



COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

UNITED STATES HOUSE OF REPRESENTATIVES

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STATEMENT FOR THE RECORD

**BEATRICE DISMAN
REGIONAL COMMISSIONER, NEW YORK REGION
SOCIAL SECURITY ADMINISTRATION**

Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee:

Thank you for this opportunity to discuss our stewardship of the disability program.

My name is Bea Disman, and I am the Regional Commissioner of the Social Security Administration's New York Region. In this role, I have direct authority over the agency's operations in New York, New Jersey, Puerto Rico, and the United States Virgin Islands. This area encompasses an annual administrative budget of approximately \$400 million for approximately 3,900 employees in 117 field offices and card centers, 4 teleservice centers, the Northeastern Program Service Center, and the New York Regional Office. More than 7 million beneficiaries receive over \$88 billion in Social Security and Supplemental Security Income (SSI) benefits in the New York Region each year.

Like you, I am outraged whenever anyone attempts to defraud the disability program. I am especially chagrined that a former Social Security employee, acting as a non-attorney claimant representative, was an integral part of the complex conspiracy uncovered in Puerto Rico. This individual betrayed his former colleagues by violating the public trust. We applaud the recent news that law enforcement officials indicted the former employee, several physicians, and approximately 70 disability claimants for allegedly defrauding the disability program. While the Federal Grand Jury investigation is active and ongoing, evidence suggests that the involved parties conspired to submit evidence of fabricated or exaggerated medical conditions in order to fraudulently receive benefits.

This criminal behavior is unconscionable. Many deserving people with severe disabilities depend on their hard-earned Social Security benefits for life's necessities. This is especially true in Puerto Rico, where the inability to work due to severe disability is further exacerbated by high poverty and lower overall education levels. All members of the public rightfully expect that taxpayer dollars go towards paying benefits to only the right people in the right amount and at the right time. We understand and take this obligation seriously.

Mindful of our stewardship responsibility, we continuously work with our partners in the Office of the Inspector General (OIG) to root out fraud wherever we suspect it. This has been especially true during this long and complex investigation.

Key to our efforts is the robust fraud detection and referral process we have in place to identify, investigate, and prosecute fraud to the fullest extent of the law. All of our employees receive annual fraud awareness reminders, as well as training on fraud detection and prevention. There is an established process to forward fraud allegations to the OIG, which is responsible for fraud investigations and recommending cases to the United States Attorney's Office for possible prosecution.

In the recent case in Puerto Rico, it was the diligent employees of the Puerto Rico Disability Determination Services (DDS)—funded and trained by Social Security to make medical determinations—who first identified the criminal actions of the doctors. The DDS employees suspected fraudulent medical evidence was being submitted and referred the fraud allegation to us in March 2009 during an onsite visit of my staff and quality reviewers. After the

identification and analysis of a number of cases from the referred medical provider, we referred the fraud allegation along with information about the non-attorney representative to the OIG in November 2009. During that period, my staff also reviewed other cases from medical providers identified from other sources in Puerto Rico.

In addition to referring the case to the OIG, we took aggressive steps to identify any additional cases and develop a process for reviewing the cases. These steps ensured that we could reliably handle any high-volume case review that might result from the investigation. While our quality data had shown the Puerto Rico DDS performing similarly to very high regional and national averages, we needed to verify the data and isolate the fraud. We brought Federal resources to bear in Puerto Rico to assist in the investigation, monitor the DDS's operations, and help decide cases. We also redirected and trained staff on medical issues from our Puerto Rico field offices and our Northeastern Program Service Center in New York City. These additional staff resources were focused on Puerto Rico cases, including those involved in the investigation. In addition, we authorized the New Jersey DDS to hire bilingual disability examiners to assist with Puerto Rico cases. Other DDSs—both inside and outside the New York Region—provided workload assistance to the Puerto Rico DDS, which added more outside eyes to the cases being filed in Puerto Rico. Finally, a sustained, multi-year, cross-training effort, as well as additional quality studies, further bolstered our work with the Puerto Rico DDS and ensured that quality remained strong and the fraud identified.

