Social Security

Management of the Supplemental Security Income Program: Today and in the Future

SOCIAL SECURITY

Office of the Commissioner

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Since 1974, the Supplemental Security Income (SSI) program has provided cash assistance to financially needy individuals who are aged, blind or disabled. SSI currently provides benefits to approximately 6.5 million adults and children who have little or no income and who need help to provide for their basic needs.

SSI has been highly successful in helping society's most vulnerable citizens, but it has evolved into a complex program with difficulties commensurate with its scope and dimensions. Since becoming Commissioner of Social Security in September 1997, and consistent with a number of SSI-related goals and objectives contained in the Agency's Strategic Plan, I have initiated a review aimed at identifying the program's challenges and vulnerabilities. The Social Security Administration (SSA) recognizes that the American public depends on us to quickly and accurately provide benefits to SSI beneficiaries, as well as to safeguard the program and protect taxpayer dollars. Any failure to do so undermines the public's confidence in government and its ability to efficiently and cost-effectively administer this critically important program.

Our review of the SSI program has identified areas in which the SSI program can be better managed to ensure that only those individuals who meet the eligibility standards for SSI receive these important monthly payments and receive them in the correct amounts. Our review has shown that we need to take aggressive action in these areas: improving overall payment accuracy; increasing continuing disability reviews; combating program fraud; and improving debt collection.

SSA already has begun taking actions in the areas mentioned above, but some other needed improvements will require legislative action. Accordingly, the Administration has submitted proposals to the Congress that, if enacted, will provide the needed authority, and the additional tools, required to provide improved stewardship of the SSI program.

This is the first SSI Management Report that SSA has issued. It demonstrates clearly that we understand our responsibility for stewardship of the SSI program and that we take seriously that responsibility. The report highlights SSI program-related accomplishments, current improvement initiatives and our expectations for the future, along with a plan for meeting those expectations. One of the key elements of stronger management of the SSI program is ongoing evaluation and public accountability. In view of that ongoing responsibility, I intend to issue other reports that will keep the American public apprised of our progress.

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Commissioner
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EXECUTIVE SUMMARY

The Supplemental Security Income program was created by Congress as an assistance source of last resort for the aged, blind, or disabled whose income and resources are below specified levels. Currently, about 6.5 million aged, blind and disabled individuals rely on SSI for the basic necessities of food, clothing and shelter.

As with any means-tested program that responds to the changing circumstances of individuals' lives, the design of the program presents administrative challenges. Over the years, legislation and court decisions have made the SSI program more complex. The complexity of the SSI program presents challenges in program administration, delivering quality customer service and ensuring that SSI applicants and beneficiaries understand the program and understand their responsibilities under the program.

Successful management of the SSI program depends on the Agency's ability to ensure that the rights of SSI beneficiaries are protected and that they receive excellent service, and to properly administer the public funds that are entrusted to its care. SSA has always been committed to managing the SSI program as efficiently and effectively as possible. In fact, the Agency's Strategic Plan contains a number of goals and objectives related to both service and management improvements in the SSI program. To that end, SSA is taking the following significant measures to strengthen the integrity of the SSI program:

Payment Accuracy

SSA is aggressively pursuing a series of initiatives to improve payment accuracy from the fiscal year (FY) 1996 rate of 94.5 percent (comparable to other federally sponsored income programs) to at least 96 percent by FY 2002, with specific emphasis on the three leading sources of payment inaccuracies--wages, financial accounts and institutionalization. These initiatives include improving computer matching, providing SSA employees with online access to data and improved training and instructions.

Moreover, SSA has requested $50 million for FY 1999 to conduct additional redeterminations. Redeterminations are periodic reviews of SSI beneficiaries' nonmedical eligibility that focus on income and resource factors affecting eligibility and payment amounts. These reviews have proven to be the most effective tool available to SSA for improving the accuracy of SSI payments.

Continuing Disability Reviews

SSA conducts periodic reviews, called continuing disability reviews (CDRs), to determine whether individuals receiving disability benefits have medically improved so that they are no longer considered disabled and no longer eligible for benefits.

SSA has developed a 7-year plan for conducting CDRs and expects to conduct approximately 3.6 million CDRs for SSI-only beneficiaries over the life of the plan. Estimates indicate that over FYs 1998 through 2002 about $3 billion in SSI program savings will result from CDRs conducted during this 5-year period.

SSI Program Fraud

SSA is engaged in an aggressive program to deter, detect, investigate, and prosecute fraud. To carry out this effort, SSA and the Office of the Inspector General have developed a comprehensive anti-fraud plan entitled "Zero Tolerance for Fraud." A number of initiatives are underway to address two major categories of fraud: (1) residency fraud (i.e., individuals who receive SSI benefits while residing outside the United States); and (2) collaborator fraud (i.e., interpreters, health and other professionals who provide fraudulent documentation and statements regarding the health of individuals to help them obtain disability benefits).

In addition, SSA has submitted a legislative proposal to Congress that would authorize denial or suspension of payments to an individual when SSA determines that he or she knowingly makes a false statement or conceals information for the purpose of gaining benefits.

Debt Collection

SSA currently makes use of the following debt collection tools that are authorized by law: benefit offset, repayment installment agreements and tax refund offset. These tools have enabled the Agency to achieve an estimated 60 percent SSI debt recovery rate. SSA has submitted to Congress legislative proposals that would further improve debt recovery. For instance, one provision would allow SSA to use cross-program recovery when an overpaid former SSI beneficiary continues to receive Old Age, Survivors and Disability Insurance (OASDI) benefits. Another legislative proposal would extend to the SSI program all methods currently available for collecting overpayments under the OASDI program (such as Federal salary offset and use of private collection agencies).

In summary, SSA has established major administrative initiatives to improve Agency stewardship of the SSI program. These initiatives demonstrate SSA management commitment to take the actions necessary to effectively deal with program integrity issues. A number of initiatives that SSA has underway will yield results in the near future, while others will take longer to produce significant improvements. SSA will aggressively monitor each initiative and make modifications when necessary to ensure that the best possible results are achieved.

Chapter 1

INTRODUCTION

The History and Purpose of the Supplemental Security Income (SSI) Program

The SSI program stems from the Social Security Act of 1935, which, in addition to creating the Social Security program, established two Federal-State grant programs, "Old-Age Assistance" and "Aid to the Blind." Under these programs, the Federal Government paid half the cost of State benefits (up to a certain limit) to the needy aged and blind. "Aid to the Permanently and Totally Disabled" was added in 1950.

Congress, however, was concerned that the aged and severely disabled were subject to very different treatment across the nation because of the wide disparity among States in their eligibility criteria, financial capacity and willingness to provide support under the Federal-State grant programs. Therefore, in 1972, Congress replaced the State-administered programs with the Federally administered SSI program and designed the program as an assistance source of last resort for the aged, blind, or disabled whose income and resources are below specified levels. Congress also required that the new program feature a uniform Federal benefit, as well as uniform eligibility standards. The SSI program went into effect in January 1974, administered by the Social Security Administration (SSA). The benefits are financed from general revenues, and some States supplement the Federal benefit (see appendix).

The Population Served by SSI[1]

Currently, about 6.5 million aged, blind and disabled individuals rely on SSI benefits in order to purchase the basic necessities of food, clothing and shelter. Like other means-tested assistance, the SSI program generally does not provide incentives for individuals to save or receive private supplementation of benefits. Instead, because it is designed as a program of last resort, the program targets those who are the neediest. The vast majority of the people who receive SSI benefits are too limited by their disabilities or too elderly to be expected to provide fully for their own needs. For illustrative purposes, the following descriptions provide general information on those served by the SSI program. (For purposes of the payment amounts cited below, the 1997 maximum monthly Federal benefit

[1] Information in this section is based on data provided by the Office of Research, Evaluation and Statistics for persons receiving Federally administered SSI benefits as of December 1997. All SSI payment amounts cited in this section include Federally administered State supplementation.

amount an individual could receive was $484. The Federal monthly benefit amount is reduced dollar-for-dollar by the amount of an individual's countable income[2].)

The Aged

Of the 1.4 million people who receive SSI benefits based on age, more than half are over age 75 and about 73 percent are women. In addition, there are 700,000 SSI beneficiaries aged 65 or older who came onto the rolls as blind or disabled individuals. About half of all SSI beneficiaries aged 65 or older live alone.

The average SSI benefit for all SSI beneficiaries aged 65 or older is $273 a month. Two-thirds of the aged have some other income averaging about $370 per month. The remaining one-third have no income other than their SSI benefit.

Disabled Adults

The average age of adults receiving SSI benefits based on a disability is about 45 years old. Among disabled adults receiving SSI, almost three out of five are disabled based on some form of mental impairment. Of the 3.6 million disabled adults receiving SSI, 2 million are women.

The average monthly SSI benefit for disabled adults is $376. More than half of SSI disabled adults have no income other than their SSI benefit. Only about 30 percent of the SSI disabled adult population also receive Social Security benefits, and those benefits average $367 a month.

Disabled Children

SSI provides assistance to nearly 900,000 disabled children who are under age 18 and who generally live below the poverty line. About 58 percent of all SSI children are between the ages of 5 and 13. In addition, 40 percent of the 900,000 children are receiving SSI benefits based on mental retardation, and another 24 percent are disabled on the basis of mental disorders other than mental retardation. Many children on the rolls have combinations of physical and mental impairments.

These children generally live in households that lack the resources to provide for all their basic needs of food, clothing and shelter, in addition to any special needs associated with their disabilities. This is evidenced by the fact that their SSI

[2] Countable income is income less all applicable exclusions. The general earned income exclusion is the first $65 earned per month plus one-half of the remainder. The general unearned income exclusion is $20 per month; however, any portion of the $20 amount not used to exclude unearned income may be used to exclude earned income.

payments are only minimally reduced because of income to the household. For example, on average, SSI disabled children receive $434 a month in SSI payments, $50 less than the full 1997 SSI benefit of $484. Two-thirds of disabled children receive the full benefit because they have no countable income.

Eligibility Criteria

The eligibility criteria for SSI benefits are stringent. To be eligible for SSI benefits, an individual must be at least age 65, blind or disabled, a United States citizen or an eligible noncitizen and reside in the United States. An individual also must meet income and resource limits to ensure that SSI benefits are targeted to the neediest among the aged, blind and disabled.

