

**SOCIAL SECURITY ADMINISTRATION SERVICE
DELIVERY BUDGET PLAN**

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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JULY 24, 2003
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SOCIAL SECURITY ADMINISTRATION SERVICE DELIVERY BUDGET PLAN

THURSDAY, JULY 24, 2003

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:00 a.m., in room B-318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
July 17, 2003
SS-4

CONTACT: (202) 225-9263

Hearing on Social Security Administration Service Delivery Budget Plan

Congressman E. Clay Shaw, Jr. (R-FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the Social Security Administration's (SSA) Service Delivery Budget Plan. **The hearing will take place on Thursday, July 24, 2003, in room B-318 of the Rayburn House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from invited witnesses only. Also, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

The SSA Service Delivery Budget Plan is a 5-year plan submitted to the Office of Management and Budget with the Agency's fiscal year 2004 request. Integrated with the 5-year Strategic Plan, the plan provides a comprehensive framework to address the challenges facing the Agency, and improve public service. For fiscal year 2004, the President's Budget requests \$8.5 billion for administrative expenses of the SSA, an increase of 8.2 percent from last year. These funds will be used to deliver

almost \$525 billion in benefits for the following programs: Old-Age and Survivors Insurance, Disability Insurance (DI), and Supplemental Security Income (SSI).

The Service Delivery Budget Plan calls for the SSA's 63,000 employees nationwide to continue to provide a high level of service to Americans by paying benefits to more than 50 million people each month, processing more than 5 million claims for benefits, issuing 16 million new and replacement Social Security cards, posting 265 million earnings items to workers' earnings records, and handling 54 million phone calls. These core workloads continue to grow each year and will increase significantly with the aging of the baby boom generation.

In addition to keeping up with growing core workloads, the Agency faces several other major challenges including:

Improving the DI and SSI Disability Claims Process. These programs face tremendous backlogs to the point where the SSA estimates that individuals who pursue their disability claim through all levels of Agency appeal wait an average of 1,153 days for a final decision. The Service Delivery Budget Plan aims to eliminate backlogs altogether and also includes the Commissioner's plans to move to an electronic disability folder. Use of an electronic folder would help to reduce backlogs by eliminating time spent locating, mailing, and organizing paper folders as a disability case moves through the system. In addition, the Service Delivery Budget Plan calls for the Commissioner to provide additional recommendations this year to improve the timeliness and accuracy of the disability process.

Furthering Implementation of the Ticket to Work Program. The Service Delivery Budget Plan supports activities authorized by the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170) with the goal of increasing the number of persons with disabilities who work.

Improving Payment Accuracy. The Service Delivery Budget Plan reaffirms the SSA's commitment to protecting the integrity of the trust funds and the general fund by avoiding erroneous payments, combating fraud, and seeking efficiencies. The President's Budget request supports this commitment by earmarking not less than \$1.4 billion for continuing disability reviews and overpayment actions.

Combating Social Security Number Misuse. The Service Delivery Budget Plan provides for the strengthening of enumeration policy and procedures to prevent those with criminal intent from obtaining and using Social Security numbers and cards.

In announcing the hearing, Chairman Shaw stated, "Each payday, America's workers send a portion of their hard-earned wages to Social Security. In return, they are promised income protection for themselves and their families in the event of retirement, disability, or death. Workers rightly expect and deserve a responsive SSA. This hearing will highlight the amount of investment needed to effectively run the Agency and expected returns."

FOCUS OF THE HEARING:

The Subcommittee will examine the key challenges facing the SSA, and how the Agency's Service Delivery Budget Plan addresses those challenges.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to hearingclerks.waysandmeans@mail.house.gov, along with a fax copy to (202) 225-2610, by the close of business, Thursday, August 7, 2003. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Social Security in room B-316 Rayburn House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225-2610, in WordPerfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. Good morning. We're in good moods today, having been up until about 3:00 a.m. this morning, so be patient with all of us. Today our Subcommittee welcomes once again the Commissioner of Social Security, Jo Anne Barnhart, to review the agency's Service Delivery Budget Plan. This plan is a welcomed result of the Commissioner's comprehensive review of the Social Security Administration (SSA). The 5-year Service Delivery Budget Plan was submitted to the Office of Management and Budget (OMB) with the agency's fiscal year 2004 budget request. Integrated with the 5-year strategic plan, the Service Delivery Budget Plan provides a framework to address the challenges facing the SSA and to improve public service. In fiscal year 2004, the agency expects to process more than 5 million claims for benefits, issue 16 million new and replacement Social Security cards, process 265 million earnings items for workers' earnings records, answer 54 million telephone calls, and pay monthly benefits to more than 50 million people. You did volunteer for this job, didn't you? To date, the 77,000 employees of the SSA and State disability determination services have worked to process these growing workloads expeditiously and with care. The agency's continued commitment to providing a high level of service is evidenced through the Service Delivery Budget Plan. Social Security's disability programs pose a great challenge. Backlogs have reached the point where individuals who pursue their disability claims through all level of agency appeal wait for their final decision an average of 1,153 days. That is over 3 years. We all agree, this is quite unacceptable.

As summarized in this Service Delivery Budget Plan, the Commissioner plans to improve service provided to individuals with disabilities by eliminating the backlog at all initial and appeals levels by the end of fiscal year 2008. This will reduce the average processing time from the said 1,153 days to about 700 days for individuals going through all appellate levels. A key to achieving these goals is the Accelerated Electronic Disability (AeDib) Initiative which moves the agency from a paper folder to an electronic disability folder by as early as January 2004. Other challenges addressed in the Service Delivery Budget Plan include improving program stewardship by eliminating billions of dollars in erroneous program payments, strengthening the integrity of the Social Security Number, and continued implementation of the Ticket to Work Program. The President's commitment to the SSA is clear. His request for \$8.5 billion for agency expenses reflects an increase of 8.2 percent from last year, among the highest increases, for all Federal agencies; but for the SSA to implement this much-needed program improvement, Congress must enact the President's budget request. Today, we will also hear from the U.S. General Accounting Office (GAO), which will provide its perspective on the agency's progress in accelerating the Electronic Disability Initiative and on the importance of continuing disability reviews. Last, we will hear from Susan Prokop of the Social Security Task Force of the Consortium of Citizens with Disabilities. She will comment on program improvements needed to ensure a fair and timely process so that individuals with disabilities receive the benefits that they desperately need. Each payday our Nation's workers send a portion of their hard-earned wages to Social Security in return for future promised benefits. Today we will learn how their investment will be used to provide the responsive service they rightly expect and deserve. Ms. Barnhart, welcome once again to the Committee. We will, of course, as you know, have your full statement made a part of the record. At this point, we will hear from Mr. Pomeroy.

[The opening statement of Chairman Shaw follows:]

Opening Statement of the Honorable E. Clay Shaw, Jr., Chairman, and a Representative in Congress from the State of Florida

Good morning. Today our Subcommittee welcomes the Commissioner of Social Security, Jo Anne Barnhart, to review the agency's Service Delivery Budget Plan. This Plan is a welcome result of the Commissioner's comprehensive review of the Social Security Administration.

The five-year Service Delivery Budget Plan was submitted to the Office of Management and Budget with the agency's fiscal year 2004 budget request. Integrated with the 5-year Strategic Plan, the Service Delivery Budget Plan provides a framework to address the challenges facing the Social Security Administration and to improve public service.

In fiscal year 2004, the agency expects to: process more than 5 million claims for benefits; issue 16 million new and replacement Social Security cards; process 265 million earnings items for workers' earnings records; answer 54 million phone calls; and pay monthly benefits to more than 50 million people.

To date, the 77,000 employees of the Social Security Administration and State Disability Determination Services have worked to process these growing workloads expeditiously and with care. The agency's continuing commitment to providing a high level of service is evidenced through the Service Delivery Budget Plan.

Social Security's disability programs pose great challenges. Backlogs have reached the point where individuals who pursue their disability claim through all levels of agency appeal wait for their final decision an average of 1,153 days—that's over 3 years. We all agree this is unacceptable.

As summarized in the Service Delivery Budget Plan, the Commissioner plans to improve service provided to individuals with disabilities by eliminating backlogs at all initial and appeals levels by the end of fiscal year 2008. This will reduce the average processing time from 1,153 days to about 700 days. A key to achieving these goals is the accelerated electronic disability initiative, which moves the agency from a paper folder to an electronic disability folder by as early as January 2004.

Other challenges addressed in the Service Delivery Budget Plan include improving program stewardship by eliminating billions of dollars in erroneous program payments, strengthening the integrity of the Social Security number, and continued implementation of the Ticket to Work program.

The President's commitment to the Social Security Administration is clear. His request for \$8.5 billion for agency expenses reflects an increase of 8.2 percent from last year, among the highest increase for all Federal agencies. But for the Social Security Administration to implement these much needed program improvements, Congress must enact the President's Budget request.

Today, we will also hear from the General Accounting Office, who will provide its perspective on the agency's progress in accelerating the electronic disability initiative and on the importance of Continuing Disability Reviews.

Lastly, we will hear from Susan Prokop of the Social Security Task Force of the Consortium of Citizens with disabilities. She will comment on program improvements needed to ensure a fair and timely process so that individuals with disabilities receive the benefits they so desperately need.

Each payday, our nation's workers send a portion of their hard-earned wages to Social Security in return for future promised benefits. Today we will learn how their investment will be used to provide the responsive service they rightly expect and deserve.

Mr. POMEROY. Mr. Chairman, thank you. I make these comments on behalf of myself and our Ranking Member, Mr. Matsui. I thank you, Mr. Chairman, for the series of hearings you have conducted as Chairman, helping us understand the administrative complexities and difficulties they face in terms of making this program work. It certainly has impressed upon me the critical need for adequate resources of the SSA. I also want to join you in commending Commissioner Barnhart for her 5-year Service Delivery Budget Plan targeted at getting rid of the disability backlog. It is, as you mentioned, absolutely unconscionable that we are having severely disabled workers wait months to years before receiving benefits. I congratulate the Commissioner because getting that 8 percent funding increase through the OMB in the fiscal year 2004 budget was an extraordinary accomplishment. We have seen a lot of disappointed agency heads that have come out the OMB process short of what they thought they needed, and whether or not you got exactly what you were shooting for, this is a substantial budget commitment by the Administration. Unfortunately, often Congress is trying to add back to avoid disruption of services. This is a case where Congress is dropping the ball, cutting \$168 million from the Commissioner's request in the appropriations mark. These funds are desperately needed if we are going to continue to reduce the waiting time for disability applicants and keep ahead of the growing workloads. As I have learned through the Chairman's hearings, I am concerned about where we are going in terms of the impending retirement of the baby-boomers.

In addition, with adequate funding, the whole workforce adequacy in terms of do we have enough people to get the job done has been a real question that has been made clear through the series of hearings. You put forward 1,300 new positions in your budget. I believe it is absolutely essential, we are blowing up some big

bureaucracy, we are trying to bring this back to what we need in order to do the task the agency has been assigned. We have a choice. We can increase staff, increase capacity to handle the workload; or we have people that qualify for benefits who need the benefits, deserve the benefits, not getting the benefits because they are lost in the adjudication backlog. I appreciate also that you have looked at your business processes and are always trying to eke out that greater level of efficiency. I am pleased to see that is a component of your budget plan. We have got to work in partnership, Congress, and you as Commissioner, everyone in the administration of the Social Security program, including the disability component of the program, and so we will certainly work to try to get that additional funding as this bill continues to go through the appropriations process. I look forward to your testimony and the testimony of the next panel. Thank you again, Mr. Chairman, for convening this hearing.

Chairman SHAW. Thank you. Ms. Barnhart.

**STATEMENT OF THE HONORABLE JO ANNE B. BARNHART,
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION**

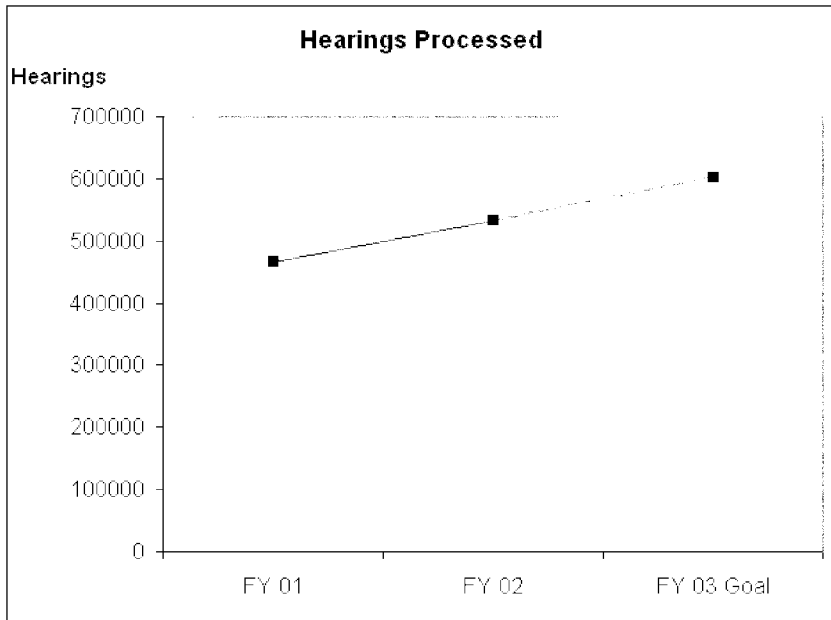
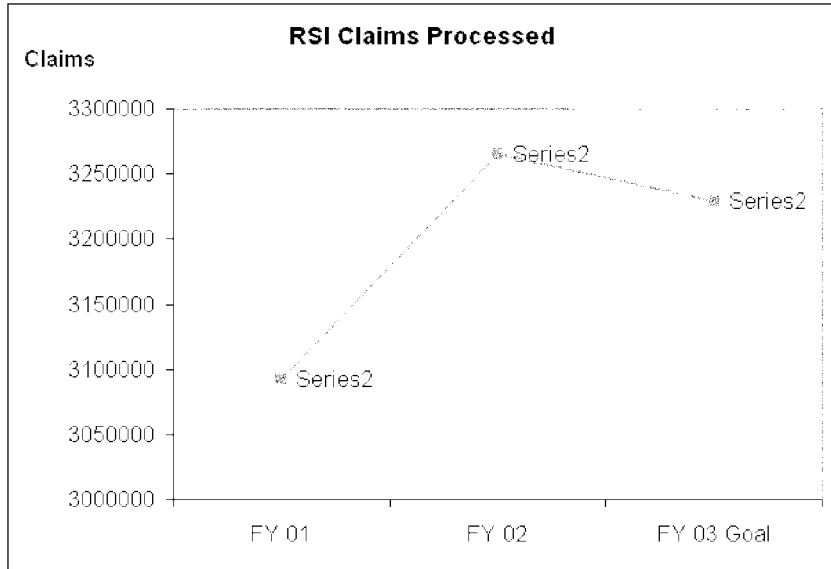
Ms. BARNHART. Thank you, Mr. Chairman, and Members of the Subcommittee. Thank you very much for inviting me today to have this opportunity to discuss the SSA's initiatives to improve our service delivery, as well as the challenges that continue to face our programs. When I appeared before this Committee as the new Commissioner of the SSA, I outlined my priorities for the agency, what we call the four S's inside the agency: stewardship, solvency, staff, and service. As you have discussed, SSA's Service Delivery Budget Plan establishes ambitious, but I believe attainable, goals to faithfully serve the American people. As you know, the plan was developed in large part based upon the analysis that we did during our comprehensive review of the disability determination process. As you have both said, with adequate resources, as provided for in the President's fiscal year 2004 budget, SSA can accomplish the service delivery plan which is keeping up with growing core workloads, eliminating backlogs, processing special workloads, making service and stewardship investments to build a technology infrastructure for the 21st century, and maintaining program integrity through dedicated funding for that purpose. I would like to take this opportunity to thank you, Mr. Chairman, Mr. Matsui in his absence, and the other Members of the Subcommittee for your help, advice, and support during the past year. I thank you, not only on behalf of myself, but all of the men and women of the SSA who are striving daily to provide the kind of service that every claimant, every beneficiary, every member of the American public expects and deserves.

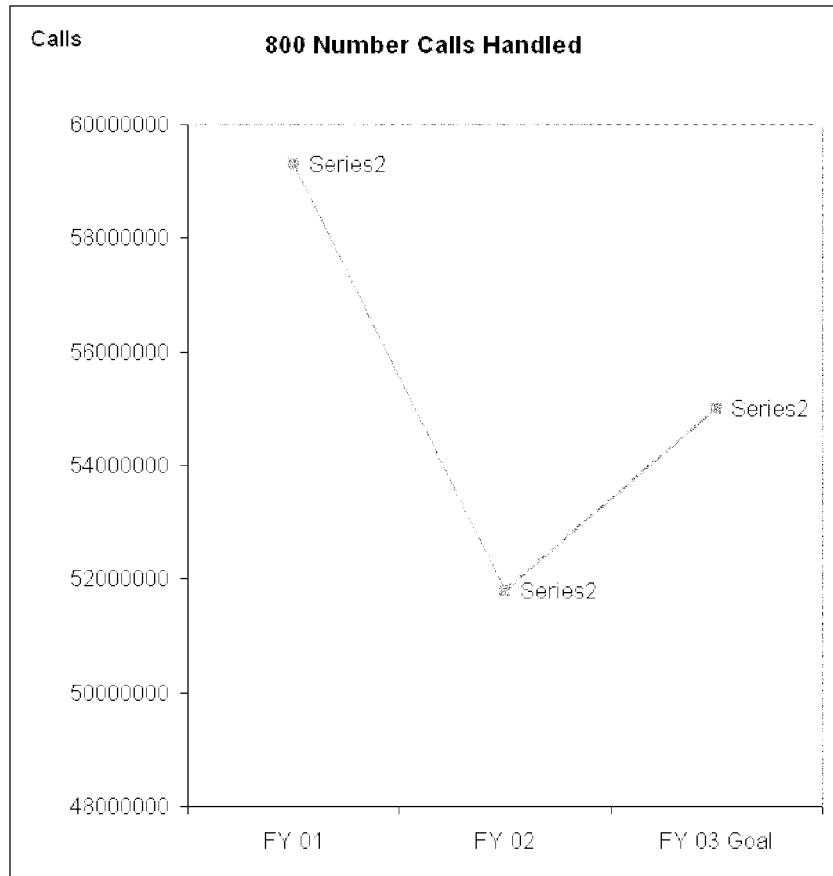
After 20 months on this job, I want Members to know that I continue to be impressed by the dedication of the employees of the SSA. Mr. Chairman, I would like to go on record at this point to say, when I discuss SSA employees, I consider this a collective term, and it includes not only our Federal Social Security employees, but also the State disability determination service workers who work providing service, making disability determinations, and conducting Continuing Disability Reviews (CDRs) throughout this

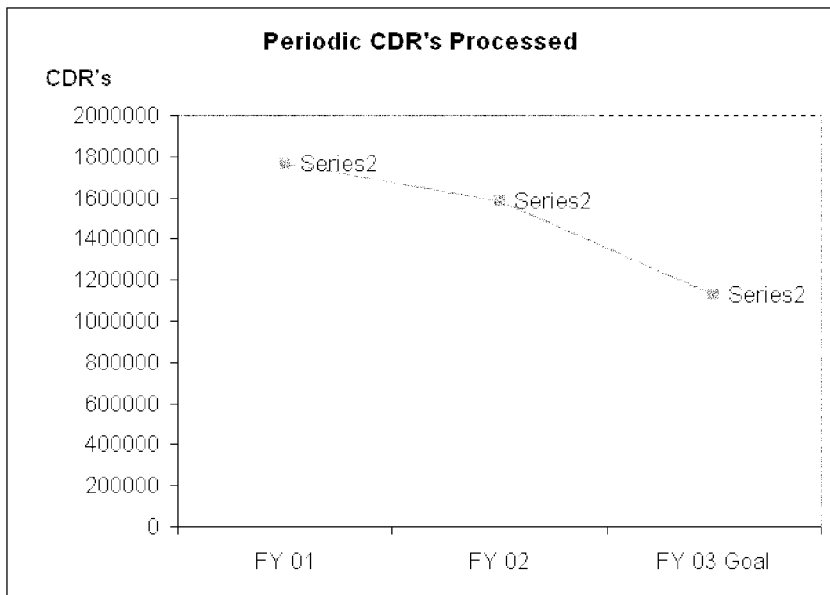
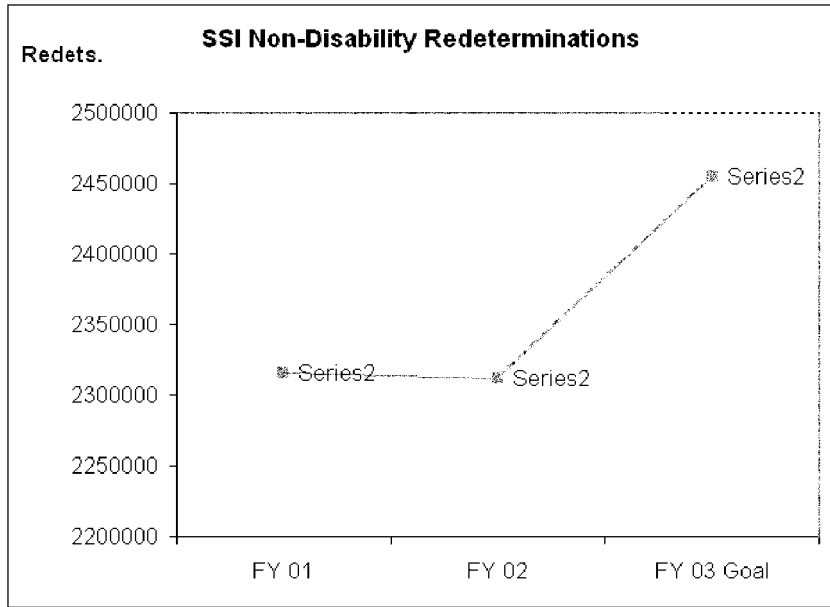
country. Our Disability Determination Services (DDSs) are an integral part of the SSA team, and I want to make sure that their efforts are recognized, too, as we move ahead. Because of the hard work of our employees, last year we received a 5-percent increase in productivity. It was actually 5.2 percent. For anyone who has ever tried to increase productivity in a large organization, they would tell you that is a pretty remarkable productivity increase in 1 year. From the removal of the Social Security Income (SSI) program from GAO's high-risk list to scoring a green on the President's management agenda, to lowering the average time that it takes to get a decision on an appeal of a hearing decision by 157 days as of May 2003, the people of SSA are working hard to meet their responsibilities as good public stewards. The average processing time for an initial disability decision is down, initial claims pending are fewer, despite an increase in receipts that we experienced in fiscal year 2002 and continue to experience this year, and I am pleased to say that we are completely caught up with transcription and copying of cases, which enables us to transmit case materials to the Federal courts in a timely manner. The agency has received numerous awards recognizing our leadership in computer security, financial management, and ethics programs.

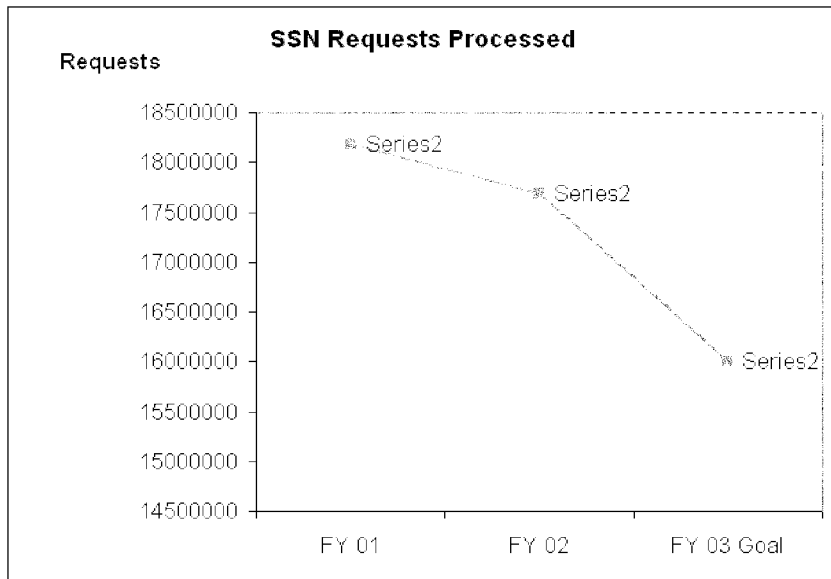
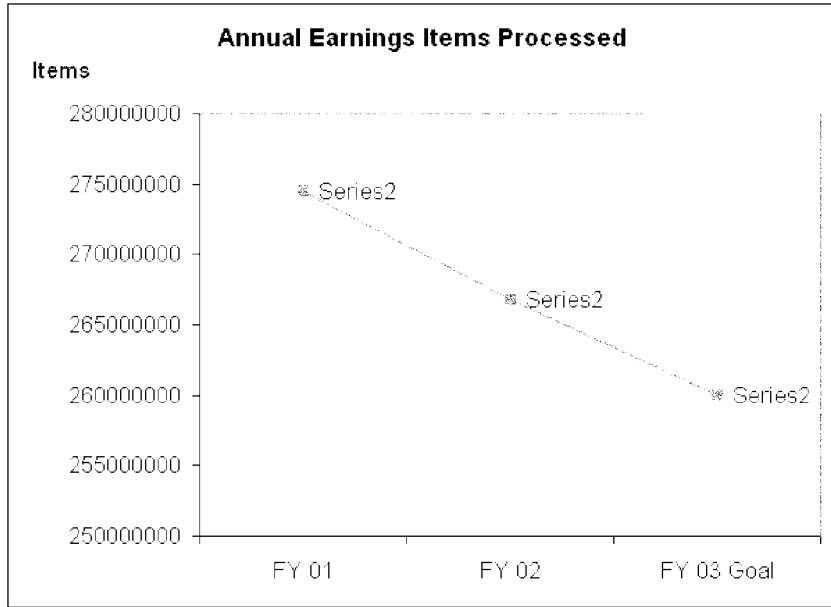
I believe our progress over this past year is significant. Yet I realize, and all of the employees of SSA realize, we still have a lot of work to do to get where we would like to be. The third and final phase of the Ticket to Work Program will roll out this fall, and at this point we have not achieved the hopes that we hoped for, but we remain optimistic about the program's potential. I know the Chairman has particular concerns related to employment networks. I assure you I have the same concerns, and I and the staff are working to address those concerns regarding employment networks, and make the process more user-friendly. We have taken steps to strengthen the integrity of our enumeration process, and we are on schedule to begin rolling out our electronic disability system. We are also continuing our service delivery assessment. Currently our service delivery team is examining operational workloads that are other than disability claims. Last year, I spoke about disability claims, this year the assessment is continuing into other operational workloads, and that is no small task as the charts to my left show. You have paper handouts of this, Mr. Chairman. For the audience, I wanted them to see what we are talking about.

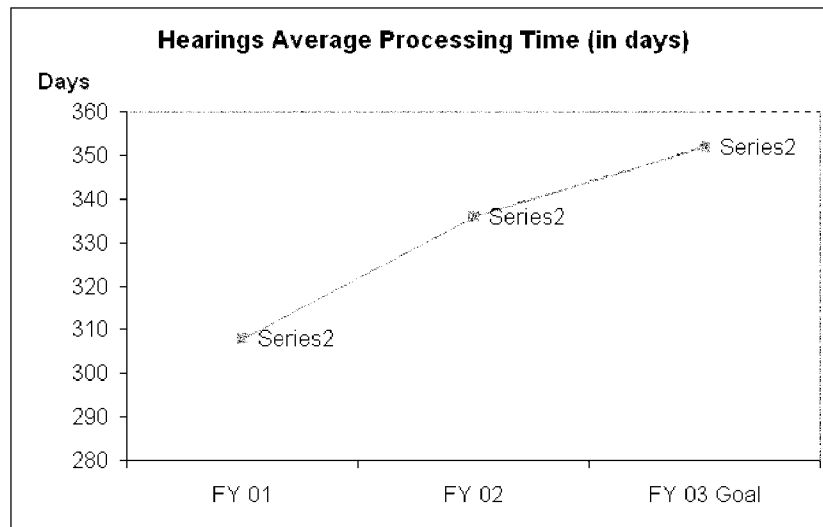
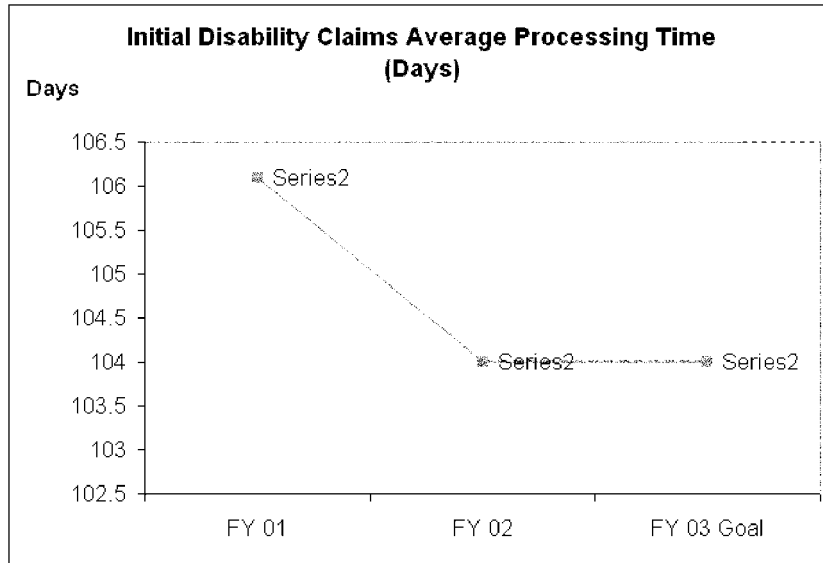
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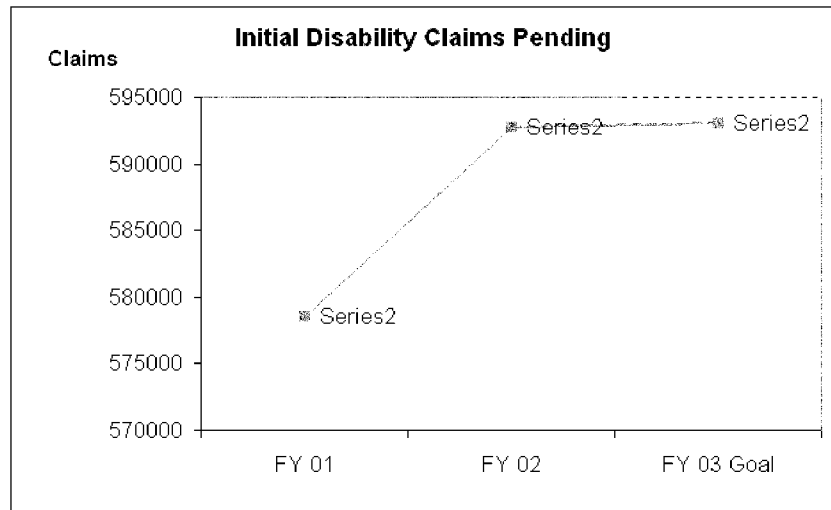
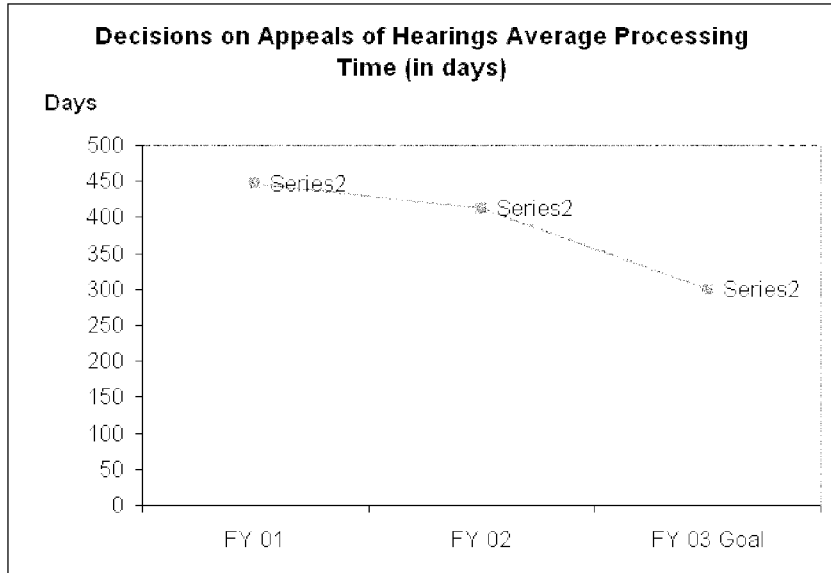


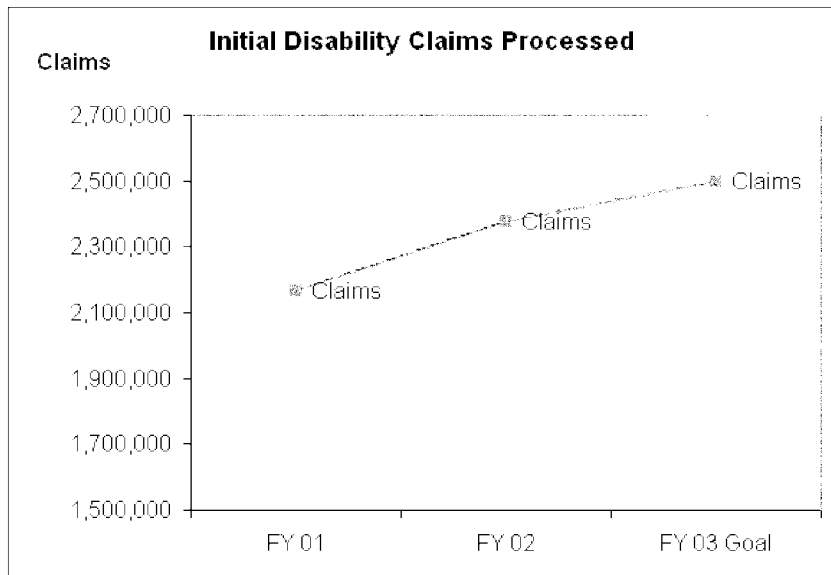
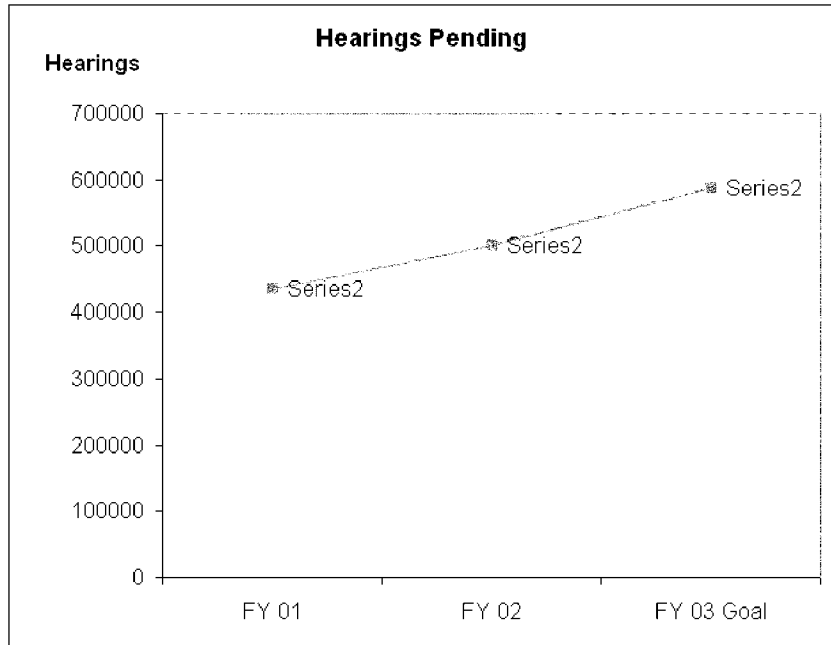












Performance Indicators and FYTD Performance

Performance Indicator	Through May FY 2003
Initial disability claims processed	1,677,146
Hearings processed	364,174
RSI claims processed	2,212,397
800 number calls handled	35,800,000
SSI non-disability redeterminations	1,637,192
Periodic CDRs processed	954,084
Annual earnings items processed	219,158,793
SSN requests processed	11,553,535
Initial disability claims average processing time (in days)	99.2
Hearings average processing time (in days)	341
Decisions on appeals of hearings average processing time (in days)	319
Initial disability claims pending	574,073
Hearings pending	572,928

Performance Indicator Comparison 2001–2003

Performance Indicator	FY 2001	FY 2002	FY 2003 Goal
Initial disability claims processed	2,166,623	2,376,572	2,498,000
Hearings processed	465,228	532,106	602,000
RSI claims processed	3,092,743	3,265,473	3,229,000
800 number calls handled	59,300,000	51,800,000	55,000,000
SSI non-disability redeterminations	2,315,856	2,311,499	2,455,000
Periodic CDRs processed	1,762,517	1,586,091	1,129,000
Annual earnings items processed	274,427,394	266,777,009	260,000,000
SSN requests processed	18,179,115	17,679,490	16,000,000
Initial disability claims average processing time (in days)	106.1	104.0	104
Hearings average processing time (in days)	308	336	352
Decisions on appeals of hearings average processing time (in days)	447	412	300
Initial disability claims pending	578,524	592,692	593,000
Hearings pending	435,904	500,757	587,000

Performance Indicator Comparison 2001–2003

Performance Indicator	FY 2001	FY 2002	FY 2003 Goal	Through May FY 2003
Initial disability claims processed	2,166,623	2,376,572	2,498,000	1,677,146
Hearings processed	465,228	532,106	602,000	364,174
RSI claims processed	3,092,743	3,265,473	3,229,000	2,212,397
800 number calls handled	59,300,000	51,800,000	55,000,000	35,800,000
SSI non-disability redeterminations	2,315,856	2,311,499	2,455,000	1,637,192
Periodic CDRs processed	1,762,517	1,586,091	1,129,000	954,084
Annual earnings items processed	274,427,394	266,777,009	260,000,000	219,158,793
SSN requests processed	18,179,115	17,679,490	16,000,000	11,553,535
Initial disability claims average processing time (in days)	106.1	104.0	104	99.2
Hearings average processing time (in days)	308	336	352	341
Decisions on appeals of hearings average processing time (in days)	447	412	300	319
Initial disability claims pending	578,524	592,692	593,000	574,073
Hearings pending	435,904	500,757	587,000	572,928

These charts list 282 operational actions, separate actions, that are currently being analyzed. The differences between our previous assessment of the disability process, which was a step-by-step analysis of a linear process, and looking at the nondisability claim workload is enormous. Operational workloads, as you can see, are not linear. They are individual, isolated, diverse processes that are done, hundreds, thousands, and in many cases, millions of times a year. The list of actions that you see there today consist primarily of what we call post-entitlements actions, actions that need to be taken after someone is determined for a benefit of one kind or another at Social Security. They are not all post-entitlement actions. The workload on the chart comprises 45 percent of the work in the field offices and almost 100 percent of the work done in our processing centers. As you can imagine, with a list of 282 items, there is a tremendous range and complexity of these workloads. It can be something as simple as an address change, or something more difficult and complex like redeveloping a SSI recipient's income and resources. Our employees deal with this diverse workload, changing gears, moving from one thing to another, handling multiple, multiple demands, every single day.