Without question, our anti-fraud activities in Puerto Rico have worked. Those who committed fraud are being brought to justice, and we have suspended over \$130,000 in monthly benefit payments for the month of August for the approximately 70 individuals that were indicted. We will review approximately 6,600 disability applications (out of the 185,000 in total current workers with approved disability applications in Puerto Rico) in which we awarded benefits based, in part, on medical evidence supplied by the involved doctors. In re-determining these cases, we will disregard the tainted medical evidence. If the remaining evidence does not support our original allowance, we will suspend the benefits, providing the opportunity to submit additional medical evidence prior to making a final determination. Beneficiaries will receive notification if we terminate their benefits and assess an overpayment. These reviews will occur outside Puerto Rico in New York City and New Jersey.

With the establishment of a Puerto Rico Cooperative Disability Investigations (CDI) unit this fiscal year (FY), which I will describe in greater detail later in my testimony, we have another tool in place to prevent the problems identified in Puerto Rico.

Looking ahead, we know that it is critical that Congress fully fund our cost-saving program integrity activities, while ensuring that we have the resources to serve the deserving disability applicants who turn to us for help. Investigations like the one in Puerto Rico are time-consuming and labor-intensive. It has required close coordination between Social Security, the Puerto Rico DDS, and multiple layers of law enforcement, including the OIG, the Federal Bureau of Investigation, the Puerto Rico Police Department, and the United States Attorney's Office.

Regrettably, over the past 2 years, Congress has appropriated \$421 million less for program integrity reviews than what it authorized for us in the Budget Control Act of 2011 (BCA). Over

the past 3 years, we received an average of nearly a billion dollars less than what the President requested for our administrative budget. The net effect has been the loss of more than 11,000 employees at Social Security—that means drastically fewer people standing watch for the next attempted theft and drastically fewer people available to serve those who truly need us.

Aggressive Management Response in Puerto Rico

Sharing management information and best practices across Federal-State boundaries is integral to the public service we provide at Social Security. In Puerto Rico—a territory that accounts for less than 1 percent of our agency’s disability benefit applications nationwide—a collaborative relationship with the New York Regional Office was the basis for uncovering the fraud conspiracy in March 2009.

At that time, staff from the New York Regional Office visited the Puerto Rico DDS to review the prior year’s quality findings and discuss medical policy issues. Over the course of the visit, the Puerto Rico DDS medical consultants raised concerns regarding boilerplate medical evidence that was being submitted by a particular treating source. The New York Regional Office staff developed the evidence further and referred the case to the OIG. Thereafter, fraud referrals continued to be made by the Puerto Rico DDS and other components assisting in processing disability applications for Puerto Rico.

Key to generating the fraud leads, as well as interpreting many of the cases that the OIG investigated, were the Federal and State personnel that we either redirected or hired to scrutinize cases from Puerto Rico. Currently, we have dedicated 48 employees, located outside Puerto Rico, to do this work. They support the 64 disability examiners in the Puerto Rico DDS who make disability determinations.

We have 14 Federal employees from Puerto Rico offices adjudicating disability cases, monitoring trends, and referring information to the OIG investigation as appropriate. These employees also assist the Puerto Rico CDI unit by answering calls to the special fraud hotline that we established in Puerto Rico.

An additional 20 Federal bilingual employees will work in the Northeastern Program Service Center in New York City. They are trained disability examiners who work exclusively on disability cases from Puerto Rico, including cases related to the fraud investigation.

We then allocated another 14 hires to the New Jersey DDS to work exclusively on Puerto Rico cases, including cases related to the fraud investigation. These employees are also bilingual and trained disability examiners.

