Improving Social Security's Financial Capability Assessments

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When Social Security beneficiaries are incapable of managing their benefits, the agency can appoint a representative payee to administer benefits on their behalf. A committee of the Institute of Medicine was asked by the Social Security Administration to review the process by which financial capability determinations are made and to recommend improvements. The committee's conclusions and recommendations include the following: giving priority to real-world financial performance in assessing capability, providing clearer instructions to informants, developing systematic approaches to identifying beneficiaries at risk of incapability, exploring the use of a supervised direct payment option, and instituting regular data collection to assist in improving operations.

Psychiatric Services 2016; 67:704–706; doi: 10.1176/appi.ps.201600196

In 1935, with the United States in a profound economic depression and struggling to care for millions of destitute citizens, Congress passed the Social Security Act, creating a system of benefits for retired workers age 65 and older. Over subsequent years, Social Security was expanded progressively to cover other groups, including dependents and survivors of covered workers in 1939; disabled workers in 1956 (Social Security Disability Insurance); and aged, blind, and disabled persons with low incomes regardless of previous work history in 1972 (Supplemental Security Income [SSI]) (1). Although less extensive than the social insurance systems of many other high-income countries, the Social Security system today provides a safety net for roughly 64 million beneficiaries.

Not all beneficiaries are able to manage the benefits they receive. Old-age beneficiaries with dementia, persons who are disabled as a result of traumatic brain injuries or severe mental disorders, and minor dependents or survivors might require assistance in using their benefits appropriately to cover their basic material needs, such as shelter, food, and medical care. Hence, just four years after passage of the Social Security Act, Congress amended the law to authorize the Commissioner of Social Security to make benefit payments to an individual or organization other than the beneficiary when doing so would serve the beneficiary's interests (1). Third parties who receive funds to manage on behalf of beneficiaries are called representative payees.

At the end of 2014, approximately 5.5 million recipients of old-age, survivor, or worker disability benefits had representative payees (2), along with a group of more than 3 million SSI recipients (some of whom also receive other categories of benefits) (3). Representative payees are most often friends or family members of beneficiaries, although other individuals (for example, lawyers) or organizations (for example, religious or community organizations, mental health centers, and nursing or group homes) may play this role. Despite the vast number of Americans who are dependent on the appointment of a representative payee to manage their benefits, formal studies of the system have been rare. Existing research has tended to focus on the performance of the payees rather than the process by which it is determined that a beneficiary needs one.

However, some data have suggested that the Social Security Administration's (SSA) assessment of beneficiaries' capabilities to manage their funds might not always identify those who need a representative payee. Recent audits by SSA's Office of the Inspector General found significant proportions of beneficiaries with mental impairments (4) and over age 85 (5) who were in need of representative payees but had not been identified as incapable of managing their funds. To improve the process, SSA asked the Institute of Medicine of the National Academies of Sciences, Engineering, and Medicine to convene a committee of experts with relevant expertise to evaluate SSA's capability determination process for adult beneficiaries and provide recommendations for enhancing the accuracy and efficiency of the agency's mechanisms for making these determinations. In particular, SSA asked the committee to focus on decisions about incapability for disabled adult recipients, although many of the committee's conclusions are relevant to old-age beneficiaries as well. To inform its report, the committee took testimony from SSA, relevant experts, and health service and advocacy organizations, in addition to reviewing relevant research literature. The committee's report was issued in March 2016, and key conclusions and recommendations are summarized in this column.

How Incapability to Manage Benefits Is Determined Today

Allegations that someone is incapable of managing his or her affairs, including finances, are usually resolved in court proceedings. A petition for appointment of a guardian or conservator (the terminology differs across jurisdictions) is brought before a court, followed by a hearing. The purportedly incompetent person has an opportunity to be represented by counsel, call witnesses, testify, and vigorously contest the alleged incapacity. But SSA's process for finding disabled worker beneficiaries incapable of managing their benefits, which is quite different, is entirely administrative.

After a finding of eligibility for disability benefits, if SSA has reason to believe that a beneficiary may be incapable of managing benefits, then, unless there already has been a judicial finding of incompetence, SSA assembles medical and lay evidence regarding the person's capability. Medical evidence can involve results of physical and laboratory examinations, but often it is conveyed in response to a single question on an SSA medical form: "Do you believe the patient is capable of managing or directing the management of benefits in his or her own best interest?" Lay evidence can derive from anyone in contact with the beneficiary, including professionals such as social workers, family members, or friends. SSA staff members can interview persons who are suspected of being incapable of managing their benefits, but it is unclear how often this occurs in practice.

In contrast to judicial determinations of incapacity, no formal hearing takes place before SSA determines that a beneficiary needs a representative payee, and there is no opportunity for the allegedly incapable person to contest the determination. After the fact, appeal is possible, although uncommon (6), initially through administrative channels and ultimately to the courts. As opposed to many states' guardianship laws, where attempts have been made to specify and operationalize the criteria to be applied, SSA's standard for capability determinations is vague ("capable of managing or directing the management of benefits in his or her own best interest"), and informants are given little or no guidance as to how to apply it. The committee was told repeatedly by informed observers that failure to appoint representative payees for beneficiaries who need them is more common than appointing them for people who could have managed on their own, but the lack of clear standards creates the risk of errors of both sorts.

