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A Message from the Commissioner

For over 75 years, Social Security has provided hundreds of millions of Americans an economic safety net. I am proud of our long history of serving the American people, and I am committed to improving that service.

For a number of years we struggled to maintain the level of service that the American people deserve. We had not received full funding of the President’s Budget requests, and the baby boomers began to retire or pass through their most disability-prone years. The economic downturn has compounded our already burgeoning workloads. Despite the dramatic growth in our work, through increased employee productivity, new initiatives, and improved funding we have reversed the trend of declining service and the increasing hearings backlog.

We have not wavered from our top priority, to eliminate the enormous hearings backlog. I am pleased to report that in fiscal year (FY) 2010, we steadily reduced the hearings backlog for the second year in a row. Since FY 2007, we decided over one-half million of the oldest, most-complex hearing requests. Some hearing requests were as old as 1,400 days in FY 2007, but at the end of FY 2010, we had virtually no cases waiting over 825 days. We have cut the wait for a hearings decision from nearly 18 months at its peak in August 2008 to just over a year in January 2011. With the continued support of Congress, we will meet our commitment to eliminate this backlog by the end of 2013.

The hard work of our staff and our partners in the State Disability Determination Services (DDS) kept our pending level of initial disability claims significantly below our FY 2010 projected level. At the same time, the DDSs achieved the highest level of accuracy in over a decade even as they faced a record number of disability applications and employee furloughs in some States. We are on track to drive down pending claims to pre-recession levels by the end of FY 2014.

We have improved in other key areas, including waiting times on our national 800-number and in our field offices. In fact, callers to our national 800-number had the shortest wait time and lowest busy signal rates since we began measuring these statistics nearly a decade ago. We increased our program integrity work, which has resulted in increased payment accuracy in the Supplemental Security Income program. Finally, we have the three best online services in the Federal Government, as measured by the University of Michigan public satisfaction survey.

A critical concern for FY 2011 is operating under a continuing resolution (CR). A full-year CR would erase the tremendous progress we have made in the last few years. We have improved our productivity by an average of 4 percent during my tenure, and we continue to look for ways to become more efficient. Nevertheless, our success is dependent on having enough skilled employees to handle our mounting workloads. A hiring freeze for the remainder of the year would result in a loss of about 2,500 Federal employees and 1,000 State employees in the DDS in FY 2011. This attrition will not occur uniformly, which will leave some offices seriously understaffed. Our backlogs would skyrocket, and people would wait considerably longer to receive decisions. As our backlogs grow, it will become more difficult, expensive, and take even longer to eliminate them. Waiting times in field offices and on our 800-number would increase dramatically. Improper payments would grow. We might even be forced to delay simple retirement claims. Delaying our services to the most vulnerable populations – retirees, survivors, and persons with disabilities – not only devastates millions of American families, but it also hurts the economy.
The FY 2012 President’s Budget request of $12.522 billion for SSA will allow us to build on the tremendous progress we achieved last year. We are requesting sufficient funds to maintain our FY 2010 staffing in our frontline components, fund ongoing activities, and cover our inflationary increases. This budget will allow us to reduce our hearings and initial disability claims backlogs, and it will allow us to continue to reverse the decline in our program integrity work—work that increases program savings by reducing improper payments. Program integrity work not only pays for itself, but it also produces considerable saving to the taxpayers. The budget will not allow us to keep up with some of the important, but less visible work we do, such as representative payee accountings, school attendance verifications, and benefit recomputations.

I am particularly excited about a research proposal included in our budget that would simplify the work incentives in the Disability Insurance program. The FY 2012 President’s Budget request proposes a five-year reauthorization of our section 234 demonstration authority for the Disability Insurance program, which would allow us to test program innovations. Using this authority, we propose a new Disability Work Incentives Simplification Pilot (WISP) to provide beneficiaries a simple set of work rules that would no longer terminate benefits based solely on earnings. As a result, beneficiaries would have more flexibility to try working, without fear of losing their benefits.

This budget request is the minimum we need to continue to reduce our key backlogs and to increase our deficit-reducing program integrity work. With your support, we will build on the progress we achieved so far, progress that is vital to millions of people who depend on our services and to the American taxpayer.

Michael J. Astrue
Commissioner
Eliminating the hearings backlog is still our top priority, but we recognize that we must also eliminate backlogs at the initial disability claims level. The economic downturn strained our capacity to reduce our backlogs, but we are making progress and are on track to eliminate the hearings and initial disability claims backlogs by our target dates. Without sustained, adequate funding, we could lose the progress we have achieved so far.

For many of our beneficiaries, the benefit payments that Social Security provides are all that keeps them from poverty. We must continue to offer new and improved service delivery channels that will help us provide better service to the public, while also continuing to provide traditional service to the millions of Americans who walk into our field offices each year.

