

Old-Age and Survivors Insurance Beneficiaries: Survey of Their Continuing Eligibility*

In late 1953 and early 1954, the Bureau of Old-Age and Survivors Insurance conducted a survey to find out the degree to which beneficiaries were reporting events that affect their continuing eligibility for benefits, as well as the effectiveness of the Bureau procedures designed to enforce such reporting. Some of the survey findings are presented in the following article.

UNDER the Social Security Act, once an individual establishes his entitlement to monthly old-age and survivors insurance benefits, he continues to receive his benefit each and every month, unless any one of several specified events occurs—principally, his substantial employment or self-employment, death, attainment of age 18, marriage, or remarriage. Under conditions stated in the Act, these events can cut off the person's right to his check for some months or permanently. Nonpayment for 1 or more months is the result of a deduction event; permanent cut-off of payments is caused by a termination event.¹

Thus, for those engaged in the claims operation of the old-age and survivors insurance program, the task of seeing that benefits are properly provided under the Act does not end with getting the beneficiary on the rolls. The provisions relating to reporting these events and the subsequent suspension, termination, or reinstatement of the benefit call for continuing effective administration. Once the adjudication with respect to the individual's right to a benefit has been made and he has been found to be entitled to a benefit, various post-adjudicative processes are set in ac-

tion. These activities are designed to inform the beneficiaries, and the payees who receive the benefit in behalf of children or of adults incapable of handling their own benefits, of their obligation to report the occurrence or the termination of a disqualifying event; they are also planned to help the Bureau carry out its responsibility for enforcing the deduction and termination provisions.

In administering these provisions, unless there is some indication to the contrary, reports made by the beneficiaries are assumed to be correct. Procedures that aid the effective enforcement of these provisions, as well as certain helpful sources of information, include:

(a) The furnishing of oral and written instructions and explanations to the beneficiary by the district office when he files his claim and by the area office (one of the six payment centers) when he is awarded benefits.

(b) Supplying the beneficiary with report forms that are preaddressed to the proper Bureau office and contain specific items on the various deduction and termination events.

(c) Making informational literature available to private and public organizations for general distribution.

(d) Mailing explanatory stuffers, pamphlets, and flyers on reporting obligations to the beneficiary with his check.

(e) Use of records of "earnings history" based on tax reports required by statute of the employer and the self-employed individual. These records are used to enforce the reporting under the retirement tests and to detect the failure of beneficiaries to

report work that would subject them to benefit deductions.

(f) Use of the legend "as unremarried widow," on checks to widows and mothers, that reminds the recipient that continued eligibility is based on her remaining unremarried and thus serves as a deterrent against failure to report remarriage.

(g) Controls in area offices on dates of birth of child beneficiaries so that their benefits are terminated automatically at age 18 (and the widowed mother's benefit as well if there is no other entitled child).

(h) Holding a current month's check, which is due at the end of the month, until the third of the following month. (The release date of the "third" instead of the "first" serves several purposes. It is an accommodation to the Federal Reserve Banks and the Post Office Department because of their concern with the large number of Government and other checks released on the first day of each month. It also permits the withholding of the payment, if notice of the occurrence of an event causing deduction or termination is received even as late as 3 days before the release date of the check. If a beneficiary reports a disqualifying event too late to stop the mailing of the check, he often returns it on noting the check date, since he is aware that he is not entitled to a benefit for the month in which the disqualifying event occurred.)

(i) Payment of a lump-sum death benefit under certain circumstances to reimburse a person who has paid the burial expenses of an old-age beneficiary; this payment serves as an inducement to such a claimant to report the beneficiary's death.

(j) District office contacts with other government agencies in the field, revealing pertinent information about beneficiaries.

(k) Receipt of notices of death from funeral directors by district offices.

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¹ The legal provisions for deductions because of work or failure to have the care of an entitled child are contained in section 203 of the Social Security Act as it was before the 1954 amendments. The various termination events—such as death, marriage, or attainment of age 18—are found in the paragraphs in the Act describing the different types of benefits (section 202).

(l) Availability of public notices of death or marriage.

(m) Receipt of information from an outside source.

Conduct and Scope of Survey

In 1953 the Bureau undertook the first extensive survey of the effectiveness of these post-adjudicative processes. The survey was carried out in the district and area offices of the Bureau from September 1953 to April 1954. It provided an opportunity to weigh, on a nationwide basis, the success of the internal checks and procedures regarding post-adjudicative activities and to assess the compliance of beneficiaries in reporting events that suspend or terminate their benefits.