SSA field office employees determine whether an individual (aged, blind or disabled) meets the SSI nonmedical eligibility requirements. Currently, an individual cannot be eligible for Federal SSI benefits if he or she has countable income of more than the 1998 Federal benefit rate of $494 a month ($741 for a couple). The monthly benefit rate is reduced dollar-for-dollar by the amount of the individual's countable income. SSI law defines two kinds of countable income: earned and unearned. Earned income is generally wages, net income from self-employment and remuneration for work in a sheltered workshop. All other income, such as Social Security benefits, workers' compensation or income received in-kind (i.e., food, clothing or shelter-related items), is unearned.

The resources of an individual cannot exceed $2,000 or, in the case of an individual with an eligible spouse living in the same household, $3,000. SSI regulations define a resource as cash or other liquid assets or any real or personal property that an individual (or spouse) owns and could convert to cash to be used for his or her basic needs.

The amount of a person's income is used to determine both eligibility for, and the amount of, that person's benefit. In certain situations, other people (e.g., parents and spouses) are expected to share financial responsibility for the individual. In such cases, the income and resources of these people are considered in determining the person's eligibility and payment amount.

Individuals' monthly SSI benefit amounts are also affected by their living arrangements. For example, when individuals move into nursing homes and their expected stay is for more than 3 full months, their benefits are generally reduced to not more than $30 per month. Generally, benefits also are reduced when individuals move from their own household into the household of another person and that person provides food and/ or shelter.

While nonmedical eligibility determinations are made at the time an initial application is filed, SSA field office staff also conduct periodic reviews, called redeterminations, to determine whether the beneficiary remains eligible and to determine the correct benefit amount. SSI beneficiaries are required to report significant events that may affect their benefit eligibility or monthly payment amounts, including changes in income, resources, marital status or living arrangements. SSA must then verify the accuracy of information provided by a beneficiary.

Eligibility for SSI disability benefits requires that an individual must be unable to engage in substantial gainful activity because of an impairment that is expected to last at least 12 months or to result in death. Eligibility for SSI based on blindness requires that a person's corrected vision may not be better than 20/200 or that a person have a limited visual field of 20 degrees or less with the best correction. The State-administered, Federally funded Disability Determination Services (DDSs) make disability determinations for SSA based on Social Security regulations and guidelines. After an individual becomes eligible for disability benefits, SSA periodically conducts continuing disability reviews to determine whether a beneficiary has medically recovered and is no longer considered disabled and, therefore, no longer eligible for benefits.

Program Complexities Present Administrative Challenges

The SSI program requires SSA each month to take into account any changes in the many facets of an individual's financial and personal situation to reassess eligibility and make adjustments in benefit payments to reflect those changes. As with any means-tested program that is designed to respond to the changing circumstances of people's lives, the design of the program presents administrative challenges. Over the years, legislation and court decisions have made the SSI program more complex.

As complexity has increased, so has the proportion of SSA staff resources devoted to program administration. Although SSI will account for only about 7 percent of SSA's benefit outlays in fiscal year (FY) 1998 (about $30 billion), it will account for about 35 percent--nearly $2.3 billion--of SSA's administrative budget. The relatively high level of administrative costs is generally attributable to the frequent interaction required between field office staff and many SSI beneficiaries. For instance, in 1997, SSA received and processed more than 16 million reports of changes from SSI beneficiaries that had the potential to affect their eligibility or benefit amount.

SSA Commitment to Service

While the complexity of the SSI program presents challenges in both program administration and ensuring that SSI applicants and beneficiaries understand the program and understand their responsibilities associated with the program, SSA has also committed itself to fair and equitable service to all of its customers by:

- providing service through knowledgeable employees;
- treating SSA customers with courtesy, dignity and respect at all times; and
- ensuring that SSA offices are safe and pleasant and that SSA services are accessible.

One of SSA's goals in its Strategic Plan is "to deliver customer-responsive world-class service." This goal is particularly meaningful with respect to the SSI population given their diverse needs. SSA has several initiatives aimed at improving service that have had a significant impact in offices that serve a high percentage of SSI applicants and beneficiaries. These initiatives include the Metropolitan Office Enhancement Project and Service to the Non-English-Speaking Public. They are complemented by several initiatives undertaken as part of the Vice President's goals for "High Impact" agencies.

Metropolitan Office Enhancement Project

Metropolitan Office Enhancement Project (MOEP) offices serve a large SSI population, including the homeless, the severely disabled and large non-English-speaking populations. This project began in 1990 with 6 SSA field offices and has expanded into 247 offices (out of approximately 1,300 field offices). SSA has sought to improve customer service by providing these offices with the following enhancements:

- giving staffing priority;
- providing professional security guard services where needed;
- offering priority consideration for new technology; and
- shifting heavy workloads to other locations if necessary so that field office employees can effectively serve their customers.

Service to the Non-English Speaking (NES) Public

SSA is obligated to ensure that individuals have access to SSA service regardless of their ability to communicate in English. As a result of demographic changes, SSA recognized that additional resources were needed to provide accessible service to individuals who speak a language other than English. Since 1993, SSA has hired 2,320 bilingual and multilingual employees in its field offices with substantial NES workloads. Currently, 17 percent of field office and teleservice center employees are bilingual/multilingual. Increased hiring of bilingual/multilingual employees has benefited program integrity as well as the NES population, many of whom are SSI applicants and beneficiaries.

SSA has initiated a number of activities in support of improving services to NES customers, including the following:

- translating public information materials into languages most frequently used by SSA customers;
- establishing a Spanish language web link on SSA's website;
- providing toll-free number service in Spanish using a Spanish prompt and a Spanish gate on SSA's 800 number;
- translating most of the Agency's public information materials into Spanish;
- producing bilingual interviewing guides in Spanish, Russian, Korean, Vietnamese, Tagalog and Chinese to help customer service representatives improve their technical skills in these languages; and
- developing and providing training for bilingual/multilingual employees designed to enhance their ability to provide service to NES customers.

SSA Commitment to Program Stewardship

Successful management of the SSI program also depends on the Agency's ability to properly administer the public funds that are entrusted to its care. SSA has always been committed to managing the SSI program as efficiently and effectively as possible. To that end, SSA is taking significant measures to strengthen the

integrity of the SSI program. These measures include increasing payment accuracy, increasing the number of continuing disability reviews conducted, combating SSI program fraud and improving debt collection. Each of these measures will be discussed in more detail in the following chapters.

Chapter 2

SSI PAYMENT ACCURACY[3]

Background

SSA recognizes that the American public depends on it to quickly and accurately provide benefits, including SSI benefits, and to effectively safeguard benefit programs from fraud and abuse. Any failure to do so seriously undermines the public's confidence in government and its ability to efficiently and cost-effectively administer programs and protect taxpayer dollars. Despite the inherent difficulties in achieving a high degree of payment accuracy in a means-tested program, SSA has not been satisfied with the current payment accuracy rate for the SSI program. Consequently, one of SSA's objectives has been to raise the accuracy of SSI payments from the FY 1996 rate of 94.5 percent to at least 96 percent by FY 2002.

Other income maintenance programs experience similar difficulties with payment accuracy. For example, the latest available data (FY 1994) indicate that the former Aid to Families with Dependent Children program had payment accuracy rates slightly under 94 percent[4], and the Food Stamp program's FY 1996 accuracy rate was slightly above 93 percent[5].

The means-tested nature of the SSI program requires that individuals' needs be matched with their financial circumstances on a monthly basis for purposes of determining benefit eligibility and payment amounts. Individual financial circumstances may change often, requiring SSA to frequently reassess and verify beneficiaries' eligibility and payment amounts. Moreover, the existing eligibility verification process is often labor-intensive and time-consuming.

Because it is virtually impossible to obtain every piece of information about every change in every SSI beneficiary's circumstances timely, there will inevitably be some level of payment inaccuracy each month.

The majority of SSI overpayments stem from beneficiaries' failure to report changes in one of three areas: income (particularly wages), financial accounts (e.g., bank accounts) or living arrangements (particularly institutionalizations). As previously stated, SSI eligibility and benefit amounts are determined on a monthly basis. Therefore, beneficiaries' SSI eligibility or payment amounts can change from month to month as their income, resources (including financial accounts) or

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[3] This Chapter focuses on SSA's activities to control overpayments.
[4] Source - Aid to Families with Dependent Children
[5] Source - Food and Consumer Service (1997)

living arrangements change. The slightest increase in resources over the limit causes ineligibility until those resources are reduced.

The complexity of the SSI program clearly affects beneficiaries' ability to understand how changes in their everyday situations, even seemingly minor changes, may result in eligibility changes or changes in their monthly payment amount. For example, failure to report small changes in wages by a beneficiary (or the wages of a parent or spouse that are deemed available to the beneficiary) can affect eligibility and result in incorrect payments. A failure to report often occurs in months in which the person has an extra payday or works a few extra hours.

Even if all information affecting SSI benefits were received and verified timely, some overpayments would still occur because of due process protections. A 1975 decision by the U.S. District Court for the District of Columbia (*Cardinale v. Mathews*) ensures due process protections. The decision ordered SSA to stop reducing, suspending and terminating SSI payments without first providing written advance notice of the planned adverse action, as required by the U.S. Supreme Court in the 1970 *Goldberg v. Kelly* decision. *Goldberg v. Kelly* protections are important because they provide beneficiaries with an opportunity to appeal a potentially erroneous reduction, suspension or termination of benefits that provide them with essential food, clothing, housing and associated medical care. Under these protections, beneficiaries can have their SSI payments continued until the first level of appeal decision is issued. For those beneficiaries who lose their appeal, the continued payments would be considered overpayments.

Other Reasons for Overpayments

Beneficiaries are paid for a month on the first day of that month. Therefore, even when beneficiaries report changes in their circumstances timely, if the report is made after the monthly benefit has been processed, a payment inaccuracy will occur. For instance, if a beneficiary receives a cash donation on September 2 resulting in ineligibility for that month and reports the donation to SSA that same day, the beneficiary is overpaid for September because he or she already received the September SSI payment on September 1.

In addition, while some overpayments occur because SSA does not have complete information regarding income and resources, sometimes the information required for the determination of eligibility can only be estimated, as in the case of wages or other income anticipated to be earned or received in the future.

