

# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is designed to provide a high level overview of the Agency. It provides a description of who we are, what we do and how well we meet the goals we have set.

The Mission and Organizational Structure section highlights the Agency's mission as refreshed in our 1997 Strategic Plan. This section also discusses the major programs we administer; the Old Age and Survivors Insurance (OASI) and the Disability Insurance (DI) programs (commonly known as Social Security) as well as the Supplemental Security Income (SSI) program.

Following the Mission and Organizational Structure section is a discussion of the Major Issues that SSA will be facing in the future. We use the Accountability Report to provide a snapshot of the performance we were able to achieve in FY 1999. However, the status of SSA would not be complete without providing a sense of the challenges tomorrow brings. These challenges include long-term solvency of the Social Security program and fulfilling our commitment to world-class service as well as topics that have a more immediate impact on our operations such as year 2000 computer readiness, SSI and DI management improvement and fraud prevention and detection. While these issues are challenging, we believe we have the policies and plans in place to help ensure they are adequately addressed.

Next, the MD&A discusses SSA's ability to achieve the five strategic goals contained in our current strategic plan. In February 1998, we provided Congress with our FY 1999 Annual Performance Plan (APP) outlining the performance indicators we used to assess our ability to meet these five strategic goals. The Performance Goals and Results section displays selected indicators from the APP, targeted performance for FY 1999 and actual performance achieved. Our complete FY 1999 GPR Annual Performance Report can be found beginning on page 56.

In addition to discussing program performance, the MD&A also addresses our financial performance. The major sources and uses of SSA's funds as well as the use of these resources in terms of both program and function are explained. Finally, the Systems and Controls section of the MD&A provides the Commissioner's Federal Managers' Financial Integrity Act (FMFIA) assurance statement, the actions SSA has taken to address our management control responsibilities and a discussion of the Agency's FMFIA material weakness and plan to correct this weakness.

## *Mission and Organizational Structure*

### **SSA's Mission**

To promote the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs.

# The Social Security Programs

The Social Security Act established a program to help protect aged Americans against the loss of income due to retirement. Protection for survivors of deceased retirees was added by the 1939 amendments, thus creating the OASI program. Social Security protection for workers was expanded again in 1956 to include the DI program. SSA's responsibilities were further expanded in 1969 and 1972 to include the Black Lung (BL) program (Part B) and the SSI program, respectively. SSA's responsibilities in 1999 focused on administration of these four programs that deliver cash benefits to about 50 million beneficiaries every month.

The combined Old-Age and Survivors and Disability Insurance (OASDI) programs, commonly referred to as Social Security, provide a comprehensive package of protection against the loss of earnings due to retirement, disability and death. Monthly cash benefits are financed through payroll taxes paid by workers and their employers and by self-employed people. Social Security is intended to replace a portion of these lost earnings, but people are encouraged to supplement Social Security with savings, pensions, investments and other insurance.

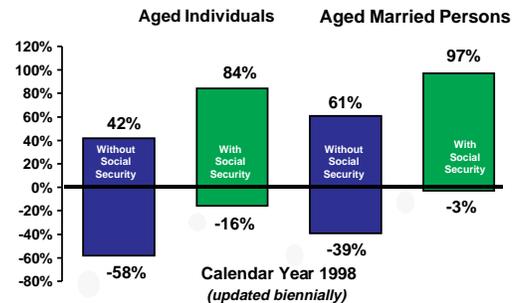
Social Security benefits have significantly improved the economic well being of the nation. Poverty among the elderly has been reduced by 58 percent over the past 30 years. In 1936, when Social Security numbers were first assigned to workers, most of the nation's elderly were living in poverty. Today, monthly benefits are an important part of the quality of life of elderly Americans and millions more who are protected in case of death or disability.

The monthly benefit amount to which an individual (or spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. The maximum amount of earnings on which contributions were payable in 1998 was \$68,400 and increased to \$72,600 in 1999.

**OASI Program** - In 1998, the family income of 16 percent of aged, unmarried beneficiaries fell below the poverty line. Without Social Security benefits, 58 percent of those beneficiaries would have income below the poverty line—a difference of 42 percent due to receipt of Social Security. Social Security also lifted many aged married beneficiaries out of poverty.

In 1998, 3 percent of aged beneficiaries who were members of a married couple had income below the poverty line. Without Social Security benefits, 39 percent of these beneficiaries would have income below the poverty line— a difference of 36 percent.

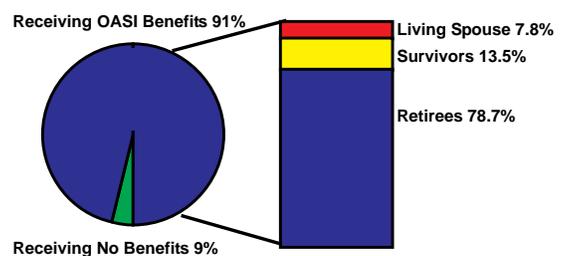
## Aged Beneficiary Population with Family Income Above and Below the Poverty Line



To qualify for OASI benefits, a worker must have paid Social Security taxes (Federal Income Contributions Act and/or Self-Employment Contributions Act) for at least 10 years (or 40 quarters) over the course of his/her lifetime. Individuals born before 1929 need fewer quarters to qualify. Nine out of 10 working Americans can count on benefits when they retire, with reduced benefits payable as early as age 62. Benefits are also paid to certain members of retired workers' families and to survivors.

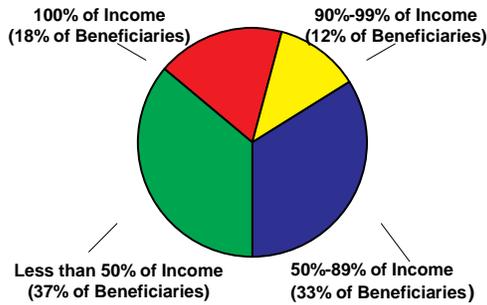
Ninety-one percent of people age 65 or over in calendar year 1999 were receiving benefits. The largest category of beneficiaries over age 65 is retired workers. About 98 percent of children under 18 and spouses with children in their care under 16 can count on benefits if a working parent dies.

