

U.S. House of Representatives

**Committee on the Budget
Task Force on Welfare**

Statement for the Record

Federal Disability Benefits Still Being Paid to Drug Addicts and Alcoholics

**The Honorable James G. Huse, Jr.
Inspector General, Social Security Administration**

September 12, 2000

Chairman Kasich and members of the Task Force, thank you for inviting me to discuss the issue of Federal Disability Benefit payments for drug addicts and alcoholics. As you are well aware, our office is responsible for preventing and detecting fraud, waste, and abuse in the Social Security Administration's programs and operations. An important part of our efforts involves performing independent and objective audits aimed at affecting positive change and improvement.

In May 2000, we released our audit report entitled "Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121". Public Law 104-121, also known as the Contract with America Advancement Act of 1996, prohibits the payment of Social Security Disability Insurance benefits and Supplemental Security Income benefits if drug addiction or alcoholism is a contributing factor material to finding a claimant disabled. The objective of our audit was to determine whether SSA identified and terminated benefits to all beneficiaries for whom these prohibitions applied.

Our audit concluded that SSA did not identify and terminate benefits to all beneficiaries for whom drug addiction and alcoholism was a contributing factor material to the finding of disability. Assistant Inspector General for Audit Steven Schaeffer will provide you with a more comprehensive explanation of our findings. At this point I would like to allow Mr. Schaeffer to present his statement. I would also like to thank the Subcommittee for its interest in our work and efforts to prevent and detect fraud, waste and abuse in SSA's programs and operations.

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**Steven L. Schaeffer
Assistant Inspector General for Audit, Social Security Administration**

September 12, 2000

It is a pleasure to be here to discuss this important topic with you. By May 30, 1997, SSA had notified 209,374 individuals that their benefits would be terminated due to drug addiction or alcoholism (DAA). Of these 209,374 identified individuals:

- 67 percent actually had their benefits terminated by SSA;
- 31 percent appealed the DAA termination and continued to receive benefits based on a disability other than DAA; and
- 2 percent continued in benefit status because they were incorrectly identified as DAA cases.

In September 1998, we began an audit to determine if the Social Security Administration (SSA) had identified and terminated benefit payments to all individuals where DAA was a contributing material factor to that individual's disability. We learned that SSA only used one criteria for identifying DAA cases for review. However, using an additional code, we focused on 19,946 individuals whose cases we believed might be indicative of drug addiction or alcoholism. After reviewing a sample of these claims, we found that DAA was in fact the primary reason for disability in many cases receiving payments even though their records showed that DAA was involved. In December 1998, SSA disagreed and asserted that, based upon data contained in their information system, disability determinations for 16,677 of the individuals did not consider DAA. For the remaining 3,269 individuals, SSA informed us that it did not have sufficient information to determine whether or not DAA was the reason they were determined to be disabled.

In March 1999, we expressed our concerns to SSA regarding its assertions, and we expressed our intent to proceed with a review of a sample of the 19,946 beneficiaries who appeared to be receiving benefits based on DAA even though the law prohibited such payments. Following our review, we concluded that SSA did not identify and terminate benefits to all individuals where DAA was material to their disability determination. We then estimated that 3,190 individuals were incorrectly paid \$38.7 million in DI and SSI benefits.

In one example, an individual in our sample was selected for review because he was receiving benefits and had a diagnosis code for Alcohol Substance Addiction. Our review of information provided by SSA indicated that DAA was in fact, the contributing factor for the disability finding. Specifically, the case folder contained a document that stated, "Substance abuse is a

substantial reason for the finding of disability and the conferring of benefits in this case." Additionally, a report from SSA's Disability Review Section stated that DAA was a contributing factor and the claimant was determined to be an alcoholic.

For this particular case, there was no documentation to indicate that SSA reviewed this individual's medical condition after the passage of Pub. L. No. 104-121. Further, SSA's records showed that SSA did not review this case between SSA's DAA determination in 1993 and our audit work in 1998. SSA did not identify this case when the new law was passed in 1996 because the Agency only looked at certain indicators and not the entire record. Therefore, benefits were not terminated and this individual received a total of \$11,736 in SSI payments between the effective date of Pub. L. No. 104-121 (January 1997) and December 1998 (the date we reviewed the case was selected for review).

Additionally, we found that cases were miscoded in SSA's information systems showing DAA, even though DAA was not material to the disability determination. Based on our review, we estimate that 14,420 SSA beneficiaries do not have the correct diagnosis codes, DAA indicators, or both, on their records to show that DAA was material to their disability determination. Incorrect coding such as this could impact SSA's ability to identify cases affected by new legislation, as was the case with Pub. L. No. 104-121. Additionally, incorrect coding could also impact on SSA's ability to profile cases for continuing disability reviews (CDRs), which determine whether beneficiaries continue to be disabled.

We provided SSA with four recommendations to improve its implementation of the DAA provisions of P.L. 104-121, and to help reduce SSA's incidence of paying benefits to ineligible individuals. We recommended that SSA:

Review the 10,611 SSI cases that SSA asserted were either properly handled or miscoded and apply the provisions of Pub. L. No. 104-121 where appropriate.

When conducting the next scheduled CDRs for the 6,066 DI cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.

Ensure that the 3,269 cases SSA agreed to review are completed, the coding corrected, and the benefits terminated where appropriate.

Modify its systems so that primary diagnosis codes for Alcohol or Drug Addiction of 3030 and 3040 will no longer be accepted.

In response to our draft report, SSA agreed with our recommendations and stated that corrective actions were initiated, and in some cases, completed. Specifically, SSA stated that all the reviews specified in our first three recommendations were completed or initiated. Regarding our fourth recommendation, SSA stated that in August 1999, systems modifications were completed to eliminate erroneous entries in its systems. SSA stated that when a case is denied because DAA was the reason for the disability, the use of alcohol or drug addiction codes 3030 or 3040 is appropriate.

I would like to thank the Subcommittee for its interest in improving SSA's implementation of the DAA provisions. This issue represents a successful illustration of the role of the OIG at SSA, and

the importance of cooperation between the OIG and the Agency, resulting with SSA immediately implementing some of the corrective actions. The Agency's aggressive action limited further incorrect payments from being made. Thank you for your time and interest in this subject matter and I would be glad to respond to any questions that you may have.