

# Acting Chief Financial Officer's Discussion and Analysis of Emerging Workload Challenges

The American public demands that its Government make wise decisions with their tax dollars and be held accountable for those decisions. SSA is striving to improve the services we deliver to our customers and to develop proper measurement systems so our management decisions may be better evaluated. In addition to working hard to achieve the goals and objectives discussed on pages 9 through 17, our dynamic business environment has created many additional workload challenges which SSA must address both now and in the future. Mandated reductions in the size of our overall workforce will increase the challenge that lies ahead. Discussed below are the predominant issues the Agency is currently addressing to provide a Government that works better and costs less.



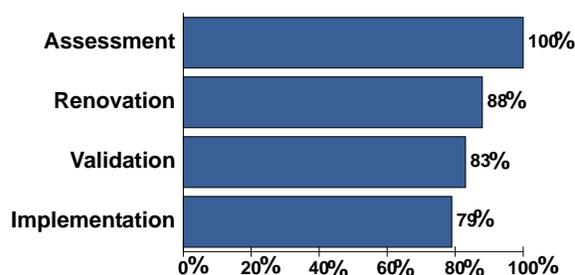
## Year 2000 Compliance

In 1989, SSA first identified the need for major systems modification to ensure all systems will continue to operate properly in the next millennium. Since then, the Agency has taken a comprehensive approach to identifying all mission critical systems, both internally developed or vendor purchased, and ensuring year 2000 readiness. Because of the integrated nature of SSA's systems, we track our compliance progress in terms of the modules which perform a specific business function rather than by major system.

The Agency has identified almost 22,000 mission critical modules which required repairs to ensure year 2000 compliance. The chart below shows the implementation progress in repairing these modules as of September 30, 1997. By January 1999, all of SSA's mission critical modules will have the ability to operate in the year 2000. Also, over 6,000 additional year 2000 compliant modules have been built and integrated into SSA's systems.

The House Subcommittee on Government Management, Information and Technology recently graded progress made by the 24 major departments and agencies of the Federal Government in addressing the year 2000 problem. SSA was the only entity to be rated at the "A" level for year 2000 compliance efforts.

## Year 2000 Compliance Progress in Repairing Current Systems Modules (As of September 30, 1997)



### Observation

SSA has completed an assessment of the steps necessary to ensure all mission critical system modules will be able to function in the year 2000. Eighty-eight percent of these systems have been fully renovated. Once renovations are completed, the module is validated and subsequently implemented. Only 17 percent of all modules have not completed validation and implementation.

## Modernizing the Disability Claims Process

A dramatic increase in initial claims for disability benefits coupled with declining resources led to the erosion of SSA's ability to process claims timely. The average time to process an initial claim increased from 74 days in FY 1988 to 98.6 days in FY 1992 for DI claims and from 76 days in FY 1988 to 119.2 days in FY 1992 for SSI blind/disabled claims. A subsequent increase in hearings and appeals workloads followed.

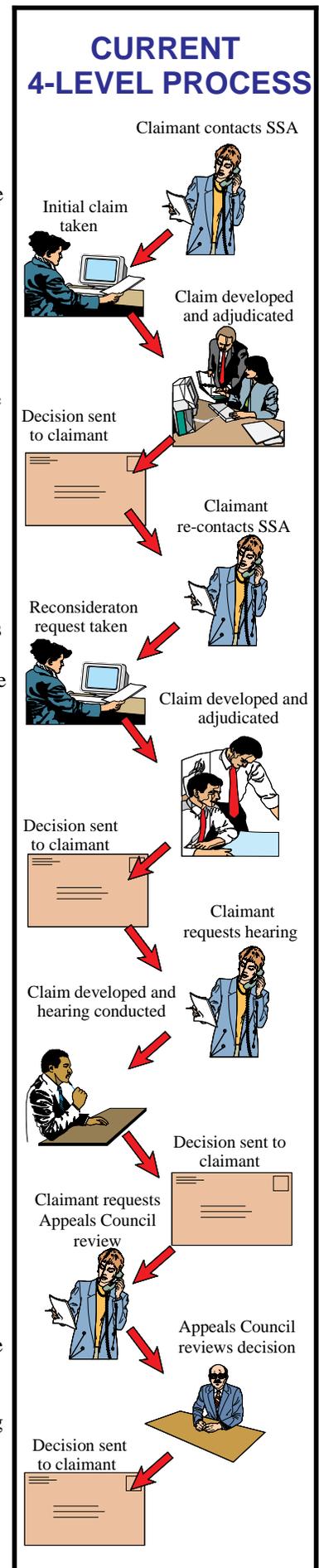
The Agency undertook an interim initiative to provide short-term relief to these growing workloads and processing times. In FY 1993, contingency funding and a larger investment of staff dedicated to processing disability claims began to reduce backlogs. Also, SSA's Short Term Disability Project (STDP) which began in FY 1995, included 19 actions designed to significantly reduce pending disability and hearings cases. For example, central office staff were redirected to claims processing duties. Several of these initiatives have continued into FY 1997.