I believe the assessment of these actions—just as our analysis of the disability process has helped us do a better job of targeting improvements in disability, the assessment of these actions can allow us a way to figure out how to better manage these workloads. In

some cases, it may make sense to combine certain kinds of workloads with certain employees. I do not know. We have not reached those conclusions yet, but that is the kind of thing that we are looking at in the next phase of our service delivery assessment. In an agency that touches over 95 percent of the people in this country at some point in their lives, we know what we do on a daily basis is important and we know how we do it is important. We know that the folders at our desks represent real people and the work we do has a direct effect on their lives, and for that reason I join the men and women of Social Security in pledging to you that we will continue to work to meet our goals and do our very best to the meet the challenges of the agency. Again, I appreciate your holding this hearing. I would like to thank you again for your support and the support of the entire Subcommittee, and I look forward to continuing what I consider to be our excellent working relationship. I would be happy to answer any questions you or other Members might have.

[The prepared statement of Ms. Barnhart follows:]

Statement of the Honorable Jo Anne B. Barnhart, Commissioner, Social Security Administration

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me today to discuss the Social Security Administration's (SSA) initiatives to improve service delivery in the Social Security and Supplemental Security Income (SSI) programs. Although it hardly seems possible, it has been more than a year since I appeared before you as a new Commissioner, and I appreciate the opportunity to share with you some of our accomplishments in improving service delivery and discuss how we're addressing the challenges that face us.

Before I begin, however, I would like to thank you, Mr. Chairman, Mr. Matsui, and the other members of this Subcommittee, for your help, advice, and support during the past year. Your support has been vital in helping us to develop a plan that will improve service and stewardship. I thank you not only on behalf of myself, but also on behalf of the men and women of SSA, who strive daily to provide the kind of service that every claimant, beneficiary, and member of the public expects and deserves.

Commitment to Service

SSA faces great challenges in providing that service, and as I told you last year, those challenges are my priorities for action. I remain committed to meeting the objectives of:

- Giving the American people the service they deserve;
- Improving program integrity through sound financial stewardship;
- Ensuring the program's financial solvency for future generations; and
- Maintaining the quality staff SSA needs to provide the service and stewardship.

The people of America, who fund the Social Security program through their payroll tax contributions, and fund SSI through their income tax payments, expect and deserve well-managed programs providing accurate payments that safeguard their trust. With adequate planning and resources, SSA can prepare for the baby boomers by addressing current backlogs, building a technology infrastructure for the 21st century, and continuing to develop what I believe to be the best workforce in government.

Last year, I appeared before you to discuss the many challenges facing the agency. And I have to tell you today that we still face many challenges. But, before I discuss the challenges, I'd like to talk about some of our accomplishments:

- In FY 02, it took an average of 412 days to get a decision on a hearing appeal. In May, that time had dropped to 255 days.
- The average processing time for an initial decision dropped from 106.1 days in 2001 to 99.2 days this year.

- At the end of FY 2002, there were 593,000 initial claims pending. Now there are 18,000 fewer despite an increase in receipts. We had expected that level to rise to 695,000.

Let me give you another example of the concrete results we've seen. We must specially prepare cases that are filed in the Federal District Courts. Because of processing delays, some of our attorneys were being held in contempt of court. More importantly, claimants couldn't proceed with their appeals. Our preparation time for these cases has decreased from 120 days in January 2003 to 29 days for June.

A major part of the problem was the large backlog in hearings case files waiting for transcription. As of April 14 this year, we were totally caught up with transcription and copying of cases, and have processes in place to ensure that we do not allow new backlogs to accumulate. I recently received a letter from Guy A. Lewis, Director of the Executive Office for U.S. Attorneys in the U.S. Department of Justice, recognizing our improvements in this area. Mr. Lewis applauded our efforts to improve our litigation support and timely transmission of case materials, which has resulted in a marked decrease in the number of extensions sought in Social Security cases.

Service Delivery Plan

I am proud of our accomplishments. But, we still have a long way to go.

The service delivery plan SSA developed last year was in large part based on a comprehensive analysis of every step in the disability determination process, an analysis that had never been done before. The plan outlined very specific, ambitious goals over a five-year period:

- Keeping up with growing core workloads;
- Processing special workloads;
- Working down backlogs;
- Maintaining program integrity through dedicated funding; and
- Preparing for the future through service and stewardship investments.

We're making a start this year, and the increase in the President's budget request for FY 2004 puts us firmly on the path to meet these goals.

I am continuing with our service delivery assessment. The current phase entails thoroughly examining operational workloads other than disability claims. The difference between disability claims and our operational workloads is significant. The disability workload analysis yielded a 25-foot chart mapping out the process. Lengthy as it is, the disability determination process is linear. But the operational workloads are many diverse processes. There are 282 other operational actions, and each of these is done hundreds, thousands and even tens of millions of times each year.

The list of the activities consists primarily of post-entitlement actions that comprise virtually the entire workload in SSA's Processing Centers and at least 45% of the work in field offices. This workload is comparable to the initial claims workload in terms of time spent on task. And there is a tremendous range in the complexity of these workloads. Our dedicated employees have to deal with this range and variety every day—doing a simple change of address in minutes and then perhaps spending hours completely redeveloping a Supplemental Security Income (SSI) recipient's income and resources. We are conducting our service delivery assessment to develop and implement changes to best manage this complex and varied workload. These changes will include both small and incremental improvements as well as changes that are broader in scope. Collectively, they will help us eliminate backlogs and improve timeliness and efficiency.

I'd like to turn now to a discussion of some of the areas where we continue to face challenges.

Improve Disability Process

As I said when I appeared before you last year, there is no single change that will reduce the time it takes to process disability claims to an acceptable level. More efficient processing will require many improvements to achieve the level of service that the public expects and deserves.

We've already taken a number of short-term actions to reduce the delays in the hearings process. These include:

- Including ALJs in early screening for on-the-record decisions;
- Creating a law clerk (Attorney Intern) position;
- Deploying speech recognition technology to hearing offices;
- Ending the practice of rotating hearing office technicians among different positions;

- Contracting out copying and assembly of case files;
- Using scanning technology to track and retrieve folders;
- And as I mentioned earlier eliminating the tape transcription backlog;
- And eliminating delays in presenting cases to the U.S. District Courts.

We are in the process of implementing two other initiatives:

- Allowing ALJs to issue decisions from the bench immediately after a hearing; and
- Expanding video teleconference hearings.

And we are preparing to implement an initiative to digitally record hearings.

I'd like to give a couple of examples of the effects of some of these changes. In June 2003, the processing time for cases where a hearing decision was drafted using speech recognition software was 25 days less than the processing time for other case dispositions in that month. And using scanning technology in the Office of Appellate Operations' MegaSite to control incoming folders reduced the processing time for coding and filing a tub of cases from 4½ hours to 30 to 45 minutes.

Reducing Backlogs

It is clear that to significantly improve disability processing times we must reduce backlogs so that a manageable and appropriate number of cases are in the pipeline at each stage of appeal. The delays in the process fall into two basic categories—those that occur because there is no one available to move the case to the next step, and those that occur because of delays built into the system. The funding included in the President's budget for FY 2004 would put us on a path to eliminate the backlogs through additional staff resources as well as the means to streamline the process through technological improvements.

As you know, Mr. Chairman, SSA has also been hampered in our efforts to speed up the appeals process by our inability to hire new administrative law judges (ALJs). I want to thank you and the other members of this subcommittee for your efforts in this area. Had it not been for your efforts to allow us to hire an additional 126 ALJs in September 2001, our hearing backlogs would be far worse than they are now. It is our hope that our ability to hire ALJs will be restored soon.

Accelerating the Electronic Disability Initiative (AeDib)

One major barrier to improving efficiency in the disability determination process is SSA's continuing reliance on paper folders—folders that must be located, organized and mailed at every step of the process. We are well into implementation of the accelerated electronic disability process, or AeDib. AeDib is a major initiative to move all SSA components involved in disability claims adjudication or review to an electronic business process through the use of an electronic disability folder. This will help eliminate lost folders and repetitive data entry, because the electronic information can be viewed and used by other case processing systems in the medical determination and appeals process.

We will begin rolling out the new electronic process nationally in January. Next week, we will begin a pilot project in the Raleigh, N.C. DDS. Pilots also are scheduled to begin in Illinois in August and California in October. We have already been conducting training at all three sites. We also are working with the medical community to obtain universal acceptance of an electronic version of our authorization to release medical records. This support is crucial if we are to obtain full advantage of both the automated request for data and the electronic receipt of medical evidence.

Improvements to the Disability Determination Process

When I appeared before you last year, I told you that we would be developing longer term proposals for improving the disability determination process. These would require regulatory or administrative action. I know that the members of this Subcommittee are awaiting these proposals, and I hope to be able to present them to you very soon.

Return to Work

The Ticket to Work program to help disability recipients return to work has been implemented in two-thirds of the states, and we will begin the third and final phase this fall. We are optimistic about the program's potential. But, I must tell you that we have not yet achieved the results we had hoped for. This is not unexpected—any new program of this magnitude is evolutionary and is likely to encounter difficulties in the early stages. We are looking at ways to address some of these difficulties.

For example, we have received feedback from employment networks (ENs) describing their difficulties in obtaining evidence of work and earnings after a beneficiary is no longer receiving Federal disability cash benefits. Based on that feedback, we have developed a new process for paying employment networks (ENs) that significantly relieves ENs from the burdens associated with collecting pay stubs.

We also are working with other Federal agencies to promote these programs that support the employment of people with disabilities.

We have a long way to go. Based on our experience, we will be making adjustments and modifications as necessary.

Mr. Chairman, the Ticket to Work program would not exist were it not for the support of you and the other Subcommittee members. I want to assure you that I remain committed to making the program work effectively.

The Men and Women of SSA

I started my testimony by telling you some of the things we've achieved in the past year. We have an excellent workforce, and we could not have done as much as we have if the men and women of SSA were not so dedicated to public service. Since I became Commissioner, I've visited 49 of our local field offices, teleservice centers, hearings offices and program service centers, and am halfway through a second set of annual visits to each of our 10 regional offices.

During each visit, I make it a point to meet with employees to get their perspective and ideas, communicate my vision for the agency, and make clear my expectations. Each time I have this opportunity, I am impressed with the talent in our workforce and moved by their commitment to serving the American people.

Most recently, I've had a series of meetings with all of the managers in headquarters and as many of the managers from our field facilities as possible. As part of our plan to handle the agency's retirement wave, we are engaged in development programs at all levels of management. These programs will help maintain the leadership necessary to meet the challenges of the 21st century.

The dedication and commitment of SSA's workforce including, the state DDS agencies, enabled the agency to achieve a 5% increase in productivity in 2002, processing thousands more claims than expected. This put us in a much better position at the beginning of this current fiscal year, and has helped compensate for funding below the President's FY 03 budget request.

Even though we have not had the resources to fund the Special Disability Workload this year, we've made a good start in addressing the workload. But as the President's FY04 budget provides for having additional resources to devote to the task, this will allow us to complete processing these cases much faster than it would otherwise take.

I have taken steps to shift resources from headquarters to the front lines, transferring nearly 300 staff positions to direct service positions and I will continue to redirect additional staff to front line positions. We also will continue to look for ways to use our resources more effectively.

But, I must tell you that there are very real consequences when we have reduced resource levels. For example, while we have kept our commitment to keep up with initial disability claims this year, to do that, we had to cut back on the number of continuing disability reviews—CDRs—which we will conduct this year. Are CDRs important? Yes, they are, but I had to make a choice. And, with the resources in the President's 2004 budget request, we can get CDRs back on track next year.

I've referred several times to the President's 2004 budget request. I think it's important to note that the size of the increase in administrative funding included in the budget reflects not only the President's commitment to ensuring that SSA is able to provide quality service to the American people, but also his confidence in the agency's ability to meet its service goals. We earned that confidence through the hard work and dedication of the men and women of Social Security.

Backed by our quality workforce and sufficient resources, we will be able to provide the level of service the American people deserve. The President's FY 2004 budget request would give us 2,275 more work years which would fund—1,000 more employees in the field, 300 more in DDS offices, and significantly more overtime for both the field and the DDS's.

Before I close, I'd like to take just a moment to tell you about some of our other successes during the past year.

Strengthening the Enumeration Process

The terrorist attacks of September 11, 2001 reinforced the need for a concerted long-term effort to address Social Security Number (SSN) misuse and identity theft. We have taken many steps to strengthen our capability to prevent those with criminal intent from getting SSN cards.

We have greatly reduced the number of non-work SSNs provided to non-citizens who are not authorized to work but who need SSNs to receive drivers' licenses. We are working on a regulation to end issuance of non-work numbers for that purpose.

Beginning June 1, 2002, SSA began verifying birth records with the issuing agency for all U.S. born SSN applicants age one or older. (Under former rules, we verified birth records for all applicants age 18 and older.)

We are expanding our pilot online SSN verification system for employers from the original 9 employers to 100 employers. This system holds great promise, but, as you would expect, we are proceeding carefully to ensure that the system is secure as well as user friendly.

SSA now only assigns SSNs to non-citizens if their documents have been verified with the Bureau of Citizenship and Immigration Services (BCIS). Under a new Enumeration at Entry (EaE), SSA assigns SSNs and issues SSN cards based on data collected by the Department of State (DoS) as part of the process of entry into the U.S. for non-citizens admitted as "immigrants." (Non-citizens admitted as immigrants are authorized to work in the U.S.) All consular sites now have the software for this process.

We also opened a Social Security Card Center in Brooklyn NY in October, 2002. The Center represents a joint effort of SSA, SSA's Office of the Inspector General and BCIS to strengthen SSN application procedures. As of June 2003, the Center has successfully served over 80,000 visitors.

e-Government

SSA has made great strides in the area of e-Government. The number of wage reports filed electronically instead of through paper W-2 forms has increased from 68.5 million to 125 million over a period of 2 years. I've already described our progress in moving to an electronic disability determination process.

Expanding e-Government is one of the five areas included in the President's Management Agenda. SSA is the lead agency for the federal government's "e-Vital" project. This new e-Government project will reduce the cost and time it takes to verify birth and death information. At the E-Gov 2003 Conference and Exposition last month, SSA received the Pioneer Award in the area of e-Government for the e-Vital program.

SSA also is providing and encouraging the use of more services on the internet. Of course, internet services will not replace the in-person and telephone service for which SSA is so widely known. But it will provide an alternative for the increasing numbers of Americans who are doing business via the internet.

Getting to Green

In addition, the Office of Management and Budget has recognized SSA's work on the five elements of the President's Management Agenda (PMA). In the most recent PMA scorecard, issued this month, OMB upgraded our financial management current status from "yellow" to "green." SSA also was rated "green" in all 5 PMA "progress" categories.

Recognition of SSA's Accomplishments

SSI Off High Risk List

The SSI program was put on GAO's "high risk" list in 1997. Thanks to a great deal of work by SSA staff, under the leadership of Deputy Commissioner James B. Lockhart III, SSA developed and implemented a corrective action plan to address the problems that led to the "high risk" designation. As you know, GAO removed SSI from the list this year. But I can assure you that we are continuing to implement the corrective action plan's ongoing initiatives designed to better manage SSI and maintain explicit executive accountability for results.

SSA's efforts have been recognized by a number of other groups. We recently received the 2003 Outstanding Ethics Program Award from the U.S. Office of Government Ethics.

For the second time in three years, the Social Security Administration's (SSA's) computer security efforts earned the top grade for all Federal agencies in an annual Congressional report card. This report card is issued by the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations.

SSA has received unqualified opinions on its financial statements since 1994, an "A" in financial management in 2002 from the Federal Performance Project, and the highest financial management grade, a "B", on the 2001 report card from the House Government Reform Subcommittee on Efficiency, Financial Management and Intergovernmental Relations. We have also received the AGA Certificate for Excellence in Accountability Reporting (CEAR) for the past five years.

SSA executives have received individual awards from the Association of Government Accountants, the Joint Financial Management Improvement Program, the General Services Administration, the American Society for Public Administration, and the National Academy of Public Administration.

Conclusion

In summary, Mr. Chairman, SSA is a great agency. It's gratifying to see our work recognized by others, and even more gratifying to witness the progress we've made in the past year towards meeting our goals.

But we know we have a long way to go.

Social Security is so important for so many people's lives that we must continue to work to provide better service: I have talked a lot about progress we've made, positive trends, and improved numbers, but I and everyone at SSA understand that every claim, every benefit payment represents an individual. Therefore;

- As long as one person has to wait 1,100 days to have a disability claim move through the entire appeals process, we won't be satisfied;
- As long as even one person's case is delayed because we've lost a folder, we aren't going to be satisfied; and
- As long as even one person's benefit amount is wrong, we won't be satisfied.

I join the men and women of Social Security in pledging to you that we will pursue our goals of service, stewardship, solvency and staffing. In the past year, we've built the foundation. The service delivery plan, with its specific goals and milestones, gives us the blueprint we need to meet the challenges of the 21st century.

In closing, I would like to thank this Subcommittee again for your continuing help and support. I look forward to continuing our wonderful working relationship, and I will be happy to answer any questions you may have.

Chairman SHAW. In my opening statement, I said that the average time to process claims was 1,153 days. My question—is this an accurate figure? In a typical clear-cut case of SSI, how long does it take to process that claim?

Ms. BARNHART. In a typical clear-cut case, Mr. Chairman, our DDSs, I am pleased to say, are making determinations in 99.2 days, as of last month. That is 40 percent, roughly, of all applicants approved at the DDS stage.

Chairman SHAW. That means the toughest cases are going way beyond 3 years?

Ms. BARNHART. Absolutely. You are absolutely right. That is one of the problems with an average. One of the things I often point out is if you are the person—very few cases are average. It is just that average is the best measure, giving a general idea of progress. The charts that I provide show the trend lines. You are absolutely right, in some cases they are going well beyond the 3 years. Even though it is a relatively small portion of cases, if you look at it from a numbers point of view, it is not a large number, but if you are that person or a member of that person's family, and you are waiting the 6 or 7 years I have heard about to have your situation resolved, obviously it can have a very devastating effect.

Chairman SHAW. I know you cannot give this information off the top of your head, but could you break it down as to how many cases are decided the first 100 days and how many are decided the second 100 days. If 90 percent of your cases are decided within 100 days, which is approximately 3 months—which is too long, but at least that is certainly better than 3 years—if that 90 percent of your caseload is decided within that time, then there has to be something terrible happening to the other cases in order to get that average up to 3 years.

Ms. BARNHART. That is one of the things that I am proudest of at the agency, where the agency has made great strides, the appeals council. Once an administrative law judge makes a decision, if the claimant doesn't agree with the decision and chooses to appeal it, they appeal to the appeals council. When I became Commissioner, it took 447 days, on average, to get a case through the appeals council. As of May 2003, we were at 280 days. Our goal for this fiscal year is to be at 300 days. We are averaging 319 days for the year so far. We have been gaining ground every month, and we believe we are going to make 300 days, and maybe below. That is a reduction of 147 days, if we make that 300-days goal. If you look at where we were last year in terms of service, we have changed it for people. Today it is an even larger difference.

Chairman SHAW. Let me correct the record. Staff just put a note in front of me saying that 40 percent of cases are allowed at the first step. Which cases are dropped at that period? When someone comes in, and you say no, do they go on their way?

Ms. BARNHART. Absolutely. We do have what we call the waterfall chart, and I would be happy to provide that for the record. We have the typical version that the agency uses, and then we have the version that I created because I didn't think the typical version was easy to understand. So, I will send both. It shows the diminished number of cases going forward at each step, and percentage of cases.

Chairman SHAW. That would be helpful. Also give us an indication of how many of those cases at certain points, say beyond 3 years, end up being found favorable to the client. I would assume in some cases it would mean that at the hearing level the initial decision was reversed and the applicant is paid disability benefits.

[The information follows:]

In fiscal year (FY) 2001, 75% of all disability claims were finally decided at the initial level, with an average processing time of 106 days. In FY 2002, 79% of all disability claims were finally decided at the initial level with an average processing time of 104 days. The attached charts depict this information graphically for FY 2002. (Percentages derived from the two charts may differ due to rounding.) It is important to remember that the figure of 1153 days is an average only for claims that go through all four levels of our decisionmaking process, after three separate appeals, and includes the periods allowed to claimants before they have to file an appeal. Around 95% of all disability claims receive a final decision before this last administrative step.

As shown on the accompanying FY 2002 waterfall chart, 72% of those cases that did go through all four levels of our decisionmaking and appeal process were denied or dismissed, and 25% were remanded for the administrative law judge to take another look. Only 3% were allowed at this last step.

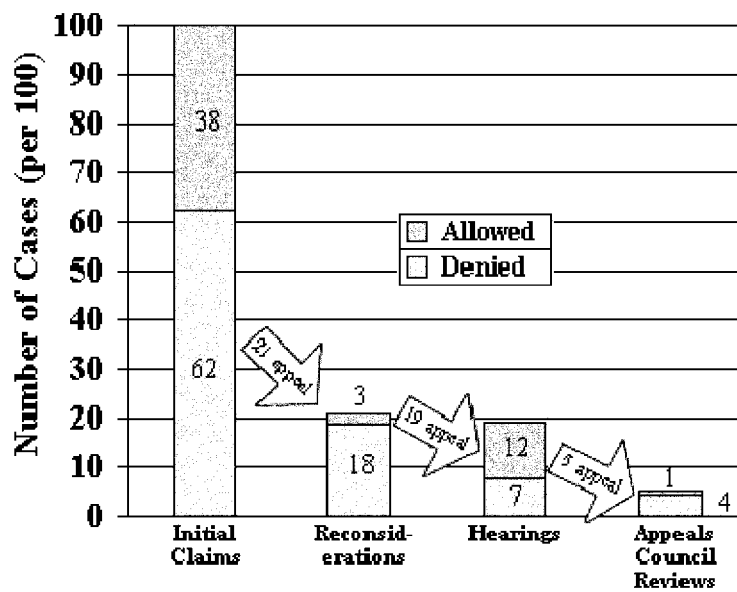
FLOW OF CASES THROUGH THE DISABILITY PROCESS

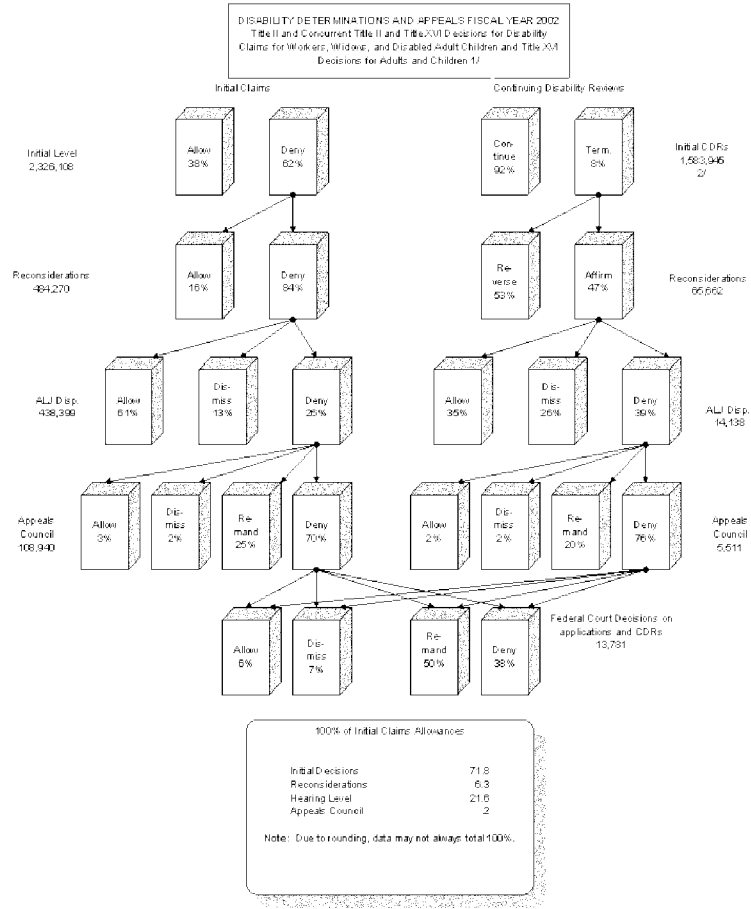
Fiscal Year 2002 Data

In FY 2002, most allowances were made at the initial level (38 out of 55 that are allowed overall for every 100 cases). Only about 5 cases out of 100 go beyond the administrative hearings level, and less than 1 per 100 are pursued in Federal court.

Progression of Cases Through the Disability Process

(Note: Data based on total appeals in fiscal year 2002, not a longitudinal tracking of individual cases.)





17 Includes all Title II and Title XVI disability determinations. The data relate to workload processed (but not necessarily received) in fiscal year 2002. I.e., the cases processed at each adjudicative level may include cases reviewed at one or more of the lower adjudicative levels prior to FY 2002. A related process was introduced 10/1/00 in 10 States, under which initial denials could be appealed directly to OHA without a reconsideration.

18 Includes non-State CDR mailer continuations. Also includes 24,389 CDRs where there was "no decision." The continuance and termination rates are computed without the "no decision" cases.

Source: Office of Disability Programs, February 2003

Ms. BARNHART. You are making another important point, and that is the longer it takes to get through the process, the more likely it is that the circumstances of the individual could change if they have a deteriorating condition. It may well be that the decision initially made to deny was a correct one under the law and regulations, but if it is 5 or 6 years later, we are talking about a different person.

Chairman SHAW. Who would buy disability insurance if they thought that it was going to take 3 to 5 years to get the relief they

need? Wage earners do not have any choice other than to pay into Social Security, which is, in part, a disability program. Mr. Pomeroy.

Mr. POMEROY. Commissioner, your testimony reveals an urgency that you feel to get these administrative processes working as well as possible and backlogs down as much as possible. I commend you for that. It also reflects a real focus on management. There is no silver bullet to working these backlogs down. You just have to evaluate what you are doing and reevaluate the priorities and bring your resources to tasks and try to work better. I commend you. It is very impressive testimony. You mentioned the reduction in the determination of claims, and yet that is achieved in a very difficult environment relative to your ability to hire additional administrative law judges. Can you give us some information where that is at today? This government-wide freeze on hiring, how does that work for an agency?

Ms. BARNHART. I am glad you asked me that question. If you asked me yesterday, it would be a different answer than today.

I got a phone call from my general counsel after I arrived here this morning, that the U.S. Circuit Court of Appeals has ruled in favor of the U.S. Office of Personnel Management and they will begin working that register, and we should be able to begin hiring administrative law judges within 6 months on the outside. That is very important.

Mr. POMEROY. That is a big deal.

Ms. BARNHART. That is a big deal.

Mr. POMEROY. Mr. Chairman, things happen when you convene these hearings.

Ms. BARNHART. We have been frozen over 2 years—almost 3 years. Let me take an opportunity—that is one place this Subcommittee was extremely helpful to the agency. As I was coming into the agency in the fall of 2001, Members on this Subcommittee worked very hard to get the U.S. Merit Systems Protection Board to lift the stay so we were able to hire 126 judges. Had we not hired those judges 2 years ago, we would be in much worse shape than we are now. This is a huge plus for us that this decision has been made.

Mr. POMEROY. How many have you lost by attrition?

Ms. BARNHART. We lose about 65 a year, and I asked for the number for last year. In 2002, 33 were due to retirements, 14 were due to going to other jobs, and 4 were due to judges accepting administrative law judge positions in other Federal agencies. The typical factors one would think of, the four going to other Federal agencies is the sort of raiding that goes on because we have the largest corps of administrative law judges.

Mr. POMEROY. You have more administrative law judges than any other agency in government, so when there is a freeze on new administrative law judges, people poach yours?

Ms. BARNHART. That is exactly right.

Mr. POMEROY. I have this vivid picture in my mind of how management deals with the hiring freeze, and you need everyone you have, and you are chasing them down the hall like the little boy at the end of the movie *Shane*, “Don’t go, don’t go.” Now you don’t have to do that.

Ms. BARNHART. Exactly.

Mr. POMEROY. How many do you think within a year you might add back to your staff?

Ms. BARNHART. Right now we have over a thousand administrative law judges. I believe we have 1,065 administrative law judges; but at any given point in time that translates into about 960 who are available. We do not count the managers, the regional chief judges. Also we have a certain number of judges that are on special assignments and working on task forces and those kinds of things. We have about 960 or so that are actually available each day. By my calculations, the way that I have looked at this is to say if I would really like to eliminate this growing hearing backlog that we have, and look at getting it under control in the next 2 years and eliminating it under 5 years, I have calculated I need 200 more administrative law judges; and then there are the associated positions that go with those. In the President's budget, with the additional workers we have there, if the hearings get transferred to Medicare eventually—and we are working on a memorandum of understanding to accomplish that, we in the President's budget—we get to keep those work years. They actually left those for us to use to redirect other disability workloads.

Mr. POMEROY. So, if Congress funds the Administration's request, which is going to take some fund restoration on the Senate side, holding that number in conference, but if we get that done, you will be able to make some real progress?

Ms. BARNHART. That's correct. Not only would we have 1,300 additional work years to put in the field, and I would put 1,000 in our field offices and 300 in the DDSs, I would also be able to redirect approximately 350 workyears that are currently used for Medicare hearings to other SSA workloads. If we get the full funding level, I still would have these additional workyears for disability because the OMB and the President did not take the funds for Medicare hearings. That is a very important point for us because typically if a function moves so do the funds—but there is a great appreciation and commitment to getting this disability backlog down. I want to mention there are approximately 1,000 additional workyears I would use for increased overtime provided in the President's budget. It is critically important for us. It would make a huge difference.

Mr. POMEROY. Thank you.

Chairman SHAW. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman. This Committee has consistently supported additional administrative support for your agency. We have had problems with the Committee on Appropriations and the Committee on the Budget, but over the years, on a bipartisan basis, we have believed that you need the resources necessary to do the job that you have been mentioning today. I also particularly appreciate you mentioning the dedication of the workforce. I have an opportunity to visit frequently, and you have a very dedicated group of public servants, and I think sometimes they are not really as appreciated as much as they should be for the hard work that they do under very difficult circumstances. My question is that the U.S. Department of Labor-U.S. Department of Health and Human Services appropriation bill that passed was

\$165 million less than the Administration requested, and I certainly hope that Mr. Pomeroy is correct that we will see some restoration of that as it moves through the process, but I think it is important for this Committee to know what would happen if that budget becomes law.

Ms. BARNHART. If that budget becomes law—I will give some examples. I imagined that somebody would ask that question today. It translates into performing 300,000 less initial claims decisions in disability, or 150,000 less disability hearings a year. It is significant in terms of very real workloads. Instead of just under 600,000 disability claims pending at the end of 2004, we would actually have almost a million pending. That is what it means. Or, it means that, instead of having somewhere around 500,000 hearings pending, we would have roughly 750,000 hearings pending. I can provide the precise numbers for the record. It is very significant in real terms.

[The information follows:]

In passing its version of the FY 2004 Departments of Labor, Health and Human Services, and Education, and Related Agencies appropriation bill, the House of Representatives reduced the President's budget request for the Social Security Administration's (SSA) Limitation on Administrative Expenses (LAE) by \$168.2 million. The following examples are illustrative of the magnitude of the impact of this reduction on our operations, should it be enacted into law.

- If applied to initial disability claims, a reduction of \$168.2 million would result in 300,000 fewer claims processed in FY 2004 and therefore an increase in claims pending at end of year. Thus, at the end of FY 2004, SSA would have **893,000** initial disability claims pending in the Disability Determination Services, as opposed to **593,000** projected in the President's budget.
- If applied to hearing workloads, a reduction of \$168.2 million would result in 150,000 fewer hearings processed in FY 2004 and therefore an increase in hearings pending at the end of the year. Thus, at the end of FY 2004, SSA would have **707,000** SSA hearings pending in the Office of Hearings and Appeals, as opposed to 557,000 projected in the President's budget.

In addition, as I am sure Members of this Committee are aware, due to the cutback that we had this year, the last-minute across-the-board cutback that all government agencies experienced and the absorption of the higher pay raise that we were not counting on having to cover, we had a reduction of approximately \$80 million this year. What that necessitated was my making a choice between our CDR workload and our commitment to conduct disability reviews or processing initial claims. I made a decision that we were going to do both, but put more emphasis on processing claims and not let the level of pending claims grow. Which meant that we were going to do about 200,000 less CDRs than we would like to do. If the \$168 million reduction in funding continues, if we are not able to restore those funds as the appropriation bill moves through the process, it means we will not be able to get back on track with CDRs as quickly as we would like. We would not be able to start getting back on track. I know this is very important to this Committee. We had a 7-year plan. We worked and got current with CDRs. We were not interested in getting back in the hole on CDRs for the long term. I was doing this as a 1-year situation.

Mr. CARDIN. First, if you increase the disability determinations, number of cases pending by two-thirds, Mr. Chairman, I would

think that we should let the Committee on Appropriations know they should increase our budget so we can put additional case-workers on in our offices, because we are going to get a lot more complaints. That is one impact if we do not restore those funds. Second, I have been on this Committee long enough to know about the CDR issue, and this is a good government issue, an issue to make sure that the people who are entitled get the money. It has been an issue for this Committee for a long, long period of time. It has been difficult to get started, and I regret we have had this additional problem because of resources. It just does not make any sense for us not to give you the resources that you need in this area to implement this plan so we have a system that is fair to the people who really need the help. Thank you, Mr. Chairman.

Chairman SHAW. Thank you. Mr. Hayworth.

Mr. HAYWORTH. Mr. Chairman, thank you. I was going to begin with a word of praise for the gentleman from North Dakota. I thought his rendition of the final scene of *Shane* was remarkable this morning. With rumors abounding about Jack Valenti leaving the Motion Picture Association—North Dakota meets Hollywood, that could be interesting. Not that I necessarily suggest a change of occupation for my friend from North Dakota. Commissioner Barnhart, we weren't in a movie, but it was kind of like *Hope and Crosby, On the Road to Tempe, Arizona*, within the last 18 months, if memory serves. Your visit to Arizona was very much appreciated, as my State was one of the first States to roll out the Ticket to Work Program. We have a lot of folks who strongly support the program and obviously want it to be a success. In your testimony you talk about a new process for paying employment networks that will relieve those networks from the burdens associated with collecting pay stubs. That concern has been brought to my attention by several of my local employment network providers, so I am very interested in what you have been doing on this issue. Could you please elaborate on what the new process is?

Ms. BARNHART. Yes. Specifically, the problem for the employment networks has been the requirement that they must provide pay stubs during the beneficiaries' and the participants' ongoing participation in the labor force and employment. This is a real issue for the employment networks because it requires the individual to send them a copy of the pay stub and then to get it into us, and I guess it is very time-consuming from an administrative perspective. We looked at the situation, and what we have come up with is the following. It will require the employment network to submit one pay stub at the time the individual goes to work, and then on an ongoing basis to certify that they know the person is still working. We will then, through the records we get in terms of wage reports that are posted every year to people's Social Security numbers, take the responsibility for reconciling the fact that funds were paid that actually match what the employment network said. We are still working out the in-house process, but we are going to start it, and that way we can do it really through automation. I think we can use the automated information that we get and take a great burden off the employment networks. Quite frankly, this has been a disincentive for employment networks to enroll in the program. It is my understanding that as we are trying to market and get

more organizations to become employment networks, they are being told don't do it because this is a huge administrative burden and look at what you will be getting into. So, I am trying to remove the disincentive from participation.

Mr. HAYWORTH. That will help reassure a lot of my folks. I appreciate you updating us on that. One concern of many beneficiaries about returning to work is that if they report their earnings to the SSA, the agency may not accurately keep track of them, thus leading to overpayments. This fear of having to repay potentially hundreds or thousands of dollars in overpayments is a real concern that prevents many individuals with disabilities from taking that step to return to work. Again, I would be interested, Commissioner—what steps is the agency taking to improve how it tracks earning reports and to reduce incidents of overpayments?

Ms. BARNHART. That has been a huge issue in the agency. Quite frankly, the lag time between individuals willingly reporting income that they are earning and it getting posted into their accounts so we know we need to make adjustments in benefits—and it does result in these enormous overpayments, sometimes after a year or 2, and the individual is required to pay that back through overpayment collection efforts unless we grant a waiver. I would say that the major factor contributing to that delay has been a need for additional resources, because that workload that you have just described is on that list. That is one of those 282 items that is competing with 281 other things to get done. I am not saying that it is more important because it does have a higher priority than many items there, but for employees who are attempting to get the job done when there are not enough hours in the day, everything cannot be a priority. I am not making excuses, but simply explaining. I think it has been a workload issue for the agency. We are making it a priority. We are starting to make strides in that area. I have to tell you, if we do not get the President's budget request and we are not able to hire 1,300 more people and have 1,000 more hours in overtime beyond that, it is going to be difficult for us to get current. That is going to be looked at in this continuing assessment to figure out how best to handle that workload. I have asked, is that a workload that we can do in a centralized fashion? Can we have all those go one place and somebody just enters them in one place? We are looking at different ways to handle that.

Mr. HAYWORTH. Commissioner Barnhart, I salute your enthusiasm, your energy, and your sense of purpose you bring to your job; thank you very much for your testimony today.

Ms. BARNHART. Thank you. If I may say, our first three Ticket to Work employees were three individuals from Arizona.

Mr. HAYWORTH. Yes, ma'am, we are very proud of the folks, and had a chance to visit and follow up with them. The program is working, and we want to keep it. Work is what it is all about.

Chairman SHAW. Thank you, Mr. Hayworth. For the record, the cut that you are concerned about is in the House-passed U.S. Department of Health and Human Services appropriations bill, but the Senate Committee-reported bill fully funds the SSA. So, the cut is all subject to being replenished at this particular point. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. I think the Chairman's remarks are very important because one side of Congress has fully funded the President's request and your request, and hopefully we can get to that point as well in the House where we will reinstate those \$168 million that have been requested. Commissioner Barnhart, thank you very much. You have always been very incisive and your folks have been very responsive in responding to our concerns. I thank you and all of the folks who work at the SSA. Sometimes we forget to say thank you. The volume of work you do is tremendous. If people knew exactly how many cases you have to deal with, and we are talking about folks who really do depend on this assistance, if we do not say thank you enough, we do think it. Give me a sense of what your timeframe is and when we and the advocacy groups can expect to hear from you on these reforms that you are continuing to implement. I know you are going to be submitting something in the fall?