The survey was designed to gather information on the reporting of disqualifying events by all individuals with benefits in force on December 31, 1952. Since it would obviously be impossible to reach each of the 5.4 million persons who were entitled to benefits at the end of 1952, a sample of nearly 16,000 beneficiaries, representing more than 8,000 family groups, was scientifically selected to form the group that would be studied in the survey; in that way the major findings of the survey could be validly projected in terms of the total of 5.4 million entitled beneficiaries. Beneficiaries living outside the continental United States were excluded from the survey sample.

After the selection of the sample, the Bureau's six payment centers supplied certain information about each beneficiary in the group. Data sheets for the cases, together with guide kits for conducting the interview and schedule forms, were sent to the district offices, each of which had one or more beneficiaries to interview. Countrywide coverage was thus ensured—in cities, towns, villages, and rural areas.

District office representatives met personally with practically all the beneficiaries in the survey. Each beneficiary filled in the items in the schedule that related to events causing benefit deduction or termination and signed the schedule in the presence of the district office representative. Before being asked for replies

to the various items on the questionnaire, beneficiaries were told the purpose of the survey—an attempt to find out if the beneficiary had fulfilled his obligation to report disqualifying events. There were no adverse comments of any consequence from the beneficiaries surveyed, either on the survey as a whole or on any of the individual questions that were asked.

Any incidents of violation, overpayment, or underpayment discovered during the survey were reported to the area office for necessary action.

The survey covered the provisions in the Act before the 1954 amendments. The schedules were concerned with the retirement test for employed and self-employed beneficiaries, the provision that a mother or young wife is not eligible for a monthly benefit if she does not have a child of the insured earner in her care, and the provisions relating to termination of benefits.

January 1951 through August 1953 was the main period covered in the survey. If, however, an investigation initiated for the survey uncovered violations of the deduction or termination provisions in earlier or later periods, the investigation was extended and all the information incorporated in the compliance survey.

After the district offices had done their work the schedules were returned to the central office, where they were studied. In some cases, claims files were obtained from the area offices for examination in conjunction with the schedules. To ensure the accuracy of the data, the survey responses were cross-checked against all available records, particularly the earnings records. When additional verification was needed, it was developed through the district offices.

By the cut-off date in April 1954, schedules from nearly 15,000 beneficiaries (about 7,500 family groups) had been completed. Early in the survey, 375 cases were eliminated—chiefly those in which all benefits had been terminated by the time the survey questionnaire was ready for release. Information from about 300 schedules not returned by the cut-off date was omitted from the study.

Findings

In December 1952, designated as the key month for evaluating the survey data, monthly benefits were being paid to 5.0 million beneficiaries. By measuring the overpayments estimated to have been made to that group—the number that should not have been paid in December 1952 because of the occurrence of a deduction or termination event—it was found that 99.4 percent of the benefit payments were correct and only $\frac{6}{10}$ of 1 percent of the payments were incorrect.

The latter figure refers to the overpayments at the point they were picked up in the survey. Not all these overpayments would have remained undiscovered without the survey. In the normal course of operations, through the various devices employed in the enforcement processes, through information from employers and beneficiaries, and through reports from other outside sources, many of these overpayments would have come to light and been corrected.

Deduction provisions.—In studying the application of the deduction provisions (primarily involving substantial employment and self-employment), it was found that only one-half of 1 percent of the benefits paid in December 1952 represented overpayments on the basis of a deduction provision. The low figure for overpayments indicates that, in practically all the situations in which a beneficiary was subject to a deduction, he had voluntarily reported the event or, in fewer instances, it had been detected by the Bureau. A high degree of compliance with reporting requirements is thus apparent.

Termination on marriage.—With respect to the provisions requiring termination of child's benefits because of marriage or termination of widow's and mother's benefits because of remarriage, the survey showed little evidence of failure to report. Non-reporting of remarriage by aged widow beneficiaries was negligible.

At the end of 1952, benefits in force for children of marriageable age (14-18) and young widows with children totaled about 600,000. According to the survey, about 8 of every 1,000

such beneficiaries had failed to report marriage or remarriage. Yet, of these unreported marriages and remarriages, 3 out of 4 did not lead to overpayments.

Why was only 1 person overpaid out of every 4 who had not reported the marriage or remarriage that terminated their entitlement? Of the beneficiaries who did not report but had not been overpaid, most failed to report because their benefits were being withheld for some other reason—mainly because they were working and earning more than the amount specified in the earnings test. They reasoned that since they were not getting any benefits it was not necessary to report promptly a marriage or remarriage. In other cases, the violation did not lead to an overpayment because the maximum that could be paid on the same account was already payable to other beneficiaries in the same household.

