

## **SOCIAL SECURITY ADVISORY BOARD**

### **STATEMENT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM**

Public Law 104-193 requires that members of the Social Security Advisory Board be given an opportunity, either individually or jointly, to include their views in the Social Security Administration's annual report to the President and the Congress on the Supplemental Security Income (SSI) program.

We appreciate the opportunity to present our views on this important program and we have asked the Social Security Administration to include the following statement of views in this year's annual report, due May 30, 2002.

#### **VIEWS OF THE BOARD REGARDING THE INTEGRITY OF THE SSI PROGRAM**

In its comments in previous annual reports, the Board has discussed a broad range of issues and recommendations. In this report, we will confine our comments to one aspect of the SSI program, namely SSA's obligation to ensure that the public's funds are responsibly expended.

In March 2002, the Board issued a report titled *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*. In that report, we set forth our concerns that major changes must be made to improve the integrity of SSA's operations. The report was based on the Board's extensive five-year study of SSA's service to the public, of which program integrity is an integral part.

Taxpayers who support the Social Security and SSI programs must be confident that their tax dollars are accurately collected and expended. Claimants and beneficiaries must believe that program rules and procedures are rigorously followed and that the benefits they and others receive are accurately paid.

The following comments highlight aspects of the integrity of the SSI program that the Board believes need to be improved and our recommendations for improvement.

#### **MAJOR AREAS THAT NEED TO BE STRENGTHENED**

##### **Accuracy of SSI payments**

Since 1997, when the General Accounting Office added the SSI program to its list of government programs at high risk of fraud, waste, abuse, and mismanagement, SSA has given increased attention to the problem of inaccuracy of SSI payments. Despite SSA's efforts to improve the SSI determination and redeterminations processes, however, the 2000 overpayment accuracy rate of 93.6 percent is only fractionally above the 1997 level of 93 percent. Both of these rates are below those reported in earlier years. For

example, in fiscal year 1991, the SSI overpayment accuracy rate stood at 96.2 percent. Underpayments are also a problem, although of lesser magnitude. The underpayment accuracy rate for 2000 was 98.6 percent. In 1991, it was 98.9 percent.

The dollar amounts involved are substantial. In 2001, SSA detected overpayments of nearly \$2 billion. In 2000 (the last year for which data are available), SSA estimated underpayments at \$440 million.

The agency points to a number of initiatives that it is pursuing to improve payment accuracy, including gaining easier access to bank account balance information; improving the quality of SSI adjudications, particularly redeterminations; and improving efficiency in identifying and processing changes that affect payments. In addition, the agency states that its recently developed Corrective Action Plan for SSI outlines initiatives and pledges explicit executive accountability for results. But as the agency has acknowledged, up to now the initiatives it has taken have been hampered by resource constraints, which have limited its ability to take the corrective actions that are necessary to avoid payment errors.

Although conducting redeterminations is one of the most useful mechanisms that the agency has to prevent and identify SSI payment errors, over the last decade program growth has far outstripped the growth in the number of redeterminations. Over the period 1990 – 2001, the number of SSI beneficiaries increased by 39 percent, but the number of redeterminations increased by only 10 percent. In recent years, however, the agency has attempted to make the redetermination process more efficient by increasing the number of redeterminations of cases it believes are at high risk of error. This year the Commissioner has decided to provide an additional \$21 million to increase the number of redeterminations. In fiscal year 2003, the agency is committed to conducting 2.45 million redeterminations. These actions are to be commended. However, unless more staff is made available, SSA may have to put other important workloads on hold, creating other problems.

Throughout SSA's field operations there is widespread concern about the agency's capacity to properly administer the SSI program. In our visits to field offices, employees have told the Board that they sometimes do not pursue certain lines of questioning, such as the details of an individual's living arrangements, because it takes too long to resolve the issues that may be raised. They have told us that they are also unable to process reports of earnings or changes in living arrangements as promptly as they should because of competing priorities.

A number of agency employees have told the Board that many SSI claims are currently being paid based largely on allegations. They recommended that more information be obtained at the initial interview to ensure correct entitlement to benefits.