Ms. BARNHART. My hope and intent is to actually brief your staffs in the very near future. I would like to say a couple of things if I may. I intend to have a very open process when I present my recommendations for reforming the process. It is going to be very important to have all parties involved in the process from start to finish. That includes the DDSs, our staff, our field staff, our administrative law judges, our quality review people, the efficacy community—all interested parties involved. I intend to do briefings for all those groups, and also allow time for them to come in and present their reaction to the proposal. I will start, of course, with this Committee in Congress, to do that. As I am looking at these reforms, and as I say, I am very close to being able to provide the information to you. The driving factor for me is making the right decision as early in the process as possible. That is the overriding goal. I like to have a goal when I start—the theme, the idea. What we are working toward is the right decision as early in the process as possible, to make sure, first of all, that people who are obviously disabled get benefits and are not part of the group waiting for the 1,153 days—and hopefully nobody is waiting 1,153 days. An example of that would be an action that I am taking right now to change the regulations related to individuals with Amyotrophic Lateral Sclerosis (ALS), basically to change our listing to say that individuals who have ALS, if they cannot work and if they have a doctor who says that they have ALS, they will be found and determined disabled at the initial stage of the process as opposed to having to go all of the way through it, and we will not be getting into functional capacity issues. That is one of the goals of my reform.

Mr. BECERRA. Commissioner—and I don't mean to cut you off, and I would like to hear and have in writing some of those different reforms—but my time is going to expire if I don't get a couple of my questions out. If I could ask you about the electronic disability folder, I know we are going to hear testimony from the GAO that says we should be cautious in how we proceed. I think most of us agree that automation does make us more productive, and we want to help make sure that whatever automation that we institute within SSA, that it gets us toward the goal of accelerating the process of completing these claims. The GAO will point out some concerns that we may be moving too quickly to send this system

nationally for electronic filing, and I wonder if you can give us your comments.

Ms. BARNHART. I am very committed to rolling out electronic disability as soon as possible. When I came into the agency, electronic disability was on a 7-year plan, and I said we cannot wait 7 years. When we look at the 1,153 days, it would be irresponsible to wait 7 years. I said if resources were not an issue, how long would it take? They said, 23 months. That is the process that we are working on. It is not that electronic disability just started being developed a year and a half ago; they were already doing it. It is simply that I made the commitment that we would provide the resources and make it a priority within the agency. I said when I took this job that I didn't take it to manage the status quo. Clearly as we look ahead to the future, there are two approaches. One is to continue doing what we are doing and wait until we have a system that has been tested for several years and is all tied up with a bow and delivered. If we do that, then you will be talking to the next Commissioner of Social Security about why we do not have an electronic disability program.

Mr. BECERRA. You will make sure that you include the advocacy groups when going through the process of implementing the electronic filing program?

Ms. BARNHART. One of the things that I need to make clear is that we have what I consider a very reasoned rollout schedule. If I can take just a moment to address that, we are starting a pilot in North Carolina next week; we are starting a pilot in Illinois in August; and in California, just outside of Sacramento, in October. The point of those pilots is a very specific focus, to test our document management architecture, which means the scanning of records that will go into the electronic folder. The rollout of electronic disability actually is scheduled to begin next January, and we are going to start in one region, the Atlanta region. We are going to do one or two States at a time, and we are not going to bring additional States on until we have worked out the issues. Anytime you implement a system, there are going to be problems and issues and glitches. I am trying to structure this so that they will be manageable so we will hit all of the potential issues we possibly can hit in our first region rollout. It is a condensed area; we can have a system SWAT team on the ground to go out and respond to those issues. We are working very closely with our DDSs in providing training. I was not aware of GAO's concerns until I got a fax last night. They had a conference call with people on my staff informing them what their concerns were related to the AeDib, so I have not had a chance to look at it in any great detail. I assure you I will review those concerns. The one point I want to get across is I think we are not in a position where we can afford to make a decision to do nothing. I think our decision is a reasoned, "yes, there is some risk," but in an agency that touches 95 percent of Americans, that issues 50 million benefits a year, to the tune of \$450 billion each month, there is risk in everything we do, every time we walk into our offices and sit down at our desk. I think this is a calculated risk. I have very talented and knowledgeable people that have been working for years to begin this process. I think everybody in the agency is excited about it. The DDSs have some

issues, and we are trying to work through those. I have made myself personally available and have set up a system where the head of the National Council of Disability Determination Directors (NCDDD) has direct access to someone in my front office, my senior adviser, who is head of the service delivery budget team. We are trying to make this a real team effort. I think everyone understands how important it is for us for the future.

Mr. BECERRA. Thank you.

Chairman SHAW. Mr. Ryan.

Mr. RYAN. Ms. Barnhart, I am from Wisconsin so you probably now know who I am. We have some real problems. We continue to see these news articles illustrating the real problems in certain Social Security offices. Most recently, we learned of 1,400 cases yet to be docketed or entered into the computer system for case tracking; 700 pieces of incoming mail that had not been placed in the appropriate case file. Just a few days ago we were reading about the Chicago regional office where I think the number is 1,200 cases where you had contractors who were hired to organize the files were throwing away critical claimant documents in the recycling bin and then were still processing these cases. A lot of those people come from Wisconsin. A lot of those people come from Illinois, all of the areas the Chicago region tracks. My question is: one, what is going on? Number two, are we just scratching the surface here? Is it just 1,200 people who had their claimant pieces of information thrown away? Were these people denied disability claims? Were they denied disability claims because of the missing information? Are we violating people's privacy rights when we allow these workers to take home this sensitive information to work on them in their homes without any kinds of control? My fear is that just this one incident of 1,200 people may be a sign of a fact that this is systematic. It is a lot more than 1,200 people where, for one reason or another, you have contractors throwing away information that is critical to determining the validity of people's claims or not, whether or not you have workers taking this sensitive information home, violating privacy rights. I worry that this one article that we got from the Chicago regional office last week and a series of articles that we have gotten about the Milwaukee office are just the tip of the iceberg. You have a letter from me and our delegation. It is a fairly lengthy letter, and I will not go into all of the points that we include in that letter, but I would appreciate your comments.

Ms. BARNHART. I have the letter, and I am familiar with it. Let me say first of all, I appreciate your passion and anger about the situation. What happened in Milwaukee in relation to the contractors that were performing case files for us was nothing short of outrageous. Those contracts were immediately suspended upon learning of it, and I terminated the contracts once I was able to follow the law in terms of being able to document the problems and the nonperformance. Actually, I asked our inspector general to look into that to see if there are any fraud issues. We are taking action to stop the contract and we may be taking action against the contractor, whatever we are legally allowed to do. There were 1,200 cases total, and I have read all of the press articles several times. One of the things that has not come out in the press articles is that

the discovery of the 1,200 files where documents were put in the recycling bin, as well as the incidents that were reported, the deficiencies in the management of the Milwaukee hearing office, what did not come out is that we are the ones that found it out. In every case it was described as an audit. It was not an outside audit looking at what we were doing, uncovering something; it was the SSA employees looking, doing checks, to make sure we are providing the kind of service that we need to provide. I appreciate having this opportunity to get that on the record. We are policing ourselves, and I think we deserve some credit for that. Am I happy that we found the situations that we found in the management of the Milwaukee hearing office and the nonperformance and malperformance on the part of contractors? Absolutely not. I made sure we responded in both cases. In the Milwaukee hearing office, we sent a team of 35 individuals, 7 on a team for weeks at a time to go in, and we immediately corrected the issues, the association of the 1,400 documents and getting those files up to speed. We are absolutely up to date. We are conducting unannounced spot checks in that office now. I have made a commitment to you and other members of the delegation that I am going to do a thorough review of the office on the 1-year anniversary from our office.

Mr. RYAN. We need your involvement. Originally it was the Chicago regional office was going to oversee the Milwaukee office, and now we see all these problems in the Chicago office.

Ms. BARNHART. You have my involvement and commitment that we are going to fix the situation. Just yesterday I had a notice put out to people in the agency indicating that Martin Gerry, my Deputy Commissioner for Disability and Income Security Policy, will now have direct supervisory responsibility for overseeing the Milwaukee hearing operation. That ensures that there is only one step between that office and me in terms of knowing what is going on. In terms of the 1,200 cases—there are 1,200 cases the contractors worked. There were two contractors.

Mr. RYAN. Right.

Ms. BARNHART. There were 1,200 cases that they actually worked. We don't know at this point, in all candor, if they put documents for all 1,200 cases in the recycling bin or not. We are going back looking at every single case. I was just having a meeting a few days ago on the notices that we are going to send out to every single claimant, every folder that they touched.

Mr. RYAN. You are going to contact them?

Ms. BARNHART. Yes, twice. We are going to contact them and tell them, first of all, if they had a claim moving through at that time, they need to go back, if they had a hearing, and make sure that they were satisfied with the result. If not, we are going to provide an additional hearing opportunity.

Mr. RYAN. Give them an opportunity to re-file the record?

Ms. BARNHART. Absolutely. Anyone who had a hearing and was denied, we are going to contact them and let them know. We are assuming that people who had a hearing and were allowed, are not going to be interested in being contacted. They are going to be in the initial mailing, saying there may have been a problem with your folder, but we are not going to contact them as a result of the decision that they got. I am determined that we are going to make

sure that no claimant is injured as a result of the outrageous situation that occurred there. As I say, we have taken steps, we have fired, ended the contract. We are going to pursue whatever legal action we can. I do want to say this: that we had quality measures in place. We are going to reevaluate them. We thought we had good quality measures in place. The employees of the Milwaukee office as well as the employees of the regional office are very upset, and they are just as determined and dedicated. Most of the ideas of how we fix this problem are coming from them.

Mr. RYAN. You obviously do not have good quality measures in place, because this happened. We have all this evidence about shredding of documents and these things. My big concern is, is it more than 1,200? It is my understanding that it is 1,200 because Social Security employees found these documents in the recycling bin. Did they throw them away in other trash bins, and is it 2,500? We do not know the answer to these questions.

Ms. BARNHART. The information I have is the contractor only was given 1,200 cases, so the universe for the contractors of potential cases is 1,200.

Mr. RYAN. Did you have other contractors doing other cases?

Ms. BARNHART. We had some individual contractors but they were former Social Security employees who were working under individual contracts. We do quality checks on them as well, but we haven't had problems there. These were larger contractors.

Mr. RYAN. What about people taking sensitive documents home with them?

Ms. BARNHART. The reason that was allowed is because we have, in our bargaining agreement, the ability—it was negotiated before they came to the agency—the ability for employees to take folders home. In my personal opinion? I am not sure that ever should have been allowed. Yet it was. It was negotiated with the union. It is something, quite frankly, that I intend to revisit when the union contract is up for renewal. In the meantime since these individuals are going to be performing the same responsibilities, the same job as our employees were, they have to sign agreements of confidentiality and so forth. So, the determination was made that since they were doing the same job as the employees who take work home, because we have employees who take folders home and work at home as well, that we would do it. Based on this situation, I said, no longer. We are no longer going to allow contract workers to take any folders home. As I say, I am going to be revisiting the whole issue of anybody taking official documents out of a government office once we renegotiate our contract.

Mr. RYAN. I look forward to seeing your response to all the other questions in writing as soon as possible. Thank you.

Chairman SHAW. Thank you, Mr. Ryan. There are a couple other things, the GAO recently added Social Security disability programs to their high-risk list, based upon what they referred to as outdated concepts of disability. What is an example of an outdated concept of disability? What is being done to remove the disability programs from GAO's high-risk list?

Ms. BARNHART. I think that is a really important point, Mr. Chairman. In fact, when GAO decided to take that action, I met with the Comptroller General, with David Walker, precisely to dis-

cuss that issue. He indicated that he was really looking more in terms of all Federal disability programs. So, the high-risk list—not only did our disability program move on the high-risk list, but so did the Veterans Administration and other disability-related issue programs in the Federal government. As the Comptroller General explained it to me—and I do think that there is definitely a point to be made here—we operate in an environment now that is very different than when the disability law was originally passed. When disability benefits first came into being, quite frankly, there was very little expectation that people with disabilities would go to work or would want to work. That is—the Americans With Disabilities Act (P.L. 101–336), I think we celebrate the 10th anniversary this week, changed all that. It changed it in terms of the minds of the people with disabilities as well as employers and people in society. So, I think what the GAO was suggesting is that within that context, within that framework that we are operating now, sort of a dynamic time in disability, we need to relook at how we have constructed our programs, how we define disability, the kinds of benefits we offer. It was stressed to me by the Comptroller General that we were not being placed on the high-risk list as a result of management. This was not a high-risk management situation like SSI had been for us. It was really more a wake-up call for the entire Federal government to say you really need to look at how your disability programs are structured as you are moving into the future with people of my generation, the boomers moving into the disability-prone years particularly.

Chairman SHAW. Speaking of your generation, the baby boomers, we also have a situation which we looked into a couple years ago—I don't think we have revisited it in probably 2 or 3 years, the situation is the aging of the Social Security staff itself. I know that many professions have a problem with aging. I know in the teaching profession there is a problem. What are we doing in order to get a better cross-section in age of the Social Security workers to ensure that when we do have the baby boomers coming into the program, the agency will be adequately staffed. This is to say, a little scary.

Ms. BARNHART. It is a very important issue for us. We anticipate we are going to lose 3,500 people a year for the next 10 years due to retirements. The average age of the Social Security employee is 47. The average age of our recruits when I came into the agency was 36. Last year it was 34. So, we are actually recruiting some younger people in the agency. We are working really hard to do that. We completely revamped our recruitment display materials pitch that we are taking out to colleges and universities. We are making a real effort to bring in young people through the Outstanding Scholars Program. I think we are really being very successful in getting some of the best and brightest young people coming out of colleges.

Chairman SHAW. Does the agency still have an early retirement program?

Ms. BARNHART. We have had an active early retirement program for years at Social Security. I have continued that practice, absolutely. The one thing I have not done is buyouts, because I didn't really think that we needed to do buyouts. We had enough

people participating in early out. Frankly, buyouts cost money, and I have been trying to take every spare penny and direct it toward additional resources. Yes, we do early outs. In fact, the use of early outs is what has really flattened the retirement wave. If we had not allowed early outs in the last several years in the agency we would have lost a huge number of people at one time. I call it the retirement tsunami, this giant wave. As it is, 3,500 people a year is manageable in terms of recruiting.

Chairman SHAW. Okay. Commissioner Barnhart, thank you so much for spending this time with us. We always learn a lot. It is always a treat to have you come and visit with us, exchange views and ideas, and answer questions of the Congress. Thank you very much.

Ms. BARNHART. Thank you, Mr. Chairman. I just want to say I always enjoy coming before the Committee. I enjoy the discussions we have. I appreciate your support. Many nice comments were made today—I want to thank all Members of the Subcommittee for those.

Chairman SHAW. You certainly have support on both sides of the aisle, I am glad to say. In the atmosphere that is presently hovering over the Congress, this is a breath of fresh air. Thank you.

Ms. BARNHART. Thank you, Mr. Chairman.

Chairman SHAW. We now are going to combine the next two panels. We have Robert E. Robertson who is the Director of Education and Workforce and Income Security Issues, at the GAO. We have Linda D. Koontz who is the Director of Information Management Issues, at the GAO, and we have Susan Prokop, who is a member of the Task Force on Social Security, Consortium for Citizens With Disabilities. Again, as with the previous witness, your full statement will become a part of the record. We would ask each of you to summarize as you see fit. Also, I have a request to insert an opening statement into the record by a Member unable to be here. So, without objection, any Member of this Committee may insert an opening statement. Mr. Robertson.

STATEMENT OF ROBERT E. ROBERTSON, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Mr. ROBERTSON. Good morning. Do we have a live mike here? I think we do. It is great to be here this morning to talk about our examination of SSA's continuing disability review process. As you are all aware, medical conditions can and do change over time, and SSA uses these particular reviews to determine whether or not beneficiaries continue to remain eligible for the benefits they are receiving. If SSA, for example, finds that the medical conditions have improved then they are able to take actions to cease benefits to those individuals. So, it goes without saying that these particular reviews are a very important part of SSA's efforts to ensure program integrity, and it is important that they conduct these reviews in a timely and efficient manner. What I am going to do is just briefly summarize four points based on the work that we just completed, and then I will be ready to answer questions at the appropriate time. I better put my glasses on as a concession to age here. First, while SSA recently has worked its way out of a large

backlog of CDRs, in part through targeted funding, it faces a possibility of yet another backlog in 2003 and beyond. More specifically, in 1996 the Congress reacted to an enormous backlog of 4.3 million CDRs by authorizing specific funds to conduct these reviews over a 7-year period. By 2002, which was the end of the targeted period of funding, SSA reported that it was current on its reviews. However, with the expiration of targeted funds, SSA is at risk of generating another backlog starting in 2003. One of the factors hampering SSA's ability to conduct all planned CDRs for this fiscal year was its decision to reduce the number of reviews it processed pending fiscal year 2003 funding decisions. This is something the Commissioner mentioned earlier this morning. Other factors related to the workload capacity is lower priority given to processing CDRs relative to processing initial claims. In the coming years, a CDR backlog could grow due to an expected increase in the number of initial claims, as well as potential difficulties with replacing disability examiners who leave through retirement or attrition. Again, some things that we talked about earlier this morning.

The second point I would like to make is a very simple and short point, but I think it is an important one. You got a sense of that through the Commissioner's testimony earlier today, and that is that the SSA does take the CDR process very seriously. It has, for example, refined its statistical formulas for determining what review method to use, a costly full medical review or a relatively inexpensive mailer. It has done a number of other things to increase the cost effectiveness of the CDR processes; so it does take it seriously. My third point is that there are opportunities to further improve the cost effectiveness of the CDR process. For example, SSA's process for deciding when beneficiaries should undergo a CDR is not based on a systematic quantitative evaluation of available information. As a result, some CDRs may not be performed at the optimal time. Additionally, SSA's process for determining which method to use in conducting a CDR—a mailer or full medical review—is not always based on the best available information. For example, SSA requires a full medical review for all beneficiaries who, upon entering the program, are expected to medically improve even if the current information on certain of those beneficiaries indicates that improvement is unlikely and that CDR would be better handled through a much less expensive mailer. Finally, while the exact magnitude of the problem is unknown, many of the State DDSs reported that missing or incomplete data hinders their ability to determine whether medical improvement has occurred. This, of course, makes it difficult to cease benefits to individuals who no longer meet eligible standards.

My fourth and final point, which is more of an observation than anything else, has to do with the relationship of the CDR process to the Ticket to Work Program, a program that this Subcommittee is very familiar with. My observation is this: SSA delays the issuance of tickets to those beneficiaries expected to medically improve based on the rationale that they will regain their capacity to work without SSA assistance. However, this rationale is not very well supported by actual program experience. In fact, the majority of these beneficiaries are not found to have medically improved upon the completion of a CDR. Now, the consequences of this are

that some the beneficiaries who might benefit from return-to-work assistance have to wait up to 3 years to access services to the ticket program. The SSA has acknowledged the need to reexamine this policy and is in the process of doing so. In reexamining the policy, SSA will have to consider alternatives to better balance the agency's program stewardship and return-to-work goals. That concludes my summary statement. I will be happy to answer questions at the appropriate time. Actually, I should have mentioned at the outset, that my statement is based on a report that we have done for you, Mr. Chairman, and it is going to be released today. A little bit of marketing at the end here. Thank you.

[The prepared statement of Mr. Robertson follows:]

Statement of Robert E. Robertson, Director, Education, Workforce, and Income Security Issues, U.S. General Accounting Office

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss SSA's continuing disability review (CDR) process. The Disability Insurance (DI) and Supplemental Security Income (SSI) programs are the largest federal income programs for disabled individuals, paying about \$86 billion to about 10 million disabled beneficiaries in 2002. These programs have been growing in recent years and are poised to grow further as the baby boom generation ages. To help ensure that only eligible beneficiaries remain on the rolls, the Social Security Administration (SSA) is required by law to conduct CDRs for all DI beneficiaries and some SSI disability recipients to determine whether they continue to meet the disability requirements of the law. In addition, to assist beneficiaries who want to return to work and leave the disability rolls, SSA began implementing the Ticket to Work and Self-Sufficiency Program in 2002. Under this program, beneficiaries are issued a "ticket," or voucher, which they can use to obtain vocational rehabilitation, employment, or other return-to-work services from an approved provider of their choice.

Both the CDR process and the ticket program are key aspects of SSA's effort to improve its service to the public. SSA's Fiscal Year 2004 Service Delivery Budget Plan highlights the importance of CDRs in achieving the agency's program stewardship objective of improving payment accuracy in its disability programs. In particular, the plan discusses the cost-effectiveness of CDRs and the need to keep current with the CDR workload. The plan also notes SSA's efforts to fully implement the ticket to work program in order to achieve its objective of increasing the number of people with disabilities who obtain employment.

My testimony today focuses on the results of our recently completed review of SSA's CDR process and of the relationship of this process to determinations of beneficiary eligibility for assistance under the ticket program. (In a report issued today,^[1] we discuss the results of our review in greater detail and provide several recommendations to the Commissioner of SSA for improving CDR cost-effectiveness.) More specifically, this testimony discusses: (1) the impact that expiration of targeted funding for CDR processing could have on SSA's ability to remain current with the CDR caseload, and the level of funding that would be needed over the next 5 years to keep the workload current; (2) opportunities that exist for SSA to improve the cost-effectiveness of the CDR process; and (3) whether SSA's rationale for delaying return-to-work and vocational services under the ticket program for beneficiaries who are expected to medically improve is supported by program experience. To examine these issues, we reviewed SSA documents, including the agency's budget request and estimates of the cost and savings from conducting CDRs. Also, we surveyed 52 Disability Determination Services (DDS)^[2] directors to assess the potential effect of the expiration of CDR-targeted funding on DDS operations. Moreover, we analyzed SSA data on CDR outcomes, reviewed SSA-contracted studies of the CDR process, examined legislation, regulations, and SSA policy guidance related to CDRs and the ticket program, and interviewed SSA officials.

In summary, with the expiration of CDR-targeted funds at the end of fiscal year 2002, SSA is at risk of generating another CDR backlog. As of March 2003, SSA

^[1]U.S. General Accounting Office, *Social Security Disability: Reviews of Beneficiaries' Disability Status Require Continued Attention to Achieve Timeliness and Cost-Effectiveness*, GAO-03-662 (Washington, D.C.: July 24, 2003).

^[2]SSA contracts with state DDS agencies to determine whether applicants are disabled.

was on track to complete about 200,000 less CDRs than needed to keep its workload current. The expected shortfall is attributable to several factors, including SSA's decision to reduce the number of CDRs it processed pending fiscal year 2003 funding decisions. Based on SSA's cost and workload projections, it would cost a total of about \$4 billion or more over the next 5 years to complete its CDR workload. Other factors that could affect SSA's ability to keep current with its CDR workload include DDS staffing difficulties and the lower priority given to CDRs relative to initial claims. If another large CDR backlog is generated, SSA is at risk of foregoing cost savings and compromising the integrity of its disability programs.

While SSA has taken a number of actions over the past decade to significantly improve the cost-effectiveness of the CDR process, opportunities remain for SSA to better use information in deciding when beneficiaries should undergo a CDR and which method to use in conducting a CDR—a mailed-out questionnaire (“mailer”) or a full medical review. For example, SSA has not fully studied and pursued the use of medical treatment data on beneficiaries available from the Medicare and Medicaid programs despite the potential of these data to improve SSA's decisions regarding whether to use a mailer or full medical review to complete a CDR. Also, SSA continues to be hampered in its CDR decisions by missing or incomplete information on beneficiaries' case history.

In addition, SSA's rationale for delaying issuance of a ticket to beneficiaries expected to medically improve, based on the premise that they will regain their capacity to return to work without SSA assistance, is not well-supported by program experience. As a result, some beneficiaries who might otherwise benefit from potentially valuable return-to-work assistance have to wait up to 3 years to access services through the ticket program. As SSA reexamines this policy, it will need to consider alternatives that better balance the agency's program stewardship and return-to-work goals.

Background

The DI and SSI programs are the two largest federal programs providing cash assistance to people with disabilities.^[3] In addition to cash assistance, DI beneficiaries receive Medicare coverage after they have received cash benefits for 24 months, and in most cases, receipt of cash benefits makes SSI beneficiaries eligible for Medicaid benefits. In 2002, SSA paid about \$60 billion to 5.5 million disabled workers.^[4] In addition, about 5.5 million people with disabilities received about \$26 billion in federal SSI cash benefits.^[5]

CDR Process

At the time beneficiaries enter the DI or SSI programs, DDSs determine when beneficiaries will be due for CDRs on the basis of their potential for medical improvement. Based on SSA regulations, DDSs classify individuals into one of three medical improvement categories, called “diary categories:” “medical improvement expected” (MIE), “medical improvement possible” (MIP), or “medical improvement not expected” (MINE). Based on the diary categories, DDSs select a “diary date” for each beneficiary, which is the date that the beneficiary is scheduled to have a CDR. The diary date is generally within 6 to 18 months if the beneficiary is classified as MIE;^[6] once every 3 years if classified as MIP; and once every 5 to 7 years if classified as MINE. Upon completion of a CDR, DDSs reassess the medical improvement potential of beneficiaries who remain eligible for benefits to determine the most appropriate medical improvement category and time frame for conducting the next CDR. Beneficiaries classified as MIE are not eligible to receive Ticket to Work serv-

^[3]The DI and SSI programs use the same statutory definition of disability. To meet the definition of disability under these programs, an individual must have a medically determinable physical or mental impairment that (1) has lasted or is expected to last at least 1 year or to result in death and (2) prevents the individual from engaging in substantial gainful activity (SGA). Individuals are considered to be engaged in SGA if they have countable earnings above a certain dollar level. For 2003, SSA considers countable earnings above \$800 a month to be substantial gainful activity for persons who are not blind and above \$1,330 a month for persons who are blind.

^[4]Included among these 5.5 million beneficiaries are about 1.2 million beneficiaries who were dually eligible for SSI benefits because of the low level of their income and resources. In 2002, the DI program also paid about \$6 billion in cash benefits to about 1.7 million spouses and children of disabled workers.

^[5]About 3.9 million of these individuals were working age adults aged 18 to 64.

^[6]Although SSA's policy guidance indicates that CDRs for MIE beneficiaries should generally be scheduled at intervals of 6 to 18 months, the guidance provides DDS personnel with flexibility to establish a diary date for any time period between 6 and 36 months.

ices until either the completion of their first CDR, or until they have received benefits for 3 years.

While SSA uses diary categories to determine the timing of CDRs, it has developed another method, called profiling, to determine the most cost-effective method of conducting a CDR. Profiling involves the application of statistical formulas that use data on beneficiary characteristics contained in SSA's computerized records—such as age, impairment type, length of time on disability rolls, previous CDR activity, and reported earnings—to predict the likelihood of medical improvement and, therefore, of benefit cessation. Through its profiling formulas, SSA assigns a “score” to beneficiaries indicating whether there is a high, medium, or low likelihood of medical improvement. In general, beneficiaries with a high score are referred for full medical reviews—an in-depth assessment of a beneficiaries’ medical and vocational status—while beneficiaries with lower scores are, at least initially, sent a questionnaire, known as a “mailer.”^[7] The mailer consists of a short list of questions asking beneficiaries to report information on their medical conditions, treatments, and work activities. If beneficiaries’ responses to a mailer indicate possible improvement in medical condition or vocational status, SSA may refer these individuals for a full medical review. However, in most cases, SSA decides that a full medical review is not warranted and that benefits should be continued.

In contrast to mailers, full medical reviews are labor intensive and expensive. These reviews generally involve an interview of beneficiaries at SSA field offices, a review of beneficiaries’ medical records by DDS personnel, and, if necessary, medical or psychological examinations with consulting physicians outside the DDS.^[8]

CDR Backlog

As of fiscal year 1996, about 4.3 million CDRs were due or overdue. In response, the Congress, in the Contract with America Advancement Act of 1996 (Pub. L. No. 104–121), authorized a total of about \$4.1 billion to fund a 7-year plan to eliminate the CDR backlog. In addition, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104–193) required SSA to conduct CDRs on several beneficiary groups, such as low birth weight babies and authorized an additional \$250 million for CDRs in fiscal years 1997 and 1998. The actual amount appropriated during the 7-year period, about \$3.68 billion, was less than the amount authorized in 1996.

SSA reported to the Congress in its fiscal year 2000 CDR report that in that year, the agency became current with the backlog of CDRs for all DI beneficiaries. SSA officials indicated to us that although they are in the midst of preparing the final statistics for its fiscal year 2002 CDR report, it became current with the backlog of CDRs for all SSI beneficiaries by the end of fiscal year 2002.

CDR Cost-Effectiveness

Since first implementing the profiling and mailer processes in the early 1990s, SSA has continued its efforts to improve the cost-effectiveness of the CDR process. Most notably, SSA has refined the statistical formulas used in profiling to identify which method—mailer or full medical review—should be used to conduct the CDR. According to SSA officials and studies of the profiling process, these improvements have led to some beneficiaries receiving a mailer who otherwise would have received a full medical review, thereby allowing SSA to reduce the overall cost of the CDR process. Conversely, by improving SSA's ability to identify beneficiaries who are likely to medically improve, these refinements have also helped the agency better ensure that it is conducting full medical reviews—and ceasing benefits—when appropriate.^[9] In addition to improvements in its profiling process, SSA has also implemented other CDR process improvements such as introducing an automated review of mailers.

End of Targeted Funding and Other Issues Could Contribute to Another Backlog, Threatening Cost Savings

In the midst of its first year following the cessation of CDR-targeted funds, SSA appears to be developing another CDR backlog. By the end of fiscal year 2003, on the basis of SSA's current projections, the agency will likely face a backlog of

^[7]While SSA uses mailers primarily for beneficiaries with low profile scores, the agency has recently expanded its use of mailers to some beneficiaries with medium and high profile scores.

^[8]SSA field offices perform the initial processing of CDRs to determine if beneficiaries meet nonmedical requirements. They then transfer the cases to DDSs for medical determinations.

^[9]According to SSA's study of its profiling model, the agency's recent improvements in statistical profiling have resulted in hundreds of millions of dollars in annual savings from being better able to identify and cease the benefits of individuals who have a relatively high likelihood of medical improvement.

200,000 CDRs. SSA attributes the mounting backlog to the management decisions it made at the beginning of the fiscal year during budget deliberations, as well as the need to process a larger than expected workload of initial disability applications. SSA has estimated that it will need a total of about \$4 billion to process its projected CDR workload over the next 5 years, although an updated estimate, expected to be available later this year, will likely show a higher cost as the disability rolls continue to expand. Aside from funding issues, DDSs reported that challenges associated with processing initial disability applications and maintaining enough disability examiners could jeopardize their ability to stay current with the CDR workload over the next few years. If another large CDR backlog is generated, SSA is at risk of foregoing cost-savings, thereby compromising the integrity of its disability programs.

CDR Backlog Likely to Reemerge

At the end of March 2003—six months after the expiration of separate authorized CDR funding—SSA was on a pace to generate a CDR backlog by the end of the current fiscal year. In its fiscal year 2003 budget justification, SSA indicated that it needed to process about 1.38 million CDRs during fiscal year 2003 to stay current with its CDR workload. Yet, SSA expects to process a total of 1.18 million CDRs, if not more, by the end of the fiscal year.^[10] By the end of March 2003—the midpoint of the fiscal year—SSA had processed about 539,000 CDRs. To reach the 1.18 million end-year revised total, SSA will need to process CDRs during the second half of the fiscal year at a pace similar to that achieved during the first 6 months of the fiscal year.^[11] Nevertheless, while it appears that SSA should be able to achieve this outcome, by the end of fiscal year 2003, it will have accumulated a backlog of 200,000 CDRs. However, according to SSA officials, most of the backlogged claims will consist of SSI adult CDRs, which lead to lower long-term savings than DI CDRs and do not have the same stringent statutory requirements that apply to DI CDRs.

SSA officials attributed the delay in obtaining a fiscal year 2003 budget as the main factor in hampering their ability to conduct all of the planned CDRs for the fiscal year.^[12] Because of concerns that the fiscal year 2003 appropriations would not support CDR activity at the fiscal year 2002 level, SSA reduced the number of CDRs it sent to DDS officials for processing as well as froze DDS hiring and overtime pay. SSA officials recognize that a hiring freeze can have a longer-term impact because it disrupts the normal replacement of disability examiners lost through attrition. SSA officials explained that disability examiners generally do not increase overall productivity when first hired and could, in fact, initially decrease productivity because experienced examiners may devote some of their time to training these new examiners. SSA officials noted that it generally takes 1 to 2 years before disability examiners become proficient.

SSA's management strategy to cut back on the number of CDRs it processed during the delays in the fiscal year 2003 budget process reflects the agency's higher priority for processing of initial applications for disability benefits. Specifically, while SSA cut back on the number of CDRs, no similar action was reported with DI and SSI initial eligibility decision making. SSA officials indicated that the application rate for disability benefits increased during the beginning months of fiscal year 2003, further affecting its ability to stay current with CDRs. SSA officials told us that although SSA sets a goal to process all CDRs and initial applications, initial eligibility decisions are given highest priority due to political pressure for getting disability benefits to people in a timely manner. DDSs, likewise, place a greater priority on processing initial applications. Three-fourths (75 percent) of directors said processing initial disability claims were a top priority relative to CDRs, whereas far fewer directors (23 percent) said that processing initial claims and CDRs were equal priorities.

SSA has recently proposed an approach to avoid this competition between CDRs and initial claims. In SSA's fiscal year 2004 budget request, the Commissioner requested that almost \$1.5 billion be earmarked for three activities that could provide

^[10] On May 14, 2003, SSA released its revised final performance plan for fiscal year 2003. The plan projects that SSA will process 1,129,000 CDRs during fiscal year 2003. SSA also expects to process an additional 20,000 CDRs initiated for reasons other than maturation of the scheduled diary date (e.g., a third party reports that the individual may no longer be disabled).

^[11] SSA indicated that 710,000 CDRs had been processed nearing the end of April 2003. This year-to-date completion rate positions SSA to complete all 1.18 million CDRs.

^[12] The federal government had operated under a series of continuing resolutions from the beginning of the fiscal year through February 20, 2003. A continuing resolution is legislation that may be enacted to provide budget authority for agencies to continue in operation when the Congress and the President have not completed action on appropriations by the beginning of the fiscal year.

a return on investment—CDRs, SSI nondisability redeterminations,^[13] and overpayment workloads. While we did not review the sufficiency of the level of this request, the earmarking of funds for activities such as CDRs could help SSA keep current with these activities. For example, if the number of initial applications for disability benefits continues to increase over the next several years, holding apart the necessary funds for CDRs could be a prudent measure.

SSA has indicated in its annual CDR reports, as well as in its performance and accountability report, that its ability to complete all CDRs as they become due in the future is dependent upon adequate funding. In 2000, SSA estimated that a total of about \$4 billion was needed to process the CDR workload during the 5-year period between fiscal year 2004 and 2008 (see table 1). SSA based these “rough estimates” on cost and workload projections available at that time. SSA expects to release updated workload and cost projections in the summer of 2003. The updated numbers for the fiscal year 2004 to 2008 period will likely be higher than the past estimate for this time period because of the recent growth in the disability rolls.

Table 1: Estimated CDR Activities, Fiscal Year 2004–08

Fiscal year	CDRs to be processed during year (in thousands)	CDR expenses (dollars in millions)	Cessations ^a (in thousands)
2004	1,637	\$716	61
2005	1,682	\$729	59
2006	1,632	\$787	61
2007	1,769	\$896	65
2008	1,793	\$857	62

Source: SSA’s Office of the Chief Actuary, May 2000 estimates.

^aEstimated ultimate cessations after all appeals.

DDS Directors Expressed Concerns about Their Ability to Meet Future CDR Workload

Several of the issues that have contributed to the pending fiscal year 2003 CDR backlog will also appear, in the views of DDS directors, in the future. First, nearly all directors expect the number of initial disability claims to exceed those in the past. Most DDS directors have a strategy in place to deal with this rising initial claims workload, but all expect increased initial claims to negatively affect their ability to process their CDR workload (see table 2). Second, most directors expect to experience difficulties in maintaining an adequate level of staffing, caused by many examiners leaving and difficulties finding replacements. Most DDSs who anticipate facing these staffing challenges reported that they have strategies in place to manage them. Nevertheless, nearly all believe that these staffing issues will negatively impact their ability to stay current with their expected CDR workloads.

Table 2: DDS Directors’ Reported Likelihood, If Any, of Experiencing an Event That Jeopardizes Meeting CDR Workload During Fiscal Year 2004 and 2005

Event	Numbers in percent		
	Not at all likely	Somewhat likely	Very likely
Higher number of initial disability claims than in past (n=51)	2	35	63
State budget shortfalls causing constraints (e.g., personnel restrictions) (n=49)	25	29	47

^[13]To determine whether beneficiaries remain financially eligible for SSI benefits after the initial assessment, SSA conducts nondisability redeterminations to verify eligibility factors such as income, resources, and living arrangements. Beneficiaries are reviewed at least once every 6 years, but reviews may be more frequent if SSA determines that changes in eligibility are likely.

Table 2: DDS Directors' Reported Likelihood, If Any, of Experiencing an Event That Jeopardizes Meeting CDR Workload During Fiscal Year 2004 and 2005—Continued

Numbers in percent			
Event	Not at all likely	Somewhat likely	Very likely
Difficulties hiring disability examiners (n=51)	28	31	41
High turnover of disability examiners due to reasons other than retirement (n=51)	35	51	14
Large number of disability examiner retirements (n=51)	39	39	22

Source: GAO survey of DDS directors, February 2003.

Cost Savings and Program Integrity Could Be Jeopardized If CDR Backlog Grows Again

To the extent that funding, staffing, and other issues limit SSA's ability to process its CDR workload, the full realization of CDR cost savings could be in jeopardy. SSA maintains that the return on investment from CDR activities is high. In fact, SSA's most recent annual CDR report to the Congress summarizes its average CDR cost-effectiveness during fiscal year 1996 to 2000 at about \$11 returned for every \$1 spent on CDRs.^[14] SSA has noted, however, that such rates of return are unlikely to be maintained because as SSA works down the backlog and beneficiaries come up for their second and third CDRs, the agency does not expect as many cessations and, therefore, the cost-benefit ratio could decline. Nevertheless, since the Congress' provision of dedicated CDR funding starting in fiscal year 1996, SSA has reported completing millions of CDRs that will lead to long-term savings ranging from about \$2 billion to \$5.2 billion.^[15]

In addition to a favorable return on investment, SSA's CDR activities help protect DI and SSI program integrity. Keeping current with the CDR workload can help build and retain public confidence that only qualified individuals are receiving disability benefits. In addition, it helps protect the programs' fiscal integrity and allows SSA to meet its financial stewardship responsibilities. To the extent the agency falls behind in conducting CDRs, a CDR backlog undermines these positive outcomes.

