

**Testimony of  
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Social Security Advisory Board  
Before the  
Subcommittee on Human Resources  
of the  
Committee on Ways and Means  
May 20, 2004**

**Hearing on the Supplemental Security Income Program**

Chairman Herger, Congressman Cardin, Members of the Subcommittee, on behalf of the Social Security Advisory Board, I want to begin by commending you for holding this hearing on the Supplemental Security Income, or SSI, program. The Advisory Board is chaired by Hal Daub, who during the late 1980's was a colleague in the House of many of you on this Subcommittee. Chairman Daub asked me to give you his best wishes and to tell you that he would very much have liked to be here with you today. Unfortunately, he had prior commitments which prevented him from coming into Washington for this hearing. However, he has asked me to take his place in giving you the views of the Social Security Advisory Board on the SSI program.

When Congress acted in 1994 to make the Social Security Administration an independent agency, it decided at the same time to set up a permanent bi-partisan Board to continually examine the important programs that agency administers and to make recommendations to the Congress, the President, and the Commissioner of Social Security as to how those programs can most effectively, in combination with other public and private programs, assure economic security. The Board's legislative charter directs it to make recommendations with respect to program policies and regulations as well as the quality of service that the Social Security Administration provides.

The Advisory Board has on a continuing basis carefully reviewed the Social Security programs and we have issued reports dealing with issues such as disability process and policy, program integrity, and service to the public. In these reports, we have addressed both the overall issues as they affect all Social Security programs and also the particular issues affecting Supplemental Security Income. In addition, since 1998 the Board has been publishing its views on the program in connection with the agency's annual SSI report to Congress. We have just this week completed our annual SSI statement, and I would like to submit a copy of that statement for the record. In this year's SSI statement, the Board focused particularly on program integrity and overpayments and also on the concept of disability in the SSI program.

The SSI program is of vital importance to the income security of many of our most vulnerable fellow citizens. As of April, nearly 7 million Americans were receiving federally administered payments, 1.2 million on the basis of being 65 or older, and 5.7 million on the basis of blindness or disability. All of them are required to meet stringent income and resource standards in order to qualify for benefits.

Today I would like both to look back at where we have come over the last several years and to look ahead at where I think we need to go. This Subcommittee, the Congress, and the Social Security Administration have taken some important steps to improve the administration of the SSI program over the last several years. I would like both to reflect on these improvements and suggest areas for further improvement.

I will focus today on four subjects: program stewardship, program simplification, the administration of the disability aspect of the program, and the need to re-examine some basic aspects of program design related to work and disability.

### **Program Stewardship**

Program stewardship is important both to taxpayers and to beneficiaries. Taxpayers have the right to expect that their tax dollars will be spent accurately. And beneficiaries have a right to expect that their benefits will be accurately determined and administered. Since its beginnings, SSA has fostered in its employees a commitment to program stewardship. The phrase “the right check to the right person on time” has been repeated by generations of employees. But increasing workloads and declining resources have undermined this commitment to stewardship. Managers and employees throughout the administrative structure are frustrated that they lack both the time and the tools to live up to their standards.

I know that the Ways and Means Committee continues to look for ways to improve the agency’s ability to provide proper stewardship. I would like to commend you for this year enacting the bill H.R. 743, the Social Security Protection Act of 2004. That bill gave SSA additional tools to help it carry out its responsibilities for program stewardship, especially with respect to representative payees. Provisions of the Act such as higher standards for organizational payees and new sanctions for misuse of benefits will be helpful to SSA

But the agency will still have to do the time-consuming work of carefully selecting and monitoring representative payees. If vulnerable beneficiaries are to be protected from misuse of benefits, the agency will need to devote considerably more resources to screening and monitoring payees. SSA employees have told the Board that pressures to move the work make it difficult or impossible for them to spend the time they need to investigate carefully the qualifications of potential payees. SSA has taken steps to improve its administration of the representative payee program. A regional executive told the Board, however, that SSA is just scratching the surface on organizational payee problems. “The problems are deep, and it will take a tremendous amount of staff time to resolve them.”