In addition, other Social Security Regional Offices and DDSs outside the New York Region have helped process Puerto Rico cases over the past several years. These Federal and State personnel are not a dedicated resource, but they have been available, as needed, to assist the Puerto Rico DDS with its case backlogs. For example, at this time, we have 9 Federal disability examiners in Dallas assisting the Puerto Rico DDS.

Through our efforts deploying outside assistance to the Puerto Rico DDS, we continue to validate the overall quality of the decisions being made in Puerto Rico, even while identifying areas for additional training and business process improvement. Importantly, at this point in time, we have seen no evidence that any current Federal or Puerto Rico DDS employee is involved in the fraud conspiracy.

We work with the Puerto Rico DDS on areas for improvement through hands-on training. In the area of quality, we helped the Puerto Rico DDS improve its disability case documentation. We sent a team of program experts from the New York Regional Office and Social Security Headquarters to Puerto Rico. They trained both DDS and hearing office employees on case development, medical policy, evidence assessments, and questionable medical assessments. The Puerto Rico DDS was also among the first places in the New York Region to implement the Electronic Claims Analysis Tool, or eCAT. This web-based tool helps disability examiners apply policies correctly throughout the disability decision-making process and provides a source of national programmatic management information on DDS determinations. We are examining eCAT information as confirmed by other management information sources and case reviews to identify programmatic trends at the DDS level.

We have also identified areas, unrelated to quality improvement and identifying fraud, for which we believe business process improvements could better help the Puerto Rico DDS manage its workloads. For example, when we noticed that the Puerto Rico DDS was not maximizing its technology system to better manage its backlogs, we arranged for Puerto Rico DDS officials to visit the Florida DDS, which used the same system, and to receive training.

In addition, a number of years ago we discovered that the parent agency of the Puerto Rico DDS and the Puerto Rico Department of Treasury were not making timely payments to medical providers. These providers were threatening to stop sending medical evidence or conduct consultative examinations needed for disability determinations. We developed a plan to pay these bills directly and this plan, with some modifications, has been ongoing for 7 years.

Along with the substantial assistance and training provided the Puerto Rico DDS, we have also relied upon our quality reviewers to take an independent look at specific data in Puerto Rico. They have identified areas for further study and management improvement in Puerto Rico; however, their data reflect our general experience on the ground that the quality of the decision-making is high. We continue to work with the Puerto Rico DDS to identify opportunities for further improvement and remain vigilant. Notwithstanding the complexity of the criminal conspiracy that we helped bring to light, we see no evidence of a systemic failure in the Puerto Rico DDS at this time.

Anti-Fraud Initiatives across the Country

Because the investigation in Puerto Rico is ongoing, I cannot discuss any more specifics of the case today. However, I will highlight for you the multiple anti-fraud activities we have in place across the country.

All of these activities stem from a strong agency culture of fraud detection and deterrence, and they are ingrained in our organization. For example, all 10 Social Security Regional Offices—including the New York Regional Office—have an anti-fraud committee co-chaired by the Regional Commissioner and OIG Special Agent-in-Charge. These committees meet on a quarterly basis to discuss fraud cases and trends, as well as ideas for possible anti-fraud projects. All regions also have a “Think Twice First” monthly bulletin, in which employees learn about fraud awareness and reporting, among other topics. Each year, our offices conduct fraud referral training, and the agency publicizes how to report fraud, waste, or abuse on its homepage, www.ssa.gov.

Of course, our most important resource and first line of defense when it comes to fighting fraud are our dedicated employees across the country. They are highly trained professionals in the administration of the disability program, and they are both the best qualified and in the best position to identify and refer fraud. We support their efforts with a series of anti-fraud initiatives that target the investigation and prosecution of fraud.

As mentioned earlier, an important fraud investigation tool that we have in place are CDI units. CDI units investigate individual disability applications and beneficiaries to identify attorneys, doctors, translators, and other third parties, including non-attorney representatives, who facilitate disability fraud. The results of these investigations may be presented to Federal and State prosecutors for criminal or civil prosecution, as well as to the Office of the Counsel in the OIG for the imposition of civil monetary penalties. We may also impose sanctions on claimant representatives for violating agency ethical standards.