Measuring SSI Payment Accuracy

SSA measures SSI payment accuracy by selecting a sample of SSI beneficiaries each month and conducting intensive personal interviews and follow-up activities to validate the accuracy of the payments made in the sampled month. Monthly payment inaccuracies discovered are accumulated to project total incorrect payments during a given year. Of the $29 billion in Federally administered SSI payments made for FY 1996, SSA estimated that approximately $1.6 billion in overpayments were made. The quality assurance review found that wages, financial accounts and institutionalizations (e.g., nursing home admissions) are the three leading sources of payment inaccuracies, accounting for about half of the overpayments made in the SSI program.

Methods to Improve Payment Accuracy

SSA is taking aggressive action to significantly reduce the rate of overpayments in the SSI program with specific emphasis on the three leading sources of overpayments. SSA is increasingly relying on technology to identify and eliminate overpayments more quickly and is improving electronic tools and training to enable the SSA workforce to provide timely, accurate payments for initial and ongoing eligibility.

Wage and Unemployment Compensation Matches

Of the SSI payments made for FY 1996, an estimated $365 million in overpayments was associated with unreported or underreported beneficiary wages and wages deemed to the beneficiary from another person. Therefore, SSA is initiating improved methods of detecting these unreported and underreported earnings.

Welfare reform legislation enacted into law in 1996 required the Department of Health and Human Services' Office of Child Support Enforcement (OCSE) to develop an expanded parent locator system to help State child support agencies locate missing parents. As part of this mandate, States forward quarterly wage data and unemployment insurance data to OCSE.

In October 1998, SSA will begin matching its records against the OCSE Quarterly Wage and Unemployment Compensation databases. Because wages and unemployment compensation are significant sources of SSI overpayments, these two new computer matches will enhance detection of payment inaccuracies. These matches will gather data from all 50 States and the District of Columbia on a quarterly basis as opposed to the current twice-yearly match with a smaller number of States.

In March 1999, SSA field office staff will have direct online access to OCSE's Quarterly Wage and Unemployment Compensation and New Hire databases. The New Hire database lists all new hires and the month of their hiring. This online access will enable SSA interviewers to discover undisclosed income at the point of an initial SSI application or a redetermination of eligibility. By FY 2002, SSA expects to have a wage verification system that provides field office staff with immediately accessible information for initial and ongoing eligibility decisions. SSA estimates that the combined use of quarterly matches and accessibility to online data will reduce overpayments due to wages and unemployment compensation by $110 million in FY 2002.

Financial Accounts

The second leading source of SSI overpayments is financial accounts, i.e., undisclosed accounts and increases in known accounts. In FY 1996, an estimated $245 million in overpayments was attributed to financial accounts.

Currently, to verify amounts in bank accounts, SSA must obtain a signed authorization from the applicant or beneficiary and forward it to the bank. The bank then manually searches its files and provides SSA with information about reported accounts and any balances. SSA is pursuing electronic verification of financial account information in place of the existing paper process. An electronic process would enable SSA to canvass more banks and quickly determine the amounts in reported accounts. In addition, an electronic process could be developed that would permit SSA to determine if and where individuals have undisclosed accounts or have increases in known accounts.

Success of an electronic process would require the cooperation of virtually the entire financial community. SSA expects to complete a feasibility analysis of an electronic process by the end of 1998. In December 1998, SSA will begin working with the financial community to establish a new computer protocol as an early step in developing an electronic verification process.

Although some electronic verification may be done under current law, legislation would be required to fully utilize the technology for electronic verification of financial accounts. Therefore, SSA has submitted a legislative proposal to the Congress that would allow SSA to obtain financial account information through data exchanges with financial institutions, and would codify the current SSA practice to require that, as a condition of eligibility, applicants for and beneficiaries of SSI (and other persons whose income or resources are material to the determination of the individual's eligibility) authorize the release of financial information held by financial institutions. This proposal has the potential to

significantly reduce the amount of overpayments that occur as a result of undisclosed financial accounts.

Also, SSA plans to obtain the authority to make use of a national database of financial account information being developed by OCSE. By FY 2002, SSA expects to match against this particular OCSE database to obtain detailed information for unreported accounts. SSA estimates that the combined impact of the initiatives to develop electronic data exchanges with financial institutions and the match with the OCSE database will result in a reduction in overpayments of $85 million in FY 2002.

Nursing Home Computer Matches

SSI beneficiaries who are in nursing homes for a full calendar month and who will remain there for longer than 3 months may be eligible for only a reduced SSI benefit of $30--the "personal needs allowance"--or may be ineligible if they have other income. In 1994, a provision was added to the Social Security Act requiring nursing homes to report admissions of SSI beneficiaries. Although SSA has undertaken several initiatives (such as mass mailing to all licensed facilities) to encourage nursing home operators to comply with this requirement, reporting has been sporadic, and the Agency has no authority to enforce the requirement. As a result, in FY 1996, an estimated $64 million in overpayments was attributed to nursing home admissions.

Currently, SSA conducts a yearly computer match with the Health Care Financing Administration's (HCFA) data on nursing home admissions from 29 States. This computer match results in annual reductions in overpayments of less than $5 million.

In November 1998, SSA will replace the yearly match with a twice-yearly match using HCFA's new data source, the Minimum Data Set. This new match will include data from all 50 States and the District of Columbia and will provide information about an individual's expected (or actual) length of stay, which will help SSA to determine the appropriate SSI payment. In FY 2000, SSA plans to increase the frequency of the match from twice yearly to monthly. By FY 2002, SSA estimates that the match will reduce overpayments by an additional $20 million.

Prisoner Matches

Beneficiaries incarcerated in prisons or correctional facilities throughout a calendar month are ineligible for SSI benefits. With the support of Federal, State and local entities, SSA has made significant progress in ensuring that

incarcerations are reported timely and accurately and that benefits terminate accordingly.

Over the past few years, SSA has established reporting agreements with more than 3,500 facilities, including local correctional facilities, the Federal Bureau of Prisons and all State prisons. These agreements cover 99 percent of the inmate population in the United States and have resulted in hundreds of millions of program savings over the past few years.

SSA has submitted a legislative proposal to the Congress that would require Federal, State and local penal institutions to report the incarceration of individuals receiving SSI in the same way as is now required in the Old Age, Survivors and Disability Insurance (OASDI) program. Under current law, State and local prisons, jails and other institutions may enter into incentive payment agreements with SSA. Under these agreements, institutions are required to report inmate data to SSA monthly and may receive an incentive payment if the report, once matched against SSA's records, results in the identification and suspension of an SSI beneficiary.

SSA estimates that by FY 2002 the combined effects of these initiatives will reduce overpayments by an additional $35 million a year.

Online Access to Data

Online access to data allows SSA to electronically obtain up-to-date information held by other organizations to determine accurate SSI benefit payments. While computer matching produces information intermittently, online access produces information immediately. In most SSA offices, verification of income and resources is conducted by telephone or mail, using considerable staff resources. Online access would streamline the verification process and prevent overpayments by providing immediate identification of the current value of undisclosed income and resources.

SSA has piloted online access to State databases in the Agency's Tennessee field offices. Employees in these field offices have online access to the State's human service programs, vital statistics and unemployment and workers' compensation records. Because of the pilot's success to date, SSA is expanding online data access to other States. SSA now has online access with 35 agencies in 22 States. As SSA expands access, it also is pursuing how to maximize the use of online data so that cost-effective investigations of undisclosed eligibility issues becomes a part of routine development. SSA plans to have online access with 45 States by FY 2002, resulting in estimated annual reductions in overpayments of $5 million.

Improving Eligibility Determination Skills

SSA's ability to improve payment accuracy is enhanced by a knowledgeable and experienced workforce. The extensive program knowledge required of field office employees is daunting. To improve SSI initial and ongoing eligibility development, SSA is offering additional training on eligibility development skills for all field office employees involved in the SSI program. Refresher training has been scheduled beginning in the spring of 1999 and will be completed by November 1999.

SSA is committed to providing field office staff with the best training methods available as well as clearly written procedural instructions. All instructional materials involving the most persistent sources of payment inaccuracies--wages, financial accounts and living arrangements--will be reviewed for clarity by the end of the year. Savings associated with these initiatives are expected to result in $20 million in yearly overpayment reductions by FY 2002.

Other Computer Matching and Data Exchange Operations

Computer matches with income and resource data held by other agencies help SSA determine accurate SSI benefit payments. SSA has enhanced a number of its computer matches, including the following:

- In FY 1997, SSA increased the frequency of the pension record computer match with the Railroad Retirement Board from yearly to every 2 months.

- In FY 1998, SSA increased the frequency of the savings bond computer matching operation with the Department of Treasury from yearly to twice yearly.

- In FY 1999, SSA will automate the current exchange of data with the pension records of the Department of Defense.

- SSA is currently developing a computer match with the records of the Immigration and Naturalization Service (INS) for requests by aliens to leave the United States and return, and a match with INS records of deportation.

- In October 1998, SSA will begin a pilot for real property asset verification through Internet access.

SSA estimates that the new initiatives combined will result in $5 million in annual reductions in overpayments by FY 2002.

In addition, SSA has submitted to the Congress a legislative proposal which would facilitate death data exchange information from States within 30 days of States' receipt of death report. This proposal would result in yearly estimated overpayment reductions of $5 million by FY 2002.

Redeterminations

The most powerful tool available to SSA for improving the accuracy of SSI payments is the redetermination process. Every year about 1.8 million SSI beneficiaries undergo redeterminations, which focus on the income and resource factors affecting eligibility and payment amounts. Hundreds of millions of dollars in payment changes are made as a result of redeterminations. These periodic redeterminations are required by law. However, the statute allows the Commissioner to determine both the frequency and manner of redetermination.

In the late 1970s, SSA began using "profiling" techniques for selection of beneficiaries for redeterminations, so that those most apt to have some change in circumstances likely to affect the monthly payment amount would be reviewed more frequently. In addition, the profiling system has provided guidance on the type of redetermination that would be appropriate (i.e., a field office interview or a questionnaire completed by mail) and the frequency of the redetermination.

Redeterminations are very cost-effective, and recent improvements are expected to further enhance their effectiveness. The investment SSA makes in redeterminations produces savings (collected and prevented overpayments) of $8 for each $1 spent. Although increased redeterminations produce a high ratio of savings initially, the ratio begins decreasing after the redeterminations with the highest risk of overpayment are processed.