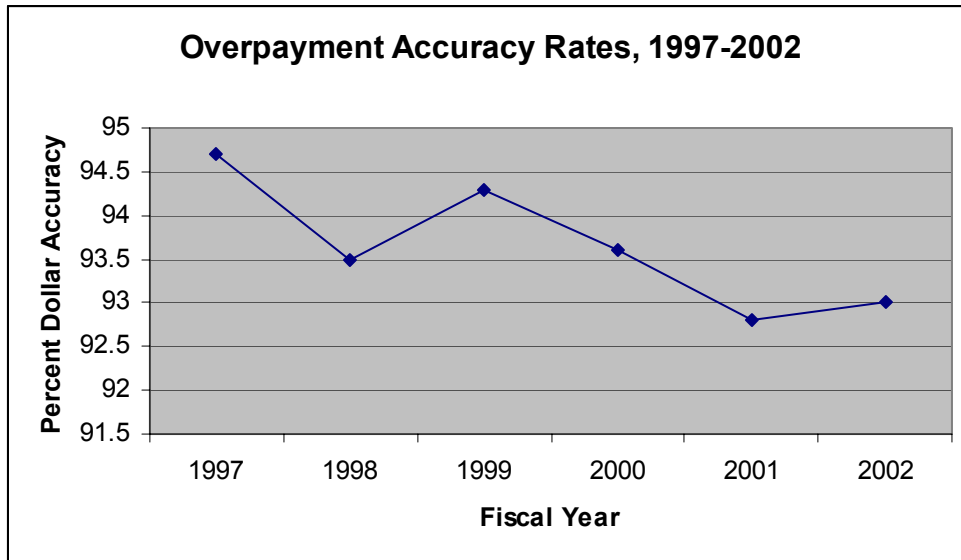
Achieving a high level of payment accuracy in the SSI program requires that the eligibility determinations be done carefully by well-trained and supervised employees who place a high value on getting the decision right. It also requires that recipients be

adequately instructed on the importance of reporting events that might change their eligibility and that their reports of such events be promptly acted on.

In its reviews of the program, the Board has found several elements that have tended to work in the wrong direction. The work measurement system used by the agency tends to reward quantity of production rather than quality of product. That type of incentive, in combination with staffing shortages and lack of supervision, inevitably leads to a lowering of quality. For example, in our visits to field offices, employees have told the Board that they sometimes do not pursue certain lines of questioning (such as the details of living arrangements) because it takes too long to resolve the issues that may be raised. The Board has also heard from SSA employees and members of the public of delays – sometimes extensive – in making payment changes required by events reported by recipients.

Field office managers have consistently expressed to the Board their concerns about the quality of non-medical SSI work done in their offices. They say that pressures for a high volume of production prevent their employees from taking the time and care needed to ensure quality. They add that because of the reduction in management positions in field offices, they are unable to do quality reviews. A survey of field managers conducted last year by the National Council of Social Security Management Associations reinforces these concerns. The survey showed that only 7 percent of managers thought that the quality of work produced in their office had improved over the last two years, while 48 percent thought it had worsened.

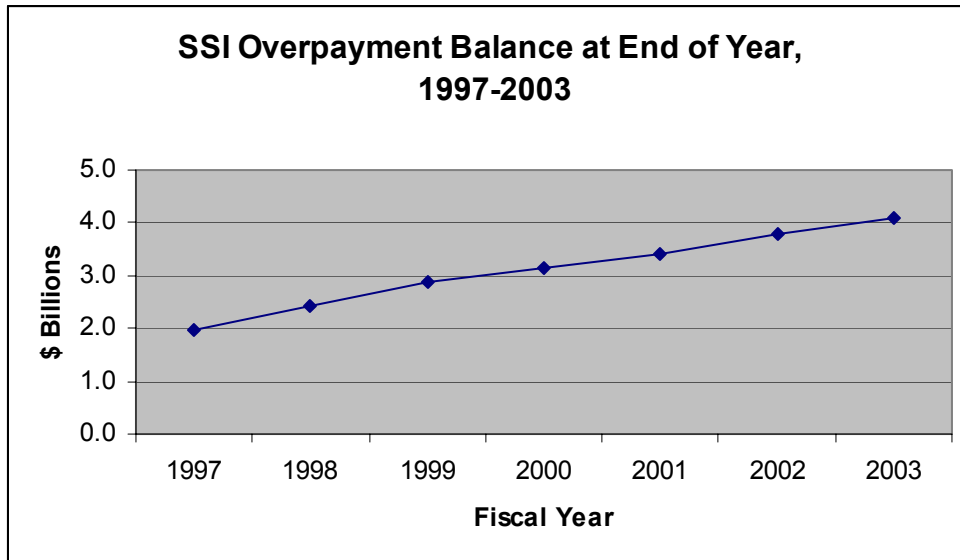
SSA's accuracy rates support what we have been told by its employees. SSA conducts an annual stewardship study of the SSI program. The study examines a monthly sample of non-medical reviews of SSI cases in current-pay status. The study for FY 2002, the most recent available, shows a decline in non-medical accuracy since 1997, the year that GAO designated SSI a high-risk program. The overpayment accuracy rate for FY 2002 was 93.0 percent, compared to 94.7 percent in FY 1997. Applying the FY 2002 rate to the universe of \$34 billion in SSI payments results in a projection of \$2.4 billion in SSI overpayments. ("Overpayment accuracy" is determined on the basis of a sample study by subtracting overpaid benefits from total benefits paid and then dividing the result by total benefits paid.)