Improving Capability Assessment

Given the seriousness of the determination of incapability, it should be based on the best evidence available. The committee concluded that real-world financial performance is the most reliable basis for making determinations of beneficiaries' abilities to use their benefits appropriately. Moreover, lay people or professionals who are in regular contact with a beneficiary and able to observe the person's real-world financial behavior will have better information about real-world performance than a medical professional who sees the person infrequently and only in a clinic or office setting. In addition, informants need guidance as to how a beneficiary's financial performance should be assessed in order to provide useful information. Thus the committee recommended that SSA provide detailed guidance to professional and lay informants alike regarding the information that it would find most helpful for making capability determinations, which would help standardize the process.

In addition, it is important for SSA to be able to judge the validity of information from these informants. Asking informants to indicate how well and for how long they have known the beneficiaries and describe the nature of their relationships and the basis for their judgments about beneficiaries' financial performance could facilitate capability determinations. Informant judgments could derive from actual observation of beneficiaries making financial decisions; beneficiaries' reports of their behaviors; information from collateral informants; or in the case of professionals, assessments of beneficiaries' financial knowledge and skills. An inherently difficult aspect of the process is determining when an informant may have a conflict of interest—for example, a family member who wants control of the monthly benefits—but asking informants to provide detailed descriptions of the basis for their conclusions may help.

Given the concern about SSA's overlooking recipients who may need representative payees, another useful approach that the committee endorsed is the development of a model based on existing SSA data to identify predictors of incapability. Relevant variables could include age, gender, basis for impairment, and education level. Such a model could be tested and iteratively refined, with the goal of developing a set of screening criteria that have reasonable accuracy in identifying beneficiaries for whom more detailed assessment of capability is indicated. Another way of improving detection of incapable recipients would be for SSA to exchange data with other federal benefit programs, such as the Department of Veterans Affairs (VA) or the Office of Personnel Management, about beneficiaries that each program has already identified as unable to manage their financial affairs, given that some individuals receive benefits from multiple programs.

An additional concern with regard to correctly classifying beneficiaries' financial capabilities is that performance may change over time. Many psychiatric and neurocognitive conditions are characterized by progression or fluctuation in the presence, severity, and nature of symptoms. Such symptom changes suggest the value of a process for periodic reassessment of beneficiaries' capabilities. The committee concluded that SSA's lack of a formal process of reexamination is a significant weakness in its program. Some mechanism for periodic reassessment is needed to ensure that beneficiaries with fluctuating, deteriorating, or improving financial capabilities are classified accurately. SSA already has a model for this kind of process in its continuing disability reviews, required by SSA procedures for periodic reassessments of whether a person continues to qualify for benefits. Review of financial capability, given the large number of recipients involved, might be targeted most efficiently at beneficiaries whose conditions are most likely to change.

Innovation and Evaluation

In some cases, available information about a beneficiary's financial performance will be insufficient to determine the need to appoint a representative payee. This could occur if the beneficiary was without financial assets to manage; for example, he or she may not have had any means of support. In such cases, an innovative approach adapted from a model used by the VA—supervised direct payment—may be helpful. Under such a model, benefits are paid directly to the beneficiary, but an individual is designated to supervise the beneficiary's expenditures. After a trial period during which the beneficiary's use of resources within his or her environment is observed and assessed, the person's capability can be determined more accurately. Given these advantages, the committee recommended that SSA develop and assess a pilot program of supervised direct payment.

Supervised direct payment may have other advantages. The committee suggested that by adopting a supported decision-making model, supervisors could provide guidance and instruction to beneficiaries on managing their benefits and help respond to the challenges posed by fluctuations in some beneficiaries' financial capabilities. Supported decision making can encourage beneficiaries' expressions of preferences, beliefs, and values; allow collaboration in decision making; and provide opportunities for beneficiaries to make independent decisions whenever possible. Appropriate use of this approach might provide beneficiaries with greater control over their lives, thereby maximizing autonomy, than they would have without such support.

A final committee recommendation for improving SSA's process of capability determination is for the agency to develop and implement an ongoing measurement and evaluation process. SSA often responded to requests for data on the functioning of benefit programs by noting that such data were not being collected. For example, empirical data are lacking on the reliability and validity of capability determinations, precluding assessment of the accuracy and efficiency of the determination processes. Moreover, although the committee made a number of recommendations that could increase the accuracy of identifying beneficiaries in need of representative payees, the impact of the recommended changes cannot be determined without baseline data and ongoing assessment. A robust measurement and evaluation process would provide substantial and much-needed insight into what SSA is currently doing well and what it may, at reasonable cost, be able to do significantly better.

Conclusions

Findings of incapability to manage SSA benefits and appointment of representative payees can be enormously helpful—even lifesaving—for beneficiaries who are truly unable to manage their benefits to meet their basic needs. But taking away the right to determine how one's funds are spent is a substantial intrusion on a person's autonomy and should be done only on the firmest of evidence. Alternatively, people without representative payees who need them remain vulnerable to undue influence and may not be meeting their basic needs. Hence, there are good reasons for SSA to develop as accurate a process as possible to identify beneficiaries who need a representative payee. Fortunately, there appear to be some fairly straightforward steps that could improve the current process, better protecting both the rights and interests of Social Security beneficiaries.

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Dr. Appelbaum served as chair of the Institute of Medicine committee described in this column, and Dr. Birkenmaier and Dr. Norman were committee members. However, the opinions expressed are those of the authors and not necessarily of the committee or the Institute of Medicine.

The authors report no financial relationships with commercial interests.

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