These comments reflect the fact that policies relating to eligibility for SSI are complex and difficult to administer. The General Accounting Office has criticized the agency for failing to be more active in dealing with SSI problems and in carrying out its

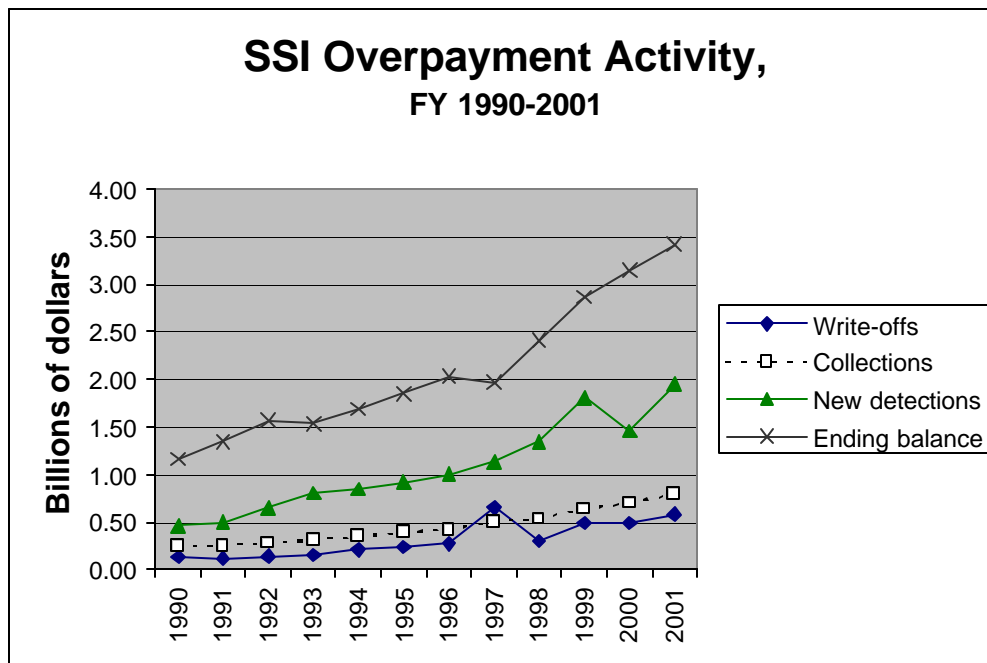
planning and policy development role. The GAO has also observed that SSA's organizational culture places a higher priority on processing and paying claims than on controlling expenditures by verifying financial eligibility and deterring fraud and abuse.

Both the GAO and the Office of the Inspector General have stated that SSA needs to commit more time and energy on training field office employees who do the frontline work of obtaining and verifying information from SSI applicants. Both have also urged the agency to change the way it measures work so as to provide rewards for preventing overpayments and fraud as well as rewarding the processing of claims.

As the result of its own work, the Board believes that the concerns of the GAO and OIG are well founded and that the agency needs to take appropriate action.

### Collection of overpayments

Although the amount of SSI overpayments that SSA has collected has increased every year since 1990, the amount of newly detected overpayments has grown more rapidly. As a result, the balance of outstanding overpayments at the end of the year has more than tripled since 1990.



Debts to the government such as these have prompted Congressional action. Over the last decade the Congress has authorized government agencies to use a number of collection tools that have increased substantially their ability to collect debt. SSA has been gradually implementing these tools, and many of them are now in use.

Three tools that have been authorized for collection of SSI overpayments but for which implementation is not yet scheduled include collecting debt from an individual who is a Federal employee by withholding from the employee's salary, charging interest, and using private collection agencies.

SSA has told the Board that implementation of the numerous tools that have been authorized is labor intensive, requiring coordination among components of SSA and between SSA and other agencies. They also require new systems developments. Because of resource limitations, SSA has followed a policy of prioritizing those that the agency thinks will have the biggest payoff, but progress has been exceedingly slow.

Not all overpayments are subject to the use of SSA's collection tools. The law provides that beneficiaries who are overpaid may request a waiver, which the agency may grant under certain conditions. If a debt has been waived there are no additional attempts to collect it.

The Office of Inspector General has raised questions about SSA's waiver practices. In a review of 26,000 Social Security waivers granted by the agency between August 1996 and June 1997, the OIG found that nearly nine percent of the waivers were incorrectly granted and half were inadequately supported. An SSA executive recently told the Board that field offices often do not pursue overpayment collection because the staffs are too busy. It is easier for them to waive the debt.

