

SUPPLEMENTARY SEC. INCOME

BOND
EXCISE



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

MEMO

August 9, 1974

SUBJECT: Supplemental Security Income Program

TO: Members, Republican Caucus

FROM: Eugene M.  Pomeroy
Director of Research

Because of the intense interest in the Supplemental Security Income Program, we are sending you the enclosed.

EMF:lm1

Encl.

Statement on the Supplemental Security Income Program

James B. Cardwell
Commissioner of Social Security
Department of Health, Education, and Welfare

before the

Senate Special Committee on Aging

July 15, 1974

INTRODUCTION

I want to thank the Committee for the opportunity to be here today to talk to you about the Supplemental Security Income program. I know that the members of this Committee, as well as the other Members of the Congress, are particularly concerned and interested in our progress and the problems we have encountered in SSI after the first 6 months of operations. We have made progress--and we have encountered our share of problems, as might be expected in this initial Federal venture aimed at providing a minimum level of income for the aged, blind and disabled.

A few weeks ago, on July 1, Federal SSI checks were delivered to just over 3.6 million persons. This figure includes about 650 thousand newly eligible recipients, as well as the nearly 3 million persons still eligible from among those converted from the State rolls on January 1, 1974. In terms of money, the July payments total some \$385 million in Federal and State funds.

In the first 6 months of the program, our district offices received 1-1/2 million new claims. One million have been fully processed, resulting in payment awards in about two-thirds of the cases and a finding of ineligibility in about one-third. New claims continue to be filed at the rate of over 150,000 per month. Of the half-million cases in process, the majority are disability cases that require medical determination and review in State agencies.

This is where we stand now. Is it where we should be? Where are we going from here? What problems have we encountered, and what problems remain to be solved? These are the questions which, with your permission, I would like to focus on in my testimony today.

In order to answer those questions in an understandable manner, I think it's necessary to provide a brief indication of how the Supplemental Security Income program has evolved since its enactment in October 1972, and what has happened since Federal administration of the program began on January 1, 1974.

HOW THE SSI PROGRAM EVOLVED

Philosophically, SSI started out as a simple, straightforward concept. It was conceived as a more efficient and uniform substitute for the State and locally administered programs of aid to the aged, blind, and disabled, many

of which were based on variable, complex and somewhat subjective determinations of what each particular individual's financial needs might be, tempered by willingness or ability to pay for these needs. The concept of the new Federal program was to create a nationally uniform flat grant system which employed simplified, objective tests of eligibility, income, resources, and living arrangements.

From the beginning, the States, at their option, could supplement the Federal minimum income level to take into account higher local costs and particular individualized needs that they wished to recognize. If they chose to have the Federal Government administer their optional supplements, they were, subject to certain limitations, protected from having to spend more than they did under the previous State-administered program.

I know the members of the Committee are familiar with the details of the SSI program and recognize that I am simplifying to a degree. But, I think, only to a very limited degree. As we began to better understand its ramifications, however, and as it was changed in its progress toward implementation, SSI came to be anything but simple.

Without going into any kind of elaborate detail, let me just list some of the legislative changes that were enacted in July and December of 1973--halfway through the implementation period and at the last moment before the program became effective:

- The States were required to make supplementary payments to all December 1973 recipients who received higher payments under the old State-administered program, in order to prevent a reduction in income under SSI.
- SSI recipients transferred from State rolls who had received payments for "essential persons"--individuals in their home to help care for them--were entitled to increased Federal payment amounts.
- SSI benefit levels were increased effective in January. In addition, a social security increase was made payable in April, and further SSI and social security benefit increases were enacted payable in July 1974. (The social security increases are pertinent, because, under the law, a person entitled to both social security and SSI benefits has his Federal SSI benefit decreased if his social security benefit is increased.)
- Finally, while the original law had provided that persons on State aid to the disabled rolls in December 1973 would be automatically transferred to SSI, these provisions were changed to provide for automatic transition only if an individual had also been on the disabled rolls of the State in a month prior to July of 1973.

In addition to, and in part because of these legislative changes, up until nearly the last moment the States were making decisions about the nature of the supplements they wished the Federal Government to administer. The States

were faced with many critical decisions about how they wished to participate in a program that was changing and where costs and options were not fully known. Their participation required the enactment of State legislation, and, in some cases, their legislative cycles were not in phase with the time schedules needed for orderly and coordinated implementation of the SSI program. This added another large element of complexity and uncertainty to the program at a very critical time.