## Population 65 or Over Receiving OASI Benefits (1999)



Social Security benefits comprised 38 percent of the aggregate share of all income to the aged population 65 and over of which 91 percent were Social Security beneficiaries. Other sources of income include assets (20 percent), earnings (21 percent), and pensions (19 percent) both Government and private.

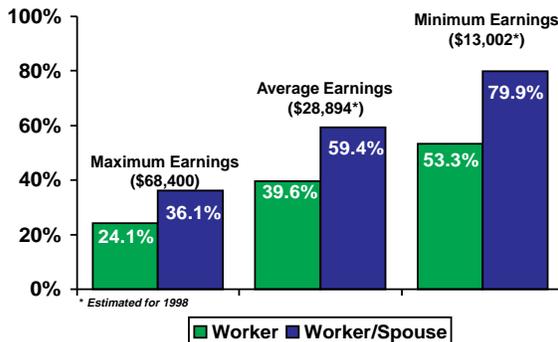
**Portion of Beneficiaries That Rely Heavily On Social Security**  
(Calendar Year 1998)



While many of the nation's aged population have income from other sources, a portion of the beneficiary population relies heavily on Social Security. For 18 percent of beneficiaries, it is the only income; for 12 percent of the population, it contributes almost all of the income; and for another 33 percent of the beneficiaries, it is the major income source.

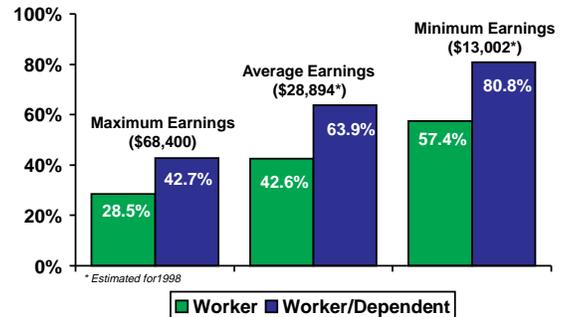
The level of preretirement earnings replaced by Social Security benefits for a worker retiring at age 65 varies because the benefit formula is weighted to give more credit to workers with low levels of earnings. The chart below shows the replacement rate in 1999 for individuals and couples at various earnings levels (1998 earnings levels are shown since that is the assumed last year of earnings).

**Pre-Retirement Earnings Replaced**  
(Workers Age 65 Entitled in January 1999)



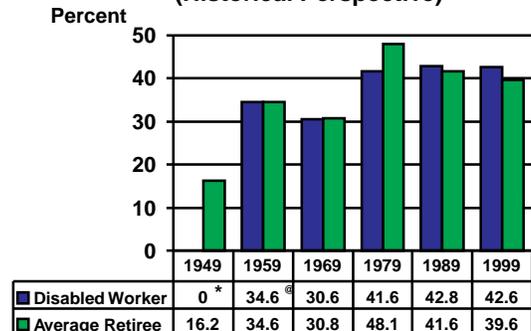
**DI Program** - To qualify for DI benefits, an individual must meet a test of substantial recent covered work. Disability benefits provide a continuing income base for eligible workers who have qualifying disabilities and for eligible members of their families. Three of four working Americans age 21 through 64 can count on receiving benefits if they become disabled. Workers are considered disabled if they have severe physical or mental conditions that prevent them from engaging in substantial gainful activity. The condition must be expected to last for a continuous period of at least 12 months or to result in death. Once benefits begin, they continue for as long as the worker is disabled and does not perform substantial gainful work. There are provisions that provide incentives for work. Disability cases are reviewed periodically to determine if the worker continues to be disabled. The chart below shows the replacement rate in 1999 for disabled workers and their dependents at various earnings levels (1998 earnings levels are shown since that is the assumed last full year of earnings).

**Disabled Worker's Earnings Replaced**  
(Workers Age 45 Entitled in Calendar Year 1999)



The following chart presents a historical perspective on earnings replacement for both the OASI and DI programs.

**Earnings Replaced**  
(Historical Perspective)



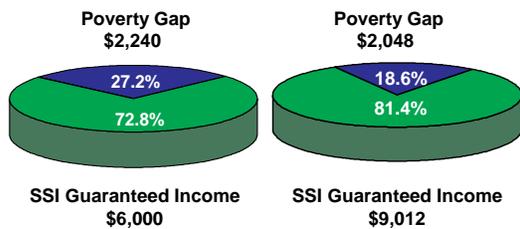
\* Data not available for disability benefit payments which began in 1957  
@ Based on 50-year old disabled worker.  
Prior to 1960, DI program applied only to workers age 50 and older.

**SSI Program** - SSI is a means-tested program designed to provide or supplement the income of aged, blind or disabled individuals with limited income and resources. SSI payments and related administrative expenses are financed from general tax revenues, not the Social Security trust funds. Qualified recipients receive monthly cash payments from SSA sufficient to raise their income to the level guaranteed by the Federal SSI program. Children, as well as adults, can receive payments because of disability or blindness.

The definitions of disability and blindness used in the SSI program, as well as continuing disability review procedures, are the same as those used in the DI program. There are general provisions to encourage working and special incentives to those beneficiaries who have disabilities or are blind. The Federal benefit rate and eligibility requirements are uniform nationwide. However, those with other income receive less since benefits may be reduced by the income they receive from other sources.

As shown in the chart below, SSI recipients with no other income receive the full SSI Federal benefit which is 72.8 percent of the poverty level for an individual and 82.1 percent for a couple.