Collecting overpayments is highly cost-effective. According to SSA, the cost of collecting a dollar of overpayments is currently about 11 cents. SSA should be moving more effectively and aggressively to collect overpayments if it is to properly discharge its stewardship responsibilities.

### **Accuracy of disability determinations**

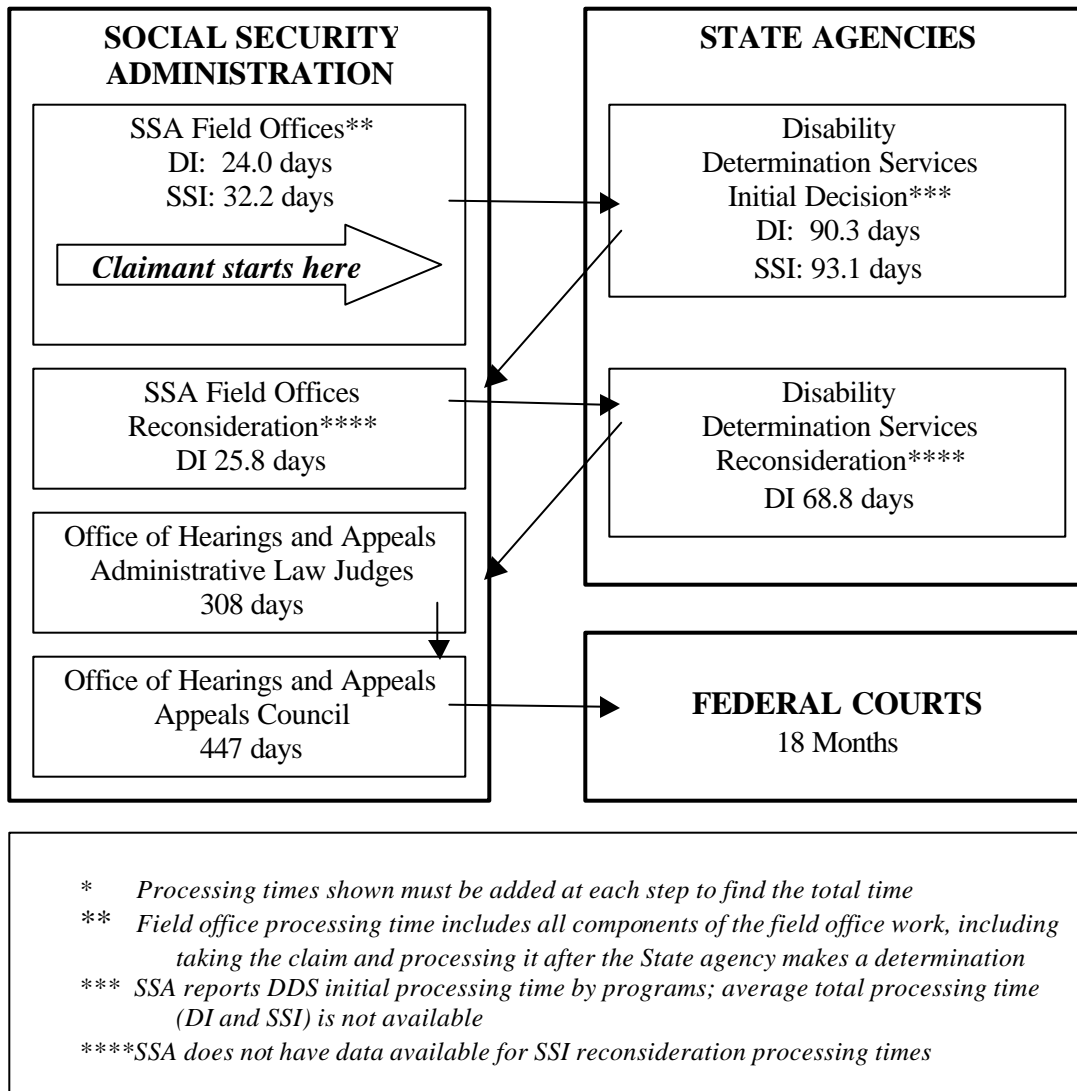
Disability determinations are a large part of the agency's SSI workload. More than 80 percent of current SSI recipients are receiving benefits because of disability. SSA expects to receive more than 1.5 million SSI disability claims this year.