Further Opportunities Exist for SSA to Improve CDR Cost-Effectiveness

While SSA has taken a number of actions over the past decade to significantly improve the cost-effectiveness of the CDR process, opportunities remain for SSA to better use program information in CDR decision making. While DDS personnel study available information on beneficiaries to decide when they should undergo a CDR, they do not conduct a systematic analysis of this information. As a result, CDRs may not be conducted at the optimal time. Also, SSA's process for determining what method to use for a CDR—mailer or full medical review—is not always based on the best information available. In addition, SSA has not fully studied and pursued the use of medical treatment data on beneficiaries available from the Medicare and Medicaid programs despite the potential of these data to improve SSA's selection of the most appropriate CDR method. Finally, SSA continues to be hampered in its CDR decisions by missing or incomplete information on beneficiaries'

^[14] SSA calculated its annual cost-effectiveness ratios by dividing the estimated present value of total lifetime benefits saved with respect to CDR cessations (including Old Age, Survivors, and Disability Insurance, SSI, Medicare, and Medicaid savings) by the dollar amount spent on periodic CDRs in a given year. SSA points out that the ratios should be considered an approximation because, for example, costs do not include the costs of appeals processed after the end of a given year. However, SSA officials also noted that the administrative costs for CDRs in a given year include the costs of appeals of CDR cessations in prior years which are processed in that year.

^[15] Although we did not independently verify these savings estimates, we discussed how SSA made its calculations and believe its approach is reasonable. To estimate long-term savings, SSA calculated the value of the reduction in both cash and medical insurance coverage that otherwise would have been provided to individuals whose benefits were ceased following the completion of a CDR. SSA factored in the effect of appealed cases: SSA did not count savings from those beneficiaries who were initially found ineligible for continued benefits but whose cessations were later successfully appealed. Moreover, SSA officials told us that to estimate savings over 10 years, they took into account the likelihood that some individuals whose benefits were ceased through a CDR would likely have left the disability rolls through death, retirement, and other reasons pertaining to eligibility.

case history, which may prevent SSA from ceasing benefits for some individuals who no longer meet eligibility standards.

Decisions on Timing of CDRs Are Not Based on Systematic Analysis of Available Information

While DDS personnel review available information on beneficiaries to establish a diary date indicating when beneficiaries should undergo a CDR, they do not conduct a systematic analysis of this information. Diary decisions are inherently complex because DDS personnel must assess a beneficiary's likelihood of medical improvement and how such medical improvement will affect that person's ability to work. Based on these judgments, beneficiaries are placed in a diary category indicating either that medical improvement is "expected," "possible," or "not expected." DDS personnel then assign a diary date that corresponds with the diary category; the more likely a beneficiary is to medically improve, the earlier the diary date.

Although SSA has established guidance for DDS personnel on diary date decisions, SSA officials told us that, ultimately, such decisions are difficult to make and are based on the judgment of the DDS staff. An SSA contracted study of the diary process found that this process is often subjective and that the setting of diary categories and dates is "almost an afterthought" once the case file is developed and a disability determination has been made. SSA's study identified shortcomings in the diary date process. For example, most beneficiaries assigned to the diary category indicating they are expected to medically improve are not found to have improved when a CDR is conducted. Our analysis of SSA data indicates that between 1998 and 2002, only about 5 percent of beneficiaries in the MIE category^[16] were found to have medically improved to the point of being able to work again.

SSA's diary process study indicated that diary predictions of medical improvement could be substantially improved through the use of statistical modeling techniques similar to those used in the CDR profiling process that SSA uses to determine whether a mailer or a full medical review is needed. The study noted that this systematic, quantitative approach to assigning diary categories and dates would likely enhance disability program efficiency by reducing the number of CDRs that do not result in benefit cessation.^[17] Another benefit derived from a more systematic approach to diary categorization, according to SSA's study, is improved integrity of the diary process resulting from more timely CDRs and from actual medical improvement rates that more closely correlate with the diary categories that SSA assigns to beneficiaries. For example, SSA's study indicates that the actual medical improvement rate for beneficiaries assigned to the MIE diary category would increase to about 29 percent under this improved process.

SSA officials told us that, in response to the diary study recommendations, the agency has begun to revise its diary process to introduce a more systematic approach to selecting a CDR date. In particular, SSA is developing a process that will use beneficiary data collected at the time of benefit application, such as impairment type and age, in a statistical formula to help determine when a CDR should be conducted. While this change is likely to result in some improvements in the timing of CDRs, the fundamental diary categorization process used by DDSs will remain the same. Despite the study's findings and recommendations, SSA officials told us that they will not replace SSA's current process for assigning diary categories with a statistical process because of what they believe would be significant costs involved in changing this system across DDSs. However, SSA's study acknowledged the potential cost of implementing a new process in DDSs, and instead recommended that a revised diary process be centrally administered in order to avoid such high costs. The officials also said that such fundamental changes in the diary process would require a change in regulations.

SSA's Process for Determining CDR Method Not Always Based on Best Information Available

SSA's process for determining what method to use for a CDR is not always based on the best information available. In the 1990s, SSA introduced a system that develops a "profile score" for each beneficiary, which indicates the beneficiary's likelihood for medical improvement based on a statistical analysis of beneficiary data. The purpose of the profile score is to allow SSA to determine whether it is more cost-effective to send a mailer or to conduct a full medical review. SSA's own contracted stud-

^[16]This figure includes all MIE beneficiaries—those who have already undergone a CDR as well as those who have not yet had a CDR.

^[17]The study recommended that DDSs continue to assign diary categories because this process is useful for indicating the severity of an impairment. The statistical formula would then factor in this DDS diary category in developing an ultimate diary determination.

ies indicate that profiling results provide the best available indication of whether a beneficiary is likely to medically improve. Nevertheless, for some beneficiaries, SSA continues to use the diary category that was judgmentally assigned by DDS personnel as the basis for their decision about whether to send a mailer or conduct a full medical review.

SSA requires a full medical review for all beneficiaries whose diary category indicates that medical improvement is expected (MIE) and who have not yet undergone a CDR.^[18] This is the case even when the profile score indicates that improvement is unlikely. In fiscal year 2002, about 14 percent of beneficiaries in the MIE diary category were assigned to the “low” profile category, which indicates that medical improvement is not likely. SSA officials acknowledged that their policy requiring full medical reviews for all beneficiaries in this diary category departs from their usual practice of using mailers for beneficiaries in the low profile category, but they believe that this policy is reasonable given that these beneficiaries are more likely to medically improve than those assigned to other diary categories. However, SSA’s data from 1998 to 2002 shows that most beneficiaries in this category—about 94 percent—do not medically improve to the point of being able to work.

For other CDR cases, SSA may require that a mailer be sent even when the profile score indicates that conducting a full medical review would be most cost-effective. Specifically, SSA’s policy is to send a mailer to all beneficiaries who were assigned a diary category that indicates medical improvement is not expected (MINE),^[19] even if the profile score indicates a relatively high likelihood of medical improvement.^[20] Whether or not these beneficiaries subsequently receive a full medical review will be based on the results of their mailer. SSA officials said that MINE beneficiaries with a high profile score are more likely to receive a full medical review based on their mailer responses because SSA conducts a more stringent review of their mailer responses.^[21] However, it is not clear that sending mailers to beneficiaries in the high profile category is the most cost-effective approach. SSA studies of the mailer process have indicated that, while this process is effective, it does not provide the same assurance as full medical reviews that medical improvement will be identified. As a result, the use of mailers for beneficiaries whose profile scores indicate a high likelihood of improvement could result in SSA identifying fewer benefit cessations.^[22]

SSA Has Not Fully Studied and Pursued the Use of Medical Treatment Data from Medicare and Medicaid

SSA has not fully studied and pursued the use of medical treatment data on beneficiaries available from the Medicare and Medicaid programs despite the potential of these data to improve SSA’s decisions regarding whether to use a mailer or full medical review to complete a CDR. In 2000, an SSA contracted study found that the use of Medicare data from the Center for Medicare and Medicaid Services (CMS)—such as data on hospital admissions and medical treatments—resulted in a significant improvement in SSA’s ability to assess potential medical improvement through CDR profiling. Based on these results, SSA, in fiscal year 2003, implemented a process that uses CMS Medicare data in CDR profiling to determine if DI beneficiaries who are initially identified as candidates to receive a full medical review should instead receive mailers.^[23] SSA expects that this will result in admin-

^[18] SSA applies a different process for MIE beneficiaries who have undergone one or more CDRs. These beneficiaries may receive a mailer if their CDR profile score indicates that they have a low likelihood of medical improvement. However, most beneficiaries assigned to the MIE category have not yet undergone a CDR; in fiscal year 2002, about 88 percent of all beneficiaries in this diary category had not had a CDR. When referring to MIE beneficiaries in the remainder of our discussion in this section, we are describing only those beneficiaries who have not yet had a CDR.

^[19] SSA officials told us that while it is their intention to do mailers for all MINE beneficiaries, they may be unable in some years to send mailers to all of these beneficiaries if their overall funding for mailers is insufficient.

^[20] In addition to sending mailers to high profile beneficiaries in the MINE diary category, SSA has recently begun to send mailers to some high profile beneficiaries in the MIP diary category.

^[21] SSA also sends mailers to medium profile beneficiaries in the MINE diary category. However, SSA has some evidence from its profiling studies indicating that issuing mailers to medium profile beneficiaries is likely to be cost-effective. No similar evidence exists regarding high profile beneficiaries.

^[22] Although a relatively small proportion of beneficiaries have their benefits ceased based on a CDR, the savings from these benefit cessations are substantial, as noted earlier in this testimony.

^[23] SSA is using CMS Medicare data to reassess the prospects of medical improvement for beneficiaries who, based on their initial CDR profiling results, are considered to have a high

istrative savings due to the reduced number of full medical reviews the agency must conduct. SSA has also initiated a study to assess whether CMS Medicaid data can be used in the same way to decide if SSI beneficiaries, scheduled to receive full medical reviews, could instead be sent mailers.

But SSA's efforts to obtain and use CMS Medicare or Medicaid data are incomplete because the data will only be used to reclassify full medical reviews to mailers but not to reclassify mailers to full medical reviews. SSA officials told us that they have no plans to pursue this additional use of the data because they believe their current profiling system is sufficient for identifying beneficiaries who have a low likelihood of medical improvement. While they agreed that the CMS data could potentially be useful for reclassifying mailers to full medical reviews, they noted that they would need to first study this particular use of the data and would need to develop another interagency agreement with CMS to authorize and obtain data for this purpose. Also, they said that any action to reclassify mailers to full medical reviews would require SSA to publish a Federal Register notice describing this action.

SSA could potentially achieve substantial program savings from conducting additional full medical reviews in cases where CMS data indicate that beneficiaries originally identified as mailer candidates have a relatively high likelihood of medical improvement. Using CMS Medicare data for this purpose would be consistent with the results of an SSA study that recommended that these data be used whenever it improves the agency's ability to accurately predict medical improvement. For example, the study noted that the CMS data would be useful for enhancing SSA's profiling of beneficiaries with mental impairments, including those with a low likelihood of medical improvement for whom SSA would usually send a mailer. To the extent that CMS data improves SSA's ability to identify beneficiaries for full medical review, the program savings from reduced lifetime benefit payments to those beneficiaries whose benefits are ceased could easily exceed any increased administrative costs resulting from additional full medical reviews.

Missing or Incomplete Case Folders May Result in Fewer Benefit Cessations

SSA continues to be hampered in its CDR decisions by missing or incomplete information on beneficiaries' case history, which may prevent SSA from ceasing benefits for some individuals who no longer qualify for benefits. To cease benefits based on a CDR, SSA must determine if the beneficiary has improved by comparing information about the beneficiary's current condition to information from the agency's previous decision regarding the beneficiary's medical condition. This previous decision and the evidence supporting it are recorded by SSA and maintained in case folders that are usually stored in SSA records storage facilities. However, in conducting CDRs, DDSs sometimes have difficulty retrieving the case folders or the key medical evidence that is maintained in these folders.

Without the information contained in case folders, DDSs cannot establish a comparison and, therefore, cannot determine if medical improvement has occurred. As a result, SSA is legally required to keep the beneficiary on the disability rolls even though the beneficiary may have been judged to no longer qualify for benefits had the DDS been able to establish a comparison. SSA's inability to cease benefits in cases where folders are missing or incomplete could result in a substantial cost to the federal government arising from continued payments of benefits—cash and medical—to people who no longer meet eligibility standards.¹²⁴¹

Our discussions with SSA officials, survey of DDSs, and review of SSA studies indicate that missing or incomplete folders present an obstacle to effective processing of CDRs. However, evidence on the extent of this problem is mixed. In responding to our survey on CDRs, about 72 percent of DDSs informed us that missing or incomplete information from case folders negatively impacted the quality or timing of CDR decisions to a moderate or great extent. Recent SSA studies have also identified problems with missing or incomplete case folders. For example, a study contracted by SSA identified problems with disability case folder management, such as misrouted or missing folders, and recommended that SSA "analyze the reasons for missing folders and provide recommendations for process and systems improvements."

or medium likelihood of medical improvement. Typically, SSA would conduct full medical reviews for these beneficiaries. However, SSA's reassessment may indicate that some of these beneficiaries instead have a low likelihood of medical improvement and therefore should receive mailers.

¹²⁴¹Missing or incomplete case folders may also result in additional administrative costs to the extent that SSA and DDS personnel spend time attempting to locate or reconstruct missing information.

SSA headquarters officials we spoke with said that SSA has examined the incidence of missing or incomplete case folders and found that the problem is not as significant as claimed by DDSs. For example, in fiscal year 2000, SSA investigated allegations of substantial numbers of missing case folders in two DDSs. SSA officials told us that they were able to locate many of the folders that had been reported as missing. The officials attribute the discrepancy between their findings and the allegations of DDSs, in part, to staff shortages and workload pressures at field offices, which result in a failure of these offices to take further steps to look for folders. However, our survey of DDSs indicates that regardless of SSA's ability to locate many case folders upon further investigation, DDSs are still having difficulty obtaining the information they need to make CDR decisions.

In a 2002 memorandum to SSA's Inspector General, the SSA Commissioner acknowledged that missing or incomplete case folders are a problem in the CDR process, but noted that the problem had been overstated. The memorandum cited data indicating a lost folder rate of about 0.5 percent for DI CDRs and about 3 percent for SSI CDRs.^[25] The Commissioner also said that SSA had taken a number of actions in recent years to reduce the incidence of lost folders, such as issuance of additional guidance and training on this issue. In addition, the Commissioner noted that the agency was committed to building a system of electronic folders^[26] that will "virtually eliminate the incidences of lost folders." While electronic folders may be a key initiative in resolving SSA's problems with missing or incomplete case folders, SSA does not plan to fully implement this system until mid-2005.^[27] In addition, these electronic folders will be established only for new disability cases; cases established prior to implementation of electronic folders will remain in a paper format. Therefore, problems in handling these older case folders will likely continue.

SSA's Rationale for Postponing Return-to-Work Services to Some Beneficiaries Is Not Well-Supported by Program Experience

SSA's rationale for postponing issuance of a ticket to beneficiaries expected to medically improve—those who are assigned an MIE diary category—is not well-supported by program experience. In issuing regulations implementing the ticket act, SSA decided to postpone issuance of tickets to MIE beneficiaries who have not yet had a CDR based on the premise that these beneficiaries could be expected to regain their capacity to work without SSA assistance.^[28] However, our analysis of SSA data indicates that the vast majority of MIE beneficiaries in the DI and SSI programs—about 94 percent—are not found to have medically improved upon completion of a CDR. As a result, some beneficiaries who might otherwise benefit from potentially valuable return-to-work assistance must wait up to 3 years to access services through the ticket program.^[29]

Some disability advocacy groups and SSA's own Ticket to Work and Work Incentives Advisory Panel have questioned SSA's policy of delaying the issuance of tickets to MIE beneficiaries. In particular, they have commented that delaying tickets to all MIE beneficiaries when only a small proportion of these beneficiaries return to work underscores the inherent weakness of relying upon the MIE category as a basis for granting access to ticket services. In our prior work examining DI and SSI return-to-work policies, we noted that delays in the provision of vocational rehabilitation services can diminish the effectiveness of such return-to-work efforts.^[30] Delaying services to some disability beneficiaries, therefore, undermines SSA's recent efforts to increase its emphasis on helping these beneficiaries return to work.

^[25]Data are based on CDRs conducted from 1997 to 2001.

^[26]SSA is currently developing a Disability Electronic Folder (EF) which, when completed, will be the repository of all information used in the disability process and should eventually replace the paper folders. As a result, processing components should not have to rely on a paper folder to take adjudicative actions. The EF is planned to be linked to all existing and future systems that support the disability case process. Information will be captured electronically during the case intake process and transmitted to the EF. Documentation and forms received from external sources (e.g., claimants, medical providers, third parties, etc.) will be converted to an electronic format (e.g., scanning and imaging) and added to the EF. Electronic documents received from medical providers will be indexed and added to the EF.

^[27]SSA plans to begin rollout of electronic disability folders in January 2004 and plans to achieve national implementation over an 18-month period.

^[28]The Ticket to Work Act gave the SSA Commissioner authority to determine which disabled beneficiaries would be eligible to participate in the ticket program.

^[29]SSA's policy on ticket eligibility states that any MIE beneficiary who has been on the disability rolls for at least 3 years will be eligible for a ticket, even if they have not yet had a CDR.

^[30]U.S. General Accounting Office, *SSA Disability: Program Redesign Necessary to Encourage Return to Work*, GAO/HEHS-96-62 (Washington, D.C.: Apr. 24, 1996).

SSA officials told us that they are examining the current policy of issuing tickets to MIE beneficiaries to identify possible alternatives but they are not sure when this assessment will be completed.^[31] However, they noted that their policy of limiting ticket issuance reflects congressional interests in striking an appropriate balance between program stewardship and encouraging return to work. Moreover, they explained that reversing the current policy would be costly. SSA's actuaries have estimated that issuing tickets to all MIE beneficiaries would cost an additional \$822 million over 10 years because the ticket law prohibits SSA from conducting CDRs on beneficiaries who are using a ticket. Therefore, SSA would continue to pay DI and SSI benefits to some beneficiaries who might have otherwise had their benefits terminated.

The drawbacks of SSA's current policy of postponing issuance of tickets to MIE beneficiaries and the potential costs associated with an alternative policy that would allow immediate issuance of tickets to these beneficiaries highlights the need for SSA, as part of its policy reexamination, to consider other policy alternatives that might better balance the agency's program stewardship and return-to-work objectives. While we did not conduct an in-depth assessment of potential alternatives to SSA's current policy,^[32] our review of the CDR program and ticket provisions indicate that other options may exist that would achieve a better balance among SSA's program objectives. For example, SSA could develop a better means of identifying beneficiaries who are expected to medically improve. Earlier in this testimony, we noted that an SSA-contracted study of the diary process recommended implementation of an improved system that, among other things, would better identify MIE beneficiaries through statistical modeling of diary decisions. One effect of such improved identification, according to the study, would be to substantially reduce the proportion of beneficiaries with an MIE diary category. For instance, the study found that although SSA, over the past decade, has assigned the MIE diary category to about 9 percent of DI beneficiaries, a statistically-based diary process would result in about 3 percent of DI beneficiaries being assigned to the MIE category. This would potentially minimize the number of beneficiaries initially denied tickets and may also provide more assurance, within and outside SSA, that such beneficiaries can truly be expected to improve.

SSA might also consider an option that provides for the issuance of tickets to all MIE beneficiaries while allowing CDRs to be conducted as scheduled for these beneficiaries. This policy would require a legislative change because, as we noted earlier, the Ticket to Work Act currently prohibits SSA from conducting a CDR while a person is using a ticket.^[33] While the ticket program's prohibition on CDRs for ticket users was intended to remove a potential disincentive for beneficiaries to return to work, MIE beneficiaries currently get neither a ticket nor protection from a CDR. A policy allowing CDRs to be conducted on these beneficiaries while they use a ticket would at least give these beneficiaries immediate access to return-to-work services offered under the ticket program. In addition, SSA will still be able to achieve the cost savings that are derived from CDRs for beneficiaries that it considers most likely to medically improve.

Conclusions

CDRs are a vital component of SSA's efforts to strengthen the integrity of its disability programs, an objective that will only increase in importance as the disability rolls continue to grow in the years ahead. As such, it is important that SSA pursue and implement initiatives to prevent the recurrence of CDR backlogs. SSA's recent proposal for targeted funding of program activities, including CDRs, that provide a return on investment as well as efforts to further improve the cost-effectiveness of the CDR process could positively contribute to SSA's efforts to improve service delivery. As SSA pursues such initiatives, it should also examine options for better balancing its need to conduct CDRs with its responsibility for providing return-to-work assistance under the ticket to work program to beneficiaries who are expected to medically improve.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

^[31]In May 2003, SSA announced in the Federal Register (Social Security Administration: Semiannual Regulatory Agenda, 68 Fed. Reg. 31,240, May 27, 2003) that its long-term plans include a proposal to revise its rules to allow the immediate issuance of tickets to MIE beneficiaries. However, SSA's Associate Commissioner responsible for reviewing the ticket policy for MIEs told us that SSA has not made a final decision regarding any changes to the current policy and that the agency's review has not been completed.

^[32]Given the recent implementation of the ticket program, insufficient data were available during the period of our review to conduct the analysis necessary to fully evaluate such options.

^[33]However, the prohibition on CDRs for all other ticket users could remain in effect.

GAO Contacts and Staff Acknowledgements

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Chairman SHAW. Ms. Koontz.

STATEMENT OF LINDA D. KOONTZ, DIRECTOR, INFORMATION MANAGEMENT ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Ms. KOONTZ. Mr. Chairman, Members of the Subcommittee, I am pleased to be here to participate in your hearing on the SSA's service delivery capability. My testimony focuses on a critical aspect of SSA's overall goal, its ongoing initiative to achieve an electronic disability claims process. As you know, one of SSA's most vital obligations is paying cash benefits to disabled individuals under the Disability Insurance and SSI Programs. In 2002, the agency paid approximately \$86 billion to about 10 million disabled beneficiaries. Yet, over the years, it has been increasingly difficult for SSA to ensure an acceptable level of service, both in terms of quality and timeliness. During testimony before this Subcommittee in May 2002, the Commissioner voiced concerns about the length of time that the current disability process can take and promised immediate improvements. Among these improvements, she announced plans to accelerate SSA's initiative to develop an electronic disability claims process by late January 2004 rather than late 2005, as originally planned. The SSA's refocused project is known as the AeDib Initiative. At your request, we are currently assessing the strategy for automating the electronic disability claims process. My testimony will discuss our key observations to date regarding the initiative including the accelerated approach, the risks associated with this approach, and consultation with and support from key stakeholders. We plan to discuss more fully the results of our ongoing review in a subsequent report to you.

The SSA's goals of achieving an electronic disability claims process represents an important positive direction toward more efficient delivery of disability payments to an increasing beneficiary population. In undertaking this initiative, SSA's immediate focus is on developing the capability to allow claimant information and large amounts of medical images files and other documents that are currently maintained in paper folders to be stored in electronic folders, and then accessed, viewed, and shared by the disability processing offices. Since announcing the accelerated initiative, SSA has made progress toward attaining this capability, including implementing initial automated claims intake functions in its field offices. Nonetheless, substantial work remains. The most crucial of which is developing document management and scanning and imaging capabilities that are fundamental to establishing the electronic folder. The SSA's current strategy, however, involves risks that could jeopardize its successful transition to an electronic disability system. A pilot test that would determine whether technology supporting the electronic folder will work as intended is not expected to be completed until late December at least, just one month before SSA

plans to begin implementing the electronic folder in the disability offices, leaving the agency little time to incorporate test results. The agency also does not currently plan to perform end-to-end testing to demonstrate prior to national implementation how successfully the multiple components will operate together to electronically process disability claims. Further adding to the system's vulnerability is that SSA has not yet performed a comprehensive assessment to identify and establish strategies for mitigating project risks that could result in cost schedule and performance shortfalls.

Finally, SSA has not yet successfully resolved certain concerns among key disability stakeholders regarding the accelerated strategy. The SSA officials maintain that they have involved stakeholders in developing the system. They are including them in working groups and steering Committee meetings. However, State disability determination officials, in particular, have significant concerns about how the system is being developed and implemented, and do not believe that their offices have been effectively involved with SSA in making key decisions about the initiative. They further question whether the strategy will effectively support their business processes. The SSA's consultations with the medical community have also thus far been limited, and their representatives have concern about electronically submitting evidence for disability determinations. Until SSA can assure itself and stakeholders the concerns have been effectively considered and addressed, the agency risks not having full acceptance and use of this delivery tool. To summarize, in moving forward on an electronic disability process, SSA has undertaken a very positive and very necessary endeavor, and we commend the Commissioner's determination and proactive pursuit of this service delivery enhancement. Nonetheless, SSA's accelerated strategy may involve risks of delivering a system that may not sufficiently meet its needs. Given the importance of this project, it is essential that the agency satisfy itself that the electronic disability initiative will perform as intended before it is deployed nationwide. We will continue to monitor progress on this initiative as part of our ongoing review. That concludes my statement. I would be happy to answer questions at the appropriate time.

[The prepared statement of Ms. Koontz follows:]

**Statement of Linda D. Koontz, Director, Information Management Issues,
U.S. General Accounting Office**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to participate in your continuing dialogue on the Social Security Administration's (SSA) service-delivery capability. My testimony focuses on a critical aspect of SSA's overall goal—its ongoing initiative to achieve an electronic disability claims process. As you know, one of SSA's most vital obligations is paying cash benefits to disabled individuals under the Disability Insurance and Supplemental Security Income programs. In 2002, the agency paid approximately \$86 billion to about 10 million disabled beneficiaries. Yet, over the years, it has become an increasing challenge for SSA to ensure an acceptable level of service—both in terms of quality and timeliness. This past January, in fact, we reported SSA's disability programs as high-risk.¹¹

¹¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: Social Security Administration*, GAO-03-117 (Washington, D.C.: January 2003).

During testimony before this Subcommittee in May 2002, the Commissioner of Social Security voiced concerns about the length of time that the current disability process can take, and promised immediate improvements. Among these improvements, she announced plans to accelerate SSA's initiative to develop an electronic disability claims process by late January 2004 rather than late 2005 as initially planned. SSA's refocused project is known as the accelerated electronic disability initiative—AeDib.

At your request, we are currently reviewing AeDib to assess SSA's strategy for developing the electronic disability claims process. My testimony will discuss our key observations to date regarding the initiative, including SSA's (1) accelerated approach for and progress toward completing the electronic disability system, (2) actions for ensuring the system's successful operations and protection against risks, and (3) consultation with and support from key stakeholders. We plan to discuss more fully the results of our ongoing review in a subsequent report to you.

In conducting this work, we analyzed relevant documentation describing SSA's plans and strategies for developing and implementing the AeDib system and its progress in doing so. We reviewed technical documents pertaining to the system development and interviewed appropriate SSA officials to determine the extent to which the agency has followed its software development guidance. We supplemented our analysis with interviews of SSA officials in the Offices of Disability Programs, Operations, Systems, and Hearings and Appeals. In addition, we visited SSA field offices in Delaware and Texas to observe disability claims intake operations and obtain staff perspectives on the AeDib project. We also conducted site visits at the Delaware, New York, Texas, and Wisconsin Disability Determination Services (DDS) offices to observe disability system pilot tests and discuss these offices' involvement in planning and implementing AeDib. Further, we surveyed staff in six other DDS offices, and interviewed representatives of state and SSA employees and the medical community. These included the National Council of Disability Determination Directors, the American Federation of Government Employees, and the American Health Information Management Association. We performed our work to date in accordance with generally accepted government auditing standards, from December 2002 through July of this year.

RESULTS IN BRIEF

SSA's goal of achieving an electronic disability claims process represents an important, positive direction toward more efficient delivery of disability payments to an increasing beneficiary population. In undertaking AeDib, SSA's immediate focus is on developing the capability to allow claimant information and large volumes of medical images, files, and other documents that are currently maintained in paper folders to be stored in electronic folders, and then accessed, viewed, and shared by the disability processing offices. Since announcing the accelerated initiative in May 2002, SSA has made progress toward attaining this capability, including implementing initial automated claims-intake functions in its field offices. Nonetheless, substantial work remains—the most crucial of which is developing document management and scanning and imaging capabilities that are fundamental to achieving the electronic folder.

SSA's current strategy, however, involves risks that could jeopardize its successful transition to an electronic disability process. A pilot test that would determine whether technology supporting the electronic folder will work as intended, is not expected to be completed until at least December—just 1 month before SSA plans to begin implementing the electronic folder to the disability offices—leaving the agency little time to incorporate test results. The agency also does not currently plan to perform end-to-end testing to demonstrate, prior to the national implementation, how successfully the multiple components will operate together to electronically process disability claims. Adding to the system's vulnerability is that SSA has not yet performed a comprehensive assessment to identify and establish strategies for mitigating project risks that could result in cost, schedule, and performance shortfalls.

Finally, SSA has not yet successfully resolved certain concerns among key disability stakeholders regarding the AeDib strategy. SSA officials maintain that they have involved stakeholders in developing AeDib through including them in working groups and steering committee meetings. However, state DDSs in particular, have significant concerns about how the system is being developed and implemented, and do not believe that their offices have been effectively involved with SSA in making key decisions about the initiative; they question whether this strategy will effectively support their business processes. Further, although physicians and other providers of medical evidence are critical to the disability process, SSA's consultations with the medical community have thus far been limited and their representatives have concerns about electronically submitting evidence for disability determinations.

Until SSA can ensure itself and all stakeholders that the concerns have been effectively considered and addressed—and the stakeholders view themselves as fully engaged in the initiative—the agency risks not having full acceptance and use of this vital service-delivery tool.

BACKGROUND

The Disability Insurance and Supplemental Security Income programs are the nation's largest providers of federal income assistance to disabled individuals, with SSA making payments of approximately \$86 billion to about 10 million beneficiaries in 2002. The process through which SSA approves or denies disability benefits is complex and involves multiple partners at both the state and federal levels in determining a claimant's eligibility. Within SSA, these include its 1,300 field offices, which serve as the initial point of contact for individuals applying for benefits, and the Office of Hearings and Appeals, which, at the request of claimants, reconsiders SSA's decisions when benefits are denied.

SSA also depends on 54 state Disability Determination Services (DDS) offices to help process claims under its disability insurance programs.^[2] State DDSs provide crucial support to the initial disability claims process—one that accounts for most of SSA's workload—through their role in determining an individual's medical eligibility for disability benefits. DDSs make decisions regarding disability claims in accordance with federal regulations and policies; the federal government reimburses 100 percent of all DDS costs in making disability determination decisions. Physicians and other members of the medical community support the DDSs by providing the medical evidence to evaluate disability claims.

The process begins when individuals apply for disability benefits at an SSA field office, where determinations are made about whether they meet nonmedical criteria for eligibility. The field office then forwards the applications to the appropriate state DDS, where a disability examiner collects the necessary medical evidence to make the initial determination of whether the applicant meets the definition of disability. Once the applicant's medical eligibility is determined, the DDS forwards this decision to SSA for final processing.

Claimants who are initially denied benefits can ask to have the DDS reconsider its denial. If the decision remains unfavorable, the claimant can request a hearing before a federal administrative law judge at an SSA hearings office, and, if still dissatisfied, can request a review by SSA's Appeals Council. Upon exhausting these administrative remedies the individual may file a complaint in federal district court. Each level of appeal, if undertaken, involves multi-step procedures for the collection of evidence, information review, and decision making. Many individuals who appeal SSA's initial decision will wait a year or longer—perhaps up to 3 years—for a final decision.

To address concerns regarding the program's efficiency, in 1992 SSA initiated a plan to redesign the disability claims process, emphasizing the use of automation to achieve an electronic (paperless) processing capability. The automation project started in 1992 as the Modernized Disability System, and was redesignated the Re-engineered Disability System (RDS) in 1994. RDS was to automate the entire disability claims process—from the initial claims intake in the field office to the gathering and evaluation of medical evidence at the state DDSs, to payment execution in the field office or processing center, and including the handling of appeals at the hearings offices. However, our prior work noted that SSA had encountered problems with RDS during its initial pilot testing.^[3] For example, systems officials had stated that, using RDS, the reported productivity of claims representatives in the SSA field offices dropped. They noted that before the installation of RDS, each field office claims representative processed approximately five case interviews per day. After RDS was installed, each claims representative could process only about three cases per day. As a result, following an evaluation by a contractor, SSA suspended RDS in 1999 after approximately 7 years and more than \$71 million reportedly spent on the initiative.

In August 2000 SSA issued a management plan with a renewed call for developing an electronic disability system by the end of 2005. The strategy was to incorporate three components: an electronic disability intake process that would include (1) a subset of the existing RDS software, (2) the existing DDS claims process, and (3) a new system for the Office of Hearings and Appeals. The management plan also

^[2] DDSs are located in all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

^[3] U.S. General Accounting Office, *Social Security Administration: Technical and Performance Challenges Threaten Progress of Modernization*, GAO/AIMD-98-136 (Washington, D.C.: June 19, 1998).

provided for several pilot projects to test the viability and performance of each project component. SSA's work on this effort occurred through the spring of 2002, at which time the Commissioner announced that she had begun an accelerated initiative to more quickly automate the disability claims process. The agency anticipated that, with technologically advanced disability processing offices, it could potentially realize benefits of more than \$1 billion, at an estimated cost of approximately \$900 million, over the 10-year life of the accelerated initiative.

AeDib's STRATEGY CALLS FOR DEVELOPING AND INTEGRATING MULTIPLE DISABILITY SYSTEM PROJECTS

In undertaking AeDib, SSA has embarked on a major initiative consisting of multiple projects that are intended to move all partners in its disability claims adjudication and review to an electronic business process. SSA envisions that AeDib will allow its disability components to stop relying on paper folders to process claims and to develop new business processes using legacy systems and information contained in an electronic folder to move and process all of its work. In so doing, SSA anticipates that AeDib will enable disability components to achieve processing efficiencies, improve data completeness, reduce keying errors, and save time and money.

The AeDib strategy focuses on developing the capability for claimant information and large volumes of medical images, files, and other documents that are currently maintained in paper folders to be stored in electronic folders, and then accessed, viewed, and shared by the disability processing offices. SSA is undertaking five key projects to support the strategy:

- An Electronic Disability Collect System to provide the capability for SSA field offices to electronically capture information about the claimant's disability and collect this structured data in an electronic folder for use by the disability processing offices;
- A Document Management Architecture that will provide a data repository and scanning and imaging capabilities to allow claimant information and medical evidence to be captured, stored, indexed, and shared electronically between the disability processing offices;
- Internet applications that will provide the capability to obtain disability claims and medical information from the public via the Internet;
- DDS systems migration and electronic folder interface that will migrate and enhance the existing case processing systems to allow the state disability determination services offices to operate on a common platform and prepare their legacy systems to share information in the electronic folder; and
- A Case Processing and Management System for the Office of Hearings and Appeals that will interface with the electronic folder and enable its staff to track, manage, and complete case-related tasks electronically.

According to SSA, the Electronic Disability Collect System and the Document Management Architecture are the two fundamental elements needed to achieve the electronic disability folder. By late January 2004, SSA plans to have developed these two components. It also expects to have completed five Internet disability applications, enhanced the DDS legacy systems, and developed the software that will allow existing SSA and DDS systems to interface with the electronic folder. However, SSA will not yet have implemented the scanning and imaging capabilities and the interface software to enable each disability processing office to access and use the data contained in the electronic folder. SSA officials explained that, at the end of next January, the agency plans to begin an 18-month rollout period, in which it will implement the scanning and imaging capabilities and establish the necessary interfaces. SSA has drafted but not yet finalized the implementation strategy for the rollout.

SSA Has Completed Important AeDib Tasks, But Much Work Remains

SSA has performed several important project tasks since beginning the accelerated initiative in 2002. For example, it has implemented limited claims-intake functionality as part of the Electronic Disability Collect System, and begun additional upgrades of this software. In addition, it has developed two Internet applications for on-line forms to aid claimants in filing for disability benefits and services. Further, to support electronic disability processing, SSA is in the process of migrating and upgrading hardware and case processing software to allow all of the 54 state DDSs to operate on a common platform,^[4] and has begun developing software

^[4]Thirty of the 54 state DDSs previously operated on a platform consisting of Wang hardware and iLevy disability processing software. SSA is now moving all DDSs to an IBM series platform in an attempt to achieve consistency among all DDS systems in processing disability claims.

to enable the DDS systems to interface with the electronic folder. SSA has also performed some initial tasks for the Document Management Architecture, including developing a system prototype, establishing requirements for the scanning capability, and drafting a management plan and training strategy.

Nonetheless, the agency still has a significant amount of work to accomplish to achieve the electronic disability folder by the end of next January. While substantial work remains for each of the AeDib components, primary among SSA's outstanding tasks is completing the Document Management Architecture's development, testing, and installation at the agency's National Computer Center. Table 1 illustrates SSA's progress through last June in accomplishing tasks included in the AeDib initiative, along with the many critical actions still required to develop and implement the electronic disability processing capability.

