

# Third Party Involvement in Social Security Claims

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Twice, the Social Security Administration (SSA) has cut front-line staffing in its field offices, and each time Agency managers have turned to third party organizations to “assist” applicants in completing disability benefit applications, a core function of SSA’s Claims Representatives, Field Representatives, and Technical Experts. The first period was during the late 1980’s, when about 17,000 field office positions were lost. We are in the midst of the second, in which about 6,000 positions are being eliminated, dropping overall Agency staffing to its lowest levels in 35 years. Present staff cuts and increased outsourcing come at a time when unprecedented numbers of claims for disability and retirement benefits are being filed, fueled by the aging of the Baby Boom Generation. SSA officials and Congress should be very concerned about these surges in outsourcing activity tied to staff cuts, because of harm being done to applicants and taxpayers.

SSA is actively training non-profit and for-profit organizations to perform disability claims work again, and is interested in getting employers involved in the retirement claim process. Employers were approached in the 1990’s about completing retirement benefit applications, but declined because they were concerned about liability if their actions disadvantaged an SSA beneficiary. It is too bad that Agency decision-makers are not more concerned about applicants being disadvantaged through third party involvement.

SSA has determined that it is an “inherently governmental function” to make a decision about entitlement or benefit amount, so has properly excluded this function from “competitive sourcing” (contracting-out) through the Office of Management and Budget Circular A-76 process. Yet, the Agency freely out sources these same functions to third parties without any competition, and with no opportunity for SSA workers to show that they do the work best for the American public. SSA officials fail to recognize that in identifying potential applicants, while screening-out others, third parties have already made a decision about entitlement. Because third parties have been found to provide incorrect medical and non-medical information to SSA, through ignorance in some cases and through intent to defraud in others, they effectively make decisions about both entitlement and benefit amount through their actions.

Third parties are always motivated by a desire to entitle the applicant. For-profit third party organizations receive a standard payment when a claim is approved, or a percentage of benefits paid to the applicant. Non-profit entities want to transfer responsibility for medical care and income support to the Federal Government and the taxpayers. SSA employees are charged with applying laws, regulations, and rules fairly and equitably to all who apply for benefits, and thereby protect the interests of applicants and taxpayers.

During an era of labor-management cooperation in the mid-1990’s, senior SSA officials and American Federation of Government Employees (AFGE) leaders agreed to thoroughly examine third party claims issues, to negotiate at the Agency level, and to make consensus recommendations about future activities. The AFGE-SSA Third Party Assistance Team began its work in May 1995, and submitted its first comprehensive set of recommendations in January 1997. The Team wrote and submitted specifications for a third party identifier that would be placed on electronic records so that quality and integrity could be monitored, and limited further third party involvement until a quality assurance system was developed and put in place.

These recommendations and many others were supported by a great deal of data that had been collected and analyzed over the 20-month period. A nationwide survey of SSA managers and staff revealed that third party involvement did not create operational efficiencies, and that there were serious concerns about quality and integrity. An Office of Program Integrity and Reviews study requested by the Team, and independent investigations conducted by the Office of Inspector General, uncovered fraud schemes and questionable fee-charging arrangements. Non-profit organizations, including a religious order, and for-profit organizations, including one run by a former SSA manager, were implicated in wrong-doing. Criminal middlemen, state government employees, and at least one physician were convicted of stealing money from applicants and taxpayers.

How did Agency leaders respond to the January 2007 recommendations? They pulled the plug on the Team, refused to even consider the recommendations, and announced that they would do what they wanted in the future with regard to third party claims. They soon diverted SSA Office of Training and Office of Systems resources to development of training materials and systems enhancements to serve third parties.

In this Century, with Social Security under attack by the Bush Administration, and outsourcing to faith-based organizations and others in fashion, the Agency has rolled-out training and stepped-up the involvement of third parties. The Agency has abrogated the SSA-AFGE Third Party Memorandum of Understanding that placed sensible limits on the expansion of third party involvement. There is still no third party systems identifier, and no further reviews have been done of the quality and integrity of the claims.

When AFGE had access to SSA information, and when Agency leaders had some interest in the concerns of employees expressed through their Union representatives, we began to understand how third party involvement affected entitlement and payment decisions. This led to a careful, measured approach that has now been abandoned. SSA does not know which benefit applications are secured through third parties. The Agency cannot compare the quality, integrity, or timeliness of third party claims to those taken by SSA employees. It's easier to expand outsourcing when the problems are undetectable.

Congress should insist that the January 1997 Third Party Assistance Team union-management recommendations be seriously considered for implementation by SSA and AFGE leaders, and that expansion of third party involvement be halted in the interim. It is time for Agency leaders to take responsibility for protecting applicants and taxpayers in the claims process. There is really nothing more important that they should be doing.

***For more information*** about the Team's findings and recommendations, and about the documented problems with quality and integrity, please contact AFGE Third Party Assistance Team Chairperson Steve Kofahl at: [stevekofahl@aol.com](mailto:stevekofahl@aol.com).