Curbing improper payments is critical to our ability to protect and manage the resources entrusted to us. In FY 2012, we will complete over 60 percent more medical continuing disability reviews and 200,000 more Supplemental Security Income (SSI) non-disability reviews than in FY 2011, which will reduce program costs and save taxpayers billions of dollars. In addition, we continue to look for ways to improve our efficiency. We have maintained our administrative costs at well under 2 percent of total benefit payments each year. Our FY 2012 budget will help us continue to improve productivity and to implement cost-saving efficiencies.
We are requesting $12.522 billion for our FY 2012 Limitation on Administrative Expenses (LAE) account. This funding level will allow us to continue working down the disability backlogs, to implement efficiencies in our programs, and to increase our program integrity work.

In FY 2012, we will need a minimum administrative budget increase of nearly $300 million just to cover our fixed costs, including rent, guards, postage, and employee salaries and benefits. We will need funding above that level to keep up with our growing workloads, reduce existing backlogs, and meet rising customer service expectations. We formulated this budget to address the following challenges:

- High demand for service due to the aging of the population and the effects of the economic downturn;
- Unacceptable hearings and initial disability claims backlog levels;
- Complex and cumbersome disability process;
- Growing non-traditional workloads (e.g., immigration and Medicare);
- Increasing enumeration workloads;
- Ongoing need to address improper payments;
- Ongoing need to find efficiencies and streamline business processes;
- Aging computer systems;
- Threats to computer systems that store sensitive and personal information on all Americans;
- Loss of expertise as our employees retire;
- Rising infrastructure costs; and
- State furloughs of DDS employees.
<table>
<thead>
<tr>
<th></th>
<th>FY 2011 Estimate</th>
<th>FY 2012 Estimate</th>
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<tbody>
<tr>
<td><strong>BUDGET AUTHORITY</strong> (in millions)</td>
<td></td>
<td></td>
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<tr>
<td>Limitation on Administrative Expenses (LAE)</td>
<td>$12,379</td>
<td>$12,522</td>
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<tr>
<td>Research and Demonstrations</td>
<td>$43</td>
<td>$38</td>
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<tr>
<td>Office of the Inspector General (OIG)</td>
<td>$106</td>
<td>$107</td>
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<tr>
<td><strong>Total Budget Authority</strong></td>
<td>$12,528</td>
<td>$12,667</td>
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<tr>
<td><strong>OTHER FUNDING</strong> (in millions)</td>
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<td></td>
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<tr>
<td>MIPPA - Low-Income Subsidy (LIS)</td>
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<tr>
<td>Recovery Act - Workload Processing</td>
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<td>$0</td>
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<tr>
<td>Recovery Act - Recovery Payment Administration</td>
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<tr>
<td>Recovery Act - New National Support Center (NSC)</td>
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<td>Recovery Act - OIG Oversight</td>
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<td>Other Funding Obligations</td>
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<td>$5</td>
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<td><strong>Total Budgetary Resources</strong></td>
<td>$12,916</td>
<td>$12,673</td>
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</table>

| **WORKYEARS**                    |                  |                  |
| Full-Time Equivalents            | 68,817           | 69,675           |
| Overtime                        | 3,236            | 2,000            |
| Lump Sum                        | 292              | 292              |
| **Total SSA**                   | 72,345           | 71,967           |
| Disability Determination Services (DDS) | 16,827  | 16,828           |
| **Total SSA/DDS**               | 89,172           | 88,795           |
| OIG                             | 596              | 596              |
| **Total SSA/DDS/OIG**           | 89,768           | 89,391           |

1 A full-year appropriation for FY 2011 was not enacted at the time the FY 2012 President’s Budget was prepared. The numbers below assume full funding of the FY 2011 President’s Budget.
2 Totals may not add due to rounding.
### FY 2012 President’s Budget

<table>
<thead>
<tr>
<th>Workload Measures</th>
<th>FY 2011 Estimate</th>
<th>FY 2012 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement and Survivors Claims Completed (thousands)</td>
<td>4,590</td>
<td>4,627</td>
</tr>
<tr>
<td>Initial Disability Claims Completed (thousands)</td>
<td>3,409</td>
<td>3,268</td>
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<tr>
<td>SSA Hearings Completed (thousands)</td>
<td>815</td>
<td>823</td>
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<tr>
<td>Periodic Continuing Disability Reviews (CDR) Completed</td>
<td>1,388</td>
<td>1,442</td>
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<tr>
<td>SSA Hearings Pending (thousands)</td>
<td>668</td>
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<tr>
<td>Average Speed of Answer (seconds)</td>
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<td>262</td>
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<td>Agent Busy Rate</td>
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<td>Social Security Numbers Issued (millions)</td>
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<td>18</td>
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<tr>
<td>Annual Earnings Items Completed (millions)</td>
<td>238</td>
<td>242</td>
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<tr>
<td>Social Security Statements Issued (millions)</td>
<td>154</td>
<td>155</td>
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<tr>
<td><strong>Outcome Measures</strong></td>
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<tr>
<td>Initial Disability Claims Pending (thousands)</td>
<td>709</td>
<td>632</td>
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<tr>
<td>SSA Hearings Pending (thousands)</td>
<td>110</td>
<td>103</td>
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<tr>
<td>Average Processing Time for Initial Disability Claims (days)</td>
<td>373</td>
<td>326</td>
</tr>
<tr>
<td>Average Processing Time for Hearings Decisions (days)</td>
<td>275</td>
<td>279</td>
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<tr>
<td>Disability Determination Services Production per Workyear</td>
<td>107</td>
<td>107</td>
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<tr>
<td>Office of Disability Adjudication and Review Production per Workyear</td>
<td>1,800</td>
<td>3,100</td>
</tr>
</tbody>
</table>