Table 1: Status of Tasks Involved in Developing the AeDib

AeDib component	Tasks completed as of June 30, 2003	Tasks to be completed by January 30, 2004	Planned January 2004 project status	Key tasks to be completed during 18-month national rollout (2/2004-7/2005)
Electronic Disability Collection System (EDCS)	Developed EDCS release 4.2.3. Developed EDCS release 5.0. Developed EDCS release 5.1. Drafted training strategy.	Develop electronic folder interface requirements for AeDib legacy systems. Develop software for version 6.X. Complete design and legacy system support for v6.0. <ul style="list-style-type: none"> • Complete validation for V.6.01. • Complete validation for V6.02. • Complete design, legacy system support, and integration and environmental testing for V6.1. • Validate software. • Conduct integration and environmental testing. • Release software to production. Train users	EDCS software v.6 operational in all SSA field offices. It will automate the disability interview process. Data will be propagated to EDCS and/or the electronic folder from SSA main-frame systems and disability Internet applications.	None reported

Table 1: Status of Tasks Involved in Developing the AeDib—Continued

AeDib component	Tasks completed as of June 30, 2003	Tasks to be completed by January 30, 2004	Planned January 2004 project status	Key tasks to be completed during 18-month national rollout (2/2004–7/2005)
Document Management Architecture (DMA)	<p>Developed document imaging and management system prototype.</p> <p>Provided technical training to DMA staff.</p> <p>Developed management approach and plan.</p> <p>Developed DMA requirements.</p> <p>Acquired AeDib pilot infrastructure.</p> <p>Drafted training strategy.</p>	<p>Develop procurement strategies.</p> <p>Conduct performance engineering and tuning.</p> <p>Conduct validation.</p> <p>Conduct integration and environmental testing.</p> <p>Install pilots</p> <p>Conduct pilot testing.</p> <p>Evaluate pilot results.</p> <p>Address any pilot issues.</p> <p>Setup production environment.</p> <p>Procure AeDib infrastructure.</p> <p>Establish object management system.</p> <p>Contract with outsourced scanning vendors for national scanning support.</p> <p>Finalize training strategy.</p>	DMA infrastructure established in the SSA National Computer Center.	<p>Ensure site preparation for DMA</p> <p>Roll out DMA infrastructure (e.g., casual scanning equipment, object repository servers, scanning and imaging servers, and fax servers)</p> <p>Conduct process evaluation</p>

Table 1: Status of Tasks Involved in Developing the AeDib—Continued

AeDib component	Tasks completed as of June 30, 2003	Tasks to be completed by January 30, 2004	Planned January 2004 project status	Key tasks to be completed during 18-month national rollout (2/2004–7/2005)
Internet disability applications	<p>Developed and released into production Internet form 3368 (disability report).</p> <p>Developed and released into production Internet form 827 (authorization to release information).</p> <p>Drafted training strategy.</p>	<p>Complete Internet form 3820 (child).</p> <ul style="list-style-type: none"> • Validation • Integration testing. • Pre-release tasks. <p>Complete Internet form 3369 (work history).</p> <ul style="list-style-type: none"> • Construction including hardware, capacity management, security support activities. • Software development. • Software validation. • Integration testing. • Pre-release tasks. <p>Complete Internet form 3441 (appeals).</p> <ul style="list-style-type: none"> • Construction including hardware, capacity management, security support activities. • Software development. • Validation • Integration testing. • Pre-release tasks. 	<p>Public will have Internet access to disability applications.</p> <ul style="list-style-type: none"> • i3368 (disability report). • i827 (authorization to release information). • i3820 (child) .. • i3369 (work history). • i3441 (appeals) <p>Data will be automatically generated to EDCS from the i3368 (disability report), i3820 (child), i3369 (work history), and i3441 (appeals)..</p>	None reported

Table 1: Status of Tasks Involved in Developing the AeDib—Continued

AeDib component	Tasks completed as of June 30, 2003	Tasks to be completed by January 30, 2004	Planned January 2004 project status	Key tasks to be completed during 18-month national rollout (2/2004–7/2005)
DDS AS/400 migration and electronic folder interface	Contracted for AS/400 migration and electronic folder interface. Installed AS/400 hardware. Provided core AS/400 training. Drafted training strategy.	Complete migration of iLevy software. Complete procurement of IBM AS/400 upgrades. Complete IBM install upgrades. Complete AS/400 training. Install print servers. Complete software changes to support electronic folder interface. Conduct process evaluation.	Enhanced legacy systems prepared to interface with electronic folder.	Install DMA infrastructure based on rollout schedule and strategy Complete changes to New York and Nebraska legacy systems to interface with electronic folder
Hearings and appeals Case Processing Management System (CPMS)	Documented business process description. Developed software development plan. Developed pre-demo requirements. Drafted training strategy.	Complete post-demo requirements. Conduct system validation. Conduct integration and environmental testing. Establish CPMS software for pilot. Conduct pilot training. Conduct pilot ... Begin pilot evaluation. Begin to address any pilot issues. Finalize training strategy.	CPMS stand-alone software without management information functionality and prepared to interface with electronic folder.	Complete development of CPMS management information functionality Roll out CPMS software to hearings and appeals sites starting in March 2004 Conduct training Install DMA infrastructure

^aSSA reported that Disability Internet form i454 (Continuing Disability Review) is being revised and will not be available by January 2004.

Source: GAO analysis of SSA AeDib project documentation.

As the table reflects, SSA's electronic disability claims process hinges on accomplishing numerous critical tasks by the end of January 2004. In discussing the overall progress of the initiative, SSA officials in the Offices of Systems and Disability Programs acknowledge that the agency will be severely challenged to accomplish all of the tasks planned for completion by the end of January. Nonetheless, they believe that SSA will meet the targeted project completion dates, stating that the agency has conducted the necessary analyses to ensure that the accelerated schedule can accommodate the project's scope.

RISKS IN DEVELOPING THE ELECTRONIC DISABILITY SYSTEM INCREASE AeDib's OVERALL VULNERABILITY

Beyond meeting an ambitious project implementation schedule, SSA must ensure that the system it delivers successfully meets key business and technical requirements for reliably exchanging data among disability processing components and is protected from errors and vulnerabilities that can disrupt service. Accomplishing this necessitates that SSA conduct complete and thorough testing to provide reasonable assurance that systems perform as intended. These include tests and evaluations of pilot projects to obtain data on a system's functional performance and end-to-end tests to ensure that the interrelated systems will operate together effectively. In addition, the success of the system will depend on the agency identifying and mitigating critical project risks.

SSA plans to rely on pilot tests and evaluations to help guide business and technical decisions about the electronic disability folder, including critical decisions regarding the document management technology. For example, SSA stated that the Document Management Architecture pilots will be used to test electronic folder interface requirements and DDS site configurations for AeDib national implementation. In addition, the pilots are expected to test the business process and work flow associated with incorporating the Document Management Architecture. SSA has stated that this information is crucial for determining whether the technology selected for the Document Management Architecture will adequately support the electronic folder.

However, SSA may not be able to make timely and fully informed decisions about the system based on the pilot test results. The pilot tests were to begin this month, and some of the test results upon which decisions are to be based are not expected to be available until the end of December at the earliest,^[5] leaving little time to incorporate the results into the system that is to be implemented by late January. Further, even when completed, the pilot tests will provide only limited information about the electronic folder's functionality. SSA stated that they will not test certain essential aspects of the folder usage, such as the DDS's disability determination function. Thus, whether SSA will have timely and complete information needed to make decisions that are essential to developing and implementing the electronic disability folder is questionable.

In addition, given the technological complexity of the AeDib project, the need for end-to-end testing is substantial. Our prior work has noted the need for such testing to ensure that interrelated systems that collectively support a core business area or function will work as intended in a true operational environment.^[6] End-to-end testing evaluates both the functionality and performance of all systems components, enhancing an organization's ability to trust the system's reliability. SSA's development and use of new electronic tools to integrate an electronic folder with its own and DDS legacy systems, along with Web-based applications and the new Document Management Architecture, elevates the importance of ensuring that all parts will work together as intended.

However, the agency currently has not completed a test and evaluation strategy to conduct end-to-end testing to demonstrate, before deployment, that these systems will operate together successfully. They added that conducting end-to-end testing would require delaying system implementation to allow the time needed for a claim to be tested as it moved through all of the disability components—a process that could take up to 6 months to complete. However, determining that all AeDib components can correctly process disability claims when integrated is vital to SSA's knowing whether the electronic disability system can perform as intended.

Compounding AeDib's vulnerability is that SSA has not yet undertaken a comprehensive assessment of project risks to identify facts and circumstances that increase the probability of failing to meet project commitments, and taking steps to prevent this from occurring. Best practices and federal guidance^[7] advocate risk management. To be effective, risk management activities should be (1) based on documented policies and procedures and (2) executed according to a written plan that provides for identifying and prioritizing risks, developing and implementing appropriate risk mitigation strategies, and tracking and reporting on progress in imple-

^[5] SSA plans to conduct the pilot tests at three state DDS sites—North Carolina, Illinois, and California—beginning this month. It plans to complete the tests in December.

^[6] U.S. General Accounting Office, *Year 2000 Computing Crisis: FAA Is Making Progress But Important Challenges Remain*, GAO/T-AIMD/RCED-99-118 (Washington, D.C.: March 15, 1999).

^[7] See, for example, *Software Acquisition Capability Maturity Model*SM (CMU/SEI-99-TR-002, April 1999); OMB Circular A-130 (November 30, 2000).

menting the strategies. By doing so, potential problems can be avoided before they manifest themselves into cost, schedule and performance shortfalls.

SSA has developed a risk management plan to guide the identification and mitigation of risks, and based on that plan, has developed a high-level risk assessment of program and project risks. The high-level assessment, which SSA issued last February, identified 35 risks that the agency described as general in nature and addressing only overall program management issues related to the project's costs, schedule, and hardware and software. For example, one of the high-level risks stated that the overall availability of the Document Management Architecture might not meet service-level commitments. The related mitigation strategy stated that the agency should continue to investigate various approaches to ensure the system's availability.

SSA has acknowledged the potential for greater risks given the electronic case processing and technological capability required for AeDib. Further, in response to our inquiries, its officials stated that the agency would conduct and document a comprehensive assessment of project risks by June 30 of this year. The officials added that AeDib project managers would be given ultimate responsibility for ensuring that appropriate risk-mitigation strategies existed and that SSA had tasked a contractor to work with the managers to identify specific risks associated with each system component. However, at this time, SSA is still without a comprehensive assessment of risks that could affect the project. Until it has a sound analysis and mitigation strategy for AeDib, SSA will not be in a position to cost-effectively plan for and prevent circumstances that could impede a successful project outcome.

UNRESOLVED STAKEHOLDER CONCERNS COULD UNDERMINE AeDib's SUCCESS

Integral to AeDib's success are disability process stakeholders that SSA relies on to fulfill the program's mission, including state disability determination officials and medical providers. As primary partners in the disability determination process, stakeholders can offer valuable and much-needed insight regarding existing work processes and information technology needs, and their stake and participation in the systems development initiative is essential for ensuring its acceptance and use. In assessing lessons learned from SSA's earlier attempt to implement the failed Re-engineered Disability System, Booz-Allen and Hamilton recommended that SSA at all times keep key stakeholders involved in its process to develop an electronic disability processing capability.

SSA disability program and systems officials told us that the agency has involved its various stakeholders in developing AeDib. They stated that the agency has entered into memorandums of understanding for data sharing with state DDSs, established work groups comprising DDS representatives to obtain advice on development activities, and included these stakeholders in steering committee meetings to keep them informed of the project's status. In addition, SSA stated, it has met with representatives of major medical professional associations to seek their support for SSA's requests for releases of medical evidence.

However, officials that we contacted in nine of the ten DDS offices stated that their concerns were not adequately heard and considered in the decision-making process for the development of AeDib, despite the critical and extensive role that states play in making disability determinations. Because of this limited involvement, the National Council of Disability Determination Directors, which represents the DDSs, stated that they were concerned that SSA may be pursuing an automated disability strategy that could negatively affect business operations by creating delays in the ability to make decisions on disability cases. The DDS representatives stated that SSA has not articulated a clear and cohesive vision of how the disability components will work to achieve the AeDib goal and that decisions about AeDib were being made without considering their perspectives. They explained, for example, that SSA's decision to use a scanning and imaging vendor to whom medical providers would have to submit evidence would introduce an additional step into the disability process, and might result in DDSs' not being able to effectively manage the critical information that they need to make disability determinations. Further, they have questions about how in the disability process evidence will be electronically stored, noting that SSA has proposed, but not yet decided among, three possible scenarios for establishing repositories to house medical evidence.

Last March, the National Council of Disability Determination Directors made three suggestions to SSA aimed at allowing the DDSs to have greater responsibility for this aspect of the disability business process. Among their proposals was that DDSs (1) be allowed to manage the contractors who will be responsible for scanning and imaging all records received from medical providers; (2) have the choice of receiving electronic medical evidence at a repository maintained at their sites rather

than at remote, centralized locations; and (3) be allowed to test the possibility of scanning records after, rather than before, the DDS adjudicates a claim. According to the council, this latter approach would ensure that the DDSs could make timely and accurate disability determinations, while also allowing SSA the time to perfect the electronic business process and transition to the initial case process. As of last week, however, SSA had not responded. For its part, SSA stated that it is reviewing, but has not yet taken a position on, the council's proposals.

SSA's consultation with the medical community (physicians and other sources of medical evidence used to evaluate disability claims) also has been limited. These stakeholders are critical, as they represent the basic source of most of the information that states use to evaluate an individual's disability. One of the key savings that SSA anticipates from AeDib is based on physicians and other medical sources electronically transmitting or faxing medical evidence that is now mailed to the DDSs. SSA has estimated that as much as 30 percent of all medical evidence could be faxed or electronically received from these providers, with the majority of it being faxed. In speaking with American Health Information Management Association officials in Georgia and Wisconsin, however, they expressed concern about the possibility that SSA will want medical providers to fax evidence. They cited the voluminous nature of much of the medical evidence that they send to the DDSs, and believe that faxing it would be too costly and not secure.

Our review to date has not assessed the validity of the concerns expressed by the stakeholders, or SSA's responses to them. Nonetheless, as long as such concerns exist, SSA must be diligent in pursuing a mutually agreed-upon understanding with its stakeholders about its vision and plan of action being pursued. SSA's success in implementing AeDib depends heavily on resolving all outstanding issues and concerns that could affect the use and, ultimately, the outcome of the intended electronic capability. Without stakeholders' full and effective involvement in AeDib's planning and development, SSA cannot be assured that the system will satisfy critical disability process requirements and be used as intended to achieve desired processing efficiencies and improved delivery of services to beneficiaries.

To summarize, Mr. Chairman, in moving toward an electronic disability process, SSA has undertaken a positive and very necessary endeavor. Having the means to more effectively and efficiently provide disability benefits and services is essential to meeting the needs of a rapidly aging and disabled population, and we applaud the Commissioner's determination and proactive pursuit of this service-delivery enhancement.

Nonetheless, SSA's accelerated strategy may involve risks of delivering a system that will not sufficiently address its needs. The execution of critical pilot tests that are not scheduled for completion until December or later, coupled with the lack of planned end-to-end testing and a comprehensive assessment of risks, may prevent SSA from delivering an information technology capability based on sound and informed decision making. Moreover, uncertainties about the successful outcome of this project are exacerbated by concerns that key stakeholders in the disability process continue to have. Given the importance of this project to SSA's future service-delivery capability, it is essential that the agency satisfy itself that AeDib will perform as intended with minimal risk before it is deployed nationwide. We will continue to monitor SSA's progress on this initiative as part of our ongoing review.

This concludes my statement. I would be happy to respond to any questions that you or other members of the Subcommittee may have at this time.

GAO CONTACTS AND STAFF ACKNOWLEDGMENTS

For information regarding this testimony, please contact Linda D. Koontz, Director, or Valerie Melvin, Assistant Director, Information Management Issues at (202) 512-6240. Other individuals making key contributions to this testimony include Michael Alexander, Tonia D. Brown, Derrick Dicoi, and Mary J. Dorsey.

Chairman SHAW. Thank you. Ms. Prokop.

STATEMENT OF SUSAN PROKOP, ASSOCIATE ADVOCACY DIRECTOR, PARALYZED VETERANS OF AMERICA, CO-CHAIR, WORK INCENTIVES IMPLEMENTATION TASK FORCE, AND MEMBER, SOCIAL SECURITY TASK FORCE, CONSORTIUM FOR CITIZENS WITH DISABILITIES

Ms. PROKOP. Chairman Shaw, Mr. Matsui in absentia, Members of the Subcommittee, for the Social Security Task Force and Task Force on Work Incentives Implementation of the Consortium for Citizens with Disabilities, I thank you for this opportunity to testify on the SSA's Service Delivery Budget Plan. To meet current and future beneficiary needs, we urge commitment of resources and personnel to resolve the waiting times and make the claims process work better for people with disabilities. The Commissioner's Service Delivery Budget Plan shows her commitment to resolving the major issues in service delivery. We urge your support for the Service Delivery Plan budget. Adequate staffing levels are critical for SSA to address the increasing responsibilities it will confront in the coming decades. For some time, the Social Security Task Force has voiced concern over long-term down sizing of the SSA workforce which has been reduced by more than 20 percent from 1985 levels. As important as sufficient number of staff are for proper service delivery, equally important is the need for adequately trained staff. Regrettably, field staff are not always familiar with SSA's operational and management information systems innovations. When field offices fail to use the tools at their disposal to advise and assist beneficiaries, it is the beneficiaries that ultimately suffer.

You have heard from us many times on the continuing problems of overpayments to Title II and Title XVI beneficiaries. Overpayments represent a significant barrier to beneficiaries' ability to take advantage of SSA's work incentives. A major improvement in service delivery would be for SSA to establish a reliable, timely method of collecting and recording information about a worker's earnings. We appreciate the inclusion in H.R. 743 of a requirement that SSA provide a receipt to the beneficiary whenever a change in earnings or work status is reported. To avoid overpayments altogether, we are further encouraged by the agency's other efforts to improve recording of earnings reports. We support removing SSA's administrative budget, like its program budget, from any overall limits in discretionary spending. Your Subcommittee has had a longstanding interest in this issue and understands the many benefits that would derive from such a move. With regard to the disability backlog and process changes, we urge commitment of resources and personnel to resolve the exorbitant waiting times and make the claims process work better for people with disabilities. Mr. Pomeroy used the term unconscionable, and we agree that it is unconscionable that thousands of vulnerable people should have to wait on average 3 years for the agency to make a final decision on their benefits. We strongly support efforts to reduce unnecessary delays for claimants and to make the process more efficient so long as any changes do not effect the fairness of the process to determine a claimant's entitlement to benefits.

Since any changes to this process will have a major effect on people with disabilities, the Commissioner should engage in extensive discussions with disability community advocates in order to ensure

that goals are achieved without unintended harmful consequences. We commend Commissioner Barnhart for her strong commitment to improving the technology used in the disability determination process. Many problems can be addressed with improved technology, such as her initiatives for an electronic disability folder, the AeDib, digital recording of hearings and video teleconferencing of hearings. Finally, I would just like to add a word of thanks for the Commissioner's comments about the employment networks and pay stubs. I think that will be a major help to encouraging providers to come into the Ticket to Work Program. I would also echo the GAO's comments about CDRs and medical improvement expected (MIE), and the denial of tickets to people in that status, that is something we have been interested in for a long time. On behalf of the Consortium for Citizens with Disabilities Task Forces on Social Security, and Work Incentive's Implementation, I thank the Chairman and the Members of the Subcommittee for the opportunity to testify. Look forward to any questions you may have. Thank you.

[The prepared statement of Ms. Prokop follows:]

Statement of Susan Prokop, Associate Advocacy Director, Paralyzed Veterans of America, Co-Chair, Work Incentives Implementation Task Force, and Member, Social Security Task Force, Consortium for Citizens with Disabilities

Chairman Shaw, Representative Matsui, and Members of the Subcommittee, I thank you for this opportunity to testify regarding the Social Security Administration's Service Delivery Budget Plan.

I am an Associate Advocacy Director at Paralyzed Veterans of America. I am testifying here today in my role as a co-chair of the Work Incentives Implementation Task Force and a member of the Social Security Task Force of the Consortium for Citizens with Disabilities. CCD is a working coalition of national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 54 million children and adults with disabilities and their families living in the United States. The CCD Social Security and Work Incentives Implementation Task Forces focus on disability policy issues in the Title XVI Supplemental Security Income program and the Title II disability programs.

PROVIDE SSA WITH ADEQUATE RESOURCES TO MEET CURRENT AND FUTURE NEEDS

We urge commitment of resources and personnel to resolve the waiting times and make the process work better for people with disabilities. SSA must be provided with the resources to fully meet its administrative responsibilities. To improve delays, better develop cases, and implement technological advances, SSA requires adequate staffing and resources. The Commissioner's Service Delivery Budget Plan shows her commitment to resolving the major issues in service delivery. We urge your support for the budget for the service delivery plan.

We are concerned about SSA's readiness to deal with the impending increase in its workload. SSA workloads are projected to begin increasing rapidly within the next decade as the baby boom generation begins to reach its peak disability years just prior to reaching early retirement age beginning in 2008. In addition, the SSA workforce is also aging and will begin to lose significant numbers of staff, including senior and leadership staff. About 3,000 employees are expected to retire per year from 2007 through 2009. SSA is also taking on new or more complex responsibilities such as providing increased rehabilitation and employment services for people with disabilities, completing and maintaining an appropriate schedule of continuing disability reviews and other eligibility reviews, and new approaches to prevent fraud and abuse. In addition, the new efforts to assist people with disabilities to go to work, through the Ticket to Work and Work Incentives Improvement Act of 1999 (TTWWIA), require new and expanded approaches for SSA interaction with beneficiaries.

Adequate staffing levels are critical for these and other efforts to be successful, especially given the coming disability and retirement years of baby boomers. Despite these increasing responsibilities, SSA staff has been reduced by more than 20 percent from 1985 levels. The CCD Social Security Task Force has voiced concern for some time over the continued long-term downsizing of the SSA workforce.

As important sufficient numbers of staff are for proper service delivery, equally important is the need for adequately trained staff. Our task forces have been made aware that, while SSA may be making strides toward improving operations, including improvements to their management information systems, it seems that staffers in the field are not familiar with long awaited improvements such as the Modernized Return to Work (MRTW) program. The MRTW effectively ties together a number of SSA databases to allow accurate information regarding a beneficiary's record, including paid work activity following receipt of benefits. Use of this automated system is essential for effective benefits planning since Benefits Planning Assistance and Outreach (BPAO) counselors rely on the information of a Benefits Planning Query (BPQY) when advising beneficiaries about their options for returning to work. However, according to several reports, some SSA offices do not use the BPQY. Instead, they may enter the information about the person's work history manually, a process that results in considerable delay and contributes significantly to unnecessary overpayments.

The committee has heard from us many times on the continuing problem of overpayments to beneficiaries in both Title II and Title XVI. Overpayments represent a major barrier to beneficiaries' ability to take advantage of TWWILA. Chronic overpayments to beneficiaries result from significant delays in, and sometimes complete failure of, SSA personnel recording earnings reports for working beneficiaries. Part of the problem may be that SSA workers do not get any credit for these tasks in their work evaluations. In addition, there is not a well-defined process for beneficiaries to use in reporting earnings. Even when beneficiaries are conscientious in reporting their earnings, overpayments still occur over significant periods of time. When that happens, beneficiaries are not equipped to know whether the benefit amount they are receiving is correct or whether SSA has made an error or failed to record earnings. Over time, overpayments build and it is not unusual for beneficiaries to be told by SSA to pay back tens of thousands of dollars. Beneficiaries are so fearful of overpayments and the inadequate notices from SSA that go with them that the Ticket program and other work incentives could fail.

A major improvement in service delivery would be for SSA to establish a reliable, efficient, beneficiary-friendly method of collecting and recording, in a timely manner, information regarding a worker's earnings.^μ In addition, SSA must adjust benefits in a timely manner. CCD has further recommended that Congress require SSA to forgive overpayments if the beneficiary is not notified within a reasonable period of time. We appreciate the inclusion in the Social Security Protection Act of 2003, H.R. 743, of a requirement that SSA provide a receipt to the beneficiary whenever a change in earnings or work status is reported. This could go a long way in helping to resolve some of the problems with earnings reports. We understand that SSA has begun other efforts to improve recording of beneficiary earnings reports. We are encouraged by this and urge continued dedication of resources to resolve this problem.

We support removing SSA's administrative budget, like its program budget, from any overall limits in discretionary spending. Your Committee has had a long-standing interest in this issue. Removal of the limitation on administrative expenses (LAE) from the limit set on discretionary spending through the budget process would remove SSA from competition with other health, education, and human needs programs for limited funds. It would allow for growth that is necessary to meet the needs of the coming baby-boomer retirement years (including the retirement of SSA and state DDS personnel); continue the efforts to improve the processing time for initial applications and appeals; continue the efforts to ensure integrity in the program through CDRs and other redeterminations; and allow for replacement of staff in a timely manner to allow for adequate training and mentoring.

DISABILITY BACKLOG AND PROCESS CHANGES

The backlog of cases waiting for ALJ and Appeals Council decisions is unacceptably long. People with severe disabilities who by definition have limited earnings from work are often forced to wait years for a final decision from the time of application through the final Appeals Council decision. This is damaging not only to the individual with a disability and his/her family, but also to the public perception of and integrity of the program.

Bringing the waiting times down in these two areas must be a high priority. We urge commitment of resources and personnel to resolve the exorbitant waiting times

and make the process work better for people with disabilities. First, SSA must be provided with the resources to fully meet its administrative responsibilities. As noted earlier in this testimony, this requires that SSA's Limitation on Administrative Expenses budget authority be removed from the domestic discretionary spending category.

Recently, a number of proposals to change the disability determination process have been put forward and we await announcement of the Commissioner's plan for change. We strongly support efforts to reduce unnecessary delays for claimants and to make the process more efficient, *so long as they do not affect the fairness of the process to determine a claimant's entitlement to benefits*. While the need to issue decisions more expeditiously is well documented, this is not the only consideration. Any proposals for change must balance efforts to improve the process with ensuring fairness and protecting the rights of people with disabilities.

In addition, since any changes to the disability determination process are likely to have a major effect on people with disabilities, we believe that the Commissioner should engage in extensive discussions with representatives of people with disabilities in order to ensure that goals are achieved without unintended harmful consequences. The CCD Task Forces are willing to work with the Commissioner toward this end.

In previous testimony before this Subcommittee, we have described the following features as part of ensuring a full and fair process:

1. **The right to a full and fair hearing before an Administrative Law Judge.** The key aspect of the adjudication process for a claimant is the right to a full and fair hearing by an Administrative Law Judge (ALJ), who is an independent decision-maker, providing impartial fact-finding and adjudication. The ALJ asks questions of and takes testimony from the claimant, may develop evidence when necessary, and applies the law and agency policy to the facts of the case. Claimants have the right to present new evidence in person to the ALJ and to receive a decision from the ALJ that is based on all available evidence. This should be preserved.
2. **Keeping the record open for new evidence.** Many recent proposals to change the disability determination process recommend that the record be closed to new evidence either after the DDS decision or, at least, after the ALJ level. In the past, both Congress and SSA have recognized that such proposals are neither beneficial to claimants nor administratively efficient for the agency. We strongly support the submission of evidence as early as possible. The benefit is obvious: the earlier a claim is adequately developed, the sooner it can be approved and the sooner payment can begin. However, there are a number of reasons why closing the record is not beneficial to claimants including: (1) possible worsening of the medical condition which forms the basis of the claim; (2) the fact that the ability to submit evidence is not always in the claimant's or representative's control, e.g., providers delay sending evidence; and (3) the need to keep the process informal. Early submission of evidence also is necessary under current law, which limits the ability to submit evidence and have it considered at the Appeals Council (must be "new and material" and relate to pre-ALJ decision period) and federal court (record closed; remand possible if evidence "new and material" and "good cause" for failure to submit earlier). Filing a new application is not a viable option because it does not improve the process and may in fact severely jeopardize, if not permanently foreclose, eligibility for benefits. A claimant should not be required to file a new application merely to have new evidence considered where it is relevant to the prior claim. If such a rule were established, SSA would need to handle more applications, unnecessarily clogging the front end of the process.
3. **Representing the agency at the ALJ level.** We do not support efforts to have SSA represented at the ALJ hearing because past experience shows that it does not result in better decision-making and reducing delays, but instead injects an adversarial element and a level of formality and technicality in a system meant to be informal and nonadversarial. In the 1980's, SSA tested, and abandoned, a pilot project to have the agency represented. It was terminated following Congressional criticism and a judicial finding that it was unconstitutional and violated the Social Security Act. In the end, the pilot did not enhance the integrity of the administrative process.
4. **Retain review by the Appeals Council.** We oppose the elimination of a claimant's right to request review by the Appeals Council. The Appeals Council currently provides relief to nearly one-fourth of the claimants who request review of ALJ denials, either through outright reversal or remand back to the ALJ. Review by the Appeals Council, when it is able to operate properly and

in a timely manner, provides claimants, and SSA, with effective review of ALJ decisions. Given the low percentage of appeals to federal court, it appears that claimants largely accept decisions by the Appeals Council as the final adjudication of their claims. As a result, the Appeals Council acts as the initial screen for ALJ denials, a position for which the district courts are not equipped, given their other responsibilities.

5. **Access to judicial review in the federal court system.** We believe that both individual claimants and the system as a whole benefit from the federal courts deciding Social Security cases. Over the years, the federal courts have played a critical role in protecting the rights of claimants. The system is well-served by regular, and not specialized, federal judges who hear a wide variety of federal cases and have a broad background against which to measure the reasonableness of SSA's practices.

We urge Commissioner Barnhart to take these concerns into account in efforts to reduce the backlog in disability cases. In our experience with the Social Security Administration, we have learned that there is great value in working together to address problems and concerns before they reach crisis proportions. We have continued this approach with SSA under Commissioner Barnhart's leadership and hope that she will be willing to discuss proposals for change with the disability community before they are implemented.

Technological improvements. Commissioner Barnhart has made a strong commitment to improve the technology used in the disability determination process. We fully support the Commissioner in this effort, as we believe that much of the delay in the system could be rectified with improved technology. Several initiatives have been announced recently that could not only reduce delays, but also provide better service to the public and not require fundamental changes to the process, e.g., the electronic disability folder, "eDIB"; digital recording of hearings; and video teleconferencing of hearings.

GAO'S DESIGNATION OF THE DISABILITY PROGRAMS AS "HIGH RISK" IS MISPLACED

Earlier this year, the General Accounting Office designated the Social Security disability programs as "high risk," in part, based on the agency's reliance on "outdated" disability criteria. In an August 2002 report on the disability program, the GAO faults SSA for not automatically evaluating individuals applying for benefits under corrected conditions, leading to its "belief that the programs themselves have not been fully updated to reflect scientific advances, because interventions that could enhance individuals' productive capacities are not, by design, factored into the disability decision-making process."

While medical and technological advances are making it increasingly possible for some individuals, despite severe disabilities, to be successful in the work place, we should be very cautious when contemplating any changes to disability criteria, whether statutory or regulatory, based on such advances. Medical and technological advances have had a powerful impact on the lives of some fortunately placed individuals with disabilities and, recognizing this, Congress worked with the disability community to develop policies and reduce barriers to employment for persons with disabilities. We thank you, Chairman Shaw, Mr. Matsui, and all the Members of the Subcommittee for your leadership in passing the landmark Ticket-to-Work and Work Incentives Improvement Act of 1999. However, these medical and technological advances are clearly not universally or uniformly available to all who need them.

Therefore, it would be wrong to base eligibility for disability benefits using the assumption that medical or technological advances would be available to mitigate the functional impact of a disability. In fact, many of the services and supports people with significant disabilities need to work, such as personal assistances services, prescription medications, or durable medical equipment, are available to them only through Medicare and Medicaid. As you know, a primary way people with disabilities access Medicare and Medicaid is through the Title II and SSI disability programs.

Obviously, it is impossible at this time to ensure that all the technology, medications, and support services necessary are available to all people with every type of disability. Until that point comes, we have several recommendations.

First, as mentioned above, when considering any changes in disability eligibility criteria, whether to the statutory definition, the five-step disability determination process, or the listings, Congress and the Social Security Administration should not assume that mitigating supports are available.

Second, the definition of substantial gainful activity (SGA) must be addressed. Granted the SGA level is now indexed for inflation. However, the base, now \$800 per month, should be re-examined in relation to what it defines: **substantial gainful** activity. If \$800 per month is all a person is able to earn, we find it hard to call that amount either "substantial" or "gainful." In this economy, you cannot pay rent or utilities and buy food for a month at that level of earnings. The issue may lie with the implementation of the SGA standard, rather than the concept of SGA. Further, there is a different SGA level for non-blind persons with disabilities than for blind individuals. We support raising the SGA level for non-blind disabled individuals to the same level as for those who are blind.

Finally, the federal disability programs were created assuming that people with disabilities would remain unable to work throughout their lives. This static view of disability meant that little thought was given to what might happen if people returned to work after receiving benefits. Consequently, in Title II disability programs, the same requirements must be met to stay on the program as it took to qualify. This has the perverse effect of forcing people to diminish their work.

For example, under the Title II disability rules a person can earn only \$800 a month. Earning even one dollar above that amount (after the nine-month trial work period) means a person loses every dime of their disability cash assistance. For example, a person could have a monthly Title II disability benefit of \$700 and a monthly paycheck of \$791. But if they receive a two dollar and fifty cent a week raise, fifty extra cents a day or ten dollars a month, they lose all of their \$700 monthly SSDI check. Clearly, it is not a very attractive trade-off. This policy is known in the disability community as the cash-cliff.

A far more reasonable approach to earnings is found in the SSI program where a person loses one dollar in benefits for every two dollars they earn. The latest data from SSA indicate that from 1987 to 2001 the number of working SSI beneficiaries doubled. It should come as no surprise that while one-fifth of working SSI beneficiaries earn above the SGA level, there is hardly anyone in the DI program going over the SGA. This is in spite of the fact that SSI beneficiaries typically have weaker employment records, are typically less well educated, and are far poorer than their DI counterparts. The SSDI policy appears to encourage individuals to work but penalize them for advancing to a point where they could financially consider moving off of SSDI. Additionally disconcerting are SSI asset restrictions, creating circumstances where work is rewarded but accumulation of even a small amount of savings is penalized. This is a policy that appears to ensure that people on SSI will remain an economic underclass.

We have long advocated for a sliding scale cash benefit offset for beneficiaries in the Title II disability programs who work and loosening restrictions on assets for working people with disabilities on SSI. We again urge Congress to remove these barriers to work. We recognize that SSA is required to study a benefit offset in Title II. Until such a policy is enacted, a disconnect will remain between the definition of disability and desire of beneficiaries to work to their fullest potential.

On behalf of the CCD Task Forces on Social Security and Work Incentives Implementation, I thank the Chairman and the Members of the Subcommittee for the opportunity to testify and I look forward to any questions you may have.

ON BEHALF OF:

American Congress of Community Supports and Employment Services
 American Council of the Blind
 American Network of Community Options and Resources
 American Psychiatric Association
 Goodwill Industries Inc.
 International Association of Psychosocial Rehabilitation Services
 National Association of Developmental Disabilities Councils
 National Association of Protection and Advocacy Systems
 National Law Center on Homelessness and Poverty
 National Multiple Sclerosis Society
 National Organization of Social Security Claimants' Representatives
 NISH
 Paralyzed Veterans of America
 The Arc of the United States
 Title II Community AIDS National Network
 United Cerebral Palsy

Chairman SHAW. Thank you. I would like to direct the question here to Mr. Robertson and Ms. Koontz with regard to the cause of delays experienced by disability applicants. Now, we have heard an awful lot about the lack of electronic files to move these things along. That, obviously, is being addressed by the Commissioner. We look forward to some great results. How hard or overworked or underworked are the administrative law judges that are hearing these cases? Are they working shorter days or longer days than they should? Is there a problem with regard to the workload undertaken by the judges?

Mr. ROBERTSON. Well, I will try to field that question. Basically, there is a big problem with processing claims at hearing offices. We talked earlier this morning about some relief in terms of hiring additional administrative law judges to help mitigate some of those processing problems. So, while that is a problem, hopefully, there are some actions to address it.

Chairman SHAW. Yet you haven't answered my question.

Mr. ROBERTSON. Oh, I will try again.

Chairman SHAW. My question is, are the judges overworked or not working hard enough?

Mr. ROBERTSON. I can't answer that question.

Chairman SHAW. Ms. Koontz, can you address that? That is something that I think we ought to really find out about. Are we utilizing the assets that we have to the full extent? Because the judges have a great deal of latitude as to setting the pace of their workload. I think this is something that we should look at and see if some of the problems in the disability insurance program are because SSA is underutilizing some of these assets, human assets, that we have in the line. Mr. Robertson, you mentioned, you said something, and I hope I misunderstood you. Did you say that it takes 3 years for somebody—yeah, 3 years to get in the Ticket to Work Program?

Mr. ROBERTSON. This goes back—

Chairman SHAW. What in God's name is wrong with that? That is a great program. If somebody has a job offer and they want to go to work, they have got to wait 3 years? The job is gone.

Mr. ROBERTSON. This goes back to the point that we were discussing earlier about the MIEs. The people that are put in the category of MIE are deferred Tickets to Work. The rationale being that those people would be expected to improve on their own without the ticket assistance. The problem is that many of those people, upward of 95 percent of them, actually don't improve by the first CDR. As a result, you have this big group of people who don't have access to the ticket that could help them get back to work. The 3-year period basically is a combination of scheduling and conducting the CDR. The people in the MIE category are scheduled for a CDR, I believe within an 18-month timeframe; then there is the time to actually conduct the CDR.

Chairman SHAW. What is the process here? I am disabled. I am unable to pursue my general line of work, but I do find a niche where I think I might be able to succeed. Congress passed the Ticket to Work so somebody could go ahead and venture out into the workforce, knowing that they had that safety net that if it didn't work out, they could come back into the program without a long

delay and that certain benefits would continue even as they were trying to work. We passed the bill mainly for the most courageous people who are on SSI that really want to do something and get out and make something of themselves. Now, that person comes in, regardless of whether medical improvement is expected, we just want to be able to say, okay fine, you can go. If it doesn't work out, come on back, and we will put you back on the program. Now, is that taking 3 years?

Mr. ROBERTSON. Yes, that can take 3 years.

Chairman SHAW. Why in God's name would we take 3 years to tell somebody they can work? I think this Committee needs to have a hearing on that, because one of the proudest accomplishments that I think we have had on this Subcommittee since I have been Chairman, is the Ticket to Work. It can't possibly work if there is a 3-year delay in hiring.

Mr. ROBERTSON. If I can just elaborate on that a little bit to give you some of the circumstances that make this a little more complicated than we have been talking about. Number one, we are talking about one of three groups of people. We are talking about those who are classified as MIE. Those people, as I said earlier, aren't given a ticket or are delayed given a ticket under the assumption that they will improve without assistance and get back into the workforce. As I said, there is a problem with categorizing those people because there is a large number of people, large percentage of those people, who actually don't improve. Some people have said the way you solve that problem and get the ticket to them quickly, is to just say okay give everybody a ticket—give all those people in that category a ticket. Here's the slight rub with doing that: If you are actively working on a ticket, you can't have a CDR. So, basically, there is a program integrity problem if you did it that way—gave everybody a ticket in the MIE category. There are some other options that possibly could be used that would, as you are indicating, get tickets to people earlier and get tickets to the right people earlier. That would be a couple things. Number one, if you were better able to categorize MIEs—and we would be pushing a better categorization through the use of a more analytical, quantitative analysis of a person's condition at the time they come into the program—if you better categorize those people initially, you basically increase the number of people who are not in the MIE category and they would have access to tickets. Things would be better for them. That is one part of the potential action you could take. The other thing you could do, either in addition or in combination with this would be to—and this would probably require a law change—in essence say, okay, we are going to give the people in MIE category tickets, but we are not going to exempt them from CDRs. So, those are a couple of the options that might better get tickets to a larger number of people more quickly. I should note that SSA is taking a hard look at this policy right now to see what it can do to address the problems that we have been talking about.

Chairman SHAW. Well, I think for the Ticket to Work Program to be really successful or to accomplish its full potential, we have got to develop a better way of doing this. You know, go into a grocery store and you have an express line if you have 10 or less

items. Well, if somebody has fewer complications, why can't we have an express line so that they can get into the Ticket to Work Program and into the workforce. I would guess that most people who want to get into the Ticket to Work already have a pretty good idea of where they are going to go to work. If 3 years passes, nobody can project whether that job is even going to be there.

Mr. ROBERTSON. Right. I agree. I want to make sure that I emphasize the up to 3-year waiting period. We are talking about some people in the MIE category, not the other categories. Okay?

Chairman SHAW. What about the other categories?

Mr. ROBERTSON. I am sure it is much shorter than that. I don't know what the time is.

Chairman SHAW. How short. Does anybody know?

Mr. ROBERTSON. Immediate access.

Chairman SHAW. So, what I am talking about is already in place?

Mr. ROBERTSON. For the non-MIEs.

Chairman SHAW. All right. Fine. Mr. Pomeroy.

