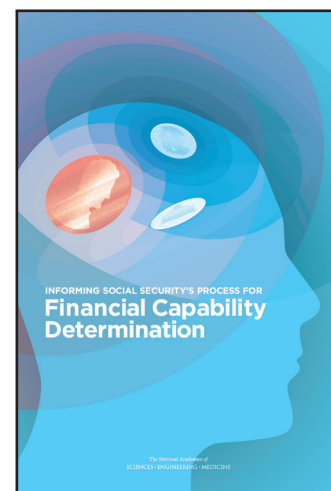


Informing Social Security's Process for Financial Capability Determination

The Commissioner of Social Security has the authority to make benefit payments to an individual or organization other than the beneficiary when doing so would serve the beneficiary's interest. When the U.S. Social Security Administration (SSA) determines a beneficiary is incapable of managing or directing the management of his or her benefits, a representative payee is assigned. The decision to appoint a representative payee entails weighing the beneficiary's personal autonomy and preferences against interventions meant to protect his or her best interests. The consequential nature of this decision implies the need to make such decisions with great care and the best evidence available.

In 2014, SSA provided benefits to approximately 16 million adults with disabilities through its Social Security Disability Insurance and Supplement Security Income programs. About 3.5 million of these adult beneficiaries received their payments through a representative payee.

With support from SSA, the Institute of Medicine of the National Academies of Sciences, Engineering, and Medicine convened a committee to evaluate SSA's capability determination process for adult beneficiaries with disabilities and provide recommendations for improving the accuracy and efficiency of the agency's policy and procedures for making these determinations. In *Informing Social Security's Process for Financial Capability Determination*, the committee presents a conceptual model for financial capability and reviews requisite abilities for managing or directing the management of benefits, methods and measures for assessing financial capability, the use of capacity assessment tools, and effects on the beneficiary of appointing a representative payee.



The consequential nature of the decision to appoint a representative payee for a Social Security beneficiary implies the need to make such decisions with great care and the best evidence available.

DETERMINING FINANCIAL CAPABILITY

Determining *financial capability* relies on evaluation of the beneficiary's *financial performance* and/or *financial competence* (see Figure). *Financial performance* is an individual's degree of success in handling financial demands in the context of his or her actual environment. *Financial competence* refers to the financial skills one possesses, as demonstrated through *financial knowledge* and *financial judgment*, typically assessed in a controlled (e.g., office or other clinical) setting.

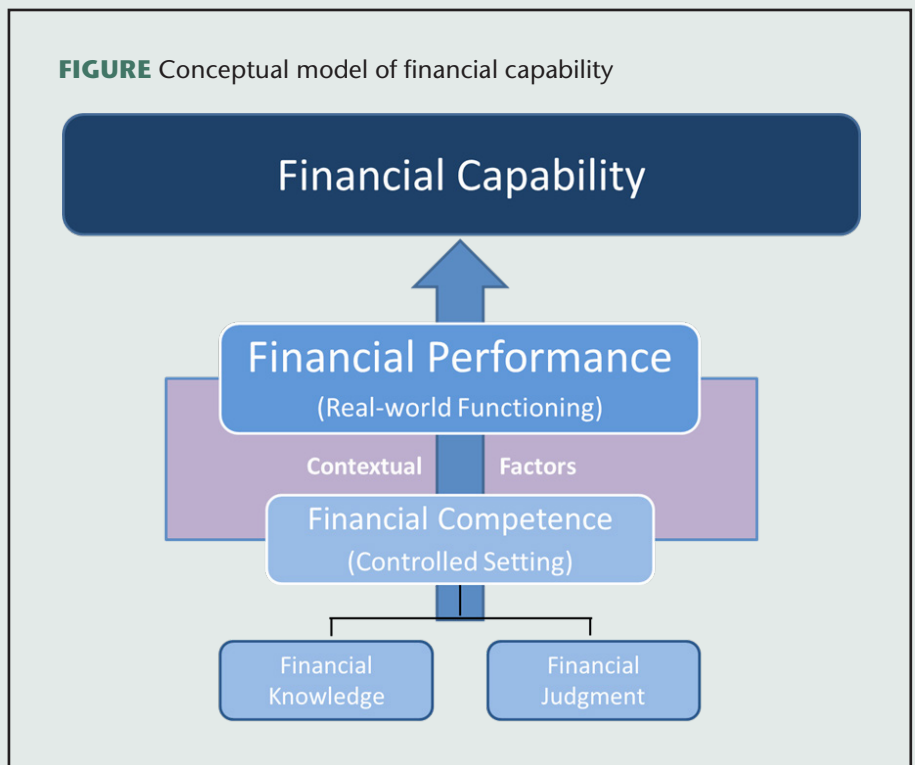
Personal or environmental contextual factors can enhance or diminish individuals' real-world financial performance relative to what would be expected based on the financial competence they exhibit in controlled settings. As such, the committee concludes that evidence of beneficiaries' financial performance in meeting their basic needs is the best indicator of their financial capability.