**February 1999 Poverty Income Guidelines**  
**Poverty Gap Filled**  
**By SSI Federal Benefit**

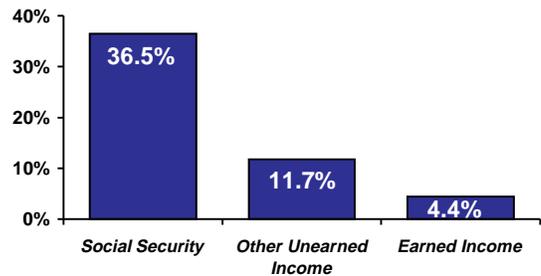


*Guidelines:*  
 Individual \$8,240 Per Year    Couple \$11,060 Per Year

The portion of the poverty gap not filled by Federal SSI may be filled by State SSI payments. Also, SSI recipients may be eligible for food stamps, Medicaid and social services.

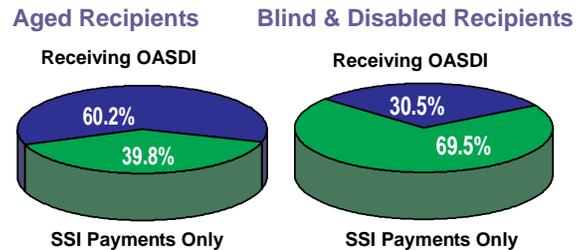
In September 1999, as shown by the following chart, 36.5 percent of all SSI recipients also received Social Security benefits. Most did not have any other income. For 4.5 percent of the recipients, earnings were a source of additional income, and 11.7 percent had unearned income from other sources, such as Veterans' pensions.

**Percent of SSI Recipients With Income From Other Sources (September 1999)**



OASDI beneficiaries may qualify for SSI benefits if they meet SSI income and resource eligibility requirements. Although 36.5 percent of all SSI recipients receive OASDI benefits, SSI aged recipients are more likely (60.2 percent) to be receiving Social Security benefits than SSI blind and disabled recipients (30.5 percent).

**SSI Recipients Also Receiving OASDI Benefits (September 1999)**



**Support to Other Programs**

In addition to its basic programs, SSA also provides a significant measure of service delivery support to other programs, particularly Black Lung, Medicare, Medicaid, Food Stamps and Railroad Retirement.

**Black Lung Program** - The Black Lung (BL) program pays monthly cash benefits to coal mine workers and their dependents and survivors. SSA is responsible for administering Part B of the BL program under title IV of the Federal Coal Mine Health and Safety Act. Part B covers claims filed by miners before July 1973 and survivor claims filed before January 1974 or within 6 months of the death of a miner or widow on the SSA rolls, whichever is later. Any claims filed after

these dates generally are the responsibility of the Department of Labor (DOL) covered under Part C of the program.

SSA is also responsible for taking claims for, and performing certain other services related to, Part C benefits. In FY 1999, SSA field offices took 208 claims for Part C benefits and transferred them to DOL for payment, as required by law. SSA received full reimbursement from DOL for these services. Beginning in FY 1998, DOL certified for payment all Part B benefits from funds appropriated to SSA. However, SSA retains responsibility for these payments.

**Medicare** - - Being a primary public contact point for the Health Care Financing Administration (HCFA), SSA provides key services to the Medicare program. SSA staff determine and answer questions regarding Medicare eligibility, maintain the computerized records of Medicare eligibility, and collect Medicare premiums through withholdings from Social Security payments. Annually, SSA devotes about 1,545 workyears to supporting these workloads and is reimbursed by the Medicare trust fund for these services.

**Medicaid** - - In 31 States and the District of Columbia, eligibility for SSI benefits confers automatic entitlement to Medicaid. Thus, the SSI eligibility determination made by SSA saves a significant amount of workyears for these States. SSA also provides information and referral services in support of Medicaid and is directly funded by the States and HCFA.

**Railroad Retirement** - - SSA provides services in connection with entitlement to benefits from the Railroad Retirement Board (RRB). SSA takes the applications, determines jurisdiction and coordinates benefit payments with the RRB. The latter organization, as required by statute, issues a combined monthly benefit payment when a retiree is entitled to both Railroad and Social Security retirement benefits due to having worked for both the railroad and other industries prior to retirement. SSA reimburses the RRB for OASI benefits paid on SSA's behalf. In addition, SSA arranges an annual financial interchange with the Railroad Retirement Trust Fund to place the Social Security trust funds in the same position they would have been in had railroad employment been covered by Social Security.

**Food Stamps** - - SSA assists the Department of Agriculture by providing information about the food stamp program and taking food stamp applications for qualified OASI, DI and SSI claimants. In FY 1999, SSA processed 23,354 food stamp applications and recertifications.

**State and Local Programs** - - SSA regularly provides information from Social Security records needed to make eligibility and payment decisions for a variety of State and local welfare programs, and provides automated data exchanges with over 100 State and Federal agencies.

# Agency Organization

SSA's organization features centralized management of the national Social Security programs and a decentralized nationwide network of 10 regional offices overseeing 7 processing centers, 1,343 field offices (includes 54 resident stations), 1 data operations center, 36 teleservice centers and 132 hearings offices.

Field offices are located in cities and rural communities across the nation and are the Agency's main physical point of contact with beneficiaries and the public. Additionally, the Social Security disability program depends on the services of 54 Disability Determination Services which include all 50 States, the District of

Columbia, Guam and Puerto Rico. SSA's unique organizational structure is designed to provide responsive, swift and accurate world-class service to the public.

To meet the needs of non-English-speaking customers, SSA recruits bilingual individuals to serve as a public contact for customers visiting SSA field offices and calling SSA's 800-number telephone service. During FY 1999, 19 percent of public contact employee new hires were bilingual. At year end, SSA had bilingual public contact employees who could provide service in English and at least one of 23 other languages.

