



SOCIAL SECURITY

The Commissioner

April 29, 2013

The Honorable Harold Rogers
Chairman, Committee on Appropriations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter transmits the Operating Plan for the Social Security Administration, as required by Section 113 of the Consolidated and Further Continuing Appropriations Resolution, 2013 (Public Law 113-6).

The enclosed plan includes a General Statement, which provides highlights of our operating plan for fiscal year (FY) 2013. Our operating plan provides our proposed spending for each of our accounts through the end of FY 2013 under the funding levels provided in the bill and takes into account our reduced funding levels stemming from sequestration. The plan also provides workload and performance measures which incorporate current workload projections.

We have enclosed the following appendices: (1) Extramural Research and Demonstration Budget, (2) FY 2012 Workload Data on Disability Appeals, (3) National Support Center Project Milestones, (4) Historical Staff-on-Duty by Major SSA Component, and (5) Key Assumptions and Cost Drivers.

We are sending similar letters to Senators Mikulski, Shelby, Harkin, Moran, and Representatives Lowey, Kingston, and DeLauro.

We are happy to work with your staff to answer any questions about our Operating Plan. If you have any questions, please have your staff contact Bonnie Kind, our Associate Commissioner for the Office of Budget, at (410) 965-3501.

Sincerely,

Carolyn W. Colvin
Acting Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION GENERAL STATEMENT

The Social Security Administration has experienced significant challenges stemming from over two straight years of funding levels at nearly a billion dollars below the President’s Budget request. These effects will continue and become more severe with the full year funding level in FY 2013 (\$11.046 billion post-sequestration). This level includes a cut of 3.4 percent, or \$386 million, to SSA’s administrative budget as a result of sequestration.¹

It is important to remember that none of our work is discretionary, and we must complete all benefit applications we receive. The longer it takes us to process our incoming work, the more expensive it is to complete and the greater the burden on the public. In addition, improper payments increase if we do not have enough resources to keep our records accurate or perform timely continuing disability reviews, which actually save the government money in the long run.

What has helped us endure lean budget years is our reengineered business processes and online suite of services, without which our backlogs and wait times would be significantly worse. However, the core of our work is and will likely always be people-based. Even with productivity increases over the last five years, if we do not have enough staff to keep up, the public can expect to wait longer in our offices, on the phone, and for disability decisions at all levels.

What We Have Done to Reduce Our Costs

Over the last few years, we have taken actions to minimize the effects of budget constraints on our customers, including the following cost-saving measures:

- significantly limited hiring, with only minimal hiring in critical frontline areas. By the end of this fiscal year, we expect to lose an additional 3,300 employees through attrition on top of the over 9,200 we have already lost since the beginning of FY 2011, resulting in a total loss of nearly 15 percent of our workforce;
- consolidated 41 field offices and closed 490 contact stations since FY 2010, in addition to foregoing plans to open 8 needed new hearings offices and a new TeleService center;
- significantly reduced overtime and reduced the hours that our field offices are open to the public to complete interviews and claims work without using overtime;

¹ Certain parts of our administrative budget are considered exempt from sequestration as detailed on page 196 in the Transparency Act report (http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/stareport.pdf) previously submitted to Congress.

- operated with minimum non-personnel spending, only funding the most essential costs such as mandatory contracts and rent on our buildings;
- implemented an acquisitions savings plan that realized over \$620 million in savings from FY 2010 through FY 2012;
- reduced travel in accordance with the President’s Executive Order 13589 on Promoting Efficient Spending;
- reduced spending in areas such as printing, supplies, and relocation;
- reduced agency-sponsored conferences from 112 in FY 2010 to 13 in FY 2012; and
- suspended our lower priority notices (e.g., recontact and direct deposit notices) and reduced the number of Social Security Statements mailed. (We have successfully launched an easy-to-access online Social Security Statement.)

The Impact of Budget Cuts in FY 2013 on Our Key Services and Workloads

Tighter budgets, including cuts due to sequestration, have exacerbated our ability to serve members of the public who need our services, resulting in growing backlogs and longer wait times. Due to reduced staff and overtime, we estimate that callers to our 800-number will wait almost 9 minutes for us to answer in FY 2013, a significant increase from the nearly 5 minutes they had to wait in FY 2012. The average busy rate will rise from 5 percent in FY 2012 to 16 percent by the end of FY 2013. The pending levels of initial disability claims will rise from 708,000 in FY 2012 to 804,000 at the end of FY 2013, an increase of nearly 100,000 claims. On average, applicants will have to wait a week longer for a decision on an initial disability claim and nearly a month longer for a disability hearing decision compared to last year.

