# SOCIAL SECURITY'S PAYMENT ACCURACY

## JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

AND

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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# SOCIAL SECURITY'S PAYMENT ACCURACY

**TUESDAY, JUNE 14, 2011**

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON OVERSIGHT,
JOINT WITH
SUBCOMMITTEE ON SOCIAL SECURITY,
*Washington, DC.*

The subcommittees met, pursuant to call, at 2:40 p.m., in Room 1100, Longworth House Office Building, the Honorable Charles Boustany [chairman of the Subcommittee on Oversight] presiding.

[The advisory of the hearing follows:]

# *HEARING ADVISORY*

FROM THE COMMITTEE ON WAYS AND MEANS

## Chairmen Boustany and Johnson Announce Hearing on Social Security's Payment Accuracy

June 14, 2011

House Ways and Means Oversight Subcommittee Chairman Charles Boustany, Jr., MD (R–LA) and Social Security Subcommittee Chairman Sam Johnson (R–TX) today announced that the Subcommittees on Oversight and Social Security will hold a hearing on the accuracy of payments made by the Social Security Administration (SSA). **The hearing will take place on Tuesday, June 14, 2010, in 1100 Longworth House Office Building, beginning at 2:00 P.M.**

In view of the limited time available to hear from witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing. A list of invited witnesses will follow.

**BACKGROUND:**

According to the President's fiscal year 2012 Budget request, next year the SSA is expected to distribute nearly $820 billion in benefits to over 60 million people. These benefits will be paid primarily through three major programs administered by the SSA: the Social Security Old-Age and Survivors' Insurance (OASI) program, which will distribute $620 billion to 45 million retired workers and their spouses, dependents, and survivors; the Social Security Disability Insurance (DI) program, which will distribute $135 billion to nearly 11 million beneficiaries unable to work due to disability and their eligible spouses and children; and the Supplemental Security Income (SSI) program, which will distribute nearly $50 billion to over 8 million low-income people who are aged, blind, or disabled.

One out of four American households receives some income from Social Security, and distribution of such significant sums of taxpayer dollars means that even a very low overpayment rate can result in a substantial loss to the taxpayer and the Social Security program. According to the latest available data, in FY 2009 overpayments included $841 million in the OASI program, $1.7 billion in the DI program, and $4.0 billion in the means-tested SSI program. Without action, these error costs will grow significantly as benefit costs for Social Security alone are projected to increase nearly 70 percent over the next ten years.

For the five-year period ending fiscal year 2009, errors involving the determination of "substantial gainful activity," essentially whether earnings are high enough to end eligibility for DI benefits, account for the majority of overpayment errors, nearly $1 billion annually, or 36 percent of total retirement, survivors, and disability program error dollars. Of these error dollars, 64 percent resulted from beneficiaries' failure to report their work activity. The other 36 percent were associated with the SSA's failure to schedule a work continuing disability review (CDR) after the beneficiary notified the SSA that they returned to work. Once a beneficiary notifies the SSA of their earnings, it may be months or years before the SSA sends an overpayment notice to the beneficiary, demanding repayment of sometimes tens of thousands of dollars of accrued overpayments.

Other program integrity reviews generate significant long-term savings for taxpayers and are critical to ensuring that only those eligible continue to receive benefit payments. Medical CDRs are periodic reviews conducted to ensure recipients are still disabled according to Agency rules. In FY 2009, these reviews have generated $12.50 in savings for every dollar invested. Despite their substantial savings, the frequency of these reviews is declining. The number of completed medical CDRs fell

65% between FY 2004 and FY 2008, with a backlog of more than 1.5 million medical CDRs at the end of FY 2010. The SSA Office of Inspector General (OIG) estimates that this backlog may lead to as much as $1.1 billion in overpayments in 2011 alone.

SSI program integrity work has followed a similar pattern, with funding levels and redeterminations peaking in 2003, falling through 2007, and then beginning to rise again in 2008. These periodic reviews of non-medical SSI eligibility factors are used to determine if a recipient remains eligible for the program and yield $7 in program savings for every dollar spent. The use of SSI redeterminations has decreased by more than 60% between FY 2003 and FY 2008, resulting in $3.3 billion in lost program savings in FYs 2008 and 2009, according to the SSA OIG.

In announcing the hearing, Chairman Boustany said, **"Whether through error or outright fraud, overpayments across the government are a substantial problem costing taxpayers tens of billions of dollars each year. The Oversight Subcommittee is reviewing these overpayments in a series of hearings, taking a closer look to identify how overpayments occur and funding solutions to better protect taxpayer dollars and program beneficiaries."**

In announcing the hearing, Chairman Johnson said, **"We are facing a debt crisis because Washington spends too much and wastes too much. Payments that are wrong due to fraud or poor management at Social Security are unacceptable. Americans whose hard earned wages support these programs want, need and deserve better."**

**FOCUS OF THE HEARING:**

The Subcommittees will examine the SSA's efforts to improve payment accuracy for the OASI, DI, and SSI programs, including the backlogs associated with these efforts and how these backlogs might be reduced to better protect taxpayer dollars.

**DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

**Please Note:** Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov,* select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, June 28, 2011**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

**FORMATTING REQUIREMENTS:**

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

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

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

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

Note: All Committee advisories and news releases are available on the World Wide Web at *http://www.waysandmeans.house.gov/*.

Chairman BOUSTANY. This hearing will come to order. Good afternoon. I am pleased to welcome everyone to this afternoon's joint hearing on payment accuracy in programs administered by the Social Security Administration. As with past subcommittee oversight hearings on Medicare fraud and refundable tax credits, today's hearing is aimed at better understanding improper payments in Social Security programs and how taxpayer dollars might be better protected.

Next year alone, the Social Security Administration is tasked with the enormous responsibility of distributing nearly $820 billion to over 60 million beneficiaries. With the staggering size and complexity of these programs Social Security is particularly vulnerable to erroneous payments, fraud, and management challenges.

We are here today to explore these challenges and consider what might be done to correct them and better protect both beneficiaries and taxpayers.

By any standard, the scope of these problems is considerable. Social Security issued at least $8 billion in improper payments in fiscal year 2010. According to GAO and the Social Security inspector general, this number does not capture the full extent of overpayments.

Regardless of whether a payment occurs because of simple error or outright fraud, improper payments harm Social Security programs in the long term, jeopardizing benefits for those who may need them in the future. They also cost taxpayers billions of dollars each year. With publicly held Federal debt set to eclipse GDP in the coming years, we can no longer ignore billions of dollars in overpayments, regardless of how they occur. While the numbers involved with wasteful Social Security spending might be overwhelming, the solutions that would reduce them are no mystery.

Today we will be discussing proven methods for reducing improper payments, such as continuing disability reviews and redeterminations which can save the taxpayer as much as $15 for every dollar spent. We will also be discussing how these cost-saving activities are on the decline, falling as much as 65 percent in recent years, billions of dollars in overpayments that might have otherwise been prevented.

There is much that needs to be done to reduce improper payments and better protect taxpayer dollars. Social Security should build on past successes, with data exchanges using information the government and beneficiaries already have to make payments more accurate. And they need not only to get this information in a timely fashion, they need to put it to use more quickly than they have in the past.

Too often the agency is not responsive to beneficiaries. Many of us have heard reports from our constituents about the agency waiting months or years to send out overpayment notices which can lead to tens of thousands of dollars in additional overpayments and underpayments. In other cases, beneficiaries may inform the agency of a change in their income or medical status, and years go by without action by Social Security. This has to change.

I look forward to hearing from the witnesses today about how these problems may occur and what might be done to prevent them. With these programs, like others, every dollar spent on an improper payment is a dollar that does not go to a legitimate beneficiary, and each one further weakens the program. And with the Social Security program heading towards insolvency, a time when we could just kick this can down the road is past, if there ever was one at all.

As the Ways and Means Subcommittees on Oversight and Social Security, we have an obligation to Social Security beneficiaries and taxpayers to understand the size of the problem and what might be done to improve it.

I hope today's hearing will cast new light on these issues, and I thank our guests for joining us for the support and discussion.

Before I yield to the ranking member of the Subcommittee on Oversight, Mr. Lewis, I ask unanimous consent that all members' written statements be included in the record. Without objection, so ordered.

Chairman BOUSTANY. And now I yield to Mr. Lewis, the ranking member of the Oversight Subcommittee.

Mr. LEWIS. I thank the chairman for holding this hearing today. We both agree that improper payments should not happen. However, we disagree on how to fix the problem. I believe that we need to fund the agency. Republican budget cuts harm beneficiaries, harm taxpayers, and harm the Social Security Trust Fund. We will see this clearly today. The Republicans' failure to fund the agency will cost taxpayers more than $200 million in improper payments this year alone. Some now seem surprised, they seem very surprised, and are here asking the agency, "What went wrong? What more needs to be done?"

We and the witnesses all know the answer to these questions. The agency needs more funding, more money, more staffing, more resources. It is that simple. The President's request for next year, if funded, will save taxpayers $9 billion in improper payments over the next decade and up to $58 billion in the long run. We do not need a hearing to learn this. Therefore, I believe there must be something more. Why are we having this hearing?

I again, and I have said at each hearing we have held, that am troubled. I remain concerned by the path of this committee.

I continue to ask, "Who is next? Who else is on your list?" We started this year with seniors and proposals to end Medicare. The committee then moved to teachers and their pension, and then to women's health and the uninsured. Last month the targets were middle-class working families and the unemployed. Now we have come back to the seniors and added severely disabled adults and severely disabled children in very poor families. I am concerned about the people being added to this list.

Today we are witnessing a self-fulfilling prophecy. Republican budget cuts are being used to put the Social Security Administration in a very bad light. The truth is that the agency's overpayment rate is extremely low. This agency provides vital payments to over 60 million Americans and families. One out of four households depends on these programs, including my friend, your neighbor, and the grandparents who live up the street. I ask that we all are mindful not to cast these Americans in a bad light.

I want to thank each and every one of the witnesses for being here today. Also I thank the employees of the Social Security Administration for their dedication and for their hard and good work each and every day.

Mr. Chairman, with that I want to thank you and I yield back my time.

Chairman BOUSTANY. I thank the gentleman.

Chairman BOUSTANY. I now yield to Mr. Johnson, the chairman of the Social Security Subcommittee.

Chairman JOHNSON. Thank you. Welcome, you guys.

The American people have been told by the trustees for Social Security and Medicare that these programs are headed toward insolvency. So when they hear Social Security is owed billions due to wrongful payments. Americans want, need and deserve answers. In fiscal year 2009, overpayments totaled $6.5 billion for the retirement, disability, and supplemental security income, or SSI program, with most in the SSI program. Worse, these numbers do not reflect lost savings resulting from Social Security falling behind on eligibility reviews.

These reviews fall into three broad categories: first, so-called SSI determinations or a periodic review of nondisability eligibility factors such as income and assets. Social Security reduced the number of redeterminations by more than 60 percent between fiscal year 2003 and 2008, resulting in $3.3 billion in lost program savings in fiscal years 2008 and 2009 according to the Social Security's inspector general, who is out there.

The second category is work continuing disability reviews, known as work CDRs, where Social Security checks to see if one is making too much to remain on disability. Should someone receiving disability benefits make over $1,000 per month, referred to as a substantial, gainful activity, they may no longer qualify. And for the 5-year period ending 2009, wage errors in the Social Security disability insurance program counted for nearly $1 billion annually, or about a third of the total retirement and disability program overpayment error dollars. Of these errors, two-thirds resulted from a beneficiary's failure to report their work activity. The other third were associated with Social Security's failure to timely complete a work CDR after they were told by beneficiaries that they had returned to work. As a result it can take months or years before Social Security sends a notice demanding repayment of sometimes tens of thousands of dollars of accrued overpayments. That is kind of crazy.

As we will hear today, if Social Security had better data-matching capability and completed more reviews of earnings sooner, payment errors could be resolved more quickly or never happen in the first place.

Lastly, Social Security has fallen behind reviewing the medical status of those receiving disability benefits. In fiscal year 2010, Social Security had a backlog of 1½ million medical CDRs. When these reviews aren't done on time, people who no longer qualify will continue to receive benefits that they don't deserve. Also, these reviews not only provide savings to Social Security, they also provide savings to Medicare and Medicaid. In fact, here is how much we stand to save if they are done on time. For every dollar invested in a medical CDR, $12 in savings is returned to these programs. The return on each dollar invested in a work CDR is $15. Reviewing the asset and income levels of SSI recipients returns $7 for each dollar spent. In the name of fiscal responsibility that is time and money well spent.

However, these savings won't be achieved if Social Security isn't committed, as it should be, to protecting taxpayer dollars. Recently the President and the Congress were able to reach a bipartisan agreement on this year's funding for Social Security's operations. I hope as we seek to achieve a similar bipartisan result, we will also work together to ensure that Social Security does all it can to fight waste, fraud, and abuse. The American taxpayers who foot the bill deserve nothing less.

Our witnesses today include those on the front lines of case processing, who represent managers of the State disability determination services and managers of the local Social Security offices. We will also hear from the Social Security inspector general about important work they do in their special investigative units fighting fraud. We do need answers and I am counting on all our witnesses to help provide them.

Thank you, Mr. Chairman.

Chairman BOUSTANY. I thank the gentleman.

Chairman BOUSTANY. Mr. Becerra.

Mr. BECERRA. Mr. Chairman, thank you for holding this hearing. Social Security is a sacred compact between Americans of all generations. It ensures that billions of retirees, disabled workers, and children can live a life of dignity.

This year 155 million workers will contribute more than $690 billion in taxes to Social Security, and nearly 56 million Americans will collect their earned Social Security benefits. Social Security has never once failed to pay earned benefits on time and in full, even through 13 recessions, including the Bush recession we are recently going through. That is a track record that most would die for and it is the reason Social Security has the support and trust of the American people.

Some of my colleagues have suggested that Americans' hard-earned tax contributions to Social Security are not real and that Social Security is broke. That suggests a fundamental misunderstanding and misrepresentation of Social Security. The U.S. Treasury bonds in Social Security's Trust Fund are real, and the trust fund is $2.7 trillion strong. Yet some insist on misleading the public about it to support their proposals to cut guaranteed benefits and take trillions of dollars out of the trust fund for private accounts. I dare anyone, Mr. Chairman, who is willing to take this challenge to find a better all-in-one retirement, disability, and life insurance plan in the private marketplace that can match Social Security.

The most immediate dangers to Social Security are the reckless cuts to its operating budget that put at risk its ability to deliver earned benefits on time in the right amount.

Mr. Chairman, we need to hold an oversight hearing on Social Security budget. It is long overdue. The nearly $1 billion cut to Social Security's already lean but efficient operating budget cuts into the bone. Social Security's costs of operation are already less than 1 percent of its total budget.

Today's hearing topic, preventing improper payments to safeguard the Social Security Trust Fund, is important; but my colleagues seem to be ignoring the elephant in the room: You get what you pay for. And the current budget driven by Republicans in the House does not fully pay for the Social Security Administration's efforts to prevent errors.

The Social Security Administration already has a very low overpayment rate, three-tenths of 1 percent for Social Security, and about 8 percent for the more complex SSI program. In 2009 SSA saved $12.50 for every dollar it invested in continuing disability reviews, which prevent payments to people who are no longer eligible for benefits. Social Security's actuary has estimated that if we simply funded the program over the next 4 years, as the Social Security Administration has proposed, the American taxpayer and Social Security would save $58 billion.

But the Republican budget for fiscal year 2011 froze Social Security's funding for program integrity. And the House Republican fiscal year 2012 budget would cut the Social Security Administration's operating budget a total of some $10 billion over the next decade. That is penny-wise and pound-foolish. These budget cuts, like privatization schemes, put Social Security's Trust Fund and the tax contributions of millions of current and future beneficiaries in jeopardy. They also handcuff Social Security in its efforts to protect the trust fund and Americans' contributions by detecting and preventing overpayments, the very stated purpose of today's hearing.

Mr. Chairman, let me once again publicly request that this Committee on Ways and Means, through its subcommittee of jurisdiction, perform its constitutional duty of oversight over the budget of Social Security. Rather than just nibble around the edges, let us let the sun shine on every aspect of Social Security's budget so that all Americans witness for themselves what is going on with Social Security's funding.

Mr. Chairman, thank you and I look forward to hearing the witnesses. I yield back the balance of my time.

Chairman BOUSTANY. I thank the gentleman.

Chairman BOUSTANY. Now I would like to welcome our witnesses. And thank you for being patient. We had a series of votes that got us off to a late start.

First we have Ms. Carolyn Colvin, Deputy Commissioner for the Social Security Administration. Welcome.

We have Mr. Patrick O'Carroll who is the Inspector General for the Social Security Administration. Mr. O'Carroll, welcome.

Mr. Dan Bertoni is Director for Education, Workforce, and Income Security Issues at the Government Accountability Office. Welcome, sir.

Ms. Ann Robert, who is the Deputy Director for the Bureau of Disability Determination Services for the Illinois Department of Human Services, and is here today on behalf of the National Council of Disability Determination Directors, welcome.

And Mr. Joseph, is it Dirago or Dirago?

Mr. DIRAGO. Dirago.

Chairman BOUSTANY. Dirago, who is President of the National Council of Social Security Management Associations.

I want to thank you all for being with us today. We look forward to your testimony. You will each have 5 minutes to present your testimony, which is our customary approach, with your full written testimony submitted for the record.

Ms. Colvin, you may begin.

**STATEMENT OF THE HONORABLE CAROLYN COLVIN, DEPUTY COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, WASHINGTON, D.C.**

Ms. COLVIN. Thank you. Chairman Johnson, Chairman Boustany, Ranking Member Becerra, Ranking Member Lewis and Members of the Subcommittees, thank you for inviting me to discuss our efforts to ensure the accuracy of our benefit payments. I am SSA's deputy commissioner and the agency accountable official for improper payments.

We pay nearly $60 billion in benefits to almost 60 million people each month. We are committed to making those payments timely and accurately. Minimizing improper payments is so important that we made preserving the public's trust in our programs one of our four strategic goals.

We have worked hard to improve our payment accuracy, but we cannot maintain our recent success without adequate resources that will allow us to do the work for which we are responsible. Our complex programs require knowledgeable and experienced employees to analyze cases, make decisions, and implement changes.

The same employees who conduct our program integrity initiatives also make determinations on SSI, retirement, and disability applications and handle a wide variety of other responsibilities.

Our employees are our best defense against improper payments, and all of the SSI discussed today depends on having an adequate number of well-trained staff to keep up with our work, which has surged in the last few years and continues to increase.

We have been innovative and proactive in adopting strategies to allow us to meet the challenges we face. Our information technology resources have been critical to our success. For example, in fiscal year 2010, we reduced the time it takes to get a hearing decision to the lowest point in 5 years. Currently the average wait for a hearing decision is below 1 year for the first time since 2003. We kept pending initial disability claims significantly below our goal, and achieved the lowest average speed of answer and busy rates on our 800 number since we began keeping statistics nearly a decade ago.

We increased the accuracy of our SSI payments in fiscal year 2009 and fiscal year 2010. We continue to increase on-line claims with nearly 40 percent of retirement claims and about 31 percent of disability claims currently filed on line through our highly regarded Internet site. I am happy to report that in fiscal year 2010, 99.6 percent of our OASDI payments were free of overpayments.

The supplemental security income, or SSI, program is more complex, and our overpayment accuracy rate for the program reflects that complexity. Still, with the increase in SSI redeterminations we have improved. In fiscal year 2008 our SSI overpayment accuracy rate was 89.7 percent. In fiscal year 2009 we raised it to 91.6 percent. And we continue this positive trend in fiscal year 2010 by increasing it to 93.3 percent, the highest it has been since 2005.

Our most valuable tools to maintain the integrity of our programs are continuing disability reviews, or CDRs, and SSI redeterminations. We estimate that every dollar invested in CDRs yields at least $10 in lifetime program savings, including savings accruing to Medicare and Medicaid. Every dollar spent on SSI redeterminations yields more than $7 in program savings over 10 years, including savings accruing to Medicaid.

We use technology to help us prevent and detect improper payments. For example, unreported financial accounts and wages are the major causes of improper payments in the SSI program. Therefore, we have developed a process called access to financial institutions, or AFI, to electronically identify financial accounts of SSI applicants and recipients. We plan to complete AFI rollout to all States by the end of this month. After 2013 when AFI is fully implemented, we project that AFI could yield a $20 return for every dollar invested.

We also made the SSI wage reporting process more efficient and user friendly by implementing an automated system to report wages over the telephone. This system automatically updates our records, which increases accuracy and saves beneficiaries and our employees time.

Before I close, I want to mention our hard-working, dedicated employees who are the real key to maintaining the American public's trust in our program. Our employees continue to provide exemplary service and increase their productivity despite record-setting increases in our workloads.

Equally important to our success is adequate and sustained funding to carry out our vitally important program integrity work. We have proven that when you invest in us we produce results.

We appreciate your past support for our agency and our programs and look forward to your continued support. I am happy to answer any questions you have. Thank you.

Chairman BOUSTANY. Thank you, Commission Colvin.

[The prepared statement of Ms. Colvin follows:]

**Statement of Carolyn W. Colvin**

**Deputy Commissioner**

**Testimony before the House Committee on Ways and Means**

**Subcommittee on Social Security**

**and**

**Subcommittee on Oversight**

**June 14, 2011**

Chairman Johnson, Chairman Boustany, Ranking Members Becerra and Lewis, and Members of the Subcommittees, thank you for inviting me to discuss the Social Security Administration's (SSA) efforts to ensure the accuracy of our benefit payments. I am SSA's Deputy Commissioner, as well as the Agency Accountable Official for improper payments. Today I will describe our efforts to improve payment accuracy by preventing, detecting, and resolving improper payments.

## MISSION AND WORK OF SSA

Social Security touches the lives of every American, often during difficult times of personal hardship, transition, and uncertainty. We oversee about 85,000 Federal and State employees who serve the public through a network of 1,500 offices across the country. Each day almost 180,000 people visit our field offices and more than 435,000 people call us for a variety of services such as filing claims, asking questions, and changing direct deposit information.

During Fiscal Year 2010, we paid 58 million people over $740 billion in benefits. Specifically, we paid $572.5 billion in Old-Age and Survivor Insurance benefits, $122.9 billion in Disability Insurance benefits, and $47.2 billion in Supplemental Security Income (SSI) benefits.

Our hard-working, dedicated employees have done their utmost to maintain the level of service that the American people expect and deserve. We have been innovative and proactive in adopting strategies to allow us to meet the challenges we face. Our information technology resources have been critical to our success. Inevitably though, as our workloads rose and our appropriated funds were less than our budget requests, our service delivery suffered. Despite a long string of increases in productivity, we could not keep up. Throughout most of the past decade, the amount of program integrity work we could handle dropped dramatically, even though we know that work saves the taxpayer about ten dollars for each dollar spent. The time a claimant waited for a disability hearing rose to an average of 800-900 days in many cities, and some claimants waited as long as 1,400 days. Waiting times for in-person and telephone service increased, as did the public's and Congress' frustration with us.

In the last three years, new initiatives coupled with improved funding have enabled us to reverse many of these trends and significantly improve service and stewardship efforts, even though we have had to absorb huge unexpected increases in workloads due to the recession. For example, in FY 2010 we reduced the time it takes to get a hearing decision to the lowest point in five years. Currently, the average wait for a hearing decision is below one year for the first time since 2003. We kept pending initial disability claims significantly below our goal and achieved the lowest average speed of answer and busy rates on our 800 number since we began keeping the statistics nearly a decade ago. Despite the surge of disability claims, our State disability determination services (DDS) employees achieved the highest level of decisional accuracy in over a decade. We increased the accuracy of our SSI payments in FY 2009 and FY 2010. We continue to increase online claims, with nearly

40 percent of retirement claims and about 31 percent of disability claims currently filed online through our highly- regarded internet site.

We have worked hard to strengthen our ability to curb improper payments, but we cannot continue to improve our processes without adequate resources that allow us to do the work for which we are responsible.

**OUR COMMITMENT TO IMPROVING PAYMENT ACCURACY**

We pay nearly 60 million Americans who deserve to receive their benefits timely and accurately, and we deliver on that responsibility in nearly all cases. Our new employees learn, as soon as they are hired, that we strive to pay the right person the right amount at the right time. One of our four strategic goals is to preserve the public's trust in our programs, which we maintain by ensuring that we spend tax dollars only as specified in the Social Security Act. We are committed to minimizing improper payments and protecting program dollars from waste, fraud, and abuse. In keeping with President Obama's vision, we are also open and transparent about our improper payment situation and our efforts to improve that situation. We have an extensive website dedicated to information about SSA's payment accuracy available to all at http://www.socialsecurity.gov/improperpayments/index.html.

**OUR PAYMENT ACCURACY EXPERIENCE**

In FY 2010, 99.6 percent of all Old Age, Survivors, and Disability Insurance (OASDI) payments were free of an overpayment, and 99.8 percent were free of an underpayment. For FY 2010, each tenth of a percentage point in payment accuracy represents about $706 million in program outlays for the OASDI program. Therefore, while we are justifiably proud of our consistently high accuracy rate for OASDI payments, we recognize our responsibility to maintain and improve our performance.

The Supplemental Security Income program is more complex. Benefits can change each month due to income and resource fluctuations and changes in living arrangements. For FY 2010, each tenth of a percentage point in payment accuracy represents about $50 million in SSI program outlays.