## SSA's Service Delivery Network



249.9 Million Earnings Reports Posted



16.3 Million SSN Cards Issued



6 Million Claims Processed



58.8 Million 800 Number Calls Handled

# Major Issues Facing SSA

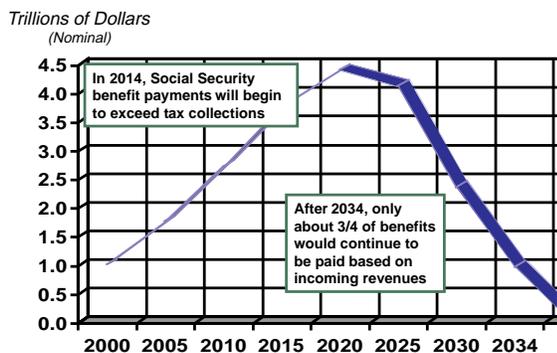
The major goal of SSA's Accountability Report is to demonstrate the Agency's success in administering our programs and managing the resources entrusted to us. In addition to the retrospective information reported throughout the Accountability Report, we believe that full disclosure necessitates that we discuss the prevailing issues that will affect our programs and our ability to administer these programs in the future. In addition to the long-term financing of the Social Security system and Year 2000 computer compliance, we will be required to continue to meet the challenge of our stewardship responsibilities while administering our programs in a fair and equitable manner.

## Long-Term Program Financing

Tax revenues to the Social Security system currently exceed benefit payments, and the system is building large reserves that are held in the trust funds. The April 1999 Board of Trustees Report extended projections for trust fund solvency by 2 years over the previous year's estimates. The Trustees credit the continuing strong economy and improved prospects for future performance for the improvement in financial status. Under the current estimates, benefit payments will begin to exceed tax collections in 2014. After that time, interest on the trust funds, and ultimately the trust funds themselves, will be used to pay part of each monthly benefit check. Current estimates are that the trust fund reserves will be exhausted in 2034.

Under current projections, Social Security tax receipts will provide sufficient funds after 2034 to meet approximately 71 percent of benefit obligations. To correct the long-term imbalance in Social Security financing, the President has proposed to use a portion of the budget surpluses to help meet future commitments. Under his plan, all Social Security surpluses would be used to reduce the national debt held by the public. Reducing the debt held by the public will strengthen the economy and, by reducing interest payments to the

### The Social Security Trust Fund Will Be Exhausted In 2034

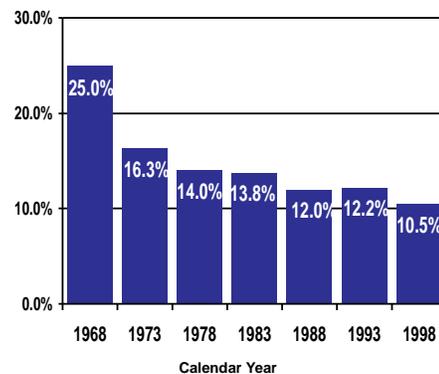


public, help provide the fiscal ability to meet future Social Security obligations. Under the President's plan, interest savings from the reduction in the debt held by the public due to the Social Security surpluses will be deposited in the trust funds. In addition, a small portion of the trust funds will be invested in the private sector, as other trust funds do to achieve a higher rate of return.

These elements of the President's proposals would extend the solvency of the trust funds from 2034 to 2053. The President has called for further bipartisan action to extend Social Security solvency for 75 years. Other plans to ensure long-term program solvency have also been proposed.

The need to resolve the long-range financing issue is clear. Social Security has made an enormous difference in the lives of older Americans. More than 9 in 10 older Americans get Social Security retirement benefit payments each month. Only about 11 percent of America's senior citizens live below the poverty line, but without Social Security, about 50 percent would be below the poverty line.

### Poverty Rate Among the Elderly



For two-thirds of the elderly, Social Security is their major source of income, representing at least half of their total income. For about a third of the elderly, Social Security is virtually their only income. An in-depth discussion of the Social Security programs can be found on pages 2 through 5.

Social Security is more than a retirement program. In fact, about one in three Social Security beneficiaries are not retirees. They are disabled workers and their dependents, and children and spouses of deceased workers. Approximately 7 million people get monthly survivors benefits, and more than 6 million workers and family members get disability benefits.

SSA is continuing its efforts to educate the American public about the value of the program and its role in family financial planning.

SSA will help further the dialogue on critical long- and short-term Social Security issues by conducting in-house research, promoting research by others, framing policy discussions, and refining policies to meet the needs of society. We continue to prepare analyses on the distributional and fiscal effects of proposals developed by the Administration, Congress, and other policymakers so that decision makers may understand the impact of changes to the programs. SSA has worked to ensure that the public has the information it needs to understand the essentials of the program and the implications of various options for changing the program as the Administration and Congress examine how best to strengthen Social Security for the future.

## Commitment to World-Class Service

SSA is dedicated to providing world-class service to all of the people it serves. We have many initiatives underway that will improve service to the public. But we recognize that changes in customer preferences, emerging technologies and other factors will result in modifications to the way we deliver service in the future. The Agency has begun a planning effort designed to create a vision for service in 2010 that will provide a roadmap to the future. The following are just some of the examples of the initiatives underway to improve our service to the public

### Social Security Statement

One of SSA's major goals is to help Americans understand Social Security and its importance to them and their families. The Agency's earnings and benefit estimate statements, available since 1988, play a key role in this educational effort.

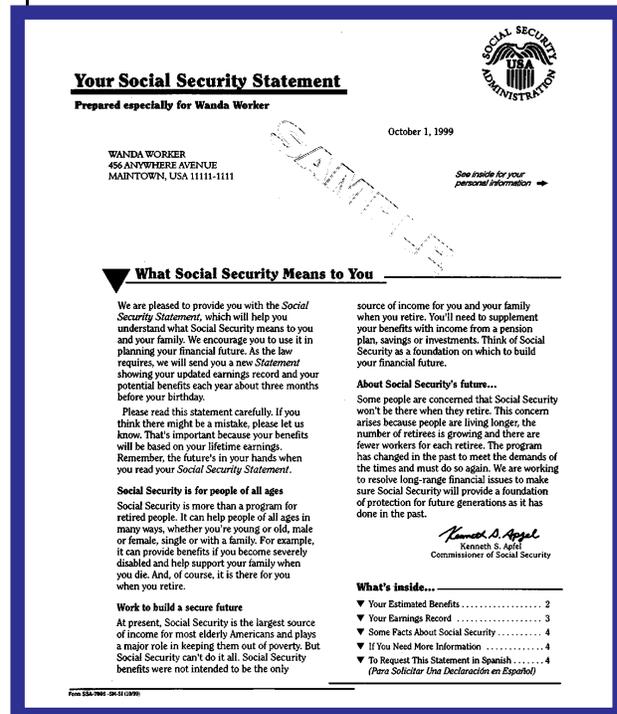
In October 1999, SSA began mailing these statements every year to over 125 million persons age 25 and older who are not already receiving Social Security benefits. Recipients can expect to get their statement about 3 months before their birthday.

