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Social Security Disability Fraudster Just Tip of the Iceberg

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A former Kentucky attorney pleaded guilty on Monday to filing more than 1,700 fake disability applications under Social Security's Supplemental Security Income (SSI) program. The complex scheme netted Eric Conn millions in kickbacks while costing SSI an estimated $550 million in phony benefits paid out to unsuspecting beneficiaries.

Conn's plea bargain accused his co-conspirators, psychologist Alfred Adkins and Social Security Administrative Law Judge David Daugherty along with other unnamed individuals, of working with him in the scam. Conn claimed that the scheme was hatched originally by Daugherty.

The setup was simple: Conn would advertise himself and his law firm (shown) as specialists in handling disability claims. When an applicant showed up, Conn would help him complete the SSDI (Social Security Disability Insurance) application for benefits. This would include drafting fictitious medical reports and a phony IQ test supporting the claim.

The fake documents would then be sent to Adkins, who, as one of several other doctors involved in the scam, would sign off on them. These documents would be returned to Conn, who would then file the SSDI application along with the faked medical records and phony IQ test with the Social Security Administration. Conn would then tell Daugherty to watch for it and the judge would pull the application and approve it.

It was highly profitable until they got caught, raking in an estimated $10 million in fees paid to Conn, who would then spread the fees around to the members of the syndicate. In the meantime, U.S. taxpayers who thought they were contributing to their own accounts lost half a billion dollars in benefits paid to the applicants willingly participating in the scam.

The fraud was first exposed back in 2011 by the *Wall Street Journal*, but nothing came of it except for Conn advising his coterie to keep their heads down. The two whistleblowers who uncovered the scheme, Sarah Carver and Jennifer Griffith, complained that their charges were at first ignored by their supervisors in the Social Security office where they worked. As they persisted, those supervisors then engaged in a pattern of harassment, with one of them hiring a private investigator to tail Carver and try to videotape her in incriminating acts.

Former Senator Tom Coburn (R-Okla.) had no better luck when he led an investigation into the conspiracy in 2013: “We sent all this evidence we had accumulated to the U.S. attorneys in West Virginia and in that part of Kentucky. It was a slam-dunk case. I mean, we had witnesses, we had bank records, we had the medical files, we had everything. But, for whatever reason, nobody wanted to move on it.”

If this were a one-off example of Social Security disability fraud, it wouldn’t rate a headline in the sports section. But disability fraud is so rampant that organizations have been founded to keep track of it. Take, for example, Our Generation, a Virginia non-profit founded in 2009, which published “10 Outrageous Examples of Social Security Disability Fraud” in November 2013. They gave their award for the “worst person in the world” to James William Smith who held himself out as suffering from early-onset dementia:

The *Minneapolis Star Tribune* reported that Smith “beat the drum from Minnesota to Washington, D.C., raising money and awareness about the devastating toll that Alzheimer’s disease takes on some 5 million Americans and their loved ones.” He frequently lobbied the Minnesota legislature about Alzheimer’s related issues, spoke at conferences and candlelight vigils sponsored by the Alzheimer’s Association, and led a support group for individuals afflicted with the heartbreaking disease.

Smith’s devotion to the cause even led a local television station to name him one of its “Health Care Heroes.”

The term “hero” might be appropriate if Smith actually had dementia. But he doesn’t. He simply faked the illness for sympathy — and for the $6,773 a month he received in disability payments.

But Smith was a piker compared to Samuel Torres Crespo who, along with 74 others, bilked Social Security out of an estimated $6 million:

A Social Security worker and a gaggle of doctors in Puerto Rico alleged to create such a large and sophisticated system for defrauding the federal government of Social Security disability benefits. From the size of the fraud, it almost seems like the entire island was in on the scam.

Samuel Torres Crespo, a Social Security employee, was the ringleader of the alleged scandal. He allegedly created fraudulent Social Security disability insurance applications for claimants so it would appear that the applicants were plagued with medical disabilities that left them unable to work. The false applications compelled the Social Security Administration to award the claimant retroactive and future disability benefit payments.

This gaggle of thieves took the scam to another level that neither Smith nor Conn dreamed of: creating new diseases so devastating in their impact on the lives of the poor applicants that they would qualify for the maximum benefits. They invented diagnoses to support the claims, naming them “disabling psychiatric conditions.”

When Dan Caplinger of *National Review* took a look at Social Security disability fraud in 2015, he quoted a report from the SSA's Office of the Inspector General that showed that nearly half of the 9 million people receiving disability benefits got paid too much, resulting in overpayments approaching $17 billion in the previous ten years.

At present Social Security absorbs and redistributes about a trillion dollars a year, making the temptation to criminals such as these to defraud the system simply overwhelming. What is missing from the conversation and the angst over this continuing fraud is any mention of the most gigantic fraud of all: Social Security itself. As Michael Tanner, a senior fellow at the Cato Institute pointed out, the entire system is a Ponzi scheme:

The original Ponzi scheme was the brainchild of Charles Ponzi. Starting in 1916, the poor but enterprising Italian immigrant convinced people to allow him to invest their money. However, Ponzi never actually made any investments. He simply took the money he was given by later investors and gave it to his early investors, providing those early investors with a handsome profit. He then used these satisfied early investors as advertisements to get more investors. Unfortunately, in order to keep paying previous investors, Ponzi had to continue finding more and more new investors. Eventually, he couldn't expand the number of new investors fast enough, and the scheme collapsed. Ponzi was convicted of fraud and sent to prison.

But Ponzi's scheme at least was voluntary and the people he suckered lost their own money. Not so with Social Security:

Social Security, on the other hand, forces people to invest in it through a mandatory payroll tax. A small portion of that money is used to buy special-issue Treasury bonds that the government will eventually have to repay, but the vast majority of the money you pay in Social Security taxes is not invested in anything. Instead, the money you pay into the system is used to pay benefits to those "early investors" who are retired today. When you retire, you will have to rely on the next generation of workers behind you to pay the taxes that will finance your benefits.

Once everyone in the population is forced to contribute, the only way to stave off the system's collapse is to increase those "contributions." Accordingly, since its inception under progressive President Franklin Roosevelt in 1935, Social Security taxes have been raised 40 times. And still the system is scheduled to run out of money in a few years, leaving behind unfunded liabilities approaching $200 trillion.

If there is any good that can be gleaned from this brief touch on the rampant disability fraud taking place in Social Security it is this: The billions being siphoned off by schemers and scams yet undiscovered and disclosed are hastening the day when the whole system is revealed for what it really is, and has been from the very beginning: a Ponzi scheme all dressed up to look like a well-funded and reliable (though unconstitutional) welfare state program. It hastens the day when patching it up with financial Band-Aids will no longer work, and the checks stop.