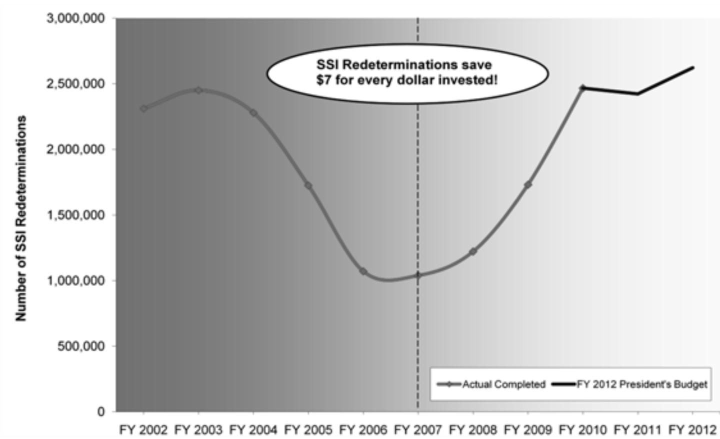
Our overpayment accuracy rate reflects that complexity. Still, we have improved. In FY 2008, our SSI overpayment accuracy rate was 89.7 percent. For 2009, we raised it to 91.6 percent, and I am pleased to report that we have raised our accuracy or the second year in a row. Our FY 2010 overpayment accuracy rate was 93.3 percent. We were able to achieve this increase in part by increasing the number of redeterminations we completed in the last few years with increased resources to address program integrity workloads. In addition, our successful expansion of two key initiatives – Access to Financial Institutions (AFI), and our Supplemental Security Income Telephone Wage Reporting System (SSITWR) contributed to the increase. I will describe these in detail later in my testimony. This improvement is encouraging news and demonstrates the value of additional funding for program integrity efforts.

**MAJOR PROGRAM INTEGRITY INITIATIVES**

Our primary program integrity activities are Continuing Disability Reviews (CDRs) and SSI redeterminations, reviews of factors in individual cases that could affect eligibility for benefits or the payment amount. These activities protect taxpayers' investment in our programs.

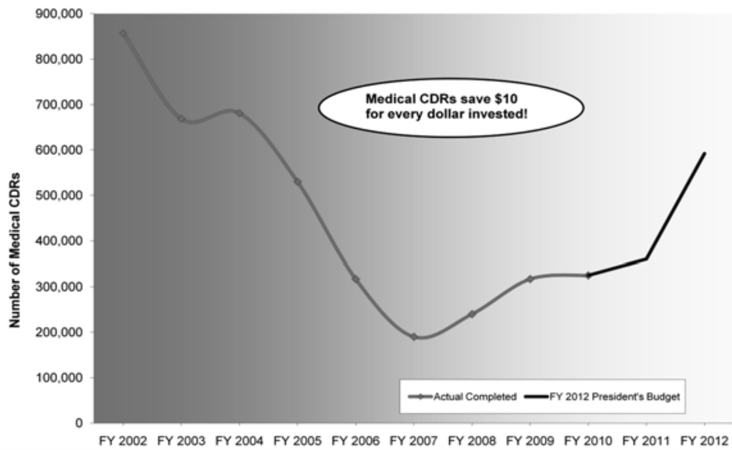
SSI redeterminations are periodic reviews of nonmedical factors of SSI eligibility, such as income and resources. We estimate that every dollar spent on SSI redeterminations returns more than $7 in program savings over 10 years, including savings accruing to Medicaid. For many years, due to inadequate funding, we had to cut back on the number of redeterminations that we could complete. However, over the past few years, we increased the number of program integrity reviews we completed, saving billions of program dollars. With full funding of the FY 2012 President's Budget for SSA, we would be able to complete 200,000 more redeterminations compared to this year, saving even more taxpayer dollars. Obviously, if we receive less funding, we would not be able to complete as much of this extremely cost-effective work.

We Continue To Increase SSI Non-Disability Redeterminations, Saving Billions of Dollars




CDRs are periodic reevaluations to determine if beneficiaries continue to meet our medical criteria to receive benefits. The Social Security Act requires us to conduct medical CDRs on a periodic basis to evaluate whether disabled beneficiaries and recipients continue to meet the medical criteria. We also conduct medical CDRs when we receive a report of medical improvement from a disability beneficiary or recipient or third party. We estimate that every dollar spent on CDRs yields at least $10 in lifetime program savings, including savings accruing to Medicare and Medicaid. With full funding of the FY 2012 President's Budget, we would be able to complete over 260,000 more medical CDRs compared to this year, resulting in considerable savings to the trust funds and general funds.

We Are Reversing The Decline In Medical CDRs, Saving Billions of Dollars




Medical CDRs are completed two ways. The medical CDR process uses a statistical modeling system that uses data from our records to determine the likelihood that a disabled beneficiary or recipient has improved medically. If the statistical modeling system indicates that the beneficiary or recipient has a high likelihood of medical improvement, we send the case to the state DDS for a full medical review. We send the remaining beneficiaries and recipients a questionnaire requesting updates on their impairments, medical treatment, and work activities. If the completed mailer indicates that there has been potential medical improvement, we send the case to the DDS for a full medical review. Otherwise, we decide based on the mailer response not to initiate a full medical CDR, and we schedule the case for a future review.

We have shown that with adequate funding, we are able to effectively produce results. For example, in 1996, we received a seven-year commitment of special funds to conduct CDRs. By the time the funding commitment expired at the end of FY 2002, we had initiated medical CDRs for all the 3 to 4 million cases in which they were due.

From FY 2003 through FY 2007, inadequate funding meant we had to reduce the volume of CDRs we completed, and as a result, we could not process all the CDRs that were due. As the chart above shows, increased funding has allowed us to increase the volume of this type of work. We believe that a similar commitment of additional funds for our program integrity work will help us ensure that we can complete more of this cost-effective work each year and eliminate the current backlog of nearly 1.4 million CDRs.

However, I must note that even with specific funding for program integrity work, we need the people to do that work in addition to all of their other core responsibilities. That is, the same employees who conduct redeterminations, continuing eligibility reviews, and collect overpayments, also have many other critical responsibilities, such as taking and adjudicating SSI, retirement, and disability applications. While workloads are growing and expanding, the number of people to do the work is decreasing.

## DATA EXCHANGES AND OTHER SYSTEMS ENHANCEMENTS

We rely on data exchanges to help us protect the integrity of our programs. Efficient, accurate, and timely exchanges of data promote good stewardship for all parties involved. We have over 1,500 exchanges with a wide range of Federal, State, and local entities that provide us with information we need to stop benefits completely or to change the amount of benefits we pay. We also have about 2,300 exchanges with prisons that allow us to suspend benefits to prisoners quickly and efficiently as required by the Social Security Act.

Data exchanges are also a cost-effective way to prevent and detect improper payments. For example, in FY 2008, for every dollar spent on our pension match with the Department of Veterans Affairs, we saved nearly $39 in SSI benefits. Similarly, during the same timeframe, every dollar we spent on our match with Office of Personnel Management saved us almost $20 in OASDI benefits.

We also depend on advanced technology to help balance the need to keep up with growing workloads and to be effective stewards of Trust Fund and tax dollars. Technology and automation are keys to providing quality service to the public as our workloads continue to grow. For example, we introduced systems enhancements that help streamline how we process medical CDRs.

## OTHER INITIATIVES TO IMPROVE PAYMENT ACCURACY - OASDI

Performance of Substantial Gainful Activity (SGA) while receiving disability benefits is the major cause of inaccurate OASDI payments for FYs 2006-2010. Other major causes of

OASDI overpayments for the same period are the Windfall Elimination Provision (WEP), Government Pension Offset (GPO), and receipt of Workers' Compensation (WC).

Although performance of SGA only affects disability benefits, errors attributed to SGA accounted for more than a quarter of all OASDI overpayment error dollars in FY 2010. While the number of SGA error cases is low, the dollars involved are often significant.

Determining whether a beneficiary's work and earnings are SGA takes considerable time and is challenging because of potential delays in getting the information we need to make this determination. We must get information about the beneficiary's return to work from the beneficiary or the employers and must review and manually process large volumes of work reports. These delays contribute to the size of the overpayments. Because beneficiaries do not always tell us about their work activity, we rely on our match with IRS records to identify unreported work and earnings. This match generates about 600,000 alerts annually. We target the alerts with the highest identified earnings and work those cases first.

We have allocated additional staff resources to analyze the work reports we get from any source and to conduct work CDRs (reviews that determine whether a beneficiary's work affects their eligibility for disability benefits) and are targeting the cases with the oldest work reports – those over 365 days old.

The President's FY 2012 Budget includes a proposal that has the potential to reduce SGA-related overpayments. The Work Incentives Simplification Pilot (WISP) would allow us to test program innovations to provide beneficiaries with a simple set of work rules that should reduce improper payments. WISP would make work incentives easier to explain and understand, eliminating much of the confusion that contributes to SGA-related improper payments.

With respect to the WEP and GPO provisions, overpayments result when beneficiaries fail to report receipt of a pension from non-covered employment. We generally have to reduce a beneficiary's Social Security benefits if he or she also gets a pension. The President's FY 2012 Budget includes a legislative proposal that would require State and local governments to identify and report pensions they pay to retired employees based on work not covered by Social Security. If we got this data from State and local governments, we could determine, in a timely manner, whether to reduce benefits because of the WEP or GPO.

Another major cause of inaccurate payments is a beneficiary's receipt of workers' compensation payments. If a person receives both WC and Social Security disability benefits, the Social Security Act limits the total payment amount he or she can receive. Improper payments often occur when the amount of WC increases or decreases, but we do not timely receive the information we need to adjust the disability benefit. In most of these cases, the adjustment results in an underpayment. The President's FY 2012 Budget includes a legislative proposal that would require State and local governments and private insurers that administer WC and public disability benefit (PDB) plans to provide us with information on WC and PDB payments. By requiring plan administrators to provide payment information to us promptly, this proposal would improve the integrity of the WC and PDB reporting process, improve the accuracy of Social Security disability benefit and SSI payments, and lessen our reliance on the beneficiary to report this information in a timely manner.

## OTHER INITIATIVES TO IMPROVE PAYMENT ACCURACY – SSI

SSI is complex because eligibility and monthly payment amounts are affected by changes in income, resources, and living arrangements. Improper payments often occur if recipients fail to timely report changes, such as an increase in the value of resources or an increase or decrease in wages. Failure to report these changes is the primary cause of improper payments and has been a perennial problem since the inception of the SSI program.

The major causes of inaccurate payments in the SSI program are financial accounts and wages. Payment errors due to financial accounts always result in overpayments. These overpayments occur when a person has financial accounts that exceed the allowable resource limit, causing the person to be ineligible for SSI.

One of our most useful tools to detect improper payments caused by financial accounts is our Access to Financial Institutions (AFI) process. AFI is an electronic process that allows us to identify financial accounts of SSI applicants and recipients that exceed statutory limits. This process has proven very useful in identifying undisclosed accounts. Thirty-six States currently use AFI; these States represent 90 percent of all SSI recipients. We intend to implement AFI in all remaining States by the end of this month. Beginning in FY 2013, when we expect full implementation of AFI, we project roughly $900 million in lifetime program savings for each year we use the process.

Another major cause of both overpayments and underpayments in the SSI program is wages. We do not always receive accurate or timely monthly wage information. In FY 2010, 84 percent of wage-related improper payments occurred because the recipient or representative payee failed to report changes in earnings. In the past, SSI recipients had to either fax, mail, or bring their monthly wage reports to our field offices. In turn, our field office employees manually entered the reports into our system to make any payment changes. In some cases, we did not evaluate beneficiary wage information in time to adjust the applicable SSI payment.

We now have a dedicated agency telephone number that allows recipients or their payees to report wages by calling in and using either voice-recognition or touch-tone software. Our SSI Telephone Wage Reporting (SSITWR) system automatically enters the wage data into the SSI system, which eliminates the need to enter a manual report. In FY 2010, we processed nearly 250,000 monthly wage reports using this system. These reports generally are accurate and require no additional evidence, which saves time in our field offices. SSITWR has allowed us to increase the volume of wage reports we receive, and therefore reduces wage related errors.

Our goal was to increase the number of monthly reporters using SSITWR to 28,000 by September 2011. I am very pleased to report that we have already met this goal – as of April 30 we had 28,498 monthly reporters using the system, and that number continues to increase.

**OUR DEBT COLLECTION PROGRAM**

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We recovered $3.14 billion in program debt in FY 2010 and $13.86 billion over the previous five-year period (FYs 2006-2010) at an administrative cost of $.07 for every dollar collected.

We recover OASDI and SSI overpayments from overpaid beneficiaries and representative payees who are liable for the overpayment. To recover debt, we withhold current benefit payments from the debtor. It is harder to recoup a debt once benefits end; therefore, we make every effort to identify and collect debt as soon as possible. If the overpaid person no longer receives benefits, we offer the opportunity to repay debt via monthly installment payments.

When we cannot recover a debt on our own, we turn to authorized external debt collection tools. These tools include:

- Tax Refund Offset;
- Administrative Offset (collection of a delinquent debt from a Federal payment other than a tax refund;
- Credit Bureau Reporting;
- Administrative Wage Garnishment;
- Non-Entitled Debtors Program (a system that facilitates recovery of debt owed by non-beneficiaries, such as representative payees); and
- Federal Salary Offset.

We plan to improve our debt collection programs by implementing several enhancements to allow us to take advantage of changes in the law that expand the availability of administrative offset. For example, we will make systems changes to allow us to collect delinquent debt via the Treasury Offset Program beyond the current 10-year statute of limitations. As resources permit, we will start using other existing debt collection authority such as private collection agencies, charging administrative fees and interest, and indexing a debt to reflect its current value.

**CONCLUSION**

Before I close, I want to mention our hardworking, dedicated employees who are the real key to maintaining the American public's trust in our programs. Our employees deserve full credit for our remarkable achievements. They continue to provide exemplary service and increase their productivity despite record-setting increases in our workloads.

The programs we administer demand stewardship that is worthy of their promise of economic security. We are firmly committed to sound management practices, including accurate metrics for evaluating our programs' integrity, and following up with appropriate enforcement and recovery actions. We know the continued success of our programs is inextricably linked to the public's trust in them. Properly managing our resources and program dollars is critical to that success. Equally important to our success is having adequate and sustained funding to carry out all of our work.



Chairman BOUSTANY. Mr. O'Carroll, you may proceed.

**STATEMENT OF THE HONORABLE PATRICK P. O'CARROLL, JR., INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION, WASHINGTON, D.C.**

Mr. O'CARROLL. Good afternoon, Chairman Boustany, Chairman Johnson, Ranking Member Lewis, Ranking Member Becerra and members of both subcommittees. Thank you for the invitation to testify today.

SSA administers about $60 billion in benefits to almost 60 million beneficiaries every month. Payment accuracy is of paramount importance to the agency. SSA and agencies across government have increased efforts to reduce improper payments, particularly since Congress passed the Improper Payments Elimination and Recovery Act, or IPERA.

With a history of identifying SSA's improper payments through audits and investigations, my office was asked by the IG community to assume a leadership role with OMB and the Treasury Department on implementing IPERA and the President's Executive Order.

For fiscal year 2009, SSA estimated improper payments totaling $8 billion. The agency estimated overpayments of $2.6 billion for its Retirement, Survivors and Disability Insurance program, and $600 million in underpayments. Its SSI program had an estimated $4 billion in overpayments and $800 million in underpayments.

SSA seeks to improve payment accuracy in both programs. The agency set up plans to commit nearly $800 million towards program integrity this year, with an emphasis on tools such as continuing disability reviews, or CDRs, and SSI redeterminations.

SSA considers overpayments unavoidable if the law requires the payments to be made. In other words, the agency does not consider improper any payments it makes to a beneficiary who would have been ineligible if SSA had conducted a CDR when it came due. However, we believe these payments should be part of the discussion about SSA's payment accuracy, because these payments should not have been made and cannot be recouped.

SSA projects a backlog of about 1.4 million medical CDRs at the end of fiscal year 2011. Our audit work has found the agency would have avoided paying hundreds of millions of dollars to ineligible beneficiaries if CDRs and SSI redeterminations were conducted when they were due. SSA must utilize any and all tools that can prevent payment errors before they occur.

My office for years has encouraged SSA to use data matching to protect agency funds. To reduce SSI overpayments, OIG recommended that SSA obtain a beneficiary's bank account information and access other private databases rather than rely on self-reporting. In recent years SSA implemented the Access to Financial Institutions project which allows the agency to check an applicant or recipient's bank account to verify resources.

We have also made other data-matching recommendations to SSA involving potential matches of beneficiary information to marital status, workers compensation and vehicle ownership records. We are also pursuing an exemption from the Computer Matching and Privacy Protection Act to facilitate the OIG's work in this area.

Our support for stewardship activities has never wavered. IPERA allows an IG to use a percentage of money collected from recovery of audits of the IG's agency. Unfortunately, SSA has determined that benefit overpayments from its trust fund in the SSI program are not covered under IPERA. The provision only applies to audits of SSA's administrative budget, which represents only 1 percent of the total budget. Therefore, we continue to pursue the establishment of self-supporting fund for integrity initiatives, such as our Cooperative Disability Investigations program, and CDRs and redeterminations.

In conclusion, SSA has made strides to comply with the request to report its improper payments, identify causes, and allocate resources to prevent future errors. We encourage the agency to commit to stewardship activities to prevent improper and unnecessary payments.

My office will continue to work with your subcommittees and SSA in these and future efforts to improve payment accuracy in SSA's benefit programs. Thank you again for the invitation to testify today and I will be happy to answer questions.

Chairman BOUSTANY. Thank you, Mr. O'Carroll.

[The prepared statement of Mr. O'Carroll follows:]

**U.S. House of Representatives**

**Committee on Ways and Means**
**Subcommittee on Social Security and**
**Subcommittee on Oversight**

**Statement for the Record**

**Hearing on Social Security's Payment Accuracy**

**The Honorable Patrick P. O'Carroll, Jr.**
**Inspector General**
**Social Security Administration**

**June 14, 2011**

Good afternoon, Chairman Johnson, Chairman Boustany, Ranking Member Becerra, Ranking Member Lewis, and members of both subcommittees. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before Congress many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides to American citizens. Today, we are discussing SSA's efforts to identify and reduce improper payments and improve payment accuracy. This is an important undertaking for SSA, as Agencies across the Federal government are working to improve their reporting of improper payments and to develop solutions to eliminate and prevent wasteful spending.

Federal agencies reported $125 billion in improper payments for Fiscal Year (FY) 2010—an increase of $15 billion from FY 2009. As Federal employees, we must ensure that taxpayer dollars are being spent wisely and effectively, and that government benefits are administered correctly. Improper payments are any payments from a Federal program that should not have been made or were made in an incorrect amount; not all improper payments are overpayments, as underpayments are also considered improper. Improper payments cover a number of financial transactions; in SSA's case, they are largely benefit payments made to ineligible program participants. They can also be incorrect payments to individuals or firms, or they can be the result of documentation and administrative errors, authentication and medical errors, or verification errors.

Congress passed the *Improper Payments Elimination and Recovery Act* (IPERA) in July 2010, with the goal of reducing improper payments by $50 billion by 2012. Since the President issued Executive Order 13520 on Reducing Improper Payments in November 2009 and signed IPERA, Federal agencies and their inspectors general have worked closely with the Office of Management and Budget (OMB) and the Treasury to identify and reduce improper payments.

Since the Office of the Inspector General (OIG) at SSA was established in 1995, our primary goal has been to identify and help reduce SSA's improper payments. Our auditors in this fiscal year have completed reviews on potential SSA overpayments—*Social Security Income (SSI) Recipients with Unreported Real Property*—as well as potential underpayments—*Dedicated Account Underpayments Payable to Children*.

- In our report on potential SSI overpayments, released this month, we used a commercial database to determine the accuracy of SSA's determinations of SSI recipients' real property resources that could affect their SSI eligibility or payment amount. A sample of SSA's SSI recipient population against database records revealed that some recipients owned one or more real properties that they had not previously reported to the Agency. Projecting our findings to the entire population, we estimated that SSA had improperly paid about 320,000 recipients more than $2.2 billion because of their unreported real property.

  Using a cost-benefit analysis, we determined the Agency could save about $8 for every $1 it spent using a commercial database for developing ownership and value of resources in either an SSI initial claim or redetermination—and total SSA savings for FY 2011 would be about $350 million. We recommended that SSA assess the costs and benefits of using such a database to determine the accuracy of SSI recipients' allegations of resources; the Agency agreed with our recommendations. Whichever public record service SSA ultimately decides to use in the future, we believe it is reasonable for SSA to use it to identify potential improper payments.

➢ In our report on dedicated account underpayments payable to children, released in November 2010, we found SSA did not pay an estimated 7,775 underpayments totaling approximately $35 million. Generally, this occurred because SSA did not have adequate controls to ensure that representative payees established dedicated accounts for the children in their care. The OIG sample included three organizational representative payees that did not establish dedicated accounts for almost $370,000 in underpayments for 47 children.

  We recommended that SSA identify and take corrective action on the population of SSI recipients who have dedicated account underpayments, and to remind employees to ensure they notify representative payees of any underpayments that require the establishment of a dedicated account. SSA agreed with our recommendations.

Also in FY 2010, our investigators achieved $62.6 million in SSA recoveries and restitutions and totaled $293.2 million in projected savings from programs such as our Cooperative Disability Investigations (CDI) initiative, which detects potential fraud and limits improper SSA disability payments.

Our audit findings and recommendations and our investigative initiatives have proven to be successful tools to help SSA identify, recover, and reduce improper payments. Executive Order 13520 and IPERA included a number of provisions that required input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). With a history of identifying SSA's improper payments, our office was asked to take a leadership role in the process; SSA/OIG serves as a liaison for CIGIE to work with OMB on implementation of IPERA and the Executive Order. This liaison role has included attending workgroup meetings, reviewing and commenting on work plans, and coordinating among IGs and OMB and the Treasury.

For FY 2009, SSA reported improper payments totaling $8 billion, including underpayments and overpayments, the third-highest amount of improper payments in the year, behind the Department of Health and Human Services (DHHS) ($71.4 billion) and the Department of Labor ($17.5 billion). SSA's Supplemental Security Income (SSI) program made $48.3 billion in total payments, including an estimated $4 billion in overpayments and an estimated $800 million in underpayments, resulting in a 10 percent improper payment rate; SSA projects it will reduce that rate to 9.2 percent in FY 2011 and to 8.7 percent by FY 2012. SSA's Retirement, Survivors, and Disability Insurance (RSDI) program made $659.6 billion in total payments, including an estimated $2.5 billion in overpayments and an estimated $600 million in underpayments, for a 0.5 percent improper payment rate; SSA projects it will reduce that rate to 0.4 percent in FY 2011. Verification and local administration errors, such as a beneficiary's unreported or undetected financial accounts and wages, cause the majority of SSA's improper payments, according to the Agency. SSA has reported it has a number of programs in place to protect the public's tax dollars, including:

- The Agency plans to commit $796 million toward program integrity efforts in FY 2011, an increase of $38 million over last year's funding.

- SSA conducts both medical and work-based continuing disability reviews (CDRs) to determine if a beneficiary remains disabled and eligible, as well as SSI redeterminations to re-evaluate any nonmedical factors, such as income or resources, that would affect eligibility or the benefit amount.

The Agency states that unavoidable overpayments are not considered improper payments if laws, regulations, or court orders require SSA to make the payments. For example, the *Social Security Act* allows individuals to request a continuation of their benefits while they appeal an adverse action. If the appeal is not decided in their favor, the resulting overpayment is not considered improper because it was statutorily required at the point it was made. Also, SSA, due to limited funding and increasing core workloads, in recent years has not conducted medical CDRs at the level it should to prevent certain payments from occurring. Payments that would not have been made if a medical CDR was conducted when due are also *not counted* as improper payments. We, however, still believe these payments should be part of the discussion about SSA's payment accuracy, because they are payments that should not have been made and could have been preserved by performing all identified medical CDRs. We released two reports toward the end of 2010 related to SSA's reporting of improper payments:

- In *SSA's Reporting of High-Dollar Overpayments under Executive Order 13520*, released in December 2010, we determined that SSA addressed the Executive Order requirements and provided payment accuracy results based on its stewardship review sample cases, but the Agency's methodology did not detect existing high-dollar overpayments. We determined overpayments could have been identified through analysis of SSA's systems.

- In *SSA's Plan to Reduce Improper Payments Under Executive Order 13520*, released in September 2010, we encouraged SSA to continue to seek funding to cover the cost for key prevention tools such as CDRs and SSI redeterminations; and to evaluate legislative proposals to determine those that would have a positive effect on the detection, prevention, and collection of improper payments.

We have made many recommendations in recent years to SSA that support OIG's primary focus on program integrity. In a March 2010 report, *Full Medical Continuing Disability Reviews*, we determined SSA's number of completed medical CDRs declined by 65 percent from FY 2004 to FY 2008, resulting in a significant CDR backlog. We estimated SSA would have avoided paying at a minimum $556 million during Calendar Year 2011 if the medical CDRs in the backlog had been conducted when they were due. SSA estimates the medical CDR savings-to-cost ratio is $12-to-$1, but while 2.8 million CDRs will become due in FY 2011, the agency will only complete about half that are due, leaving a projected backlog of 1.4 million.

Work-related CDRs are necessary when earnings indicate a disability beneficiary has returned to work at the "substantial gainful activity" level (earnings of $1,000 per month). We have conducted two audits of SSA's work CDRs—in 2004 and in 2009. In an April 2009 report, we found the Agency was not conducting all work CDRs due, leading to $1.3 billion in overpayments undetected by SSA.

In a July 2009 report, *SSI Redeterminations*, we found that redeterminations decreased by more than 60 percent from FY 2003 to FY 2008 (2.5 million to 900,000), and we estimated that SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level in did in FY 2003. SSA has reported that it saves $7 for every $1 spent on redeterminations, and the Agency plans to conduct more than 2.2 million redeterminations in FY 2011 and 2.6 million in FY 2012.