I want to make it clear that these shortcomings are no reflection on SSA’s employees. In our numerous visits to regional and field offices, program service centers, teleservice centers, and hearing offices, we have found them to be hard-working and dedicated. But with its current level of resources, the agency has experienced serious deficits in the level of service that it is able to provide and has been forced to defer important stewardship actions while still seeing unacceptable backlogs in processing claims.

Two of SSA’s most effective tools in preventing overpayments are redeterminations and continuing disability reviews (CDRs). Redeterminations look at the non-medical factors affecting payment eligibility and amount, while CDRs look at the medical factors. Redeterminations result in seven dollars in savings per dollar of cost, and CDRs save ten dollars per dollar of cost. But SSA’s ability to conduct them depends on its administrative budget. This year, because the agency’s appropriation for administrative expenses was lower than the President’s request, SSA will not conduct as many redeterminations and CDRs as planned. The agency is, therefore, losing programmatic savings well beyond the administrative resources involved.

When erroneous payments are detected, the agency has an obligation to attempt to recover the misspent funds. However, despite the fact that the collection of overpayments is a highly cost-effective activity, resource limitations have limited the agency’s results in this area as well. The end-of-year SSI overpayment balance has doubled since the program was first put on the high-risk list, from \$2 billion in 1997 to \$4 billion in 2003. Although SSI overpayment collections increased in FY 2003 because of new “netting” software that automatically recovers overpayments when an underpayment is discovered, the SSI overpayment balance was \$305 million higher at the end of 2003 than at the end of 2002.



The law provides that overpaid beneficiaries may request a waiver of collection of the overpayment, which the agency may grant under certain conditions. An SSA executive has told the Board that field offices often do not pursue overpayment collection because the staffs are too busy, and it is easier for them to waive collection of the debt. We understand that SSA's Office of the Inspector General plans to issue an audit report this year evaluating SSA's waiver process and expects to issue a report in FY 2005 on undetected overpayments in SSA's disability programs. The Board commends these actions by the IG.

Before I leave the subject of overpayments, I want to point out that last year the Board sent a letter to the leadership of the Ways and Means Committee recommending a specific provision to help reduce outstanding overpayments. That provision allows SSA to collect outstanding SSI overpayments by offsetting the full amount owed against lump-sum retroactive Social Security payments. We are gratified that this provision was included in the legislation you enacted last year, the Social Security Protection Act of 2004 (H.R. 743). This will allow a substantial recovery – in the range of hundreds of millions of dollars – of existing overpayments that can be easily accomplished by offset against retroactive Social Security payments that SSA will be making in the near future.

### **The Need for Simplification**

The need to simplify the SSI program is closely related to the problems of accuracy and incorrect payments. Over the last three decades, SSI policy has tended to become more complex. This complexity makes the program more difficult and time-consuming to administer, more error-prone, and harder for beneficiaries to understand and comply with. The degree of complexity is reflected in the fact that although SSI will account for only about 7 percent of SSA's benefit outlays in fiscal year 2004, it will account for 36 percent of the agency's administrative budget.

There seems to be a natural tendency for the SSI program to become ever more complex. Managing a national program involving income, resource, and living arrangements requires developing rules explaining how a multitude of situations should be handled fairly and uniformly. As unforeseen exceptions arise, subsections of the operating instructions proliferate. For example, SSA's operating instructions for "Living Arrangements and In-Kind Support and Maintenance," which is just one part of the section on income, contains the equivalent of 250 single-spaced pages. Field Office employees have to deal with more than 150 current updates to those instructions on the topic of general income and resources alone. They include topics such as: ownership in fee simple or less than fee simple, validity of prepaid burial contracts/trusts in Minnesota, verifying the current market value of foreign property, and determining in-kind support and maintenance for a member of a religious order who moves into a private nonprofit residential care institution.

While this proliferation is understandable, it gives rise to other problems. Program rules are difficult to understand and to apply. Beneficiaries find it difficult to comply with program rules. Complexity contributes to errors in payments, which can cause hardship and frustration for beneficiaries and further add to the agency's workload.