Termination on death.—There was only one instance in the survey sample of failure to report the death of a beneficiary—evidence that the procedures for obtaining reports of death in order to terminate benefits promptly are working out well. Even though a beneficiary has been on the rolls for many years and even though there may not have been any reason for being in touch with him once he got on the rolls, the prospects are excellent for getting a report of his death in time to prevent an overpayment.

As the number of aged beneficiaries on the rolls has increased, periodically the question arises of whether benefits to beneficiaries of advanced age should be continued without some special check on their existence and continued eligibility. To find the answer, one phase of the national survey was focused on aged beneficiaries.

In the survey sample there were about 4,000 beneficiaries aged 65 and over; nearly half of this group were aged 72 or over. Among all these beneficiaries, only one death was unreported. Failure to report in this instance did not, however, result in any overpayment because the checks had never been cashed.

Termination on adoption.—With

respect to overpayments caused by adoption of a child beneficiary, the survey indicated a rate of 6 incorrect payments out of every 10,000 benefits paid for children. There were about 940,000 child's benefits paid for December 1952. Proportionately and numerically, the overpayments attributable to adoptions are not significant. The extremely low rate of overpayment reinforces the conviction that payees are complying with their reporting obligations.

Duration of overpayments.—In the analysis of the overpayments discovered for the period January 1951–August 1953, the survey showed that 9 out of every 10 overpayments were of less than 4 months' duration. Seven overpayments out of 10 were for a single month.

Mail address other than residence.—From time to time, questions arise concerning the circumstances in which a beneficiary receives his mail at an address other than his place of residence. Each aged beneficiary in the survey was therefore asked whether he was living at the address to which his benefit check was sent and if not, why not.

Only 1 out of every 8 families with old-age beneficiaries was found not living at the address to which their benefit checks were sent. There was not one case in which the proceeds of the checks had been, or were being, diverted from the beneficiary. Each of these beneficiaries had an acceptable reason for not receiving his checks at his home address. In about half the cases, the mail address was for the convenience of the beneficiary or to safeguard receipt of the check; the remaining cases were distributed equally among those who had no mail delivery at the home address and those who reported an oversight in not reporting the changes of address.

Underpayments.—The survey schedule included questions aimed at discovering the degree of underpayments caused by the beneficiary's failure to make timely or correct reports concerning deduction events. The answers to these questions indicated how many beneficiaries had benefit payments due them that they had not collected. The rate of underpayment, as established by the survey,

was as low as 1 percent. For every 100 benefits withheld, 99 were properly withheld; only 1 benefit should have been paid.

Almost all these underpayments could be traced to some misunderstanding of the earnings test in effect in December 1952. Some beneficiaries did not realize that noncovered work would not subject them to deductions. Other beneficiaries did not have their payments resumed when they were no longer working in covered employment. (The fact that noncovered earnings are included in the work test under the 1954 amendments should result in even lower underpayment rates in the future.)

The rate refers to underpayments for December 1952 detected in the survey. Many of these underpayments would, of course, have come to light at some later date—through an investigation of earnings with the employer, through an inquiry by the beneficiary, or through later claims action—and would have been corrected even if there had not been a survey.

Conclusions

The survey findings set up tentative standards for appraising data obtained in similar surveys in the future. The findings must be evaluated, however, in the light of these considerations: (1) the survey was the first of its kind on such a scale, and (2) the data in the survey concerned enforcement of the benefit deduction provisions in the Act before the 1954 amendments.

The very low rates of overpayment and underpayment revealed by the survey prove the value of the enforcement processes being used by the Bureau and confirm the decisions made in setting up the pattern and scope of the various steps in these processes.