As evidenced by CDRs and redeterminations, it is important for SSA to utilize any and all tools that can prevent payment errors before they occur. My office for years has encouraged SSA to use data matching and access other similar private databases to ensure program integrity and protect Agency funds.

In April 2008, my office released the report, *SSI Recipients with ATM Withdrawals Indicating They Are Outside the United States*. SSI recipients who are outside the United States for more than 30 consecutive days are not eligible to receive payments. We issued subpoenas to obtain the financial information of SSI recipients and analyzed the resulting data; based on a sample, we estimated that SSA failed to detect about $225 million in overpayments because 40,560 recipients did not inform SSA of their absence from the United States.

We recommend that SSA explore options that might help detect unreported residency violations, including assessing the feasibility of obtaining electronic bank statements with transaction-level data or acquiring a data-sharing agreement with the Department of Homeland Security for access to their Traveler Enforcement Compliance System (TECS). If Agency action was not taken, we estimated SSA would continue to lose $100 million annually to SSI recipients outside the United States. We recently received a request for report on SSA's progress in addressing this issue from Senator Tom Coburn, and we are in the process of requesting the necessary data from financial institutions to complete our review.

Similarly, OIG recommended SSA obtain beneficiaries' bank account information, rather than rely on SSI recipients' self-reporting of resources—money above the resource limit held by SSI recipients is a leading cause of payment errors. The Agency in recent years implemented the Access to Financial Institutions (AFI) Project, which allows SSA to check an applicant or recipient's bank accounts to verify resources. AFI has been implemented in 36 States, which represents more than 80 percent of the SSI population, and SSA plans to implement AFI in the remaining States this year. SSA expects AFI to yield $20 in savings for every $1 spent on the program by 2013 when the program is fully implemented. By 2013, SSA projects approximately $900 million in lifetime program savings for each year the Agency uses AFI.

We have also recommended SSA obtain death information electronically, as well as information on beneficiaries' marital status; explore data exchanges with States that maintain automated workers' compensation databases; and consider obtaining vehicle information from States to verify the resources of SSI recipients.

We in OIG also conduct data-matching efforts, but the *Computer Matching and Privacy Protection Act* requires formal computer-matching agreements that can take years to complete. This prolonged process can delay or derail time-sensitive audit and investigative projects. In 2010, DHHS obtained an exemption for data matches designed to identify fraud, waste, or abuse. We are pursuing a similar exemption through a legislative proposal.

The CDI program is another critical piece of our improper payment reduction effort. The CDI program is a joint effort by SSA and the OIG, working with State Disability Determination Services, and State or local law enforcement agencies, to pool resources and expertise for preventing fraud in SSA's disability programs. The program currently consists of 23 units covering 21 states, with the most recent unit opening in Oklahoma City, Oklahoma this month. Since the CDI program was established in FY 1998, its efforts nationwide have resulted in $1.7 billion in projected savings to SSA's disability programs; and $1 billion in projected savings to non-SSA programs. We are committed to expanding the CDI program, with plans to open two additional units by the end of FY 2011 and increase CDI coverage to 23 states.

The OIG's support for stewardship initiatives has never wavered. IPERA allows up to 5 percent of the amounts collected from recovery auditing by an agency to be used by the IG of that agency; the money is to be used to carry out this new law or any other activities of the IG relating to investigating improper payments of auditing internal controls associated with payments. However, this provision applies only to recoveries of overpayments made from discretionary appropriations, and for SSA/OIG, that applies only to recoveries of overpayments made from SSA's administrative expenses, not SSA's benefit programs.

Thus, we continue to pursue the establishment of a self-supporting program fund for activities such as the CDI program, CDRs, and redeterminations, to ensure payment accuracy—that applicants and beneficiaries are eligible at the time they apply and as long as they remain in payment status. The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected based on detection of erroneous overpayments SSA collects. These funds would be available until spent for stewardship activities.

In conclusion, the President has outlined an aggressive plan of action to reduce improper payments and improve payment accuracy throughout the Federal government. Thus far, agencies like SSA are working to improve their reporting of improper payments and identify overpayment and underpayment causes and solutions, even when budgets are limited and staff workloads are increasing. This important collaboration among Federal agencies, OMB, the Treasury, and the CIGIE will continue in an effort to improve administrative efficiency and service delivery.

The OIG has done, and continues to do, significant audit and investigative work to identify areas where SSA can be vulnerable to improper payments, and to recommend actions to reduce and eliminate those errors. The OIG encourages the Agency to commit to stewardship activities like CDRs, redeterminations, and data-matching agreements to ensure SSA prevents improper payments from occurring in the first place. We will continue to provide information to SSA's decision-makers and to these Subcommittees, and we look forward to assisting in these and future efforts.

I thank you again for the invitation to be with you here today. I would be happy to answer any questions.



Chairman BOUSTANY. Mr. Bertoni, you may proceed.

**STATEMENT OF DAN BERTONI, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.**

Mr. BERTONI. Mr. Chairman, ranking members, Members of the Subcommittees, good afternoon. I am pleased to discuss our work on overpayments in SSA's disability insurance program, which paid over $120 billion in benefits last year. The program has grown substantially in recent years and is poised for further growth as the baby-boom generation ages and places additional strain on the DI Trust Fund. Thus it is important that SSA maintain a robust process to detect and recover program overpayments.

My testimony summarizes our ongoing work and focuses on the extent to which SSA makes and ultimately recovers work-related overpayments and program policies and vulnerabilities that may contribute to overpayments.

In summary, DI program overpayment detections grew from about $860 million in 2001 to about $1.4 million last year. Our review and SSA's own estimates suggest that most overpayments are due to unreported earnings that exceed program limits. If beneficiaries return to work and do not notify SSA, overpayments can accrue, and in 49 of 60 randomly selected cases we reviewed there was no indication that beneficiaries had reported work and earnings as required.

While SSA recovered over $800 million in overpayments last year, repayment by beneficiaries can take decades, and total outstanding debt carried on SSA's books currently exceeds $5 billion. Despite its policy to request full repayment within 36 months SSA lacked agency-wide performance goals for timely debt recovery, and does not require supervisory review and approval of repayment plans exceeding 3 years. Our case file review shows that such plans frequently exceeded 20 years, with one plan extending over 200 years to recover a $27,000 overpayment.

We also found that for repayment plans extending beyond 2049 SSA's tracking system does not reflect the total balance due the agency, and as the years pass this underreporting will likely become more significant.

Work continuing disability reviews, or work CDRs, are a primary tool for SSA to identify work activity and earnings. However, it relies on IRS earnings data that can be more than a year old when received and matched against SSA's rolls, allowing overpayments to accrue for extended periods. Managers and staff at all four processing centers cited aged data as a major obstacle to limiting the occurrence and size of overpayments. Moreover, in the cases we reviewed, earnings data was already between 6 and 26 months old when received by SSA.

In prior work we have recommended that SSA seek more timely data sources, such as the National Directory of New Hires, or NDNH, which includes quarterly wage information and is used by several Federal programs to detect and prevent overpayments. Despite acknowledging a potential positive return by using the directory, SSA does not use it for large-scale data-matching with its DI beneficiary rolls due to concerns about the potential workloads it could generate.

Beyond earnings time limit issues, we found that work CDRs are not initiated by SSA staff for many months after receiving the initial IRS alert. In the 60 cases we reviewed the median time they were pending development after the alert was received was 7 months, with one case lingering more than 15 months. For about a third of all cases, individuals were overpaid an additional 18 months or more due to delays in starting the work CDR.

SSA officials told us the staff shortages and competing workloads, such as initial claims and medical CDRs, are among the factors delaying work CDR processing. We also found that SSA lacks formal performance goals for days work CDR cases on pending development or days taken to process them, although it has established similar goals for the medical CDR process. In the absence of such goals, cases can go unworked for extended periods, and we found considerable variation in processing times at the four centers visited, ranging from 82 days to nearly 1,000 days and resulting in combined overpayments of over $1 million.

Within the last year SSA has begun to better track work CDR completions, prioritize IRS alerts with a greater likelihood of larger overpayments and improved processing center procedures for initiating and completing CDRs. While these and other initiatives represent positive steps, it is too early to assess what impact it may ultimately have on overpayment detection and recovery.

Mr. Chairman, that concludes my statement. I am happy to answer any questions that you or other Members of the Committees may have.

Chairman BOUSTANY. Thank you, Mr. Bertoni.

[The prepared statement of Mr. Bertoni follows:]

United States Government Accountability Office

GAO

Testimony
Before the Subcommittees on Social Security and Oversight, Committee on Ways and Means, House of Representatives

For Release on Delivery
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Tuesday, June 14, 2011

# DISABILITY INSURANCE

## Preliminary Observations on SSA Efforts to Detect, Prevent, and Recover Overpayments

Statement of Daniel Bertoni, Director
Education, Workforce, Income and Security

GAO-11-756T

June 15, 2011

GAO Accountability • Integrity • Reliability

# Highlights

Highlights of GAO-11-756T, a report to Subcommittee on Social Security and Oversight, Committees on Ways and Means, House of Representatives

## DISABILITY INSURANCE

### Preliminary Observations on SSA Efforts To Detect, Prevent, and Recover Overpayments

## Why GAO Did This Study

The Social Security Administration's (SSA) Disability Insurance (DI) program paid almost $123 billion in benefits in fiscal year 2010 to more than 10 million workers and dependents. The program has grown rapidly in recent years and is poised to grow further as the baby boom generation ages. GAO examined (1) what is known about the extent SSA makes work-related overpayments to, and recovers overpayments from, DI beneficiaries, and (2) SSA's policies and procedures for work continuing disability reviews (work CDRs) and potential DI program vulnerabilities that may contribute to overpayments to beneficiaries who have returned to work. To answer these questions, GAO reviewed work CDR policies and procedures, interviewed SSA headquarters and processing center officials, and visited 4 of 8 processing centers. We reviewed a random nongeneralizable sample of 60 CDR case files across those 4 centers to ensure we had a wide range of cases for our review (15 cases from each). These 4 centers received almost 80 percent of all work CDRs from SSA's Internal Revenue Service enforcement data match in fiscal year 2009.

## What GAO Recommends

GAO has ongoing work on this issue and has no recommendations at this time.

View GAO-11-756T or key components.
For more information, contact Dan Bertoni at (202) 512-7215 or bertonid@gao.gov.

## What GAO Found

Disability Insurance overpayments detected by SSA increased from about $860 million in fiscal year 2001 to about $1.4 billion in fiscal year 2010, though the full extent of overpayments to beneficiaries who have returned to work and are no longer eligible is unknown. Overpayments may also go to beneficiaries who are no longer eligible due to medical improvement, but SSA estimates about 72 percent of all projected DI overpayments were work related during fiscal years 2005 through 2009. While the agency collected, or recovered, $839 million in overpayments in fiscal year 2010, monies still owed by beneficiaries grew by $225 million that same year, and total DI overpayment debt reached $5.4 billion. SSA does not have agency-wide performance goals for debt collection, for example, the percent of outstanding debt collected annually. And while SSA does have a policy for full repayment within three years, 19 of the 60 continuing disability review (work CDR) cases we reviewed had repayment plans exceeding three years. SSA officials told us lengthy repayment plans are often the result of an individual's limited income, but SSA does not review or approve repayment plans which exceed agency policy. During the course of our review, we also found a limitation in SSA's Recovery of Overpayments, Accounting and Reporting (ROAR) system. Used to track overpayments and collections, ROAR does not reflect debt due SSA past year 2049 so the total balance due the program is unknown, and likely larger than the agency is reporting. SSA officials acknowledged this issue, but are unable to determine the extent of the problem at this time. They told us they have a work group which will recommend action to correct the problem. But until this issue is addressed, SSA officials told us the agency can only track and report on overpayments scheduled to be repaid through 2049. The amount owed after that year is unreflected in current totals even as it annually increases.

SSA has numerous policies and processes in place to perform work CDRs, though two key weaknesses have hindered SSA's ability to identify and review beneficiary earnings, which affect eligibility for DI benefits. First, SSA lacks timely earnings data on beneficiaries who return to work. In 49 of the 60 CDR cases we reviewed, there was no evidence in the file that the beneficiary reported returning to work, as required by the program. To identify these unreported earnings, SSA primarily relies on data matching with the Internal Revenue Service (IRS), then sends these matches to staff for a work CDR. However, the IRS data may be more than a year old when received by SSA, and SSA says it is not cost effective to gain access to and use other sources of earnings information, such as the National Directory of New Hires database. In addition, we found cases may wait up to 15 additional months before SSA staff begin work on the CDR. Second, SSA lacks formal, agency-wide performance goals for work CDRs. While it targets 270 days to develop a case, actual processing time taken ranged from 82 to 992 days (with a median of 396 days) in the 60 cases we reviewed, and overpayments which accrued as a result topped $1 million total. SSA officials reported several initiatives to more effectively prioritize work CDR cases, for example, those with the largest potential overpayment amounts, but these efforts are in the early stages and we could not yet assess their effectiveness

Chairmen, Ranking Members, and Members of the Subcommittees:

I am pleased to be here to present preliminary information on overpayments in the Social Security Administration's (SSA) Disability Insurance (DI) program. The DI program provides cash benefits to workers who are blind or disabled and contributed to the DI Trust Fund as workers. In fiscal year 2010, the DI program paid about $123 billion in benefits to more than 10 million workers with disabilities and their dependents. The program has grown substantially in recent years and is poised to grow further as the baby-boom generation ages. Most importantly, the long-term solvency of the DI trust fund is currently jeopardized, and the fund is projected to be exhausted in 2018.

SSA guidelines allow DI beneficiaries to work and earn up to $1,000 per month[1] for a limited period of time without affecting their benefits—a level of earnings called substantial gainful activity (SGA). After completing a 9-month "trial work period" beneficiaries who earn more than SGA are generally no longer entitled to benefits, and may be overpaid if SSA does not stop their benefits in a timely manner.[2] To verify an individual's ongoing eligibility for DI benefits, SSA conducts periodic reviews of a beneficiary's earnings status called work continuing disability reviews (work CDRs).[3] These reviews typically involve SSA staff querying centralized agency data systems to identify earnings, sending forms to beneficiaries requesting they report earnings that may affect eligibility for DI benefits, contacting employers to verify earnings amounts, and assessing other factors such as employer subsidies and work-related expenses.

If SSA does not obtain timely and accurate earning information, or fails to act expeditiously to cease benefits to those no longer eligible, overpayments can accrue over several years and become very large—adding up to tens of thousands of dollars. Overpayments adversely affect program integrity, but can also create economic hardship for beneficiaries who have to repay them. In addition, the prospect of having to repay an overpayment may be a disincentive for some beneficiaries to return to

[1]20 C.F.R. § 404.1571 (2011). The substantial gainful activity level was $1,000 per month in 2010 for beneficiaries with disabilities and $1640 per month for blind beneficiaries.

[2]20 C.F.R. § 404.1592 (2011).

[3]20 C.F.R. § 404.1589 (2011).

work, which runs counter to SSA's goal of helping beneficiaries become self-sufficient.[4]

My testimony summarizes ongoing work we are performing at the request of the Social Security subcommittee, and focuses on two main questions: (1) What is known about the extent to which SSA makes work-related overpayments to, and recovers overpayments from, DI beneficiaries? and (2) What are SSA's policies and procedures for performing enforcement work CDRs, including potential DI program vulnerabilities that may contribute to work-related overpayments? We reviewed DI overpayment debt collection and enforcement work CDR performance data, external research studies, and our prior reviews of the program. We randomly selected 15 work CDR cases from each of four processing centers we visited (Baltimore, Maryland; Chicago, Illinois; Kansas City, Missouri; and Queens, New York)—which were closed in fiscal year 2009 with an overpayment. Together, the selected processing centers received almost 80 percent of SSA's enforcement alerts referred for work CDRs in fiscal year 2009. We reviewed each of these 60 randomly selected cases to determine whether the case had been processed in accordance with SSA program guidelines for processing of work CDRs. We used random selection procedures to help ensure we drew a wide range of cases for our review – however the results cannot be generalized to the population of all work CDR cases due to our limited sample sizes. Finally, we conducted in-depth interviews with SSA management and line staff responsible for performing work CDRs, and overpayment debt collection, at headquarters and four of SSA's eight processing centers. We also assessed the reliability of all databases used in our review, primarily SSA's Disability Control File (DCF), Master Beneficiary Record (MBR), and Recovery of Overpayment, Accounting, Reporting (ROAR). While we identified a ROAR system limitation, we found the databases to be sufficiently reliable for the purposes of our review. We are conducting this performance audit from March 2010 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

[4]SSA administers the Ticket to Work program, to provide eligible DI beneficiaries with employment services, vocational rehabilitation services, or other support services to help them obtain and retain employment and reduce their dependence on benefits. See GAO, *Social Security Disability: Ticket to Work Program: Participation Has Increased, but Additional Oversight is Needed.* GAO-11-324, Washington, D.C.: May 2011.

objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

## Background

SSA conducts periodic reviews called work continuing disability reviews (work CDRs) to determine if beneficiaries are still eligible or are working above the SGA level.[5] While work CDRs can be prompted by several events, most are generated by SSA's Continuing Disability Review Enforcement Operation (enforcement operation). This process involves periodic data matches between SSA's Master Beneficiary Record database and IRS earnings data. The enforcement operation generates alerts for cases that exceed specified earnings thresholds, [6] which are then forwarded to 1 of 8 processing centers for additional development by SSA staff.[7] In fiscal year 2010, the enforcement operation flagged approximately 2 million records of which more than 531,000 were sent to SSA's processing centers and field offices for review.

Work CDRs can also be triggered by other events. For example, SSA requires beneficiaries to undergo periodic medical examinations called medical continuing disability reviews, or medical CDRs, to assess whether they continue to have a physical disability.[8] During such reviews, the disability examiner sometimes discovers evidence that a beneficiary is working, and forwards the case to an SSA field office or processing center

[5]20 C.F.R. § 404.1589 (2011). We use the term "work CDRs" to describe "full" work CDRs in which a case is fully developed and staff fills out specific forms to receive work credit for completing a work CDR, as well as instances in which SSA staff perform limited development of beneficiary earnings because they determine that a full work CDR is not necessary (an activity that SSA refers to as a "work CDR action"). SSA also conducts medical CDRs to periodically assess beneficiaries' continuing medical eligibility for benefits.

[6]SSA generally uses six times the monthly SGA amount, or $6,000 in 2010, as the annual earnings cutoff: Beneficiaries whose annual earnings are $6,000 or less are likely to keep their DI benefits because their monthly earnings are expected to be below program earning limits.

[7]About half of the cases are sent to the processing center in SSA's Office of Disability Operations (ODO) in Baltimore, Maryland. ODO is responsible for handling beneficiaries who are less than 54 years of age and live in the U.S.. The remaining cases are sent to one of the remaining 7 processing centers.

[8]20 C.F.R § 404.1589 (2011). SSA contracts with state Disability Determination Services that are responsible for assessing whether an individual has a disability (a "medical" CDR). During the course of a medical CDR, examiners sometimes find evidence that a beneficiary may be working.

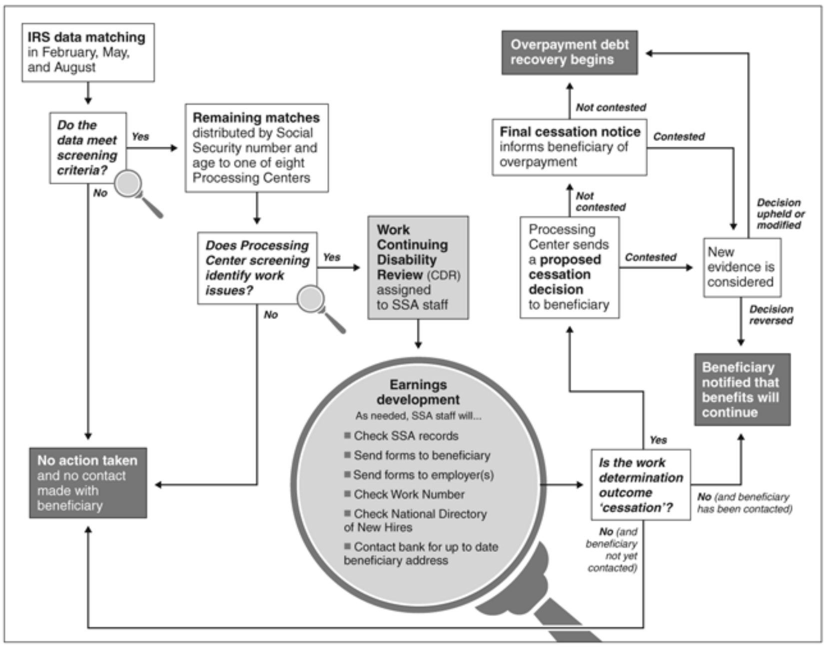
for earnings/work development. Third-party reports from state vocational rehabilitation agencies, federal agencies, or anonymous individuals may also trigger a work CDR. Finally, some DI beneficiaries report their earnings to SSA as set out in regulations[9] by visiting an SSA field office or calling the agency's 800 number. For each case identified for development, SSA staff must review electronic case files in SSA's eWork[10] and associated data systems, conduct interviews, and contact beneficiaries and their employers to verify earnings. After initial review, cases indicating a cessation of benefits are generally forwarded to a "disability processing specialist" for a determination of whether benefits should be discontinued and an overpayment assessed.[11] (See fig.1)

[9]20 C.F.R. § 404.1588 (2011). Under the regulation, beneficiaries are responsible for reporting certain events that may change their disability status.

[10]In 2004, SSA implemented the eWork system, which is the primary system for processing work CDR cases in headquarters and field locations.

[11]"Earnings reviewers" in the processing centers are generally responsible for initial analysis of a beneficiary's earnings; however, only disability processing specialists have the authority to cease benefits. In SSA's field offices, the claims representatives are responsible for the duties performed by both the disability processing specialist and the earnings reviewer.

Figure 1: SSA's Enforcement Work CDR Process




Source: GAO analysis of SSA procedural guidance.

When a DI work-related overpayment is identified, the beneficiary is notified of the overpayment and may request reconsideration or waiver of that overpayment. [12] SSA may grant a waiver request if the agency finds the beneficiary was not at fault and recovery or adjustment would either defeat the purpose of the program or be against equity and good conscience, as defined by SSA.[13] If SSA denies a reconsideration or waiver request, full repayment is requested. If the beneficiary is also receiving DI or certain other SSA benefits, SSA may withhold partial payment of these benefits to recover the debt.[14] However, if no SSA benefits are being received, or if the beneficiary asserts that the proposed withholding amount is too large, the agency generally requests repayment over 12 to 36 months. SSA policy requires a minimum monthly payment of $10 dollars. SSA may also attempt to recover payments due from the individual's estate or subsequent survivor's benefits.[15] (See fig. 2) The agency uses the Recovery of Overpayment, Accounting, and Reporting (ROAR) system to track beneficiary overpayments and collections.

[12]A beneficiary requests reconsideration when he or she disputes the occurrence of the overpayment itself 20 C.F.R. § 404.907 (2011); and requests a waiver when asserting he or she is both not responsible for the overpayment and incapable of repaying the debt, 20 C.F.R. § 404.506 (2011). A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

[13]42 U.S.C. § 404(b).

[14]20 C.F.R. § 404.530 (2011).

[15]In addition, SSA reports overdue debts to consumer and credit reporting agencies. 20 C.F.R. §§ 422.305 and 422.306 (2011). This does not result directly in increased collections, but acts as a disincentive to individuals who decline to establish a repayment plan with SSA. The agency sends a notice indicating that a failure to establish a repayment plan will result in such referrals. A poor credit score can result in greater difficulty borrowing money on favorable terms and other negative consequences for the debtor.

## Most DI Overpayments Are Work Related, and Their Recovery Can Take Decades

Medical and work-related overpayments in the DI program detected by SSA grew from about $860 million in fiscal year 2001 to about $1.4 billion in fiscal year 2010.[16] Though the true extent of overpayments due to earnings is currently unknown, our review suggests that most of them are related to beneficiaries who work above SGA while receiving benefits. SSA officials estimate that from fiscal years 2005 through 2009, about 72 percent[17] of all projected DI overpayments were work-related, or to beneficiaries who returned to work and were no longer eligible. SSA officials attribute increases in the percentage of overpayments that are work-related during this period to improved detection by its enforcement operation, and to changes in how the agency estimates the overpayment numbers. Agency officials also explained that the approximately half of the increase in overpayment dollars during the 10 year period may be due to the increase in DI program benefit levels.

Beyond SSA's estimates, we found that detected overpayments could be even larger than SSA's data reflect because some overpayments have been accidentally removed from SSA records due to manual processing errors.[18] In our current review of 60 work CDR cases, we found two manual processing errors which resulted in overpayments totaling $53,097 being removed from agency records. In one case, staff entered a code to correct an overpayment amount but instead deleted the overpayment entirely. As a result of our detection, SSA officials reentered the overpayment debts into the system and indicated they would proceed with debtor notification and recovery. Because the results of our case review are not generalizable, the incidence of such occurrences is currently unknown and thus the potential impact on total DI overpayments owed by ineligible beneficiaries is not clear. SSA officials said that they do not have a mechanism for detecting, or a process of supervisory review to catch, such errors.

[16] DI benefits paid by the program increased from about $58 billion to nearly $123 billion from fiscal year 2001 through fiscal year 2010. Most overpayments are detected in the fiscal year, or years after, they occur, so overpayment figures do not reflect overpayments made during the fiscal year cited. Reported overpayments do not include amounts removed from the record due to systems limitations, discussed later in this report.

[17] Percentage applies to projected overpayment dollars, not incidents of overpayments. The Office of Quality Performance reviews a sample of work CDR cases each year to project total DI overpayments for the year as well as the prevalence of types of errors resulting in those overpayments. GAO last reported on the estimated share of work, or SGA, related overpayments in 2004. GAO *Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*. GAO-04-929. Washington, D.C.: September 10, 2004.