Of all the functions performed by SSA, none is more complex and labor intensive than determining whether an individual is eligible for disability benefits. Providing the highest possible quality of decision making constitutes one of the agency's most difficult stewardship challenges. As the Board has emphasized in reports on SSA's disability programs issued in August 1998 and January 2001, there is urgent need for improvement.

Data developed by the Board show large inconsistencies in decision making over time, among regions of the country, and between State agency and ALJ levels of adjudication. Allowance and denial rates, both overall and for specific impairment categories, vary widely from State to State and region to region. The inconsistencies that the Board has documented raise fundamental questions about whether claimants are being treated fairly. There is a widely held belief among disability adjudicators and

others who have studied the disability programs that the agency's own policies and procedures, as well as organizational structure, are significant causes of inconsistency in decision making.

**DI and SSI Claims Process:  
Steps and Average Processing Time\*  
FY 2001**



The question of whether the agency's disability decisions are fair and accurate involves large sums of money, both from the standpoint of individual claimants and from the standpoint of the government. According to SSA's actuaries, the value to an individual over a lifetime of being awarded SSI benefits is \$40,000. When Medicaid is included the value increases to \$60,000. Although SSA has no statistics as to the dollar value of incorrect decisions either before or after the appeals process, the cost to the government of the agency's incorrect decisions is likely to be quite high.

The complex disability adjudication process is slow and difficult for claimants to negotiate. A claimant who chooses to appeal an initial decision will likely wait another year or more to get a final decision. Appeals are costly to claimants, most of whom turn to an attorney to assist them with their claim. They are also costly to the agency. In 2001, a decision made at the ALJ level cost \$2,157, more than three and a half times the cost of an initial decision at the State agency level (\$583).

The agency's current quality assurance system is of limited value in analyzing overall performance and in providing information that can be used to improve the quality of the work that is being performed. The agency needs to replace it with a new quality management system that will produce the comprehensive program information that policy makers need to guide disability policy and procedures and to ensure accuracy and consistency in decision making.

The adjudication process needs to be reformed. Regulations should be revised to require States to follow specific Federal guidelines relating to educational requirements and salaries for staff, training, carrying out quality assurance procedures, and other areas that have a direct impact on the quality of their employees and their ability to make decisions that are both of high quality and timely.

Reform of the hearing process needs to be considered, including having the agency represented at the hearing, closing the record after the ALJ decision, and establishing new rules for claimant representatives. A recent report to the Board recommended serious consideration of an Article I Social Security Court for appeals from the hearing level.<sup>1</sup> The Board considers the establishment of such a court an important subject that deserves attention.

The Administration and the Congress should continue to provide the agency with the funding it needs to conduct continuing disability reviews (CDRs) to ensure that those who are on the disability rolls continue to meet the criteria for eligibility. SSA will be required to conduct 11.6 million CDRs over the next seven years if it is to comply with the law. It is critical to the integrity of the program that the agency conduct the reviews that the law requires. The CDR process is highly cost effective. The actuaries estimate that the CDRs conducted in fiscal year 2000 will save \$2.1 billion in SSI program costs over a ten year period.

The Administration and the Congress also need to address the fundamental issue of the current lack of alignment between disability policy and administrative capacity. Over the last decade and a half SSA has issued numerous regulations and rulings that require more time and expertise on the part of disability adjudicators than was the case in the past. Policy should be streamlined and uniformly implemented. The number of cases being appealed to the Federal courts has been increasing rapidly, and the courts have been remanding growing numbers of cases to the agency. The concern the Board has

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<sup>1</sup> Paul Verkuil and Jeffrey Lubbers, *Alternative Approaches to Judicial Review of Social Security Disability Cases*, March 1, 2002.

heard is that the agency needs to do a better job of following its own rules and regulations.

Adjudicators in both State agencies and hearing offices are faced with the fact that their workloads are also growing rapidly and resources are constrained. The result is that there is a large gap between policy requirements and the agency's capacity to meet those requirements. To bridge it will require changes in policy, structure, or resources, or – more likely – in all three of these interrelated aspects of the disability system.

### **Accountability of representative payees**

Currently, more than two million SSI beneficiaries, about a third of the total, have their benefits paid to representative payees. The number of representative payees appointed by the agency has been growing rapidly. Between 1990 and 1999, the number of SSI beneficiaries with payees rose 67 percent.