We are reducing our cost-effective continuing disability reviews (CDR) to 422,000, which is approximately 200,000 below our FY 2013 President’s Budget request and fewer than we completed in FY 2012. Every dollar spent on medical CDRs will yield an estimated \$9 in program savings over 10 years.

It is also possible that we may need to do some minor reprogramming to mitigate the risk of furloughs to our Office of Inspector General, and we will notify Congress as appropriate.

Over the past few years, we have made some very difficult decisions, and we have done so with a focus on balancing our service and stewardship workloads. However, we cannot do it all without sustained, adequate funding because our funding level directly affects our service levels. When Congress reduces our funding, we are forced to cut service and stewardship to hearings, initial claims, and program integrity. These cuts result in backlogs and increased improper payments in subsequent years.

Social Security Administration (SSA) Fiscal Year (FY) 2013
Operating Plan
(Appropriated FY 2013 Funds and Carryover/Transfers
of Unobligated Prior-Year Funds)
(\$ in millions)

<u>Budget Authority:</u>	<u>FY 2013 of the FY 2014 President's Budget</u>	<u>FY 2013 Available Funding</u>
<u>Payments to the Social Security Trust Funds (PTF)</u>		
Pension Reform.....	\$6.4	\$6.4
Unnegotiated Checks.....	14.0	14.0
Special Benefits for Certain Uninsured Persons.....	0.0 ^{1/}	0.0 ^{1/}
Military Service Wage Credits.....	0.0	0.0
Total Appropriation (P.L. 113-6).....	<u>\$20.4</u>	<u>\$20.4</u>
 <u>Supplemental Security Income (SSI)</u>		
FY 2013 Benefit Payments, Total.....	<u>\$53,300.0</u>	<u>\$53,300.0</u> ^{2/}
- FY 2013 First Quarter Advance (P.L. 112-74).....	18,200.0	18,200.0
- FY 2013 Appropriation	35,100.0	35,100.0
 Administrative Expenses, Total.....	<u>3,738.2</u>	<u>3,605.3</u>
- Administrative Expenses (Regular).....	3,142.7	3,117.3 ^{3/}
- Program Integrity	244.0	244.0
- Additional Program Integrity	351.4	243.9
 Beneficiary Services.....	0.0	42.0 ^{4/}
Research and Demonstration (R&D) Projects.....	8.0	0.0
Research and Demonstration (R&D) Projects (FY 13 / FY 14).....	0.0	17.0 ^{3/}
Total Appropriations (P.L. 112-74 and P.L. 113-6).....	<u>\$57,046.2</u>	<u>\$56,964.2</u>
 Carryover of Unobligated FY 2012 Balances and Recoveries:		
- Benefits.....	\$666.3	\$666.3
- Administrative Expenses.....	8.4	8.4
- Beneficiary Services.....	42.0	0.0 ^{5/}
- R&D.....	32.0	21.5 ^{6/}
Total, Carryover of Unobligated FY 2012 Balances and Actual Recoveries.....	<u>\$748.7</u>	<u>\$696.2</u>
 Total SSI Funds Available for FY 2013.....	<u>\$57,794.9</u>	<u>\$57,660.4</u>

^{1/} Requested amount is \$2,000. Apportioned amount is \$4,000.

^{2/} Includes \$47,554.0M in annual appropriations and \$5,746.0M in indefinite authority, as allowed for in P.L. 113-6.

^{3/} Includes the .2% across-the-board (ATB) decrease per Budget Data Request (BDR) 13-19.

^{4/} An additional \$5M is available for apportionment in FY 2014.

^{5/} An additional \$112.2M in carryover is available for apportionment for FY 2014.

^{6/} An additional \$10.5M is reserved for carryover use in FY 2014.

Note: Numbers may not add due to rounding.

