

Backgrounder: Just the Facts

From: **Income Security Advocacy Centre**

1) Overpayments and Program Costs: Comparing Apples to Oranges

The yearly cost of both OW and ODSP was reported by the auditor general as \$5 billion. In addition, the historical value of all overpayments in the system, potentially reaching back many decades, was reported as \$1.2 billion. Comparing these two numbers leads to the faulty conclusion that overpayments make up 24% of the cost of programs.

This is simply not true. It's unfair and misleading.

Doing the math the right way compares annual program costs with the annual amount of overpayments – which the report indicates is about \$26 million. That means that overpayments account for only 1.4% of the cost of the programs. That's not even including the 20% municipal contribution, which would bring this numbers even lower

2) What Is An Overpayment?

The auditor general's press release on Ontario Works states that, "More should be done to ensure these overpayments do not occur in the first place," and "if the required financial and other eligibility procedures were being properly followed, many of these overpayments might not have been given out."

The problem is, even the term 'overpayment' is misleading.

In other business systems, what social assistance calls 'overpayments' are called 'adjustments' or 'debits'. Heating and hydro bills, for example, are typically adjusted at the end of the year to account for credits or debits. When families use more heat or water than expected, they owe money to the utility company. We don't think of this as 'abuse' or 'fraud'.

Unfortunately, OW and ODSP calls these routine debits and adjustments 'overpayments', which contributes to a misperception that there is widespread abuse in the system.

3) The System Routinely Generates Overpayments

The real issue is that overpayments are endemic to the OW and ODSP systems and are routinely generated because of the way the system was set up in the first place.

Both OW and ODSP subtract any income a person makes in a month from their monthly benefit cheque. But any number of daily life occurrences can cause an "overpayment" to be generated by the system. For example, overpayments are automatically generated when:

- Income from work or any other source is estimated by a worker or a recipient and the amount actually received is higher than estimated;
- A benefit like back pay, child support arrears, or any kind of retroactive payment is paid to a recipient for a previous time period.

The fact is, the vast majority of what we call 'overpayments' are these kinds of routine occurrences. They are systemic differences between 'budgeted' and 'actual' amounts of assistance caused by normal changes in people's lives. So, for example:

- Being asked by a part-time employer to work an extra hour will result in an overpayment;
- An former spouse unexpectedly paying a bit more child support in a month will result in an overpayment;
- An unexpected cheque from any program will create an overpayment.

The irony is that from the point of view of the system, overpayments are a good thing. They mean that more money is being paid to recipients from 'other sources' – which reduces the cost of social assistance to government. In fact, if there were fewer overpayments, the programs would cost much more.

4) Overpayments are Generated Monthly – Increasing Misperceptions

The income tax system and businesses like hydro or home heating companies reconcile debits (or 'overpayments') and credits on a yearly basis.

For example, the federal government determines how much GST credit or child benefits a person is entitled to once a year. Typically, the amount that person gets from credits or benefits is not adjusted until the following tax year. Utilities also do a yearly reconciliation of their billings and costs and either credit a person's account or send a notice for payment.

OW and ODSP, on the other hand, adjust credits and debits on a month-to-month basis.

Not only does this result in additional paperwork and scrutiny, it also multiplies the appearance of abuse twelve-fold over other similar systems. It also results in a huge number of underpayments, which continue to cause hardship for people but so far have not been accounted for by either the auditor general or the public at large.

If social assistance adopted the same reconciliation rules as most other businesses and major public sector programs, they could slash overpayments and underpayments by a factor of 12 – and they could do it with one simple rule change.

5) Overpayments and Breaking the Rules

While government and society need to be concerned about fraud, it's clearly the case that fraud in the social assistance system is low.

The number of people convicted of social assistance fraud is a tiny fraction of the number of overpayments in the system. In fact, to quote one report, "more people cheat on their income taxes and lie about their cross-border shopping than defraud the welfare system. Corporate crime, white collar fraud and tax evasion in Ontario cost the public more every year than the entire cost of the social assistance system," (Six Degrees from Liberation: Legal Needs of Women in Criminal and Other Matters" Department of Justice, Canada, 2003.)

The difference is that, under social assistance, breaking the rules is often committed out of desperation.

The system may in fact encourage breaking the rules by setting rates at levels that no one can live on, and by clawing back half of any income that people earn from employment. Worse yet, on Ontario Works, any money that a person receives from any source other than employment is clawed back at a rate of 100%, forcing people to live on incomes that are below subsistence levels.

It would be laudable and visionary to undertake an accounting of just how far social assistance incomes are from any measure of acceptable living standard. For example, how does one account for the feasibility of having a healthy life given a monthly income of \$585 for a single person on Ontario Works in a city like Toronto?

Indeed, under these dire living standards, expecting recipients to quickly settle overpayments and is unrealistic and punitive.