1 A full-year appropriation for FY 2011 was not enacted at the time the FY 2012 President’s Budget was prepared. The performance targets assume full funding of the FY 2011 President’s Budget.
Our Programs

Whether it is after the loss of a loved one, at the onset of disability, or during the transition from work to retirement, we touch the lives of virtually every person in America, as well as the lives of many persons living abroad. We administer three key programs that serve the public. They are:

OLD-AGE AND SURVIVORS INSURANCE (OASI) – Created in 1935, the OASI program provides retirement and survivors benefits to qualified workers and their families. In FY 2012, we will pay over $620 billion in benefits to approximately 45 million beneficiaries, including 90 percent of the population aged 65 and over.

DISABILITY INSURANCE (DI) – Adopted in 1956, the DI program provides benefits for disabled workers and their families. In FY 2012, we will pay over $134 billion in benefits to almost 11 million disabled workers and their family members.

SUPPLEMENTAL SECURITY INCOME (SSI) – The SSI program, established in 1972, provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2012, we will pay over $51 billion in Federal and State Supplementation benefits to over 8.3 million SSI recipients.

WORKLOADS – Our ongoing workloads include:

→ Claims: We take claims, evaluate evidence, and determine benefit eligibility and amounts. In FY 2012, we will handle about 4.6 million retirement, survivor, and Medicare claims; approximately 3.3 million Social Security and SSI initial disability claims; and 349,000 SSI aged claims.

→ Appeals: We have three levels of administrative appeals for claimants who dispute our decisions:
  1. a reconsideration, a complete review of the claim by an employee who did not take part in the initial determination;
  2. a hearing before an administrative law judge (ALJ); and,
  3. an appeal to the Appeals Council.

In FY 2012, we will complete approximately 744,000 reconsiderations, 823,000 hearings, and 140,000 Appeals Council appeals.

→ Program Integrity: We meet our stewardship responsibilities primarily by conducting non-medical SSI redeterminations and medical continuing disability reviews (CDRs). These reviews save significant program dollars by avoiding improper payments to beneficiaries. We estimated for the FY 2012 President’s Budget that every dollar spent on CDRs yields at least $10 in lifetime program savings and that every dollar spent on SSI redeterminations yields better than $7 in program savings over 10 years, including savings accruing to Medicaid. In FY 2012, we will perform 2.6 million SSI redeterminations and 592,000 periodic medical CDRs.

→ Social Security Numbers (SSN): We process applications for and assign SSNs to every American and to qualifying foreign-born workers. We also complete millions of actions to keep our number holders’ records current and accurate. In FY 2012, we will complete requests for approximately 18 million new and replacement Social Security cards.
Earnings Records: We receive regular updates on the earnings of the working population from employers and post those reported earnings to the workers’ records. We link earnings records to SSNs and resolve any discrepancies. In FY 2012, we will post 242 million earnings items to workers’ records.

Social Security Statements: We mail annual statements to workers and former workers aged 25 and older. These statements provide updates of the earnings on which workers have paid Social Security taxes and summaries of the estimated benefits the workers and their families may receive as a result of those earnings. In FY 2012, we will mail 155 million of these statements.

Services After Individuals Become Eligible for Benefits: In FY 2012, we will complete more than 100 million post-entitlement actions for beneficiaries, including issuing emergency payments, recomputing payment amounts, and completing address and other status changes.

Employment Eligibility Verification: E-Verify: We collaborate with the Department of Homeland Security (DHS) in administering E-Verify. We assist DHS in verifying the employment eligibility of newly-hired employees by electronically checking employee names, SSNs, dates of birth, and U.S. citizenship status, and we resolve discrepancies. We expect that through E-Verify we will process more than 19.3 million queries in FY 2012.

Medicare and Medicaid Administration Assistance: For over four decades, we have assisted the Centers for Medicare and Medicaid Services (CMS) in administering the Medicare Hospital Insurance and Supplementary Medical Insurance programs. Over the years, we have received additional Medicare related responsibilities. In addition to determining Medicare eligibility, in FY 2012, we will process 1.3 million Medicare prescription drug subsidy applications.

Other Activities Mandated by Congress: We also perform many other workloads mandated by Congress, including activities related to: the Employee Retirement Income Security Act of 1974 (ERISA); the Coal Act; Supplemental Nutrition Assistance Program (formerly Food Stamps); SSN Verifications for a wide-range of non-SSA purposes; the Help America Vote Act; the State Children’s Health Insurance Program; Veterans benefits; and the Affordable Care Act.

