitator disability fraud (including fraud schemes involving claimants' representatives, physicians, or government employees). While detecting fraud is not new to the agency, this mandatory training provides an overview of SSA's anti-fraud fighting efforts and strategies for identifying and reporting potential fraud.

Fraud Prevention Units

As part of the agency's focus on anti-fraud initiatives, we established Fraud Prevention Units (FPU) in 2014. FPUs are specialized fraud units of disability examiners dedicated to evaluate and act on probable fraud cases perpetrated through third party facilitators. FPU examiners also compile data from the cases to help us further develop analytical tools to identify potential fraud.

Moreover, our employees in the FPUs serve a critical role in assisting OIG with its investigations and prosecutions of fraud cases. Our analysts conduct research, analyze, and evaluate information to support fraud investigations. They also develop recommendations for improving operational policy, procedures, and internal controls to prevent the recurrence of fraud. Through their review of medical documentation and evidence, we have identified a variety of different "potential fraud" scenarios. Examples include, but are not limited to, attorneys who rely on altered or fabricated medical opinions; psychiatrists who prepare template-style medical records, generic wording, exaggerated symptoms and limitations; and potentially fabricated medical records that clearly conflict with other medical sources in file.

Special Assistant United States Attorneys Fraud Prosecution Project

For more than a decade, in partnership with the Department of Justice (DOJ), we have placed a number of attorneys from our Office of the General Counsel in several United States Attorney's Offices around the country to bring Federal criminal charges against individuals who defraud Social Security programs. These Special Assistant United States Attorneys (SAUSAs) have a focus and commitment to seek the maximum punishment under the law for all persons who defraud Social Security. These attorneys are dedicated to Social Security fraud cases and have increased the number of prosecutions of violations of the Social Security Act. They obtain criminal sanctions, including imprisonment, and recover funds for the agency through criminal restitution and forfeiture. For example, SSA's fraud prosecutors in the U.S. Attorney's Office for the District of Puerto Rico were involved in prosecuting the case against third-party fraud facilitators involving a disability fraud scheme.

The fraud prosecution project produces good outcomes. Since FY 2003, our fraud prosecutors have secured over $60 million in restitution and more than 1,000 convictions. During the first half of FY 2017, our SAUSAs successfully obtained at least 119 guilty pleas and convictions. This led to over $10.3 million in restitution, including more than $6.3 million in restitution to SSA. We are committed to maintaining our prior level of commitment with the SAUSA program.

Anti-Fraud Communications

Our anti-fraud prevention efforts also involve communicating with the public about fraud, including communications with our beneficiaries and claimants. We are telling our customers, our employees, and the public at large, through multiple channels, that fraud is not tolerated and will be investigated and prosecuted. Since 2014, we have added language in millions of the notices we send to beneficiaries and claimants telling them to report any suspected fraud to our OIG and include the OIG fraud website and Fraud Hotline phone number. In addition, on our

applications, and our redetermination and continuing disability review forms, we inform individuals that they provided information to us under penalty of perjury and that they could be liable under law for providing false information.

Further, our anti-fraud communications go beyond these direct communications with beneficiaries and claimants. For example, on a regular basis, we publish Social Security blog posts informing the public about our anti-fraud efforts across our programs. Our public affairs specialists across the country regularly interact with groups, organizations, and individuals to promote our anti-fraud messaging and to provide such groups with SSA fact sheets, posters, and other information that promote our strong anti-fraud message. Our website also contains information on how to report suspected fraud and examples of what we are doing to combat fraud.

We also communicate regularly with our employees regarding their responsibility to refer all suspected fraud to the OIG for full investigation. At the national, regional and local levels, the OIG provides ongoing feedback to the agency on successful fraud prosecutions resulting from allegations referred by our employees.