The redesigned and renamed *Social Security Statement* (formerly called the Personal Earnings and Benefit Estimate Statement, or PEBES) is a 4-page, 8 1/2-inch by 11-inch document that focuses on the worker's individual record. The Social Security Act and its supporting regulations state specifically what personal data SSA must include in each statement. We also provide general information and explanations to help recipients understand their personal data, and we tell them how to contact us if they have questions.

A major public information campaign throughout FY 2000 will call attention to the statements and encourage recipients to use the information in planning their financial futures. The benefit estimates SSA provides can help recipients prepare for financial needs when they retire, if they become disabled, or if they die and leave survivors. We point out that Social Security is a foundation on which they can build, together with other pensions, savings and investments.

The statement also encourages recipients to help SSA keep their records of earnings complete and accurate. Entitlement to monthly benefits and the amount of those payments depend on the individuals' earnings over their working lifetimes. If their earnings are not reported and recorded accurately, they may not receive the benefits they have worked for. Only the individuals themselves know all the places they have worked and when they worked there. SSA needs their help in identifying and correcting any missing or erroneous earnings on their records.

To design the new form and simplify the language in it, SSA used extensive public and employee input. We tested the statement with focus groups and in a nationwide mail survey. We also sought comments from agencies and organizations that serve diverse sections of the public. As the mailings proceed and we assess reaction to the statement, we will continue to "fine tune" it to make it even more useful and responsive to the public. We expect the *Social Security Statement* to remain a major element in SSA's ongoing effort to increase public understanding of the program.



## Electronic Payment Services

SSA is the leader in electronic payment delivery throughout the Federal Government. Currently, 73 percent of benefit payments and 80 percent of administrative payments are made electronically. SSA programs have experienced considerable growth in electronic payment delivery in recent years. Specifically, in December 1995, 60 percent of all OASDI and 26 percent of SSI benefit payments were made by direct deposit. As of June 1999, the OASDI participation rate had risen to 77 percent and the SSI participation rate to 48 percent.

To achieve this success, SSA has aggressively pursued its direct deposit strategy to convey to beneficiaries the advantages of using direct deposit; i.e., direct deposit is safe, convenient, and reliable. SSA's direct deposit strategy includes the following initiatives:

- Each year SSA, in conjunction with the financial community, sponsors a direct deposit public information campaign including radio and television public service announcements to encourage current check receivers to switch to direct deposit. This year, Calvin Hill, a former Dallas Cowboy star, serves as the spokesperson for the campaign.

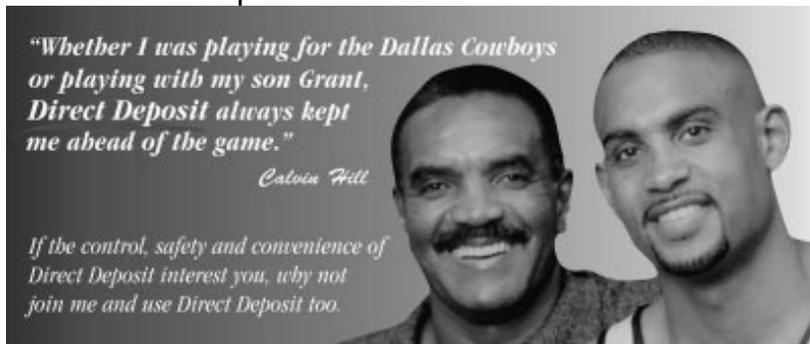
To promote the annual campaign, SSA distributes collateral printed literature and marketing materials to the financial community including a statement stuffer featuring the spokesperson.

- New beneficiaries are enrolled in direct deposit at the point they apply for benefits unless they allege using direct deposit would cause them a hardship. In these cases, they are exempted from the direct deposit requirement and may receive benefits by check.
- SSA has also partnered with the financial community to simplify the enrollment of beneficiaries for direct deposit. The "automated enrollment" feature, better known as Quickstart, allows financial institutions to send SSA direct deposit enrollment information electronically through the same system that delivers benefit payments. This innovation allows the financial institution to immediately enroll their customer for direct deposit and saves SSA resources that would be spent processing the enrollment action.

SSA was the first Federal agency to make cross-border payments to consumers with the start of its International Direct Deposit (IDD) service in 1987. Since 1987, SSA has expanded its IDD services to 11 countries providing fast and economical electronic payment delivery to over

100,000 beneficiaries living in foreign countries. In response to the increasing popularity of its IDD program, SSA is accelerating the expansion of its international service to 25 additional countries by the end of 1999.

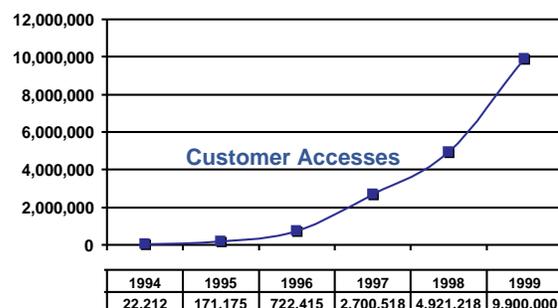
SSA has partnered with the Department of the Treasury to implement an Electronic Transfer Account (ETA) program for beneficiaries who do not have an account at a federally insured financial institution or who cannot obtain one. The ETA program will ensure recipients an account at a reasonable cost and with consumer protections comparable to other accounts at the financial institution. This program will become fully operational in the year 2000.



