

MEMORANDUM TO SENATOR DOLE

DA: April 29, 1995  
FR: Alec Vachon ✓  
RE: UPDATE/CHILDREN'S SSI: CHARGES OF FRAUD AND ABUSE LARGELY UNSUBSTANTIATED, BUT BIG POLICY QUESTIONS REMAIN

Packwood intends a welfare mark up by Memorial Day--with Children's SSI reforms. (He has told reporters and Moynihan he wants a freestanding bill--rather than in Reconciliation. Believes he has the votes for cloture if a bill runs into trouble--but Reconciliation could be a fallback.)

LITTLE "COACHING" FOUND. As you know, concerns arose in mid-1993 following allegations some children were "coached" by their parents to fake disability--as well as other tales of fraud or abuse. These allegations began in Wisconsin, following requests from SSA to teachers for information to help determine if a child was disabled. (N.B. 1984 Social Security amendments required SSA to consider non-medical evidence in making disability decisions.) Teachers seem to have believed all children would get SSI.

Three investigations--by SSA, GAO, & HHS Inspector General--have found little evidence of "coaching"--or concluded the disability evaluation process was so sloppy it was not possible to make firm conclusions whether ineligible children were allowed on the rolls. Last year Social Security set up an "800" hotline to report fraud--which turned up only 70 questionable cases (out of 400,000 applications).

BIG GROWTH IN PROGRAM. Another reason this program has received close scrutiny is rapid growth--from 300,000 children in 1989 to over 900,000 today (7,000 in Kansas)--with a current cost of over \$4 billion. (CBO predicts 1.2 million children in 2000.)

Reasons: (1) a 1990 Supreme Court decision (Zebley v. Sullivan) required SSA to make functional as well as medical evaluations. 450,000 children were re-assessed--135,000 added to the rolls; (2) in 1989, Congress mandated unprecedented outreach by SSA to find children who might qualify for SSI--resulting in a huge influx of applications; and (3) in 1990 SSA also revised its criteria for mental impairments--broadening eligibility.

CONSENSUS FOR REFORM. Regardless of the "coaching" issue, as the House looked at Children's SSI (first hearings were in October 1993), other concerns arose--e.g., definition of disability too lax--particularly for mental conditions--and more accountability needed. Now, virtually everyone agrees reforms are needed--or at least inevitable--including advocates and Finance Democrats. At the last Finance welfare reform hearing (on Thursday), Senator Conrad--who is writing his own Children's SSI reform bill--acknowledged some children will lose benefits under his proposal.

- Shuck -  
- Pass -  
- Dennis -



SPECIFIC PROPOSALS. All proposals tighten the definition of disability and the methods for making disability decisions. The House welfare reform bill makes the biggest changes--restricts cash to children who would be otherwise institutionalized; gives States for block grants for other disabled kids; and drops about 225,000 children outright.

The Conrad bill retains current cash/Medicaid benefits, making modest changes to definition and disability determination. Not yet scored by CBO. Conrad bill is based on proposals developed by the National Commission on Childhood Disability-- which Jim Slattery chairs.

Other reform ideas (less controversial): (1) more frequent Continuing Disability Reviews; (2) increased accountability for how cash is spent and new penalties for fraud and abuse; (3) better management of lump sum payments; and (4) family cap on total Child SSI benefits.

OUR MEMBERS. Santorum is championing the House SSI reforms--took personal credit at the Finance welfare reform hearing Thursday. (Major problem w/Santorum is salesmanship--he makes the proposals sound like vinegar. With some changes, House proposals might have gotten some disability community support--but no one seems to have tried.) I am meeting with Santorum's staff next week-- also meeting w/McCrery's and Kleczka (D-Milwaukee) staffs-- who wrote the House SSI provisions. They were traumatized by the negative press coverage--and are delighted at Dole office interest. We will need their support for any compromises.

I have spoken w/staff of all Republicans Finance members-- Chafee, Hatch, Simpson, and Nickles have interest in this issue. Chafee plans to co-sponsor the Conrad bill. They are looking for leadership--all say "the House went too far"--but as I have written you few know anything about the SSI program.

GOVERNORS. As I have also written you, the Governor's have little interest in change. SSI is free money to the States--in fact, a number of States have programs to help get people on SSI. For example, last year Pennsylvania spent \$5 million to get over 9,400 people on SSI. The State saved \$70 million in General Assistance and state-paid medical care, bringing instead \$28 million in Federal dollars.