Mr. POMEROY. Goes to show what a good idea it was anyway, Mr. Chairman. I am interested in this AeDib Initiative. Technology has significantly increased productivity in our country, it has made wonderful changes. Same time, there has been an awful lot of money spent, expensive consultants hired, elaborate systems built that at the end of the day didn't work. The thing has got to be field tested and demonstrated what works in real life, as opposed to some kind of academic technological success that really isn't of value to the people using the system if we are making a net contribution to this thing. Ms. Koontz, your testimony seems to indicate it is a well-intentioned effort, it is moving along, but a lot of questions as to actual viability have yet to be answered. Is that the essence of what you are telling us?

Ms. KOONTZ. I think that would be correct. The questions about viability will be answered by things like the upcoming pilot test that they are doing of the technology that supports the electronic folder. That is very important. Our caution there is that there be enough time to incorporate those results into the system that they plan to deploy over an 18-month period to the various offices across the country. In addition, we make a point also about end-to-end testing.

Mr. POMEROY. Do you think on that point—and I certainly don't fault the administration of SSA, I mean they have got some ambitious goals, and we are asking them to have ambitious goals in terms of improving service delivery, this is a major strategy to do it—do you think that they are presuming success in the pilots without just running the pilot demonstrations and then calmly evaluating it before—without a presumption almost of success and ultimate implementation system wide?

Ms. KOONTZ. I don't think I am in a position to presume to know what their assumptions are about going forward.

Mr. POMEROY. As you speak about short timeframes, it would almost give that impression anyway.

Ms. KOONTZ. It may, but I don't think we are trying to make that definite a statement about that particular effort. I think our

concern is that SSA stick with the proven kinds of techniques that we know from our past work, are most likely to result in success.

Mr. POMEROY. What are they?

Ms. KOONTZ. Based on our work so far, that would be the pilot testing. It is a good technique. They need to make sure that the results are incorporated into the system. They do not plan to do end-to-end testing, which is to say, how do the various components, when you put them together, work? This is very important in terms of knowing whether the system is going to work. We would like to see that happen before deployment is started.

Mr. POMEROY. End-to-end testing presently is not part of what?

Ms. KOONTZ. Is not currently planned.

Mr. POMEROY. Now, what will they—what part of end-to-end testing are they leaving off?

Ms. KOONTZ. My understanding is they are testing the individual components, which is good, but a test to put the components together and see if they operate together effectively, that part is not yet planned.

Mr. POMEROY. Would it significantly delay the process to put that part together? Is the other end not quite developed yet?

Ms. KOONTZ. What SSA has told us is that, first of all, their final testing strategy is not yet in place. They haven't finalized that. On the other hand, they did note to us that they said end-to-end testing would delay implementation by, I think, 6 months in order to see a case go through the whole system, in order to do that test. That is where we stand right now, based on our ongoing work.

Mr. POMEROY. I wish we had the Commissioner still at the table, we could have a little back and forth on their rationale. I don't have enough to presume that that is an inappropriate conclusion. I don't know enough to presume it is an inappropriate conclusion, but obviously, this does lend weight to the thought that maybe the timeline for implementation is a little shorter than it ought to be to fully evaluate this new technology. End-to-end would seem to me to be an obvious—an essential component of the testing strategy. We certainly don't want something that somewhere along the line falls short of producing a conclusion on a file and ultimate resolution. That is not going to work. On the other hand, they may have perfectly legitimate rationale for why timelines within the system won't allow end-to-end without a delay that really isn't related to underlying system performance. Well, I am going to—I will pursue this with SSA. I am pleased to hear that it is in formative stages. Maybe if we prod them in this way, unless they have very good reasons not to do end-to-end. Thank you, Mr. Chairman. I yield back.

Chairman SHAW. Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman. Ms. Koontz, let me follow up with that a bit. In your report, you also mentioned that you heard back from some State representatives, who deal with disability claims—that they had not been sufficiently consulted by SSA in the process of establishing this electronic processing system for the disability claims. To your knowledge has that been resolved, that lack of participation or notice to the regional State representatives?

Ms. KOONTZ. My understanding is that this condition still exists but, when we did talk about SSA officials yesterday, they indicated that they were going to do more to talk particularly to the State DDS officials and provide them additional details on how AeDib is supposed to operate in the future.

Mr. BECERRA. Commissioner Barnhart seemed very optimistic about the system, and I hope she is right because it would help us process the claims. Do you believe that SSA has taken sufficient notice from GAO and its report that indeed it should try to resolve this issue of trying to provide additional input or notice to the State representatives? Also, on the issue of having some end testing in place to try to check to see if this is actually going to be a system that works—do you get that sense that they picked up on that and are responding to your concerns?

Ms. KOONTZ. We had the discussion, one of many discussions, just yesterday with SSA officials in preparation for the hearing. They would probably tell you that they don't think that the concerns of the DDS State officials are as great a problem as we think that it is. We think it is quite significant. On the other hand, they were also saying, well, yes, we are going to do more to communicate with the State, the State people, and we are going to try to articulate a better overall vision of what we are going to do and provide more detail. So, in that sense, I would have to say that I think they are responsive to the concern at this point.

Mr. BECERRA. They have at least been put on notice. We don't want to have to come back here, and say we told you so. Certainly, GAO doesn't want to come back and say that. So, you will have continued discussions with them on this?

Ms. KOONTZ. Yes, on this and a number of other issues.

Mr. BECERRA. Ms. Prokop, a couple quick questions. Speaking on behalf of the disability community, or as an advocate for the disability community, give me a sense if your level—if you are satisfied by the level of inclusion by the advocacy organizations within the SSA's reform process? Have you been included enough, do you feel like you all have been able to participate and give your input into this reform process under way by the Administration?

Ms. PROKOP. We have generally found Social Security among the more welcoming of agencies for disability community input in a variety of facets. So, I think my colleagues on the task force would generally agree with that impression that I have.

Mr. BECERRA. If there are any areas that you would like to provide more input, this is a great chance to let us know so we can advocate on your behalf, as well as to work with SSA, to make sure that your input is taken by the SSA.

Ms. PROKOP. Well, I think one of the things I know that a number of my colleagues on the Social Security Task Force would probably want me to emphasize, and it is outlined in our statement, is the fairness of the disability claims process. We have outlined, in our written statement, a number of steps that we believe are important to ensuring fairness of that process with regards to administrative law judges and keeping the record open. I would certainly hope that the Subcommittee would key into some of those pieces that we think are important.

Mr. BECERRA. You had a chance to talk to the SSA about those concerns that you have had?

Ms. PROKOP. I believe that we have, yes.

Mr. BECERRA. Those are ongoing discussions? I suspect that they have heard—this is something you have expressed in the past, so it is not something new. So, hopefully, you will continue to have that dialog with SSA on that particular point. Let me ask you with regard to one of those concerns that you mentioned in your written testimony, the adjudication process. There is some talk of perhaps instituting a preliminary adjudication process that would be outside of a part from the regular process involving administrative law judges. So, that you could have a preliminary decision that wouldn't be issued by an administrative law judge but by someone who would obviously be trained to be able to cast some decisions. This would probably help us try to move certain cases along that seem fairly clear one way or the other. Your thoughts ongoing in a direction of providing some type of preliminary adjudication without an administrative law judge performing that adjudication.

Ms. PROKOP. Well, I would defer to some of my task force colleagues who are a little more familiar with the legal processes of the whole disability claims determination process. I do know there is a strong interest among members of our task force in making sure that there is as much information at the up front part of the process as opposed to having to draw out the whole claims process. If the claimants know what it is they are supposed to provide the adjudicators at the outset, and are given time to collect that information and get it in at the beginning, it seems to us to make the process a lot shorter and a lot easier and a lot fairer. If there are particular details about this issue that I am missing, I would like to take that back to my colleagues who have a greater handle on details about this process and perhaps we can supply that for the record.

Mr. BECERRA. Let me ask that you do so. In fact, on any of the points that you raised because there were some important points that is you raised in your written testimony that, obviously in 5 minutes, you couldn't elaborate on within 5 minutes of oral testimony. If you do provide us with some guidance, especially on your concerns with regard to some of these potential reforms, especially in regards to, for example the adjudication processing expanded to include a non-administrative law judge setting. An administrative law judge—some will say sometimes these judges aren't adequately trained, don't make great decisions. At least we know they have gone through enough training to be adjudicators. I know there is always that concern expressed in trying to accelerate the process that sometimes we put in place systems and individuals who aren't equipped to handle some of these claims. You are making perhaps not life and death decisions, but close to it on occasion. I know that someone would not want to find that they have received short shrift of their claim by someone who wasn't fully trained to adjudicate these things. I would be interested to hear your thoughts. Because we do have to try to find a way to accelerate the process to remove the backlog. If you don't mind having some of the advocacy groups respond in writing to some of the concerns that you outlined generally in your statement.

Ms. PROKOP. We would be happy to do that.

Mr. BECERRA. Thank you all for your testimony.

Chairman SHAW. I thank these witnesses, too. We very much appreciate your taking the time to come up and to share your knowledge with this Committee. It is important that as the Committee of jurisdiction we stay in close touch with what is happening. I want to plan, after the break, hearings on several things. I think we need to take a closer look at the Ticket to Work Program to be sure that the program is working the way that we want it to. I also want to look into the workload that judges have—how hard they are working. I am sure that we will probably find that there are some who are very aggressive and working very hard, and some who aren't carrying their load. Yet that will be for a future hearing to determine. It is important that we see that the system we have is working and that it is accomplishing what the Congress intended it to do. Our constituents expect that for the money that they pay in, not voluntarily but by law, into the Social Security system, the program will work. Thank you very much, and thanks to the Members for being here. We are adjourned.

[Whereupon, at 11:44 a.m., the hearing was adjourned.]

[Questions submitted from Chairman Shaw to the Honorable Barnhart, Mr. Robertson, Ms. Koontz, and Ms. Prokop, and their responses follow:]

Questions from Chairman E. Clay Shaw, Jr. to the Honorable Jo Anne B. Barnhart

Question: To meet the objectives in the Service Delivery Budget Plan, productivity at the Social Security Administration (SSA) must improve an average of 2 percent each year. The Service Delivery Budget Plan calls the productivity goals “optimistic.” Can you explain why the productivity goal is optimistic and how the agency will improve productivity by an average of 2 percent or more a year?

Answer: The Social Security Administration's (SSA) Service Delivery Budget (SDB) Plan includes initiatives that are expected to produce workyear savings, enabling us to process work more efficiently. The workyear savings mean increased productivity—i.e., the same level of work processed with fewer workyears. From Fiscal Year (FY) 2004 through FY 2008, the period covered by SSA's multi-year SDB Plan, our goal is to achieve an average of at least 2 percent per year improvement in productivity. Workyear savings are budgeted for specific automation initiatives and other process changes, and activities are underway throughout the Agency that will add savings and help us reach our productivity improvement goal.

Although SSA realized an impressive 5-percent increase in productivity in FY 2002, largely through the efforts of its dedicated employees, we cannot expect that experience to continue every year. In FY 2001, productivity decreased when compared to FY 2000. It is unrealistic to expect productivity improvement to continue at the FY 2002 rate—it is more reasonable to assume that over time, we will have a modest annual increase in productivity with some increases and decreases depending on specific workloads processed and initiatives implemented. Although we consider an annual average of 2 percent per year sustainable, systems changes and other enhancements are critical factors in making this happen.

In recent years, SSA has achieved substantial productivity gains from automation. While further advances in automation are key to SSA's productivity improvement goal of 2 percent per year highlighted in our SDB Plan, actual productivity improvements will depend on how quickly we can achieve efficiencies. Additional workyears also can be needed for training and other startup costs associated with implementation of new initiatives.

Systems enhancements to our Title II and Title XVI programs will produce savings over the course of the SDB Plan. A major Agency initiative in the SDB Plan is the Accelerated Electronic Disability Process (AeDib), which will move all components involved in disability claims adjudication and review to an electronic business

process through use of an electronic disability folder. We will begin national rollout of AeDib in January 2004 in the Atlanta Region, which includes the States of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee. This project is a major factor in making the disability process more efficient and faster and contributes to our savings estimates for FY 2005 through FY 2008.

The FY 2004 budget provides employees with the support needed to continue their efforts through improvements in automation and other investments that will enable them to process increasing workloads more efficiently.

Question: For fiscal year 2003, the SSA expects to save 334 work years by increasing automation of the toll-free 800 telephone service. Then, between 2004 and 2008, the agency expects to save another 1,935 hours by automating the phone line, an additional 387 hours per year. With all of this automation will it be possible to reach a live SSA employee by phone in 2009?

Answer: Although a significant number of calls to the 800-number are completely automated, agent service will remain available for all callers to SSA's toll-free national 800-number.

The annual workyear savings displayed in the SDB Plan for this initiative represent savings in each fiscal year as compared to FY 2001 experience. Total annual savings for this 800-number automation initiative (387 workyears) are expected to be fully realized in FY 2004. In FY 2003, the initiative already will have achieved savings of 334 workyears when compared to FY 2001. For FY 2004, we estimate that an additional 53 workyears of savings would be realized over FY 2003 experience, for a total of 387 workyears. We expect to maintain this level of annual workyear savings for 800-number automation for FY 2005 through FY 2008. There are no additional savings over FY 2001 experience beyond FY 2004.

These savings represent improvements to the process. For example, major savings were achieved with the move to next available agent technology. This new call routing technology treats all incoming calls as a single queue, routing them directly to agents not currently handling a call, rather than to separate queues at each tele-service center. Further, it enables callers to request a Spanish speaking agent, making efficient use of SSA's Spanish language capabilities nationwide.

Continuing efforts to increase automation services and improve on our current processes will make it easier for callers to reach a live agent. Our public surveys indicate that many callers prefer using automation and are satisfied with the service. Certain simple, high volume workloads (e.g., requests for Social Security number applications, replacement Medicare cards, and so forth.) are ideally suited for automation and do not require handling by an agent. Having these issues handled by automation will free up agents to answer calls from individuals who either need or prefer to speak to an agent.

Question: Other aggressive productivity improvements include 1,850 hours in work year savings (from fiscal year 2003 to fiscal year 2008) by redesign of Title II. Can you explain in greater detail how the redesign will improve productivity?

Answer: Title II Redesign is an ongoing automation initiative with periodic new software releases that eliminate or reduce manual efforts required to process work. The initiative focuses on retiring older software program systems in the Processing Centers that require extensive manual work on postentitlement actions.

The annual workyear savings displayed in the SDB Plan for this initiative represent savings in each fiscal year as compared to FY 2001 experience. Total annual savings for this initiative (407 workyears) are expected to be fully realized in FY 2005. In FY 2003, the initiative will have achieved savings of 36 workyears when compared to FY 2001. For FY 2004 and FY 2005, we projected that additional incremental savings would be realized to achieve full year savings of 407 workyears on an annual basis by FY 2005. We expect to maintain this level of productivity attributable to Title II Redesign for FY 2006 through FY 2008.

The FY 2004 Title II Redesign plan includes automation enhancements on activities such as:

- Replacing older software systems that generate manual actions with automated processes;
- Automating calculations, release of payments, and notices for about 25,000 Benefit Rate Increase actions;
- Automating calculations, release of payments and notices, and recording fees collected for about 180,000 attorney fee actions annually;

- Automating the release of approximately 60,000 Spanish language notices regarding special payments; and,
- Enhancing software to allow more Workers' Compensation actions to be processed in field offices while simultaneously reducing the amount of time it takes to process those actions.

The following provides additional technical detail about this initiative:

Title II Redesign is a multi-stage, multi-year initiative that is an umbrella for a variety of enhancements to Title II Claims and Post Entitlement workload processing. Title II Redesign provides a standardized input format for all Agency transactions. This will lead to "one stop shopping" at the beneficiary's first point of contact with the Agency. Title II Redesign allows for increased automation and online processing. This decreases the number of exceptions or actions that require additional work by staff. In addition, multiple transactions are now processed in the same day. Title II Redesign expands automation by reducing manual tasks, eliminates redundant data entry, and improves the quality of data stored in SSA master records. It is through these improvements that the Agency realizes improved productivity.

Specific examples of efficiencies and productivity improvements achieved through Redesign to date include:

- Workers' compensation reports are processed in field offices utilizing improved front-end systems that eliminate the need for most Processing Center actions. This allows the Field Offices to complete processing at the first point of contact.
- Processing efficiencies were increased and have resulted in 99.52 percent of actions updating to the Master Beneficiary Record.

Redesign releases to be implemented in FY2004 will provide productivity improvements in work associated with student reports, many reported status changes, and most termination and suspension events. Enhancements to the online processes, including online editing, will result in more work completed in the field in less time, with less service delivery delays, and fewer exceptions to be worked in the processing centers. By continuing the Agency investment in the Redesign process, more efficient and productive whole case processing will be achieved. We will also enhance month-to-month accounting and provide for a more centralized accounting functionality for our business processes.

Question: If these productivity gains fail to materialize, what will be the impact on the agency's operations?

Answer: Achieving the productivity savings reflected in the SDB Plan is vital to the success of this multi-year plan. If gains from SSA's productivity initiatives fail to materialize, the Agency would require additional workyear resources to process the budgeted workloads.

However, we are committed to achieving the productivity gains reflected in our SDB Plan. With adequate resources, including funding in FY 2004 at the level requested in the President's budget, we fully expect we will be able to achieve our productivity goals.

Question: A solid quality management system should produce the comprehensive program information that policy makers need to guide disability policy and procedures and to ensure accuracy and consistency in all levels of decisionmaking. Inconsistency of decisions among decisionmakers has been highlighted as a key challenge facing the agency. You have been exploring ways to implement a new quality management system. Can you tell us about the status of this system and your plans for the future?

Answer: The Disability Insurance program is our major program challenge, both in terms of the volume of work that we handle each year and the challenge to make the right decisions in a timely manner. Major changes are underway to improve the overall efficiency of the disability program, even as we expect our workloads to grow significantly over the coming years. A critical piece in improving the way we do business is ensuring that our quality process is aligned with our new business process.

In April 2002, I formed the Quality Management Workgroup under the leadership of one of SSA's Senior Managers to stress the importance of quality throughout the organization. The group was tasked with developing a proposal on what quality should look like for each of the Agency's business processes, i.e., claims, post-entitlement actions, informing the public, enumeration, earnings and all support activities. To ensure that the emphasis on quality continued, I made this group a permanent staff under the leadership of the Chief Strategic Officer.

The initial task of this staff was to define the elements of quality for the Agency. The Agency-level definition of quality in SSA means providing service that meets the needs of the people, balancing accuracy, timeliness, productivity, cost and service. The Quality Management staff works with the components to ensure that these elements of quality are integrated into our policies, processes, and systems.

Additionally, to keep our employees focused on quality and to share operational workload practices, the Quality Matters report is published regularly on the SSA Intranet and made available to the approximately 80,000 SSA/DDS employees. For example, the May edition of the report was a special edition that highlighted the Agency's efforts in the disability area and featured information about the Accelerated Electronic Disability process, efficiencies in obtaining medical evidence, the Ticket to Work Program, and so forth.

To further address systemic quality issues, I have engaged an independent contractor to review the entire quality process, beginning with the Disability Insurance program. The contractor will examine what we do now and develop practical recommendations for improvements. A key factor in this effort is securing input from SSA and DDS employees on how the current quality process works. Beginning August 19, selected employees across the nation are completing a survey to provide valuable, first-hand information on the disability process. These responses will be used to help the independent contractor document our current process and develop short and long-term recommendations. These recommendations for improvements, coupled with the program changes that we are developing, are expected to result in improved quality service to our citizens and increased stewardship of the disability program.

Question: At a recent Subcommittee hearing, the U.S. General Accounting Office (GAO) demonstrated how some of its agents were able to obtain Social Security numbers (SSNs) for a child under age 1 using fraudulent documents. The GAO proved that failure to verify birth certificates for these babies with the appropriate state or local agency is a serious vulnerability in the SSN issuance process. Have you re-evaluated this policy? If yes, what have you concluded?

Answer: Over 90 percent of all original SSNs are issued via the Enumeration at Birth (EaB) program in which parents of newborns elect to receive an SSN for their newborn as part of the birth registration process. Information is sent directly from the hospital to the State Bureau of Vital Records and then to SSA. The EaB process is highly secure. For those who elect not to utilize EaB, and who are over the age of 1 at the time of application for a SSN, we verify the birth certificate presented in support of the application with the custodian of the record.

We have not yet instituted a similar policy of collateral verification for children under age 1 because we have been concerned about the significant disadvantages that will be experienced by citizens; such a policy could result in long delays in SSN issuance. Some State agencies require as many as 19 weeks after birth before they are able to record a birth and before they would be in a position to verify a birth certificate. The ability to file income tax forms on a timely basis may be impacted if parents are not able to obtain an SSN for a young child in a timely fashion.

However, in part because of the issues raised by GAO, we are working in partnership with the National Association for Public Health Statistics and Information Systems (NAPHSIS) to study the potential for fraud in this population, and to determine the best way to address it. We will evaluate the results of the study to determine whether a change in policy is warranted.

Question: The GAO also said that according to current procedures, the agency could issue up to 52 replacement Social Security cards per year to individuals. Also, they said the evidence requirements for U.S. citizens seeking replacement SSN cards were less stringent—they could use documents like church membership cards or health insurance cards to obtain a replacement card. Are you planning to address these issues? How?

Answer: SSA shares concerns about the issuance of replacement SSN cards. It is currently possible to issue up to 52 replacement cards to an individual annually because systems controls allow the issuance of an SSN card after 7 days of a previous request. However, our data indicate that most people request three or fewer SSN replacement cards per year. During a recent sampling of replacement SSN cards issued during a 1 year period, we found that only about 1.5 percent of all replacement cards were issued to people who requested 3 or more cards, and less than 0.3 of 1 percent of replacement cards were issued to people who requested more than three cards.

We are looking into setting limits on the number of replacement cards an individual can get per year, and in a lifetime, to help close this potential opportunity for SSN misuse, and would be interested in your reaction to this idea.

Regarding concerns about the evidence requirements for citizens requesting replacement cards, SSA applies the same standards for evidence of identity for individuals (citizens or noncitizens) seeking replacement cards as it does for individuals seeking original SSNs. We require that, in order to be used as evidence of identity, the document must have been established at a later time and for a different purpose than the birth record and be of recent issuance to establish the individual's continued existence. Furthermore, SSA interviewers ask applicants to provide documents that show the person's name and biographical information that the reviewer can compare with the data on the Application for a Social Security Card-Form SS-5 (e.g., the person's name, as well as age, date of birth, or parents' names) and/or physical information that the reviewer can compare with the applicant (e.g., physical description, photographic identification).

Question: The GAO recently demonstrated how some of its agents were able to obtain driver's licenses using the SSNs of deceased individuals, even in states that verify SSNs with the Social Security Administration by sending a "batch" of SSNs to the agency electronically. The GAO said that while the SSA verifies whether a SSN belongs to a dead person if the state uses the agency's online verification system, it does not if the state uses the "batch" system. Furthermore, the GAO reported that there is a backlog of states wanting to use the online SSN verification system, and some states were told to scale back their use because they were overloading the system. What are you doing to address these issues?

Answer: We agree that unrestricted death information should be provided as part of batch SSN verification, and we are reviewing this change; however, we must prioritize this request in our systems development plans before any work can be scheduled and completed.

The backlog of States wishing to use the online system has been addressed. In April 2003, AAMVA and SSA implemented an improved process for managing and responding to online verification requests. Three new States have been added to the online verification system since that date, and six more States are in various stages of testing with AAMVA and SSA. Additional States have signed agreements with SSA that will permit them to begin the online verification process. Prior to the improvement, we were processing 15,000 to 20,000 transactions a day. Currently, we are processing 30,000 to 40,000 verification requests a day from the States. Approximately 93 percent of all of those transactions are verified by SSA in less than 1 second. AAMVA has renewed its efforts with the States to educate them about the improvements and to assist them in accessing this service.

Concerning the success of agents obtaining a false driver's license, we are investigating the sequence of events with the GAO test cases. It may be that the State employee simply did not attempt to use the service. If the undercover GAO agent left the MVA office with a Drivers License, the batch routine interface may not be an issue, as the driver license personnel would not have received the verification response prior to issuing the license.

Question: While there is still much room for progress, your commitment to tightening controls on SSN issuance is clear—for example, the pilot projects to prevent fraud in issuance of SSNs to non-citizens and the verification of birth records for individuals over age 1. However, is your commitment to insuring the integrity of SSNs getting through to field staff? The GAO reported that field offices are not always following procedure in visually examining documents to determine if they are genuine or fake, especially with respect to immigration documents. Could you explain why this is happening and what you are doing to ensure your commitment to SSN integrity reaches all levels of the agency?

Answer: We appreciate the House Social Security Subcommittee acknowledging SSA's commitment to increasing the security aspects of our Social Security number workload. In the last 2 years, SSA has taken the following steps to improve the accuracy of the non-citizen enumeration workload:

- Collateral (third party) verification of all applications for new or replacement Social Security cards by non citizens.
- Development of a software program that interfaces with the Department of Homeland Security (DHS) Systematic Alien Verification Entitlement System (SAVE) to monitor the accuracy of documents submitted by non citizens.

- Distribution of information prepared by DHS which assists SSA field office employees in recognizing counterfeit documents.
- Quality reviews and/or training on the SSN workload conducted by all SSA regional offices for SSA field office employees.

SSA field office employees visually inspect documents for counterfeit detection and have been instructed to use all methods available to them to determine if documents that have been submitted as evidence are valid. This includes using the black light. In the case of immigration documents, field office employees are instructed to query the DHS' SAVE system. If the documents cannot be verified using the automated process, they must send a paper verification request to DHS. Use of the black light in these situations could possibly identify rare instances of an applicant who has illegally obtained a valid document, assumed another person's identity, and then pasted on his/her own picture on the document. We will remind our employees of the need to do a visual black light inspection of the documents as well as verifying them with the issuing agency.

However, we believe the integrity of the assignment of an SSN is much more enhanced by our field office employees not merely relying on visual inspection of a document to determine whether it is fraudulent, but by verification of the document with the issuing agency.

Question: You have mentioned that because of the reduced resource levels for fiscal year 2003, the agency had to cut back on the number of continuing disability reviews that it will conduct this year. These reviews are important, as they ensure only those who continue to be disabled stay on the rolls and also generate trust fund savings—\$9 for every \$1 invested. According to the GAO, this decision will result in a backlog of about 200,000 reviews by the end of the fiscal year. If the agency receives the President's budget request, will you be able to eliminate this backlog? In the budget request, the President asked for "earmarked" funds for these reviews. Why is this earmarking important? Is there a need for us to address this legislatively, as we have in the past?

Answer: In FY 2003, SSA is focusing on keeping up with claims workloads so that the number of disability claims pending does not grow. We began this year under a continuing resolution and operated for 4 months at last year's level. In addition, we are absorbing an across-the-board rescission of .65 percent and a higher-than-budgeted pay raise. Consequently, we will not be able to process all Continuing Disability Reviews (CDRs) necessary to remain current. Nevertheless, we continue to process as many CDRs as possible after keeping up with initial claims receipts.

SSA's plans call for sufficient resources in future budget requests to become current with CDR workloads. The FY 2004 President's budget request, which was developed before final congressional action on FY 2003 appropriations, enables SSA to remain current with CDRs that come due during FY 2004. We anticipate that the backlog from FY 2003 will be fully eliminated in FY 2005, provided that we receive adequate funding.

The discretionary funding cap adjustments for CDRs authorized by Congress for fiscal years 1996 through 2002 were crucial to realizing currency for both the Title II and Title XVI disability review programs at the close of FY 2002.

The President's budget proposed to extend the Budget Enforcement Act controls that expired in 2002, and requested that Congress impose statutory caps on discretionary spending for FY 2004 and FY 2005. In addition, the President's budget supports a cap adjustment of \$1.446 billion in FY 2004 and \$1.473 in FY 2005 for SSA program integrity activities, including CDRs. This cap adjustment would ensure adequate funding for fiscal years 2004 and 2005 to maintain currency with CDRs and process other cost-effective program integrity work, thereby enabling SSA to meet both its stewardship responsibilities and overall service demands.

As you know, Congress addressed discretionary spending caps in its FY 2004 budget resolution. The President's cap adjustment proposal for SSA was not included. Therefore, SSA's primary concern for FY 2004 is receiving full funding of the President's budget request, which is vital to our ability to meet our responsibilities for both service and stewardship.

When final data are available, we believe the fiscal year 2003 continuing disability reviews (CDR) backlog will be less than the 200,000 cited by GAO, due to SSA's efforts to keep the CDR workload as current as possible. If the Agency receives the President's budget request, it will greatly enhance our ability to address this backlog. Based on the data now available, we plan to be current in FY 2005, but we will use available resources to achieve CDR currency as quickly as possible.

Earmarking funds to do CDRs would enable SSA and the disability determination services to process the necessary CDRs each fiscal year so CDR currency can again be met as soon as possible and continue to be met each year thereafter. However, designating CDR funding without providing sufficient funding to process all SSA workloads, causes workload backlogs in other areas. For example, SSA had “designated CDR funding” for several years and it allowed SSA to alleviate a large backlog of CDRs and achieve currency. At the same time, SSA was not provided enough funding to process all of its other workloads and initial disability claims pendings increased from just under 400,000 at the end of FY 1997 to over 592,000 at the end of FY 2002.

Question: GAO testified on their findings regarding the agency’s continuing disability review process. They suggest the process could be improved by potentially pursuing Medicare and Medicaid treatment data. Do you plan on taking further steps to streamline and improve the process?

Answer: SSA currently is using Medicare data to identify Title II beneficiaries to receive a CDR mailer, rather than a full medical review. And, SSA is studying the use of Medicaid data to identify more Title XVI recipients who could receive a CDR mailer, rather than a full medical review.

In a recent GAO Report (GAO–03–662) “Social Security Disability Review of Beneficiaries Disability Status Require Continuing Attention to Achieve Timeliness and Cost-Effectiveness” (Audit #12002037), GAO recommended that SSA should study the use of Medicare and Medicaid data for the purpose of deciding whether to use a full medical review in conducting a CDR for beneficiaries who would otherwise receive a CDR mailer. If this is found to be cost effective, GAO said SSA should incorporate Medicare and Medicaid data into its CDR process for this purpose. SSA agrees with this recommendation and plans to conduct a feasibility study to determine whether Medicare and Medicaid data can be useful to change the status of those CDR cases identified for the CDR mailer process to full medical reviews.

Question: The bipartisan Social Security Advisory Board and other non-government surveys have found that the public does not always understand the services that the agency offers, the benefits it provides, or the financing of the system. As the population ages and baby boomers begin retiring, more and more people will have a vested interest in understanding the program, including the requirements for certain benefits. I understand that the Agency has taken steps to improve the public’s understanding of the program, and increasing the public’s understanding is among one of the agency’s strategic objectives. What specifically has the agency done to increase the public’s understanding of the program, has it been successful, and what are the future plans?

Answer: Social Security considers educating the American public about the current program, its benefits and financing, including the financial challenges it faces in the future, to be one of the core missions of the Agency. As a result, we undertake many activities to accomplish this task. For example:

- Each year, approximately 140 million workers receive their own Social Security Statement. In addition to providing a worker’s earnings record, and estimates of future benefits, the Statement explains the financial problems the program faces in the future. The language is very specific, explaining that unless there is action to address the Social Security shortfall “by 2042, there will be enough money to pay only about 73 cents for each dollar of scheduled benefits.”
- Social Security’s website (socialsecurity.gov) contains a wealth of information about the current program and its future. In April 2003 we completed a redesign of the website in order to make it more user-friendly and accessible to the public. The redesign was developed with the input and assistance of focus and advocacy groups and is 508 compliant. In FY 2003, SSA received 30.1 million visits to the website. Of the 30.1 million visits, 14.4 million reviewed the “frequently asked questions,” 5.4 million used the “field office locator” function, and 2.2 million made use of the “SSA Benefit Planner.” In addition to these activities the public also made use of the website’s Benefit Eligibility Screening Tool and the Internet Social Security Benefit Application. The public also used the website to forward SSA email inquiries, request Social Security Statements, Medicare Replacement Cards, Replacement 1099s, Benefit Verifications and subscribed to SSA’s ENews monthly newsletter.
- Social Security produces over 100 publications, including brochures and fact sheets, that describe the benefits available, financing and services available.

These products are available through our network of field offices, through our national toll-free telephone number and through our website.

- Through a network of local offices across the country, Social Security employs the skills of 1,300 field office managers, and over 100 full-time public affairs specialists to educate Americans on the Social Security program. Each year, working in their local communities, these professionals deliver thousands of speeches, write numerous newspaper articles, and participate in countless radio and television interviews where they discuss all aspects of Social Security, including benefits provided through the program, financing and services we provide.
- Our Office of External Affairs works closely with other Federal, State, and local government agencies, as well as organizations in the private sector, to educate them on the benefits, available services and financing issues so they, in turn, can share that information with their members and colleagues.

We also have periodic surveys, conducted by the Gallup Organization, that measure the effectiveness of our efforts to strengthen public understanding of Social Security. Based on the results of those surveys, our informational products and services are designed to ensure that our educational initiatives are reaching the right audiences.

Questions from Chairman E. Clay Shaw, Jr. to Mr. Robert E. Robertson

Question: For the fiscal year 2004 budget, the President requested that almost \$1.5 billion be earmarked for continuing disability reviews, Supplemental Security Income non-disability redeterminations, and overpayment workloads. However, neither the House nor the Senate earmarks these funds in the appropriations bills. What is the consequence of disregarding the President's request to earmark these funds? Is it possible that the backlogs for Continuing Disability Reviews will increase next year if the funds are not earmarked?

Answer: Without targeted funding for continuing disability reviews (CDR), SSA is more likely to develop a CDR backlog. We noted in our testimony that, as of the end of March 2003—only 6 months after the expiration of the separate authorized CDR funding that had allowed SSA to eliminate its previous backlog—SSA was already on pace to generate another CDR backlog. We also noted that targeted funding for CDRs could increase SSA's chances of staying current with the CDR workload because this workload would not have to compete internally for funding with the initial determination workload. More specifically, our work indicated that both SSA and DDSs assign a higher priority to the processing of initial eligibility decisions than to the completion of CDRs. Therefore, if the number of initial applications for disability benefits continues to increase, as SSA projects, SSA is likely to shift discretionary funds from CDRs to initial determinations, which could result in an increasing CDR backlog.

Question: In your testimony you state that the SSA has not fully studied and pursued the use of medical treatment data on beneficiaries available from the Medicare and Medicaid programs. How easy would it be for SSA to access medical data from the Center for Medicare and Medicaid Services? Does accessing the data raise issues of medical privacy?

Answer: SSA has already demonstrated its ability to obtain medical treatment data from the Center for Medicare and Medicaid Services (CMS), albeit, for a limited purpose. In addition, during our review, SSA officials did not indicate that there would be any unusual obstacles or issues—including medical privacy issues—preventing them from establishing or expanding their access to and use of CMS Medicare and Medicaid medical treatment data for purposes of improved CDR profiling. As we stated in our testimony, SSA has already implemented a process that uses Medicare data from CMS to improve the accuracy of its CDR profiling process. However, as we also noted, SSA had chosen to limit its use of Medicare data. Specifically, SSA is using Medicare data to determine if DI beneficiaries who are initially identified as candidates to receive a full medical review should instead receive mailers. In addition, SSA had initiated a study to assess whether CMS Medicaid data could be used in the same way to decide if SSI beneficiaries, scheduled to receive full medical reviews, could instead be sent mailers. But SSA had not studied or pursued any efforts to use CMS Medicare or Medicaid data to reclassify mailers to full

medical reviews, despite the potential usefulness of using the data for this purpose. We believe accessing additional medical treatment data from CMS would be feasible and would not be prohibited by medical privacy issues. In fact, SSA agreed with our recommendation (in our report, *Social Security Disability: Reviews of Beneficiaries' Disability Status Require Continued Attention to Achieve Timeliness and Cost-Effectiveness*, GAO-03-662, July 24, 2003) that the agency study the more comprehensive use of these data for CDR profiling and, if found to be cost-effective, incorporate such data into its CDR process.

Questions from Chairman E. Clay Shaw, Jr. to Ms. Linda Koontz

Question: The Social Security Administration (SSA) has indicated that the agency could potentially save \$1 billion, at an estimated cost of approximately \$900 million, by implementing an electronic disability folder. In your opinion, does the \$900 million cost of this project appear to be a reasonable estimate? Is the \$1 billion in savings a reasonable estimate? Is there a possibility that the cost of the project could balloon?

Answer: Our work to date on SSA's February 2003 cost-benefit analysis raises concerns that SSA may have underestimated its accelerated electronic disability (AeDib) system costs. For example, the cost-benefit analysis did not fully consider the costs associated with certain critical information technology infrastructure elements supporting the nationwide rollout, such as scanning and imaging by the outsourced vendor, telecommunications, disaster recovery, and on-site retention and destruction of source documents, such as medical records. Because SSA has not yet fully estimated these costs, we are unclear about their magnitude.

We are also concerned that the corresponding benefits cited in SSA's cost-benefit analysis may be overstated. Specifically, our review found that certain assumptions used in the analysis could be too optimistic. For example, SSA estimated benefits based on an assumption that state Disability Determination Services (DDS) would receive 30 percent of all medical evidence in electronic form by 2004. However, state DDS officials with whom we spoke contend that their offices currently receive about 11 percent or less of medical evidence electronically, and disagree with the 30-percent assumption.

As to whether the costs of AeDib could balloon, the possibility of cost increases exists for any project the size and magnitude of AeDib. As mentioned previously, the existing estimates do not include certain costs, such as some costs for outsourced scanning and imaging and the cost of disaster recovery. Including these could add to SSA's overall cost estimate. Our work analyzing the costs and benefits of AeDib is ongoing; the final results will be included in our report to be issued to you later this year.

Question: According to your testimony, the SSA has developed a risk management plan, but is still without a comprehensive assessment of risk that could affect the electronic disability folder. Can you explain the difference between a risk management plan and a comprehensive assessment of risks? How does their risk management plan fall short of what GAO recommends? Why is this plan so important?

Answer: A risk management plan provides guidance to project management teams and requires them to proactively identify facts and circumstances that could increase the probability of failing to meet project commitments, and take steps to prevent this from occurring.^[1] A comprehensive assessment of risks, which is completed according to the risk management plan, is the process of identifying risks with a high probability and cost of failure, and developing strategies for mitigating those risks.^[2]

Based on our work to date, we do not have concerns about SSA's risk management plan, which was developed in accordance with our own and Office of Management and Budget (OMB) guidance. However, as mentioned in our testimony, we were concerned that SSA had not completed a subsequent comprehensive risk assessment. SSA officials agreed with the need for a comprehensive risk assessment,

^[1]U.S. General Accounting Office, *Information Technology: Greater Use of Best Practices Can Reduce Risks in Acquiring Defense Health Care System*, GAO-02-345 (Washington, D.C.: September 26, 2002).

^[2]Social Security Administration, *SSA AeDib Risk Management Plan*, Version 2.01 (Baltimore, MD, January 21, 2003).

and since our testimony, the agency has provided us with detailed risk assessments for four of the five AeDib projects—the Electronic Disability Collect System, the Document Management Architecture, a DDS systems migration and electronic folder interface, and Internet disability applications. SSA has not yet provided us with a timeframe for completing the remaining risk assessment for its Hearings and Appeals case processing management system.