Information about a beneficiary's financial performance is best provided by individuals who have first-hand knowledge of and experience with how the person functions in his or her environment and who have sufficient opportunities to observe the individual in that environment over an extended period of time. However, most informants, including professionals, have little experience or training in assessing financial performance and competence. Currently, SSA provides little formal guidance to medical professionals and no formal guidance to other informants as to the type of information that is helpful in making capability determinations. The committee recommends that SSA provide detailed guidance to professional and lay informants regarding the information it would find most

helpful for making capability determinations, including (1) information about specific aspects of beneficiaries' financial performance in meeting their basic needs and, when information about performance is unavailable, about their financial competence; and (2) information that would enable SSA to judge the validity of the evidence provided by the informant.

Many psychiatric and cognitive conditions are characterized by changes over time in the presence, severity, and nature of symptoms. To ensure that beneficiaries with fluctuating, deteriorating, or improving financial capability are classified accurately, the committee recommends that SSA develop systematic mechanisms for recognizing and responding to changes in beneficiaries' capability over time.

FIGURE Conceptual model of financial capability



The committee concludes that evidence of beneficiaries' financial performance in meeting their basic needs is the best indicator of their financial capability.

SUPERVISED DIRECT PAYMENT

In certain situations, the use of a supervised direct payment model in which benefits are paid directly to the beneficiary—but an individual is designated to supervise the beneficiary's expenditures—may be helpful. The committee identified two groups of individuals who may benefit from such an arrangement. First are beneficiaries who may be incapable of managing or directing the management of their benefits but for whom there is insufficient information regarding financial performance to render a determination. Reassessment after a trial period during which the beneficiary's use of benefits is observed and assessed would permit more accurate determination of the beneficiary's capability in indeterminate or borderline cases. Second are beneficiaries who are determined by SSA to be incapable, but who either display financial performance in some but not all areas of benefit management or successfully manage their benefits some but not all of the time.

The committee recommends that SSA implement a demonstration project to evaluate the efficacy of a supervised direct payment option for qualified beneficiaries. In addition to providing an opportunity to assess beneficiaries' financial performance, supervisors can provide guidance and instruction to beneficiaries on managing their benefits and help respond to the challenges posed by the fluctuations in some beneficiaries' financial competence and performance. Working with beneficiaries, supervisors can encourage beneficiaries' expression of preferences, beliefs, and values; promote collaboration in decision making; and provide opportunities for beneficiaries to make independent decisions whenever possible.

SYSTEMATIC IDENTIFICATION OF BENEFICIARIES AT RISK FOR FINANCIAL INCAPABILITY

Representative payees can provide important benefits for beneficiaries who need them. For this reason, it is important that SSA systematically identify for evalua-

tion beneficiaries who are at risk for financial incapability. Reviews by the SSA Office of the Inspector General have suggested that SSA's current process for determining capability may be identifying too few beneficiaries who would benefit from a representative payee. The committee recommends that SSA create a data-driven process to support the development of approaches, including screening criteria, for identifying people at high risk for financial incapability.

Some beneficiaries receive benefits from more than one federal benefits program both within and outside of SSA. While acknowledging the potential technological, legal, and procedural challenges to data sharing, the committee recommends that SSA ensure intra-agency communication regarding capability determinations within its different programs. In addition, SSA, the U.S. Department of Veterans Affairs, and other relevant federal agencies should assess the extent of inconsistency in the identification of beneficiaries who are incapable among persons receiving benefits from more than one agency. Based on the findings of this assessment, the relevant agencies should explore mechanisms to facilitate ongoing interagency communication regarding the capability of beneficiaries.

PROGRAM EVALUATION

Empirical data are lacking on the reliability and validity of SSA capability determinations, precluding assessment of the accuracy and efficiency of the determination process. Without baseline data and ongoing data collection, the effectiveness of current policies or the impact of the changes recommended by the committee cannot be evaluated. To meet this data need, the committee recommends that SSA develop and implement an ongoing measurement and evaluation process to quantify and track the accuracy of capability determinations and to inform and improve its policies and procedures for identifying beneficiaries who are incapable of managing or directing the management of their benefits.

Committee to Evaluate the Social Security Administration's Capability Determination Process for Adult Beneficiaries

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CONCLUSION

The decision to appoint a representative payee entails weighing a beneficiary's personal autonomy and preferences against interventions that are meant to protect his or her best interests. SSA has the opportunity to standardize and improve its identification, assessment, and when applicable, reassessment of beneficiaries who may lack financial capability and more effectively determine which beneficiaries require a representative payee. Robust measurement and evaluation of SSA's capability determination processes would provide substantial and much-needed insight into successful policies and procedures and what SSA may, at reasonable cost, be able to do better.♦♦♦

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