**OUR RESEARCH BUDGET**

We designed the research budget to provide funding to explore potential changes and improvements to our programs. In FY 2012, we are requesting $38 million in new budget authority for research, a decrease of $5 million from the FY 2011 President’s Budget. We plan to obligate $70.3 million in FY 2012, an increase of $19 million from the planned FY 2011 obligations. The budget request supports projects such as:

**Compassionate Allowances**—This initiative quickly identifies claimants who will be eligible for disability benefits due to certain diseases and other medical conditions. This funding will allow us to continue identifying additional diseases as Compassionate Allowances: $2 million.

**Listing of Impairments**—This funding will allow us to continue updating the Listing of Impairments describing disabling impairments for each of the major body systems, which improves our ability to decide whether a claimant meets our criteria for disability benefits: $60,000.

**Occupational Information System**—We are developing short and long-term strategies to obtain updated, reliable occupational information to be used in evaluating disability. We will continue to collaborate with the Department of Labor and other Federal agencies during the research and development of the project: $14 million.
Retirement Research Consortium (RRC)—The RRC conducts research, develops data, and disseminates information on retirement and SSA-related social policy, and trains scholars and practitioners: $8.5 million.

Disability Research Consortium (DRC)—We intend to establish a DRC within our research office, which will function like the RRC and will enhance recent efforts to expand disability research within the RRC. There is a significant shortage of disability policy research and collaboration with outside researchers. The DRC will address these weaknesses and support the Government Accountability Office (GAO) recommendation of working across disability programs: $5 million.

SSI Children’s Pilot—The Administration proposes an interagency pilot, Promoting Readiness of Minors in SSI (PROMISE), to improve outcomes for children in the SSI program. This funding will provide competitive grants to test and evaluate interventions that successfully improve child and family outcomes and result in children leaving the SSI program: $10 million.

These research projects will generate ideas that will move us into the future. Although research represents a small piece of our overall funding, these projects will help us achieve some of our mission-critical work and make our processes more efficient and more accurate.

Office of the Inspector General (OIG)

The FY 2012 request for OIG is $107.113 million, an increase of less than $1 million above the FY 2011 President’s Budget. OIG’s mission is to promote economy, efficiency, and effectiveness in the administration of Social Security programs and operations and to prevent and detect fraud, waste, abuse, and mismanagement in such programs and operations. To that end, OIG provides an invaluable service by conducting a comprehensive program of audits, evaluations, and investigations, and then recommending changes to improve our programs and operations.

To meet its homeland security responsibilities, OIG will continue to conduct audits and investigations that focus on strengthening the enumeration process and combating SSN misuse. OIG will also continue to audit and evaluate our use of funds for Recovery Act initiatives.
FY 2010 ACCOMPLISHMENTS

During the worst economic downturn since the Great Depression, millions of economically distressed persons came to us for assistance. The continued support of the Congress, along with increased efficiencies, allowed us to handle this additional work. We achieved the following key accomplishments:

- Reduced the number of hearings cases pending for the second year in a row from 722,822 in FY 2009 to 705,367 in FY 2010;
- Reduced the time it takes to decide those hearings by about five months, from a monthly high of 532 days in August 2008 to 390 days in September 2010;
- Completed over 300,000 more initial disability claims than the year before;
- Reduced wait times in our field offices for those without an appointment from 23.3 minutes in FY 2009 to 20.7 minutes in FY 2010;
- Added 38 more conditions to our list of Compassionate Allowances;
- Decided claims in two weeks or less for about 130,000 applicants with the most severe disabilities using our Compassionate Allowances and Quick Disability Determination initiatives;
- Completed over 700,000 more SSI non-disability redeterminations to help curb improper payments;
- Improved 800-number service by reducing the busy rate to under 5 percent and improving the average speed of answer to 203 seconds;
- Continued to increase online claims, with 37 percent of retirement claims and 27 percent of disability claims filed online; and
- Maintained the top three online services (Retirement Estimator, online retirement application, online Medicare Extra Help application) as rated by the American Customer Satisfaction Index.
Continuing to Reduce our Disability Backlogs

Reducing the Hearings Backlog

In FY 2010, we completed 737,616 hearings, over 75,000 more than we had completed the year before; it marks the second year in a row that we have reduced the number of pending cases. Through the hard work of our employees and a number of technological and process changes, we decreased the time it takes to handle hearings from a peak of 532 days in August 2008 to 390 days in September 2010; that number continues to drop.

With the continued support of Congress, we are on track to meet our commitment to the American public and eliminate the hearings backlog in FY 2013. To reach this ambitious goal, we will need to adjudicate a record number of cases in FYs 2011 and 2012 – over 800,000 each year, which is more than double the number we handled ten years ago. We will also need to maintain a cadre of over 1,400 ALJs. Our progress continues to be challenged by the skyrocketing number of hearing receipts. The increased number of people who are looking to us for assistance make it even more critical that we stay on track with our plans.

We implemented many productivity improvements, both large and small, which will help us provide fast and accurate service to the public at a lower cost. For the first time, we set productivity expectations for our ALJs. We also extended the authority for senior attorneys to allow cases that do not require a hearing, which frees up time for ALJs.
We implemented business process improvements, such as:

- Creating more centralized offices that can help the most backlogged offices;
- Eliminating paper processes for disability appeals;
- Using centralized printing to produce notices more efficiently; and
- Adopting best practices in every hearing office in the Nation.