[18] This could affect all overpayment records, not just work-related overpayment records.

A beneficiary's total DI overpayment debt can also increase because of multiple periods of employment. DI beneficiaries may reenter and leave the workforce based on their ability to perform SGA. As a result, a beneficiary could be subject to multiple periods of DI overpayments if he or she does not report increased earnings to SSA in a timely manner, as regulations instruct. In 49 of the 60 cases we randomly selected for review, there was no indication in the file that the individual had reported his or her earnings to SSA, and in 15 of the 60, SSA had detected two or more separate periods of earnings which resulted in overpayments. In one of these cases, the ineligible beneficiary owed SSA a total of $69,976.

## SSA Lacks Agency-Wide Performance Goals for DI Debt Recovery, and Overpayment Debt Continues to Mount

SSA does not currently have formal, agency-wide performance goals for debt recovery. Specifically, the agency does not have goals for the percentage of DI overpayment debt recovered within the 36 month timeframe as required by its own policy. Under the Government Performance Results Act of 1993 (GPRA), federal agencies are required to establish performance goals to define level of performance and establish performance indicators to be used in measuring relevant outputs, service levels, and outcomes for each program activity. [19] SSA's policy manual (POMS) requires staff to ask for full repayment within 36 months, but the agency has not made this time frame a performance goal. SSA officials said they are currently working to develop debt recovery goals. In the meantime, without agency-wide performance goals for debt recovery, SSA cannot adequately measure its performance or fully leverage and target its resources to recover overpayments from ineligible beneficiaries and reduce the total owed to SSA. Despite a substantial increase in DI debt collections—$340 million to $839 million from fiscal year 2001 through fiscal year 2010—outstanding DI debt[20] grew from $2.5 billion to $5.4 billion during this time, including a $225 million increase in fiscal year 2010.[21] (see fig. 2) Most overpayment debt is collected by SSA through offsets, or the withholding of future DI benefits for which a beneficiary is still eligible. SSA attributes 77 percent of the approximately $839 million of debt collected in fiscal year 2010 to withholding of DI benefits. The amount withheld from benefits to recoup previous overpayments may be

[19] Pub. L. No. 103-62, § 4(b), 107 Stat. 285, 287 (codified at 31 U.S.C. § 1115(a)).

[20] Overpayment debt is comprised of existing debt carried forward from prior years as well as new debt.

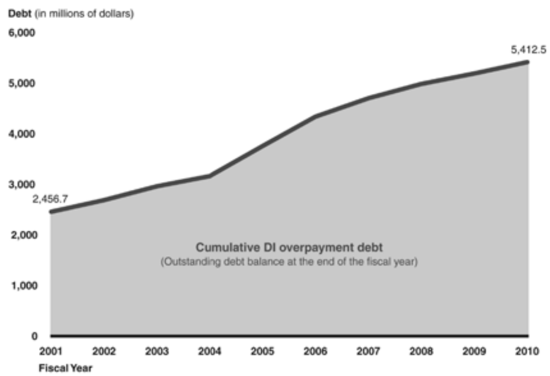
[21] The stated amounts for DI overpayment debt do not include interest or penalties.

negotiated with the debtor and based on a monthly amount the debtor can afford. The remainder of overpayment debt is collected in a variety of ways, including payments by the debtor and return of uncashed DI benefit checks; withholding of other SSA benefits, such as Supplemental Security Income (SSI); [22] or through external collection including federal salary offset, administrative offset (other than against SSA benefits), tax refund offset, and administrative wage garnishment. SSA estimates that only about 11 percent of collections is through external means. Of the 60 cases, 5 were referred for external collection at the time of our review, for a total owed of $79,950, but just $2,478 had been recovered through these methods.[23]

[22]Withholding from old age and survivor's (retiree) benefits is limited to 10 percent of the monthly benefit and from SSI to the lesser of the amount of the benefit or 10 percent of the beneficiary's monthly income. 42 U.S.C. 1320b-17(b).

[23]Case file data were pulled between September 2010 and November 2010, or for roughly the first quarter of fiscal year 2011. Most of these criteria were established for and by the Department of Treasury, which administers external collection, per the Debt Collection Improvement Act of 1996, Pub. L. No. 104-134. § 31001, 110 Stat. 1321, 1321-358 – 1321-380.

Figure 2: Cumulative DI Overpayment Debt, Fiscal Years 2001-2010




Source: SSA.

## SSA Policy Does Not Require Supervisory Review of Repayment Plans

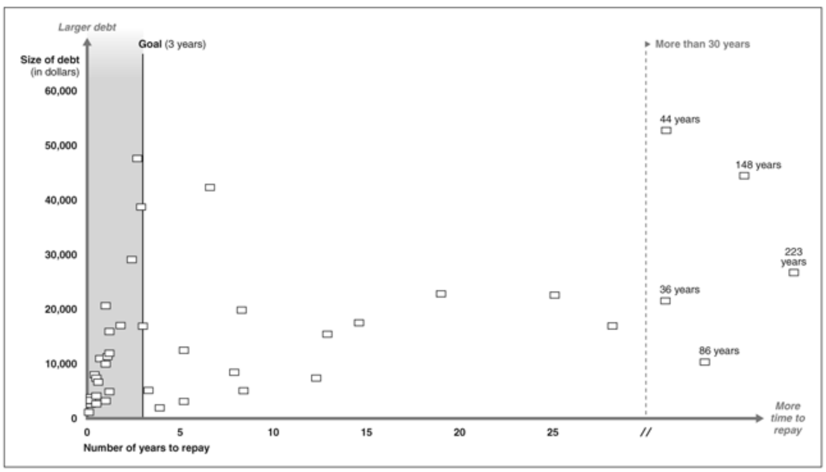
SSA does not require supervisory review of repayment plans prior to approval, including those in which repayment periods exceed the recommended 36 months. The agency reported that in fiscal year 2010, the median time to collect a DI overpayment debt in full was 48 months.[24] However, in our review of 60 cases, we found that SSA agreed to some initial repayment plans which will take many decades. We analyzed the initial payment plans established for individuals in these cases and found[25] 42 of the 60 had a payment plan in place, with a median repayment time for all 42 of approximately 34 months. While SSA's POMS require that staff should seek full repayment within 36 months, SSA officials reported that no supervisory approval is needed to exceed the 36 months. Of the 42 cases with a payment plan, 19 had initial plans requiring more than 36

[24]Social Security Administration's Fiscal Year 2010 Performance and Accountability Report.

[25]In the 60 cases we reviewed, we analyzed the number of years to repay the initial work-related overpayment debt, less any initial waivers or one-time payments, given the first recurring monthly payment established in the ROAR record.

months for payment in full and 7 of these required 20 years or more. Repayment time frames for the 42 cases ranged from less than 1 year to nearly 223 years for a case with a 60-year-old debtor who was paying $10 a month on $26,715 owed. (See fig. 3.) SSA officials told us they are often unable to increase monthly payment amounts and thus shorten repayment time frames because of a debtor's limited income. For instance, in a case we reviewed with an initial repayment plan of 148 years for $44,465 in overpayments owed to SSA, SSA records show the individual earned less than $100 in 2010.[26]

**Figure 3: Projected Years Needed for Payment in Full in 42 Cases with Initial Payment Plans, of 60 Cases Reviewed**




Source: GAO analysis of SSA data.

[26]DI does not have a cap on program benefit withholding. Instead, debt specialists set withholding amounts on a case by case basis.

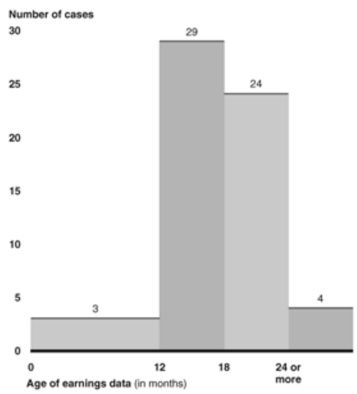
In the course of analyzing repayment plans, we found that the ROAR system cannot capture and track overpayment debt scheduled to be collected beyond the year 2049. As a result, the overpayment debt on the agency's books, and reported to the Department of the Treasury for the federal government's consolidated financial statements, is understated to some unknown extent. This ROAR system limitation stems from a program modification used to address the change of the century (Y2K) computer issue, and which extended the debt recovery date in ROAR from "1999" to "2049". Under existing SSA policies and procedures,[27] SSA staff manually remove from the ROAR system the portion of any debt that cannot be collected before the year 2050, and create a reminder in the system to recover that balance beginning in the year 2050. However, because this is a manual process, the intended recovery action could be potentially missed by staff. For example, 3 of the 60 cases we reviewed had a total of $43,285 in overpayments removed from ROAR system records because collection of these payments will occur after the year 2049. Because the results of our case review are not generalizable, we could not determine how many additional disability overpayment cases detected by SSA fell into this category. Unless corrected, more overpayments will likely to continue to be underreported as the years progress. Since bringing this issue to their attention, SSA officials told us that the agency has begun to study this ROAR system limitation and an agency working group will recommend a course of action to correct the problem. SSA officials also reported several initiatives either planned or under way that could improve the recovery of overpayment debt, including charging interest and penalties, offsetting state payments, and eliminating the 10-year limit on making referrals of some debts for external collection.

[27] Effective as of April, 2007.

## Lack of Timely Earnings Data and Inconsistent Processing of Work CDRs Allow Overpayments to Accrue

SSA conducts periodic computer matches with wage data from the Internal Revenue Service to independently verify beneficiaries' earnings. However, earnings data provided through the IRS match are often more than a year old when SSA staff begin the work CDR prompted by the IRS data. Managers and staff at the four processing centers we visited cited this delay as a major obstacle to limiting the occurrence and size of overpayments. Our work shows that this has delayed processing of work CDRs. In the 60 cases we reviewed, the earnings data were already between 6 and 26 months old by the time they were available to SSA staff for performing work CDRs. (See fig. 4).[28]

**Figure 4: Age of Earnings Data Provided to SSA by IRS Earnings Alerts, of 60 Cases Reviewed**




Source: GAO analysis of SSA data.

[28]Alerts for 24 of the 60 cases were delivered in cycles prior to 2008, most in 2007. Deliveries were delayed that year as well to July in the first cycle and September in the second cycle.

While DI beneficiaries are responsible for notifying SSA when they return to work as a condition of receiving benefits, they sometimes fail to make such notifications. Our review of 60 cases found no indication in 49 that the individual had reported earnings to SSA as instructed by regulation. In the other 11 cases, beneficiaries had reported returning to work, including the name of their employer and the amount of their wages, at some point. Yet 6 of these cases resulted in about $78,000 in total overpayments, even though the beneficiary reported returning to work more than a year prior to initiation of the work CDR. In the remaining 5 cases, the beneficiary reported working only after the CDR was initiated.

Earnings data from IRS or from beneficiaries may age further once received by SSA because staff sometimes do not begin a work CDR immediately. From the date of the initial IRS alert to the date staff begin work on the CDR, it is categorized as a case "pending development". In the 60 cases we reviewed, the median time cases were pending development was 205 days, or about 7 months, and ranged from 2 to 466 days, or more than 15 months.[29] For example, in the 466-day case, the IRS alert came to SSA in September 2007, when earnings (for 2006) were already 15 months old, then aged an additional 15 months until SSA staff began developing the work CDR. SSA officials could not explain what caused the delay in initiating development of this case or of several others we reviewed.

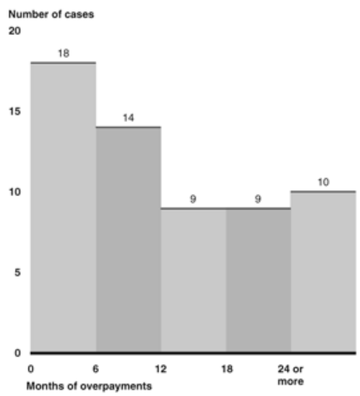
The delays that occur when staff do not act promptly to begin a work CDR, in combination with the initial delays in receiving beneficiary earnings data (either from the IRS enforcement operation, or beneficiaries' failure to self-report earnings), result in multiple DI overpayments which may continue to accrue for extended periods of time before they are addressed. For example, in the 60 cases we reviewed, delays which occurred after IRS alerts were delivered to SSA resulted in individual beneficiaries being overpaid for up to 38 months.[30] Most received fewer than 12 months of overpayments, but 19 of the cases received 18 or more months of overpayments. According to an SSA official, staff shortages and the need to focus resources on competing workloads, such as initial DI claims and medical CDRs, are among the factors delaying development of

[29] Among the four processing centers we visited, the median time spans from alert to beginning work on the CDR was 157, 165, 199, and 214 days.

[30] This is illustrative of how long overpayments occurred even before the case was flagged for review by the enforcement operation.

work CDRs in SSA's processing centers once earnings information is received. (See fig. 5)

**Figure 5: Number of Months Overpayments Accrued As CDR Development Pending, of 60 Cases Reviewed**




Source: GAO analysis of SSA data.

In 2004, we recommended that SSA seek to use large scale batch matches with an alternative database of earnings, the National Directory of New Hires (NDNH), which was originally established to help states locate noncustodial parents for child support payments. The NDNH could provide SSA with quarterly wage information on existing employees within four months of the end of a calendar quarter.[31] Several federal programs and agencies currently use the NDNH to verify program eligibility, detect and prevent potential fraud or abuse, and collect overpayments. SSA already has the authority to obtain NDNH earnings data on a case by case

[31]The NDNH contains quarterly state wage information which is more recent than the annual wage information that SSA obtains through its current IRS data match. SSA currently uses the NDNH to periodically monitor the earnings of SSI recipients.

basis,[32] but as we previously reported[33] lacks the authority to match SSA and NDNH data on a large scale, or batch, basis. In 2009, SSA conducted a cost effectiveness study on use of the NDNH, but SSA officials told us the study showed such matches would generate a large number of alerts needing development that were not of high quality due to data reliability issues, or "false positives". They also said the study found return on investment of only about $1.40 in savings for each $1 spent. SSA provided GAO with a limited overview of the study but we were unable to independently verify its accuracy or completeness because the information provided lacked sufficient detail. However, the agency's experience with the NDNH in its SSI program suggests it may be more cost-effective than indicated by SSA's analysis. The NDNH provides SSA staff with access to more comprehensive and timely employment and wage information, according to SSA officials, and the match has resulted in an estimated $200 million in SSI overpayment preventions and recoveries per year. Moreover, even if the benefit-to-cost ratio of using the NDNH for identifying DI beneficiaries' earnings is only 1.4 to 1.0, as reported by SSA, this still represents a 40 percent rate of return.

## SSA Lacks Agency-Wide Performance Goals and a Consistent Approach for Processing Work CDRs

SSA does not have agency-wide performance goals or a consistent approach for processing work CDRs across its processing centers. Specifically, the agency lacks performance goals for the number of cases that are pending development or for number of days taken to process a work CDR. While SSA has established an agency-wide goal for processing a certain number of medical CDRs in a fiscal year, and includes this goal in the agency's annual performance plan, SSA officials told us they have not established similar goals for work CDRs. Instead, they have established targets for the processing centers. For example, SSA has set targets for 95 percent of IRS alerts on earnings generated in 2008 or earlier to have a work CDR completed by September 24, 2010, and for processing centers to complete development of cases within 270 days.[34] SSA officials said work CDRs completed were generally not tracked prior to fiscal year 2010. We also found that while SSA's policies establish steps for work CDR processing to be followed across all processing centers, processing times

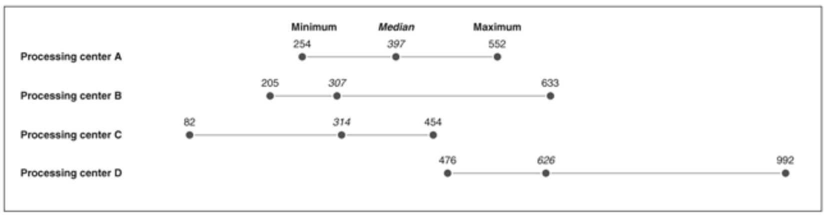
[32] 42 U.S.C. § 653(j)(4).

[33] GAO *Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*, GAO-04-929 (Washington, D.C.: September 10, 2004).

[34] SSA begins measuring this target from the time staff begin work on developing the case through the cessation was made.

across the four centers we visited varied widely once development was initiated. More specifically, we found that processing times for the 60 cases we reviewed ranged from 82 to 992 days (with a median of 396 days) [35] and resulted in combined overpayments totaling more than $1 million. We also found processing times varied depending on processing center. For example, while the median processing time for the cases we reviewed from three centers ranged from 307 to 397 days, median processing time at the fourth center, which processes about 50 percent of all work CDRs, was 626 days. (See fig. 6)

**Figure 6: Variance in total case processing time across four processing centers visited, for 60 cases reviewed**




Source: GAO analysis of SSA data.

Within the last year, SSA has started work on some new initiatives to identify CDR enforcement alerts that pose a greater likelihood of resulting in large overpayments. These include prioritizing IRS alerts with reported earnings that are greater than or equal to 12 times the current SGA level in an effort to better target cases for work CDRs, as well as working to update and streamline existing procedures regarding the initiation, follow-up timeframes, and overall completion of work continuing disability reviews for processing center personnel. While these and other recent initiatives represent promising steps, it is too early to assess what impact they may have on the prevalence and size of DI overpayments.

[35] We measured processing time from the time the IRS alert was generated through the time the cessation decision was made.

Chairmen, Ranking Members, and Members of the Subcommittees, this concludes my prepared statement. I would be pleased to respond to any questions you or other Members of the subcommittees may have at this time.

## Contact and Staff Acknowledgments

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In addition to the contact mentioned above, Jeremy Cox, Assistant Director; Arthur T. Merriam Jr., Analyst-in-Charge; Susan Aschoff; James Bennett; David Forgosh; Monika Gomez; Angela Jacobs; Joel Marus; Sheila McCoy; Cady Panetta; Nyree Ryder Tee; Vanessa Taylor; Walter Vance; and Craig Winslow made key contributions to this statement.

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Chairman BOUSTANY. Ms. Robert, you may proceed.

**STATEMENT OF ANN P. ROBERT, DEPUTY DIRECTOR, BUREAU OF DISABILITY DETERMINATION SERVICES, ILLINOIS DEPARTMENT OF HUMAN SERVICES, ON BEHALF OF THE NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS, SPRINGFIELD, ILLINOIS**

Ms. ROBERT. Chairman Boustany, Chairman Johnson, Ranking Member Lewis, Ranking Member Becerra, my name is Ann Robert and I am pleased to be here today to testify about the role of the DDSs relative to SSA's payment accuracy. I am here to testify on behalf of the National Council of Disability Determination Directors, which is a professional association consisting of the managers and the directors of the Disability Determination Services located in each State, also in the District of Columbia and Puerto Rico.

The DDSs are State agencies that are 100 percent federally funded by SSA. They employ 14,500 full-time State employees and they process over 4.3 million disability claims under the Social Security Act annually. The DDSs partner with Social Security to provide public service to individuals applying for disability. DDSs recognize the benefits of program integrity and assist SSA with this program integrity by adjudicating the continuing disability reviews. The purpose of the continuing disability review is to determine whether or not an individual continues to be eligible for benefits. This is a very complex process, and in the DDS can be a multiphase process. SSA estimates that every dollar spent will generate $10 in lifetime savings. This is a cost-effective workload and certainly has a significant return on investment.

Fiscal year to date, DDS has had accuracy of its workload of 98 percent. But this workload cannot be done without sufficient staff in the DDS. From the beginning of fiscal year 2011 to present, the DDSs nationally have an attrition rate of 12.8 percent in their disability examiners and an overall staff attrition rate of 10.3 percent. SSA imposed a hiring freeze in early fiscal year 2011. The attrition of trained examiners and the inability to hire will severely limit the ability of the DDSs to process initial cases, reconsideration cases, to work additional CDRs, and will result in significant backlogs nationally.

We thank you for the increased funding that you provided in the past for the initial—for the escalated initial case workload. Funding of the CDR work, however, was not sufficient and the backlog continues to grow. Funding the various workloads to provide a balance of program service and stewardship is challenging at best, and more difficult in these economic times. DDS staff are to be commended on their dedication to public service and their hard work. These staff remain flexible and committed to all workloads, working diligently to meet all SSA workload targets.

One example was when SSA was funded by Congress in 1996 for a 7-year plan to eliminate the CDR backlog. At that time SSA authorized the DDSs to hire, and they did so. The 7-year plan allowed for an incremental increase in the CDRs, so that plan and the ability to hire allowed the DDSs to complete that workload. SSA, with the assistance of the DDSs, successfully completed that plan.

The CDR process begins with SSA. SSA determines the number of CDR cases to be worked by the DDS each year. And those cases that require a full medical review are sent to the DDS. Although case adjudication is a complex task, the CDR review requires a side-by-side analysis of the prior allowance with the current medical evidence typically, in most DDSs, requiring the expertise of a senior examiner. If medical improvement is documented along with the beneficiary's ability to work, the CDR will be ceased.

If the beneficiary appeals, that CDR will come back to the DDS for a second review. If that case is not reversed, the CDR can come back to the DDS a third time to a disability hearing officer who will conduct a face-to-face hearing.

The increasing complexity of the disability program criteria require approximately 12 to 18 months for an initial examiner to become productive and independent. Attrition at the DDS is critical in 11 DDSs experiencing more than 20 percent attrition rate with their examiners since the beginning of fiscal year 2011.

SSA and DDS need sufficient funding for hiring to balance workloads, to provide public service and stewardship. Without such funds the DDSs will be unable to maintain the current level of accuracy and production for all workloads. Those most vulnerable will suffer.

DDS has recognized Commissioner Astrue for his leadership during these unprecedented times and commits to work with SSA on a plan that can accomplish all those workloads.

Thank you again for the opportunity to present testimony, and I would be happy to answer any questions.

Chairman BOUSTANY. Thank you, Ms. Robert.

[The prepared statement of Ms. Robert follows:]

TESTIMONY OF

ANN P. ROBERT, PRESIDENT-ELECT

NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS

To the

SUBCOMMITEE ON OVERSIGHT AND THE SUBCOMMITTEE ON SOCIAL SECURITY

Of the

COMMITTEE ON WAYS AND MEANS

UNITED STATES HOUSE OF REPRESENTATIVES

June 14, 2011

Chairman Boustany, Chairman Johnson, Mr. Lewis, Mr. Becerra, members of the Subcommittees, my name is Ann Robert. I am honored to have this opportunity to appear on behalf of the National Council of Disability Determination Directors (NCDDD) to comment on the role of the state Disability Determination Services (DDS) relative to the accuracy of payments made by Social Security Administration (SSA). I am President-Elect of the NCDDD and the DDS Administrator for the Illinois DDS.

The National Council of Disability Determination Directors (NCDDD) is a professional association composed of the Directors and managers of the Disability Determination Services (DDS) agencies located in each state, the District of Columbia, and Puerto Rico. Collectively, members of the NCDDD are responsible for directing the activities of approximately 14,500 state employees who process nearly 4.3 million claims per year for disability benefits under the Social Security Act. NCDDD goals focus on establishing, maintaining and improving fair, accurate, timely and cost-efficient decisions to persons applying for disability benefits. The mission of NCDDD is to provide the highest possible level of service to persons with disabilities, to promote the interests of the state operated DDSs and to represent DDS directors, their management teams and staff.

The DDSs are state agencies 100% federally funded by SSA. The DDSs make complex medical determinations for the Social Security disability programs pursuant to Federal Regulations. The majority of DDS staff are state employees subject to the individual state personnel rules, governor initiatives and state mandates with the remainder of staff under state contract to provide services to the DDS. The DDSs adjudicate various disability claims including initial applications, reconsiderations of those initial applications, and continuing disability reviews (CDRs). While the DDSs are state agencies, their funding and workload targets are determined by SSA.

The DDSs work in partnership with SSA to provide public service to individuals applying for disability benefits while also balancing stewardship commitments. One goal of the SSA Strategic Plan 2008-2013 is *Preserve The Public Trust in Our Program.* An objective of that goal is to curb improper payments. The DDSs have a role in assisting SSA with that objective. The DDSs evaluate CDRs requiring medical review for SSA, ensuring that only those individuals who are eligible, continue to receive benefits. SSA estimates that every dollar spent on CDRs yields $10 in lifetime program savings. Unfortunately, budget constraints have forced a reduction in this integrity workload. The DDSs can also assist in curbing improper payments by identifying fraud in the disability application process. The detection and prevention of improper payments further enhances the integrity of the program.

NCDDD appreciates that Congress has recognized that funding for the disability program is necessary to meet the needs of the public. We sincerely thank you and your colleagues for the previous funding that has assisted the DDSs in providing the necessary service to those Americans reaching out for help in desperate and difficult times. In previous years when initial disability applications were increasing significantly, Congress provided funding to address this workload. However, the funding previously provided was not sufficient to address the Continuing Disability Review (CDR) backlog at the same time. Funding the various workloads to provide a balance of program service and stewardship is challenging at best, and even more so now, as we experience difficult economic times. DDS staffing is critical to the processing of all disability claims. Nationally, DDS examiner attrition fiscal year to date (FYTD) is 12.8%. SSA has imposed a hiring freeze on all DDSs due to funding limitations. The continued inability to hire in the DDSs will severely limit the ability to process initial and reconsideration cases and restrict any additional CDR work, resulting in significant backlogs nationally.