In short, the program became increasingly complicated and was in a state of flux right up until--and, in fact, beyond--the date of implementation.

I don't wish to overdraw the effect of these legislative changes. While, as I have indicated, they greatly complicated the program--particularly since they occurred after we had developed our basic plans for its implementation--they represent only a part of the difficulties. Even without these changes, I think in all candor I must say that we underestimated the difficulties and problems of getting the program up and running smoothly. Given the time available to implement the program, some of these problems were unavoidable. In hindsight, others might have been dealt with more adeptly.

THE FIRST SIX MONTHS OF OPERATION

The essential operational ingredients required to initiate the program on January 1 were to establish an electronic data processing system capable of maintaining and, as need be, making changes to the recipient rolls, to convert the public assistance records covering about 3 million recipients from some 1,350 State and local jurisdictions to this system, to establish a telecommunications system--the so-called SSADARS system--which would allow local SSA offices to query or make changes to the recipient rolls almost instantaneously, and, of course, to be able to use these devices to generate information which the Treasury Department could use to make accurate and timely payments to eligible recipients. These systems had to be capable of handling both Federal SSI benefits and federally-administered State supplemental benefits. The basic systems were in place and operational on January 1, but there had not been time to thoroughly test them to correct the "bugs" that are inherent in any new systems of this scope, or to add the refinements which we would have liked to have had in them.

At the same time, SSA had to be prepared to accept and process new claims both considerably before, as well as after, January 1, and to have in place the staff necessary to process the various postentitlement changes--ranging from a recipient's change of address to changes in resources, income, or other circumstances affecting the benefit amount--which might occur after an SSI recipient was initially placed on the benefit rolls. To do this, we added approximately 15 thousand people, of which two-thirds were in our field offices.

This is how we went into January. As might be expected, there were problems--some anticipated, some not. Our error rate in January, in terms of people who for one reason or another did not receive checks or received checks in seriously incorrect amounts, was about 5 to 6 percent. This was partly due to faulty data resulting from the conversion of State recipient rolls, and

partly due to problems in our data system. Particularly in the large cities, some people who had been receiving a State public assistance check did not receive an SSI check.

Despite our concern and efforts, this situation did not improve rapidly. We were faced with the simultaneous problems of correcting the deficiencies in our systems, correcting erroneous conversion data, making the payment changes necessary to properly pay at increased SSI and social security benefit levels, and making necessary postentitlement changes.

Our primary efforts were directed toward making proper payments to persons converted from State public assistance rolls. It would be an overstatement to say that we have solved the problem. Over the past 6 months, however, I believe we have been steadily making progress in correcting the conversion base, and the situation will continue to improve.

In the process of straightening out conversion problems, we recognized in April and May that a large backlog of unpaid new claims had built up. The backlog occurred partly because we concentrated on conversion base corrections, not leaving enough "running time" available in the computer systems for regular frequent processing of new claims. The more significant problem with new claims, however, had to do with the fact that several hundred thousand cases were processed at the local SSA district office level and presumed to be payable. However, when submitted for payment processing, these cases did not pass the built-in computer edit checks for a variety of complex reasons-- e.g., inaccurate information provided by the claimant, information incorrectly introduced into the system by staff at the district office level, and data processing problems centrally.

SSA is working diligently on both of the above major aspects. A special task force made up of skilled and dedicated people has been charged with the task of clearing up this backlog. The group has been given authority to make changes in the payment process and resolve impediments on the spot. We expect that, as a result of this action, the vast majority of backlogged new claims awaiting final action will be processed to a payment status within the next month. The most serious problem at this point is a stubborn core of disability claims which, because they often require extensive medical development, unavoidably require lengthy processing time.

Our objective for the balance of this year is to arrive at final decisions on claims filed by the aged within 30 days. The system is designed to do better. Of course, for new applicants who need an immediate payment, there is a provision of law which enables us to pay a \$100 advance. In addition, our district offices have been instructed to authorize special month-to-month payments outside the regular payment system for the full amount due the person where the case is over 30 days old and the applicant is judged to be eligible.