We have significantly increased our use of video technology. Not only is video cost effective, reducing travel expenses and time, it also gives us much needed flexibility. We can schedule and handle more hearings, transfer workloads between hearing locations, and provide better service to claimants in remote areas that are not located near a hearing office. The increased use of video is a key element in reducing the hearings backlog. In FY 2010, we conducted more than 20 percent of our hearings by video.

We are developing several other automation and information technology initiatives that will further enhance the overall quality, efficiency and customer service we provide. These projects include Appointed Representative Services (ARS) and Autoscheduling. ARS enables representatives to access their clients’ electronic folders, which should eliminate or greatly reduce our current practice of creating and mailing encrypted CDs of the electronic files to the representatives. Our Autoscheduling initiative will automate the labor-intensive task of coordinating medical experts, vocational experts, ALJs, representatives, and claimants, which will allow us to schedule hearings more efficiently and quickly.

We continue to focus on eliminating our oldest cases. In 2007, we had 65,000 cases that had been waiting for a hearing for over 1,000 days. We focused on those cases and by the end of FY 2007, we had completed them all. We have continued to lower our “aged” cases threshold and have successfully met our goals in each of the succeeding years. Since FY 2007, we have decided over a half million of the oldest cases. In FY 2011, we are targeting 106,715 cases that will be 775 days or older by the end of the year. Next year, we will lower our threshold to 725 days.
In FY 2010, we received nearly 3,225,000 initial disability claims, the highest in our 75-year history. We handled over 3,161,000 claims, a record number and 80,000 more than our target; however, we received more claims than we could complete for the second year in a row. This rising level of pending initial claims is unacceptable, and we are committed to returning to our pre-recession level by the end of FY 2014. We plan to reduce the backlog by completing even more claims, which will ensure that millions of Americans do not experience significant waits for a decision on their claim. In order to meet our commitment, we will need full funding of the FY 2011 and FY 2012 President’s Budgets.

Providing Support to the Most Backlogged Areas: To help States with mounting disability claims, we have created Extended Service Teams (EST) modeled after our successful National Hearing Centers. The ESTs are located in State DDSs that have a history of good quality and high productivity. These centralized DDS teams will help reduce the initial claims backlog as we electronically shift claims to them from the hardest hit State DDSs.

We have also expanded our Federal capacity to decide disability claims. We currently have 12 Federal units that assist the DDSs in handling claims. In FY 2010, we added 237 employees to these units, which assist DDSs most adversely affected by the increase in initial claims receipts.

Improving Online Services: We plan to increase the number of disability claims filed online from 27 percent in FY 2010 to 38 percent in FY 2012, saving us time and providing fast and more convenient service to claimants. In FY 2011, we plan to implement a shorter online application for cases in which a claimant alleges a Compassionate Allowance condition.
Fast-Tracking Cases that Obviously Meet Our Disability Standards: We are dedicated to fast-tracking disability claims that obviously meet our disability standards and to providing decisions with 20 days of filing. With the effective use of screening tools, expanded technology, and electronic services, we have increased our ability to identify and quickly complete cases, which, by the nature of the claimant’s disease or condition, are likely or certain to be approved. We continue to refine our methods for identifying disabilities that meet our disability standards so we can increase the number of fast-tracked claims while maintaining accuracy. We plan to increase the number of fast-tracked claims to 5.5 percent in FY 2012.

Providing Disability Examiners Authority for Fast-Tracked Claims: In FY 2011, we implemented a new regulation to allow disability examiners to make fully favorable determinations for claimants with the most severe disabilities without consulting a medical professional. This change allows us to decide these cases even faster.

Paying Medical Consultants Per Case: We are implementing initiatives focused on increasing the volume and quality of work processed by medical consultants. One of these initiatives focuses on converting the pay structure for medical consultants from pay-per-hour to pay-per-case. We believe this new pay structure could increase productivity, allow medical consultants to review a greater number of disability claims, and ultimately assist in reducing the number of cases awaiting medical consultant review.

Developing a Disability Case Processing System: We are in the final stages of delivering a common information technology system for the States to use. This common system will replace an antiquated patchwork of 54 separate systems that is increasingly expensive to maintain and that has slowed our ability to implement other improvements. In FY 2011, we will develop the new system. Our rollout strategy includes beta testing the initial version of the Disability Case Processing System in five DDSs. After sufficient experience with the initial versions, we will phase it in nationally.

Using the Electronic Claims Analysis Tool (eCAT): We continue to refine eCAT, a web-based tool that automatically prompts an examiner with case-relevant regulations and instructions and requires the examiner to enter the necessary documentation before he or she can close a case. As we have rolled out this improvement to the States, we have seen only a very short-term drop in productivity as examiners become comfortable with the new system. More importantly, accuracy has increased significantly. In FY 2010, we rolled out eCAT to 29 State and Federal sites, raising the total number of participating States to 37. All DDSs will have eCAT in FY 2011.
Improving online service

Online services are vital to good public service. In increasing numbers, the public expects to conduct business over the Internet at their convenience and at their own pace, without the need to take leave from work, travel to a field office, and wait to meet with one of our representatives. Even though our representatives continue to review every online application for benefits and contact applicants with any questions, these online services reduce the average time our employees spend completing claims. Our employees can use the additional time to handle more complicated issues.

