Disability program paid out $1.3 billion in improper benefits

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When oversized federal programs commit even the tiniest of errors, taxpayers lose — big time.

Such is the case with the Social Security Disability Insurance program, a government handout originally intended to aid workers with physical or mental impairments that prevented them from punching the clock for extended periods.

It's a multi-billion operation that has ballooned in recent years. So, when this program flubs payments, huge sums of cash end up in the wrong hands.

Nearly $1.3 billion from December 2010 to January 2013, to be exact.

A Government Accountability Office report released this week found the SSDI doled out improper benefits to at least 36,000 recipients. The reason? Those receiving the improper cash were able to work during a five-month waiting period, earning more than $1,000 per month. That amount should have disqualified them from the program.

At least GAO auditors think only 36,000 people received improper payments. They just can't be sure.

"The exact number of individuals who received improper disability payments and the exact amount of improper payments made to those individuals cannot be determined without detailed case investigations by SSA," the government auditors reported.

The Social Security Administration, which administers the SSDI benefits, noted that while the raw cash number seemed large, the situation isn't out of control. In fact, the agency noted, SSDI payments are more than 99 percent accurate.

SSDI program participation has exploded through the past decade, jumping about 50 percent. The feds logged more than 5.8 million SSDI recipients in December 2003. Nearly a decade later, more than 10.7 million Americans receive disability payments.

Spending, too, has increased drastically. According to projections from the Cato Institute, a free-market think tank based in Washington, D.C., the SSA will dole out more than $144 billion this year, up from $72 billion in 2003.

Little mistakes, big-time money.

The GAO report likely comes as little surprise to good government advocates, who say the feds should pare down the program or return it to the private sector.

Tad DeHaven, a policy analyst with the Cato Institute, stands as one of the program's more vocal critics. He authored a report earlier this year outlining SSDI's myriad problems, including huge spending increases while the programs barrels toward insolvency.

"The Social Security Disability Insurance program's soaring expenditures desperately need to be tackled," he wrote. "SSDI's trust fund is expected to be exhausted in just a few years."

For precision, officials expect the trust fund to run dry some time in 2016. At that point Congress – famous for its bipartisan agreement and ability to function properly – will have to examine some sort of reform.

DeHaven told New Mexico Watchdog earlier this year that instead of addressing the program's structural issues, he expect lawmakers will sweep the problem under the rug by transferring funds from the larger Social Security fund to cover SSDI payments.

He said he expects few lawmakers will examine the root of the problem — policies that allow more and more Americans to take part in the welfare program. Cornell professor Richard V. Burkhauser noted in testimony to Congress that a "loosening of program rules" has caused a swelling of the program ranks, which in turns decreases economic activity.

"A growing number of individuals being allowed onto the rolls could work in some capacity and would do so if they were not judged eligible for benefits," Burkhauser testified in the September 2012 hearing.

Pretend just for a second, though, that Congress was able to take up the mantle of reform. What would that mean for the SSDI program?

DeHaven suggested dropping the average monthly payment, reducing appeal opportunities when claims are rejected and introducing continually screening to ensure program integrity.

"Federal policymakers should pursue major cost-cutting reforms to SSDI, but they should also begin considering ways of moving the provision of long-term disability coverage to the private sector," DeHaven concluded.