Of the 1.8 million redeterminations SSA processed in FY 1997, about 237,000 were cases with a high risk of overpayment. Reductions in SSI overpayments resulting from this activity are estimated to exceed $850 million over a 7-year period. In FY 1998, SSA made further improvements to the profiling system and conducted an additional 49,000 redeterminations on cases with a high likelihood of payment change, resulting in an additional $140 million in overpayment reductions.

Because redeterminations are so effective in reducing overpayments, SSA is vigorously working to detect overpayments more quickly and to prevent future overpayments by increasing the number of redeterminations that it conducts. To accomplish this increase, the President's FY 1999 budget request includes

$50 million in new funding specifically for conducting additional redeterminations. If the additional funding is provided, SSA will process approximately 2.1 million redeterminations in FY 1999, 505,000 of which will be cases with a high risk of overpayment. In addition, SSA plans to further increase the number of redeterminations with a high risk of overpayment beyond FY 1999. These increases in the number of redeterminations could result in an estimated annual reduction in overpayments of $260 million (as measured by the SSI quality assurance review system) by FY 2002.

The ability to increase the number and effectiveness of redeterminations is critical to SSA's ability to improve overall SSI payment accuracy.

Chapter 3

CONTINUING DISABILITY REVIEWS

Background

SSA conducts periodic reviews, called continuing disability reviews (CDRs), to determine whether individuals receiving disability benefits have medically improved so that they are no longer considered disabled and no longer eligible for benefits. The CDR process allows SSA to ensure the integrity of the SSI program by monitoring the disability status of beneficiaries.

Although CDRs have always been considered important, SSA had not conducted CDRs for SSI-only cases in meaningful numbers until the last few years. Until 1994, the law did not require such a review, and SSA traditionally directed its limited administrative resources to statutorily-mandated OASDI reviews. In addition, SSA reduced the number of CDRs for both programs in the early 1990s when the Agency was faced with unprecedented initial disability claims workloads.

As of October 1, 1997, approximately 1.6 million SSI-only beneficiaries were due or overdue for a CDR. Of that number, 1.2 million individuals were disabled and blind adults under age 65, and approximately 400,000 were disabled children. Beneficiaries who are concurrently receiving SSI and OASDI benefits are counted and processed under the OASDI program, and approximately 600,000 of these beneficiaries were also due or overdue for a CDR.

Recent Legislative Changes

Over the past 4 years, several legislative mandates supported by the Administration have increased the number of reviews required for SSI disability cases. When SSI CDRs were mandated in P.L. 103-296, the *Social Security Independence and Program Improvements Act of 1994*, SSA was required to conduct CDRs on 100,000 SSI beneficiaries and on not fewer than one-third of the SSI beneficiaries reaching age 18 in each of FYs 1996 through 1998. Enactment of P.L. 104-193, the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (which was later modified by the *Balanced Budget Act of 1997*), further expanded the universe of statutorily-mandated CDRs.

The *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* requires SSA to conduct:

- CDRs within 1 year of birth on all children who are eligible because of their low birth weight;
- CDRs at least once every 3 years on all SSI childhood beneficiaries whose impairments are considered likely to improve; and,
- medical redeterminations (using the adult disability standard) on all SSI childhood beneficiaries within 1 year after reaching age 18.

Over the past 2 years, the President and the Congress have demonstrated their commitment to this crucial workload by enacting P.L. 104-121 which authorized a total of about $4.1 billion for OASDI and SSI CDRs for FYs 1996 through 2002. In the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, the Congress added the requirement for periodic CDRs and redeterminations for SSI children and added a total of $250 million to the authorized amounts for FYs 1997 and 1998. This brought the total authorized funding to about $4.3 billion for conducting CDRs and redeterminations during FYs 1996 through 2002.

In response to legislative mandates, SSA developed a 7-year plan for conducting CDRs beginning in 1996 through FY 2002. The plan was implemented in July 1996 and updated in March 1998. The table at the end of this Chapter reflects the plan's goals regarding SSI CDRs.

Improvements to the CDR Process

Prior to 1993, all CDRs were conducted as full medical reviews. The full medical CDR process is labor-intensive and generally involves (1) an interview of the beneficiary in a field office and (2) a determination of medical improvement by a State DDS--a step that involves development of medical evidence and a special examination, if needed. Recognizing the need to streamline the process, SSA began using questionnaires, called CDR mailers, in conjunction with statistical profiles in place of full medical reviews for some beneficiaries.

SSA developed statistical profiles for estimating the likelihood of medical improvement based on beneficiary information such as age, impairment and length of time on the disability rolls. For beneficiaries for whom the profile indicates a relatively low likelihood of medical improvement, SSA uses a CDR mailer; when the profile indicates a relatively high or medium likelihood of medical improvement, SSA uses a full medical CDR. For those who receive a mailer, SSA takes an additional step to determine whether the responses, when combined with

data used in the profiles, indicate that medical improvement may have occurred. If so, the beneficiary also receives a full medical CDR. Individuals whose responses to a mailer confirm the profiled data indicating that there is a low likelihood of medical improvement are not referred for full medical CDRs. SSA then sets a future CDR date for these individuals.

Using the profiling and CDR mailer process, SSA exceeded the 100,000 case review mandate in FYs 1996 and 1997 and has been up-to-date in processing low-birth-weight CDRs and age 18 redeterminations. Overall, SSA processed more than 157,000 SSI-only CDRs in FY 1996. In FY 1997, SSA processed more than 262,000 SSI-only CDRs and will meet, or exceed, the budgeted target of 362,000 SSI CDRs for FY 1998.

CDR Savings

Data suggest that, after all appeals, the CDRs conducted for SSI beneficiaries in FY 1997 are expected to result in the cessation of benefits for an estimated 28,000 individuals. The OASDI CDR process in FY 1997 will yield, after all appeals, benefit cessation of approximately 6,000 SSI beneficiaries who were also receiving OASDI benefits. These cessations resulting from the FY 1997 CDRs alone are projected to reduce SSI program expenditures by an estimated $915 million from FY 1997 through FY 2006.

Future Activity and Program Savings

SSA will pursue the needed funding each year to process CDR workloads. With additional funding provided by the Congress, SSA expects to be up-to-date in processing all SSI-only CDRs by the end of FY 2002. SSA expects to conduct approximately 3.6 million SSI-only CDRs over the life of the Agency's 7-year plan. These numbers include cases now overdue for CDRs, as well as newly maturing cases.

The following table, based on SSA's 7-year plan, shows the number of SSI-only CDRs to be processed in FYs 1998-2002. Also included are the estimated SSI program savings resulting from CDRs conducted in FYs 1998 through 2002, amounting to approximately $3 billion over this 5-year period.

	SSI-only CDRs FY 1998-2002		Progress in Completing 7-year CDR Plan	
Fiscal year	Number of CDRs processed during year	Cumulative SSI program savings [1] (in millions)	Number of CDRs processed FY 1996 to-date	Percent of 7-year plan total
1998	362,000	$75	781,000	21.9%
1999	685,000	395	1,466,000	41.1
2000	592,000	1,020	2,058,000	57.7
2001	728,000	1,895	2,786,000	78.2
2002	779,000	2,995	3,565,000	100.0

[1] Includes estimated Federal SSI program savings resulting from CDRs conducted on OASDI beneficiaries concurrently receiving SSI payments.

Chapter 4

SSI PROGRAM FRAUD

Background

Fraud and abuse in the SSI program generally involve individuals who file false claims, make false statements or deliberately conceal information affecting initial or continuing eligibility for benefits. SSI program fraud falls within three broad categories:

- fraudulently claiming residency in the United States in order to receive SSI benefits;
- collaborating with individuals to help them fraudulently obtain disability benefits; and
- intentionally failing to comply with reporting requirements by withholding information about earnings, bank accounts, living arrangements, settlements, etc., to obtain or continue SSI eligibility.

The potential for fraud is inherent in any cash benefit program. The extent of SSI fraud may not be measurable, but it is a critical concern to SSA. Even a small amount of any such fraud tends to undermine public confidence in and support for the program.

SSA and OIG Anti-Fraud Plan

The most effective means the Agency has to control fraud and abuse in the SSI program is a strong Office of the Inspector General (OIG) working together with SSA employees in local field offices. Since becoming an independent Agency, SSA has taken steps to strengthen OIG, including increasing its staff (primarily investigators) by two-thirds in the past 3 years.

SSA is engaged in an aggressive program to deter, detect, investigate and prosecute fraud. To carry out this effort, SSA and OIG have developed a comprehensive anti-fraud plan entitled "Zero Tolerance for Fraud." The plan has three goals:

- to change programs, systems and operations to reduce instances of fraud;
- to identify and eliminate wasteful practices that erode public confidence; and

- to prosecute vigorously individuals or groups whose actions undermine the integrity of SSA's programs.

The activities in the plan generally fall under the categories of fraud prevention and detection, referral and investigation and enforcement. There are 36 anti-fraud initiatives in the plan. The National Anti-Fraud Committee, comprised of joint SSA and OIG executive leadership, oversees and directs the plan. Ten regional committees responsible for local issues provide support.

Anti-Fraud Efforts in SSA Field Offices

Front-line employees are often the first to identify potential SSI fraud. Employees routinely assess the authenticity of evidentiary documents that appear to be counterfeit, and scrutinize statements made by applicants and/or their representatives that appear to conflict with other evidence. Field office employees also rely on computer technology to reveal discrepancies with SSA's records, and follow-up on complaints or tips from the public regarding potential SSI fraud. Numerous allegations of fraud and abuse are received by SSA Fraud Hotline program analysts and are subsequently routed to servicing field offices for fraud development. SSA takes these allegations seriously and informs front-line employees of the importance of preventing and detecting fraud.

SSA managers help employees to ensure that allegations of potential fraud are referred to the OIG. Managers also ensure that sufficient internal controls are in place to detect waste, fraud and abuse. SSA has recently established over 1,300 management support positions in field offices, teleservice centers and program service centers. Among other duties, these employees assist management and technical staff with activities related to detection and referral of fraud and abuse cases. This assistance includes reviewing information when fraud by beneficiaries, applicants or the general public is suspected, developing documentation and evidence for referral to OIG and providing technical advice to field office employees on policies and procedures related to beneficiary fraud.