Our online retirement application has helped us keep up with the enormous growth in retirement claims. Two years ago, we rolled out our new and improved online application, iClaim, and we saw an instant rise in the number of retirement applications filed online.

We also made it easier to file disability claims online. In January 2010, we released our streamlined disability report, the form we use to collect information about a claimant’s disability. By developing a user-friendly and streamlined report, we reduced completion time and improved the quality of the information we receive. In FY 2010, the number of online disability applications increased by over 35 percent compared to the year before.

The public was very satisfied with our online services last year. In January 2011, the American Customer Satisfaction Index (ACSI) e-Government Satisfaction Index ranked our online services as the best in Government, exceeding the top private sector sites in customer satisfaction.

We continue to expand and improve our online offerings. In March 2010, we introduced an online Medicare-only application. We also launched an online calculator in July 2010 to assist the public in deciding the best time to collect retirement benefits. In December 2010, we implemented the Spanish-language Retirement Estimator, the first non-English interactive application in the Federal government. In addition, our Multilanguage Gateway provides access to information in 15 different languages. Later this year, we will release Spanish-language versions of our retirement, Medicare extra help, and Medicare-only online applications.
We have developed and will soon implement a new, more secure pin/password protocol to authenticate people who are interested in conducting additional business with us online. This protocol will be the gateway to allow members of the public access to their personal information online. We are also working on an initiative to provide a variety of personalized online services, such as verifying earnings history, checking the progress of an application, receiving notices, and requesting certain routine actions, like change of address.

Investing in online services helps us provide better and more efficient service to the people we serve. Our FY 2011 and FY 2012 budget performance commitments depend on continued growth of online applications for retirement and disability benefits. In FY 2012, we expect to reach our current agency Strategic Plan goal of 50 percent of retirement applications filed online and to exceed our goal of 25 percent of disability applications filed online. Without our Internet services, field offices would be in dire need of even more resources.

**Improving Telephone Service**

Calls to our 800-number continue to be the primary option the public chooses to access our services. In FY 2010, we completed over 67 million transactions over the telephone - the most ever. Our telephone agents handled 42 million, while our automated services handled the remaining 25 million. In the last two years, we cut our busy rate by over half, from 10 percent in FY 2008 to 4.6 percent in FY 2010. We also reduced the time spent waiting for an agent by over 37 percent, from 326 seconds in FY 2008 to 203 seconds in FY 2010.

We attribute much of our improved performance to increased staffing, along with several technological advancements to make our 800-number more efficient, such as improving our call-routing capabilities, and offering callers the opportunity to hang up and receive a return call from SSA when wait times are long.

We continue to make improvements to our 800-number. In FY 2010, we awarded a contract to implement a replacement of our 800-number telecommunications infrastructure. The new system will include features that will allow us to keep pace with industry standards, such as providing immediate telephone assistance to people who visit our website. We will implement the this project in FY 2011 and expect it to be fully functional in FY 2012.

We have sought feedback from our customers and are making changes based on their comments. For example, we learned that customers are dissatisfied with speech recognition and lengthy navigation menus. To improve customer satisfaction, we are redesigning the 800-number call flow to shorten the navigation path that callers might take. We are also revising the scripting associated with many of our automated applications. We plan to implement these improvements with the new 800-number infrastructure.
Improving Field Office Service

Last year more than 45 million people visited our 1,300 field offices across the nation. Despite a record number of people, we are pleased to report that we were able to continue reducing average waiting times for both people with and without an appointment. We believe that reversing the decline in staffing in the field offices over the past few years has improved service to the public.

Social Security Television (SSTV)

SSTV enables us to broadcast relevant messages in reception areas to provide visitors with information about our programs and services, such as what documents they need to apply for benefits or to request a Social Security card. It saves the public and our staff time, and provides our customers with a more comfortable wait. We can customize broadcasts to air locally relevant information and provide information in several languages. We installed 113 SSTVs in FY 2010, and we plan to install 100 more in field offices in FY 2011.

Video Service is Compassionate and Efficient

Video service is an innovative, cost-effective, and compassionate way to provide Social Security services to the public. Video service allows our offices to link together to provide assistance to busy or understaffed offices. We can also use video services to provide service to customers located at third party sites such as: American Indian Tribal centers, local community centers, senior centers, hospitals, and homeless shelters.

We will continue to expand our use of video service. For example, we negotiated an agreement with the Walter Reed Army Medical Center to install onsite video service delivery equipment that connects hospitalized military service members with Social Security claims representatives to file for disability benefits.

