



**HEARING BEFORE**

**COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,  
EDUCATION, AND RELATED AGENCIES  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 17, 2011**

**STATEMENT  
OF  
CAROLYN COLVIN  
DEPUTY COMMISSIONER OF SOCIAL SECURITY**

Chairman Rehberg, Ranking Member DeLauro, and Members of the Subcommittee, thank you for inviting me to discuss the Social Security Administration's (SSA) activities to prevent improper payments. I am SSA's Deputy Commissioner and the Agency Senior Accountable Official for improper payments.

Each month we pay nearly \$60 billion in benefits to almost 60 million beneficiaries, and we are committed to making those payments timely and accurately. In fact, there is an adage in the agency—the right check to the right person at the right time. We know that we must protect taxpayer dollars by minimizing improper payments, which is why we made preserving the public's trust in our programs a strategic goal. A lack of adequate resources undermines our ability to achieve this goal.

Between 1992 and 2007, Congress appropriated less than the President's budget, and we could no longer fulfill many key responsibilities. Hearing backlogs rose dramatically, and program integrity work declined significantly. Since 2007, we have been reversing these trends. With necessary investments, we have hired employees who are gradually gaining the experience needed to handle our complex work. Even as we have had to deal with surging workloads, we have steadily increased our program integrity efforts.

As a result, I am happy to report that in FY 2009, 99.63 percent of all Old Age, Survivors, and Disability Insurance (OASDI) payments were free of an overpayment. While this was a slight decrease from the FY 2008 accuracy rate of 99.66 percent, it still shows that the vast majority of OASDI payments were free of an overpayment. The Supplemental Security Income program is more complex. Benefits can change each month due to income and resource fluctuations. Our overpayment accuracy rate reflects that complexity. Still, we have improved. In FY 2009, the SSI accuracy rate related to overpayments was 91.6 percent, a statistically significant increase over the FY 2008 rate of 89.7 percent.

Efforts to prevent, detect, and collect improper payments are complex, and require knowledgeable employees to analyze the cases and make decisions. Our employees are our best defense against improper payments, and all of the efforts I discuss today are predicated on having an adequate number of well-trained staff to complete this work. It is important to understand that these employees are the same employees who also decide applications for benefits and handle all of our other responsibilities. We balance serving the public with meeting our stewardship duties the best we can, but with a record number of people requesting our services, we simply do not have enough employees to handle all of our work on a timely basis. A continuing resolution only exacerbates this situation. If we remain under a continuing resolution for the entire year, we will lose about 3,500 Federal and State employees. These employees are often the most knowledgeable and experienced employees, which is particularly critical to the success of our difficult program integrity workloads.

Our most valuable tools to maintain the integrity of our programs and avoid improper payments are continuing disability reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. We invested \$758 million toward these efforts in FY 2010, and we propose to invest even more in FYs 2011 and 2012. We have delivered significant returns for every dollar invested in our program integrity efforts.

CDRs are periodic reevaluations used to determine if beneficiaries continue to meet the Social Security Act's medical criteria to receive benefits. We estimate that every dollar spent on CDRs yields at least \$10 in lifetime program savings, including savings accruing to Medicare and Medicaid. In the past, we had to limit the number of CDRs we completed due to inadequate funding. However, recent investments have allowed us to increase the volume of this work. With full funding, we estimate we would complete 360,000 full medical CDRs in FY 2011 and 592,000 in FY 2012.

For SSI redeterminations, we review factors in individual cases that affect eligibility for benefits or payment amounts. We estimate that every dollar spent on SSI redeterminations yields

more than \$7 in program savings over 10 years, including savings accruing to Medicaid. Since 2007, we have also significantly increased the number of SSI redeterminations, which has resulted in the increase in SSI payment accuracy. With full funding, we estimate that we would complete 2.4 million redeterminations in FY 2011, and 2.6 million in FY 2012.

Where possible, we are using technology to help us prevent and detect improper payments. For example, we know that unreported financial accounts and wages are the major causes of improper payments in the SSI program. Therefore, we have developed and are implementing an electronic process that allows us to quickly and easily identify assets of SSI applicants and recipients that exceed statutory limits. This process is called Access to Financial Institutions (AFI), and we use it in the SSI program to electronically identify financial accounts. We currently use AFI in 25 States; these States represent 80 percent of all SSI recipients. We intend to implement AFI in all remaining States by the end of the year. By 2013, we project approximately \$900 million in lifetime program savings for each year we use the AFI, which will potentially yield a \$20 return in detected and prevented overpayments for every dollar invested.

