



**Hearing
Before the
Committee on
Homeland Security & Governmental Affairs**

U.S. SENATE

**Curbing Federal Agency Waste and Fraud: New Steps to
Strengthen the Integrity of Federal Payments**

MAY 8, 2013

**Statement of
Marianna LaCanfora
Acting Deputy Commissioner for Retirement and Disability Policy
Social Security Administration**

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for Retirement and Disability Policy,
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Chairman Carper, Ranking Member Coburn, and Members of the Committee:

Thank you for inviting me to this important hearing on steps to strengthen the integrity of Federal payments. I will discuss the death information that we maintain to administer our programs and the death information we share to help curb improper payments in other Federal programs. I am Marianna LaCanfora, the Social Security Administration's (SSA's) Acting Deputy Commissioner for Retirement and Disability Policy.

We wholeheartedly support the Federal government's effort to do everything we can to combat fraud and curb improper payments. Program integrity and stewardship of trust fund and tax dollars has long been a cornerstone of SSA's business processes. In addition to discussing what we currently do in providing death information to other agencies, I will also describe the legislative proposal in the President's budget that, if enacted, would enhance the Federal government's ability to combat fraud and curb improper payments.

Program Overview

Let me begin by describing the scope of the work we do at SSA. Our core mission is to administer the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as "Social Security," which protects insured persons and their families against loss of earnings due to retirement, death, and disability. Workers, their employers, and self-employed persons finance Social Security through payroll taxes. We also administer the Supplemental Security Income program, funded by general revenues, which provides cash assistance to aged, blind, and disabled persons with very limited means.

In addition to administering these programs, we handle lesser-known but critical services that bring millions of people to our field offices or prompt them to call us each year. For example, we help administer the Medicare low-income subsidy program and verify information for other Federal and State programs.

The responsibilities with which we have been entrusted are significant. In fiscal year (FY) 2012, we:

- Paid over \$800 billion to almost 65 million beneficiaries and recipients;
- Handled over 56 million transactions on our National 800 Number Network;
- Received over 65 million calls to field offices nationwide;
- Served about 45 million visitors in over 1,200 field offices nationwide;

- Completed over 8 million claims for benefits and 820,000 hearing dispositions;
- Handled almost 25 million changes to beneficiary records;
- Issued about 17 million new and replacement Social Security cards;
- Posted over 245 million wage reports;
- Handled over 15,000 disability cases in Federal District Courts;
- Completed over 443,000 full medical continuing disability reviews (CDR); and
- Completed over 2.6 million non-medical redeterminations of SSI eligibility.

Few government agencies touch as many people as we do. The programs we administer provide a financial safety net for millions of Americans, and many consider them the most successful large-scale Federal programs in our Nation's history. We have demonstrated throughout the years that we are effective stewards of program dollars and administrative resources. Moreover, we take great pride in securing the sensitive data and personal information that we maintain as required by the Social Security Act, the Internal Revenue Code, and privacy statutes.

Collecting Death Information to Administer Our Programs and the History of the Death Master File

We collect death information so that we can timely stop paying beneficiaries who have died and pay benefits to survivors of insured persons. Each year, we receive about 2.5 million reports of death primarily from family members, funeral homes, financial institutions, and States. When we receive information from an individual, we update our records, including the Numident file.¹

Over time, individuals and entities became aware that we were gathering this high-value information. In 1978, Ronald Perholtz filed a lawsuit against us under the Freedom of Information Act (FOIA) to gain access to the death information in our files. In 1980, we entered into a court-approved consent decree that required—and still requires—the agency to release to Mr. Perholtz death information maintained by the agency. The Department of Justice advised us that Congress had not provided an exemption to the FOIA or the Privacy Act that would permit us to withhold the data requested by Mr. Perholtz.

In 1983, Congress added subsection (r) to section 205 of the Social Security Act to require us to collect death information from States to update our program records. This subsection also describes the circumstances under which certain government agencies may receive such information from us. In addition, it specifies that the death information we receive from States is otherwise exempt from disclosure under the FOIA and the Privacy Act. However, the 1983 amendment did not exempt from disclosure death information that we obtain from sources other than the States.

Following the consent decree in the Perholtz litigation, we began to receive additional requests for the same death information that we were providing to Mr. Perholtz. Because we had no legal basis to withhold that death information, we created a file that we could make available to requesters. The file—now commonly known as the public Death Master File (DMF)—contains the non-State death information we maintain to administer our programs.

¹ The Numident contains identifying information associated with a Social Security Number, including a death indicator and parents' names.