A Continuing Disability Review is a review of continued eligibility for disability benefits previously awarded at any level of the decision making process including, initial, reconsideration, Administrative Law Judge or Appeals Council decisions. The Social Security Administration is required by law to conduct CDRs periodically. The Social Security Administration is required under Section 221(i) and 1614(a)(3) of the Social Security Act (Act) to review the continuing eligibility of disabled beneficiaries with nonpermanent impairments at least once every three years and review continuing eligibility of beneficiaries with permanent impairments at such times as are considered appropriate. In addition, Sections 223(f)(1) and 1614(a)(4) of the Act require that before benefits can be ceased, medical improvement since the last medical decision must be found and the medical improvement must be related to the ability to work. The purpose of these reviews is to ensure that only those who are eligible continue to receive benefits. Investment in this integrity workload to ensure payment accuracy and program savings is necessary and judicious. Both SSA and DDS conduct these reviews. The DDSs play an important role in addressing this workload with the responsibility of performing reviews on the CDRs that require a medical review. The SSA provides budget and corresponding workload targets to the DDSs each year that include targets for initial and CDR cases.

The CDR process begins with SSA. SSA determines the number of CDR cases to be worked by the DDSs each year. SSA uses technology to identify those individuals with a higher likelihood of medical improvement and sends those cases to a DDS for a full medical review. Once the DDS receives the case, the Disability Examiner (DE) evaluates the case to determine if medical improvement has occurred. This evaluation can include a request for current medical evidence or the necessity of scheduling the claimant for a consultative examination to evaluate the severity of the claimant's current condition. Although case adjudication is a complex task at all levels, the CDR review requires additional expert judgment and the CDR is assigned, in most DDSs, to senior examiners. When the case arrives in the DDS, the senior disability examiner (DE) begins the complex process requiring a side-by-side analysis of the documentation of the prior allowance decision to the current evidence. If there is medical improvement, the DE must evaluate vocational factors relative to the beneficiary's ability to work. If medical improvement is documented along with the beneficiary's ability to work, the CDR case will be ceased. The ceased beneficiary has the right to appeal this decision. A beneficiary files an appeal through SSA and the case is forwarded to the DDS as a Prehearing (reconsideration of the CDR decision). The DDS has the responsibility to have a different review team look at the case. That review team could reverse the determination to a continuance (allowance) or if the case is not reversed, the case moves to the DDS Disability Hearings Unit. A DDS Disability Hearings Officer (DHO) begins the administrative hearing process. This phase involves a face-to-face hearing and complex decision-making process. The hearings often involve travel for the beneficiary, witnesses, family members of the beneficiary and the DHO. After a complete and detailed hearing, the DHO renders a decision. If the DHO decision does not reverse the cessation, the beneficiary can further appeal to the SSA Administrative Law Judge.

In 1996, Public Law (P.L.) 104-121, the *Contract with America Advancement Act of 1996*, provided for an adjustment in the discretionary spending caps for increased funding for CDRs for FYs 1996 through 2002. Congress authorized 4.1 billion dollars over seven years to fund SSA's plan to conduct 8.2 million CDRs between 1996 and 2002. During this period, SSA authorized significant hiring in the DDSs. This specific funding and the SSA plan for the incremental increase in the CDR workload over that period allowed DDSs to efficiently hire, plan, and complete the additional workload. During this period, DDSs were also funded to maintain other workloads. SSA, with the assistance of the DDSs, successfully completed the plan for reduction of the CDRs. Between FY2000 through FY2002, the DDSs processed on average each year 889,792 CDR cases compared to an average of 319,518 CDRs each year for FY2008 through FY2010. Budget constraints since FY2002 have created a shortfall between the CDRs scheduled for review and those reviewed. Currently SSA faces a CDR backlog. This program integrity workload is a critical piece of SSA's public service commitment. Additional funding including immediate hiring is essential to prepare experienced examiners for this complex workload.

The DDS can further assist SSA with payment accuracy by identifying fraud in the disability application process. DDSs conduct training with their staff and medical consultants to develop an awareness of the potential for fraud in the process. The Cooperative Disability Investigations (CDI) Program is a joint effort among Federal and State agencies to effectively pool resources for the purpose of preventing fraud. These units utilize specific DDS staff that evaluate fraud referrals in the DDS and refer those cases to SSA OIG. There are 22 CDI units across the country. Four additional units are scheduled to open in FY 2011, bringing the total number to 26 units. There are plans to continue to expand the CDI units. If a DDS does not have a CDI unit, the referral of potential disability fraud is directed to the SSA Regional Office for that DDS. Fraud detection and prevention is important to payment accuracy and should be encouraged in the DDS by allocating sufficient resources for CDI units.

Over the past few years, the DDSs have seen a significant increase in the filing of initial disability claims. Initial receipts in FY 2008 were 2,605,362 increasing to 3,024,415 in FY 2009 and 3,224,668 in FY2010. The SSA requested increased funding to address the escalating initial case receipts and Congress responded providing additional funding which allowed the DDSs to hire and process this increasing workload. However, the appropriation for SSA for FY2011 is almost $1 billion less than the President's budget. As a result, DDS funding has been limited and since early in FY2011, the DDSs have been unable to hire staff due to the SSA imposed hiring freeze. Fiscal Year to date the DDSs nationwide have an attrition rate of 10.3% for all staff and 12.8% for disability examiners. Eleven DDSs have an attrition rate for disability examiners over 20%. Since the beginning of FY 2011 the DDSs have lost 1,102 staff, including 800 disability claims examiners. The impact of the inability to hire in the DDS is already evident in most DDSs and will have long-term consequences. The increasing complexity of the disability program criteria requires approximately 12-18 months of experience in the program for a disability examiner to become fully independent and productive. Therefore, hiring does not immediately translate to increased capacity and productivity. This initial learning curve, coupled with the current attrition in the DDSs, is a significant challenge for the state DDSs in maintaining a qualified and experienced workforce.

While overtime is currently authorized for the DDSs, overtime has limited value. Overtime can increase production on a short-term limited basis. Using overtime to compensate for the inability to hire is not effective. Continued overtime can result in fatigue that can reduce production and increase attrition. Increased DDS staffing is necessary to handle all workloads in an efficient manner in order to address the public need.

Payment accuracy is an important goal for SSA to ensure the program stewardship. In partnership with SSA, DDSs further this goal by identifying potential fraud and adjudicating medical CDRs. Despite the complexity of the CDR workload, the DDSs national accuracy rate for CDRs is 98%. Medical CDR's yield $10 in lifetime program savings for every dollar spent. The DDSs historically process their funded workloads. Between 1996 and 2002 when Congress allocated specific funding for CDRs, the DDSs increased hiring and processed the additional cases to meet the SSA targets. With adequate and timely funding the DDSs will continue to process all workloads. This workload processing requires staff. The continued loss of staff must be addressed with the ability to immediately hire in the DDSs. SSA and the DDSs must receive adequate resources to provide necessary staffing and funding for all workloads to address both program service commitments and stewardship. We acknowledge such a balance is difficult but critical to public service.

DDSs recognize Commissioner Astrue for his leadership during these unprecedented times in SSA and the DDSs. NCDDD stands ready to work cooperatively with the SSA in developing an efficient, consistent, and cost-effective operational plan that will ensure the success of addressing this important integrity workload and all workloads while continuing to provide quality public service and program stewardship.

Chairman Boustany and Chairman Johnson and members of the Subcommittees, on behalf of NCDDD, thank you again for the opportunity to provide this testimony. NCDDD has a long track record of success working with SSA to provide the highest level of service. I hope that this information is helpful to the Subcommittee. NCDDD is willing to provide any additional assistance you may need and I would be happy to answer any questions you may have.

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Chairman BOUSTANY. Mr. Dirago, you may proceed.

**STATEMENT OF JOSEPH DIRAGO, PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, WASHINGTON, D.C.**

Mr. DIRAGO. Chairmen Boustany and Johnson, Ranking Members Lewis and Becerra, and Members of the Subcommittees, I am Joe Dirago, the President of the National Council Social Security Management Associations, NCSSMA, and the District Manager of the Social Security office in Newburgh, New York. I appreciate this opportunity to speak on behalf of 3,400 Social Security managers in field offices and teleservice centers around the country.

NCSSMA shares the concerns expressed about improving SSA's payment accuracy. It is fitting that this hearing is held on Flag Day, a symbol of our country's vigilance and perseverance. Social Security has persevered as the safety net of America for 76 years. We ask that Congress be vigilant about ensuring that this great program remain strong to address its stewardship responsibilities and maintain service levels vital to millions of Americans.

Appropriations for SSA are an excellent investment and return on taxpayer dollars. With the additional funding provided by Congress in recent years, significant progress was made with program integrity initiatives which yield $7 to $12.50 in savings for every dollar invested.

Despite workload increases, our 2011 appropriation was below the 2010 level. This has resulted in a hiring freeze, a drastic reduction of overtime hours, and postponements of efficiency improvements. Public service repercussions are being felt throughout offices as they experience tremendous pressure to process growing workloads with diminished resources.

A California manager says: We handle close to 2,000 visitors a week. Recent retirement losses are affecting the service we provide and we cannot interview the public fast enough. As field office employees are responsible for interviewing the public, answering the telephones, processing claims, and working critical program integrity cases, service is eroding.

An Alabama manager says: Waiting times and backlogs are increasing and we do not have sufficient staff to reverse the trend. Unless we can hire, the backlogs will continue to grow and service to the public will deteriorate. Most of SSA has been under a hiring freeze, and this will result in the loss of over 3,500 employees in 2011. Because attrition is not even, some offices are becoming severely understaffed.

A Kansas manager says: My office has lost seven employees in the last 6 months, with no replacements. I have 16 individuals on staff eligible for retirement. The thought of a 2-year hiring freeze is terrifying and additional losses would be devastating. We have a highly skilled but aging workforce, with 23 percent of our employees eligible to retire today. Because it takes about 2 years to train a new hire, significant concerns exist about the loss of institutional knowledge.

Increased workloads, coupled with staffing reductions, are not a formula for payment accuracy. Employees are forced to work at an accelerated rate which compromises quality. There is little time for training, mentoring, and quality reviews, which translates to payment errors.

NCSSMA supports investments to ensure accurate payments, but SSA's capacity is directly impacted by its funding levels. Fewer SSI redeterminations and medical CDRs were completed from 2006 to 2008 due to inadequate funding. Increased appropriations in 2009 and 2010 allowed us to process substantially more program integrity workloads, yielding about $6 billion in savings each year. Program integrity activities included in the 2012 budget request would yield over $9 billion in savings by completing 2.6 million SSI redeterminations and 592,000 medical CDRs.

We sincerely appreciate your interest in the vital services Social Security provides, and we certainly recognize the difficult budget environment. However, Social Security touches the lives of nearly every American family and sufficient resources are necessary. NCSSMA respectfully requests your support of full funding of the President's 2012 SSA budget on behalf of our agency and the American public that we serve.

We also request your support for dedicated funding to improve payment accuracy. This will allow SSA to process its core workloads, accomplish program integrity initiative, and save taxpayer dollars.

Thank you for the opportunity to testify at this hearing and for consideration of our recommendations.

Chairman BOUSTANY. Thank you, Mr. Dirago.

[The prepared statement of Mr. Dirago follows:]

**United States House of Representatives**
**Joint Hearing**

**Subcommittee on Oversight**
**of the Committee on Ways and Means**
**and**
**Subcommittee on Social Security**
**of the Committee on Ways and Means**

**Testimony of**
**Joe Dirago**
**President**
**National Council of Social Security**
**Management Associations, Inc.**

**Oversight Hearing on Social Security Administration's Payment Accuracy**

**June 14, 2011**

Chairmen Boustany and Johnson, Ranking Members Lewis and Becerra, and members of the Subcommittees, on behalf of the National Council of Social Security Management Associations (NCSSMA), thank you for the opportunity to submit this written testimony regarding Social Security's payment accuracy. We share your concern that stewardship and protecting taxpayer dollars is of paramount importance. Much of my testimony focuses on the effect of the Social Security Administration's annual appropriations levels on payment accuracy and accomplishing program integrity workloads. I am the President of NCSSMA and have been the District Manager of the Social Security office in Newburgh, New York for ten years. I have worked for the Social Security Administration (SSA) for 31 years, with 27 years in management.

NCSSMA is a membership organization of nearly 3,400 SSA managers and supervisors who provide leadership in 1,299 community based Field Offices and Teleservice Centers throughout the country. We are the front-line service providers for SSA in communities all over the nation. We are also the federal employees with whom many of your staff members work to resolve problems and issues for your constituents who receive Social Security retirement, survivors and disability benefits (RSDI), and Supplemental Security Income payments (SSI). Since the founding of our organization over forty-one years ago, NCSSMA has considered our top priority to be a strong and stable Social Security Administration, one that delivers quality and timely community-based service to the American public. We also consider it a top priority to be good stewards of the taxpayers' moneys and the Social Security programs we administer.

It is fitting that this hearing is held on June 14, Flag Day, commemorating the adoption of the flag of the United States of America and a symbol of our country's vigilance and perseverance. NCSSMA has critical concerns about whether our country's most successful government program will be funded appropriately so that it may persevere as the safety net of America, as it has for more than 76 years. Congress must be vigilant about ensuring that this great program receives the necessary funding to properly address its stewardship responsibilities and maintain service levels vital to millions of Americans. This includes our nation's veterans, who fought to preserve the very ideals that our American flag symbolizes.

Appropriations to the Social Security Administration are an excellent investment and return on taxpayer dollars. The additional funding Congress provided SSA in Fiscal Years 2008-2010 helped significantly to prevent workloads from spiraling out of control, allowed the agency to accomplish its program integrity workloads, and assisted with improving service to the American public.

Despite SSA's enormous workloads and challenges, SSA's FY 2011 appropriation for administrative funding through the Limitation on Administrative Expenses (LAE) account was below the FY 2010 enacted level and $275 million was rescinded from Carryover Information Technology (IT) funds. ***This funding level does not allow SSA to cover inflationary costs for fixed expenses, which has resulted in a hiring freeze, drastic reduction of overtime hours, and postponements of initiatives to improve efficiency – all of which will have major public service repercussions.***

Our testimony provides a summary of the current state of SSA operations, a review of SSA's current funding situation and the President's FY 2012 budget request, and information about the many challenges confronting our agency. Detailed information on SSA's program integrity investments is provided, which emphasizes the importance of providing SSA with the necessary resources to serve the American public and to accomplish critical stewardship responsibilities.

SSA already has an acute staff-to-workload imbalance and is over-extended in critical program areas as it struggles to keep up with rapidly increasing workloads and existing backlogs. Congress must give thoughtful consideration to future appropriations for SSA to ensure the preservation of this valued program. Properly funding SSA to process core workloads and invest in program integrity initiatives to improve payment accuracy will save taxpayer dollars and is fiscally prudent in reducing the federal budget and deficit.

## The Current State of SSA Operations

NCSSMA has critical concerns about the dramatic growth in SSA workloads, and the need to receive necessary funding to maintain service levels vital to 60 million Americans. Despite agency strategic planning, expansion of online services, significant productivity gains, and the best efforts of management and employees, SSA is still faced with many challenges to providing the service that the American public has earned and deserves.

Over the last seven years, SSA has experienced a significant increase in RSDI and SSI claims. The additional claims receipts are driven by the initial wave of the nearly 80 million baby boomers who will be filing for Social Security benefits by 2030 – an average of 10,000 per day! Concurrently, there has been a surge in new initial claims filed due to poor economic conditions and rising unemployment levels.

The need for resources in SSA Field Offices is critical to process these additional claims and provide other vital services to the American public. Field Offices are responsible for processing 2.4 million SSI redeterminations in FY 2011, a 100 percent increase compared to FY 2008. Nationally, visitors to Field Offices increased from 41.9 million in FY 2007 to 45.4 million in FY 2010. SSA is also experiencing unprecedented telephone call volumes, and in FY 2010, SSA completed 67 million transactions over the 800 Number network – the most ever. In addition to telephone transactions over the 800 Number network, NCSSMA estimates that Field Offices handle approximately 30 million public telephone contacts annually.

Nationwide, over 3.2 million new disability claims were filed and sent to the state Disability Determination Services (DDS) in FY 2010. This surge of increased claims has created backlogs. As of the end of May 2011, the number of pending initial disability claims was 785,624 – a 39 percent increase from the end of FY 2008. SSA's largest backlogs are hearing requests appealing initial disability decisions, which are processed by the Office of Disability Adjudication and Review (ODAR). Hearing receipts continue to rise, and as of May 2011, 740,998 hearings were pending which is over 35,000 more hearings than at the end of FY 2010.

As SSA Field Offices and DDSs are not receiving staff replacements and overtime is significantly reduced, there are insufficient resources to accomplish workloads, which results in delays and backlogs. Public service is deteriorating and the situation will continue to erode throughout the year. This is exacerbated by the fact that SSA has to accomplish the same number of program integrity workloads with fewer resources.

## Social Security Administration Funding

**SSA Funding for FY 2011**

NCSSMA supported the President's FY 2011 budget request of $12.379 billion for SSA's administrative expenses. Much of this increase was needed to cover inflationary costs for fixed expenses. Funding at this level would have assured that SSA could meet its public service obligations. Despite SSA's enormous challenges, attaining this level of funding was not possible. SSA's FY 2011 appropriation for administrative funding through the LAE account was $10.7755 billion, which is $25 million below the FY 2010 enacted level and $275 million was rescinded from SSA's Carryover IT funds.

Inadequate funding of SSA in FY 2011, including rescissions, is having major repercussions for SSA, most notably with the inability to hire staff replacements. The reduced staffing levels in SSA Field Offices and DDSs, along with significantly reduced overtime, is negatively impacting efforts to address key workloads such as processing disability claims.

***Reducing resources at the same time SSA workloads are increasing is not prudent and has led to significant cutbacks for members of the public who rely on SSA for essential services.*** This is a prescription for making a very productive agency that efficiently uses the taxpayers' moneys into one with significant service delays and backlogs as it tries to cope with the mounting workloads and public recontacts. In addition, service deterioration and backlogs resulting from inadequate FY 2011 funding levels will have a collateral negative impact on FY 2012.

**President's Proposed FY 2012 SSA Budget Request**

***NCSSMA supports the President's FY 2012 budget request for SSA***. The total SSA budget request is $12.667 billion, which includes $12.522 billion in administrative funding through the LAE account. We respectfully request that Congress provide the President's full budget request for SSA in FY 2012.

The following is a direct quote from the SSA FY 2012 Budget Overview:

> *"In FY 2012, we will need a minimum administrative budget increase of $300 million just to cover our fixed costs, including rent, guards, postage, and employee salaries and benefits. We will need funding above that level to keep up with our growing workloads, reduce existing backlogs, and meet rising customer service expectations."*

Full funding of this request is critical to maintain staffing in SSA's front-line components and cover inflationary increases. It will allow the agency to sustain the momentum achieved to:

- ***Reduce the initial disability claims backlog to 632,000*** by processing over 3 million claims;
- Conduct disability hearings for 822,500 cases and ***reduce the waiting time for a hearing decision below a year for the first time in a decade;***
- Reduce pending hearings to 597,000 from the FY 2010 level of 705,367; and
- ***Complete additional program integrity workloads yielding nearly $9.3 billion in savings over 10 years, including Medicare and Medicaid savings*** – process 592,000 medical Continuing Disability Reviews (CDRs) and 2.6 million SSI redeterminations.

NCSSMA supports the following legislative and/or regulatory proposals that can improve the effective administration of the Social Security program, with minimal effect on program dollars. We believe these proposals, which are included in the FY 2012 budget request, have the potential to increase administrative efficiency, lower operational costs, and save taxpayer dollars. This includes enacting the Work Incentives Simplification Pilot (WISP), requiring quarterly reporting of wages, workers compensation automatic reporting, and developing an automated system to report state and local pensions. All of these proposals would increase the accuracy of SSA payments.

## Assessment of SSA Challenges

**Field Office Service Delivery Challenges**

SSA Field Offices are experiencing tremendous pressure because of increased workloads and additional visitors. The effect of funding SSA in FY 2011 below FY 2010 levels exacerbates the situation and has already had a significant impact on local Field Offices around the country.

***Frontline feedback from our busiest urban offices indicates that some have seen their visitor and telephone traffic explode with overflowing reception areas and increased waiting times.*** The managers of busy SSA Field Offices recently provided these comments:

- *We handle close to 2000 visitors a week in my office. Recent losses due to retirement are affecting the service we provide, as we cannot interview the public fast enough. Adding employees to assist with interviews creates backlogs. In addition, the safety of the employees becomes at risk as the public becomes frustrated at the long waits. (California)*

- *The hiring freeze is already having an impact in our office. Our large volume of telephone traffic required us to add two additional employees to phone duty, waiting times and backlogs are increasing and we do not have sufficient staff to reverse the trend. Our employees work hard, however they can only do so much in an eight-hour day. Unless we are allocated additional hiring and resources, the backlogs will continue to grow and service to the public will deteriorate resulting in longer wait times and claims processing delays. This really is unacceptable to the American public we are dedicated to serve. (Alabama)*

Most of SSA has been under a hiring freeze because of the current funding situation. ***A hiring freeze for all of FY 2011 will result in at least a loss of over 2,500 SSA federal employees and over 1,000 DDS employees. It is anticipated that an additional 4,400 SSA federal and DDS employees will be lost in FY 2012.*** This SSA Field Office manager provided the following frontline feedback about the effect of the current SSA hiring freeze on their office.

- *Our office will lose a third employee within a one-year period when a veteran employee retires on June 3, 2011. This is at a time when our claims receipts have increased by over 14% for the first seven months of the fiscal year compared to FY 2010. We cannot replace any of these losses due to the hiring freeze. A 16% reduction in staff, coupled with a 14% increase in claims receipts will result in more backlogs in both claims and post entitlement, a diminished capacity to answer telephone inquiries from the public, and higher in-office waiting times. This is inevitable, despite our best efforts. Our staff takes pride in providing outstanding public service, and it is frustrating that we will not be able to provide the level of service that the citizens in our service area have paid for and deserve. Additionally, with uneven attrition among offices and essentially no replacement hiring allowed for the foreseeable future, our staff universally views this scenario as very unfair to all involved, both the American public and to Field Office staff in offices with heavy losses. (Kentucky)*

As in-office visitors increase in already busy offices, there has also been an increase in reported security incidents. A November 2010, Office of the Inspector General (OIG) Report, "*Threats against SSA Employees or Property,*" indicates, ***"SSA has experienced a dramatic increase in the number of reported threats against its employees or property.*** *The number of threats… increased by more than 50% in FY 2009 and by more than 60% FY 2010."* This SSA Field Office manager relates concerns about some recent security.

- *Security incidents are increasing and two recent serious incidents are a cause for real concern. One involved an unruly visitor who threw a chair and injured another visitor, requiring hospitalization. A second involved a visitor who threatened to kill an employee. Our staffs are dealing with increasing workloads and backlogs, reduced availability of overtime, and a hiring freeze. The security issues only add to the pressures employees feel in performing their important duties. (Texas)*

SSA has a highly skilled but aging workforce with about two-thirds of its over 60,000 employees involved in delivering direct service to the public. ***SSA projects 23 percent of its employees are currently eligible to retire and that figure will increase to 35 percent in five years.*** Significant concerns exist about the agency's ability to sustain service levels with the tremendous loss of institutional knowledge from SSA's front-line service personnel. This SSA Field Office manager relates the challenges of dealing with staff retirements:

- *My office has lost 7 employees in the last six months and none of these losses has been replaced. I currently have 16 individuals on staff eligible for retirement. The thought of a 2-year hiring freeze is terrifying. With our current staff, we are unable to keep our appointment calendars current. The staff is extremely stressed. Due to workload pressures, many of the younger employees have expressed concerns about whether they want to stay with the agency. Additional losses would be devastating. (Kansas)*

***Geographical staffing disparities will occur with attrition leaving some offices significantly understaffed.*** This is problematic for rural SSA Field Offices, whose customers often live vast distances away, may have no Internet service, and lack access to public transportation. A Field Office manager in Nebraska provides this comment about how staffing freezes can affect some offices and areas more severely than others.

- *One of our Nebraska offices lost 5 out of 18 employees between March 28 and June 3, 2011 - a 28% reduction in staff. The office is struggling to meet its public service obligations. Other offices in the cluster are helping, but these offices are also staffed historically low. Another Nebraska office, staffed with 15 employees as recently as February 2005 today has 10 employees. A third Nebraska office, once with 13 employees today has 9 employees. Cluster offices use Video Service Delivery technology to help meet interviewing needs, but this technology is also used to conduct remote ODAR hearings and is not always available to assist the office with core workloads. (Nebraska)*

**Disability Workload Processes**

Eliminating the disability hearings backlog continues to be SSA's top priority, and the agency has made a major resource investment to improve this situation. The agency's goal is to eliminate the backlog by FY 2013 and to improve processing time to 270 days. The Commissioner has implemented several initiatives to achieve this goal, but this will depend on the available resources provided by SSA funding and the volume of new hearings received. A Congressional Research Service report on SSA's Budget Issues dated May 19, 2011 states, *"However, extended continuing resolutions that largely fund the agency at previous year levels, LAE appropriations that are below the President's budget request, and rescissions like those passed by the House of Representatives in H.R. 1 may make this goal difficult to attain."*

It is important to understand that annual appropriated funding levels for SSA have a critical impact on the hearings backlog. One of the most significant reasons for the increase in disability hearing backlogs was the significant underfunding of SSA. From FY 2004 to FY 2007, the final appropriated funding levels approved by Congress totaled $854 million less than the President's requests and $3.071 billion less than the Commissioner's requests.