With regard to changes in wages, 86 percent of improper payments in FY 2009 occurred because recipients failed to timely report changes in their earnings or changes in their spouses' or parents' earnings that might affect their monthly payment. In the past, SSI recipients had to either fax, mail, or bring their monthly wage reports to our field offices. We have implemented an automated wage reporting system with a toll-free telephone number that allows recipients and their payees to report wages over the telephone using either voice-recognition or touch-tone software. This system automatically enters the wage data into the SSI system. The accuracy of wages reported using this system is very high--92.2 percent--as compared to the 75.5 percent accuracy of wages reported through direct contact with SSA employees.

We also use electronic data exchanges with other Federal, State and local agencies to prevent improper payments. Electronic data exchanges quickly provide us with information we need to change the amount of benefits we pay or to stop paying benefits altogether. A prime example is the comprehensive set of matches that we have with jails and prisons that allow us to

quickly suspend benefits to prisoners. Through numerous agreements with Federal and State agencies, we receive data to support our own programs and provide data to support State and other Federal agencies' programs. The Government Accountability Office has reported that the data that we provide are essential to helping our State and Federal partners streamline operations, reduce costs, and eliminate overpayments and fraud.

Congress has passed complex laws to encourage disability beneficiaries to return to work. While we strongly share the goal of providing options that assist beneficiaries in returning to work, these work incentives have proven difficult for our beneficiaries to understand and for our employees to administer. Payment errors attributed to disabled beneficiaries returning to work account for nearly half of all OASDI overpayment error dollars. Many of these overpayments occur because beneficiaries do not know when to report their work and earnings or understand the ramifications of work on their Disability Insurance (DI) benefits. When we do receive timely reports, we must undertake complex, labor-intensive development to determine if payments should be stopped. To address this issue, the FY 2012 President's budget included the Work Incentives Simplification Pilot (WISP) legislative proposal. WISP is intended to study ways to address these concerns by replacing complex rules with a clear, simple, unified process that is both easier to understand and easier to administer. Under the proposed pilot, work would no longer be a reason for terminating DI benefits. We would continue to pay cash benefits for any month in which earnings were below our established threshold, but would suspend benefits for any month in which earnings were above the threshold. We will evaluate if this pilot simplification reduces the number of improper payments due to work, and allows us to redirect those administrative resources to other areas.

The FY 2012 President's budget includes several other legislative proposals that will help prevent or detect improper payments. One proposal would require Federal wage reporting on a quarterly, rather than annual, basis. More frequent wage reporting would provide more timely information for federal means-tested programs, including SSI, and could potentially help identify DI beneficiaries who are working but not reporting their wages.

Other major causes of OASDI overpayments are the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). We have a legislative proposal that would require State and local government pension payers to identify and report on pensions paid to prior government employees based on work not covered by Social Security. This improved reporting mechanism would enhance our ability to determine, in a timely manner, whether a beneficiary should be subject to a reduction in benefits because of the WEP or GPO provisions.

The final legislative proposal would reduce improper payments related to workers compensation (WC) and public disability benefits (PDB). This proposal would require State and local governments and private insurers that administer WC and PDB plans to provide us with information on those payments. Requiring plan administrators to provide us with prompt payment information would reduce improper payments that result from beneficiaries not reporting WC/PDB changes timely.

In November 2009, President Obama issued Executive Order 13520, which focuses on reducing improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in Federal programs and calls on Federal agencies to provide transparency and allow for public scrutiny of efforts to address improper payments. We understand the need for addressing improper payments and promoting transparency, so we developed a website to provide the public with information about the amounts and causes of improper payments in our programs and explain our efforts to address them<sup>1</sup>. The information on this site is continually updated and expanded and is, in effect, the scorecard of how we are doing toward eliminating improper payments.

Before I close, I want to commend our hardworking, dedicated employees who, as I said, are the key to maintaining the American public's trust in our programs. They have done a remarkable job. Our employees deserve our full support as they work diligently to provide responsible service and increase their productivity despite record-setting increases in our workloads. Since 2007, our employees have averaged nearly a four percent annual increase in

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<sup>1</sup> <http://www.socialsecurity.gov/improperpayments>

productivity, fueled by hard work, better business processes, and smart investments in information technology. Few, if any, organizations can boast productivity gains of this magnitude.

The programs we administer demand stewardship that is worthy of their promise of economic security. We are firmly committed to sound management practices to prevent improper payments and to follow up with appropriate enforcement and recovery actions. 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 Congress providing us with adequate and sustained funding to carry out our work. Full funding under the President's FY 2011 and 2012 budgets will allow us to increase our program integrity activities and to keep up with the public's demand for our service. For this reason, I ask that you support the critical funding that President Obama has requested for us.