A risk management plan is an essential tool used to guide the development of a comprehensive assessment of risks and mitigation strategies. A comprehensive risk assessment is equally critical. Both tools can help SSA avoid potential problems before they manifest themselves in cost, schedule, and performance shortfalls.

Question: The GAO has identified a number of areas where the SSA could improve. For instance, the agency needs to develop risk assessment tools and could take additional measures to involve key stakeholders in the systems development process. Is there any indication that the SSA is acting on your recommendations?

Answer: SSA has acknowledged our concerns relative to the areas of improvement we identified in our testimony, and has taken some action to address them. However, more work remains to fully address these issues.

Specifically, we expressed the need for SSA to perform a comprehensive risk assessment to identify project risks and establish mitigation strategies for them. As noted in our response to question 2, SSA recently provided us with detailed risk assessments for four of the five AeDib projects, but has not yet provided a detailed assessment of risks for its remaining project.

We also commented on the need for SSA to perform end-to-end testing prior to implementation, to ensure that the system it is developing will perform as intended. To date, SSA has not yet finalized its test and evaluation strategy. Therefore, it is unclear whether SSA intends to include end-to-end testing.

Finally, we commented on the need for SSA to resolve stakeholder concerns to ensure program acceptance and use, and take additional steps to consult with the medical community. SSA acknowledged the importance of ensuring sound relations with stakeholders and the need to take additional actions, where necessary, to ensure that all stakeholder concerns have been adequately addressed. SSA also stated that additional steps would be taken to keep stakeholders involved in the initiative, and that plans were being made for a meeting with state DDS representatives to discuss the AeDib Initiative. However, SSA has not yet provided us with a copy of its communications plan for dealing with stakeholder issues, including its plans for consultation with the medical community.

As part of our ongoing work, we will continue to monitor SSA's progress in addressing these issues.

Question: The SSA has worked 11 years now to implement an electronic disability folder. The automation project started in 1992 as the Modernized Disability System (later renamed the Reengineered Disability System). After this project failed in 1999, the SSA immediately began work on the accelerated electronic disability initiative. Why is this project so difficult for the agency to complete? Has the SSA learned from its mistakes along the way?

Answer: Software development is one of the riskiest areas of systems development.^[3] We have reported that SSA's software development efforts have been problematic and plagued with delays because SSA has not consistently followed sound practices in developing systems designed to automate its disability claims process; thus, it has experienced numerous software development problems over the past 11 years. For example, in September 1996 we reported that software development problems had delayed the scheduled implementation of the Reengineered Disability System (RDS) by more than 2 years.^[4] An assessment of the development activity revealed a number of factors as having contributed to that delay, including (1) using programmers with insufficient experience, (2) using software development tools that did not perform effectively, and (3) establishing initial software development schedules that were too optimistic. We reported again, in June 1998, that SSA had en-

^[3]U.S. General Accounting Office, *Social Security Administration: Information Technology Challenges Facing the Commissioner*, GAO/T-AIMD-98-109 (Washington, D.C.: March 12, 1998).

^[4]U.S. General Accounting Office, *Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges*, GAO/HEHS-96-196 (Washington, D.C.: September 12, 1996).

countered performance problems during its RDS pilot tests.^[5] In response to these performance problems, SSA delayed its plans for expanding the pilot to other offices, and obtained a contractor to independently evaluate and recommend options for proceeding with the initiative.

SSA's contractor reported that RDS software had defects that would diminish the case-processing rate at DDS sites, and that SSA had not been timely in addressing software defects. For example, 90 software problems identified by SSA staff remained unresolved for more than 120 days. As a result, the contractor recommended that SSA discontinue the RDS initiative and focus on an alternative solution involving the use of an electronic folder to replace the paper-based case folder in the disability determination process.

In another example, we reported in August 2001 on weaknesses regarding SSA's adherence to key software development procedures for several projects, including its electronic disability system.^[6] We noted that SSA did not consistently adhere to its software development procedures in the areas of requirements management, software project planning, software quality assurance, and software configuration management.

In our ongoing review, we have found that SSA has taken important steps to mitigate past software development problems. It has generally addressed its contractor's recommendations aimed at automating its disability claims process, and has generally been applying key software process improvement practices to its development of AeDib projects, such as developing plans to manage the projects, tracking and overseeing the initiatives to measure progress, performing quality assurance reviews to determine that the project is complying with its policies and procedures, and performing configuration management activities. While continually applying these software development practices is no guarantee of AeDib success, these practices nevertheless should improve SSA's capability to develop high-quality software in support of AeDib, thereby avoiding mistakes experienced in the past.

Agency Comments and Our Evaluation

The Commissioner of Social Security's provided comments on a draft of this correspondence, which are reproduced in full as the attachment. In her comments, the Commissioner offered clarifications to our responses to questions 1 through 3.

Regarding question 1, the Commissioner said that we were incorrect in stating that SSA's cost-benefit analysis had not considered all costs of certain critical IT infrastructure elements supporting the nationwide AeDib rollout, and that, in fact, SSA had included the costs of scanning and imaging by the outside vendor in its estimates.

We have revised our response to clarify that SSA's cost-benefit analysis considered some, but not all, of the key cost elements that could affect the initiative. SSA's February 2003 cost-benefit analysis noted, for example, that the agency had not considered as part of its scanning and imaging functions, the keying in of indexing information (for case folder identification) by the outsourced scanning vendor, although this is deemed critical to the implementation of SSA's document management capability. Further, during our review, SSA officials told us that certain costs associated with the scanning and imaging functions were not expected to be identified until the agency performed its pilot tests (now ongoing) for its document management architecture.

The Commissioner added that other AeDib-related costs associated with telecommunications, disaster recovery, and on-site retention and destruction of source documents should more appropriately be accounted for as part of the agency's ongoing operations, and therefore were covered in the agency's regular infrastructure costs, rather than the AeDib cost estimates. However, we disagree. OMB guidance states that cost-benefit analyses should include comprehensive estimates of all direct and indirect costs associated with a project.^[7] As such, a sound cost-benefit analysis for AeDib will depend on SSA's fully considering the project-related costs for these critical elements supporting the development, operation, and maintenance of the electronic disability system.

Further, the Commissioner expressed concern about the example that we provided in noting that SSA's estimate of AeDib benefits could be overstated. Based on our interviews with SSA and state DDS representatives, our response highlighted the

^[5]U.S. General Accounting Office, *Social Security Administration: Technical and Performance Challenges Threaten Progress of Modernization*, GAO/AIMD-98-136 (Washington, D.C.: June 19, 1998).

^[6]U.S. General Accounting Office, *Information Technology Management: Social Security Administration Practices Can Be Improved*, GAO-01-961 (Washington, D.C.: August 21, 2001).

^[7]Office of Management and Budget Circular No. A-94 Revised (Transmittal Memo No. 64), Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs, October 29, 1992.

possibility that AeDib benefits could be overstated because of differences in SSA's and the DDSs' assumptions about the extent that medical evidence may be received electronically. We are continuing to assess SSA's cost-benefit analysis as part of our ongoing review.

In commenting on our response to question 2, the Commissioner stated that SSA had expected to receive draft risk assessments by June 30, 2003, and either planned to or already had shared some of its risk assessments with us. We have revised our response to reflect that SSA recently provided us with detailed risk assessments for four of the five AeDib projects.

Finally, regarding question 3, the Commissioner stated that SSA had provided us with information concerning stakeholder issues and the agency's plans for consulting with the medical community. She further noted that outreach to the medical community was occurring. We are encouraged that SSA is taking steps to ensure productive communications with its key stakeholders and the medical community, and look forward to reviewing documented evidence of the agency's actions. To date, however, we have not received the additional information on SSA's plans for addressing stakeholder issues or consulting with the medical community, that the Commissioner mentions in her letter.

In responding to these questions, we relied on past work and our ongoing review of SSA's efforts to automate its disability claims process. We discussed our assessment of the cost-benefit analysis with SSA's Office of Disability Programs, Office of Systems, and Office of the Chief Information Officer, and with the supporting contractor and key stakeholders. We reviewed and analyzed the most recent agency documents associated with SSA's risk management efforts. We also discussed with officials in the Office of Disability Programs SSA's efforts to develop a strategy for resolving stakeholder concerns, as well as a more aggressive approach for consultation with the medical community. Finally, we reviewed and analyzed SSA's software process improvement documentation, as well as past assessments of the agency's failed attempts to automate its disability claims process to determine lessons learned, and whether SSA is avoiding past software development problems. We conducted our work in accordance with generally accepted government auditing standards, during August 2003.

Social Security Administration
Baltimore, Maryland 21235
September 3, 2003

Ms. Linda D. Koontz
Director, Information Management Issues
United States General Accounting Office
441 G Street N.W.
Washington, D.C. 20548

Dear Ms. Koontz:

This responds to your letter dated August 27, 2003, requesting our comments on your proposed correspondence entitled *Social Security Administration: Subcommittee Questions Concerning Efforts to Automate the Disability Claims Process (GAO-03-1113R)*. I appreciate the opportunity to review and comment on the correspondence before it is issued. We have the following comments and clarifications on your proposed responses to questions 1 through 3.

Question 1

In your draft note to Congressman Shaw you indicate that in the February 2003 cost-benefit analysis (CBA) the Social Security Administration (SSA) “. . . did not consider all costs of certain critical information technology infrastructure elements supporting the nationwide rollout, such as scanning and imaging by the outsource vendor, telecommunications, disaster recovery and on-site retention and destruction of source documents, such as medical records.” This statement is incorrect, since we did in fact include the costs of scanning and imaging by the outsource vendor in the estimated costs for the accelerated electronic disability system (AeDib). Pages 8 and 9 of the CBA (Version 3.1 dated February 3, 2003) list these costs among the significant cost impacts for AeDib, with a pie chart showing outsource scanning costs as 14 percent of the total life cycle costs. We consider the other costs to be

part of our ongoing operations, rather than specifically related to AeDib, and these costs are more appropriately covered in our regular infrastructure costs.

Your draft response also indicates that the benefits of AeDib may have been overestimated because the State Disability Determination Services (DDS) you contacted disagree with the estimate that 30 percent of all medical evidence will be received in electronic form by 2004. During the fall of 2002, we held several discussions with the DDS Systems Committee and the National Council of Disability Determination Directors leadership relative to business process and technological issues. One of the central topics of these discussions was how to gather information that would assist in building the electronic medical evidence (EME) estimates. We derived the 30 percent estimate based on these discussions and information received from the DDS community. This is a national estimate for fiscal year 2004, and we would expect that this level would vary from location to location. Included in the 30 percent estimate is medical evidence received through both direct electronic submissions as well as through fax submittals.

Question 2

As stated in your draft note, we have provided the comprehensive risk assessments for two of the five parts of AeDib. We had advised General Accounting Office (GAO) staff that we were to receive the draft risk assessments from our contractor by June 30, 2003. We then needed to conduct an internal review of these documents. We shared two additional risk assessments with you on August 28, 2003. The last one will be sent after we complete our internal review.

Question 3

Our comments on Question 2 also apply to the response to Question 3. Additionally, we recently provided GAO staff with information regarding stakeholder issues and our plans for consultation with the medical community. Our senior executive leadership meets weekly to address AeDib issues, including those raised by all entities, internal as well as external.

Additionally, our outreach to the medical community is handled through our public affairs and professional relations personnel in the DDSs and in SSA's central office, Regional Offices, and Field Offices. The issues of EME and processing disability claims in an electronic environment are being institutionalized throughout SSA. They have been a part of, and will continue to be included in, our contacts and communication vehicles that are already in place, including communication plans. Furthermore, I have undertaken special efforts to communicate with the major medical associations by holding and personally chairing a series of meetings to address their issues. In addition, my staff has had a series of productive meetings with staff at the Department of Health and Human Services on these issues.

If I may be of further assistance, please do not hesitate to contact me or have your staff contact Mr. Robert M. Wilson, Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

Jo Anne B. Barnhart
Commissioner

Questions from Chairman E. Clay Shaw, Jr. to Ms. Susan Prokop

Question: The Social Security Administration (SSA) often delays or fails to record earnings reports from Disability Insurance and Supplemental Security Income beneficiaries. When the SSA finally does record the earnings and adjust the benefit checks accordingly, the beneficiary often owes hundreds of dollars from the overpayments, even though he or she properly reported the earnings long ago. The fear that SSA will not adjust the benefit checks correctly and on time prevents many individuals from participating in the Ticket to Work Program. Has this problem improved at all in the last year? What steps should the SSA take to correct this problem? What other barriers are stopping individuals from participating in the Ticket to Work Program?

Answer: You and your colleagues on the subcommittee long ago identified the issue of posting of earnings reports and overpayments as a significant barrier for beneficiaries wishing to return to the workforce. The Consortium for Citizens with Disabilities (CCD) Task Forces on Social Security and Work Incentives Implementation were pleased to support HR 743 which contains provisions requiring SSA to

issue a receipt when a beneficiary reports a change in status or earnings. At the very least, this would give a beneficiary documented proof that he or she attempted to provide SSA with timely information about changes in his or her earnings status. We hope that the Senate might act on this legislation as soon as possible to advance the many positive reforms contained in that measure.

Mention was made at a recent vocational rehabilitation agency (VRA) training conference on the Ticket that many state VR agencies use unemployment insurance data from the Department of Labor to confirm beneficiary employment and earnings. VRAs are able to obtain this data without expecting the beneficiaries to report to them. Why cannot SSA gain access to that information for purposes of wage data reporting without imposing that responsibility on the beneficiary? This may not end completely the problem of overpayments but it might be faster than the current system which relies on overburdened SSA staff to enter the earnings reports by hand.

In the final Ticket rule, SSA says that statutory requirements force the agency to collect overpayments from beneficiaries because they cannot pay both an employment network (EN) and a beneficiary. Once again, this seems to place the burden solely on the beneficiary and may pit the beneficiary against the provider. Once an employment network reports to MAXIMUS that a beneficiary has reached the substantial gainful activity (SGA) level, that action is supposed to serve as notice to SSA to stop benefits payments and pay the EN. SSA ought to be able to configure its data management systems to avoid paying inordinate amounts of benefits once this benchmark has been reached. Perhaps employment networks could arrange to escrow beneficiary benefits payments once the beneficiary reaches SGA so that, when SSA requests payback of the benefits, the funds will be awaiting return.

Finally, benefits planning organizations, protection and advocacy agencies and other groups from which beneficiaries seek information about the Ticket should be more explicit about the need for beneficiaries to escrow any money received from SSA after they go above SGA. Beneficiaries should be able to prepare if they know from the outset that SSA will be slow in terminating their benefits but will come back later to collect the overpayments from them.

With regard to other barriers stopping individuals from participating in the Ticket—the “cash cliff” remains a significant impediment to returning to work for those on SSDI. We regret that SSA has yet to institute the pilot study of a 1-for-2 offset in SSDI as mandated by P.L. 106–170.

Another difficulty beneficiaries may face in using the Ticket is the lack of choice in vocational rehabilitation provider. Almost 90 percent of Tickets assigned as of July 2003 have been assigned to state VRAs. Part of this may stem from beneficiaries’ familiarity with the VR system and the fact that many assignments were from beneficiaries already in the VR “pipeline” when the Ticket became effective in their states. However, numerous reports and conferences have documented the reluctance of many providers to participate in the Ticket due to concerns over the administrative burdens of the program, the employment network payment system that makes it impractical to serve those with significant disabilities and misgivings over competing with state agencies with whom they hold contracts. This undermines a central tenet of the Ticket program—choice in vocational rehabilitation provider. Furthermore, as mandated by law, many VR agencies have had to adopt limits on the beneficiaries they can serve due to vastly inadequate resources and increased demand. While most SSDI and SSI recipients will meet VR “order of selection” policies, some states have had to adopt such restrictive eligibility criteria that some Social Security beneficiaries do not qualify for services. If the VR agency is the only Ticket provider in such states, beneficiaries are frozen out of a chance to use their Ticket. Obviously, questions about the VR program fall under the jurisdiction of another committee. However, it might be informative for your Subcommittee and the Subcommittee on 21st Century Competitiveness to hold a joint hearing on Ticket-VR issues.

Question: Can you provide us with suggestions for research or pilot programs the SSA could undertake to identify weaknesses in the disability programs that may need legislative or policy changes?

Answer: As noted previously, SSA should move forward with the 1-for-2 pilot since the cash cliff is a serious weakness in the SSDI program. It might also be useful to look at asset tests and limits in SSI that undermine peoples’ ability to go to work and acquire savings for the future. Another emerging concern is the upper age limit contained in P.L. 106–170 that could result in working people with disabilities losing their Medicaid buy-in eligibility when they reach age 65. As the Social Security normal retirement age continues to increase to 67, policymakers should be reviewing how this may affect those taking advantage of the Ticket to Work and Work Incentives Improvement Act (TTVVWIIA).

It is increasingly evident that numerous Federal disability programs across a multiplicity of agencies affect beneficiaries' ability to work in a variety of ways. Income limits for programs under the Department of Housing and Urban Development may penalize working people with disabilities. There is ongoing confusion about the ability of childhood disability beneficiaries or DACs to take advantage of TTVWVIA without severing ties to their critically needed DAC benefits. Veterans' vocational rehabilitation programs are unable to serve veterans on SSDI with a Ticket, thereby limiting choice of provider to those beneficiaries. The General Accounting Office (GAO) should be asked to examine Federal disability programs and how their policies pertaining to income, assets and other eligibility criteria affect Social Security disability beneficiaries who want to work.

Question: We all know that the SSA has made numerous attempts at instituting and streamlining the disability claims and determination processes, and yet none have really been that successful. Can you provide your thoughts on what the SSA needs to do to devise and implement a successful program, so that our constituents can get through this process in a reasonable amount of time?

Answer: Many recent proposals to change the disability claims process have focused on the back end of the process, without addressing necessary changes to the front end. We believe that significant improvements would be accomplished if better development of evidence occurred earlier in the process.

The key to a successful disability determination process is having an adequate documentation base and properly evaluating the documentation that is obtained. Unless claims are better developed at earlier levels, the procedural changes will not improve the disability determination process. Unfortunately, very often the files of denied claimants show that inadequate development was done at the initial and reconsideration levels. Until this lack of evidentiary development is addressed, the correct decision on the claim cannot be made. Claimants are denied not because the evidence establishes that the person is *not disabled*, but because the limited evidence gathered cannot establish that the person *is disabled*.

A properly developed file is usually before the administrative law judge because the claimant's representative has obtained evidence or because the administrative law judge has developed it. Not surprisingly, different evidentiary records at different levels can easily produce different results on the issue of disability. To address this, the agency needs to emphasize the full development of the record at the beginning of the claim.

We support full development of the record at the beginning of the claim so that the correct decision can be made at the earliest point possible. Claimants should be encouraged to submit evidence as early as possible. However, the fact that early submission of evidence does not occur more frequently is usually due to reasons beyond the claimant's control.

Our recommendations to improve the development process include the following:

- SSA should explain to the claimant, at the beginning of the process, what evidence is important and necessary.
- DDSs need to obtain necessary and relevant evidence. Representatives often are able to obtain better medical information because they use letters and forms that ask questions relevant to the disability determination process. DDS forms usually ask for general medical information (diagnoses, findings, and so forth.) without tailoring questions to the Social Security disability standard. The same effort should be made with nonphysician sources (e.g., therapists, social workers) who see the claimant more frequently than the treating doctor and have a more thorough knowledge of the limitations caused by the claimant's impairments.
- Improve treatment source response rates to requests for records, including more appropriate reimbursement rates for medical records and reports.
- Provide better explanations to medical providers, in particular treating sources, about the disability standard and ask for evidence relevant to the standard.

We commend the Commissioner for moving forward to develop the electronic disability folder, "eDIB," as soon as practicable in light of available resources. This would reduce delay caused by moving and handing-off folders, allowing for immediate access by whichever component of SSA or DDS is working on the claim. The electronic folder also would reduce the occurrence of files that are lost or difficult to locate, a problem that leads to delays at all levels.

While strongly supporting development of eDIB, we urge the Commissioner to ensure that the electronic folder contains complete copies of the paper records, rather

than summaries or otherwise reduced copies, and that claimants are able to submit evidence in any format, including paper records.

We also support other technological improvements by the Commissioner including digital recording of hearings and the use of video teleconferencing at administrative law judge hearings.

Another initiative that already has proven to reduce delays is elimination of the reconsideration level. Over the past few years, SSA has been testing elimination of the reconsideration level in ten "prototype states" [AL, AK, CA, CO, LA, MI, MO, NH, NY, PA]. Until last year, the testing also included a pre-initial decision interview, known as a "claimant conference." Preliminary results of the testing showed that claims were awarded earlier in the process; that accuracy was comparable to non-prototype cases; and that denied claims move to the next level sooner. While elimination of the reconsideration level was scheduled to be implemented nationwide in 2002, SSA deferred taking action pending further analysis.

We advocate the value of providing claimants with a face-to-face meeting with the decisionmaker before the initial decision is made. When the Commissioner announced that the conference would be eliminated, she stated that SSA would encourage early and ongoing contacts with claimants during the development process. As discussed above, these are goals that we strongly endorse. Many claimants' representatives and others would like to participate earlier in the process since they are able to assist the disability examiners in obtaining medical evidence and focusing the issues.

Over the last few years, claimants' representatives have raised numerous, critical concerns about the current state of affairs in hearing offices around the country.

Specific recommendations were presented to SSA in 2002 which representatives believe would make the hearing process more efficient, including: (1) creating the same claims folder earlier in the process; (2) reinstating senior attorney authority to issue decisions in certain cases (discussed more fully below in response to question 4); (3) identifying a "point" person who is available to ensure that the case is ready for hearing; (4) a better mechanism for review of requests for on-the-record decisions; (5) single requests for information; and (6) advance notice of hearings so that submission of evidence can be targeted.

Last year, the Commissioner announced an initial series of initiatives to improve the hearings and appeals process. We are generally supportive of these initiatives so long as they do not impair the claimant's right to a full and fair hearing. These initiatives include: early screening and analysis of cases, including possible on-the-record decisions; short form favorable decisions; bench decisions; expansion of video-conference hearings; and digital recording of hearings.

Question: Please comment on including some kind of preliminary, non-administrative law judge adjudication in the disability appeals process.

Answer: As discussed in my written statement, we strongly believe that claimants for disability benefits should retain the right to a de novo hearing before an administrative law judge. This right is central to the fairness of the adjudication process, since it guarantees the opportunity for a full and fair administrative hearing by an independent decisionmaker who provides impartial fact-finding and adjudication, free from agency coercion or influence.

However, we support the use of non-administrative law judges in one decision-making situation that could assist administrative law judges: when a fully favorable decision can be issued, without the need for a hearing, i.e., an "on the record" decision.

There is precedent for this limited use of non-administrative law judge decision-makers at the hearing level. In the nineties, as an initiative to reduce the backlog of cases at hearings offices, OHA senior staff attorneys were given the authority to issue fully favorable decisions in cases that could be decided without a hearing. At the time, this program was well-received by claimants' advocates because it offered an opportunity to present a case and obtain a favorable result in an efficient and prompt manner.

This program did not impair the claimant's right to a hearing before an administrative law judge. Procedurally, notice of the wholly favorable decision was sent to the claimant who, if he or she made the request, could still proceed with a hearing before an administrative law judge. If the senior staff attorney could not issue a wholly favorable decision on the record, the case was sent to the administrative law judge who then held a hearing.

Of most importance, thousands of claimants benefited from this program. While the program existed, it helped to reduce the backlog by issuing approximately 200,000 decisions. Unfortunately, the initiative was phased out in 2000.

[Submissions for the record follow:]

Statement of Theresa Klubertanz, National Association of Disability Examiners, Madison, Wisconsin

Chairman Shaw, Representative Matsui, and members of the Subcommittee, thank you for this opportunity to present the viewpoint of the National Association of Disability Examiners (NADE) on the Social Security Administration Service Delivery Budget Plan. We appreciate the Subcommittee's vigilant oversight of the Social Security program and your willingness to obtain input from our Association and others with expertise, experience, and understanding of the issues facing the Social Security and Supplemental Security Income (SSI) disability programs.

NADE is a professional association whose purpose is to promote the art and science of disability evaluation. Our members, whether they work in the state Disability Determination Service (DDS) agencies, the Social Security Field Offices, SSA Headquarters, OHA offices or in the private sector, are deeply concerned about the integrity and efficiency of the Social Security and SSI disability programs. Simply stated, we believe that those who are entitled to disability benefits under the law should receive them; those who are not, should not. We also believe decisions should be reached in a timely, efficient and equitable manner. The Commissioners' Strategic Plan, with its emphasis on service, stewardship, solvency and staff, provides an excellent blueprint for achieving those goals.

SERVICE

NADE's Proposal for a New Disability Process (a copy of which has been shared with the Subcommittee previously and is included again with this testimony) supports SSA's Strategic Goal to "make the right decision as early in the disability process as possible." The DDSs, through their initial and reconsideration decisions, constitute the first two levels in the disability claims process. SSA's statistics show that the allowance and denial accuracy rates for the DDSs far exceed 90%. It is clear, then, that in the vast majority of cases, the DDSs are making the "right" decision and are making that decision very early in the process. Sometimes, however, the "right" decision is "No." Many witnesses who have appeared before this Subcommittee have attempted to mislead the public into believing that, unless a claim is allowed, it is not the "right" decision. This is not true and it is not fair to the thousands of DDS employees throughout the country who struggle daily to ensure that the decisions they make on each claim is the "right" decision. It must be acknowledged that some claims are filed for disability benefits that have no merit and many others are filed by individuals who do have significant physical and/or mental impairments but nevertheless do not meet Social Security's strict definition of disability. For these cases, the "right" decision is to deny the claim. For those individuals who do have severe physical and/or mental impairments that meet Social Security's strict definition of disability, it is important that these claims be allowed as early in the process as possible. The statistical data show that the DDSs make the "right" decision in the vast majority of claims and they make these decisions very early in the process.

Because there are several appeal levels, however, and because the record remains open throughout the appeals process, each subsequent disability adjudicative component is presented with a different case and the "right" decision for that case may be different than for the original case or even the case at the previous appeal level. Thus, the decision made by each adjudicative component can still be "accurate" even though it may reverse a previous component's decision. NADE's plan for a new disability claims process proposes to close the record after the DDS reconsideration decision and limit subsequent appeals to matters of law. This would not adversely affect claimants or restrict their appeal rights but would instead significantly shorten the appeals process while ensuring that the DDS decision was made in compliance with the law and regulations set forth in the statutes. The NADE proposal also reduces the amount of time claimants must wait for a "final" decision and significantly reduces the administrative costs connected with the tremendously long appeals process.

In order to make the right decision as early in the process as possible SSA must ensure that the DDSs have sufficient resources, including staffing and funding. We agree with the General Accounting Office that "SSA's goal of achieving an electronic disability claims process represents an important, positive direction toward more efficient delivery of disability payments. . . ." However, while technology can be expected to reduce hand-offs, eliminate mail time and provide other efficiencies, technology cannot stem the dramatic growth in workloads. Neither can technology replace the highly skilled and trained adjudicator who evaluates the claim and deter-

mines an individual's medical eligibility for disability benefits in accordance with federal rules and regulations. We agree with the Commissioner that, "The attributes of service that define quality include accuracy, productivity, cost, timeliness and service satisfaction." However, accuracy must never be sacrificed to productivity, cost or timeliness. It is not fair to the claimant who is erroneously denied benefits and it is not fair to the taxpayer who must pay the costs associated with an erroneous decision to allow benefits.

There is continued concern that the disability program is not fair. Disability applicants allowed under Title II are required to complete a five month waiting period before being eligible for benefit payments while disability applicants allowed under Title XVI are not. Underpinning the entire disability program is the need for public confidence in the process. A program that was designed to offer compassionate support to American citizens at the time when it is most needed has come to be perceived as offering only frustration and emotional distress to people and families who are already hurting. Claimants who file for benefits under Title II, and whose claims are allowed, are not eligible for monthly payments for five full months after the onset of the disabling impairment. During this interval, many claimants and their families are seriously affected economically and emotionally. NADE continues to believe that Congress should act to eliminate, or at least reduce, this five-month waiting period.

Hand-in-hand with the elimination of the five month waiting period, consideration needs to be given to elimination of the twenty-four (24) month Medicare waiting period. Two disability groups currently do not have to serve this waiting period—those with chronic renal diseases and those with amyotrophic lateral sclerosis (ALS), commonly known as Lou Gehrig's Disease. This is inherently unfair. Most SSDI beneficiaries have serious health problems, low incomes and limited access to health insurance. Eliminating the Medicare waiting period would address the insurance needs of a high-risk, high-need population and provide financial relief and access to health care services at a time when health care needs are especially pressing and few alternatives exist. Technological improvements in health care and early intervention of needed medical services could provide increased rehabilitation successes and greater employment opportunities for people with disabilities. NADE believes that the twenty-four (24) month Medicare waiting period should be eliminated for all Title II disability beneficiaries.

Another area undermining public confidence in the program and causing inherent unfairness is SSA's continued reliance on a grossly outdated Dictionary of Occupational Titles (DOT) and the requirement to develop a claimant's vocational history for the 15 year period preceding the onset of their disability. These two factors are increasingly unfair as they do not acknowledge the rapidly changing technology present in most occupational fields today and this reduces the ability of the DDSs to render decisions that accurately reflect current vocational practices.

STEWARDSHIP

Continuing Disability Reviews (CDRs) are not only cost effective, saving approximately \$9 for each \$1 invested, they play an important role in any return to work incentive. An individual who knows his or her claim will be reviewed at the appropriate time is more likely to explore vocational options. Unfortunately, with the increase in initial claims and the loss of targeted funds specifically designated to handle this workload, CDRs are likely to be delayed. For that reason, NADE strongly supports SSA's FY'04 budget request for earmarked funds to be used for CDRs, SSI nondisability redeterminations and overpayment workloads.

NADE believes that the role of federal quality assurance reviews is to provide clear, consistent and nationally uniform feedback on interpreting federal disability law. For that reason we have long advocated equal reviews of allowed and denied claims at all levels in the adjudication process. We are concerned that SSA's FY 2004 Budget Request proposes to extend the pre-effectuation review provisions to SSI adult disability and blindness cases. We do not feel that increased review of DDS allowances, without a corresponding increased review of appealed claims, represents an effective use of scarce resources. We question the statement that, "Pre-effectuation review yields significant ongoing program savings, well in excess of the resources required to conduct the reviews." We are not aware of any recent study that evaluated the end result of claims appealed to the Administrative Law Judge level that were initially allowed by the DDS but later denied after the claim was returned by the federal quality review component. Anecdotal evidence suggests that many of these claims are eventually allowed during the appeals process. We believe that the resources required to provide for increased pre-effectuation reviews would be better spent at the beginning of the process by ensuring that quality information,

necessary to make the correct decision, is obtained from the initial interview and throughout the disability decision-making process.

There is an enormous backlog of cases that involve SSI beneficiaries who have sufficient work credits to qualify for benefits under the SSDI program. To ensure fair and equitable treatment for these individuals and to ensure that they receive all benefits due to them, special funding should be earmarked for both the SSA Field Offices and the State DDSs in order to complete the processing of this special disability workload. Failure to do so will delay the decisions to these individuals even more than currently is the case.

SOLVENCY

Many of the ideas and issues we have presented in this testimony would strengthen the solvency of the trust funds managed by the Social Security Administration. Ensuring an ongoing CDR process and implementing the proposal NADE submitted for a new disability claims process would, we believe, aid tremendously in the effort to strengthen the solvency of the trust fund managed by SSA, safeguard those funds and ensure their distribution only to those who actually qualify to receive them under federal law.

NADE firmly believes that an enhanced, ongoing and joint training program for all components could ensure consistency of decisions between adjudicative components and also ensure the decisional accuracy of those decisions. SSA's Inspector General declared in previous testimony before this Subcommittee that the well trained disability examiner is SSA's most effective tool in combating fraud and abuse, thereby strengthening the solvency of the trust funds.

NADE supports the need for a Social Security Court to bring consistency and uniformity to the disability program. Current disability policy is fragmented and applied differently across the country due to differing Court decisions in different court jurisdictions throughout the country. To maintain solvency, a Social Security Court is needed to ensure national uniformity in the application and administration of the complex rules and regulations required in disability decision making.

NADE supports greater efforts and stronger initiatives that are designed to return beneficiaries to the workforce when their disabling condition has improved. Vocational rehabilitation and employment services should be readily available to claimants and comprehensive, affordable health care coverage is needed to allow disability beneficiaries to receive needed medical services to enhance their vocational profile to return to work.

NADE supports strengthening SSA's efforts to combat fraud and we support expansion of the Cooperative Disability Investigation (CDI) units that have proven to have a positive and very significant financial impact on the disability program.

STAFF

NADE strongly supports the Commissioner's goal "To strategically manage and align staff to support SSA's mission." The state DDSs must have the necessary resources to hire *and retain* highly skilled, highly performing, and highly motivated staff. This will be a major challenge. Disability examiners must have a thorough understanding of the medical, vocational and administrative/technical issues involved in disability evaluation and be flexible in adapting to ever changing rules and regulations and changes in business processes. It is widely acknowledged that it takes at least two years for a disability examiner to become proficient in the performance of their job duties. However, the learning and training cannot stop there. On-going job training and job enrichment opportunities are needed to ensure that disability examiners maintain the highly skilled work set needed for this increasingly complex disability evaluation process. Unfortunately, a vast number of the disability examiners in the DDSs now have less than two years of experience. This lack of experience and insufficient, ongoing professional training can severely erode the ability of many examiners to stay abreast of changing technology and development practices. This can have a tremendous impact on the public's confidence in the ability of SSA to render fair and timely decisions.

NADE has long supported the "One SSA" concept and we welcome the President's Management Agenda Human Capital initiative to "Promote a knowledge-sharing culture, openness, and continuous learning and improvement." Working together to strengthen the federal-state partnership, SSA's Field Offices, Central Office, Regional Offices and the DDSs can manage the growing disability workload and meet the goals of the President's Management Agenda and the Government Performance and Results Act.

SUMMARY

Maintaining program integrity and ensuring public confidence is a vital part of effective public administration and a major factor in determining the public's view

of its government. Ensuring that the right decision is made as early in the process as possible is a noble goal but one that can only be attained if we recognize that the “right” decision can be either “yes” or “no” and will also require adequate staffing at all levels of the adjudicative process and an examination of the complex rules and regulations under which the adjudicative components operate. The incidence and prevalence of disability is currently projected to grow significantly and the Social Security Administration must provide more direction in the development of pragmatic policies that improve public service, enhance its stewardship role, strengthen the solvency of its public trust and provide for staffing that can make such policies enforceable. SSA must recognize that more direct guidance is needed from its top levels of management and SSA should be given the congressional support necessary to make the appropriate changes that will recommit the Agency to its primary purposes of stewardship and service. To truly improve service and stewardship, NADE supports the removal of SSA’s administrative budget from the domestic discretionary spending caps. Congress would continue to retain oversight authority but SSA would not have to compete with other programs for limited funds that restrict SSA’s ability to meet the increasing needs for its services. SSA touches the lives of over 95 percent of the American public in some fashion and it is critically important that the American public can rely on the quality of service and the accuracy of decisions provided by the Social Security Administration.

NADE PROPOSAL FOR NEW DISABILITY CLAIMS PROCESS

1. Intake of new disability claims at the Social Security Field Office would not be significantly altered from the current practice with the following exceptions:
 - a. Greater emphasis would be placed on the inclusion of detailed observations from the claims representative.
 - b. The claimant would be provided with a clear explanation of the definition of disability by the claims representative. The definition would also appear on the signed application.
 - c. SSA’s web site should clearly indicate that this is a complex process that would be better served if the claimant filed the application in person at the Field Office.
 - d. Quality review of the Field Office product would be added to demonstrate SSA’s commitment to build quality into the finished product from the very beginning of the claims process.
 - e. SSA’s outreach activities would combine education with public relations. The Agency’s PR campaign would remind potential claimants of the definition of disability with the same degree of enthusiasm as the Agency’s efforts to encourage the filing of claims.
 - f. Greater emphasis would be placed on claimant responsibility.
2. DDS receipts the new claim and assigns the claim to a disability examiner. The Disability Examiners initiates contact with the claimant to:
 - a. The Disability Examiner will verify alleged impairments, medical sources and other information contained on the SSA-3368.
 - b. The Disability Examiner will provide a clear explanation of the process and determine if additional information will be needed.
 - c. The Disability Examiner will inform the claimant of any need to complete additional forms, such as Activities of Daily Living questionnaires.
3. Expand the Single Decision Maker (SDM) concept to:
 - a. Include more claim types
 - b. Allow more disability examiners to become
 - c. SDMs Standardize national training program for all components of the disability process
 - d. Establish uniform criteria for becoming SDMs
 - e. Standardize performance expectations for all components of the disability process
4. If the initial claim is denied by the DDS, the denial decision will include an appeal request with the denial notice that the claimant may complete and return to the DDS.
 - a. The requirement for a clear written explanation of the initial denial will remain a major part of the adjudicative process.
 - b. Process Unification rulings should be reexamined and, if necessary, modified to clarify how the initial disability examiners should address credibility and other issues.

- c. Claimant responsibility will be increased in the new process
- 5. The denied claim will be housed in the DDS for the duration of the period of time the claimant has to file an appeal. During this period of time, claims could be electronically imaged (with adequate resources—this would further the electronic file concept).
- 6. The appeal of the initial denial will be presented to the DDS. Upon receipt of the request for an appeal, the claim will be assigned to a new disability examiner. Under this proposal:
 - a. This appeal step would include sufficient personal contact to satisfy the need for due process.
 - b. The appeal decision, if denied, would include a Medical Consultant's signature.
 - c. The decision would include findings of fact.
 - d. There would be a provision to include an automatic remand to DDS on appeals for denials based on failure to cooperate.
- 7. The record should be closed at the conclusion of this appeal (including allowing sufficient time for explanatory process before the record closes).
- 8. Appeal to the Administrative Law Judge must be restricted to questions of law rather than de novo review of the claim.
 - a. The DDS decision needs to have a representative included in the hearing to defend the decision.
 - b. There must be an opportunity to remand to DDS but such remand procedures must be carefully monitored to prevent abuse and remands should only occur for the purpose of correcting obvious errors.
- 9. There needs to be a Social Security Court to serve as the appeal from OHA decisions.
 - a. The Social Security Court will serve as the final level of appeal.
 - b. The Social Security Court will provide quality review of ALJ decision.
 - c. The Appeals Council would be eliminated, limiting the total number of appeal steps within SSA to three. Appeals beyond the ALJ level would be presented to the Social Security Court.
 - d. The Social Security court would be restricted to rendering only a legal decision based on the application of the law.

This proposal is submitted to SSA following the unanimous vote of NADE's Board of Directors on February 23, 2002 to endorse this design for a new disability claims process.