Under the law, representative payees must expend funds only for the beneficiary's use and benefit, report any event that will affect the benefit amount or eligibility, and provide an annual written report explaining how benefits were used.

The agency's implementation of representative payee requirements has been problematic for many years. The 1995-96 Representative Payment Advisory Committee established by SSA raised concerns about the agency's policies for determining whether payees are needed, how payees are selected, and how SSA educates payees about their responsibilities. In its 1996 report the Committee stated, "It is clear that SSA places a premium on speedy case processing to get payments out quickly."

In a December 2001 report the OIG similarly observed that SSA is not performing background checks of payees to determine whether they have financial problems, bad credit, or have been convicted of a felony. In addition, it noted that SSA's systems do not effectively track payees who do not respond to and complete the required representative payee reports.

SSA's own employees have also raised concerns about the quality of representative payees. They have told the Board that pressures to move the work make it difficult or impossible for them to spend the time they need to investigate carefully the qualifications of potential payees, and applicants' claims are ordinarily not verified.

In response to these criticisms and to some notorious cases of abuse by payees, SSA has recently taken steps to improve its administration of the representative payee program. A regional executive told the Board, however, that SSA is just scratching the surface on organizational payee problems. "The problems are deep and it will take a tremendous amount of staff time to resolve them."

The initiatives that SSA has undertaken to provide better oversight of institutional and other large-scale payees are urgently needed. In addition, however, there are nearly

two million SSI beneficiaries whose well being is dependent upon the diligence and integrity of individual payees. It seems clear that if vulnerable beneficiaries are to be protected from misuse of benefits, the agency will need to devote considerably more resources to the task of screening and monitoring payees than it has done heretofore.

### **WHAT NEEDS TO BE DONE TO FULFILL THE AGENCY'S SSI STEWARDSHIP RESPONSIBILITIES**

#### **Improve SSI and disability program policies**

Over the last three decades, SSI policy has tended to become more, rather than less, complex, despite the work of a series of special panels that have looked for ways to simplify it. Some of this complexity has been the result of legislative changes. Some has resulted from rules and regulations that the agency itself has promulgated to address issues that have arisen in administering the law.

It is our view that the agency should take the lead in developing measures, however incremental, that will change SSI policy rules so that they will be less difficult for the agency to administer and easier for applicants and beneficiaries to understand and comply with. It will be difficult to reduce erroneous payments to an acceptable level without simplifying policy rules.

The agency also urgently needs to conduct a thorough review of disability policy rules and regulations to determine where changes can and should be made to improve the quality and consistency of decision making. Attention should be given to how these rules and regulations can be written more clearly and simply so that adjudicators in different regions of the country and different levels of decision making will interpret and use them in the same way. Both medical listings and vocational guidelines should be included in this review.

A series of rulings issued by SSA in 1996 need close attention. These rulings are commonly referred to as "process unification" rulings, because they were aimed at bringing State agency and ALJ decisions closer together. The effect of these and other changes in policy is that disability decision making by both State agency examiners and administrative law judges has become considerably more subjective and complex.

As the Board has previously recommended, SSA should bring together into a single policy unit individuals with knowledge and experience in the Office of Disability, the Office of Hearings and Appeals, and the DDSs. We urge the agency to move forward as expeditiously as possible in strengthening its capacity to develop and oversee the implementation of disability program policy.

In addition, given the history of the many difficulties that SSA has had in carrying out the disability policies that it has formulated, there is a demonstrable need for the agency to rigorously assess the potential impact of major policy changes before they are implemented.



### **Improve the tools the agency uses to measure performance and quality**

Many throughout SSA's organizational structure believe that the measures the agency uses are skewed toward speed and productivity and away from other indicators that would provide a better balance in the work that the agency is doing. Because offices' relative productivity influences the allocation of staff, managers throughout the system have an overwhelming incentive to process work as quickly as possible in order to protect their staffing levels. There are no counterbalancing measures of quality at the local level.

It would seem essential that if SSA genuinely wants to ensure the integrity of its programs, it must put into place a more balanced set of measures to drive performance in the field than it currently has.