There are currently 25 CDI units operating throughout the United States with the most recent one established in Puerto Rico. According to the OIG, since the program’s inception in FY 1998 through FY 2012, CDI efforts nationwide have resulted in \$2.2 billion in projected savings to our disability programs and over \$1.4 billion in projected savings to non-Social Security programs, such as Medicare and Medicaid. These savings are the result of CDI units opening about 40,000 cases and developing evidence to support about 30,000 actions, resulting in a denial, suspension, or termination of benefits.

We also continue to develop new initiatives to combat the kind of fraud uncovered in Puerto Rico. For example, according to the OIG, a new and very promising anti-fraud initiative just began as a pilot on July 1, 2013, and focuses on third-party facilitators, including medical providers and claimant representatives. The pilot combines the resources of the OIG with our hearings operation. Together, these investigators are looking at ways to mine our data to identify areas of suspicious behavior. If the pilot proves successful, it is anticipated that it would expand in FY 2015.

Simultaneously, we continue to ramp up our program integrity reviews, as well as our quality assurance activities, which can help us to detect fraud and remediate its effects. Through our efforts, we have achieved a very low incidence of fraud in our disability programs. In fact, in FY 2012, we made over 26,000 fraud referrals to the OIG nationwide, from which the OIG opened about 5,300 cases and referred 236 to the United States Attorney’s Office for criminal prosecution. That same year, in Puerto Rico, we made 254 fraud referrals to the OIG, from

which the OIG opened 3 cases and referred none to the United States Attorney's Office.¹ Overall, in FY 2012, nearly 3.2 million people applied for disability under our disability programs, and about 15 million people received benefits.

Increasing Program Integrity Reviews and Decisional Quality

We are committed to protecting program dollars from waste, fraud, and abuse. The recent arrests in Puerto Rico demonstrate how seriously we take our responsibility to maintain the public's trust by effective stewardship of program dollars and administrative resources. While we recognize that not all improper payments result from fraud, we work diligently to correct them and pursue them wherever they may lead.

An important part of our program integrity activities are periodic medical re-evaluations, called continuing disability reviews (CDR), which we use to determine if beneficiaries are still disabled.

The FY 2014 President's Budget includes a special legislative proposal that would provide a dependable source of mandatory funding to significantly ramp up our program integrity work. These mandatory funds would replace the discretionary cap adjustments authorized by the BCA. These funds would be reflected in a new account, the Program Integrity Administrative Expenses account, which would be separate, and in addition to, our Limitation on Administrative Expenses account. If approved, the funds would be available for 2 years, providing us with the flexibility to aggressively hire and train staff to support the processing of more program integrity work.

Over the past several years, the annual appropriations process has not provided us with the resources necessary to conduct all of our scheduled CDRs. We estimate that each dollar spent on CDRs would save the Federal Government \$9,² yet we have a backlog of 1.3 million CDRs.

In FY 2014, the proposal would provide \$1.227 billion, allowing us to handle significantly more CDRs. With this increased level of funding, the associated volume of medical CDRs is 1.047 million, although it may take us some time to reach that level. For comparison, we conducted 443,000 CDRs in FY 2012. With your support, we could do much more.

In addition to program integrity reviews, strict adherence to our program rules improves our adjudicators' ability to identify fraud and reduces the potential for an improper payment. Accordingly, we have performance standards and multiple layers of quality review to ensure uniform and correct application of our program rules. In FY 2014, we will be establishing a new review process at the field office level. It is called the Continuous Quality Area Director Reviews Process. One of the areas reviewed will be front-end disability accuracy in field offices.

¹ Puerto Rico referrals exclude those made by components outside Puerto Rico providing assistance in determining disability cases.