Improving Physical Security

In response to increasing numbers of threats, we are strengthening security at our facilities nationwide. We are committed to doing everything we can to protect the public and our employees.
Saving Taxpayer Dollars

Finding Efficiencies in Our Operations

We continue to find better ways to conduct our business. In addition to the improvements already discussed, the following are several examples of the efficiencies and cost savings we are building into our operations:

Reducing Headquarters Staff: We are reducing staff in headquarters components through attrition. Although headquarters staff play an important support role, with our limited resources, it is more important for us to fund our front-line operations.

Expanding Our More Cost-Effective Service Delivery Channels: As mentioned previously, we will continue to expand our online services and video services, saving time for claimants and for us.

Reducing Training Costs: We plan to reduce travel costs by increasing our use of Distance Learning technology, such as video, to replace some of the training we currently deliver face-to-face.

Going Green: Green initiatives can help the environment and reduce costs at the same time. We are actively working on several green initiatives, including eliminating paper checks and transitioning our vehicle fleet to alternative fuel and fuel efficient vehicles.

Modernizing our Aging Information Technology Infrastructure: Information technology affects everything we do – it is the lifeline for our employees. If our systems are down, we cannot function. We must continue to modernize to provide more efficient service, to offer new channels of service delivery, to replace outdated technology before it becomes obsolete, and to ensure that we can protect our data from security threats. We also must maintain and continually improve our security infrastructure as cyber threats become more complex.

Expanding Health Information Technology (HIT): This promising technology has shown the potential to reduce the amount of time it takes for us to obtain medical records, which in turn would decrease the time it takes for us to complete a disability claim. In FY 2010, we funded technological support for a number of healthcare providers to provide us with electronic medical records. We will continue our efforts to expand HIT usage and increase the number of participants.
National Support Center

Part of our plan to secure our data networks is to strengthen our data center operations, both by bringing online the Second Support Center (SSC) and by replacing our aging National Computer Center (NCC) with our new National Support Center (NSC). Our SSC handles a number of our workloads and will provide backup service in the event of a failure at the NCC or NSC. Thanks to the support we received from Congress, our plan to construct a new NSC is progressing. In conjunction with the General Services Administration, we completed a program of requirements for the NSC in August 2010, expect site selection in February 2011, expect to purchase the site in June 2011, and award a design-build contract in January 2012.

Program Integrity Efforts

We pay over $60 billion in benefits each month to our beneficiaries and have a duty to protect taxpayer dollars. We have many stewardship efforts that are critical to helping us in minimizing improper payments. These efforts include our program integrity reviews, our initiatives to reduce improper payments, and our joint Cooperative Disability Investigations (CDI) initiative with our OIG.

Program Integrity Reviews

We have two types of program integrity reviews for which we receive special funding: continuing disability reviews (CDR), which are periodic reevaluations to determine if beneficiaries are still disabled, and SSI redeterminations, which are periodic reviews of non-medical factors of eligibility, such as income and resources.

For many years, we had to cut back on program integrity reviews due to inadequate funding. A few years ago, we were at a low point for these reviews. With Congress’ support, we have been restoring our program integrity work toward optimal levels, which saves billions of program dollars.
In FY 2012, we plan to conduct 592,000 full medical CDRs and 2,622,000 redeterminations. We estimate that every dollar spent on CDRs yields at least $10 in lifetime program savings. Every dollar spent on SSI redeterminations yields better than $7 in program savings over ten years, including savings accruing to Medicaid.

![Graph: We Are Reversing The Decline In Medical CDRs, Saving Billions of Dollars](image)

**Medical CDRs save $10 for every dollar invested!**

**Initiatives to Reduce Improper Payments**

In FY 2009, 99.63 percent of all OASDI payments were free of an overpayment, and 99.91 percent were free of an underpayment. In the SSI program, a needs-based program in which income and resources affect an applicant’s eligibility and payment amount, 91.6 percent of all payments were free of an overpayment, and 98.4 percent were free of an underpayment. While we have improved our SSI overpayment rate from 89.7 percent in FY 2008, this rate is still unacceptable. To further improve our payment accuracy, we have developed several program initiatives that are both cost effective and either prevent or minimize overpayments.

**Access to Financial Institutions**

In 2004, we began piloting the Access to Financial Institutions (AFI) Initiative, which runs data matches with financial institutions and allows us to quickly and easily identify assets of Supplemental Security Income applicants and recipients that exceed the statutory limits. While we expected our pilot in New York and New Jersey to produce the same 1000 percent return we get with continuing disability reviews, so far the returns have been significantly higher. In November 2007, we expanded AFI to California, and we expect to complete our rollout by the end of FY 2011. Once we have fully implemented AFI, we project roughly $900 million in lifetime program savings for each year that we use the fully implemented AFI process.
**Telephone Wage Reporting**

Wages earned by SSI recipients could affect their payment amounts. We do not always receive reports timely, which is a major cause of improper SSI payments. Using our SSI Telephone Wage Reporting System, recipients can call a dedicated toll-free number to report their wages via a voice recognition system. In FY 2010, we received over 331,000 calls to our SSI Telephone Wage Reporting System, a 390-percent increase over FY 2009. Based on the positive results of electronic reporting in the SSI program, we are planning to expand telephone wage reporting to Social Security disability beneficiaries.