An outside evaluation of the disability quality system completed last year highlighted the need for change in that system.<sup>2</sup> It concluded that SSA's current system is of limited value in analyzing overall performance and in providing information that can be used to improve the quality of decisions. What the evaluators recommended is the replacement of the present quality assurance system by a totally new quality management system. The new system would require a definition of quality that would have multiple dimensions (accuracy, timeliness, efficiency, customer service, due process), and would provide information that can be used to improve disability policy and the disability process. It would identify variations in decision making by various components in the system and provide the information needed to address them.

SSA's leadership needs to make fundamental changes in the way the agency conducts its work so that quality becomes a guiding principle for all aspects of its work.

### **Accelerate systems improvements**

In discussions with employees throughout SSA's administrative system, the Board has been told of many areas in which SSA could expedite and improve the quality of its work if its systems capabilities were improved. One of the foremost examples is in the area of disability. For example, SSA has been working on developing and implementing the capacity to create an electronic claims folder for each person who applies for disability benefits. The information in this folder would be accessible by adjudicators at each step of the application and appeals process. The creation of this new folder system would prevent lost documents and speed up the transfer of information from one level of the process to another. SSA's lack of such a system, while it dedicates space to storing masses of paper files and workyears to finding and handling them, is reflective of its systems problems. Until recently SSA estimated that the new system

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<sup>2</sup> *Evaluation of SSA's Disability Quality Assurance (QA) Processes and Development of QA Options That Will Support the Long-Term Management of the Disability Program, Final Report*, prepared by The Lewin Group, Inc. and Pugh Ettinger McCarthy Associates, L.L.C., March 16, 2001.

would not be ready until 2007. It has now committed to accelerating the development to bring the system online in 2004, but that is still a full decade after it was first envisaged.

There is widespread acknowledgement that the work measurement, management information, customer satisfaction, and performance measurement systems all need to be improved, and all require significant systems developments. New systems developments would also be an integral part of the new quality management system that the Board has recommended, as described above.

In addition, there are many specific tools that could be used to improve the integrity of the agency's work. Among those that have been brought to the attention of the Board are the ability to cross check information about potential representative payees, gain access to State birth and death records, cross check information with military and Veterans Affairs records, and numerous others.

Although these systems developments will enable SSA to better manage its programs and improve service to the public, it is unlikely that they will result in any significant reduction in the agency's staffing needs. But systems improvements that will enhance the agency's stewardship of its programs are critically needed, and we urge the agency, the Administration, and the Congress to give them the high priority that they deserve.

### **Expedite decision making**

In our discussions with employees at all levels of the agency we have heard a high level of frustration about the fact that it takes the agency so long to decide whether a proposal should be implemented, and even after a decision is made, to put it into effect. We urge the agency to work more quickly and efficiently in assessing proposals for change and in moving forward on those that it finds worthwhile.

Many of the recommendations we have heard relate to changing business processes. One that the Board has heard repeatedly is that the agency should do more to identify problems before they occur. As an SSA executive told the Board, "The key is to prevent errors, not just to find them."

### **Become more aggressive in working with other agencies**

SSA should also explore how it can do more to draw upon the resources of other governmental and non-governmental entities. The Board has heard many recommendations for greater use of computer matches to verify information. SSA should work closely with agencies at all levels, such as the Immigration and Naturalization Service, the Internal Revenue Service, and State welfare offices and Boards of Workers Compensation, to gain access to electronic information while appropriately addressing privacy concerns.

Other agencies can also help SSA fulfill its responsibilities to serve the public appropriately. In particular, in implementing the new Ticket to Work program, the agency should draw upon the expertise and resources of the Departments of Education and Labor to the maximum extent possible.

SSA, like most other government agencies, has tended to look at its functions in isolation. Although progress has been made in recent years in building relationships with other entities, these relationships need to be strengthened further. Other agencies must also be convinced that working with SSA to better meet the needs of the public is worthwhile. Where warranted, the agency should turn to the Office of Management and Budget and the Congress for support and assistance in making interagency cooperation and collaboration a high priority.

**Ensure that maintaining the integrity of the agency's work is recognized as an agency priority**

When SSA issued its strategic plan for 2000 – 2005, it made “ensuring the integrity of Social Security programs, with zero tolerance for fraud and abuse” one of the agency's five strategic goals. Yet many employees with whom we have met have been outspoken in their concern that the agency is not putting sufficient emphasis on program integrity. In their understanding of agency policy, processing cases quickly is a higher priority than program integrity.