REMAINING SSI PROBLEMS AND ISSUES

I don't mean to imply by all of this that the SSI program is now running as we would like it to, smoothly, rapidly, and without problems. It is not. While we're well on our way to "shaking it down" and getting the bugs out of the

system, eliminating the backlogs and making proper payments, on time, to everyone who is entitled, it's likely to be a number of months before it is running smoothly. We've only just begun on some of the big jobs that lie ahead, such as "redetermination" to assure the continuing eligibility and proper payment of those persons who were converted from the State rolls. And there remain a number of problems and issues that have yet to be fully resolved. Some of these can be handled through administrative changes; others, we believe, will require enactment of legislation. Let me touch upon some of the major ones.

Check Replacement

One of the serious problems that has concerned us has been the time-consuming procedure for replacing lost or stolen checks. Under normal procedure, when SSI received notice that a check was not received, the local social security office would determine whether a check had been issued by making a direct and immediate query of the SSI master computer record. Investigation by the Treasury Department then was required to determine whether a check that had been issued had been negotiated. If the check had not been negotiated, a stop-payment was placed against it. If the check had been negotiated, but the intended recipient or anyone he knew had not endorsed the check, a substitute check was issued by the Treasury Department. These procedures often required several weeks or more. Considering the circumstances of the people affected, this was clearly an unacceptably long delay.

We have now worked out with the Treasury Department a procedure for the expeditious replacement of lost and stolen checks which is expected to be implemented for the August payment. I want to mention that the Treasury Department has been extremely helpful and cooperative from the beginning.

Income in Kind

The law recognizes that income to an individual can be in the form of "in-kind" support and maintenance--i.e., room, board, and goods rather than money--and requires that in-kind income be counted. No value is ascribed, however, to services such as medical and social services that cannot be considered income for basic support and maintenance.

The problem that we are working to resolve by a change in operating policies relates to in-kind support and maintenance furnished by certain private residence facilities. Under current operating policy, the value of support and maintenance (defined as room and board) in an institution or residence facility is considered to be unearned income to the individual unless he is paying for it out of other income or out of resources that he has.

Although this policy of counting in-kind support and maintenance as income furnished by an institution is consistent with a strict interpretation of how an income maintenance program should work, we recognize that our application of the definition of in-kind income to certain subsidies from institutions has proved to have more severe results than were foreseen. Some States contend that this has created a situation in which some individuals living in private residence facilities could be forced to leave. We are therefore

making an intensive review of the problem and we hope very soon to have a solution that can be implemented within the provisions of the existing law.

Other problems, however, require a legislative remedy. One major difficulty which occurred in the early months of program operation has already been eliminated through prompt action on the part of the Congress. I am referring here to the problem of identifying and performing disability determinations for those individuals who had been added to State disability rolls in July 1973 or later. As you will recall, legislation enacted late in 1973 prohibited these individuals from being automatically transferred to the SSI program. They were eligible only if they met the regular SSI standards applicable to new claimants. In order to prevent several hundred thousand persons from having their payments cut off simply because their eligibility status was in doubt, the Congress enacted emergency legislation allowing us to pay benefits to them until a positive determination of their eligibility or ineligibility could be made. At this time, disability determinations have been completed for about half of those persons identified as having first come on State rolls in July-December 1973.

The Congress is now considering legislative remedies to two other SSI problems. If enacted, they would authorize reimbursement of the States for interim assistance provided to SSI applicants, and would provide automatic cost-of-living adjustments to SSI benefit levels.

Reimbursement to States for Interim Assistance

Many States or localities are making payments of a general assistance type to people who have applied for SSI but have not received SSI payments because an eligibility determination has not yet been made. This situation is most likely to occur in a case in which a disability determination is necessary.

If, after these interim payments have been made to an individual, he is determined to be entitled to SSI benefits, the States would like SSA to pay them back for their interim payments out of the retroactive SSI benefits due the recipient. This would provide the recipient with all benefits due him while at the same time guaranteeing that the States get their money back. We are prohibited, however, from diverting the benefits from the recipient to his creditor--in this case the State--by a provision of the law prohibiting the assignment of a person's benefits to another.

SSA worked with the American Public Welfare Association to develop a legislative proposal. It would permit us to enter into agreements with States whereby we may, upon an SSI applicant's written authorization, repay a State directly for interim assistance payments advanced to the SSI applicant during the period in which his eligibility under SSI was being determined. As the Committee is aware, a provision based upon the one that we developed in conjunction with the American Public Welfare Association has already passed the Senate, first as an amendment to the Renegotiation Act extension bill and, when dropped from that bill, as an amendment to H.R. 8217 (a bill involving import duties), on which final action is pending. The Department will be working with the conferees on that bill to obtain suitable legislation.