However, as you can see from the chart below, from FY 2008 to FY 2010, the cumulative final appropriation level was $203 million **more** than the President's requests. In addition, SSA received nearly $1.0 billion in American Recovery and Reinvestment Act (ARRA) funding. Half of the ARRA funds were designated to replace the aging SSA National Computer Center. Much of the other ARRA funding has been utilized to help address the hearings backlog at SSA.

| SSA FUNDING REQUESTS AND FINAL APPROPRIATIONS: FY 2008 – FY 2010 | | | | | |
|---|---|---|---|---|---|
| **(figures in $Billions)** | **Commissioner's Request** | **President's Request** | **Final Appropriation** | **Final vs. President** | **Final vs. Commissioner** |
| **FY 2008** | $10.420 | $9.597 | $9.745 | $0.148 | ($0.675) |
| **FY 2009** | $10.395 | $10.327 | $10.454 | $0.059 | $0.127 |
| **FY 2010** | $11.793 | $11.451 | $11.447 | ($0.004) | ($0.346) |
| **Total** | $32.608 | $31.375 | $31.646 | $0.203 | ($0.894) |

The increased resources for SSA were even more essential as the agency's workloads grew at a rapid pace following the economic downturn. With the increased funding SSA received in the last three fiscal years, the agency opened or expanded 19 Hearing Offices, including a fifth National Hearing Center, and hired 228 Administrative Law Judges and additional support staff.

SSA's efforts have resulted in significant progress in reducing both the number of pending hearings and the amount of time a claimant must wait for a hearing decision. In May 2011, the average processing time for a hearing was 354 days, the lowest level since Fiscal Year 2003. Even though this is positive news, the Hearing Offices are facing a significant wave of new hearings with approximately 400,000 more hearings from FY 2009 through FY 2011 than were filed in FY 2008. This is attributable to the increased number of disability claims being filed since the economic downturn that began in 2008.

***The reduced SSA funding level in FY 2011 has resulted in the suspension of opening eight planned Hearing Offices in Alabama, California, Indiana, Michigan, Minnesota, Montana, New York, and Texas.*** This diminishes SSA's ability to eliminate the hearings backlog by FY 2013.

**Information Technology and eServices to Assist with Service Delivery Challenges**

SSA is confronted with significant challenges in managing its IT programs to keep pace with rapidly expanding workloads. NCSSMA believes it is critical SSA receive adequate funding to allow for much-needed IT investments, including replacement of the aging National Computer Center, to maintain systems continuity and availability, upgrade the agency's telephone system, and to improve IT service delivery. SSA's initiatives to implement automation and technological efficiencies are vital to the success of the agency.

The expansion of services available to the American public via the Internet has helped to alleviate the number of visitors and telephone calls to SSA. However, public use of the Internet is not keeping pace with the increasing demand for service. High-volume transactions, such as Social Security cards and benefit verifications, are not available on the Internet, or are only being used to a limited degree. These two workloads account for over 40% of the 45.4 million visitors to SSA Field Offices.

NCSSMA believes that SSA must be properly funded in FY 2012 and beyond so the agency may continue to invest in improved user-friendly online services. This would result in fewer contacts with SSA Field Offices, improved efficiencies, and better public service.

## SSA Payment Accuracy and Program Integrity Investments

SSA issues approximately $800 billion in benefit payments annually to 60 million people, so it is imperative that resources are managed effectively to minimize the risk of making improper payments. Balancing service commitments with stewardship responsibilities is difficult given the complexity of the programs SSA administers, but the reduction of improper payments is one of SSA's key strategic objectives. Performance in this critical area has shown improvement.

- In FY 2009, the accuracy rate for Old Age, Survivors, and Disability Insurance (OASDI) payments was 99.63 percent.
- The SSI accuracy rate improved in FY 2009 to 91.6 percent – an increase of 1.9 percent.
- SSA collected $3.14 billion in RSDI and SSI overpayments in FY 2010, an increase of approximately $80 million above FY 2009.

With the ever-increasing workloads SSA must handle and the loss of staff, serious concerns exist about SSA funding levels to address payment accuracy initiatives. Staffing reductions have forced SSA employees to work at an accelerated rate of production, sometimes compromising quality. Given the significant overall dollars involved in SSA's payments, even the slightest errors in the overall process can result in significant improper payments.

***The core problem relative to addressing payment accuracy is the time and pressure to complete workloads, which is a direct derivative of resource levels.*** Reduced staffing affects not only the number of employees available to complete production work, but also management and review positions that ensure quality work is completed. SSA places a high priority on meeting workload goals, but meeting these goals and maintaining payment accuracy requires sufficient resources.

SSA has a number of strategies in place to protect the public's tax dollars and ensure a more efficient and effective government. Specifics on the most powerful tools for reducing improper payments and maximizing program integrity investments are provided below. A narrative follows it on the correlation between SSA appropriations and program integrity initiatives.

**Medical CDRs and SSI Redeterminations**

Two of the two most powerful tools for reducing improper payments and maximizing program integrity investments are conducting medical CDRs and SSI redeterminations.

- Medical CDRs determine whether disability benefits should be ceased because of medical improvement. ***Medical CDRs have a projected yield of over $10 in lifetime program savings for every $1 spent.***
- SSI redeterminations review nonmedical factors of eligibility, such as income and resources, to identify payment errors. ***SSI redeterminations yield a return on investment of $7 in program savings over 10 years for each $1 spent, including Medicaid savings accruals.***

The chart below is from the Social Security Administration Office of Quality Performance report of December 2010, "***Supplemental Security Income Redeterminations Change Rate Study Fiscal Year 2010***." It illustrates the cost savings achieved from completing SSI redetermination program integrity workloads.

| SSI REDETERMINATIONS CHANGE RATE | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Review Name** | **FY 04** | **FY 05** | **FY 06** | **FY 07** | **FY 08** | **FY 09** | **FY 10** |
| **Redeterminations/Limited Issue Completions** | 2,526,720 | 2,462,086 | 1,414,503 | 1,038,943 | 1,220,664 | 1,730,575 | 2,445,550 |
| **Overpayment Benefits (Millions)** | $2,390.4 | $2,211.0 | $1,378.7 | $1,141.4 | $2,139.2 | $2,843.1 | $3,764.7 |
| **Underpayment Benefits (Millions)** | $1,324.3 | $1,247.8 | $849.4 | $709.7 | $1,085.5 | $1,034.1 | $1,425.0 |

SSA budgetary constraints have caused a shortfall between the number of medical CDRs due and the number conducted each year. This has created a backlog as shown in the chart below.

| MEDICAL CDRS DUE AND THE BACKLOG - FY 2002 - FY 2010 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| **Due** | 1,398,000 | 1,543,000 | 1,636,000 | 1,794,000 | 1,948,000 | 1,774,000 | 2,438,000 | 2,538,000 | 2,451,000 |
| **Backlog** | 0 | 102,000 | 101,000 | 458,000 | 946,000 | 1,202,000 | 1,438,000 | 1,496,000 | 1,522,000 |

A SSA Office of Inspector General (OIG) report in December 2010, titled, **"*Top Issues Facing Social Security Administration Management—Fiscal Year 2011*"** provides OIG's perspectives on the most serious SSA management challenges. The report indicates there is a significant need to increase the number of CDRs conducted by SSA because there is a backlog of approximately 1.5 million cases.

***If SSA completes all of the 1.5 million medical CDRs, the lifetime program savings would be over $15 billion!***

**Access to Financial Institutions**

Access to Financial Institutions (AFI) is an electronic process to automatically verify financial account balances alleged by claimants and beneficiaries during the SSI application and redetermination processes. AFI assists with the detection of excess resources in financial accounts and replaces a labor-intensive paper-based process used by SSA Field Offices.

Financial errors are the leading cause of SSI overpayment errors, representing 23 percent of the total and over $1 billion annually. The AFI program has proven to be very useful in the identification of previously undisclosed accounts and instrumental in improving the SSI overpayment accuracy rate. This is achieved by checking an applicant's bank accounts and selectively checking for unknown accounts with financial institutions in a given area.

AFI is currently operating in 36 States, which represents 91 percent of all SSI recipients. Expansion of the AFI pilot is to be completed by the end of FY 2012. Once AFI is fully implemented, SSA estimates that it should achieve roughly $20 in total lifetime SSI program savings for every $1 spent on the program. ***SSA projects approximately $900 million in lifetime program savings for each year that the fully implemented AFI process is used.***

**Work CDRs**

Work CDRs are initiated when earnings are reported to a disabled individual's record that could affect their eligibility to benefits. Local SSA Field Offices handle self-reported earnings as well as many third party earning reports. The Office of Disability Operations (ODO) or Program Service Centers (PSCs) conduct reviews based on earnings reports posted on the disabled individual's earnings record.

Regardless of the source of the work report, contact is required with the disabled beneficiary, employers, and often others providing support to the individual to determine if the earnings reported affect disability. In addition to verifying the work activities, SSA must evaluate considerations such as impairment related work expenses (IRWE), subsidies, extra assistance with duties and other special accommodations to determine continuing eligibility.

The work activity of disabled beneficiaries is a significant cause for overpayments. SSA identifies the majority of these cases through the current work CDR process, but a percentage are undetected because either the wages were not identified, or work CDRs were not completed on identified reports of wages. Prompt attention to this workload minimizes overpayments.

SSA had a substantial backlog of work CDRs, but in the last two years, significant progress has been made in reducing both the volume of work CDRs and the number of aged cases. The number of total pending work CDR cases has been reduced by more than 20,000 cases to 45,413. Aged work CDR cases over 180 days have been reduced from 28 percent to 7.4 percent.

NCSSMA believes a continued investment to address work CDRs would enhance SSA's program integrity efforts.

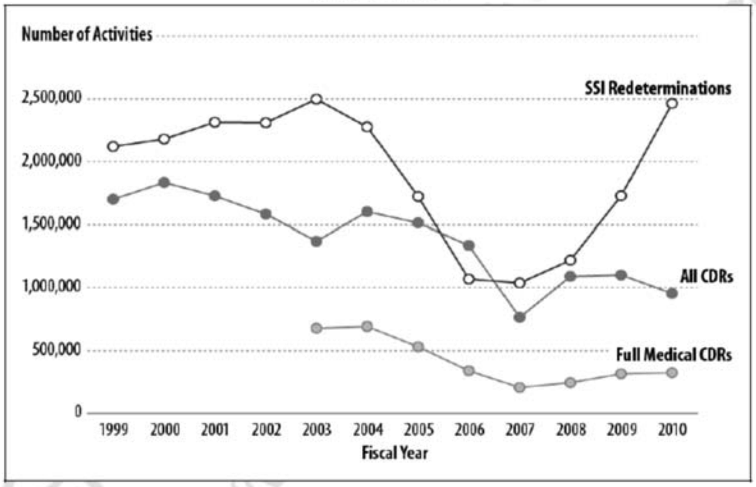
**SSA Appropriations and Program Integrity Initiatives**

Investments in program integrity workloads to ensure accurate payments and save taxpayer dollars are necessary and prudent. However, SSA's capacity to address program integrity initiatives is directly impacted by its enacted funding level.

- SSA significantly reduced the volume of SSI redeterminations and medical CDRs from FY 2006 through FY 2008 due to inadequate funding of the agency. Reducing these program integrity workloads was necessary to prevent severe service deterioration in other SSA core workloads including the processing of disability claims at the initial and hearing level.
- Adequate appropriations in FY 2009 and FY 2010 allowed SSA to significantly increase its program integrity workloads. SSA invested $759 million toward program integrity efforts in FY 2010. ***The 2.4 million SSI redeterminations and 325,000 medical CDRs completed in FY 2010 produced over $6 billion in estimated savings*** in overpayments prevented or projected to be collected. This represents a 100% increase in SSI redeterminations compared to FY 2008 – 1.2 million more – and a 40% increase in medical CDRs.

The following chart from the Congressional Research Service report on SSA's Budget Issues dated May 19, 2011 dramatically shows the direct correlation between SSA appropriations and the number of critical program integrity workloads that SSA has completed.

**Figure 5. SSA Program Integrity Activities**
FY1999 to FY2010




**Source:** Congressional Research Service (CRS) with data from Social Security Administration, *Performance and Accountability Report, Fiscal Year 1999*, November 1999, and subsequent editions.

**Note:** "All CDRs" include both full medical CDRs and CDR mailers that do not include a medical review.

The following quote is from the same Congressional Research Service report:

> *"However, because LAE appropriations are made annually and their costs are applied to each fiscal year's annual budget, the long-term savings from these program integrity activities does not fully offset their costs in the fiscal year of the appropriation.* ***As a result, the SSA has not traditionally been able to secure enough funding each year to gain the maximum potential program savings from CDRs and SSI redeterminations****."*

In FY 2011, SSA is scheduled to accomplish the same number of SSI redeterminations and medical CDRS as in FY 2010. Under the President's proposed FY 2011 SSA budget request, the number of medical CDRs was to increase by 31,000 to 360,000 cases. Because SSA will have to accomplish the same number of program integrity workloads in FY 2011 as it did in FY 2010 with fewer resources, delays and backlogs will occur in other SSA workloads. As SSA Field Offices and DDSs lose staff without receiving replacements and with significantly reduced overtime, the situation will worsen and public service will deteriorate.

There is significant concern that SSA will not be adequately funded in FY 2012, which would be detrimental to SSA's public service and stewardship responsibilities. The President's FY 2012 budget request includes $938 million dedicated to program integrity, which saves taxpayer dollars and is fiscally prudent in reducing the federal budget and deficit. ***If SSA is able to fulfill its FY 2012 program integrity targets the estimated program savings over the next ten years is over $9 billion!***

NCSSMA strongly encourages Congress to provide SSA with the necessary funding to process its core workloads, reduce the medical CDR backlog, conduct additional SSI redeterminations and work CDRs.

## Conclusion

NCSSMA recognizes in the current budget environment it may be difficult to provide adequate funding for SSA. However, Social Security is one of the most successful government programs in the world and touches the lives of nearly every American family. We are a very productive agency and a key component of the nation's economic safety net for the aged and disabled, but sufficient resources are necessary. A strong Social Security program equates to a strong America and it must be maintained as such for future generations.

We sincerely appreciate the Subcommittees' interest in the vital services Social Security provides, and your ongoing support to ensure SSA has the resources necessary to serve the American public. ***NCSSMA respectfully requests your support of full funding of the President's FY 2012 SSA budget request on behalf of our agency and the American public we serve.*** We also request your support for dedicated funding to provide for payment accuracy and program integrity initiatives. This funding should be separate from the overall administrative funding for the rest of SSA's workloads. This will provide SSA with the necessary funding to process its core workloads and to accomplish critical program integrity workloads, which ensure accurate payments, save taxpayer dollars, and is fiscally prudent. Failure to process program integrity workloads has adverse consequences on the federal budget and the ongoing administration of SSA programs. NCSSMA is confident that this increased investment in SSA will benefit our entire nation.

On behalf of NCSSMA members nationwide, thank you for the opportunity to submit this written testimony. We respectfully ask that you consider our comments, and would appreciate any assistance you can provide in ensuring the American public receives the critical and necessary service they deserve from the Social Security Administration.



Chairman BOUSTANY. Now we will proceed with questions, and I will begin.

Mr. O'Carroll, in your testimony you said—this was in your written testimony—Federal agencies reported $125 billion in improper payments during fiscal year 2010 alone. And just to put that number in perspective that is $4,000 every second, nearly $15 million every hour. And the Office of Inspector General has estimated that

Social Security overpaid $8 billion in fiscal year 2009. But this number does not include a host of other overpayments.

Can you provide more detail on these other overpayments to give us a better sense of the scale of this problem?

Mr. O'CARROLL. Yes, Chairman. What we are using is that SSA has reported about a 3.2 percent overpayment rate. And that includes overpayments that are avoidable and unavoidable.

What we are saying is SSA should consider both the avoidable ones and the unavoidable. Unavoidable ones occur when SSA doesn't conduct a CDR when scheduled, that amount of money keeps building, as is the backlog on CDRs right now.

And we believe that if you start including that amount, it will bring the rate up from 3.2 percent up to as high as 5.2 percent. When you have to make payments at a certain time, when a check goes out, and then we find out or SSA finds out later that the person was deceased and that amount of money went out, we believe, whether it was by law that it went out or by accident, it is still money that should be recouped.

Chairman BOUSTANY. I thank you. At the end of fiscal year 2010, Social Security was owed over $15 billion because of past benefit overpayments. How does this relate to the agency's reporting of $8 billion in improper payments, and how old is most of that debt?

Mr. O'Carroll, do you want to start with that?

Mr. O'CARROLL. Yes, Mr. Chairman. SSA every year is either unable to collect debt or writes it off, and that is a big portion of the debt. That written-off debt happens every year, and that is cumulative. And what we are saying is that when you take the written-off debt, plus the debt from overpayments and you add it together, that is where you are getting up into the double digits in terms of overpayments.

Chairman BOUSTANY. Ms. Colvin, would you comment on that?

Ms. COLVIN. By law there are some situations where we do not consider a payment and overpayment. For instance, if someone appeals a decision, during the time that they are waiting for that decision to be resolved, they may be accumulating an overpayment if that appeal is found in our favor versus the beneficiary's. So that amount of money that will have accumulated would not be considered overpayment under the law. However, we still would be notifying the individual of the overpayment and we would make collection attempts.

There are also other situations where if we apply the retirement earnings test and we anticipate that an individual will be earning a certain amount of money and therefore their benefit is based on that amount, and then at the end of the year we find that the person made more money than we anticipated, so part of that might have been overpayment, again, by law, that is not considered to be an improper payment, but we do attempt to make the collection.

Chairman BOUSTANY. Right, I understand what the law says. What we are trying to get at is the magnitude of the problem, given the situation with solvency issues going forward with Social Security, and that is why I am directing the question along those lines. Of the outstanding debt, how much does Social Security write off each year?

Ms. COLVIN. The amount is about—I am sorry, just a minute.

Chairman BOUSTANY. Mr. O'Carroll, do you want to comment?

Mr. O'CARROLL. I believe $980 million is the write-off every year, just shy of $1 billion. Is that what your figures were showing?

Ms. COLVIN. Yes. It is a small amount compared to the amount that we collect. The amount that we write off is generally a result of an individual not being able to make the payment, and it is a very small percentage. I was trying to get the exact dollar amount, and I will provide it to you a little bit later.

Chairman BOUSTANY. I thank you. I will now yield to the ranking member, Mr. Lewis.

Mr. LEWIS. Thank you very much, Mr. Chairman. Let me thank each of the witnesses who testified.

Ms. Colvin, this seems like a very simple issue before us. Let me make sure that I am not missing something. In 2008 and 2009, for every $1 we spent making sure that people receiving a disability benefit are still disabled, we saved $12.50; is that right?

Ms. COLVIN. Our data reflects that for every $1 that we spend on CDRs we are returning $10 for every $1.

Mr. LEWIS. So I am in the neighborhood?

Ms. COLVIN. Yes. And for the redeterminations in the SSI program, it is $7 for every $1 spent over a 10-year period.

But we also have a number of tools that we have been able to develop that will allow us to address some of the improper payments. The AFI system that I mentioned in my testimony that would allow us to be able to verify financial accounts that have been identified for SSI recipients or detect accounts that have not been reported, we estimate that when that system is fully rolled out in 2013 there will be a $20 return for every $1 invested. So we believe that the investment in program integrity work is a good investment and that it is very cost-effective.

Mr. LEWIS. Now, if we cut the budget further, like the Republicans plan to do, Social Security will do a full disability review; is that right?

Ms. COLVIN. That is correct.

Mr. LEWIS. Can you explain what is right about that?

Ms. COLVIN. Well, the same people that do initial claims and other responsible workloads, or workloads that we have responsibility for, are the same people that do the CDRs and the redeterminations. So whenever there is a reduction in the funds that we receive, that means that we have got to balance those workloads further.

So if you just look at the $1 billion cut that we have had for 2011, we have had a freeze on for the entire funding period. And when you have that freeze and you are losing senior people—and as one of the speakers indicated it is the seasoned examiners that do the redeterminations of the CDRs—as you are losing them, then you are going to—and do not have the ability to replace them, that is going to impact the number of CDRs that we are going to be able to do.

We are budgeted for CDRs this year. We have in fact, if I look at the numbers, we are looking at doing 329,000 medical CDRs in 2011. With full funding in 2012, which would be what the President's budget would provide, we would look to do 492,000 medical

CDRs. So we will be able to do more with more funding. Just as we did the 329,000 medical CDRs that we will be doing in 2011, if we get less funds that means we will do less than that amount. So the resources that we receive tie directly into the number of CDRs that we guess that we are able to do.

Mr. LEWIS. So if I understand this correctly, cutting the budget will mean more payments will be made to people who should not receive them; am I right?

Ms. COLVIN. That is correct.

Mr. LEWIS. Well, this all seems very simple to me. If you do not want improper payments, do not cut the budget. Am I missing something?

Ms. COLVIN. No, I don't think that you are. The most effective tool that we have for addressing overpayments is our CDRs. When we do CDRs we are able to identify incorrect payments. As was mentioned before, the largest or the major contributing factor to overpayments in CDRs are unreported wages. And if we have not in fact joined the CDRs, then we are in fact going to have individuals—I am sorry, our SGA, the substantial gainful activity. If we are not doing those CDRs we are not going to identify that people are in fact being paid that are not entitled to the benefits; or if we do the medical CDRs, if we don't do those we are not going to identify that the people who now are able to return to work because their disability would allow them to do substantial gainful activity. So we are going to have people on the rolls who should not be on the rolls.

It has been demonstrated that the more redets we do, the higher our accuracy rate is. The more CDRs that we do, the fewer improper payments we have.

Mr. LEWIS. Ms. Colvin, Republican budget cuts harm beneficiaries. There are tens of millions of people who depend on your agency and a million more waiting for benefits. Who are these people? In your experience are they honest people? What type of disability do these people have? Who are the programs designed to help?

Ms. COLVIN. I think you know that our programs are very complex. We find that these are people who may not have reported their earnings because it is a very difficult program to understand, and they may in fact not have reported it timely. There are other situations where the timing——

Chairman BOUSTANY. The gentleman's time is up. If you could wrap up your answer on this.

Ms. COLVIN. I would say that these are not fraudulent cases, these are improper payments. And there is a difference between fraud and improper payments.

Mr. LEWIS. Thank you. Thank you, Mr. Chairman.

Chairman BOUSTANY. I thank the gentleman. The chair now recognizes the chairman of the Social Security Subcommittee, Mr. Johnson.

Chairman JOHNSON. Thank you, Mr. Chairman.

Mr. O'Carroll, I think cooperative disability investigation units are the key to reducing fraud in the Social Security program; would you agree?

Mr. O'CARROLL. Yes, Mr. Chairman.

Chairman JOHNSON. And it is better to catch potential payments on the front end rather than paying them and trying to chase bad payments afterwards.

Can you tell us how these units operate, the success your office has had for the prosecution and fraud perpetration, and how these units might be better used to prevent improper Social Security payments?

Mr. O'CARROLL. Yes, Mr. Chairman. We are very proud of our CDI program. It is sort of a hybrid in that we have DDS employees, we have State employees, we have SSA employees, we have IG investigators and we have State investigators, and we work in conjunction with DDSs so that when there is suspected fraud at the applicant level, it is brought to our attention, we review it, we use databases to determine whether or not the person has resources, whether or not the person is showing any work activity or other issues, and then we do surveillance.

And what we are finding with this initiative is we are able to prevent the funds or the benefits from being awarded, so there is no need to recapture lost money; it is just stopping payments at the front end. It is also a very good deterrent. We have CDI Units in a number of cities, some of which are represented by the members of this committee. And at the moment, we are at 23 CDI units in 21 States. And our return on investment on them is anywhere from about $12 to $14 to $1. It is rather inexpensive to set it up, but the deterrent factor is dramatic.

And we have got the word out, because we have seen videos on YouTube and other places saying, "Don't commit fraud against Social Security or one of the fraud investigative units will catch you." So it is working quite well.

Chairman JOHNSON. Are we implementing technology as much as we can? It seems to me we got too many people with their finger in the pie.

Mr. O'CARROLL. I think the solution to the problems we are talking about today is technology. What we are finding is that, when you or I walk into a store, pretty much the vendor knows everything about us when we are doing that transaction. We, with our government recources, should have that same type of information and we should be using that in our decisions, whether somebody does show gainful activity, whether somebody is working when they are not, and what their resources are.

We found, as an example, by using just regular databases to verify property owned by people that are receiving SSI benefits, that we are able to identify that they have resources, they have property, et cetera.

And we found, by using just that database, there is about an $8 to $1 return on investment there. So I am thinking in the long range with SSA, there has got to be a lot more technology put into place.

Chairman JOHNSON. Yes, I agree. You have made a number of recommendations that would help reduce the total amount of overpayments over the past 5 years. The monetary impact of those recommendations total over $9 billion.

Would you tell us what a few examples of those recommendations are and why they haven't been implemented?

Mr. O'CARROLL. Our biggest job, Mr. Chairman, is make sure SSA strikes a balance between service and stewardship. So a lot of our audit work deals with the number of CDRs, whether the CDR backlog is increasing, whether they are conducting the right proportion of CDRs for 18 year olds, and adults. We are constantly watching that balance, and we are identifying where money could be saved.

On the other side of it with our investigations, we are taking a look at those who are taking advantage of the helpless, in terms of bad rep payees that are supposedly watching out for the benefits of those in their care. We are taking a look at those that are defrauding the programs and claiming that they are disabled when they are not. So we have a very good record there.

Chairman JOHNSON. Yeah, you do.

Ms. Colvin, how does the Social Security Administration decide whether to implement one of the inspector general's recommendations or not? Nine billion dollars is a lot of money to be left on the table.

Ms. COLVIN. The overriding factor relative to whether or not we implement a recommendation would be a resource issue. However, we have implemented a number of major technology systems which have been very effective in helping us to detect and prevent improper payments. I mentioned the automated financial—the financial system, the AFI, the access to financial institutions.

Ms. COLVIN. We also have the SSI Wage Telephone Reporting project, which allows individuals to call in and report their wages. We have a number of different tools that have been developed over the years, and we are continuing to look at ways of automating even more of what we do. But clearly it is a balance between the resources to do direct services——

Chairman JOHNSON. Well, you are listening to the IG when he talks to you, right?