If the agency wants to convince employees in the field that program integrity is highly valued, that message needs to be given real substance. Perhaps the most effective way, as we have noted above, is to make sure that the work that is performed to improve program integrity is reflected in the way the agency measures performance and quality.

Based on our discussions with employees in the field, we believe there should also be more and better training related to program integrity issues.

Program integrity should also be made an integral part of the agency's budget process. Program integrity activities that the agency proposes to carry out should be explicitly identified and explained. The definition of program integrity that SSA uses in its strategic plan currently includes only payment accuracy. Given the importance of the Social Security number to the integrity of the Social Security and SSI programs, we believe the agency should expand its definition to include integrity in the issuance of Social Security numbers as well.

**Ensure that the agency has sufficient staff with the right skills to do the job right**

If SSA is to be able to fulfill its stewardship responsibilities, it needs to have sufficient staff with the right skills to carry out the work that is required. But as the Board has documented in the reports it has issued over the last five years, prolonged downsizing has resulted in serious staffing shortfalls in key parts of the agency. We have

observed these shortfalls in offices throughout the country, including field offices, State disability agencies, hearing offices, program service centers, and teleservice centers.

These are the offices that perform the frontline work that is so vital to the integrity of the Social Security and SSI programs. When employees in these offices lack the time that is needed to perform their work carefully and on time, or when there are too few managers and supervisors to train and mentor them, the quality of the agency's work is immediately affected.

SSA has instituted many rules and procedures for finding and correcting errors after they occur, such as issuing computer alerts when electronic cross-checking with other agencies finds discrepant data. But pressures to handle more urgent and immediate work make it difficult for employees to find the time to follow up on these alerts and take the action that is required as promptly as they should. Often the inability to do work in a timely way causes inaccurate payments, creating more work for the agency in the future.

If the agency had additional resources it could also be performing work that would be highly cost effective. Last year, officials in the agency recommended a number of program integrity initiatives that were estimated to save significant amounts of program dollars at relatively low administrative cost. Some are being implemented, but others have been deferred because of lack of staff to carry them out. One of the proposals was to increase the number of SSI redeterminations by one million. This was projected to cost about \$62 million. By targeting the redeterminations on cases identified as highly prone to error, the agency expected to produce overpayment benefits of \$260 million, a return of more than 4:1.

The agency proposed to make an even larger return on investment by providing enough staff resources in field offices to speed up action on computer alerts that identified increases in income or assets that might affect benefit levels. It was estimated that an investment of \$5.2 million would produce taxpayer savings of \$66 million, or a return of nearly 13:1. But both of these actions had to be deferred because of lack of sufficient staff to carry them out.

The agency's budget proposals to the Office of Management and Budget (OMB) and the Congress should reflect the staffing levels the agency believes that it needs to serve the public appropriately and meet its stewardship responsibilities. The agency's budget requests should reflect careful long-term planning and should be fully documented so that OMB and the Congress can understand the implications of the funding decisions that they make.

We believe that OMB and the Congress should agree to remove funding for Social Security's administrative costs from any cap that sets an arbitrary limit on discretionary spending. The agency's budget would continue to be subject to the review of the Congress, which would determine the agency's funding levels as part of the regular appropriations process.

In addition, agreement should be reached to provide funding outside any discretionary spending cap for activities that are demonstrably cost-effective. Spending caps should not apply where savings in benefit outlays more than offset administrative expenditures. Current spending limitations are having the effect of saving administrative dollars at the expense of program dollars. This is counterproductive from the standpoint of taxpayers, and contributes to increases, rather than decreases, in the Federal budget deficit.

### **THE SSI ANNUAL REPORT**

The sixth *Annual Report of the Supplemental Security Income Program* by the Social Security Administration provides a useful review of some program data. However, we continue to be troubled by the fact that the agency is missing an opportunity to use the report to address broad policy issues. We believe policy makers would find it helpful if the agency would use the SSI report as an annual forum for formulating and communicating a comprehensive overview of the program.

We recommend again that the agency use the SSI annual report as more than a statistical report. SSA should consider using it as a way of bringing to the attention of policy makers both the policy issues that it believes need to be resolved and the difficulties the agency is encountering in administering the program. This is vital information that can help the Congress, the Administration, and the public to become better informed about the challenges SSA faces with respect to the program, and the need to address them.

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