SSA worked with this Subcommittee to include some provisions to simplify the program in the Social Security Protection Act of 2004. Simplification provisions included exclusion from countable income of small amounts of interest and dividends, easing the rules on infrequent unearned income, preventing triple counting of income in some circumstances, and provisions to help military families.

These changes are commendable, but as Commissioner Barnhart stated in her testimony on April 29, these provisions are a first step in simplifying the program. She noted that the agency has a working group developing further ways to simplify the program, and we are looking forward to learning of the group's recommendations.

We recognize the difficulty of simplifying the program without increasing program costs or disadvantaging groups of beneficiaries, and we commend SSA for its efforts in this regard and the Congress for its assistance. We encourage SSA and the Congress to take a broader look at simplification, to ask what the program would look like if they were to design it anew. For instance, there have been internal discussions within SSA of drastically simplifying the rules for in-kind support and maintenance. In our visits to field locations, we have heard suggestions that the SSI computations be changed from a quarterly to an annual basis. This would remove the need to conduct quarterly wage verification, a burden on both employers and SSA staff. Rules on living arrangements have also been singled out as an area that greatly complicates program administration.

We recognize that such simplification is a daunting task and will involve tradeoffs between program costs and administrative costs, but meaningful simplification will require that level of effort.

## **Disability Program Administration**

In her testimony last month, Commissioner Barnhart discussed two extremely important disability initiatives, the Electronic Disability System (eDib) and her approach for improving the disability determination process, which addresses many of the issues the Board has identified in its reports on the disability program. The eDib initiative is now in its early roll-out stage and the agency is working on developing the details of its process reforms. In our report of January 2001, the Board said that the Social Security Disability programs were in need of fundamental change, and we commend Commissioner Barnhart for aggressively pursuing such change. As the eDib implementation proceeds and as the details of the process reforms develop, the Board will be carefully monitoring these changes and will continue to work with and provide advice to the agency and the Congress.

In reforming the Social Security disability program, two crucial issues are consistency and fairness in disability decision making and the ability of the administrative structure to support future program needs.

For many years, both Members of Congress and others who have studied SSA's disability programs have expressed concerns about inconsistencies in decision making. For example, in FY 2002, while the average allowance rate for initial SSI disability claims was 38.5 percent, the allowance rate ranged from 27.8 percent in Tennessee to 57.6 percent in New Hampshire. While economic and demographic differences among states explain some of this difference, they do not explain all of it.

There are other indications that the difference in outcomes reflects differences in how claims are adjudicated. For example, the percentage of SSI disability beneficiaries in 2001 with a diagnosis of mental retardation varied from 14 percent in Massachusetts to 36 percent in West Virginia. And the percentage with a diagnosis of other mental disorders ranged from 22 percent in Louisiana to 49 percent in Massachusetts. There are apparent inconsistencies in denials as well as in allowances. In FY 2002, the percentage of claims denied because the disability was not expected to last for 12 months ranged from 2 percent in Rhode Island to 17 percent in Nevada. And the percentage of denials because the disability was not considered severe ranged from 2 percent in New Hampshire to 37 percent in Mississippi.

There also seem to be inconsistencies within State agencies. A study done for SSA examined the range of initial allowance rates across examiners in four State agencies. It found that the range of allowance rates was 10 to 19 percent greater than could be explained by random variations in the claims they examined. A large percentage of claims that are denied at the initial level are appealed to the hearing level, where the majority of decisions reverse the lower-level denial of benefits.

There are also geographic differences at the hearing level. In FY 2002, the national hearing-level allowance rate for SSI claims was 58 percent, with a range from 42 percent in Louisiana to 78 percent in Maine. There does not seem to be a correlation

between high State agency allowance rates and low hearing reversal rates. In fact, the hearing-level allowance rate for New Hampshire, which had the highest initial-level allowance rate, was 74 percent, the third highest in the country.

The process changes underway at SSA include improved case management systems and the introduction of an end-to-end quality management system. To a considerable extent, whether those changes are successful will be measured by whether they can enable the agency to address these issues of consistency and fairness. The agency needs to be able to get the information to determine the degree to which the program's own policies and procedures – including their uneven implementation – are causing inconsistent outcomes in different parts of the country and at different levels of adjudication. And, having obtained that information, it needs to be able to address the problems that information reveals.

SSA should also thoroughly review its disability policy rules and regulations to determine where changes can be made to improve the quality and consistency of decision making. Both medical listings and vocational guidelines should be included in this review. Where possible SSA should write these rules and regulations more clearly and simply so that adjudicators in different states and different levels of decision making will interpret and use them in the same way. SSA should follow up with regular training across all levels of the process.