Because the survey reviewed only the enforcement of the benefit deduction provisions as they were in the law before the 1954 amendments, it was oriented in terms of the administration of a monthly earnings test. It is not possible to determine what the results of the survey might be in relation to the annual earnings test

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Table 4.—Estimated payrolls in employment covered by selected programs in relation to civilian wages and salaries, by specified period, 1940-56¹

[Amounts in millions; corrected to Feb. 8, 1957]

Period	Wage and salary disbursements ²		Payrolls ³ covered by—						
	Total	Civilian	Old-age and survivors insurance ⁴		State unemployment insurance		Railroad retirement and unemployment insurance ⁵		
			Amount	Percent of civilian wages and salaries	Amount	Percent of civilian wages and salaries	Amount	Percent of civilian wages and salaries	
Calendar year:									
1940.....	\$49,818	\$49,255	\$35,560	72.2	\$32,352	65.7	\$2,280	4.6	
1941.....	62,086	60,220	45,286	75.2	41,985	69.7	2,697	4.5	
1942.....	82,109	75,941	57,950	76.3	54,548	71.8	3,394	4.5	
1943.....	105,619	91,486	69,379	75.8	65,871	72.0	4,100	4.5	
1944.....	117,016	96,983	73,060	75.3	68,886	71.0	4,523	4.7	
1945.....	117,563	95,744	71,317	74.5	66,411	69.4	4,530	4.7	
1946.....	111,866	104,048	79,003	75.9	73,145	70.3	4,883	4.7	
1947.....	122,843	118,775	92,088	77.5	86,234	72.6	5,113	4.3	
1948.....	135,142	131,172	101,892	77.7	95,731	73.0	5,539	4.2	
1949.....	134,379	130,131	99,645	76.6	93,620	71.9	5,133	3.9	
1950.....	146,526	141,527	109,439	77.3	102,835	72.7	5,327	3.8	
1951.....	170,776	162,136	131,000	80.8	118,243	72.9	6,101	3.8	
1952.....	184,947	174,507	143,000	81.9	127,320	73.0	6,185	3.5	
1953.....	197,363	186,950	155,000	82.9	138,657	74.2	6,147	3.3	
1954.....	185,528	185,577	154,000	83.0	136,594	73.6	5,630	3.0	
1955.....	210,354	200,576	169,000	84.3	148,144	73.9	5,794	2.9	
1955									
January-March.....	49,574	47,156	38,000	80.6	33,869	71.8	1,341	2.8	
April-June.....	51,787	49,297	40,000	81.1	36,182	73.4	1,417	2.9	
July-September.....	53,600	51,157	43,000	84.1	37,816	73.9	1,517	3.0	
October-December.....	55,393	52,966	45,000	85.0	40,277	76.0	1,519	2.9	
1956									
January-March.....	54,078	51,676	43,000	83.2	38,715	74.9	1,525	3.0	
April-June.....	55,507	53,133	45,000	84.7	40,360	76.0	1,548	2.9	

¹ Continental United States, except as otherwise noted. Earnings and payroll data are before deduction of social insurance contributions. Data for 1953-56 preliminary.

² Wages and salaries paid in cash and in kind in continental United States and, in addition, pay of Federal personnel in all areas. Quarterly data reflect prorating of bonus payments.

³ Taxable plus estimated nontaxable wages paid in specified periods.

⁴ Excludes earnings of self-employed persons, who have been covered since

Jan. 1, 1951. Beginning 1955, quarterly data exclude wages and salaries of agricultural labor, now reported only on annual basis.

⁵ Includes a small amount of taxable wages for Alaska and Hawaii. Beginning 1947, includes temporary disability insurance.

Source: Data on wage and salary disbursements from Office of Business Economics, Department of Commerce; payrolls covered by selected programs from reports of administrative agencies.

CONTINUING ELIGIBILITY

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now in the law. Since in many respects, however, the annual earnings test is more liberal than the monthly test, it is expected that the overpayment rate will decrease.

With respect to events that terminate an individual's benefits, there are no significant differences between the present law and the provisions in effect at the time of the survey. The low rate of unreported events causing benefit termination may also be representative of conditions under the law as it now is.

Besides checking on the effective-

ness of the enforcement procedures, the survey sought to discover areas of possible concern and needed change. An added worthwhile feature of the survey was the gain to the Bureau that comes from meeting the beneficiary in person and reminding him of his obligations—the prevention of future overpayments, for example.

There are some areas in which the survey indicated the need for further study. Several studies on terminations resulting from marriage and remarriage are planned, though non-reporting in this area was shown to be slight. Because, however, the reporting of these events (unlike that for work, which is directly controlled by

the enforcement procedures) is dependent in many respects on the beneficiary and because overpayments related to them tend to be of longer duration, it is felt that there may be room for improvement. Further checks on the existence and continued eligibility of aged beneficiaries are also planned for the future. Beneficiary compliance under the annual earnings test has been under observation, but a survey directed to this phase of reporting would probably be premature at this time. In general, periodic surveys of the continuing eligibility of beneficiaries constitute an important part of the responsible administration of the program.