Ms. COLVIN. Oh, yes, I think that many of the recommendations have been very valid recommendations.

Chairman JOHNSON. Thank you.

Chairman BOUSTANY. I thank the gentleman.

The chair now recognizes the ranking member of the Social Security Subcommittee Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman, and thank you to all of you for your testimony.

It seems to me this is boiling down to an issue of resources. Does anyone here claim that in your work or in your investigations, employees at the Social Security Administration who are conducting these redeterminations or these disability reviews are lazy? Does anyone claim that they are—these employees are incompetent? Would anybody here raise their hand and say that they are overworked and have a massive caseload to work with on these disability reviews? Okay.

So it is resources. So it is what you put in helps determine what you get out. And, Mr. Chairman, I have a couple of charts I am hoping that we can put up on the screens. One is a budget for medical continuing disability reviews, and the second will be one for SSI income reviews. If I could get those up in a second, or right now, if we could put them up.

It seems to me that if we make the investments we need to let these reviews go forward, we are not just doing right by Americans who paid into the system so they could collect on their benefits, but we are also saving the taxpayers money.

Commissioner Colvin, let me ask you this. My understanding is that the chief actuary for Social Security has said that if we make the modest investments in these review programs that you have in place, these integrity review programs, that over the course of 10 years, you could save the taxpayers somewhere around $58 billion. Is that still accurate?

Ms. COLVIN. Well, clearly, from the data that we have already provided, we have demonstrated that an investment in program integrity activities returns significant dollars to the taxpayers. The challenge for us is having adequate and sustained funding, because the same people who do the CDRs and the redets also do the initial claims.

Mr. BECERRA. So let me have you take a look at the chart, that—I don't know if you could see the charts on the screen, it might be difficult for you to see, but essentially what it shows that in years when we budgeted money for medical continuing disability reviews, the CDRs, your employees performed at pretty high rates. And the moment you saw funding for the review program drop, so did the number of reviews you could do.

And so input in, output out. And if you don't have the resources, folks who were already overworked are going to have a hard time producing the results, which it is not just a matter of producing the results on these reviews, it is not saving the taxpayer money the way we know can if we do these reviews. So we give people what they deserve, but no more than what they deserve.

Let me ask another question. Mr. O'Carroll, I know that you have mentioned that there is some $8 billion or so in overpayments. If I were to say to you there are $300 billion in overpayments in Social Security, I suspect that you would be here every day telling us we have got to do something, right?

Mr. O'CARROLL. Correct.

Mr. BECERRA. I am going to ask for another chart to be put up called—that I have labeled "Social Security Overpayment Rate Versus Major Weapons Systems Cost Overrun Rates." I don't know if you can see this.

Mr. O'CARROLL. I am not the IG at Defense, Mr. Becerra.

Mr. BECERRA. Yes, I know you are not the IG of Defense, but what we are being told is that some $300 billion in a Pentagon budget of some $700 billion is being spent on cost overruns and programs that have been over the years costing us far more than we have had or than we thought we would have to spend.

Now, if you take a look to the far left of that chart, you see the overpayments from the Social Security Administration, their retirement survivor benefits portion and the Social Security disability portion. And to the right you see Army, Navy and Air Force and their cost overruns. Now, again, you are not the IG for DOD, but I would think that if we are going to spend this much time trying to help you figure out what we can do to reduce the overpayments in Social Security, that we would want to spend some time taking a look at DOD when we see the massive amount in cost overruns that we see daily at Department of Defense.

Mr. O'CARROLL. The best way to answer that, Mr. Becerra, is that it's important to look at the overpayments across government. When you are looking at Defense, you should also look at all the other departments. Quite frankly, we do reach a level at SSA that it is of concern, and that is why we are paying so much attention to improper payments. I think everybody is in agreement there.

Mr. BECERRA. And I think everyone agrees we should be doing that. But I hope that what we do is go after the big fish and not just after the little fish, because if we recall, most of these programs that we are talking about under Social Security are for folks who are elderly or are disabled.

Mr. Chairman, the final point I will make is this. We have heard that if you invest a dollar in these program integrity initiatives with SSA, you save $12.50. If I were to ask you how much money would you have today if you invested a dollar today, at the very beginning of Google's public offering how much would you have, the answer would be $5.

So if you think Google is a good bet, so is investing in SSA's program integrity initiatives.

I yield back.

Chairman BOUSTANY. I thank the gentleman.

Certainly we have no jurisdiction over defense spending, but I hope the appropriate committee is doing vigorous oversight as these subcommittees are doing. So I thank the gentleman.

The chair now recognizes Mr. Buchanan for questions.

Mr. BUCHANAN. Yes. I would like to thank the chairman for convening these hearings, and I would like to thank all of our witnesses for being here today. I represent one of the most heavy senior districts. We have 300,000 seniors 55 and older and 200,000 65 and older, so this is an extremely important issue to my constituents, and I know that it is a big issue. We want to do all we can to eliminate waste, fraud and abuse so that we can focus on eliminating backlogs in the system.

This is a general question for the witnesses, anybody who would like to respond. Is there a particular region in the United States with unusual high rate of fraud and abuse, and if there is, or if you have identified a certain region or two, what are we doing about targeting fraud in that general region?

Ms. Colvin, do you have an answer?

Ms. COLVIN. I don't believe that I can answer that question relative to a specific region. I would be happy to research that and provide an answer for the record.

Mr. BUCHANAN. Mr. O'Carroll.

Mr. O'CARROLL. Yes, sir. We have one of the largest fraud or antifraud hotlines in government, and we receive about 150,000 calls a year in relation to fraud. We monitor it very carefully. We look at trend analysis. We are constantly watching what areas are reporting potential fraud. But it is not an easy answer in terms of saying that, any one area is worse than any other. It has a lot to do with the demographics and also how the U.S. Attorney's Offices prioritize prosecutions, et cetera.

But I think we have got a fairly good handle on where the fraud is against SSA. We dedicate as many resources as we can in the Office of Inspector General to be out in the field, and we are constantly going to SSA's offices, meeting with them, asking for trends in their area, and giving them advice on antifraud initiatives.

Mr. BUCHANAN. Part of the reason I asked the question is in—for example, in Florida, in Medicare, Miami and Dade Counties, for example, seems to be much higher than the balance of the State, it is my understanding, someone mentioned to me.

So, Mr. Bertoni, do you have any comments on that?

Mr. BERTONI. On an engagement-specific basis we may identify areas that look to be areas where there is more fraud, waste or abuse. But, again, it is not fraud until somebody has—there has been a conviction. From time to time, depending on the job we are doing, though, we may go down to certain areas where there are hard concentrations of individuals in a particular program.

We do spend a considerable amount of time in Florida, in Texas, in New York, in California, but it is not specifically because we are chasing fraud and abuse, but it is where much of the use is.

Mr. BUCHANAN. Ms. Robert, do you have anything to add to that, any thoughts on that, about certain parts of the country is more challenging than others in terms of fraud and abuse?

Ms. ROBERT. No, we don't have any information on that. I think Mr. O'Carroll mentioned earlier the CDI units, those are located in 21 States, and certainly our efforts to try to address fraud and abuse.

Mr. BUCHANAN. Ms. Colvin, let me ask you, it is my understanding that the Social Security Administration has been growing their on-line system for new retirees in terms of new applications. Do you believe the on-line electronic system will help us reduce fraud, or do you think it will open us up for more fraud?

Ms. COLVIN. I believe that on-line services are important. It is what the public expects. I don't believe that if we do it correctly, that there would be any greater emphasis of fraud than we would have without the on-line. In fact, I think that probably at times it would demonstrate that we probably would have less, but I don't enough data to be able to tell you the answer to that.

Mr. BUCHANAN. Mr. Dirago, one quick question. My district, as I mentioned, is one of the oldest districts. As you can imagine, I get a lot of seniors that come into our offices. We have two offices in our region. And in terms of the help line, the feedback that I got in preparing for this today, we still have a lot of people that are confused. They feel like there is a lot of misinformation. What are we doing to try to fix some of these problems for seniors?

Mr. DIRAGO. You are referring to the national 800 number?

Mr. BUCHANAN. Yes.

Mr. DIRAGO. That really wouldn't be our area of expertise. Perhaps Ms. Colvin could answer. I am representing managers and TSC managers, and, you know, that is not an area of expertise that I would have.

Mr. BUCHANAN. Ms. Colvin, generally it is—the help line that seniors can call in terms of filing as a new senior for Social Security, there seems to be a lot of confusion with that. I didn't know if you were doing anything to improve the system.

Ms. COLVIN. Well, we will certainly look at——

Mr. BUCHANAN. The help desk, I guess you would call it.

Ms. COLVIN. I will certainly look at the concern you have raised. I am not aware that there are issues of misinformation, et cetera. But we will certainly go back and take a look at that and give you an answer for the record.

Mr. BUCHANAN. Okay. What I will do is I will get you the feedback that we are getting to your office, and maybe you can respond back. Thank you, and I thank the witnesses.

I yield back, Mr. Chairman.

Chairman BOUSTANY. The chair now recognizes Mr. Smith for questioning.

Mr. SMITH. Thank you, Mr. Chairman, and to our panel. Mr. Bertoni, just for clarification you said that overpayments tend to be increasing, they are on the rise; is that accurate?

Mr. BERTONI. In the work CDR area, yes.

Mr. SMITH. And that policies and procedures are kind of contributing to that; is that accurate?

Mr. BERTONI. That is correct. Essentially our view is that not only are there internal management and operational issues that could be addressed with the agency, but certainly that the feeds in, that the data that the agency is relying on to do these work CDRs, the IRS wage management is coming in already, could be up to 2 years old, so they are basically working with overpayment situations that are fairly extended.

And to the extent that they are not working, the claims, once they land in the agency, that additional time also is factored into the overpayment period. At the end of the day, individuals could get a letter indicating they will have a $30,000 overpayment, which is unfair to them and certainly unfair to the taxpayers should this debt ultimately be written off.

Mr. SMITH. Right. And so, in a general view did you estimate in terms of what might be innocent or, you know, an innocent mistake and what may not be?

Mr. BERTONI. No, we really did not isolate that. We just know that there are a substantial number of overpayments in this program, that the outstanding debt is in excess of $5 billion, and that much of that debt is being written off, about $460 million last year and over the last 10 years about 4 billion.

So we don't know specifically what the reasons are for that, but oftentimes it is mistakes on the agency's part. Individuals don't understand the reporting requirements and/or employers are just simply not reporting timely. There is a myriad of reasons.

Mr. SMITH. Mr. O'Carroll, could you elaborate perhaps on that?

Mr. O'CARROLL. Yes, Mr. Smith. What we are finding with the work CDRs in most cases is that it is identified that the person is working. It has to be—the CDR has to be conducted to determine whether or not their gainful activity exceeds what is allowed. And what we found, which goes with the chart that was shown, is that when there is a lot of attention given towards doing CDRs, it reduces the backlog, and it will keep SSA current, so you are not seeing the 1- and 2-year backlogs that Mr. Bertoni is talking about.

So what we are saying is that right now SSA is doing a good job on the work CDRs, but they are still not doing enough CDRs to reduce the backlog. So the incoming number of work reports are not being addressed on a regular basis. Although, as I said, they are doing a much better job than they did in the past, they have to do twice as many work CDRs now to start cutting into the backlog, dropping the backlog down so that type of debt can be whittled down.

Does that answer your question?

Mr. SMITH. Thank you.

Ms. Colvin.

Ms. COLVIN. I would just like to say that the whole area around work and substantial gainful activity is very complex, and many of the recipients do not understand those rules. The cases are also very difficult to work.

We have a number of legislative proposals that are contained in the President's 2012 budget which are designed to address some of those problems. One is the Work Incentives Simplification Pilot that I know the Commission has talked to a number of you about, which would simplify the rules around work, which we think would substantially reduce the number of overpayments due to work.

There are also a number of proposals that relate to data sharing, being able to share data with States and local jurisdictions and private insurers who handle workmen's compensation so that we can properly do the offsets that often result in errors; as well as other data sharing around other government pensions where we would have to do an offset.

So we think the program is just very complex, and that if it were simplified, and so we do urge you to support those proposals that are contained in the President's budget.

But as Mr. O'Carroll had said, the more we can do CDRs, including work CDRs, the less overpayments we have, because we catch them early, and we will then be able to address them.

Mr. SMITH. Thank you. I yield back.

Chairman BOUSTANY. I thank the gentleman.

The chair now recognizes Dr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

We seem to have another example here of the difference between the Democrats and the Republicans. As most of you know, there are 43 million people living in poverty in this country. And in the programs we are talking about here, Social Security Disability, we have had 10.2 million people, and we have got 9.1—in Social Security.

These are people at the bottom of the economic ladder. They are there because they don't have anything else. They have either been disabled at work and they are getting something, or they don't even qualify for Social Security and so they are getting SSI. And it strikes me that what we have here is a perfect example of what happened at Katrina.

Now, Democrats believe that the government is supposed to solve a problem, and that you work to keep trying to make it work better, and that ultimately, when a problem comes like Katrina, you go out and you get in your FEMA and you drive down and you fix it.

But the Republicans don't believe that the government's job is to fix this kind of stuff. They don't believe in a social safety net. They basically believe these people ought to get by on their own or somehow go out and find themselves a job or whatever. They have never met most of the kinds of folks who are here. I have worked with these people in my professional life before I came here. And when you get in the FEMA car run by Republicans, you get what you got in New Orleans. This country looked like a Third World country. It looked like about 2 inches above 80 in our response to that hurricane.

Now, this is exactly the same thing. When Clinton came in, there was additional money put in and for more CDRs, and the level of waste and fraud and abuse went down, and as soon as Mr. Bush came in, they whacked off that additional money, and the numbers started going up. That is exactly what the chart that Mr. Becerra put before us showed.

And then Mr. Obama came in, and we put more money in, and the numbers started going down. And now we have the Ryan ruin budget, and the numbers are going to go up because they are pulling money out of the CDRs.

You are dealing with 20 million people who are living under the poverty level and are supposed to report monthly if their income went up or down $25. And if they are up $5 over the limit, they are ineligible for a payment. Now, these are widows, these are the injured, severely disabled who can't go to work.

Is there any way, Mr Dirago, you can see that we can fix this without putting additional money in this budget into more CDR coverage?

Mr. DIRAGO. Well, I really feel it is a resource issue in terms of the amount of work we are able to accomplish, on program integrity issues like the medical CDRs and the work CDRs. It is a product of having the staff in the offices in order to do it, and right now with the staffing losses, we are seeing a potential loss of 3,500 people in the agency, so our offices are extremely overextended, and there is little time to address these workloads.

So we do the best we can with what we have, but when addressing to payment accuracy, it does come down to resources. People need to be trained properly. There needs to be mentors for new hires that come into the offices so they can do the work accurately. They need the time to do the work.

Mr. MCDERMOTT. How long does it train—how long does it take for somebody to become truly competent in evaluating these disability files that are 2 and 3 inches thick?

Mr. DIRAGO. Well, in terms of the field office level—and I can't respond in terms of the DDS—but in terms of the field offices and getting a claims representative to the point where they are competent, they come in and go through an initial 4-month training period where it is 40 hours a week just dedicated to learning the job. There is no graduate course in Social Security Administration. People have to be trained for 40 hours a week for 4 months. After that, they come out of the training pool, they know the basics to handle simple, routine applications, not complex things like program integrity workloads. So they get mentored, there is a proficiency process in the agency in terms of bringing them up to speed, and it probably takes about 2 years for a claims representative to be skilled and knowledgeable to handle these kinds of things.

Mr. MCDERMOTT. What is the program the President put in his budget for the work incentive program that you are talking about?

Ms. COLVIN. It will allow us to simplify the process so that the reporting requirements will not be as rigid, and individuals would not be automatically removed because they had some earnings.

So we think that the simpler the program is, the easier it will be for the beneficiaries to understand what they need to do.

And I do want to emphasize that when we have money for CDRs, accuracy rates—and particularly SSI redeterminations, the accuracy rate goes up. There is a chart that the staff has that shows that there is a direct correlation between the number of redeterminations that are done and the accuracy rate.

And so as we have had to cut back on doing CDRs and redeterminations because of our budget losses, our accuracy rates are going to go down. And whenever we have a reduction in our funds, we are looking at not only reducing direct services with people walking in the front door, but we are also looking at reducing program integrity work.

Chairman BOUSTANY. The gentleman's time has expired.

Mr. Marchant.

Mr. MARCHANT. Thank you, Mr. Chairman.

In recent newspaper articles, the Wall Street Journal, for instance, has focused on some administrative courts that are approving 95, 96, 97 percent of all disability applicants for disability insurance, and there are some areas in Puerto Rico that the recipients are a disproportionate percentage of those that applied.

Do you find, Mr. O'Carroll—do you find any correlation between areas where there is a very high rate of approval of disputed cases and fraud follow-up?

Mr. O'CARROLL. Mr. Marchant, we are bedeviled by the recent publicity that has come out on Puerto Rico. We have been watching approval rates, and we have been watching the number of people coming on in Puerto Rico for a while, but we really didn't address it sufficiently.

So right now we are working very closely with SSA, and we are taking a look at the quality of the claims in terms of the people coming onto the rolls there. And what we are trying to provide, which I think you are getting at—what we are trying to do is send a message out there that you just don't apply to SSA and get approved automatically, that you have to actually be disabled to receive benefits.

So we are trying to provide more oversight of what is going on in Puerto Rico. And then you have mentioned the situation in West Virginia, where we are also taking a look. We are trying to take a look to see if there is any really nexus in terms of the high amount of people that are coming on, is that something that just happened in that region? Is it very common that most people are approved? We are looking very closely at that. We are working very closely with SSA's disability adjudication and review staff to take a look at that.

We are working very hard on it. We have a presence here. We are conducting investigations in Puerto Rico and West Virginia. We have got a lot of resources on it, but I don't have a real answer for you yet. I can assure you that we are looking across the country to see if there are spikes like that, though.

Mr. MARCHANT. Well, my constituents are regularly—when they watch TV, they are regularly given the opportunity to call the number of an attorney that can assist them in getting on disability. As far as widows, it looks like it is not the widows that are participating in fraud, it is the people that are claiming to be disabled and that are not disabled. In fact, it looks like the claims are 10 times the amount of fraud among the group that are claiming to be disabled.

And my constituents are beginning to make the connection between a dollar stolen from the Social Security Administration is a dollar stolen from their future security of their pension, and they are beginning to make these correlations. So the public is behind you. I would urge you to keep up the good work.

Is there a way, in a disability case, where you have an attorney involved, and in many instances there are, you know, $10,000. It is not uncommon for a case to have a cash award of 10- or 12- or $14,000, and many times there are 3-, 4-, $5,000 of that goes to the attorney. If you later find out that that was a fraudulent case and you try to make a recovery, do you have recourse against just the recipient and applicant, or do you have resource against the attorney as well?

Mr. O'CARROLL. We have recourse against them in that we can assess a civil monetary penalty. If you lie to Social Security, and we can show that you lied, and it is not prosecuted, we can pursue you civilly, usually for $5,000 per false statement. So we have been using that.

I have to assure you that we want to make sure that the right people get the right amount of money, and those that are defrauding Social Security get caught. And what we are trying to find is any systemic issue where, as an example, some facilitator is trying to get claims approved by using false evidence, or false information or boilerplate information. We are looking into that. We have made arrests in the past, and we will make more in the future, because what we are trying to do is save that $1 of government money for everybody in the future.

Mr. MARCHANT. Thank you.

Chairman BOUSTANY. I thank the gentleman.

Mr. Paulsen, you are recognized.

Mr. PAULSEN. Thank you, Mr. Chairman.

I want to go back and focus a little bit of discussion or attention regarding matching databases in order to determine the accuracy of SSA's determinations of SSI's recipients' real property resources. And, Ms. Colvin and Mr. O'Carroll, I think you can comment on this. There are many factors that affect a supplemental security income recipient's eligibility for the program, including their ownership of real property. In one study I know the inspector general estimated that about 300,000 recipients were paid more than $2.2 billion that they might not have been entitled to because of unreported real property. Is this information, real property ownership, is it not readily available to Social Security, and if not, why not?

Ms. COLVIN. Information is available relative to real estate or real property ownership, and we are right now in the process of looking at what is necessary to begin to do that data matching, and we believe that the return on investment there would be positive.

Mr. PAULSEN. Mr. O'Carroll, can you follow up on that?

Mr. O'CARROLL. Yes, Mr. Paulson. As we found in that audit, as you noticed, SSA does have in field offices access to databases where they can verify resources such as real property. The purpose of our report is to highlight that, so that when a person is approved for benefits, the next step should be to take a look to see if that person has resources out there.

One of our current initiatives is an effort to obtain and use more financial intelligence. We are using that ourselves and are trying to identify fraud against Social Security. We are going to different vendors on the market with different types of information. For example, when people file a claim with SSA, we could tell if the IP address that they are using has been known for fraud in the past.

And we are going to try to use those best practices that we are coming up with, and financial intelligence, to share that with SSA so that they see if they are being defrauded by people who have resources but aren't telling them about it.

Mr. PAULSEN. And those best practices, when you pass them on, or you expect to pass them on, and you get that financial intelligence, does that become a resource issue for the Department, I mean, to undergo utilizing that information?

Mr. O'CARROLL. Well, what we are hoping to do is to see if there are going to be cost savings. Something that I never mentioned before is that the dollars that are saved through our accounting efforts and under the Improper Payment Elimination and Recovery Act, in some agencies those funds are going back to the agency to be used towards other antifraud initiatives. Unfortunately, with SSA, since most of the money is from the trust fund, we are not seeing any access to recovered funds, and that might be something that could be changed with the Improper Payments Elimination and Recovery Act so that we could get some of our audit savings money back to use for more financial intelligence projects like this.

Mr. PAULSEN. Ms. Colvin, let me do a follow-up, too, because I know there was another study that was done back just a couple of years ago with the inspector general, but in order to receive SSI payments, a recipient can't be out of the country for more that than a certain number of days, right? It is like 30 consecutive days. And one study, I think, found that something like a quarter billion in benefits went overseas, right, so the people were out longer than they were supposed to. How does the agency track whether beneficiaries are actually here in the United States or they have actually gone abroad?

Ms. COLVIN. That is a very complex area that we are delving into now to determine what type of special data sharing we can—there are matching agreements we can enter into to be able to address that issue. In most situations, they are supposed to identify that every 30 days if they are out of the country, they have to be back in the country. That is an area that certainly has some risk, and so we will be constantly looking at what data is out there that we can match to be able to ensure where those individuals are. We have to be very careful about targeting individuals just because they are out of the country, but we think there are some ways to begin to look at that and address it a little bit more.

Mr. PAULSEN. So, Ms. Colvin, do you feel that you are working on that kind of data-sharing arrangement, for instance, with Homeland Security, for instance, to actually make some progress on this area right now? Is that something——

Ms. COLVIN. I don't know what we are doing with Homeland Security specifically, but I will tell you that we have about 1,500 data-sharing agreements. We are always looking at additional records that we might be able to match with.

You asked if that is a resource issue. To some degree it is, but we think that the return on investment would be sufficient that we would want to pursue those kinds of things where we would see a value to the agency. So we are going to be looking at additional reports that we—or additional data-sharing agreements that we could enter into.

Chairman BOUSTANY. I thank the gentleman.

The chair now recognizes Mr. Brady, who has been waiting patiently.

Mr. BRADY. Thank you, Mr. Chairman. Just a couple of thoughts.

Our district is in Hurricane Alley, both Hurricane Rita, Hurricane Ike. It has been 2 years since Hurricane Ike devastated our region, 2 years since Congress passed legislation authorizing disaster recovery, and we are still waiting to get the money for our communities. I would not be holding any parades for the Obama administration on disaster recovery, unfortunately.

Secondly, if we are talking about wasted money, the $820 billion wasted in the stimulus, spent, and today we have fewer Americans working today than when the stimulus began. In fact, all those shovel-ready projects, we actually have 70,000 fewer construction workers today since we spent all that money. There is plenty of waste and fraud and abuse throughout this whole government system, and we shouldn't hesitate to go after every dollar of this, which leads to another point.

I was interested in Mr. Becerra's chart, but I did note 2003 to 2008 there was zero dollars dedicated to continuing—medical continuing disability reviews, yet during several of those years, 3 of them, they performed more reviews than they do today. It seems Social Security performs reviews when they choose to, regardless of the dedicated funding. It really goes back to the point that Mr. Bertoni and Inspector General O'Carroll made, which is a lot of the key systems are not in place to use these dollars well.

In fact, looking at the medical, the continuing disability reviews, it is one thing that 64 percent of the wasted dollars occurred because the beneficiaries didn't tell us about their work activity, but more than a third came after they told us they received income and Social Security did not act.

Mr. Bertoni made the point that there is a real key issue with the utilization of current automation and the need for better supervision. So, Ms. Colvin, I would ask you, in 2004, GAO recommended you use the National Directory of New Hires, which the agency uses for SSI cases, to alert the agency to wages earned by those receiving benefits with an estimated return of 40 percent on each dollar invested. So the question is why have you not yet implemented that idea?

Ms. COLVIN. The information that I have is that we, in fact, did do a study in 2010 relative to new hires. And as you correctly indicate, we do use it for SSI, but we have found it to be less effective for Title II. We find that the information comes in quarterly; we need to have it monthly.

There has been an analysis done on that, and so we have not found that utilization of the new hire data will provide the type of return that you have. I would be happy to provide you with what our review and analysis has determined.

Mr. BRADY. Thank you.

Just so I heard you right, 6 years after the GAO recommended you use this national directory, rather than implement it, you did a study last year and decided that theoretically it might not work, but you have never implemented it to see that it does?