## Internet Services

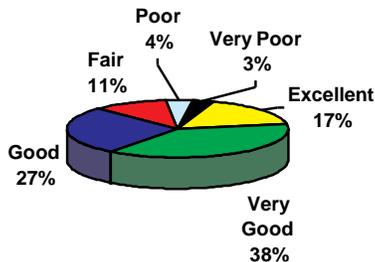
SSA faces several challenges to maintaining its long tradition of delivering customer-responsive, world-class service. As baby boomers become eligible for benefits over the next two decades, increased workloads and increased expectations by our customers for service delivery options will require different and more varied service delivery mechanisms. In addition, the number of customers expecting immediate access to information and services, anytime, anywhere, is rapidly increasing.

**SSA Internet Access**  
May 1994-December 1999 (Projected)



In response to these demands, SSA began testing and implementing direct-access, customer services on the Internet in 1994. The number of Internet customers has rapidly increased from 22,000 in 1994 to almost 10 million in 1999.

### Internet Customer Satisfaction



Through comments on the web, surveys and focus groups, customers tell us that they like these early services and want SSA to extend the convenience of doing business on the Internet to more services.

However, before any such expansion can occur, SSA must be confident that personal information in records will be disclosed only to the person to whom it pertains or a third party with their consent. In other words, SSA must be able to authenticate customers (or confirm identity) before initiating a transaction that could result in personal information being disclosed or changed. To date, SSA has restricted development to a few online processes where data in SSA records is not changed and the response is mailed to reduce the risk of improper disclosure. Knowledge-based authentication; i.e., something the customer knows that can be matched to SSA records such as a mother's maiden name, is used to identify the customer for these applications. SSA is evaluating a range of authentication measures to determine if they would provide the requisite level of privacy and security safeguards. In order to provide world-class service to our customers, our Internet services must be both convenient and secure.

### Year 2000 Compliance

SSA has made significant progress in its efforts to address the Year 2000 problem. We have completed renovation of all mission-critical systems targeted for renovation. Detailed forward year, integration testing and formal certification procedures have been developed to certify Year 2000 compliance. To ensure the integrity of our production environment, SSA established a separate Year 2000 Test Facility to test the operating systems, vendor products and all of SSA's mainframe applications that run in SSA's National Computer Center and distributed applications that run on the Intelligent Work Station/Local Area Network environment. Year 2000 compliance testing of SSA's mission critical applications began in September 1997 and was completed in January 1999.

We are pleased to report that all of the software that produces the Social Security Income Payment files has been forward-date tested and certified. In addition, testing with Treasury's Financial Management Service has been completed, and beginning with the October 1998 payments, both Social Security and the SSI benefit payments are being made using Year 2000 compliant systems. The Federal Reserve (Automated Clearing House) has also successfully tested Social Security direct deposit payments.

Also, SSA has made significant progress in addressing non-mission critical systems. As of March 1999, all of SSA's non-mission critical systems have been made Year 2000 compliant. With regard to data exchanges, SSA has been in contact with all of its trading partners regarding the format and schedule for making data exchanges compliant. All data exchanges have been implemented as Year 2000 compliant. In the area of telecommunications, SSA inventoried all of its telecommunications systems and worked with the vendor community to obtain upgrades and fixes to make all systems Year 2000 compliant. Numerous acquisitions were made that resulted in the installation of telecommunications software and hardware upgrades. All telecommunication systems are now Year 2000 compliant.

SSA has worked closely with all of the State DDSs and as of January 1999, all State DDS systems have been made Year 2000 compliant.

On March 31, 1998, SSA issued its Y2K Business Continuity and Contingency Plan (version 1). This plan is updated quarterly. On September 30, 1999, the final update (version 7) was issued. The plan was developed to assure that SSA's core business functions could be performed if unforeseen Year 2000 related disruptions occur.

The plan is consistent with General Accounting Office guidelines for contingency planning. It identifies potential risks to business processes, ways to mitigate each risk and strategies for ensuring continuity of operations if planned corrections are not completed or if systems fail to operate as intended. The plan also identifies milestones, target dates and responsible components for developing local contingency plans and procedures throughout all of SSA's operating components. The plan addresses all five core business processes of SSA — enumeration, earnings, claims, postentitlement and informing the public, as well as disability claims processing functions supported by the State DDSs.

In addition, on April 30, 1999, SSA completed version 1 of the Day One Strategy Plan, and the final version of the plan (version 3) was distributed in November 1999. The Day One Strategy Plan is designed to ensure continuation of operations by taking advantage of the rollover weekend to check all systems and infrastructure prior to January 3, 2000, the first business day of the new century.

As with all other businesses and government agencies, SSA is critically dependent on infrastructure services, such as the power grid and telecommunications industry. Since SSA delivers 50 million payments each month, the Agency is also dependent on financial institutions. SSA's Business Continuity and Contingency Plan addresses how the Agency can mitigate risks in these areas and if problems occur, where contingencies will be implemented. In addition, SSA participates in the Benefit Payments and the Financial Institutions workgroups of the President's Council on Year 2000 Conversion.

SSA estimates the cost of its Year 2000 Program will be approximately \$48 million.

## Stewardship

### *Zero Tolerance for Fraud*

To achieve the goal of making SSA program management the best in the business, SSA established a policy of zero tolerance for fraud and abuse and initiated an aggressive program of anti-fraud efforts to:

- Eliminate wasteful practices that erode public confidence in the Social Security system;
- Vigorously prosecute individuals or groups who damage the integrity of the programs; and
- Change programs, systems and operations to reduce instances of fraud.

SSA's National Anti-Fraud Committee, under the leadership of top SSA executives, continues to oversee the implementation and coordination of SSA's strategies to eliminate fraud. To address fraud issues at the local level, each SSA region has in place an active Regional Anti-Fraud Committee which is the focal point for an aggressive and coordinated effort to combat fraud. Best practices are shared among the regional committees and with the National committee.