	FY 2013 of the FY 2014 President's Budget	FY 2013 Available Funding
<u>Limitation on Administrative Expenses (LAE)</u>		
Regular LAE.....	\$10,597.6 ^{1/}	\$10,139.5 ^{1/ 2/ 3/}
PI-CDRs/Redets	273.0	272.0 ^{2/}
PI-Additional CDRs/Redets	485.0	470.6 ^{2/}
SSA Advisory Board.....	2.2	2.0 ^{2/ 3/}
SSI User Fees.....	161.7	160.4 ^{3/}
Non-Attorney Certification User Fee.....	1.0	0.9 ^{2/ 3/}
Subtotal Appropriated (P.L. 113-6).....	<u>11,520.4</u>	<u>11,045.6</u>
Program Integrity Administrative Expenses (PIAE).....	266.0	
Total Appropriated (P.L. 113-6).....	<u>\$11,786.4</u>	<u>\$11,045.6</u>
 Hurricane Sandy Relief (P.L. 113-2).....	 \$0.0	 \$2.0
American Recovery and Reinvestment Act (P.L. 111-5):		
NSC Replacement.....	\$140.0	\$140.0
Medicare Improvement for Patients and Providers Act (P.L. 110-275):		
Low Income Subsidy.....	\$6.1	\$12.2
Other Available Funds:		
<u>Automation Investment Fund (AIF) (No-Year)</u>		
- Carryover/Recoveries from Unobligated AIF Balances.....	\$0.0	\$0.1
<u>Information Technology Systems (ITS) (No-Year)</u>		
- Carryover/Recoveries from Unobligated ITS Balances.....	\$147.9	\$161.3
Carryover/Recoveries of Other Unobligated Balances.....	\$45.6	\$30.1 ^{4/}
<u>Office of the Inspector General, SSA</u>		
Federal Funds.....	\$28.8	\$27.4 ^{2/ 3/}
Trust Funds.....	74.1	69.6 ^{2/ 3/}
Total Appropriated (P.L. 113-6).....	<u>\$102.9</u>	<u>\$96.9</u>
	<u>President's Budget</u>	<u>Current Estimate</u>
<u>Estimated Outlays:</u>		
PTF	\$20	\$21
LAE	\$11,704	\$11,020
SSI	\$58,209	\$57,082
OIG	\$103	\$97

^{1/} Excludes funding for PI (CDRs and Redeterminations).

^{2/} Includes 5% Sequestration reduction from the March 1, 2013 Office of Management and Budget Report to Congress on Sequestration.

^{3/} Includes the .2% ATB decrease per BDR 13-19.

^{4/} Includes authority from prior years carried over for the following purposes: \$30M for operation and maintenance of specific facilities delegated to SSA by the General Services Administration, \$141K for construction, and \$26K for Disaster Relief.

Note: Numbers may not add due to rounding.

Performance Table - Workload and Outcome Measures

	FY 2012		FY 2013	
	Enacted Appropriation	Actual	FY 2013 of FY 2014 President's Budget	Enacted
SELECTED OUTCOME MEASURES				
Retirement and Survivors Claims Completed (thousands)	4,918	5,001	5,269	5,269
Initial Disability Claims Completed (thousands)	3,173	3,207	2,970	2,962
Reconsiderations Completed (thousands)	787	809	803	787
SSA Hearings Completed (thousands)	875	820	836	793
800-Number Transactions Handled (millions)	63	57	52	55
Average Speed of Answer (ASA) (seconds)	285	294	455	535
Agent Busy Rate (ABR)	6%	5%	10%	16%
Social Security Numbers Issued (millions)	17	17	16	16
Annual Earnings Items Completed (millions)	242	245	250	250
Social Security Statements Issued (millions) <u>1/</u>	14	24	9	0
SELECTED WORKLOAD MEASURES				
Initial Disability Claims Pending (thousands)	861	708	796	804
Reconsiderations Pending (thousands)	184	198	179	220
SSA Hearings Pending (thousands)	746	817	816	844
Average Processing Time for Initial Disability Claims (days)	111	102	107	109
September Average Processing Time for Hearings Decisions (days)	321	362	380	389
Disability Determination Services Production per Workyear	322	324	318	320
Office of Disability Adjudication and Review Production per Workyear	114	111	112	111
Disability Determination Services Accuracy Rate	97%	97%	97%	97%
SELECTED PROGRAM INTEGRITY MEASURES				
Periodic Continuing Disability Reviews (CDRs) Completed (thousands)	1,285	1,404	1,550	1,322
Periodic Medical CDRs (included above)	435	443	650	422
Supplemental Security Income (SSI) Non-Disability Redeterminations Processed (thousands)	2,622	2,624	2,622	2,622