Anti-Fraud Data Analytics

In addition to our commitment to engaging in fraud risk assessments, we continue to review national data for trends and fact patterns that suggest fraudulent activity. The use of data analytics enhances our fraud prevention and allows us to develop analytical tools to determine common characteristics and patterns of fraud. In addition to the fraud referrals initiated by our employees, we use these automated tools to help us uncover potential fraud or other suspicious behavior in the programs we administer. Since 2013, we have successfully applied data analytics to identify and prevent fraudulent activity in the electronic services business process. As we continue to expand our use of data analytics and technology to detect and prevent disability fraud, we are expanding on the use of predictive modeling to determine common characteristics and patterns of anomalous behavior based on known cases of fraud. We have completed proofs of concept using case characteristics identified in the New York and Puerto Rico conspiracies to help build new analytical models and to determine if those characteristics could identify potentially fraudulent transactions in other localities.

An important initiative in enhancing our analytic capabilities to prevent fraud is the Anti-Fraud Enterprise Solution (AFES). The AFES will allow the agency to more accurately identify and take action on more difficult-to-identify high-risk transactions across our programs and processes, including disability, electronic services, retirement, SSI, and internal employee systems. Notably, in disability cases, the AFES will help the agency to stop fraudulent transactions before payments are made. AFES will include five key features of anti-fraud management into our business process: 1) data analytics, 2) incident management, 3) workflow management, 4) systems communications, and 5) business intelligence. This integrated system will provide a uniform platform and infrastructure for advanced data analytics. It will also modernize our case management and workflow capabilities to allow OIG to conduct more efficient and timely inquiries and investigations of possible fraud incidents as we identify them. Ultimately, AFES will also enhance our ability to make data-driven anti-fraud decisions and

better inform stakeholders, such as this Subcommittee and the public, on the progress of our anti-fraud efforts.

As part of the AFES development strategy, in December 2016 we procured IBM's Counter Fraud Management software and have recently installed this software on our systems infrastructure. We will run the software in real-time as claims, including disability claims, are processed in order to prevent fraud by referring suspicious claims for OIG investigation before adjudication. AFES will assess all claims to identify situations that appear to be similar to known fraud schemes or are otherwise considered to be high-risk. Trained employees in centralized units will review claims that raise flags before we authorize payments. The software will become more effective over time; as we identify new suspicious or fraud trends, we will continuously improve the ability of the software to identify such trends when reviewing claims.

One of the first applications that will benefit from the AFES systems incident management, workflow management, and systems communications features is the redesign of the electronic form that employees use to refer potential program violations to OIG for further investigation. As described above, currently our employees use an online electronic referral form, to report fraud allegations to the OIG. Integrating the fraud referral form into AFES will enhance our ability to identify interrelated claims and high-risk transactions across our programs. It will also modernize our workflow capabilities and assist OIG in conducting more efficient and timely inquiries and investigations of possible fraud. Integrating the fraud referral form into AFES will provide data to enhance our models quickly and make data-driven anti-fraud decisions. Lastly, the redesign of the fraud referral form will better position SSA to comply with the *Fraud Reduction and Data Analytics Act of 2015.*

AFES is a multi-year, multi-phase effort that will replace and expand OAFP's current anti-fraud systems, processes, and models. The agency will use the outcome of the fraud risk assessment on disability to form our strategy to implement new analytical models to prevent fraud in the disability program. Future phases will follow in subsequent years to include all of the agency's service delivery processes.

**SSA Anti-Fraud Efforts Strengthened by New Legislative Provisions**

In addition to the steps we have taken to increase our anti-fraud capabilities, recently legislation has included provisions that enhanced and strengthened our on-going anti-fraud efforts.

Cooperative Disability Investigations Units

The Cooperative Disability Investigations (CDI) Program is a key anti-fraud initiative that plays a vital role in combating fraud and abuse within our disability programs. Chairman Johnson, and this Subcommittee, have long championed the CDI program, and we thank you for that support. Importantly, the CDI units prevent benefit payments from being made in cases involving fraud. CDI units consist of personnel from SSA, OIG, State DDSs, and state/local law enforcement, and they review initial disability claims and post-entitlement activities when our front-line employees suspect possible fraud. CDI units obtain evidence of material fact to resolve questions of fraud.