Since 1992, due to the growing number of individuals and entities seeking the DMF, we have provided the file to the Department of Commerce's National Technical Information Service (NTIS) to distribute. We chose NTIS because it functions as a national clearinghouse for a wide array of Government data. NTIS's customers include life insurance companies, State agencies, and financial institutions that need death information to stop paying benefits to deceased individuals and pay benefits to survivors of insured persons.

Over the years, we have made use of technology to more efficiently administer our programs, including the timely and accurate collection of death information. Since 2002, we have worked with States to increase the use of Electronic Death Registration (EDR). EDR automates our receipt of death information and is highly accurate because the States first verify the name and Social Security Number of deceased individuals against our records before they issue a death certificate or actually transmit the death report to us. Currently 33 states, the City of New York, and the District of Columbia participate in EDR. The use of EDR ensures that our death records include the most accurate and most current information.²

It is important to note here that the death information we collect through EDR is State information, which under section 205(r), we are authorized to disclose only for specific purposes. Under section 205(r), we provide, to Federal benefit-paying agencies, on a regular basis, an electronic file containing all of our death information including the death information we receive from the States. Section 205(r) of the Act requires us to provide State death data to agencies to ensure proper payment of federally-funded benefits. The HHS Centers for Medicare & Medicaid Services, the Department of Defense, and IRS are among the agencies that receive these data. In addition, we provide death information to State agencies administering federally-funded programs. Like us, these benefit paying agencies need death information to ensure the accuracy of their benefit payments and prevent fraud, waste, and abuse. In addition, we send certain agencies, including the IRS, a weekly update to the electronic file of all our death records. Finally, we provide data to Federal agencies for strictly statistical and research purposes.

As noted above, section 205(r) prohibits us from including State death information in the public version of the DMF. Additionally, under the law as it now stands, we may not provide State death information to the Department of Treasury for Do-Not-Pay purposes. This is because section 205(r) authorizes us to disclose State death information only to agencies to ensure proper payment of federally funded benefits. The important Do-Not-Pay portal will be used, as appropriate, to check all payments issued by Federal agencies, not just payments for federally funded benefits. However, I am pleased to report that the President's FY 2014 Budget includes a proposal which would allow us to disclose our entire death file, including state data, to the Do-Not-Pay portal for purposes specified in the proposal.

² Although not an SSA legislative proposal, the President's FY 2014 Budget includes an increase of \$22 million in Public Health Service Evaluation transfers for the Vital Statistics System supported within the Department of Health and Human Services (HHS) Centers for Disease Control and Prevention (CDC). One purpose of the provision would allow CDC to gradually phase in electronic death records in the 21 remaining jurisdictions over 4 years.

Legislation To Use Death Information to Combat Fraud and Curb Improper Payments and To Limit Access to Death Information

Over the past year and a half, we have worked closely with an inter-agency group, led by the Office of Management and Budget, to develop a legislative proposal on the DMF. Through an amendment to section 205(r), the Administration's proposal would allow additional Federal agencies to access our death information—including State death information—to combat fraud and curb improper payments. Under our proposal, we would be permitted to share our entire death file, via Do Not Pay, with Federal agencies for the purposes of public health or safety, law enforcement, tax administration, health oversight, debt collection, payment certification, disbursement of payments, and for the prevention, identification, or recoupment of improper or erroneous payments.

However, we must remain aware that just as access to accurate death information helps agencies reduce improper payments, the public availability of death information could contribute to fraud. We believe that this information should no longer be accessible to those entities or individuals who might misuse it. However, we are mindful that many institutions, such as financial institutions, legitimately need our publicly available death information to combat private sector fraud. As I said earlier, we currently do not have a legal basis to withhold non-State death information under FOIA. Even if we could withhold death information, FOIA does not allow us to withhold death information from certain entities while making it available to others who legitimately need it. Only Congress can strike the proper balance between restricting access to death information and making it available to those entities that legitimately need the information to combat fraud.

For this reason, the President's FY 2014 Budget proposal would also restrict access to the public DMF. Specifically, the proposal would delay the release of a deceased individual's information on the public DMF for 3 years after he or she dies. This would significantly reduce the ability of criminals to use death information to commit tax fraud. Only private entities that the Commissioner certifies as having a legitimate need for the information—and sufficient protections in place to safeguard the information—would be permitted to receive the public DMF. We look forward to working with Congress, the Administration, and other parties to refine this legislation.

Conclusion

We appreciate Congress' interest in working with us to protect our fellow Americans and their resources. We are committed to continuing to share death information with our Federal partners and appreciate that other parties that, with vigilant oversight, have reasonable and responsible purposes for obtaining death data. We stand ready to assist Congress to take the next steps to curb improper payments and fraud.