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Committee on Appropriations

**Subcommittee on Labor, Health and Human Services,
Education, and Related Agencies**



Statement for the Record

Hearing on Improper Payments

The Honorable Patrick P. O'Carroll, Jr.
Inspector General
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Good morning, Mr. Chairman, Congresswoman DeLauro, and members of the Subcommittee. It is a pleasure to appear before you, and I thank you for the invitation to testify today to discuss the Federal government's efforts to identify and reduce improper payments.

Federal agencies reported \$125 billion in improper payments for Fiscal Year 2010—an increase of \$15 billion from FY 2009. As Federal employees, we must ensure that taxpayer dollars are being spent wisely and effectively, and that government benefits are administered correctly. President Obama signed into law the *Improper Payments Elimination and Recovery Act* (IPERA) in July 2010, with the goal of reducing improper payments by \$50 billion by 2012. Since the President issued Executive Order 13520 on Reducing Improper Payments in November 2009 and signed IPERA, Federal agencies and their inspectors general have worked closely with the Office of Management and Budget (OMB) and the Treasury to identify and reduce improper payments.

Since the Office of the Inspector General (OIG) at SSA was established in 1995, our primary goal has been to identify and help reduce SSA's improper payments. Our auditors recently completed reviews on potential SSA overpayments—*Federal Employees Receiving Both FECA and Disability Insurance Payments*—as well as potential underpayments—*Dedicated Account Underpayments Payable to Children*. And in FY 2010, our investigators achieved \$62.6 million in SSA recoveries and restitution and totaled \$293.2 million in projected savings from programs like our Cooperative Disability Investigations (CDI) initiative, which detects potential fraud and limits improper SSA disability payments.

Executive Order 13520 and IPERA included a number of provisions that required input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). With a history of identifying SSA's improper payments, our office was asked to take a leadership role in this process; SSA/OIG serves as

liaison for CIGIE to work with OMB on implementation of IPERA and the Executive Order. For FY 2010, SSA reported improper payments totaling \$8 billion, including underpayments and overpayments, the third-highest amount of improper payments in the year, behind the Department of Health and Human Services (DHHS) (\$71.4 billion) and the Department of Labor (\$17.5 billion). SSA's Supplemental Security Income (SSI) program made \$48.3 billion in total payments, including \$4.8 billion in overpayments *or* underpayments, for a 10 percent improper payment rate; SSA projects it will reduce that rate to 9.6 percent in FY 2011 and to 8.7 percent by FY 2013. SSA's Retirement and Disability Insurance (RSDI) program made \$659.6 billion in total payments, including \$3.2 billion in overpayments *or* underpayments, for a 0.5 percent improper payment rate; SSA projects it will reduce that rate to 0.4 percent in FY 2011. SSA has reported it has a number of programs in place to protect the public's tax dollars, including:

- The Agency plans to commit \$796 million toward program integrity efforts in FY 2011, an increase of \$38 million over last year's funding.
- SSA conducts both medical and work-based continuing disability reviews (CDRs) to determine if a beneficiary remains eligible, as well as SSI redeterminations to re-evaluate any nonmedical factors that would affect eligibility or the benefit amount.

We released two reports toward the end of 2010 related to SSA's reporting of improper payments:

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

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

We have made many recommendations in recent years to SSA that support OIG's primary focus on program integrity. In a March 2010 report, we determined SSA's number of completed medical CDRs declined by 65 percent from FY 2004 to FY 2008, and SSA estimated a backlog of more than 1.5 million medical CDRs at the end of FY 2010. We estimated SSA would have avoided paying as much as \$1.1 billion in during Calendar Year 2011 if the medical CDRs in the backlog had been conducted when they were due.

In a July 2009 report, we found that redeterminations decreased by more than 60 percent from FY 2003 to FY 2008, and we estimated that SSA could have saved an additional \$3.3 billion during FYS 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003. SSA agreed it would like to conduct more redeterminations, but budget limitations and increases in SSA's core workloads have interfered.

Just as it is critical to identify improper payments that have been made, it is as important to utilize tools that can prevent payment errors before they occur. My office for years has encouraged SSA to use data matching to ensure program integrity and protect Agency funds. On an OIG recommendation, SSA sought several thousand data-matching agreements with Federal, State, and local corrections facilities so that it could match prisoner data against its RSDI and SSI records, halting payments to prisoners. In 2006, SSA's Office of the Actuary estimated savings of over \$580 million per year.

Similarly, to reduce SSI overpayments, OIG recommended SSA obtain beneficiaries' bank account information rather than rely on SSI recipients' self-reporting of resources. The Agency in recent years implemented the Access to Financial Institutions (AFI) Project, which allows SSA to check an applicant or recipient's bank accounts to verify resources. AFI has been implemented in 25 States, which represents about 80 percent of the SSI population, and SSA plans to implement AFI in the remaining States this year. SSA expects AFI to yield \$20 in savings for every \$1 spent on the program by 2013 when the program is fully implemented. By 2013, SSA projects approximately \$900 million in lifetime program savings for each year the Agency uses AFI.

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

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

Our CDI program is another critical piece of our improper payment reduction effort. The CDI program was established in FY 1998 as a joint effort by SSA and OIG, working with State Disability Determination Services, and State or local law enforcement agencies, to pool resources for preventing fraud in SSA's disability programs before improper payments are made. The program currently consists of 22 units covering 20 states. Since the CDI program was established, through January 2011, CDI

efforts nationwide have resulted in \$1.7 billion in projected savings to SSA's disability programs; and \$1 billion in projected savings to non-SSA programs. We are committed to expanding the CDI program, with plans to open four new units in FY 2011 and increase CDI coverage to 24 states.

In conclusion, the President has outlined an aggressive plan of action to reduce improper payments by \$50 billion by 2012. Thus far, agencies have made strides to comply with requests to report their improper payments, identify causes and allocate resources to prevent future errors. This important collaboration among Federal agencies, OMB, the Treasury, and the CIGIE will continue in an effort to improve administrative efficiency and service delivery. We will continue to provide information to SSA's decision-makers and this Subcommittee, and we look forward to assisting in these and future efforts.

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