Explanation of New Disability Claims Process Proposed by NADE

NADE considered various alternatives to the current disability claims process before deciding on this process as representing the hope for a claims process that truly provided good customer service while protecting the trust funds against abuse. It was our intent to develop a vision for what the total program should look like and not just the DDS piece of the puzzle. We believe in the concept of "One SSA" and our proposal is submitted based on the belief that all components within the disability program should be united in the commitment to providing good customer service at an affordable price. Quality claimant service and lowered administrative costs should dictate the structure of the new disability program.

The critical elements identified in the NADE proposal are:

- The expansion of the Single Decision Maker concept to all DDSs and expanding the class of claims for which the SDM is able to provide the decision without medical or psychological consultant input. Continuing Disability Review cases (CDR's) and some childhood and mental cases can easily be processed by SDMs.
- More early contact with the claimant by the DDS to explain the process and to make the process more customer friendly. The Disability Examiner is able to obtain all necessary information while clarifying allegations, work history, and treatment sources. The claimant is educated about the process so they know what to expect.
- Housing the initial claim folder on denied claims in the DDS pending receipt of an appeal of that denial. This will effectively eliminate significant shipping costs incurred in transporting claims from the DDS to the Field Office and then back to the DDS. Costs of storage in the DDSs would be significantly less than the postal fees incurred by SSA in the current process. Housing the claims at

the DDS instead of the Field Offices could save as much as \$20 per claim in shipping costs. It will also reduce processing time by eliminating a hand-off.

- Closing the record after the appeal decision is rendered. NADE believes that closing the record prior to any subsequent ALJ hearing is critical to generating consistency, providing good customer service, restoring public confidence and reducing the costs of the disability program. Without it, there will continue to be two programs, one primarily medical and one primarily legal, with two completely different outcomes. We are unclear as to the degree of personal contact that would be required to satisfy the due process requirement at this appeal level and would defer to SSA the decision as to how much contact is needed and how the requirement could be met. Is a face-to-face hearing necessary or can a phone interview suffice? Even the former, conducted in the DDS, would be substantially less costly than the current hearing before the ALJ. The DDS hearing would allow the claimant to receive a much more timely hearing than the current process allows. NADE also believes that the role of attorneys and other claimant representatives would be significantly diminished as the opportunity for reversal of the DDS decision would be lowered substantially. The DDS hearing would be an informal hearing, lessening the impact attorneys have at this level.
- NADE believes that the current 60 day period granted to claimants to file an appeal should be reexamined in light of modern communication and greater ability of claimants to file appeals more quickly. Reducing the time allowed to file an appeal would produce cost savings to the program and aid the claimant in obtaining a final decision much more quickly.

The additional costs incurred by the DDSs in this new process would be paid for from monies reallocated from OHA and from the cost savings created by less folder movement between the DDSs and the Field Offices. Political decisions will have to be made to reallocate these funds and these decisions will not be popular. Because of turf guarding by the various components within SSA and a general unwillingness to accept change, NADE believes that the victim in past efforts to develop a comprehensive disability claims process has been the claimant. The question must be asked, "Who do we serve, ourselves or the claimant?"

NADE envisions a claims process that would reinforce the medical decision made by the DDS and limit the OHA legal decision to addressing only points of law. NADE believes this proposal would produce a high level of consistency for the disability decisions rendered by the DDSs while significantly reducing the opportunities for OHA to reverse DDS decisions. This would help restore public confidence in the system, provide good service to the claimant and reflect good stewardship since the entire process should prove to be less costly than prototype or the traditional process. The decision as to whether a claimant is disabled would rightfully remain primarily a medically based decision. Claimants who appeal the DDS decision to an ALJ would be entitled to hire legal counsel if they wish. SSA would have an official representative at any such hearing to define the merits of the DDS decision. Unless the law was incorrectly applied, the DDS decision would be affirmed. Any appeal of the ALJ decision would be made to the Social Security Court and either side could appeal.

The proposal is predicated on the assumption that sufficient staffing and resources would be made available to the DDSs. It is also predicated on the need for SSA to clearly define the elements that will satisfy the process unification initiatives. It is critical that SSA should provide clarification of what steps must be followed and provide the funds necessary or modify these rulings in accordance with practical experience.

The current prototype experiment was begun in ten states nearly four (4) years ago. Although this process has since been modified and the claimant conference portion of this experiment abandoned, it still continues in force for those states affected. Clearly, an exit strategy for those states involved in this experiment must be developed quickly and a new disability claims process put into place nationwide that will avoid the ongoing necessity of SSA having to operate two distinctly different disability programs. Significant training and reallocation of resources will be needed. Therefore, it is imperative that decisions are made as soon as possible as to what course of action is deemed acceptable.

Thank you.



Statement of Witold Skwierczynski, American Federation of Government Employees, Social Security General Committee, and National Council of Social Security Administration Field Operations Locals

Chairman Shaw, Ranking Member Matsui, and members of the Social Security Subcommittee, I respectfully submit this statement regarding Social Security's Service Delivery Budget and the challenges the Agency faces to improve the disability claims process, further implement the Ticket to Work Program, protect the integrity of the Trust Fund, and combat Social Security number misuse. As a representative of AFGE Social Security General Committee and President of the National Council of SSA Field Operations Locals, I speak on behalf of approximately 50,000 Social Security Administration (SSA) employees in over 1300 facilities. These employees work in Field Offices, Offices of Hearings & Appeals, Program Service Centers, Teleservice Centers, Regional Offices of Quality Assurance, and other facilities throughout the country where retirement and disability benefit applications and appeal requests are received, processed, and reviewed.

SSA employees are absolutely dedicated to providing the highest quality of service to the public in a compassionate manner. The employees AFGE represents are committed to serving in an Agency responsive to the workers and beneficiaries of our communities. While SSA's workloads continue to increase steadily, human resources in the Agency have been facing a crisis for many years. This is the result of severe downsizing within the Agency. Staff losses have been disproportionately higher in positions that provide direct public service. The proposed Service Delivery Budget for FY 04 incorporates 1,000 new immediate hires for field offices, payment centers, teleservice centers and hearings offices and represents an 8% administrative increase. These additional positions will be utilized almost exclusively to process the Special Title II Disability workloads. AFGE is certainly supportive of this increase; however, far greater resources are required in order for SSA's workers to meet the challenges that face the Agency.

Improving the DI and SSI Disability Claims Process:

The Agency Strategic Plan and Service Delivery Budget call for an elimination of the current tremendous disability backlogs and conversion to an electronic disability folder (EDCS). SSA is also preparing additional recommendations to improve the timeliness and accuracy of the disability process. In the past, observers such as the SSA Advisory Board were critical of the uneven allowance rate, which depend on a claimant's state of residence. Profit motivated companies have become an increasing problem in SSA. These companies have taken over some claims taking functions that have traditionally been viewed as inherently governmental. Such transfer of work has often resulted in poor service and occasionally in outright fraud and criminal activity.

Solving these problems is a daunting task. A multifaceted response is required. Certainly Congress must supply adequate budgetary resources to enable SSA to process the anticipated increases in disability workloads.

However, during the Disability Redesign initiative of 1994-2001, at a cost in excess of \$100 million, the single pilot which was most successful in improving the process by reducing processing times, providing greater customer satisfaction and maintaining quality was the Disability Claims Manager (DCM) pilot, a three-year test which measured the capability of one person to adjudicate both the technical and medical factors of entitlement. The Agency dismantled the project in June 2001. On behalf of AFGE, I have previously submitted both oral and written testimony highlighting the significant reductions in processing time and increases in claimant satisfaction with the DCM process as documented in SSA's DCM evaluation. The DCM was designed as a test of one stop service for SSA disability claimants. The current bifurcated process requires a decision on technical entitlement factors by an SSA employee and the medical decision certification by each states' disability determination service (DDS). This procedure is cumbersome and guarantees delays due to constant hand-offs. The DCM combined the split decision-making process by successfully cross-training state and federal employees, so that one employee could render both decisions. This eliminates superfluous hand-offs.

The DCM pilot was the essence of good government. The processing time was cut by one-half, from 120 days to 62 days for an initial disability claim, solving the biggest problem for SSA in initial disability claims. The public was extremely satisfied as were the employees at 83%. Productivity improved and the cost was neutral. Although SSA contended in its final report that the DCM was too expensive, the data indicated that during the last few months of the DCM test, the cost was equal to the current process.

The House Ways and Means Subcommittee has repeatedly urged SSA to take steps to streamline the disability process. Claimants suffer from unnecessary delays due to bureaucratic obstacles in processing their earned disability benefits. Every claimant is faced with an average 4-month initial claims process despite the proven success of the DCM pilot showing that initial disability claims can be processed in 2 months when the process is consolidated. The first step to reforming the disability claims process is the resurrection of the DCM.

The House Ways and Means Subcommittee should insist that SSA resume the DCM as the first step to streamline the disability claims process. The Subcommittee should also examine and convert any legal barriers to making the DCM the universal methodology for processing initial disability claims. I strongly urge the Subcommittee, Congress and the Administration to reconsider an incremental approach toward phasing in the DCM concept in SSA. Rather than appropriate funds such as the \$24 million that SSA is spending on contractors who will attempt to obtain disability applications from the homeless, Congress and SSA should be appropriating sufficient resources to reestablish the DCM position and, consequently, solve the initial disability claims problems for the homeless and all other disability applicants

Electronic Disability Folder (EDCS):

While the concept of instituting an electronic medical folder may produce benefits to accuracy and timeliness at some future point, this comes at a huge immediate cost to both employees in field offices and in overall service to the public. The technology and the EDCS program are not at a point where its use is viable to employees, yet employees are mandated to enter even totally completed paper "self-help" medical forms into the EDCS program.

AFGE recently conducted an extensive survey of employees using this system, and found that 62% of the respondents said the process added 45 minutes or longer to the interview, 75% of respondents thought claimants were waiting longer in reception and 80% of respondents said appointments were frequently or sometimes delayed or missed because of EDCS. 75% of employees are missing contractually guaranteed breaks and/or lunches due to the extremely long interviews. Increased backlogs of work were reported universally in mostly post-entitlement areas, such as SSI redeterminations, medical and work CDRs, overpayments, and workers' compensation calculations, as well as returning phone calls to the public. Additionally, workers in field offices estimated that 20%-40% more staff was needed in offices solely because of the EDCS process. AFGE urges that SSA take a step back from the implementation pace and improve the end user viability of the EDCS program.

Furthering Implementation of the Ticket to Work Program:

AFGE has repeatedly stated that, in order to comply with the legislative mandate of providing accessible and responsive work incentives specialists and to provide complete, accurate and timely service to the disabled beneficiary trying to return to work, a dedicated employee is needed to service each office. The success of TWWIIA is dependent on this.

To be most effective this specialist should be locally based in the community field office environment and able to work with and develop relationships with local organizations and groups. This person should also be a single point of contact for the public. The program will not work if Disability beneficiaries are shuttled between multiple employees and multiple Agencies in their efforts to return to work. We have seen this successful model in the Employment Support Representative (ESR). SSA's own pilot evaluation of the ESR concludes that it is the successful model that provides disability beneficiaries with the comprehensive services necessary to provide them with the opportunity to return to the workforce. We have thoroughly highlighted in our prior statements the successes of the ESR in providing service to the community, to the beneficiaries, to their fellow office staffs, and in processing the work issue CDRs. We have addressed the potential to save hundreds of millions of Trust Fund dollars by processing cases timely and avoiding large overpayments.

The Agency has decided to discontinue the successful ESR pilot, and to implement an Area Work Incentives Coordinator position (AWIC). These AWICs, essentially one serving each of 52 Area offices, would be dedicated to coordinating outreach activities with advocacy groups, overseeing Ticket to Work functions and workloads, and overseeing Return to Work (RTW) workloads in many offices through out the service area. While this is an acknowledgement on the part of the Agency of the need to focus some measure of importance on RTW activities, it is the Union's understanding that the AWICs would not interface with claimants nor work on their cases, except in rare situations. Therefore, it is AFGE's view that this position is not a work incentives specialist as intended by the requirement in Section 121 of

the Ticket legislation. The legislation mandates that SSA establish an accessible and responsive corps of work incentives specialists. The specialists are supposed to be accessible and responsive to the beneficiaries. Even if AWICs were given more responsibilities dealing directly with disability beneficiaries, the few positions that SSA is willing to allocate to this effort does not address Congress' legislative mandate that SSA establish work incentive specialists who can promote the Ticket to Work program to the community and assist and encourage disability beneficiaries' efforts to return to the labor force.

Another key piece of SSA's strategy to improve service in return to work issues is to utilize Work Incentives Liaisons (WILs) at the field office level. There are currently more than 1200 employees designated as WILs. To date, the WILs encumber a wide variety of bargaining unit and non-bargaining unit positions. The WIL duties are a collateral designation, and WILs in many offices are not the employees who actually process the work issue CDRs, work reports, posting of wages, Plans for Achieving Self Support, and other work incentives functions.

The Agency plans to change the WIL to make it a uniform GS 12 Technical Expert (TE) performing these duties, instead of using a variety of different positions. However, because of the severe resource shortages in offices, the lack of prioritization of this workload, and absent workload adjustments, AFGE believes this will not lead to improvement in addressing RTW workloads or in serving as a work incentives specialist for the public. TEs are already the responsibility of processing "difficult claims". Adding return to work responsibilities to TEs only exacerbates SSA's ability to process such work. It will not assist in achieving the goal of establishing a core of work incentive specialists.

Return to Work provisions are highly specialized, requiring the accurate application of many complex and even seemingly contradictory incentives, particularly in concurrent SSDI/SSI cases. Processing these cases correctly and timely has a major life impact on the beneficiary, in addition to effecting a successful transition to work activity. Overpayments to beneficiaries resulting from delays in processing cases are not merely onerous, but can cause irreversible setbacks to beneficiaries. There is no coherent, clear procedure enabling claimants to report the correct events to the right person, absent a dedicated specialist, such as an ESR, who guides the beneficiary throughout the return to work process.

AFGE is opposed to the Agency initiative to fund the Navigator position in the DOL. Available resources should be used within SSA to dedicate to TWWIA mandated requirements. SSA argues that despite the success of the ESR, it does not have the resources to dedicate employees to this priority. However, SSA has found the resources to provide DOL with half the funding for Navigator positions. Initially 80-100 positions will be established in DOL. SSA plans to eventually increase the initial allotment to 1600 Navigators. The Union believes the Navigator will actually create confusion for beneficiaries and further fragment the process of obtaining accurate, personalized information on return to work. This position adds no value to SSA's obligation to comply with the legislative mandate of providing accessible and responsive work incentives specialists, and, instead, shifts limited resources from SSA to DOL. The Subcommittee should urge SSA to request the necessary resources to fully fund a rollout of the ESR position in all SSA Field Offices.

No employee in SSA's scheme will fulfill the Congressional intent of Section 121 of the "Ticket to Work" legislation and create the best opportunities for insuring that disability beneficiaries have the opportunity to return to work. SSA's complex approach of AWICS, WILs and Navigators is a prescription for confusion and failure.

Integrity of the Trust Fund:

The Service Delivery Budget calls for spending \$1.5 billion to process 1.6 million medical improvement continuing disability reviews. In processing the medical issue CDRs, SSA contends that for every dollar spent, seven to twelve dollars in benefits are saved. The cost savings are greater for "work" CDRs since the cost of medical decision-making is eliminated, and the cessation rate on work issues is higher. AFGE estimates cost savings approaching \$30 to the Trust Fund, for every dollar spent. Overpayments on these backlogged work issue CDRs can reach hundreds of thousands of dollars for an office, and employees have encountered overpayments on individual records reaching \$100,000!

Unfortunately, the Union is unaware of any statistical data regarding the numbers of work CDRs processed, the number pending, and the cessation rate due to work activity. SSA should be required to maintain and produce such data.

Allocating the resources to fund a specialist in each office is a perfect example of applying stewardship responsibilities effectively and investing resources in a high cost: benefit manner. Furthermore, the drain on office resources used for processing

overpayments, waivers, and personal conferences would be greatly reduced. Full implementation of a work incentives specialist at the field office level should have a significant positive impact on the Trust Fund balance and consequently extend the solvency of the Fund. It would be foolish not to support a position that leads to this result.

Social Security Number Misuse:

Accuracy on the part of the SSA employees processing requests for Social Security numbers is greater than those of the agency charged with safeguarding immigration records. In SSA, we process 6 million Social Security Number requests annually. According to SSA's OIG, less than 1.6% of Social Security Number requests have been issued with false INS documents. That figure was based on FY2000 statistics. However, since FY2000, SSA has implemented new systems enhancements and policies that require all INS documents of foreign-born applicants to be verified by INS before the issuance of a Social Security number. The Union believes that these measures have further safeguarded the privacy and integrity of the SSN records.

AFGE has previously submitted testimony stating that, unfortunately, SSA has also implemented initiatives that we believe are harmful to the integrity of all SSA records leaving every American vulnerable to attack by terrorists, international criminals, and an increasing number of identity thieves.

In May 2002, the Union became aware that the Agency implemented a program that allowed employers to gain access to SSN records of their newly hired employees via the Internet. This program has been approved by OMB for 630 major employers and may be soon expanding. According to approved procedures, SSA business partners and companies are nominated by SSA's Senior Financial Executive under the Deputy Commissioner Finance Assessment and Management, then approved by SSA's Commissioner.

The Union believes that employer access to SSN records will result in misuse, fraud and abuse of individual privacy. On the issue of privacy, if the employer can obtain this information about an individual, anyone with an EIN may gain access to personal information. The gatekeeper of SSN records thus becomes the employer and its employees authorized access to "verify" Social Security records.

Additionally, the Union has learned that employers are not required to provide the same identifying information that wage earners must disclose to obtain access to their *own* records. This information includes ones date of birth, place of birth and mother's maiden name. Thus, SSN records of someone with a similar or same name may be provided to the employer, making it easier for someone to use another person's SSN. Therefore, the employer would further compromise the integrity of SSN records.

SSA has developed an alert system to determine if employers may be verifying an excess of SSN records. If an employer requests verification on more than 200 percent of the number of W-2s processed in the preceding tax year, an alert will be issued. The Union strongly believes that this "alert" system is a facade to provide concerned parties with a false sense of security of individual privacy. Although SSA's own reports indicate that one employer has already exceeded its number of employees by more than 500%, SSA has failed to conduct an audit.

Furthermore, SSA has not developed or communicated a written policy to hold companies legally liable for misuse of employer access of SSN records.

It is the Union's understanding that SSA plans to expand other services and/or records to employers in the future. OMB must give approval to SSA to expand the number of employers who can gain access to SSN records. We strongly believe that Congress should urge the OMB to rescind this program to insure integrity of SSN records and individual privacy.

In June, 2002 SSA implemented a new procedure requiring verification of birth records for all U.S.-born applicants age 1 or older requesting an original Social Security number and for anyone requesting to change a date of birth on the Numident Record. The estimated yearly cost of verifying birth records for just those individuals seeking an original SSN is approximately \$1 million. SSA's own managers questioned the wisdom of implementing this policy given the low percentage of fraudulent birth certificates presented to the Agency. Mandatory verification of all birth records instead of just those that are suspect is a gross waste of Trust Fund dollars.

Another new initiative is lowering the mandatory in-person interview for an original SSN from age 18 to age 12. In addition, new required questions have been developed for interviewers to ask and the new policy states the questions are to be directed to the child, not the parent. AFGE questions the legal authority of the Administration in directly questioning children aged 12-17 on topics that they are unlikely to provide correct information (i.e., investments, bank accounts and other fi-

nancial instruments which would require an SSN), and the value of the answers obtained from them.

SSA has implemented an Enumeration Center as a pilot in the Brooklyn, NY area. SSA field office employees, SSA's OIG and INS employees staff this Enumeration Center. All requests for Social Security cards will be handled at the Enumeration Center, rather than an SSA field office. This means that if someone walks into a SSA field office to apply for a SSN, the SSA employee who normally would help the applicant will have to refer him or her to the Enumeration Center for assistance. This would include referring clients who have other business at an SSA field office. If an individual, for example, files a claim and requests a replacement Social Security card, they must go to both their local office and the Enumeration Center to obtain service.

AFGE opposes the concept of Enumeration Centers. SSA's field offices have always been full-service facilities. The taxpayer deserves full-service and one stop shopping. To refer SSN applicants to an Enumeration Center that may be miles away, will create barriers and greatly inconvenience folks who rely on public transportation or have physical disabilities. The Union does not oppose the continuation of the Brooklyn Enumeration Center as a pilot. However, expansion of this initiative would require many SSA claimants to travel to 2 different sites for SSA service. This definitely constitutes poor public service.

Office Closings:

For many years the Social Security Administration has pledged to provide the public with broad access to the Agency. Such access includes face-to-face service, telephone service, and, recently, Internet access. This pledge is fundamental to SSA's mission which is to provide the aged, disabled, survivors and the impoverished with convenient options to interact with the Agency. The key element to this pledge is to provide community-based service to the public.

Recent developments regarding office closings bring into question SSA's intention to fulfill this pledge. The Agency has either closed or announced its intention to close a number of offices. The union strongly objects to this Agency policy to remove the option of face-to-face service from thousands of SSA claimants and beneficiaries.

Earlier this year Chicago Regional Commissioner James F. Martin issued a memorandum encouraging managers to review their office structure for the purpose of identifying candidates for "consolidation". He indicates in the memorandum that previous Service Delivery Assessments (SDAs) have resulted in maintaining the status quo. However, he encourages managers to strongly consider office "consolidations" in future SDAs. The only rationale that he posits for this change in emphasis is the cost of security guards and office space. Although he asserts that there is no quota for office closings, union officials have informed me that each Area Director in the region is expected to close at least one office.

Other regions have also been actively engaged in closing offices. The Union has received reports from Boston, New York, and San Francisco regions regarding offices that have either closed or are targeted for closing. Some are in urban/suburban areas (e.g. Brookline MA, Euclid OH, and Medina OH); others are in rural areas many miles from another office (e.g. Iron Mountain MI and Cairo IL). Sometimes employees view such closings with relief since the targeted offices have suffered for years from SSA's failure to provide adequate staffing for these facilities.

It appears that the increased emphasis to close field offices is not based on any service delivery assessment, but rather is an attempt to save money by reducing levels of service to the public. Certainly administrative costs are an issue to consider when analyzing the level of service to provide to the public. However, it is difficult to understand how the Agency can condone removing community based offices from some cities while at the same time spending \$97 million for a new, renovated Operations Building in headquarters.

The Agency has a sordid history regarding office closings. The Grace Commission report issued during the Reagan Administration recommended that SSA reconfigure its office structure and close all but 430 offices. In response SSA secretly formulated plans to consider closing all field offices with less than 25 employees. When the Union learned of these plans and released them to the press, the adverse public reaction was so intense that SSA abandoned its office closing agenda. Legislation was introduced in both the House and the Senate that would have required a moratorium on all office closings. In addition, the legislation would have required stringent advance reporting requirements to Congress justifying every proposed office closing after the moratorium expired. SSA received significant unfavorable press coverage regarding its office closing initiatives until the Agency decided to abandon the effort.

Since that time SSA has reduced the staff of field offices to such a degree that most offices are under the 25 employee threshold. Now, it appears that the next

Agency step is to close offices that have diminished in size rather than provide them with adequate staffing so that the employees can do their job properly. This has occurred despite the fact that the public continues to demand the availability of the face-to-face service option.

The recently issued SSA Strategic Plan for 2003–2008 contains the strategic goal: *To deliver high-quality, citizen centered service.* This goal entails the continuation of SSA's traditional in-person and telephone service. The Plan specifically states that it is an Agency goal to provide a choice of ways to access service. Closing offices violates this strategic mandate. Such actions diminish the public's access to SSA services. Such actions especially adversely effect the vulnerable population that is the core of SSA's clientele: the aged, disabled, children and the impoverished.

The Union opposes the efforts by SSA to close field offices. The Union urges the Subcommittee to enact legislation requiring that SSA place an immediate moratorium on these closings. Such legislation should provide that an independent Congressional study be conducted of all SSA plans to consolidate, close or restructure its field office alignment. This study should analyze the effect that office closings have on the promptness and accessibility in providing SSA services to those citizens who choose to conduct their business face to face. The union, also, has serious concerns regarding the adverse impact these office closings have on SSA workers.

Conclusion:

The challenges SSA faces to improve the disability claims process, further implement Ticket to Work Program, protect the integrity of the Trust Fund, and combat Social Security number misuse in light of resource shortages have been exacerbated as the Agency and employees grapple with Electronic Disability Collection System (EDCS) implementation and the Special Title II Disability (ST2DW) workload. Over two years ago, prior to the emergence of these two initiatives, both AFGE and the National Council of Social Security Management Association (NCSSMA) estimated shortages of approximately 5000 employees in order to adequately provide public service, maintain staff expertise, and process work in field offices. Resource shortages are growing more critical every year. The employees we represent live with the daily stress in their offices of trying to provide good service and process their important workloads lacking adequate staff. This subcommittee should take a serious look at the actual resource requirements of SSA. Continuing failure to provide necessary staff will result in further deterioration of service to SSA's constituents.

In summary, AFGE supports the following actions:

1. Support the proposed 1000 FTE increase in the FY 04 appropriations service delivery budget.
2. The Union in conjunction with the NCSSMA supports additional funding for 5000 FTEs to adequately provide public service, maintain staff expertise and process work in field offices.
3. Resurrect the Disability Claims Manager (DCM) concept and eliminate the legislative barriers that prevent full implementation of the DCM.
4. SSA should step back from its EDCS implementation schedule. SSA should analyze the FTE impact of full EDCS implementation and either request additional staff or shift staffing resources to field offices due to the increased interviewing time needed to process disability claims in the internet-based environment.
5. Congress should fully fund the nationwide rollout of the ESR position in all SSA field offices to insure the fulfillment of the Congressional intent pursuant to Section 121 of the Ticket to Work legislation.
6. SSA should be required to report to Congress periodically the number of Continuing Disability Reviews (CDR) processed, the number pending and the cessation rate due to work activity.
7. Congress should rescind the program that allows employer access to social security number (SSN) records of prospective employees.
8. Congress should prohibit mandatory verification of all birth records for individuals who are age 1 or older due to the cost and the low incidence of fraud.
9. SSA should rescind the mandatory face-to-face interview requirements for children applying for SSN between the ages of 12 through 17.
10. SSA should halt any future establishment of Enumerations Centers, which require the public to visit multiple SSA offices rather than one full service office.

11. Congress should immediately place a moratorium on field office closings. Congress should require an independent study of such proposed closings. Such a study should assess the impact of proposed office closings on the promptness and accessibilities of providing face-to-face service to the public.

Thank you once again for the opportunity to submit this statement.

Statement of James A. Hill, Office of Hearings and Appeals, Social Security Administration, and Chapter 224, National Treasury Employees Union

My name is James Hill. I have been employed as an Attorney-Adviser by the Office of Hearings and Appeals for over 20 years. I am also the President of Chapter 224 of the National Treasury Employees Union (NTEU) that represents Attorney-Advisers and other staff members in approximately 110 OHA Hearing and Regional Offices across the United States. I thank the Subcommittee for allowing me to submit testimony regarding the challenges and opportunities facing Social Security disability programs today.

Disability adjudication at SSA has a long and troubled history. Primarily as a result of the Senior Attorney Program, the crisis of the mid-1990s was successfully resolved. Subsequent events, including termination of that program and the ill-advised Hearing Process Improvement Plan (HPI) have created even a greater crisis. The situation is clearly out of hand, and SSA seems to be at a loss as how to regain control. Its history of prematurely implementing high profile but fundamentally unsound “magic bullets” such as Re-engineering, the Disability Process Redesign (DPR), the Modified Disability System, the Redesigned Disability System, and the Hearing Process Improvement initiative have all failed miserably. The newest “Great Hope” is the Accelerated E-DIB (AeDib) Initiative. While some aspects of this program will undoubtedly succeed, its centerpiece, the “electronic folder” represents a risk far greater than any previously undertaken.

NTEU concurs with the testimony of Linda D. Koontz, Director, Information Management Issues of the Government Accounting Office. The risks of proceeding with full-scale implementation without adequate testing should be well known to SSA. The Disability Process Redesign and the disastrous HPI both suffered from inadequate, or in the case of HPI, nearly absent testing. NTEU is also concerned about SSA’s inability to convince key stakeholders of the viability of AeDib. While Ms. Koontz’ testimony primarily dealt with the State Agency’s views, an even greater problem may exist at the hearing office level.

GAO contends, and rightly so, that former SSA initiatives such as DPR and HPI suffered from a lack of “buy-in” by key stakeholders including SSA and OHA employees. I regret to inform you that the lack of “buy-in” by OHA employees (including managers at all levels) regarding the electronic folder surpasses even the level evidenced before the introduction of HPI.

It is important that this Subcommittee understand the nature of employee skepticism. It does not emanate from a reluctance to face changes. It is not the result of obstructionism. It does not indicate a lack of desire to change or improve the process. The lack of buy-in is the result of a belief that the proposed initiative will not meet operational necessities at the site where work is actually being performed. Employees at OHA have frequently been subjected to programs designed by individuals who do not understand the details or nature of the work at the operational level. In short, the planned initiatives have been and continue to be unrealistic. Given the past record of highly touted but unsuccessful initiatives, it would be understandable that resistance to Accelerated E-DIB would be based on skepticism engendered by history. That is not the case. OHA employees understand the process improvement that could result from electronic files, but they are also aware of the operational difficulties for which no solutions have been advanced.

On June 19, 2003, SSA presented an IVT Program designed to begin the training process for the introduction of AeDib. Most of the components of that program are relatively uncontroversial, and did not generate a great deal of concern. However, the prospect of the electronic folder raised a number of issues, and specific questions, to which the Agency spokespersons admitted they had no answers. Unfortunately, some of the questions dealt with core operational issues at the hearing office level. An ALJ noted that currently at the administrative hearing, the ALJ has a file, the Medical Expert has a file, the Vocational Expert has a file and the claimant and/or his/her representative has a file. This facilitates the consideration of specific medical and other evidence. How would this be done with an electronic folder? Would paper copies be made for each participant? Would each participant be provided with

a personal computer or would a large computer screen viewable by everyone in the hearing room be provided? The answer was discouraging. It was clear that the question of how hearings would be conducted with electronic folders had not been seriously considered.

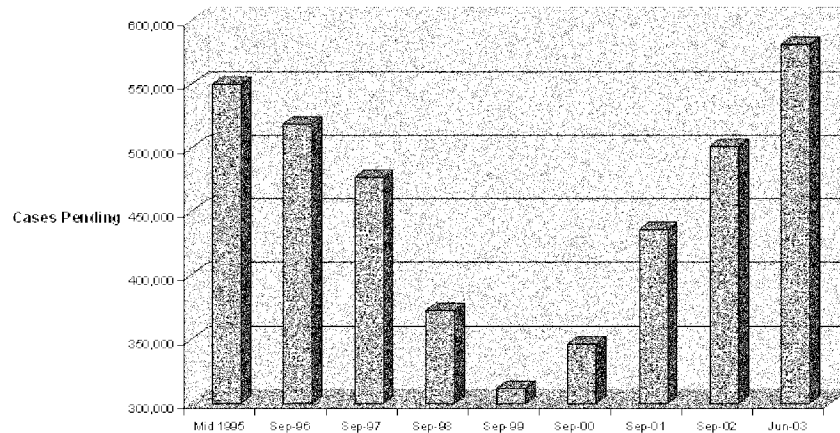
Currently, decisions are drafted on personal computers. A decision writer asked how could that be accomplished while viewing the evidence simultaneously on the same computer screen. Displaying the evidence already involves splitting the screen into several segments leaving no room for the text of the decision being drafted. Would two computer screens be provided? The response was again discouraging. We were informed it was unlikely that two computers would be provided to decision writers. The matter of drafting decisions with the electronic folder has not yet been considered. The responder then noted that this did not seem to be a problem at the DDS test site. The responder's lack of understanding of the difference between the minimal and sometimes nearly non-existent rationale provided by DDS adjudicators and the formal ALJ decision which must withstand Federal Court scrutiny further emphasized the lack of operational knowledge of those directing the implementation of the electronic folder.

The lack of answers to these questions does not engender confidence. The effect of the inability to adequately answer questions which deal with the fundamental operations in a hearing office is devastating. Despite the potential of the electronic folder to significantly improve operations, until fundamental operational questions are resolved, implementation is premature. Buy-in by employees (and managers) will not occur until those operational problems are actually solved.

The Backlog at OHA Hearing Offices

The history of OHA's success or lack thereof in dealing with the disability case-load at the hearing office level is demonstrated by the following chart. The period when the backlog declined is contemporaneous with the Senior Attorney Program.

The Backlog at OHA Hearing Offices



The backlog has risen to record levels leading to a decline in service to the public that is unconscionable. While there are a number of factors (many inflicted by unknowledgeable SSA officials implementing counterproductive initiatives) contributing to the abysmal performance of OHA hearing offices, the most fundamental problem at the OHA hearing level remains the lack of a sufficient number of adjudicators. SSA must quickly recognize that current initiatives are inadequate and move quickly to augment them by reinstating the Senior Attorney Program.

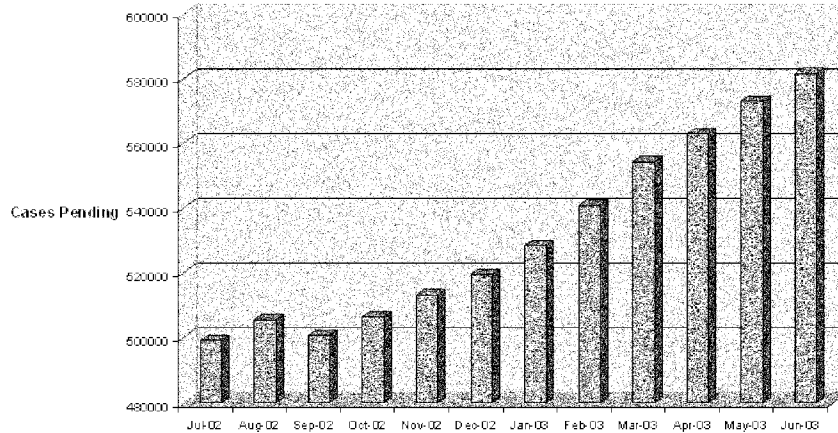
The lack of sufficient decision makers must be addressed on both a short term and long term basis. The answer is not hiring vast numbers of ALJs as was acknowledged last year by Deputy Commissioner Gerry in his testimony before this Subcommittee. Hiring the number of ALJs needed to efficiently adjudicate the entire OHA workload is cost prohibitive, and operationally unnecessary. Many of the cases that come to OHA do not require the participation of an ALJ in the adjudicatory process. Many cases come to OHA that with minimal evidentiary development dem-

onstrate that the claimant is disabled. These cases could be resolved almost immediately, if the proper adjudicatory mechanism was available. During the disability crisis of the 1990's, SSA created the Senior Attorney Program to deal with these kinds of cases. That program produced nearly 220,000 favorable decisions while permitting ALJs to direct their attention to the cases that required ALJ adjudication. The net result was the cases pending at OHA fell from over 550,000 to 311,000 by the end of FY 1999. ALJs should remain the backbone of the OHA adjudication process, but SSA should immediately reinstitute the Senior Attorney Program and investigate the feasibility of utilizing other attorney adjudicators such as a magistrate/hearing officer position to assist the ALJs in adjudicating the OHA caseload.

Last year GAO issued a report which in part emphasized the success of the Senior Attorney Program. The Senior Attorney Program involved OHA's experienced attorneys reviewing and developing cases upon their arrival at the hearing office and issuing fully favorable On-The-Record (OTR) decisions in cases that did not require a hearing. The GAO recommendations clearly contemplated a return to the Senior Attorney Program.

However, SSA did not see fit to follow that advice. The result was a continued increase of the backlog at OHA hearing offices as demonstrated by the following chart.

The Backlog at OHA Hearing Offices



While recognizing the value of early screening of cases by the decision maker, it has instructed its ALJs to perform that role. The problem is that having ALJs perform the time consuming task of reviewing unpulled cases, significantly reduces the time ALJs can spend conducting hearings and deciding those cases in which a hearing is required. While the Senior Attorney Program produced cases in addition to those produced by ALJs, the current token ALJ screening program only redirects ALJ time. It does not increase the number of decision makers and will not significantly increase the total number of dispositions.

The inefficiency of the ALJ review program can be seen in the monthly statistics released by OHA. During the period including February 2003 through June 2003 over 250,000 claimants filed appeals to OHA. OHA's Monthly Activity Report indicates that ALJs reviewed only 25,713 of these files resulting in 6,474 OTR decisions. That ratio of OTR decision to ALJ reviews, approximately 25%, is the same ratio evidenced by the original Senior Attorney Program. The inefficiency of this program is apparent when one considers the number of OTR decisions made. The Senior Attorney Program produced 40,000-50,000 decisions a year while the annualized rate for the current token ALJ screening program is a mere 15,538 decisions at the cost of fewer ALJ non-OTR decisions.

OHA is well aware of the relative inefficiency of the ALJ screening initiative. In response OHA sent a directive to hearing offices requiring inclusion of the screening activities done by current Attorney Advisers in the ALJ statistics, thereby, OHA hopes, improving the appearance of this inherently inefficient process. Instead of

trying to obfuscate the facts, OHA should move aggressively to increase its adjudicatory capacity within the bounds of fiscal restraint.

Recommendations

NTEU makes the following recommendations for action necessary to ensure that the Office of Hearings and Appeals delivers the quality of service demanded by the American people currently and in the future:

1. SSA should adopt a more reasonable timeframe for the introduction of the electronic folder.
2. SSA should involve its stakeholders more intimately in the design process to ensure that the electronic folder enhances the conduct of fundamental operational functions.
3. SSA should conduct extensive full process testing before the implementation of the electronic folder on a national basis.
4. All qualified OHA Attorney Advisers should be converted to Senior Attorney decision makers and given the authority to issue fully favorable on-the-record decisions. These Senior Attorney decision makers would review all cases coming into the hearing office as well as providing decision writing support for the ALJs.
5. SSA should establish a workgroup to examine the implementation of additional attorney decision makers, such as a magistrate/hearing officer position that would work in conjunction with the ALJs in adjudicating the ever-growing disability workload that faces SSA.

**Statement of the Honorable Stephanie Tubbs Jones, a Representative in
Congress from the State of Ohio**

Mr. Chairman, my dear colleagues, Commissioner Jo Anne Barnhart, Bob Robertson, Linda Koontz and Susan Prokop, please accept my apologies for being absent this morning. I am currently addressing the House floor to express my opposition to the Chile & Singapore Free Trade Agreements.

However, I will follow up with all of you to address specific concerns I have regarding the Social Security Administration's (SSA's) plan to address the outstanding backlog problems with disability claims processing, and the SSA's budget request.

I'd like to commend Commissioner Barnhart and her staff for their hard work in developing a 5-year Service Delivery Budget Plan.

I am pleased to see that the Commissioner's budget includes 1,300 new positions, and I hope that these new positions are filled in a way that represents all Americans. I look forward to working with the Social Security Administration to resolve the many challenges the Social Security Administration faces. Again, please excuse my absence, and I thank you for appearing before the Social Security Subcommittee today.