6) Program Complexity and 800 Rules

The social assistance system is so overly and unnecessarily complicated that any number of situations can generate an overpayment.

In fact, in a 2004 report, Deb Matthews, the former Minister for Poverty Reduction and current Minister of Health, indicated that,

“There are now approximately 800 rules and regulations within the system that must be applied before a client’s eligibility and the amount of their monthly cheque can be determined. Many of those rules are punitive and designed not to support people, but rather to keep them out of the system. Because there are so many rules, they are expensive to administer and often applied inconsistently from one caseworker to another, even within the same office. Further, the rules are so complicated that they are virtually impossible to communicate to clients, and it takes years to train a caseworker.”

Little has changed since then. The system is overburdened. Overpayments – and, more troubling for people who need the support, underpayments – are inevitable. It’s time for a new system.

7) “Temporary” Assistance?

Unfortunately, the auditor general made unwarranted comments on issues outside the laws and rules that are in place. He observed that:

"Although the government considers Ontario Works assistance as temporary, about one-third of recipients in three municipalities were paid longer than two years and 13% longer than five years."

There is no legislation, no regulation, no guideline or government directive that places time limits on the receipt of Ontario Works.

Rather than commenting on issues outside the legal and accounting frameworks within which government does business, it would be more helpful to comment on issues like the systemic nature of overpayments or the other procedures endemic to social assistance that cause the situations that the auditor general calls to task.

For example, it would be more than fair to comment that a 55% increase in Ontario Works rates is required to bring them to the levels that they stood at in 1993. It is possible to argue that many of the “problems” that have been identified in the social assistance system can be related to the considerable loss in purchasing power of the extremely low incomes on which people have to survive.

8) Special Diet

The Special Diet program provides additional funds for people whose medical needs, as determined by a physician, require particular nutritional treatment. There are a limited

number of conditions for which a special diet allowance is available, and these conditions must be verified by a physician.

There are many people on ODSP who continue to suffer from medical conditions with documented nutritional treatment needs that are not funded by the program because they don't appear on a list of conditions for which support will be provided.

In fact, the government appointed Special Diets Expert Review Committee recommended a number of conditions that can cause unintended weight loss be added to the list, including multiple sclerosis, congestive heart failure and muscular dystrophy. Multiple sclerosis and lupus were added to the list only after a legal challenge to the program.

The auditor general makes the following observation:

"Many special dietary allowances were paid under questionable circumstances. The total amount spent on the allowances has increased from \$5 million in the 2002/03 fiscal year to more than \$67 million during 2008/09."

He does not mention that the increase in program costs were in large part a result of Ministry staff promoting what had been an under-utilized program.

Furthermore, what does "questionable" mean in this instance? Innuendo rules the day over facts, debasing a program that provides vital support to people for whom nutritional treatment can mean the difference between managing a health condition or sliding into serious deterioration.

CONCLUSION

The welfare system as it now stands fails to adequately provide for people's basic needs and offers few real supports or opportunities to help people climb out of poverty, build better lives and play their part in the economy.

That's why it's critical that Ontario move ahead with its promised review of social assistance – to remove the stigma and shame that accompany these programs and to align these programs with what should be their real goal – support and opportunity for all Ontarians.

The 25 in 5 Network for Poverty Reduction has offered the following five benchmarks for a successful Social Assistance review.

1. The review must be grounded in a bold vision: economic security and opportunity for all Ontarians. Tinkering with Ontario Works and Ontario Disability Support Program rules is simply not enough. We need social assistance programs that ensure people's well-being, and provide the opportunities people need to contribute to the province's prosperity – because the province is going to need all the help it can get.
2. The review must be proactive. Immediate changes must be made to unfair and counterproductive rules that deny people supports they need to get ahead – rules like asset limits that virtually guarantee more hardship, not less, and that continue to hamper Ontario's recession recovery efforts.
3. A timely process to launch deep reforms must be part of the review package. A fundamental transformation must be made to overcome the silos of current programs and make further progress in crucial areas like the early childhood years, housing security, dental care and more.
4. Providing decent, adequate income supports must be a stated outcome of the review. Immediate and longer term steps must ensure that people who rely on social assistance, and all low-income people, are assured living standards of health and dignity as well as access to supports and tools, like meaningful training and education, to enable the pursuit of opportunity. The 25 in 5 Network has proposed

two policy actions that government can take to move quickly on adequacy – a \$100 a month nutritious food supplement for adults on social assistance, and the creation of an Ontario Housing Benefit to help low income renters, including the working poor.

5. People who have had to rely on Ontario Works and the Ontario Disability Support Program must have a leading role in shaping the review's recommendations. This means seeking out and heeding the expertise of people who have been there. They have much to teach the committee – and all of us – in the review.

Right now, Ontario's social assistance system is simply not up to the task. Making social assistance consistent with Ontario's goals for poverty reduction and economic opportunity is the right move now.