**Expanding the Use of Electronic Data Exchanges**

We will continue to explore opportunities to increase electronic data exchanges with the States and other government agencies to eliminate the need for online filers to bring or mail us evidentiary documents, such as birth and death certificates. Electronic data exchanges will transform the application process from paper to fully electronic - which will make it more accurate, efficient, and convenient.

We are also collaborating with other agencies to improve payment accuracy throughout the government as part of the President’s government-wide initiative that established a “Do Not Pay List.” Agencies may now check existing government databases to ensure that they are not paying ineligible persons. Our Death Master File is a key database in this effort.

**Cooperative Disability Investigations (CDI) And Other Initiatives**

One of our most successful efforts against disability fraud is the Cooperative Disability Investigation (CDI) units, the task forces that link our Office of the Inspector General and local law enforcement with Federal and State workers who handle disability cases. We currently operate 22 units in 19 States. These units are highly successful at detecting fraud before we make a disability decision and identifying overpayments.

Since its inception in FY 1998, CDI efforts nationwide have resulted in close to $2.6 billion in savings: $1.6 billion in our disability programs and $967 million in projected savings in programs such as Medicare and Medicaid. Due to the success of the CDI program and wide-spread interest in preventing improper payments, we are currently working on opening four new CDI units in FY 2011 and we plan to expand the program by adding another four units in FY 2012.

In eight of our regional offices, we have an attorney assigned to a United States Attorney’s Office as a Special Assistant. These attorneys prosecute possible fraud cases referred by OIG that would not otherwise be prosecuted in Federal court. From FYs 2003 through 2009, our attorneys secured over $32 million in restitution orders and 635 convictions or guilty pleas. In FY 2010, we secured nearly $5 million in restitution orders and 82 convictions for identity theft, program fraud, and SSN misuse.
Conclusion

Our FY 2012 budget provides a modest increase that will allow us to make progress on our key priorities and maintain an adequate level of staffing on the front lines. This request is the minimum we need to continue driving down our backlogs, improve service, and reduce improper payments. It will enable us to implement new administrative efficiencies, provide alternate service options where possible, and increase productivity across the agency. We will accomplish all of the goals outlined in this budget with the continued support of Congress.

Our programs have a positive impact on the economy; the more claims we complete, the more benefits we provide to Americans, giving them more resources to spend. Our increased program integrity work provides a nearly 1000 percent return on investment. We have made incredible service and stewardship improvements in the last three years. We have clearly demonstrated that with adequate and timely resources and the heroic efforts of our employees, we deliver on our promises to the American people. Nevertheless, we cannot sustain this momentum to eliminate our disability backlogs, provide accurate and compassionate service, and meet our stewardship responsibilities without sufficient resources. Reduced funding would jeopardize all of the progress we have made.

On behalf of our dedicated employees and the millions of people they serve, we thank you for your continued support of the Social Security programs.
FISCAL YEAR 2012 PRESIDENT’S BUDGET LEGISLATIVE PROPOSALS

Disability Insurance (DI) Demonstration Authority/Work Incentives Simplification Pilot (WISP): The FY 2012 President’s Budget includes a legislative proposal to reauthorize for five years our section 234 demonstration authority for DI, which allows us to use Trust Fund monies to conduct various demonstration projects, including alternative methods of treating work activity of DI beneficiaries. We intend to work with Congress on a fully offset package.

Using this authority, WISP would test important improvements in our return-to-work rules, subject to rigorous evaluation protocols. WISP would eliminate current barriers to employment by simplifying the treatment of beneficiaries’ earnings, potentially reducing improper payments.

Economic Recovery Payments: The FY 2012 President’s Budget includes a legislative proposal to distribute economic recovery payments.

Extend SSI Eligibility for Refugees and other Humanitarian Immigrants: The FY 2012 President’s Budget includes a legislative proposal to continue through 2013 an extension of SSI eligibility to nine years for refugees, asylees, and other noncitizens in refugee-like immigration statuses. Under current law, the eligibility period is scheduled to revert to seven years on October 1, 2011.

Federal Wage Reporting: The FY 2012 President’s Budget includes a legislative proposal to require employers to report wages quarterly; the proposal would not affect reporting of self-employment. Increasing the timeliness of wage reporting would enhance tax administration and improve program integrity for a range of programs.

Windfall Elimination Provision and Government Pension Offset (WEP/GPO): The FY 2012 President’s Budget includes a legislative proposal to develop automated data exchanges for States and localities to submit useful and timely information on pensions that are based on work that was not covered by Social Security. The proposal includes mandatory funding for the development and implementation of the data exchanges and assumes enforcement will begin in FY 2015.

Workers’ Compensation: The FY 2012 President’s Budget includes a legislative proposal to develop and implement a system to collect information on workers’ compensation recipients from states and private insurers. We would use the information to offset DI benefits and reduce SSI payments, as necessary. This proposal includes mandatory funding for the development and implementation of a system, with expected use by 2014.