To develop a longer term solution, a cross-component team was formed to analyze problems with the current disability process and devise a plan to redesign the process to make it more customer focused and efficient. In September 1994, SSA released a Plan for a New Disability Process to significantly improve the Agency's disability determination process from initial contact through final administrative appeal. The new process will allow the Agency to deliver quality service in a more timely and cost-effective manner.

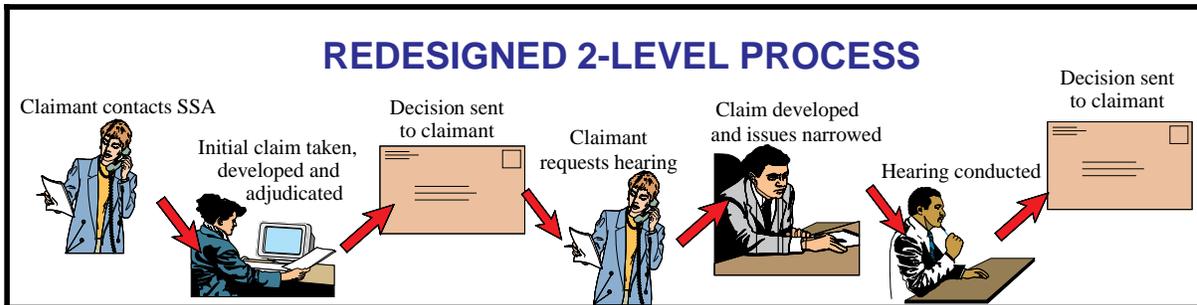
In the redesigned process, applicants at the initial level deal primarily with a single disability claim manager (DCM) who would be both fact finder and decision-maker for medical and non-medical portions of the case. In instances where evidence from the initial claim does not support an allowance, the DCM would offer a pre-decisional interview—providing the claimant with an opportunity to submit additional information/evidence which could impact the decision.

The appeals process would be streamlined to one level of administrative appeal instead of the current 3 levels. If a claimant disagrees with the DCM determination, they could appeal by requesting a hearing before an ALJ. Once appealed, the case would be turned over to an adjudication officer (AO) who serves as primary claimant contact for all pre-hearing activity. Working with the claimant and/or representative, the AO reviews the issues in dispute and determines whether there is a need for additional evidence. The AO has the authority to issue favorable determinations if warranted by the evidence in file. Other cases developed by the AO are forwarded to the hearings office for ALJ hearing and decision. Claims denied by the ALJ can be appealed in Federal court. The role of the Appeals Council will be to ensure claims subject to judicial review have been properly prepared and that only claims where appellate review is warranted enter the Federal court system.

To support this streamlined process, SSA will utilize modern technology to create a seamless electronic environment. In this environment, all employees will use the same hardware, claim assignment and scheduling software, decision support software, case control system, integrated quality assurance functionality and management information through all stages of the process. SSA is currently testing and implementing aspects of the redesign plan although it is not expected to be fully implemented until FY 2002.



As shown on the previous page, the current disability claims process allows for an initial determination of disability and three subsequent appeals, i.e., reconsideration by DDS, hearing before an administrative law judge and a review by the Appeals Council. SSA is incrementally testing a process which would streamline the appeals process to one level—the hearing, and increase claimant contact and involvement in the process. The graphic below depicts the redesigned 2-level process.



### Continuing Disability Reviews (CDR) Remain a Key Priority

SSA is required to determine the continuing eligibility of DI beneficiaries every three years for those whose long-term disabilities have not been determined to likely be permanent. At the end of FY 1997, SSA had a backlog of 2.1 million DI CDRs.

In addition to the DI CDR workload, Congress, in August 1994, mandated the Agency to conduct at least 100,000 CDRs of SSI recipients in each of fiscal years 1996, 1997 and 1998.

Public Law 104-193 enacted in August 1996 mandated that SSA conduct a CDR on the following SSI recipients:

- Those under age 18 whose medical conditions are considered likely to improve. These CDRs must be conducted at least once every three years;
- Those whose low birth weight is a contributing factor material to the determination of their disability. These CDRs must be conducted within 12 months (extended beyond 12 months under certain conditions by P.L. 105-33, enacted August 1997) after birth; and
- Those whose eligibility for SSI benefits was established under the disabled child eligibility criteria who have attained age 18. This CDR must be conducted within one year of attaining age 18 using adult eligibility criteria.

To address the CDR backlog, SSA improved the way State Disability Determination Service (DDS) resources are utilized. Before FY 1994, SSA would refer disabled beneficiaries to State DDSs to determine their continued eligibility for benefits. SSA has implemented a profiling process which refers only those beneficiaries whose health is most likely to have improved to the DDS for review. Those with conditions less likely to have improved are first screened using a response required mailer process to identify those for whom a full medical CDR is warranted.