SSI Residency Fraud

An individual must be a resident of the United States to be eligible for SSI payments. The OIG has been active in pursuing individuals who receive benefits while residing outside the United States, and in designing and testing methods to identify such individuals. The OIG's Operation Border Vigil project is an ongoing activity that identifies beneficiaries who commit residency fraud. One of the initiatives under Operation Border Vigil involved a residency verification pilot project in El Paso, Texas. This pilot demonstrated that about 7 percent of the SSI population with claims of residency along the border were living outside the

United States, therefore, improperly receiving SSI payments. The OIG found that certain combinations of characteristics proved to be good indicators of nonresidency. As a result of the pilot's success, SSA in a number of areas across the United States will attempt to develop profiles of characteristics that may be helpful locally in performing residency determinations. SSA will then work with the OIG to prosecute those who have committed fraudulent acts.

Another initiative used contract investigators in border areas in California to identify beneficiaries who are not United States residents using techniques to identify those who had a high probability of non-residency. A significant number of the individuals selected for investigation based on questions or concerns raised during case development were found not to be residing in the United States. Payments to these individuals were either suspended or denied. The project detected about $500,000 in overpayments and prevented about $400,000 in erroneous payments.

In November 1997, SSA expanded this activity to 12 additional border sites in California, New Mexico and Texas. Under this program (which now covers approximately 85 percent of the Southwest border), cases involving questionable United States residency are referred to a private contractor to investigate the residency issue and report to SSA.

SSA plans to expand this activity to other areas of the United States. Expansion will begin at major ports of entry along the Canadian border.

SSA anticipates that these combined residency verification operations will reduce overpayments by an estimated $25 million in FY 2002.

Collaborator Fraud

The OIG and SSA have, over the past few years, identified two types of disability fraud that involve collaborating parties. The first type, sometimes referred to as "interpreter fraud," involves "middlemen" who, by acting as interpreters, help individuals apply for SSI benefits using fabricated or exaggerated claims of disability. SSA discovered that some "middlemen" were providing the Agency with misleading or incomplete information about eligibility factors for a number of individuals.

To reduce the SSI disability program's exposure to fraud of this type, SSA has worked with the leadership of foreign language communities to promote trust and to help change some immigrants' belief that they need "middleman" services when conducting SSA business. In addition, SSA has substantially increased the number of bilingual employees in local offices to act as interpreters and has

funding to pay for the services of interpreters when bilingual SSA employees are not available.

The second type of collaborator fraud involves health and other professionals who provide fraudulent documentation and statements regarding the physical or mental health of individuals to assist them in obtaining disability benefits.

SSA's California Fraud Pilot established a Fraud Investigative Unit within the California Department of Social Services' DDSs to focus on this type of collaborator fraud. The unit investigates suspected fraud cases quickly enough to provide sufficient evidence to deny claims or stop benefits during the initial or continuing disability determination process. Field offices, DDSs and the Office of Hearing and Appeals refer cases of this type of suspected disability fraud to the unit.

Similar projects have now been initiated in five additional DDS sites. These projects generally consist of investigative teams of an OIG special agent, two State law enforcement agents, and two DDS or SSA employees at each site. Preliminary reports on performance of these teams have been favorable. SSA anticipates these teams will be fully operational in 15 States by FY 2002.

Fugitive Felon Initiative

Another initiative addresses fugitives who are collecting benefits in violation of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996.* This law prohibited SSI payments for any month during which an individual is (1) fleeing to avoid prosecution for a felony; (2) fleeing to avoid custody or confinement after conviction for a felony; or (3) violating a condition of probation or parole imposed under a Federal or State law. SSA and OIG are working with the Federal Bureau of Investigation and State fugitive data sources to obtain data to suspend SSI benefits to such individuals when appropriate. SSA estimates that these initiatives will result in overpayment reductions of $95 million annually by FY 2002.

Administrative Sanctions

SSA has submitted a legislative proposal to the Congress that would authorize denial or suspension of payments to an individual when SSA determines that he or she knowingly makes, or causes to be made, a false statement, or omits, conceals or misrepresents a material fact for use in gaining benefits. Administrative sanctions would provide SSA field office staff with a tool to apply sanctions to individuals who knowingly furnish inaccurate information in their attempt to obtain or increase their benefits, while maintaining due process protections for these individuals. In addition, these sanctions would be a deterrent for others who may mislead SSA in their attempt to inappropriately obtain or increase the amount of benefits.

Enhanced Fraud Referral System

An enhanced fraud referral system will provide management information on all integrity-related matters. The system will be used to monitor the progress of potential criminal cases from the point of discovery until final disposition by the OIG, the United States Attorney or the courts, as appropriate. SSA personnel responsible for the criminal violations workload will directly access the system with appropriate security controls in place.

Information from this system will enhance SSA's ability to take a proactive approach to reducing fraud and abuse. In part, it will allow SSA to develop profiles of fraud-prone situations and build these profiles into the audit trail system, that will provide meaningful selections of audit cases.

Multi-Faceted Anti-Fraud Program

The Agency is dedicated to early detection and prevention of fraud through increasing attention to program integrity issues, educating SSA employees and acting decisively when fraud is detected. Through the establishment of special projects and pilots, systems enhancements, communication with Federal and State agencies and other initiatives, SSA will continue to focus attention on deterring fraudulent activity and on bringing to justice individuals who commit crimes against the program.

Chapter 5

DEBT COLLECTION

Background

Each year, SSA detects substantial amounts of individual overpayments in the SSI program, and in FY 1997, detected more than $1.1 billion[6] in overpayments. A recent quality assurance study revealed that of the SSI debt initially detected in a given year, more than 60 percent will ultimately be recovered. The remaining balance includes some debts for which recovery would never have been possible. For example, the Social Security Act requires SSA to waive recovery of a debt when the individual is not at fault and is unable to repay. Also, some debts are owed by individuals who die before recovery is completed.

The success at debt recovery notwithstanding, SSA is continually looking at ways to further improve the recovery rate and has planned new initiatives and developed legislative proposals that will continue to build upon this performance. These new initiatives are estimated to result in program savings of $40 million by FY 2002.

Current Debt Collection Tools

SSA currently makes use of the following debt collection tools that are authorized by law: benefit offset, repayment agreement and tax refund offset. These tools have enabled the Agency to achieve the 60 percent recovery rate.

Benefit Offset

The way debts are collected depends largely on whether the debtor is still receiving SSI benefits. Collection is relatively easy from overpaid beneficiaries who remain on the SSI rolls because SSA withholds a portion of the monthly benefit and eventually recovers the entire overpayment. The Social Security Act limits withholdings to 10 percent of debtors' monthly income until the debt is collected. If the debtor can demonstrate that a 10-percent withholding would be a financial burden, SSA can use a lower rate. Automated withholding of partial benefits is effective and efficient. At the end of FY 1997, 55 percent of overpaid individuals were receiving benefits, and as of that date, 91 percent had their

[6] The $1.1 billion of detected overpayments reflects the amount of debt actually detected through Agency processes in FY 1997, regardless of when the payments were made. In contrast, the $1.6 billion in overpayments referenced in Chapter 2 reflects an estimate of the entire universe of overpayments based on a random sample of payments made in FY 1996.

benefits offset. Moreover, of the $511 million in overpayment collections in FY 1997, $366 million was collected by benefit withholding.

In addition, former SSI beneficiaries who receive OASDI benefits can repay SSI debt by voluntarily requesting offset of their OASDI benefit. Under current law, however, SSA cannot use cross-program recovery of SSI overpayments without the individual's agreement. In FY 1997, voluntary cross-program recovery resulted in SSI overpayment collections of $16 million.

Repayment Agreements

Collecting debt from persons who are no longer receiving SSI benefits is difficult and costly. SSA has six debt collection centers throughout the country with employees who negotiate installment agreements with former beneficiaries who choose to repay by installment and locate former beneficiaries who fail to respond to SSA's overpayment notice.

As of the end of FY 1997, 45 percent of overpaid individuals were no longer on the benefit rolls, 40 percent of whom were in some form of repayment arrangement. Employees in SSA's debt collection centers are pursuing the remaining 60 percent.

Tax Refund Offset

If an individual is eligible for a Federal tax refund, the amount of outstanding SSI debt is recovered directly from the tax refund before any refund is sent to the individual. Debtors can avoid the tax refund offset by fully refunding the debt or by establishing an installment agreement. In December 1997, SSA referred about 181,000 SSI delinquent debtors to the Department of Treasury for offset in the 1998 tax refund year. As of August 1998, SSA had collected over $30 million through this program; i.e., more than $23 million by offset of tax refunds, and more than $7 million by direct payment from individuals wishing to avoid the offset.

SSA uses the tax refund offset to pursue all eligible delinquent debt owed by individuals no longer receiving SSI payments.

Legislative Proposals

SSA has submitted to the Congress the following legislative proposals, which would enable the Agency to further improve debt recovery performance:

- The President's FY 1999 budget includes a provision to allow SSA to enforce cross-program recovery when an overpaid former SSI recipient continues to receive OASDI benefits. SSA estimates that the proposal, if enacted, would yield $30 million in yearly SSI overpayment recovery.

- Another proposal would extend to the SSI program all methods currently available for collecting overpayments under the OASDI program, including:

  -- administrative offset against any payment issued by the Treasury Department;
  -- Federal salary offset;
  -- referral of delinquent debtors to credit bureaus;
  -- use of private collection agencies; and
  -- charging interest.

  SSA estimates that, if enacted, this proposal would result in additional recovery of $10 million each year. This proposal would enable the Agency to recover more debt from individuals who are no longer SSI or OASDI beneficiaries.

Administrative Improvements

SSA continually reviews its overpayment policies and practices to ensure that all authorized debt collection practices have been implemented and that its policies and procedures maximize debt recovery. The following examples illustrate recent administrative improvements.

- The *Debt Collection Improvement Act of 1996* authorizes Federal agencies to recover delinquent debts by garnishing wages. The Treasury Department recently published regulations governing wage garnishment, and SSA is adding this new tool to its debt collection program.

- SSA has a contract with Equifax Credit Information Services, Inc., to obtain addresses of delinquent debtors.

- In 1998, SSA added the Discover card to its credit card repayment process that already includes Visa and MasterCard.

- SSA is enhancing one of its systems to transfer outstanding debt from closed records of former SSI beneficiaries to their new accounts if they return to the rolls.