A recent legislative provision now requires the agency to expand the CDI program to cover all States and Territories no later than October 1, 2022, subject to the availability of funding and participation of local law enforcement agencies. Currently, the CDI Program consists of 39 units that cover 33 states, the Commonwealth of Puerto Rico, and the District of Columbia. With available agency funding and participation from local law enforcement, we will expand the number of CDI units needed to cover the 17 remaining States (and remaining Territories). We are currently slated to open one CDI unit in FY 2017, and will target implementation of two to four units per year thereafter until nationwide coverage is complete.

During FY 2016, the CDI program reported approximately $268 million in projected savings to SSA's disability programs and approximately $323 million to non-SSA programs, such as Medicare, Medicaid, housing assistance, and nutrition assistance programs. Moreover, since the program launched in FY 1998 through September 2016, CDI efforts contributed to approximately $3.5 billion in projected savings to SSA's programs, and approximately $2.4 billion in projected savings to non-SSA programs.

Exclusion of Certain Medical Sources of Evidence

In addition, we appreciate the leadership of Chairman Johnson, and this Subcommittee, in bringing greater focus on excluding tainted medical evidence. Chairman Johnson introduced a provision – now law – that provides that unless we find good cause to do so under our rules, we will not consider evidence furnished by medical sources convicted of certain felonies, excluded from participation in Federal health care programs, or assessed with a CMP, assessment, or both, for submitting false evidence.[1] It ensures that we continue to make our disability determination decisions based on the best available evidence from trustworthy medical sources.

To implement this provision, we published a final rule that was effective November 2, 2016 that requires excluded medical sources of evidence to inform us in writing of their exclusion(s) each time they submit evidence to us that relates to a claim for Social Security disability benefits or payments. For those sources who do not inform us of their excluded status, where appropriate, we will refer them to our OIG for any action it deems appropriate, including investigation and CMP pursuit. Moreover, prior to effectuating an allowance where a disability examiner has evaluated evidence under recent legislation, the case must first be sent to our quality component to ensure proper application of such legislation. We are also working to add automated matching to identify these sources and their evidence.

New and Stronger Civil Monetary Penalties

[1] GAO had previously recommended that "[t]o address the potential risks associated with medical evidence submitted by sanctioned physicians, SSA should evaluate the threat posed by this information and, if warranted, consider changes to its policies and procedures." See GAO-15-19, SSA Disability Benefits: Enhanced Policies and Management Focus Needed to Address Potential Physician-Assisted Fraud (Nov. 2015). We would note that section 812 of the Bipartisan Budget Act of 2015, which generally prohibits consideration of evidence by sanctioned medical providers, addresses the GAO recommendation.

People, including third party facilitators, who commit fraud against our programs may be assessed civil monetary penalties for their actions, as well. Recent legislation also increased the penalty for conspiracy to commit Social Security fraud and certain offenses committed by people who violate positions of trust, such as doctors and lawyers submitting false medical evidence, and current and former Social Security employees.

**Conclusion**

As good stewards of our resources and the Social Security Trust Funds, and SSI program dollars, it is our duty to work aggressively to prevent and detect fraud and recover the overpayments from the fraud. We have a comprehensive and integrated anti-fraud program. We are working to increase prevention through advanced predictive analytics. We will continue to measure our progress.

We appreciate this Subcommittee's assistance in these efforts and stand ready to work with Congress to maintain the public's trust and confidence in our very important social insurance programs. We also appreciate GAO's comprehensive review and analysis of our work in this area, and look forward to implementing GAO's helpful recommendations as we embark on a fraud risk assessment analysis of our disability programs.

As a critical reminder, everyone can play a key role in protecting his or her investment in Social Security. When members of the public suspect fraud, we ask that they report it to OIG. OIG evaluates every allegation of fraud and, for those cases where it determines fraud has occurred, aggressively pursues the case. It is easy to report fraud online by visiting OIG's *Fraud, Waste, and Abuse* page at http://oig.ssa.gov/report, or by telephone through OIG's Social Security Fraud Hotline at 1-800-269-0271.