## Recent Progress In Combating Fraud

Many aspects of SSA's anti-fraud efforts began at a grassroots level with initiatives proposed by employees. Communication of these successes has encouraged an expansion of progress in the following areas:

- Our residency verification projects identify individuals who are fraudulently receiving SSI payments while living outside of the United States. The New York Region began a new project to identify SSI recipients whose State Medicaid files have shown no activity for at least 1 year indicating they may not live in the United States or may be deceased or fictitious. This concept is being expanded to other regions.
- Implemented the first part of a comprehensive Allegation Management System to improve the fraud referral and tracking process. The Office of the Inspector General, and ultimately SSA staff, will have access to an electronic fraud referral and reporting system to streamline their cooperative efforts to deter and prosecute fraud.
- The number of Cooperative Disability Investigation units has expanded to eight. These units, staffed by personnel from the Office of the Inspector General, State law enforcement agencies and experienced program analysts, provide investigative support during the initial disability decision-making process and help prosecute individuals who try to obtain benefits fraudulently. Special emphasis is placed on identifying third-party facilitators. Additional expansion is planned.
- In June 1999, the House passed H.R. 1802, the Foster Care Independence Act of 1999, which included an administrative sanctions proposal. These sanctions would impose periods of ineligibility on individuals who furnish information material to OASDI and SSI claims that they knew, or should have known, was inaccurate or incomplete.

### *Supplemental Security Income (SSI) Management Improvement*

The SSI program provides benefits to approximately 6.5 million needy beneficiaries who are aged, blind or disabled. Like other means-tested programs that respond to changing circumstances of individuals' lives, the SSI program presents challenges to ensure that it is administered efficiently, accurately, and fairly.

A report issued by the Commissioner in October 1998, delineated a series of actions SSA would undertake to improve oversight and stewardship of the SSI program while safeguarding the rights of SSI beneficiaries and providing world-class service to our customers.

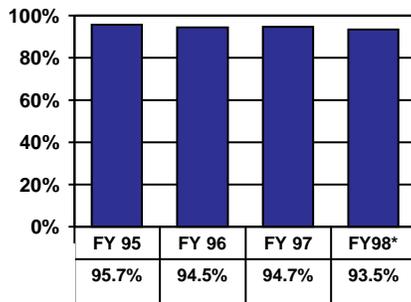
In the last year, the Agency has moved aggressively to implement this plan and to strengthen the management of the SSI program through improving payment accuracy, debt collection and expanding efforts to combat fraud.

SSI benefits are paid on the first day of the month, over- and underpayments are difficult to prevent because of changes in an individual's income, resources or living arrangements that occur during the month and due process requirements. However, some changes are not reported or reported much later than the event which can lead to a much larger payment error.

The Agency is performing new and more frequent computer matches to detect these changes earlier and, thus, reduce the level of payment error. For example, we are performing new and more frequent matches for wage and unemployment compensation information and nursing home admissions that will save in excess of \$100 million over the next few years. SSA has also developed partnerships with Federal, State and local entities to establish matching agreements with prisons and correctional facilities. Through this matching activity, SSA has made significant progress in ensuring that incarcerations are reported timely and accurately and that benefits are suspended accordingly. These agreements cover 99 percent of the inmate population in the United States and have resulted in hundreds of millions of dollars in program savings over the last few years.

In addition to computer matches, SSA is pursuing real time access to databases. This access will enable field offices to detect changes in income and resources even earlier than computer matches and will, therefore, increase our ability to prevent and detect payment errors.

### SSI Benefit Payment Accuracy *Outlays Free of Overpayments*



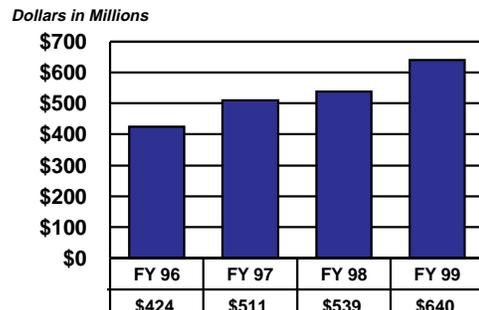
\* Latest available data

Another important aspect of payment accuracy is ensuring that only those entitled to benefits continue to receive benefits. This is achieved through the redetermination and continuing disability review (CDR) processes. In the last year, SSA has made improvements to redetermination methods by implementing a new profiling methodology for selecting high error profile cases.

SSA also selected 505,000 high error redetermination cases for field office processing in FY 1999, an increase of 219,000 over the previous year. In FYs 2000 and 2001, SSA plans to select 639,000 high error cases each year. SSA projects that the increases in redeterminations each year from FY 1999 through FY 2002 will achieve overpayment reductions of \$260 million annually.

In addition to increasing the number of redeterminations processed, SSA has increased the number of CDRs it is conducting. In FY 1999, SSA processed over 1.7 million total CDRs, more than twice the number processed in 1996. SSA will continue with its 7-year plan to ensure that it is current in processing all SSI CDRs by 2002. There are also initiatives underway to improve the CDR process by improving the statistical profiling of the CDR selection process, reviewing the medical diary process and evaluating the CDR mailer to make sure it accurately identifies cases with medical improvement.

### SSI Overpayment Dollars Collected



Finally, during the coming year, SSA will implement two major debt collection projects that are expected to yield direct collections of more than \$175 million over 5 years. The two projects, cross program recovery and administrative wage garnishment, will enable SSA to collect both title II and title XVI delinquent debts. Enhancements to improve SSA's debt detection and collection abilities are included in The Foster Care Independence Act of 1999 legislation currently pending before Congress.

## *Disability Management Improvement*

SSA strives to deliver the highest levels of service by making fair, consistent and timely decisions at all adjudicative levels. However, applicants and beneficiaries sometimes find the current process complex, fragmented, confusing, impersonal, and time-consuming. Some also perceive the process as one in which different decisions are reached on similar cases at different levels of the administrative review process, thus applicants must maneuver through multiple appeals steps before they receive a final decision.