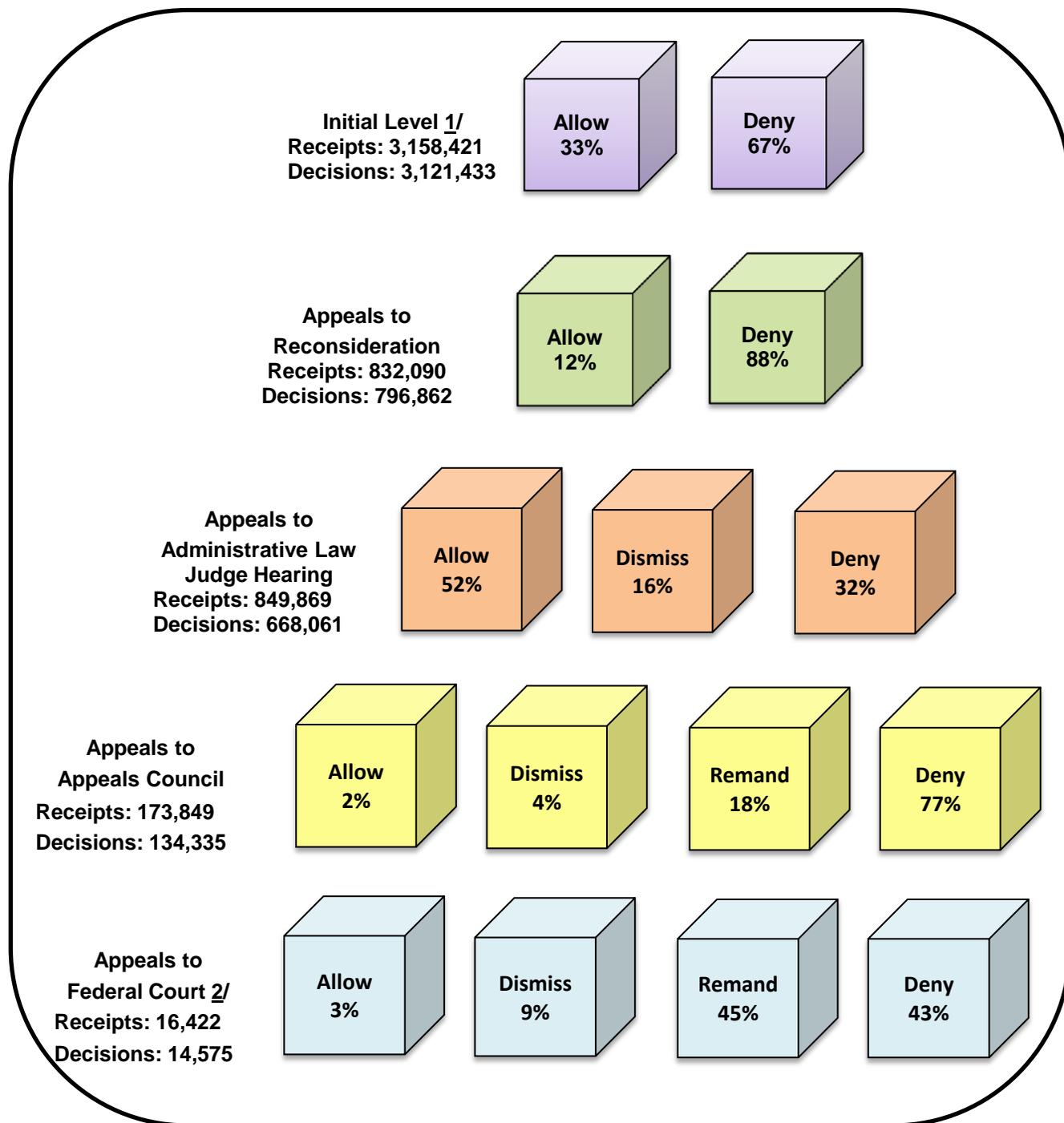
1/ Excludes online statements

Extramural Research & Demonstration Budget
(in thousands)