CONCLUSION

The SSI program provides critical financial support to those in our society whose needs are greatest, and SSA is engaged in major administrative initiatives to improve Agency stewardship of the program. These initiatives demonstrate SSA management commitment to take the actions necessary to effectively deal with program integrity issues. A number of initiatives that SSA has under way will yield results in the near future, while others will take longer to produce significant results. SSA will aggressively monitor each initiative and make modifications when necessary to ensure that the best possible results are achieved. The table included in the appendix reflects the anticipated impact of these initiatives. Moreover, SSA will continue to explore additional means to strengthen the management of the SSI program.

SSA is firmly committed to effective management of the SSI program. As this report reflects, SSA's commitment includes administering the SSI program by meeting the critical needs of the individuals served by the program, as well as by protecting the interests of the general public whose taxes support the program.

APPENDICES

Anticipated Yearly Impacts of SSI Management Initiatives
(Amounts in millions)

	Fiscal year	
	1999	2002
Payment Accuracy Rate: (using FY 1996 rate of 94.5% as a base-line)	94.8%	96%
Payment Accuracy Initiatives[1]:		
Computer matching with OSCE Quarterly Wage and Unemployment Compensation databases	$5	$110
Computer matching on nursing home admissions	[2]	$20
Legislative proposal to facilitate death information from States	[2]	$5
Prisoner Matching	$20	$35
Online access to State Records	[2]	$5
Other computer matching operations	[2]	$5
Legislative proposal to facilitate computer matches with financial institutions	–	$85
Conduct additional redeterminations	$60	$260
Issue revised instructions to field office staff to improve payment accuracy	$5	$20
Total Reduction in Overpayments	$90	$510[3]
Continuing Disability Reviews[4]:		
Increasing continuing disability reviews on SSI cases	$325	$1,100

Anti-Fraud Initiatives[1]:		
Expand residency verification pilot program	$5	$25
Expand pilot project establishing fraud units in DDSs	[2]	$15
Expand the use of local fugitive felon projects	$15	$95
Total Reduction in Overpayments	$20	$135
Debt Collection Initiatives[4]:		
Legislative proposal to expand SSI debt collection tools	[5]	$10
President's FY 1999 Budget Request to allow SSA to enforce cross-program overpayment recovery	$30	$30
Total Program Savings	$30	$40

[1]Amounts reflect overpayment reductions.
[2]Reductions of less than $2.5 million in Federally administered SSI overpayments.
[3]Total amount reflects less than the sum due to the interaction among initiatives.
[4]Amounts reflect Federal SSI program savings.
[5]Less than $2.5 million in Federal SSI program savings.

Explanation of Anticipated Impacts of SSI Management Initiatives

As stated throughout the report, SSA is taking significant measures to strengthen the integrity of the SSI program. One of SSA's major objectives, as stated in the Agency's Strategic Plan, is to improve payment accuracy by reducing overpayments. SSA measures overpayments by selecting a sample of SSI beneficiaries each month and conducting intensive personal interviews and follow-up activities to validate the accuracy of the payments made in the sampled month. Monthly payment inaccuracies discovered are accumulated to project total incorrect payments during a given year. To ensure consistency in how overpayments are measured, SSA used this same method to estimate the impact of SSI initiatives that are designed to address overpayments; specifically the payment accuracy and anti-fraud initiatives.

On the other hand, results achieved from continuing disability reviews and debt collection initiatives do not necessarily result in overpayment reductions, but rather, in reduced payment outlays. Therefore, the impact of these initiatives is more appropriately measured in terms of program savings. Estimating program savings is a traditional budget convention used to project increases or decreases in Federal program outlays attributed to initiatives affecting program change.

SOCIAL SECURITY
Office of the Commissioner

May 4, 1998

The Honorable Al Gore
President of the Senate
United States Senate
Washington, DC 20515

Dear Mr. Speaker:

Enclosed for the consideration of the Congress is a draft bill "To make improvements in the administration of the Supplemental Security Income program, and for other purposes." Upon enactment, the bill would be cited as the "Supplemental Security Income Program Integrity Act of 1998."

The Supplemental Security Income program is a national income maintenance program under our stewardship. Individuals qualify for assistance under the Supplemental Security Income program if they are elderly, blind, or disabled, and have income and resources below certain levels.

It is our responsibility to ensure that eligible individuals receive the correct amount of assistance under the program to which they are entitled. It is equally our responsibility to ensure that individuals who do not meet the eligibility criteria do not receive assistance.

We take our responsibilities very seriously, and believe that, as careful stewards of the Supplemental Security Income program, we must be ever mindful of ways in which we can improve our administration of this vitally important program.

On March 11, I submitted to the Congress a draft bill in support of the President's FY 99 Budget respecting the Social Security Administration. That draft bill contained two provisions intended to enhance the integrity of the Supplemental Security Income program. One of these would provide authority to adjust the discretionary spending caps in FY 1999 by $50 million for funds appropriated to conduct additional redeterminations of the nondisability factors relevant to eligibility under the Supplemental Security Income program. The other would allow us to recover program overpayments made to former Supplemental Security Income recipients from their old age, survivors, or disability insurance benefits.

The enclosed draft bill proposes several additional statutory changes that we believe would strengthen our ability to provide Supplemental Security Income benefits in the correct amount only to those individuals for whom assistance under the program was intended.

Sections 2 through 6 of the draft bill are intended to improve the Social Security Administration's ability to ascertain facts that are material to an individual's eligibility or correct amount of assistance. Under current law, we are required to verify from independent or collateral sources information supplied by applicants, and to obtain from outside sources additional information that might bear on an individual's status under the program. The draft bill's provisions would expand the pool of data available to the Social Security Administration, or make the data available on a more timely or more economical basis.

Section 7 of the draft bill would allow us to improve our efforts to collect Supplemental Security Income overpayments by extending to this program all of the debt collection authorities currently available for the collection of overpayments under the Social Security program.

Sections 8 and 9 of the bill are designed to tighten the program's eligibility criteria that now allow individuals to qualify for the program by disposing of resources for less than fair market value, and by transferring assets to a trust. Actions such as these contravene a basic principle underlying the Supplemental Security Income program; namely, that an individual with the means to provide for his or her own needs should use them for this purpose before applying for publicly funded assistance.

Finally, section 10 of the bill would authorize us to impose an administrative sanction of a limited period of cash benefit ineligibility on certain individuals who misstate or withhold facts material to the determination of eligibility for benefits or the amount of those benefits.

The legislation would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget Reconciliation Act of 1990. The pay-as-you-go effect of this draft bill would be to reduce the deficit by $10 million in fiscal year 1999 and a total of $120 million during fiscal years 1999 to 2003.

An enclosure to this letter discusses the proposals in more detail.

We urge the Congress to give the enclosed draft bill its prompt and favorable consideration.

We are advised by the Office of Management and Budget that there is no objection to the submission of this draft bill to the Congress from the standpoint of the Administration's program.

Sincerely,

Kenneth S. Apfel

Kenneth S. Apfel
Commissioner
of Social Security

Enclosures

Supplemental Security Income Program Integrity Act of 1998

Section-by-Section Summary

Short Title

Section 1 would provide that the Act may be cited as the "Supplemental Security Income Program Integrity Act of 1998."

Computer Matches with Medicaid Institutionalization Data

Section 2 would require the Commissioner of Social Security to conduct periodic matches with Medicare and Medicaid data held by the Secretary of Health and Human Services, and would authorize the Commissioner to substitute information from the matches for the physician's certification otherwise required in order to maintain the full benefit level of an individual whose institutionalization is expected to last fewer than three months.

Access to Information Held by Financial Institutions

Section 3 would provide that the Commissioner of Social Security may request Supplemental Security Income applicants and recipients to provide authorization for the Commissioner to obtain any and all financial records from any and all financial institutions. These authorizations would be valid during the pendency of an application and during eligibility for benefits unless revoked in writing. The Commissioner need not furnish to the financial institution copies of the authorizations or written certification of compliance with the provisions of the Right to Financial Privacy Act. As under current law, refusal to provide, or revocation of, an authorization may result in the Commissioner determining a person to be ineligible for Supplemental Security Income.

State Data Exchanges

Subsection (a) of section 4 would deem the Social Security Administration's data privacy standards to meet all State standards for purposes of sharing data.

Accelerated Provision of State Death Data

Section 5 would require States having contracts with the Commissioner of Social Security for the provision of death data to provide the data within 30 days of its receipt.

Prisoner Reporting Requirement

This section requires Federal, State, and local institutions incarcerating individuals subject to the SSI prisoner nonpayment provision to furnish certain inmate information upon the request of the Commissioner. The provision requires matching of prisoner populations at the Federal, State and local level with records of

SSI beneficiaries. Matches between SSA and non-Federal entities will be exempt from the administrative requirements of the Computer Matching and Privacy Protection Act (e.g., a formal matching agreement with each entity). The section also removes the provision in the Social Security Act which removed all Privacy Act rights and requirements from information which is the subject of these matches (i.e., information about prisoners).

Additional Debt Collection Practices

Section 7 would extend to the Supplemental Security Income program all of the debt collection authorities currently available for the collection of overpayments under the Social Security program.

Treatment of Assets Held in Trust

Section 8 would include in the resources of an individual countable for Supplemental Security Income purposes the assets of any trust containing property transferred from the individual or his or her spouse to the extent that the assets could be used for the benefit of either of them. The Commissioner of Social Security would be authorized to waive application of this provision in the event it would work an undue hardship. This provision would complement, but not replace, similar rules under Medicaid.

Disposal of Resources for Less Than Fair Market Value

Section 9 would provide a penalty under the Supplemental Security Income program for the transfer of assets at less than fair market value. The penalty would be a loss of benefits for a number of months equal to the number of months obtained by dividing the uncompensated value of disposed-of resources by the Federal benefit rate. The Commissioner of Social Security would be authorized to waive application of this provision in the event it would work an undue hardship. This provision would complement, but not replace, similar rules under Medicaid.

Loss of Benefits Penalty for Program Violations

Section 10 would authorize the Commissioner of Social Security to impose a period of ineligibility for OASDI and Supplemental Security Income benefits on any individual upon making a determination that the individual has made a statement or representation of material fact for use in determining eligibility to benefits, that the individual knew or should have known was false or misleading or omitted a material fact or made such a statement with knowing disregard for the truth. The period of ineligibility would be 6 months for a first occurrence, 12 months for a second occurrence, and 24 months for a third or subsequent occurrence, and would extend to both programs.