² Details can be found in the FY 2010 "Annual Report of Continuing Disability Reviews" at <http://www.socialsecurity.gov/legislation/FY%202010%20CDR%20Report.pdf>.

Having a scrupulous quality assurance (QA) operation is critical to ensuring programmatic compliance. We require all of the DDSs to have an internal QA function. In addition, our Office of Quality Performance (OQP) conducts QA reviews of samples of the initial, reconsideration, and CDR determinations of the DDSs. Between FY 2008 and FY 2012, OQP reviews showed that the DDSs improved their accuracy across the board. The DDSs increased their initial claims decisional accuracy from approximately 94.4 percent to 96.4 percent. They increased their reconsideration decisional accuracy from approximately 92.1 percent to 95.1 percent. Moreover, they increased their CDR decisional accuracy from approximately 96.8 percent to 97.9 percent.³ For the same timeframe, the Puerto Rico DDS followed similar patterns. Initial decisional accuracy improved from approximately 92.7 percent to 98.1 percent. Reconsideration decisional accuracy increased from approximately 93.1 percent to 97.0 percent. Finally, CDR decisional accuracy increased from approximately 97.7 percent to 99.8 percent.

As required by the Social Security Act (Act), we also perform a pre-effectuation review of at least 50 percent of all DDS initial and reconsideration allowances for Social Security and SSI disability for adults. We likewise review a sufficient number of DDS CDR determinations that continue benefits. These pre-effectuation reviews, which are separate from the OQP reviews mentioned above, allow us to correct errors we find before we issue a final decision. The quality of the Puerto Rico DDS in these reviews is better than the national average. These reviews result in an estimated \$751 million in lifetime program savings, including savings accruing to Medicare and Medicaid. Based on our most recent data, the return on investment is roughly \$13 for every \$1 of the total cost of the reviews.⁴

To improve the consistency and quality of DDS decisions, we established the Request for Program Consultation (RPC) process. The RPC process allows DDSs and our quality reviewers to resolve differences of opinion they have on cases that OQP has cited as deficient. In general, DDSs use the process to resolve the most complex cases. Our policy experts in headquarters thoroughly review these cases. We post all RPC resolutions and related data on our intranet site, accessible to every disability examiner, medical consultant, and QA and supervisory staff. The process serves several key functions. It provides real-life examples of proper policy application, identifies issues and areas for improved disability policy, and provides our Regional Offices and DDSs information to assess local quality issues. Since 2007, we have reviewed about 5,000 cases and posted their resolutions online. Further, the RPC team has worked directly with policy components to develop policy clarifications, training, and other resources that can further improve the consistency and quality of disability determinations at all adjudicative levels.

Conclusion

The criminal conduct that we first uncovered in Puerto Rico in 2009 was appalling. Working with the OIG, we are dismantling a complex conspiracy to defraud the Social Security disability program.

³ The percent is based upon a statistically valid sample of cases OQP reviews. It reflects the percent of cases reviewed where OQP agrees with the decision made by the DDS.

⁴ Details can be found in the “Annual Report on Social Security Pre-effectuation Reviews of Favorable State Disability Determinations” at <http://ssa.gov/legislation/PER%20fy11.pdf>.

Key to our efforts was the robust fraud detection and referral process that we put in place to identify, investigate, and prosecute fraud to the fullest extent of the law. The process worked in Puerto Rico, and it continues to work nationwide.

We have already begun to take remedial action in Puerto Rico by reviewing the cases with tainted medical evidence, establishing a CDI unit, and vigorously pursuing additional anti-fraud activities both in the territory and nationwide. These efforts, combined with our other program integrity and QA activities, help minimize fraud in the disability program and support highly accurate decisions.

It is incumbent upon Congress to meet its responsibility to the taxpayer by adequately funding both our stewardship and service efforts so that only those who truly need us receive the help they deserve. We need your support to keep the disability program strong.