	<u>FY 2013</u> <u>Available</u> <u>Funding</u>
<u>Deliver Quality Disability and Services</u>	<u>\$24,112</u>
Compassionate Allowances	\$1,083
Disability Determination Process-Small Grants	\$150
Disability Research Consortium	\$3,800
Listings of Impairments	\$800
Occupational Information Systems	\$10,932
Other Research	\$1,044
SSI Childhood Disability	\$2,500
SSI PROMISE:	<u>\$2,500</u> ^{1/}
SSI PROMISE - SSA Share	\$1,000
SSI PROMISE - Reimbursable with Dept. of ED.	\$1,500
WIPA Web-Based Data Collection	\$0
Youth Transition Demo (YTD)	\$1,303
 <u>Provide Quality Services to the Public</u>	
Medicare Outreach	<u>\$1,744</u>
 <u>Preserve the Public's Trust in Our Programs</u>	<u>\$14,100</u>
American Life Panel (ALP)	\$1,000
CENSUS Surveys	\$1,250
Collaboration with Other FLEC Members	\$910
Health & Retirement Study	\$2,700
Health & Retirement Study Supplement	\$1,500
Modernization of Statistical Table Processes	\$1,350
Policy Evaluation and Other Data Development	\$290
Programmatic Development	\$100
Retirement Income Modeling	\$0
Retirement Research Consortium	<u>\$5,000</u>
 Total Obligations	<u>\$39,956</u> ^{1/}
Total Obligations - SSA Share	<u>\$38,456</u>
Total Obligations - Reimbursable	<u>\$1,500</u>

^{1/} Includes \$1.5M in reimbursable authority from the Department of Education

Fiscal Year 2012 Workload Data: Disability Decisions*



*Includes Title II, Title XVI, and concurrent initial disability determinations and appeals decisions issued in FY 2012, regardless of the year in which the initial claim was filed, and regardless of whether the claimant ever received benefits (in a small number of cases with a favorable disability decision benefits are subsequently denied because the claimant does not meet other eligibility requirements.) Does not include claims where an eligibility determination was reached without a determination of disability. If a determination or appeals decision was made on Title II and Title XVI claims for the same person, the results are treated as one concurrent decision.

1/ About 24% of initial level denials are issued in States that use the Disability Prototype process, which eliminates the reconsideration step of the appeals process. The first level of appeal for these cases is a hearing before an Administrative Law Judge.

2/ Federal Court data includes appeals of Continuing Disability Reviews.

Note: Due to rounding, data may not always total 100%.

Prepared by: SSA, ODPMI (Office of Disability Program Management Information)

Date Prepared: November 26, 2012, Office of Budget edits January 30, 2013

Data Sources: A) Initial and Reconsideration Data: SSA State Agency Operations Report; B) Administrative Law Judge and Appeals Council data: SSA Office of Disability Adjudication and Review (ODAR); and C) Federal Court data: SSA Office of General Counsel

National Support Center Project Milestones

Aug 2010	Program of Requirements (POR) Completed
Feb 2011	Recommend Site
Aug 2011	Purchase Site
Jan 2012	Award Design-Build Construction
Jul 2014	Complete Construction
Oct 2014	Complete Commissioning / Contingency
Mar 2015	Begin Transition of Information Technology Services
Aug 2016	Complete Transition of Information Technology Services

Historical Staff-on-Duty by Major SSA Component

(Includes full time, part time, and temporary employees)

Major Components	FY 2011 Actual	FY 2012 Actual
Field Offices	29,652	28,790
TeleService Centers	4,802	4,535
Processing Centers	11,216	10,649
Regional Offices	1,801	1,663
Operations Subtotal	47,471	45,637
Office of Disability Adjudication and Review	9,963	10,041
Office of Systems	3,384	3,345
Office of Quality Performance	1,271	1,181
Other Headquarters Components	4,784	4,703
SSA Total	66,873	64,907

KEY ASSUMPTIONS AND COST DRIVERS

We continue to do everything we can to reduce our costs. However, as our beneficiary population rises each year, our costs continue to rise as well. While some of our programs have discrete cost-drivers associated with them, the majority of cost-drivers affect all programs. For example, State furloughs of disability determination services (DDS) employees influence the Supplemental Security Income and Disability Insurance programs, while our aging data center affects all of our programs.

In light of these difficulties, we formulated this budget to address the following challenges:

- High demand for services due to the aging population and the continued fallout from the economic downturn on our disability and hearings workloads, see <http://www.socialsecurity.gov/OACT/STATS/OASDIbenies.html>;
- Increase in the Hearings backlog;
- Complex disability process, see <http://www.socialsecurity.gov/pgm/disability.htm>;
- Growth in non-traditional workloads (e.g., immigration, Medicare, and verifications for other programs);
- Reducing improper payments and completing cost-effective program integrity work, see <http://www.socialsecurity.gov/improperpayments/>;
- Finding additional inefficiencies and streamlining business processes;
- Modernizing computer systems, see http://www.recovery.gov/transparency/agency/reporting/agency_reporting5.aspx?agency_code=28;
- Increase in Cyber threats;
- Rising infrastructure costs; and
- State furloughs of DDS employees.