Ms. COLVIN. We use the new hire data for SSI, we do not use it for Title II.

Mr. BRADY. Right, even though that was recommended in 2004?

Ms. COLVIN. Well, I believe that the agency's analysis of that differs from the analysis that was provided by the Office of Inspector General.

Mr. BRADY. Six years after its recommendation was made and no actual implementation occurred.

I would also ask you this. The amount of days it takes SSA to process the earnings and overpayments is not acceptable by anyone, particularly when the individual self-reports. They have told us they get the money.

GAO contends that you have no agencywide performance goals, and you lack a good supervisory control. So why should Congress appropriate more funds for CDRs when you are lacking basic management controls?

Ms. COLVIN. The money that Congress appropriates are for the medical CDRs specifically, and we have always, to my understanding, been able to do the number of CDRs for which we are budgeted. As I mentioned before, work CDRs are very complex. Normally we have had some challenges in that area, I would be first to admit as the accountable official for improper payments that is an area that I am looking at.

We very recently have given directions that we would like to see that those work CDRs are done within 30 days of the time that the individual reports that they are returning to work.

So this is an area that does need attention, and it is an area that we are challenged. And so I agree it needs more——

Mr. BRADY. I do think it needs a great deal more work. There is bipartisan support for this. This is a leaky bucket, and before we pour more money into it, we probably need to fix those holes and make sure we are actually getting the bang for the buck and have the right management tools in place to use these dollars.

I yield back.

Chairman BOUSTANY. I thank the gentleman.

I want to thank all of our witnesses for being here today and for your testimony. Please be advised that Members may have some written questions that they submit to you. Those questions and answers would be part of this hearing record.

Chairman BOUSTANY. Thank you for being here, and this hearing is now adjourned.

[Whereupon, at 4:37 p.m., the subcommittees were adjourned.]

[Questions for the Record follow:]

SOCIAL SECURITY
Office of the Inspector General

August 12, 2011

The Honorable Charles Boustany, Jr., M.D.
Chairman, Subcommittee on Oversight
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Attention: Lauren Savory and Kim Hildred

Dear Chairman Boustany and Chairman Johnson:

This is in response to your August 1, 2011 correspondence asking questions for the record, further to my testimony on June 14, 2011 before the subcommittees on Oversight and Social Security at a hearing on *Social Security's Payment Accuracy*. I appreciate the opportunity to provide additional information regarding this critical issue. Below are responses to your specific questions.

1. **Cooperative Disability Investigation (CDI) Units often investigate suspect claims to determine if the disability applicant is in fact disabled. When someone is caught applying for benefits despite having no actual disability, are any measures taken against them for trying to cheat the system? Is there any kind of penalty for fraudulent applications and if not, should there be?**

As with any investigation undertaken by the Social Security Administration (SSA) Office of the Inspector General (OIG), we have several remedies available to resolve CDI cases. These remedies include seeking criminal or civil prosecutions through Federal, State, or local courts; referring cases to the OIG Office of Counsel to the Inspector General for civil monetary penalty (CMP) assessments; and/or referring the cases to SSA for the imposition of administrative sanctions, as appropriate.

The majority of CDI cases are investigated, and the claim denied, before any monies are paid; therefore, there typically is no monetary loss to the government, per se. However, these cases do have a fiscal impact through the costs associated with taking, investigating, and adjudicating the claim. This fiscal year, the CDI Units closed 2,719 investigations; of those, the CDI Units found evidence of fraud in 2,491 (91.6 percent), and SSA either denied the claim or terminated benefits.

The filing of a false application for benefits is a felony under Federal law (18 U.S.C. 1001). However, with no quantifiable pecuniary loss associated with these cases, they usually do not meet Federal, State, or local prosecutorial guidelines.

We also have available the option of imposing CMPs, under section 1129A of the Social Security Act. We can impose a penalty of up to $5,000 for each false statement, misrepresentation, or omission of material facts used in determining eligibility for, or the amount of, benefits. In addition, we can impose an assessment of up to twice the amount of benefits paid because of the statement, misrepresentation, or withholding of a material fact. We can and do consider CDI cases, even those with no monetary loss, for CMP action. In FY 2010, we initiated 139 such cases and successfully resolved 87 through a settlement agreement, default, or decision by the DHHS Departmental Appeals Board. This resulted in penalties and assessments imposed of over $3.9 million.

Finally, SSA can impose administrative sanctions on anyone who makes a false statement or misrepresents a material fact, or who omits material facts used in determining eligibility to, or the amount of benefits. The applicable sanctions are:

- For the first offense, loss of benefits for six consecutive months;
- For the second offense, loss of benefits for twelve consecutive months; and,
- For subsequent offenses, loss of benefits for twenty-four consecutive months.

**2. One of the ways SSA completed medical Continuing Disability Reviews (CDRs) is by sending beneficiaries questionnaires asking about their medical treatment, work activities, and about their disability generally. Can you tell us more about the role these mailers play in preventing improper Social Security payments and how they work?**

We describe below the CDR process and the role mailers play in that process. In summary, CDR mailers are a cost-effective method used to identify beneficiaries who may no longer be disabled, so that, after a full medical CDR, SSA can terminate their benefits if, in fact, the Agency finds that they are not disabled. In our March 2010 report, *Full Medical CDRs*, we estimated, from Calendar Year (CY) 2005 through 2010, SSA will have made benefit payments of between $1.3 billion and $2.6 billion that could have been avoided if SSA had conducted the 1.5 million full medical CDRs in the backlog as soon as they became due.

CDR Process

- After an individual is determined to be disabled, SSA is required to conduct periodic CDRs to determine whether the individual continues to be disabled. Review diaries are set based on the likelihood of medical improvement since SSA generally cannot find an individual's disability has terminated without finding medical improvement has occurred.
- SSA employs a profiling system that uses data from SSA's records to determine the likelihood of medical improvement for disabled beneficiaries. SSA's CDR profile includes a

number of factors, including age of the beneficiary, the type of impairment and medical diary type, Medicare usage, length of time on the rolls, indications of work or income information, etc.

- The profile scores are assigned when the beneficiary's data is run through a program developed, and subsequently enhanced and refined, by SSA and contractor support. The program was developed based on the results of 1988/1989 cases; more recent outcomes for FYs 1996 through 2004 have been used to update the profiling techniques and formulae, and the analyses are now refreshed routinely by identifying cases that represent a spectrum of profile and disability case types necessary to keep the formulae accurate and relevant.
- SSA selects beneficiaries' records profiled as having a high likelihood of medical improvement for a full medical CDR by disability determination services (DDS). Full medical CDRs consist of reviewing an individual's medical evidence, developing medical evidence if unavailable or insufficient, and rendering a determination as to whether the individual is still disabled. If SSA determines the person is no longer disabled, the benefits will be stopped. Therefore, CDRs prevent SSA from paying benefits to individuals who no longer meet SSA's definition of disability.
- Beneficiaries profiled as having a medium or low likelihood of medical improvement are sent a mailer questionnaire. Based on the data used to score the case and the responses to the mailer, the review of approximately 97 percent of the low scoring cases can be completed at this point and do not require a full medical review.
- CDR mailers are questionnaires sent to disabled individuals asking whether they have performed any work or their medical condition has changed. If the answers indicate the individual's condition may have improved, the case is referred for a full medical CDR.
- For FYs 2005 through 2010, between 68 and 80 percent of CDRs conducted were mailers. SSA conducts all mailer CDRs that become due each year; therefore, the backlog does not include mailer CDRs.
- When SSA profiles cases to determine the type of CDR, 3 to 5 percent of cases are designated as a Profile Sample (PS) case. PS cases are selected using random sampling techniques. All mailer PS cases will be sent for a full medical CDR, even if they are not initially referred for a full medical CDR. As of February 2011, SSA had a 97.7 percent accuracy rate for the quality assurance review of full medical CDRs.
- Below are the percentages of mailer CDRs that have historically been referred for a full medical CDR. In most FYs, SSA sends CDR mailers for cases that are profiled as having a low likelihood of medical improvement. However, in FYs 2007 and 2008, SSA also sent out mailers for some CDRs profiled as having a medium and high likelihood of medical improvement. Accordingly, in 2007 and 2008, SSA had more mailers that resulted in a referral for a full medical CDR.

  2005 – 2%
  2006 – 3%
  2007 – 24%
  2008 – 25%
  2009 – 2%

- Mailer CDRs are much cheaper than full medical CDRs.
- According to SSA, from the period since the enhanced CDR profiling models were implemented in FY 2001 to early FY 2008, the Agency has performed 10.1 million CDRs, including 5.9 million CDR mailers.
- In May 2010, SSA OIG obtained a file of 593,582 CDR mailers from calendar year 2009. We reviewed a random sample of 1,000 cases and did not find any cases that would need either a medical or work CDR that were not referred for one.

**3. To become current and stay current on both Supplemental Security Income and all CDR work will require more funding for the SSA. However, given the long-term federal budget situation and the need to keep federal personnel costs in check, what staffing strategies should the SSA pursue to ensure integrity work is completed without significant hiring increases?**

To avoid benefit payments to individuals who are not entitled, SSA needs to conduct all CDRs when they become due. However, SSA faces a challenge in balancing the need to perform the CDRs that become due each year and meet its other service delivery responsibilities. This challenge is heightened by the need to eliminate the full medical CDR backlog.

Below are a few options that SSA could pursue to ensure integrity work is completed without significant hiring increases.

- Use mailer CDRs for children. SSA currently does not use mailers for children, but has developed a profiling system for children to prioritize the release of child CDRs. SSA could use the profiling system to identify the children that should receive a mailer as opposed to a full medical CDR. Not only would this help reduce the CDR backlog, it would also save SSA money.
- Dedicate a set amount of time weekly for field offices and DDSs to conduct program integrity work. For example, field offices could close to the public for a certain number of hours per week and that time could be devoted to program integrity activities. (The public could still obtain service through SSA's 1-800 number or the Internet.) A similar process could be used at DDSs by requiring a certain number of hours per week be used for CDRs.
- Designate specific staff or establish special units to work full-time on program integrity work.
- Establish a self-funding program integrity fund to allow SSA to set aside a portion of overpayment recoveries for future program integrity activities, including work and medical CDRs and SSI redeterminations.

**4. What are your recommendations to reduce overpayments?**

To reduce overpayments, we recommend an integrity fund, more CDRs, more Cooperative Disability Investigations (CDI) units, and use of additional data sources to detect improper payments sooner.

Integrity Fund

In July 2009, we recommended that SSA continue pursuing the establishment of a self-funding program integrity fund, and SSA agreed to do so. To ensure CDRs are conducted timely, we believe the mechanism to provide funding for CDRs should not depend on annual appropriations nor be subject to SSA's discretion for expending these funds. During the last several years, significant backlogs arose with costs in the billions because SSA chose not to conduct all full medical CDRs as they became due. A permanent, indefinite appropriation will ensure that needed funds are available and SSA cannot use those funds for other purposes.

A proposal for a self-funding program integrity fund could provide authority for SSA to expend a portion of actual collections of erroneous payments on activities to prevent, detect, and collect erroneous payments. Specifically, the proposal would establish permanent indefinite appropriations, subject to Office of Management and Budget apportionment, to make available to SSA up to 25 percent of the actual overpayments collected during the base FY and make available to the Office of the Inspector General up to 2.5 percent of the same collected overpayments.

CDRs

SSA has made, and will continue to make, benefit payments to individuals who would potentially no longer be entitled if the backlog of 1.5 million full medical CDRs had been conducted when they became due. From CY 2005 through CY 2010, we estimate SSA will have made benefit payments of between $1.3 billion and $2.6 billion that could have been avoided if the full medical CDRs in the backlog had been conducted when due. Further, although SSA plans to conduct an increased number of full medical CDRs in FY 2011, the 1.5 million full medical CDR backlog will most likely remain. Therefore, we estimate SSA will pay benefits of between $556 million and $1.1 billion during CY 2011 that could have been avoided if the full medical CDRs in the backlog had been conducted when due. Further, according to SSA's most recent Annual CDR report to Congress, the savings-to-cost ratio for CDRs was $12.5 to $1. Dedicated funds, such as from an integrity fund, coupled with dedicated staff are needed to complete CDRs on a timely basis.

CDI Units

The CDI program's mission is to obtain evidence of material fact sufficient to resolve questions of fraud in SSA's disability programs. CDI Units prepare Reports of Investigations (ROI) and refer them to SSA—typically, the Disability Determination Services (DDS)—for their use in making timely and accurate disability determinations.

Our CDI Program continues to be one of our most successful initiatives contributing to the integrity of SSA's disability programs. Established in 1998 with units in just 5 states, our CDI program now has 23 Units in 21 States. The efforts of our CDI Units during the first half of FY 2011 resulted in more than $128 million in projected SSA program savings, and over $82 million in savings to other programs.

Obtaining Data to Identify/Prevent Overpayments

SSA needs timely, accurate data to identify and prevent program overpayments. SSI payments can change when eligibility factors change. For example, if the recipient returns to work, gets married, or leaves the country for 30 days, he/she may no longer be eligible for benefits. However, SSA relies extensively on beneficiary self-reporting to identify such events that can affect a recipient's eligibility. SSA recently obtained access to some bank account data electronically through its Access to Financial Institution (AFI) project. However, SSA needs to do more to obtain timely, electronic data on resources, wages, marriages, foreign travel, etc., integrate these additional data sources into its profiling for CDRs and redeterminations, and thereby improve its payment accuracy.

SSA submitted a proposal as part of its FY 2011 Budget submission to change the Federal wage reporting process from annual to quarterly reporting. A change of this nature would increase the frequency that employers report wages to SSA, improving the timeliness of the work CDR process. Currently, work alerts are not generated until the year following the earnings posting to the Agency's Master Earnings File. This change would permit alerts to be generated and processed in the same year as the work is performed—thereby reducing the number of overpayments made that result when beneficiaries fail to report their work activity timely.

Additionally, the OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (5 U.S.C. 552a(o)). Such legislation would exempt OIGs from certain restrictions in the *Privacy Act* that forbid the use of computer matching programs to compare Federal records against other Federal and non-Federal records. Computer matching restrictions undercut OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud, waste, and abuse. An exemption could allow more computer matching in audits, inspections, and investigations designed to identify weaknesses that make a program vulnerable to fraud, waste, or abuse and to detect improper payments and fraud.

In March 2010, Congress enacted a law excluding the Department of Health and Human Services (HHS) and HHS OIG from complying with certain aspects of the *Computer Matching and Privacy Protection Act* provisions if the computer match activity is to identify potential fraud, waste, and abuse. However, neither SSA nor SSA OIG has a similar exclusion.

Thank you for the opportunity to clarify these issues for the subcommittees on Oversight and Social Security. I trust that I have been responsive to your request. If you have further questions, please feel free to contact me, or your staff may contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

August 15, 2011

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives

The Honorable Charles Boustany, Jr.
Chairman
Subcommittee on Oversight
Committee on Ways and Means
U.S. House of Representatives

Subject: GAO response to questions for the record from the joint hearing before the Subcommittees on Oversight and Social Security on June 14, 2011 concerning the Social Security Administration's (SSA) payment accuracy in the Disability Insurance (DI) program.

To complete the record for the hearing on June 14, 2011 you asked us to provide responses to 3 questions. Those questions and our response to each follows:

**1. Overpayment numbers are under reported. Please provide your estimate of overpayments, both in terms of dollar amount and as a percentage.**

Medical and work-related overpayments in the DI program detected by SSA grew from about $860 million in fiscal year 2001 to about $1.4 billion in fiscal year 2010. However, the true extent of overpayments is currently unknown, in part because SSA's overpayment figures do not include an estimate of the amount of overpayments that remain undetected in any given year. In a prior report, the Office of Inspector General found that overpayments could be as much as $3.1 billion, and that of this amount $1.3 billion (42 percent) went undetected, though the OIG's calculation was limited to work-related overpayments.

**2. To become current and stay current on both Supplemental Security Income and all Continuing Disability Review (CDR) work will require more funding for SSA. However, given the long-term federal budget situation and the need to keep federal personnel costs in check, what staffing strategies should the SSA pursue to ensure integrity work is completed without significant hiring increases?**

Currently, SSA does not make maximum use of automated data sources to make the most efficient use of limited staff resources. In particular, SSA's continued reliance on outdated earnings information to identify beneficiaries who may no longer be eligible for benefits means that overpayments, including some large overpayments, are probably inevitable. SSA's dependence on such data also means that staff responsible for performing work CDRs are often dealing with cases that are already aged when they receive them, and thus more difficult and time-consuming to develop. As a result, SSA is often in a "pay and chase" mode that further stretches limited staff and budgetary resources. To make better use of existing staff resources, our recent report[1] recommended that SSA explore options for obtaining more timely earnings information for DI program beneficiaries who may be working, and thus are more likely to incur overpayments. This would include developing data sharing agreements to access pertinent earnings-related databases, such as the Office of Child Support Enforcement's National Directory of New Hires (NDNH). In addition, we have noted in prior work that SSA needs to take a strategic approach to program integrity. This includes sustained management attention to work CDRs and reengineering existing processes for performing this workload. In this respect, we believe that SSA can improve the integrity of its disability programs within current staffing configurations.

**3. What are your recommendations to reduce overpayments?**

In addition to our recommendation for SSA to use the NDNH for more timely earnings information, we have also made recommendations to SSA for improving its collection of detected overpayments, as well as enhancing agency focus on program integrity. These include:

--develop and adopt agencywide performance goals, for the recovery of DI overpayment debt, such as the percent of outstanding debt collected annually.

--require supervisory review and approval of repayment plans which exceed SSA's target of 36 months.

-- correct the ROAR 2049 system limitation so that debt scheduled for collection after 2049 is included in the system and available for SSA management, analysis, and reporting.

--develop and adopt additional formal agencywide performance goals for work CDRs to measure the time that cases are pending development, and the number of days taken to process a work CDR.

Please feel free to contact me if you have any further questions. We look forward to working with your subcommittees on this important matter.

Daniel Bertoni

Daniel Bertoni
Director, Education, Workforce,
and Income Security Issues

[1] GAO, *Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments,* GAO-11-724 (Washington, D.C.: July 27, 2011).

ncddd

NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS

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August 15, 2011

Chairman Charles Boustany, J.D. M.D., Subcommittee on Oversight
Chairman Sam Johnson, Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Boustany and Chairman Johnson,

Thank you again for providing the opportunity for NCDDD to present testimony to the Committee on Ways and Means, Subcommittees on Oversight and Social Security, hearing relative to SSA payment accuracy. The following are our responses to your questions:

*1. Since your State agencies are on the front lines of the disability determination process, do you see a trend towards more dependency for children who continue to receive benefits past age 18? What management or legislative tools could help?*

NCDDD members have not identified any trends toward more dependency for children who continue to receive benefits past age 18. NCDDD is unaware of management or legislative tools, which could target dependency for children who receive benefits for disability.

*2. To become current and stay current on both Supplemental Security Income and all continuing Disability Review work will require more funding for the Social Security Administration. However, given the long-term federal budget situation and the need to keep federal personnel costs in check, what staffing strategies should be pursued at the Disability Determination Services to ensure integrity work is completed without significant hiring increases?*

Staffing strategies necessary to facilitate the integrity (Continuing Disability Review – CDR) workload at the DDS must include hiring for disability examiner losses in the DDS. It is imperative to point out that these hires are to maintain established staffing levels only. Comparable staffing for any additional workload and/or workload increases will be critical. Strategic hiring to obtain highly qualified staff is necessary to handle the complex and technical aspects of the integrity caseload. The integrity workload requires an experienced examiner in the DDSs.

Other workloads must be maintained to provide the needed public service. DDSs must have comparable staffing for all workloads. Hiring is particularly necessary to address a hemorrhaging attrition of Disability Examiners. DDSs are experiencing examiner attrition of over 13% nationally, with attrition over 20% in 11 DDSs, including three DDSs over 30%, which equates to a total loss of 1055 Disability Examiners nationally for fiscal year 2011. Incremental hiring in the DDSs is essential as the increasing complexity of the disability program criteria requires approximately 12-18 months of experience in the program for a disability examiner to become fully independent and productive. Therefore, hiring does not immediately translate to increased capacity and productivity.

*3. What are your recommendations to reduce overpayments?*

NCDDD recommends that Congress fund SSA in order to bring the integrity workload, (CDR) cases current. While this requires funding, including funding for hiring as expressed in our response to Question #2, SSA estimates $10 in program savings for each $1 spent for the medical integrity workload.

Thank you for allowing NCDDD the opportunity to address these questions. As always, NCDDD remains available to assist the committee and members, as deliberations regarding possible solutions are considered to address this critical situation. Please feel free to contact me at (217) 782-8283 for any information or clarification.

Sincerely,

*Ann P. Robert*

Ann P. Robert
President-Elect, NCDDD

[Submissions for the Record follow:]

Huntington's Disease Society of America

**STATEMENT FOR THE RECORD BY**

**LOUISE VETTER, CHIEF EXECUTIVE OFFICER**

**THE HUNTINGTON'S DISEASE SOCIETY OF AMERICA**

**THE HOUSE COMMITTEE ON WAYS AND MEANS**
**SUBCOMMITTEE ON SOCIAL SECURITY**
**SUBCOMMITTEE ON OVERSIGHT**

**Social Security Payment Accuracy**

**JUNE 28, 2011**

Thank you Chairman Boustany, Chairman Johnson, Ranking Member Lewis, Ranking Member Becerra, and distinguished Members of the Subcommittees for holding this important hearing on Social Security payment accuracy; I am honored to have the opportunity to submit testimony today for the Huntington's Disease Society of America (HDSA).

On behalf of the thousands of families that HDSA represents, we share your concerns that the Social Security Administration (SSA) has significant flaws in its payment and benefit policies. The system is not only failing the taxpayers who fund these vital programs, but also its intended beneficiaries. For years, HDSA has urged the SSA to update the medical criteria used for determining disability benefits as a means of reducing the backlog of initial disability claims and program costs. Our pleas remain unanswered.

Filing for Social Security Disability Insurance (SSDI) is a complex, burdensome process, especially for those living with a rare disease such as Huntington's Disease (HD). HD is a devastating, hereditary degenerative brain disorder that causes total physical and mental deterioration. Today, 30,000 Americans are known to have HD and an additional 200,000 have a fifty percent chance of inheriting the disease from an affected parent. The debilitating symptoms of HD make it challenging, if not

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impossible, for an affected individual to remain employed, resulting in a loss of income and employer-sponsored health insurance benefits.

Documenting a disability like HD can be difficult because of the complexity of the disease. Symptoms of HD typically hit during an individual's prime working years (30 – 45), and can include dementia, obsessive-compulsive behavior, depression, mood swings, inability to concentrate, processing and sequencing difficulty, immobility, as well as the involuntary movements (chorea), for which the disease first became known. Given the often subtle onset of symptoms, it is hard to pinpoint exactly when a person with HD first becomes disabled. Further, the neurological listings under the *Disability Evaluation Under Social Security*, (also known as the Blue Book), have not been comprehensively revised in almost 30 years and only take into account HD's physical impairments. We now know that the often debilitating cognitive and behavioral effects of HD occur at least a decade before the visible physical effects. As a result, people with HD who apply for Social Security disability benefits experience numerous delays and denials due to the continued use of outdated and insufficient medical criteria. Denials based upon severely outdated guidelines should not be acceptable in our disability system.

Because the HD guidelines are almost 30 years out of date, Social Security Disability Insurance (SSDI), eligibility is extremely difficult for individuals with HD. Under the current Blue Book listing, HD is referred to as "Huntington's Chorea," a name that captures the physical impairments typical of the latter stages of the disease but fails to recognize the myriad of symptoms such as the less apparent but equally debilitating cognitive and behavioral symptoms now widely accepted as characteristic of HD. These declines are often more debilitating than motor abnormalities and are often the reason that an individual affected by HD has to stop working during his or her prime working years. Despite this fact, the lack of visible dysfunction of motor abnormalities has caused many people affected by HD to remain undiagnosed and unable to receive badly needed benefits. A revised definition of HD that captures the

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complex nature of the disease and its many emotional and cognitive manifestations beyond the "chorea" is needed to reduce the number of delays and reapplications of genuinely disabled individuals.

On July 1, 2010, *11.00 Neurological – Adult* disability guidelines, in which HD is currently listed, expired; but the SSA extended their own deadline for an additional two years and little progress has been made. We believe that in order to successfully facilitate HD applicants through the disability process, medically accurate guidelines for determining disability are needed. By updating the guidelines, the SSA can reduce its ever-growing backlog and overall costs to the program.

In furtherance of this goal, earlier this year Representatives Bob Filner (D-CA) and Bilbray (R-CA) reintroduced *the Huntington's Disease Parity Act (*H.R. 718) in the House of Representatives. Senator Kirsten Gillibrand (D-NY) introduced the Senate companion bill, S. 648. This important legislation directs the SSA to revise outdated, medically inaccurate criteria for determining Social Security disability and waives the Medicare two-year waiting period for people disabled by HD. Currently, 78 Representatives have cosponsored H.R. 718 and 6 Senators have cosponsored S. 648. In the 111th Congress, 153 Representatives cosponsored this crucial legislation.

As Congress and the SSA looks for ways to ensure that those who are truly in need of benefits receive the assistance they deserve, we ask that the Administrator expedite the rule-making process and update the medical criteria and outdated guidelines for HD. The SSA is currently failing individuals with HD, our nation's most vulnerable and the very ones that the disability system was meant to protect. Updating the medical criteria for HD will support the SSA's efforts to make timely and accurate disability determinations. Further, it will save time, money, resources and emotional energy on the part of the SSA and the individuals and families it serves.

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Thank you again for holding this important hearing and for the opportunity to provide Members of the Subcommittee with written testimony this afternoon.

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