A B I L L

To make improvements in the administration of the Supplemental Security Income program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Supplemental Security Income Program Integrity Act of 1998".

SEC. 2. COMPUTER MATCHES WITH MEDICARE AND MEDICAID INSTITUTIONALIZATION DATA.

(a) In General.--Section 1611(e)(1) of the Social Security Act is amended by adding at the end the following new subparagraph:

"(J) For the purpose of carrying out this paragraph, the Commissioner of Social Security shall conduct periodic computer matches with data maintained by the Secretary of Health and Human Services under title XVIII or XIX of this Act. The Secretary shall furnish to the Commissioner, in such form and manner and under such terms as the Commissioner and the Secretary shall mutually agree, such information as the Commissioner may request for this purpose. Information obtained pursuant to such a match may be substituted for the physician's certification otherwise required under subparagraph (G)(i).".

(b) Conforming Amendment.--Section 1611(e)(1)(G) is amended by striking "subparagraph (H)" and inserting "subparagraph (H) or (J)".

SEC. 3. ACCESS TO INFORMATION HELD BY FINANCIAL INSTITUTIONS.

(a) In General.--Section 1631(e)(1)(B) of the Social Security Act is amended--

(1) by striking "(B)" and inserting "(B)(i)"; and

(2) by adding at the end the following new clause:

"(ii) The Commissioner of Social Security may require each applicant for, or recipient of, benefits under this title to provide authorization by such applicant or recipient (or by any other person whose income or resources are material to the determination of the individual's eligibility) for the Commissioner to obtain (subject to the cost reimbursement requirements of section 1115(a) of the Right to Financial Privacy Act) from any financial institution (within the meaning of section 1101(1) of such Act) any financial record (within the meaning of section 1101(2) of such Act) held by such institution respecting such applicant or recipient (or any other person whose income or resources are material to the determination of the individual's eligibility) whenever the Commissioner determines such record is needed in connection with a determination respecting the individual's eligibility for benefits under this title (whether initial or continuing) or respecting the amount of such benefits. Such authorization shall, notwithstanding paragraph (1) of section 1104(a) of such Act, remain effective until--

"(I) a final adverse decision is rendered on the individual's application for eligibility for benefits under this title,

"(II) the individual's eligibility for benefits under this title ceases, or

"(III) the individual (or such other person) expressly revokes the authorization in a written notification to the Commissioner,

whichever occurs first. Authorizations obtained by the Commissioner pursuant to this clause shall be considered to meet the requirements of the Right to Financial Privacy Act for the purpose of section 1103(a) of such Act and need not be furnished to the financial institution notwithstanding such requirement in section 1104(a) of such Act. The certification requirements of section 1103(b) of such Act shall not apply to requests by the Commissioner pursuant to an authorization obtained under this clause. Any requests by the Commissioner pursuant to an authorization obtained under this clause shall be deemed to meet the requirements of section 1104(a)(3) and the flush language of section 1102 of the Right to Financial Privacy Act. The Commissioner shall inform any person who provides authorization pursuant to this clause of the duration and scope of the authorization under this clause. If an applicant for, or recipient of, benefits under this title (or any other person whose income or resources are material to the determination of the applicant's or recipient's eligibility for such benefits) refuses to provide or revokes any authorization for the

Commissioner to obtain from any financial institution any financial record, the Commissioner may, on that basis, determine that the applicant or recipient is ineligible for benefits under this title.".

(b) Effective Date.--The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 4. STATE DATA EXCHANGES.

Whenever the Commissioner of Social Security requests information from a State for the purpose of ascertaining an individual's eligibility for benefits (or the correct amount of such benefits) under title XVI of the Social Security Act, the standards of the Commissioner promulgated pursuant to section 1106 of the Social Security Act or any other Federal law for the use, safeguarding, and disclosure of information shall be deemed to meet any standards of the State that would otherwise apply to the disclosure of information by the State to the Commissioner.

SEC. 5. ACCELERATED PROVISION OF STATE DEATH DATA.

(a) In General.--Section 6103(d)(4)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting "within 30 days following such filing" after "it".

(b) Technical Amendments.--Subparagraphs (A) and (B) of section 6103(d)(4) of such Code are amended by striking "Secretary of Health and Human Services" each place it appears and inserting "Commissioner of Social Security".

SEC. 6. PRISONER REPORTING REQUIREMENT.

(a) Amendments to Title XVI of the Social Security Act.--Section 1611(e)(1) of the Social Security Act (as previously amended by this Act) is further amended--

(1) in subparagraph (I))(ii), by striking "(I)" and all that follows through "(II)"; and

(2) by adding at the end the following new subparagraphs:

"(K) Any agency of the United States Government shall make available to the Commissioner of Social Security, upon request, the name and social security account number of any individual who is confined as described in section 202(x)(1)(A) if the confinement is under the jurisdiction of such agency and the Commissioner of Social Security requires such information to carry out the provisions of this subsection.

"(L) Any agency of any State (or political subdivision thereof) shall make available to the Commissioner of Social Security, upon request, the name and social security account number of any individual who is confined as described in section 202(x)(1)(A) if the confinement is under the jurisdiction of such agency and the Commissioner of Social Security requires such information to carry out the provisions of this subsection.".

(b) Amendment to Title 5, United States Code.--Section 552a(a)(8)(B) of title 5, United States Code, is amended--

(1) by striking "or" at the end of clause (vi);

(2) by adding "or" at the end of clause (vii); and

(3) by adding at the end the following new clause:

"(viii) matches performed pursuant to subparagraph (I) or (L) of section 1611(e)(1) of the Social Security Act.".

SEC. 7. ADDITIONAL DEBT COLLECTION PRACTICES.

(a) In General.--Section 1631(d)(1) of the Social Security Act is amended by striking "section 207" and inserting "section 207, section 204(f),".

(b) Effective Date.--The amendment made by this section shall apply to debt outstanding on or after the date of the enactment of this Act.

SEC. 8. TREATMENT OF ASSETS HELD IN TRUST.

(a) Treatment as Resource.--Section 1613 of the Social Security Act is amended by adding at the end the following new subsection:

"Trusts

"(e)(1) In determining the resources of an individual, the provisions of paragraph (3) shall apply to a trust established by such individual.

"(2)(A) For purposes of this subsection, an individual shall be considered to have established a trust if any assets of the individual (or the individual's spouse) were transferred to the

trust.

"(B) In the case of an irrevocable trust to which were transferred the assets of an individual (or the individual's spouse) and the assets of any other person or persons, the provisions of this subsection shall apply to the portion of the trust attributable to the assets of the individual (or the individual's spouse).

"(C) This subsection shall apply without regard to--

"(i) the purposes for which the trust is established;

"(ii) whether the trustees have or exercise any discretion under the trust;

"(iii) any restrictions on when or whether distributions may be made from the trust; or

"(iv) any restrictions on the use of distributions from the trust.

"(3)(A) In the case of a revocable trust, the corpus of the trust shall be considered a resource available to the individual.

"(B) In the case of an irrevocable trust, if there are any circumstances under which payment from the trust could be made to or for the benefit of the individual or the individual's spouse, the portion of the corpus from which payment to or for the benefit of the individual or the individual's spouse could be made shall be considered a resource available to the individual.

"(4) The Commissioner may waive the application of this

subsection with respect to any individual if the Commissioner determines that such application would work an undue hardship on such individual.

"(5) For purposes of this subsection--

"(A) the term 'trust' includes any legal instrument or device that is similar to a trust;

"(B) the term 'corpus' means all property and other interests held by the trust, including accumulated earnings and any other addition to such trust after its establishment (except that such term does not include any such earnings or addition in the month in which such earnings or addition is credited or otherwise transferred to the trust);

"(C) the term 'asset' includes any income or resource of the individual or the individual's spouse, including--

"(i) any income otherwise excluded by section 1612(b),

"(ii) any resource otherwise excluded by this section; and

"(iii) any other payment or property that the individual or the individual's spouse is entitled to but does not receive or have access to because of action by--

"(I) such individual or spouse;

"(II) a person or entity (including a court)

with legal authority to act in place of, or on behalf of, such individual or spouse; or

"(III) a person or entity (including a court) acting at the direction of, or upon the request of, such individual or spouse; and

"(D) the term 'benefits under this title' includes State supplementary payments which are paid by the Commissioner pursuant to an agreement under section 1616(a) of this Act or section 212(b) of Public Law 93-66.

"(6) For provisions respecting the penalty that may apply to an individual who transfers an asset to a trust, see subsection (c)(1) (especially subparagraphs (A) and (D) thereof).".

(b) Treatment as Income.--Section 1612(a)(2) of such Act is amended--

(1) by striking "and" at the end of subparagraph (E);

(2) by striking the period at the end of subparagraph (F) and inserting "; and"; and

(3) by adding at the end the following new subparagraph:

"(G) any earnings of, and additions to, the corpus of a trust established by an individual (within the meaning of paragraph (2)(A) of section 1613(e)) and of which such individual is a beneficiary (other than a trust to which paragraph (4) of such section applies)

(provided, in the case of an irrevocable trust, that there exist circumstances under which payment from such earnings or additions could be made to, or for the benefit of, such individual). For purposes of this subparagraph, the terms 'trust' and 'corpus' have the meanings given them in section 1613(e)(5).".

(c) Effective Date.--The amendments made by this section shall take effect on January 1, 1999, and shall apply to trusts established on or after such date.

SEC. 9. DISPOSAL OF RESOURCES FOR LESS THAN FAIR MARKET VALUE.

(a) In General.--Section 1613(c) of the Social Security Act is amended--

(1) in the caption, by striking "Notification of Medicaid Policy Restricting Eligibility of Institutionalized Individuals for Benefits Based on";

(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(3) by striking "(2)" and inserting "(B)";

(4) by striking "(c)(1)" and inserting "(2)(A)";

(5) by inserting before paragraph (2) (as redesignated by paragraph (4) of this subsection) the following:

"(c)(1) Penalty.--

"(A)(i) If an individual or the spouse of such an individual disposes of resources for less than fair market

value on or after the look-back date specified in subclause (I) of clause (ii), the individual is ineligible for benefits under this title for months during the period beginning on the date specified in clause (iii) and equal to the number of months specified in clause (iv).

"(ii)(I) The look-back date specified in this subclause is a date that is 36 months before the date specified in subclause (II).

"(II) The date specified in this subclause is the date on which the individual applies for benefits under this title or, if later, the date on which the individual (or the spouse of such individual) disposes of resources for less than fair market value.