Automatic Cost-of-Living Increases

An essential step in assuring benefit adequacy in the SSI program, of course, is providing a mechanism for maintaining that adequacy as the cost of living increases. As this committee I'm sure knows, the President, in his fiscal year 1975 budget message in February, announced the Administration's intention to propose legislation to provide for cost-of-living adjustments in SSI benefits. In May of this year a legislative proposal to accomplish this objective was formally submitted to the Congress for its consideration. The Administration's proposal would establish in SSI a cost-of-living adjustment mechanism similar to and coordinated with the automatic cost-of-living provisions already in the law for the social security cash benefits program; that is, SSI benefit levels would be automatically increased in the future to reflect increases in the Consumer Price Index.

Under the Administration's approach to guaranteeing the purchasing power of SSI benefits, the amount of the automatic increase would generally be based on the percentage increase in the monthly average of the Consumer Price Index as measured from the first quarter of one year through the first quarter of the following year, with the increase in benefit levels effective with July. The first such increase under the Administration's proposal could occur in July 1975, which is the earliest month in which a social security automatic benefit increase could be paid. This proposal would resolve, in part, what has been a perennial issue that arises whenever social security benefits are increased--namely the problem of decreases in benefits under one program to offset increased benefits under another program. Without increases in SSI levels when social security benefits rise, that is what would happen in the Federal program of SSI just as it did in the former Federal-State assistance programs. Just as important as the fact that when people receive increased social security benefits they expect to be better off is the fact that when the cost of living goes up it goes up for all SSI recipients, whether they are social security beneficiaries or not.

Even with a Federal SSI cost-of-living adjustment, there remains a problem in those States that supplement the Federal SSI payments. Where State governments supplement voluntarily, they set their levels at amounts above the Federal levels that they think are appropriate within their respective States. If Federal SSI benefit levels are increased, States have the option of passing the increase along by continuing to pay the same supplements on top of the higher Federal levels, or of cutting back their payments by the amount of the Federal increase. Some view it as a Federal responsibility to make States pass the Federal increase on through the State supplements and to help finance their increased cost of doing so. Although we believe that the State share of benefits should be kept up to date with rising costs, we also believe that the States themselves should make the decision to do this. The problems and changes I have just discussed do not, of course, represent a complete inventory of the issues yet remaining in SSI. What I have attempted to do is to highlight most of the major concerns about the program that we have at this time. There will undoubtedly be additional changes or corrections requiring administrative or legislative action which we will identify as we gain more experience with the SSI program. To the extent that further desirable legislative changes are identified over the coming months, we will take action to propose appropriate remedial legislation early in the next session of the Congress.

Disability Criteria

I should mention at this point an area that needs further study. This concerns the definition of disability in the SSI program. Much of the general public and many State officials seem to believe that the Social Security Administration has, in its own discretion, established criteria and operating policies for determining disability in order to adhere to those established for the social security disability insurance program. The fact is that the law gives us no choice in the matter. We recognize that our definition is more restrictive than definitions as they evolved in many of the former State programs--especially in that they often covered short-term disabilities, while under SSI, disability must be expected to last for at least a year. An evaluation of this problem is underway.

Outreach

Finally, I would like to briefly summarize the outreach efforts we have made to reach those potential SSI eligibles whom we believe are somewhere out there, but who have not applied. These people are of concern to both us and you. It has, of course, been projected that the SSI program, with its new approach to income maintenance for the aged, blind, and disabled, and its higher levels of benefits than those previously in effect in over half the States, would cover a significantly larger number of the aged, blind, and disabled than were transferred into SSI from the former Federal-State programs. There were just over 3 million brought into SSI from the old programs, but we project that about 5.1 million will be receiving Federal SSI benefits by the end of June 1975--less than a year away. However, to date, the new claims caseload originally predicted and anticipated for the SSI program has not materialized.

Thus, we have, from the beginning made efforts to reach potential eligibles and inform them about the new program. These efforts began long before the January 1 starting date for SSI. Informational leaflets were distributed, and radio and television announcements were made. We worked very closely with State and county welfare departments and with local and National organizations interested in the aged, blind, and disabled so that they could inform their constituencies.

As the starting date approached, outreach efforts were intensified, and a campaign called SSI-Alert was begun under the sponsorship of Dr. Arthur Flemming and his Administration on Aging. Dr. Flemming will present you with the details of what we now refer to as "phase 1" of SSI-Alert.