To remedy these concerns, the Commissioner announced a plan to improve the disability process. Part of that plan involves focusing on a combination of initiatives that have demonstrated significant promise through testing and piloting over the last few years.

### **These initiatives include the following:**

- Providing more complete development and improved explanations of how the disability determination was made in order to enhance the quality of decisions.
- Enhancing the role of the State agency medical or psychological consultant to truly function as a consultant in the disability determination process by providing information and advice to the disability examiner deciding the case. This change maximizes the effectiveness of agency resources — focusing State agency medical and psychological consultants on duties and responsibilities commensurate with their professional training and experience, such as the review of complex disability claims, as well as the training and mentoring of disability examiners.
- Providing the claimant with an increased opportunity to interact with the disability decisionmaker earlier in the process and to submit further information when evidence in the initial claim is insufficient to make a fully favorable initial determination of disability.
- Eliminating the reconsideration step in order to streamline the disability process. This allows the Agency to invest more resources to improve quality at the front end of the process, as described above.
- Improving the hearing process to significantly reduce processing time from request for hearing to final hearing disposition. The new process will identify the development needs of each case early in the process; will ensure that case development or expedited review occurs, and that cases move to the hearing fully developed and ready for decisionmaking.

All of these initiatives will be combined to form an improved disability process that the Agency will prototype in 10 States, representing 20 percent of the

national disability workload, beginning October 1, 1999. Through this prototype the Agency will further analyze and refine its improvements to the disability process with an eye towards national rollout.

## **Return to Work Initiatives**

Among SSA's beneficiaries with disabilities, there are many who would like to return to work. This can be done if beneficiaries receive the support they need. SSA's Office of Employment Support Programs (OESP) is instrumental in promoting and designing programs that increase employment opportunities for Social Security beneficiaries. Key concepts to this employment strategy are:

- Planning, implementing and evaluating SSA programs and policies related to the employment of Social Security DI and SSI beneficiaries with disabilities;
- Providing greater incentives for public and private sector providers of employment services and promoting innovation in the design of programs that will increase employment opportunities for Social Security beneficiaries;
- Maximizing the employment potential of young people with disabilities and educating the public about SSA and other public programs that support employment;
- Enhancing services provided to beneficiaries, removing employment barriers for people with disabilities and making the transition to employment from income support programs as easy as possible.

This strategy has a number of initiatives, some that require legislation and others that can be pursued using existing legislative authorities. Some of the major initiatives are:

### ***1. Ticket to Independence Program***

The President proposed the Ticket to Independence Program in 1997 as an alternative to the current SSA Vocational Rehabilitation (VR) program. Under the proposal, a beneficiary with a long-term impairment would be issued a "ticket" which he or she could use for access to a broad range of employment and VR services. Approved private and public service providers who receive a ticket from a beneficiary, would be rewarded when they are successful in helping the beneficiary achieve independence from SSA's benefit rolls. In each case where SSA realizes a cash benefit savings due to a beneficiary's work activity, the provider would be paid a proportion of the savings.

For FY 1999, the Senate passed S.331, "The Work Incentives Improvement Act of 1999." The House has passed a similar bill, H.R. 1180. The bills are currently in conference.

## **2. Youth Employment Strategy**

The goal of this initiative is to inform and motivate young SSI recipients about entering the workforce. SSA is partnering with The Presidential Task Force on the Employment of Adults with Disabilities, Subcommittee on Expanding Employment Opportunities for Young Adults with Disabilities, to complete the following goals:

- Identify and eliminate Federal policies that are barriers to employment for young people with disabilities;
- Make recommendations that promote effective Federal policies and the removal of policies which are barriers to employment;
- Develop an action plan that leads to a coordinated and aggressive national strategy to assure that young people with disabilities enter the workforce at comparable rates and pace as their non-disabled peers;
- Develop recommendations for influencing State and local policy and practice for young people with disabilities in achieving employment.

SSA's OESP is also initiating a Youth Early Intervention Initiative pilot to assess the impact of a more proactive approach on the successful transition of young people (ages 15-17) from school (and the SSI rolls) to work.

## **3. Service Delivery**

In August 1998, Commissioner Apfel directed that an examination be undertaken of SSA's service to beneficiaries with disabilities who want to work to determine where such service could be improved and to develop new models for service delivery.

In March 1999, a multi-component workgroup presented a series of recommendations for improving customer service by dedicating specially trained field personnel to deliver return to work services, training our partners in the disability community on Social Security's employment support provisions, increasing public access to electronic services and by providing employees with better client information through improved technologies.

Teams comprised of Headquarters and regional/field staff were formed to implement the workgroup's recommendations. They began working in August 1999 with their first priority being the pilot of a temporary Employment Support Representative position. The position will be staffed by employees trained and

dedicated to the task of providing service to beneficiaries who want to enter or reenter the workforce.

## **4. State Partnership Initiative (SPI)**

The initiative is designed to help States develop innovative and integrated State-wide programs of services and support for their residents with disabilities that will increase job opportunities and decrease dependence on benefits, including Social Security Disability Insurance and Supplemental Security Income benefits.

In April 1998, SSA announced the availability of cooperative agreements to States to conduct projects that will determine the degree of interaction of State and Federal systems and benefits and seek ways to integrate services to overcome barriers to employment. The approved States awarded agreements were: California, Illinois, Iowa, Minnesota, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Vermont, and Wisconsin. All of the State projects are operational; most have begun enrolling participants and collecting data.

SPI is the first activity launched under an Executive Order signed on March 13, 1998, by the President that created the National Task Force on the Employment of Adults with Disabilities. The total first-year funding for the competitively awarded cooperative agreements under SPI includes funding from the Department of Health and Human Services and the Department of Labor. In addition, SSA has awarded a contract to Virginia Commonwealth University to provide technical assistance to the States and to monitor and collect data on the State projects. This data will then be analyzed under a separate SSA contract to determine how much the initiative improved employment outcomes for participants and thereby reduced their dependence on benefits. We anticipate that the new approaches developed by States under this program will create and enhance Federal-State partnerships and serve as models that can be replicated in other States.