"(iii) The date specified in this clause is the first day of the first month that follows the month in which resources were transferred for less than fair market value and that does not occur in any other period of ineligibility under this paragraph.

"(iv) The number of months of ineligibility under this clause shall be equal to--

"(I) the total, cumulative uncompensated value of all resources transferred by the individual (or the spouse of such individual) on or after the look-back date specified in subclause (I) of clause (ii), divided

by

"(II) the amount of the maximum monthly benefit payable under section 1611(b) for the month in which occurs the date specified in subclause (II) of clause (ii),

and rounded up, in the case of any fraction, to the next whole number.

"(B) An individual shall not be ineligible for benefits under this title by reason of subparagraph (A) if the Commissioner determines that--

"(i) the resources were transferred exclusively for a purpose other than to qualify for benefits under this title; or

"(ii) the denial of eligibility would work an undue hardship on the individual.

"(C) For purposes of this paragraph, in the case of a resource held by an individual in common with another person or persons in a joint tenancy, tenancy in common, or similar arrangement, the resource (or the affected portion of such resource) shall be considered to be transferred by such individual when any action is taken, either by such individual or by any other person, that reduces or eliminates such individual's ownership or control of such resource.

"(D)(i) Notwithstanding subparagraph (A), this subsection shall not apply to a transfer of a resource to a trust if the portion of the trust attributable to such resource is considered a resource available to the individual pursuant to subsection (e)(3) (or would be so considered, but for the application of subsection (e)(4)).

"(ii) In the case of a trust established by an individual or the individual's spouse (within the meaning of paragraph (2)(A) of subsection (e)), if from such portion of the trust, if any, that is considered a resource available to the individual pursuant to paragraph (3) of such subsection (or would be so considered but for the application of paragraph (4) of such subsection) or the residue of such portion upon the termination of the trust--

"(I) there is made a payment other than to or for the benefit of the individual, or

"(II) no payment could under any circumstance be made to the individual,

then the payment described in clause (I) or the foreclosure of payment described in clause (II) shall be considered a transfer of resources by the individual or the individual's spouse subject to this subsection, as of the date of such payment or foreclosure, respectively.

"(E) In the case of a transfer by the spouse of an

individual that results in a period of ineligibility for such individual under subparagraph (A) or (D)(ii), the Commissioner shall apportion such period of ineligibility (or any portion of such period) among the individual and the individual's spouse if the spouse otherwise becomes eligible for benefits under this title.

"(F) For purposes of this paragraph--

"(i) the term 'benefits under this title' includes State supplementary payments made by the Commissioner pursuant to an agreement under section 1616 or section 212(b) of Public Law 93-66); and

"(ii) the term 'trust' has the meaning given such term in subsection (e)(5)(A)."

(b) Conforming Amendments.--Section 1613(c)(2) of the Social Security Act (as redesignated by subsection (a) of this section) is amended--

(1) by striking "(2)(A)" and inserting "(2) Notice; Availability of Information.--(A)";

(2) in subparagraph (A)(i)--

(i) by inserting "paragraph (1) and" after "provisions of";

(ii) by striking "title XIX" the first place such phrase appears and inserting "this title and title XIX, respectively,";

(iii) by striking "subparagraph (B)" and inserting "clause (ii)"; and

(iv) by striking "paragraph (2)" and inserting "subparagraph (B)";

(3) in subparagraph (A)(ii)--

(i) by striking "by the State agency"; and

(ii) by striking "section 1917(c)" and all that follows and inserting "paragraph (1) or section 1917(c)."; and

(4) in subparagraph (B), by striking "paragraph (1)(B)" and inserting "subparagraph (A)(ii)".

(c) Effective Date.--The amendments made by this section shall be effective with respect to transfers of resources for less than fair market value that on or after the date of enactment of this Act.

SEC. 10. LOSS OF BENEFITS FOR PROGRAM VIOLATIONS.

(a) In General.--Title XI of the Social Security Act is amended by inserting after section 1129 the following section:

"SEC. 1129A. NONPAYMENT OF BENEFITS UNDER TITLES II AND XVI FOR FALSE OR MISLEADING STATEMENTS OR OMISSIONS.

"(a) In General.--Any person who makes, or causes to be made, a statement or representation of a material fact for use in determining any initial or continuing right to or the amount of -

"(A) monthly insurance benefits under title II, or

"(B) benefits or payments under title XVI,

that the person knows or should know is false or misleading or knows or should know omits a material fact or makes such a statement with knowing disregard for the truth shall be subject to a penalty described in subsection (b) to be imposed by the Commissioner of Social Security.

"(b) Penalty.--The penalty described in this subsection is--

"(1) nonpayment of benefits under title II that would otherwise be payable to such individual, and

"(2) ineligibility for cash benefits under title XVI, for each month during the applicable period that begins and ends as specified in subsection (c).

"(c) Duration of Penalty.--The duration of the penalty described in subsection (b) shall be--

"(A) 6 consecutive months, in the case of a first determination by the Commissioner described in subsection (a) respecting such individual;

"(B) 12 consecutive months, in the case of a second determination by the Commissioner described in subsection (a) respecting such individual; and

"(C) 24 consecutive months, in the case of a third or subsequent determination by the Commissioner described in paragraph (1) respecting such individual.

"(d) Effect on Other Assistance.--An individual subject to a

period of nonpayment of title II or ineligibility for title XVI benefits pursuant to this section, nevertheless shall be considered to be receiving such benefits for the purposes of--

"(1) determination of the eligibility of such an individual for benefits under title XVIII and title XIX; and

"(2) determination of the eligibility or amount of benefits payable under title II or title XVI to another individual.

"(e) Definition.--For purposes of this section, the term 'benefits under title XVI' includes State supplementary payments made by the Commissioner pursuant to an agreement under section 1616(a) or this Act or section 212(b) of Public Law 93-66).".

(b) Conforming Amendment Precluding Delayed Retirement Credit for any Month to Which a Nonpayment of Benefits Penalty Applies.--Section 202(w)(2)(B) of such Act is amended--

(1) by striking "and" at the end of clause (i);

(2) by striking the period at the end of clause (ii) and inserting ", and"; and

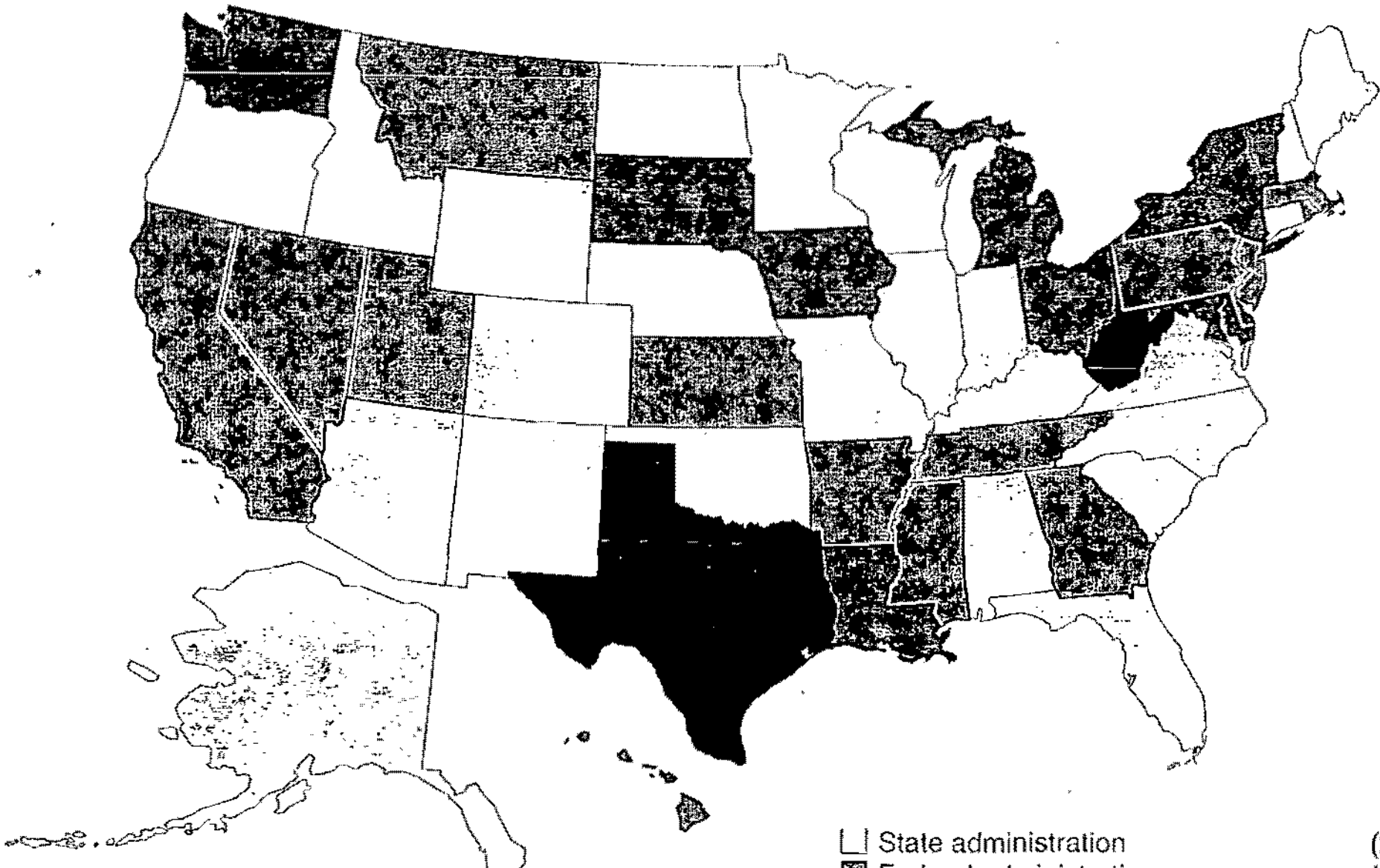
(3) by adding at the end the following new clause:

"(iii) such individual was not subject to any nonpayment of benefits penalty imposed pursuant to section 1129A.".

(c) The amendments made by this section shall be effective upon the date of the enactment of this Act.

SSI State Supplementation

by type of administration



State administration	(24)
Federal administration	(16)
Joint Federal and State administration	(9)
No State supplementation program	(2)

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