Now we have gone to what we, clever and logical PR types that we are, call "phase 2" of Project SSI-Alert. This represents a continuing effort on our part to locate potential eligibles for SSI and provide them with the opportunity to apply for benefits. Phase 1 was directed toward everyone in a community, using a large number of volunteers including church organizations, local community groups, etc., in neighborhood canvassing efforts; the new phase uses a direct mailing system to contact 5.2 million individuals whose social security benefits are low enough to indicate possible eligibility for

SSI payments. It should be kept in mind that these are leads to help us find who among the 5.2 million might be eligible. The vast majority will not be eligible because they have other income or resources. Some who are found to be eligible will receive only a few dollars of SSI because of their other income.

These leads are now in the hands of the local social security offices corresponding with the addresses of the people identified. Since this extra effort will have a tremendous workload impact on already heavily burdened local social security offices, 4,000 temporary employees are being employed to process the leads. They will do the necessary clerical work and make telephone and/or personal contacts with the potential eligibles when necessary.

Those prospects who return the lead questionnaire will be contacted and provided with necessary assistance to apply for SSI benefits.

Social security offices have received their allocations for temporary employees and are presently in the process of recruitment and are working with volunteers to accomplish the project. We hope to have this phase of our SSI outreach efforts completed by September 30, 1974.

Relationship of SSI with Other Programs

Before concluding let me mention that we are very much aware of and concerned with the interrelationship between SSI and other programs of assistance to the needy. In the interest of brevity in my opening remarks, I would propose not to go into a detailed discussion of these relationships. Rather, with your permission, I would like to submit for the record brief statements on the interaction between SSI and Medicaid and social services. Mr. Keith Weikel, Acting Commissioner of the Medical Services Administration, and Mr. Jack Young, Commissioner of the Community Services Administration, are here to answer any specific inquiries that you may have in these areas. The Department of Agriculture is represented here today, and is prepared to address the subject of Food Stamps.

I don't want to leave this subject, however, without commenting that during the past year we have put a lot of effort into working out linkages between local social security offices and State and local welfare service agencies so that proper referrals can be made and people needing services will have easy access to them.

CONCLUSION

Again, I appreciate the Committee's giving me this opportunity to air some of our views on the SSI program. We will also, of course, be greatly interested in what others testifying here have to say. As I'm sure you all already knew, and as I hope my statement has made clear, our performance in these first 6 months of the new program's operation has been sort of a mixed bag. While certainly not always deserving of rave reviews, I feel strongly that it has also been marked by some definite pluses and noteworthy accomplishments.

I'd like to close by just listing these accomplishments, problems solved, and remaining problems.

Accomplished to Date (or Soon)

- . The conversion of over 3 million welfare recipients from the rolls of about 1350 separate and distinct State or local jurisdictions;
- . The cleaning up and correcting of the data base;
- . The sharp reduction of the backlogs of unpaid claims in process and the continuing improvement in processing times, numbers of applicants receiving prompt decisions, and numbers of approved claims receiving checks quickly;
- . The improvement, increasing reliability, responsiveness and sophistication of our automated data systems.

Problems Solved or Near Solution (with the Prompt and Concerned Cooperation of the Congress)

- . Disability rollback;
- . Replacement of lost or missing checks;
- . Reimbursement to the States for interim assistance provided SSI recipients who are awaiting decisions on their claims (or payment of approved claims);
- . And, automatic cost-of-living increases in benefit amounts.

The remaining problems include some of a basic policy nature, such as the treatment of income in kind, mentioned earlier; the need to further improve our performance in reducing processing times and quickly getting checks into the hands of entitled individuals; and, perhaps as important as any, the need for continuing vigilance on our part to (1) comply with due process requirements of law in all of our dealings with SSI applicants and beneficiaries, (2) protect confidentiality and respect the right to privacy, and (3) help maintain, above all, the SSI applicant's dignity and self-respect.

Keeping all the foregoing in mind, I agree that this is an opportune time to stop and look at what has happened and where we are going. However, in my opinion, it is too soon to attempt an evaluation of the new program and its operation.

As we identify changes that seem necessary to make the program work, we will of course immediately bring them to the attention of the Congress.

I am confident that when the next occasion arises for my reporting to you on the progress and status of the SSI program, you will hear a more uniformly positive recitation of accomplishment and smoothly efficient performance of our mission in serving the needs of the Nation's poor aged, disabled and blind.

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