To further reduce the backlog of DI CDRs and meet recent SSI CDR processing requirements, Congress earmarked \$1.4 billion of SSA's base budget and authorized an additional \$2.5 billion primarily for CDR processing during the period FY 1996 - FY 2002. The improved profiling process along with these additional funds should enable SSA to eliminate the backlog of CDR cases by FY 2002.

The increase in CDRs conducted should result in a net savings to the Social Security OASDI and SSI programs as well as the Medicare and Medicaid programs. In FY 1996, SSA processed 41,910 initial cessations of benefits as a result of CDRs initiated in SSA's Office of Disability. Of these, an estimated 26,500 beneficiaries will have their benefits terminated after all appeals, yielding an estimated present value of future benefits saved for Federal programs of over \$2.4 billion.

## SSI Program's Susceptibility to Fraud, Waste and Abuse

On March 4, 1997, the General Accounting Office, in testimony before the House Committee on Ways and Means' Subcommittee on Oversight, identified the SSI program as high risk for fraud, waste and abuse. Three major problems were cited:

- Insufficient attention to the verification of financial eligibility information;
- Vulnerabilities associated with determining disability eligibility; and
- Lack of management attention to return to work and vocational rehabilitation initiatives.

As a result of these problems, recipients may be overpaid or receive payments for which they are not entitled. These payments are difficult to collect since those receiving benefits have few financial resources.

To ensure the most accurate financial information is available, SSA is implementing several initiatives to more readily access third party information which affects program eligibility. In FY 1997, for example, SSA established a national database which matches the SSNs of recently incarcerated prisoners with SSA's records to initiate the suspension of benefits. Also, our Office of the Inspector General has secured access to information exchange systems maintained by the Department of Justice. These systems provide timely information related to criminal histories, fugitives, missing persons, stolen property, as well as access to State motor vehicle and driver's license records.

The SSI program is vulnerable to potential abuse related to financial eligibility. For example, many applicants minimize their income and resources by transferring ownership of homes, cash, land and other items to qualify for SSI benefits.

In addition to the verification of financial eligibility information, SSA has also been susceptible to fraud and abuse in determining disability eligibility. A recent problem is interpreter fraud schemes where an interpreter representing non-english speaking claimants coaches them to behave as though they have a mental illness. SSA has expanded efforts to combat this problem by increasing both the number of bilingual field office staff and training efforts to spot possible fraud.

In the early 1990s, younger individuals with mental impairments began applying for and subsequently receiving benefits in greater numbers. Generally, mental impairments are more difficult to evaluate than physical impairments, leading to higher allowance rates for claimants with mental impairments. Recent legislation requiring SSA to conduct a CDR at least once every three years on children under age 18 whose medical condition may be likely to improve should help to pare the disability roles of those not entitled. In addition, SSA is focusing more resources to conduct CDRs on other SSI recipients as discussed in the previous section.

GAO also cited SSA for not emphasizing efforts to move or assist recipients off the SSI rolls through return to work and vocational rehabilitation programs. Both SSA and Congress are exploring options to increase the number of recipients who return to work by establishing a "ticket to independence" and by extending medical coverage to recipients who enter the workforce.

SSA recently developed a tactical plan to further promote the prevention, detection and resolution of SSI program overpayments. This plan will help ensure that public and Congressional confidence in SSA's administration of the SSI program is restored.

## Expediting the Issuance of SIPEBES to reduce Workload Spikes

SSA was mandated to send an SSA-Initiated Personal Earnings and Benefit Estimate Statement (SIPEBES) to individuals not receiving benefits age 60 and over in FY 1995; to individuals as they turn 60 in FYs 1996-1999; and to eligible individuals age 25 and over annually, beginning in FY 2000. SSA expects these initial statements to produce significant general inquiry, earnings correction and other public-contact workloads, particularly when the process is extended to workers under age 60. To better manage this workload, SSA is increasing the number of SIPEBES issued in FYs 1995 - 1999. The following graph shows the estimated number of SIPEBES required to be issued from FY 1995 - FY 2000 and the number SSA is issuing to reduce the FY 2000 workload spike.

<b>Accelerated SIPEBES Mailings (In Millions)</b>						
	FY95	FY96	FY97	FY98	FY99	FY2000
<i>Mandated SIPEBES Mailings</i>	6.7	1.6	1.7	1.8	1.8	123.0
<i>Total SIPEBES Mailings</i>	7.1	5.6	12.4	20.0*	30.0*	123.0**

\* Estimate  
 \*\* This figure includes an estimated 47.9 million SIPEBES issued to an individual for the first time.

Focus group testing found that older workers would prefer to receive SIPEBES before they reach age 60 since these statements can be a valuable retirement planning tool. Therefore, in FY 1996 SSA expedited the first time issuance of statements to workers who will turn 60 in the 3-year period from FY 1996 through FY 1998. Workers turning 60 in FY 1999 received their first SIPEBES in FY 1997, two years earlier than required by law.

SSA remains committed to addressing the workload challenges associated with these issues and I will ensure that resources are made available to complete these tasks in a timely and efficient manner.



Dale W. Sopper  
 Acting Chief Financial Officer