The Board is particularly concerned that, in a program where most decisions are based on vocational factors, the policy regulations in that area have not been revised for many years despite major changes in the nature of the national workplace. The Board is also concerned that vocational assessments continue to rely in large measure on an outdated Labor Department publication that is not being updated. The recently issued SSA strategic plan indicates a commitment on the part of the agency to remedying this situation. The Board believes the agency should place a high priority on fulfilling that commitment.

The current eDib and process reform initiatives represent an important recognition of the need to update the program's administrative structure to support future program needs. But, electronics and organizational changes will not alone be sufficient to meet the needs of appropriately managing this very complex and massive program.

Recent work by the General Accounting Office has highlighted human capital challenges at the State agencies that make disability determinations. There are more than 15,000 disability adjudicators throughout the disability system. Their qualifications and the rules and procedures they follow differ, sometimes dramatically. For example, adjudicators at the State agency and ALJ levels may receive vastly different training and draw upon very different resources. Factors such as these raise questions about how well the administrative structure will be able to handle the growing workload.

It is particularly essential that adequate resources be made available. Failure to provide needed resources does not save money. It creates backlogs, undermines the



ability of the agency to provide needed training and carry out quality management, and results in foregoing program integrity reviews that are highly cost effective. The Board has commended the Commissioner for developing a 5-year service delivery budget that is based on the actual workload needs of the agency and that would eliminate the inappropriate backlogs by the end of the 5 years. The Board has urged and continues to urge Congress to provide those very necessary resources.

### **Disability and Work**

Some of the Board's most recent work has focused on an even more fundamental issue underlying the disability program, the concept of disability and its relation to work. You may recall that this is an issue that our Chairman, Hal Daub, raised when he last appeared before this Subcommittee in July 2002. In October 2003 we published a report titled *The Social Security Definition of Disability*. Last month we sponsored a day-long forum on the extent to which the current program is or is not consistent with appropriate national disability policy, and what changes might be made to the program structure and definition. Both the report and the text of the presentations at the forum are available on the Board's website, [www.ssab.gov](http://www.ssab.gov).

The definition of disability that is at the heart of the existing disability programs was developed some 50 years ago. We believe it is necessary to question whether that definition is today consistent with the basic beliefs of our society about disability and work. The present definition asks the applicant and the government to make a determination that substantial work is not possible. That, probably inevitably, creates a mindset that is inimical to the motivations that are crucial to supporting the objective of enabling impaired individuals to achieve maximum self-sufficiency and independence.

Moving away from that definition would very clearly involve significant programmatic changes. Given the importance of the disability programs, any such changes would have to be carefully developed and carefully implemented. A first step in addressing this issue would be a consideration of the choices policymakers would face, including the issue of the extent to which the desired results could be achieved by changes within the existing programs.

In our October 2003 report we discuss in detail a variety of policy issues that would need to be addressed. Along with several other questions, we asked:

- Can the current definition ever be administered fairly and accurately?
- What is the realistic potential of the disability population for work?
- How does a disability program fit into the overall and greatly changing picture of income security?
- Does the disability program, as currently defined, fail to meet the legitimate needs of a significant portion of the impaired population?
- What should be the role of the Social Security Administration if there is a major restructuring?

In considering SSI specifically, there is the additional issue of whether different approaches should be used for the DI and SSI programs. These two programs' beneficiaries differ in their work histories, education levels, and the nature of their disabilities, suggesting that approaches and incentives that work for one program might not work for the other. In addition, SSI beneficiaries have increasingly been receiving means-tested benefits from other programs as well, making their work incentive situation more complex. The benefit levels of the DI and SSI programs are also different. As of February 2004, the average DI worker benefit was \$862.60, while the average benefit for an SSI beneficiary age 18 to 64 was \$443.20. From a cost-benefit perspective, it is easier to justify incentives or supports for DI beneficiaries to return to work, since the potential program savings are greater. On the other hand, average wages in the economy have tended to rise faster than SSI income support levels. This would argue that failing to encourage and support work activity for SSI recipients puts them at an even greater disadvantage compared with DI beneficiaries whose benefit levels tend to increase with rising wages.

Our forum last month showed that there is a wide range of opinions among thoughtful observers of the disability programs but a basic agreement that these are important issues that deserve further discussion.

Again, I thank you for the opportunity to discuss this important program with you today, and I would be pleased to answer any questions you may have.