



COMMITTEE ON APPROPRIATIONS

**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND
EDUCATION, AND RELATED AGENCIES**

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 1, 2006

STATEMENT FOR THE RECORD

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COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and members of the Committee, in August, the Social Security Administration (SSA) celebrated its 70th anniversary. Over the past 70 years, Social Security has become a mainstay of American life. For many Americans, it is the nearest and most familiar representative of the Federal Government. At Social Security, we understand that every payment, every application, every Social Security number represents a person – someone whose life will be affected by the work we do and how well we do it. Accordingly, I am pleased to submit this statement for the record regarding SSA's fiscal year (FY) 2007 appropriation requests. The resources included in the President's budget are vital to building on our accomplishments and addressing our challenges. I appreciate the Committee's interest in and support of SSA in the past, and I look forward to continuing to work with you.

Overview of SSA's Programs and Overall Budget

SSA administers the Nation's social security programs, including Old-Age and Survivors Insurance and Disability Insurance, commonly referred to as Social Security, and Supplemental Security Income (SSI). SSA also provides service delivery support to the Medicare, Medicaid, Black Lung, Railroad Retirement, and Food Stamp programs.

Through these programs, SSA affects almost every American at some point in their lives. Last month, I submitted SSA's FY 2006 – FY 2011 Strategic Plan to Congress, which stresses our important mission: To advance the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs. We strive to accomplish our mission by emphasizing our four strategic goals: service, stewardship, solvency and staff. Further, we recognize that citizens expect and deserve to interact with an agency which is respectful, responsive, and reliable.

In FY 2007, SSA will pay \$614 billion in Federal benefits to more than 54 million people. SSA's administrative expenses are less than 2 percent of this total – a truly impressive reflection of the efficiency with which America's social security programs are managed. While Social Security trust fund benefit payments are permanently appropriated, and therefore, not part of the budget requests before this Committee, the administrative resources that SSA needs in order to pay these benefits are part of the appropriation requests that we are asking you to support. SSA has four appropriations requests before this Committee, totaling \$55.6 billion: Limitation on Administrative Expenses, Office of the Inspector General, Supplemental Security Income, and Payments to the Social Security Trust Funds.

SSA's responsibilities are great, and our mission is critical. Therefore, I think it is important to detail some of the tasks our dedicated employees will perform in FY 2007 with the administrative resources included in the President's budget. SSA employees will process over 6.7 million claims for benefits; process almost 245,000 Medicare Part D subsidy applications; make decisions on over 575,000 hearings; issue 18 million new and replacement Social Security cards; process 265 million earnings items for workers' earnings records; handle approximately 59 million transactions through SSA's 800-number; issue 142 million Social Security Statements; process millions of actions to keep beneficiary and recipient records current and accurate; and conduct 1.6 million continuing disability reviews (CDR) and over 1 million non-disability SSI redeterminations.

President's Request for SSA's Limitation on Administrative Expenses

SSA is at the front-line of Government and, as such, provides direct service to beneficiaries, claimants, employers, and the general public. The President's budget includes \$9.496 billion for

SSA's Limitation on Administrative Expenses (LAE). This is less than 2 percent of total estimated outlays of approximately \$626 billion under current law, and an increase of \$387 million in discretionary budget authority from our FY 2006 appropriation.

The requested increase is needed to provide the salaries and benefits, facilities, computer and telecommunications equipment, and training required to deliver service to the American public. Approximately 70 percent of our administrative resources are used for personnel costs. The remainder is used to support these personnel and the workloads they process. Due to fixed cost increases, such as annual Federal employee pay raises and benefit and retirement cost increases, rent, and guard services, the requested increase is absolutely necessary to avoid disruptions to the service SSA provides.

SSA's first and foremost priority is service. This budget will allow SSA to maintain service and implement the new Part B income-related premiums mandated by the Medicare Modernization Act (MMA) while continuing our Medicare prescription drug program responsibilities. As you know, SSA's resource needs are determined primarily by the size of SSA's programs and their corresponding workloads. The President's FY 2007 budget is crucial for keeping up with our key work and providing service to an increasing number of claimants and beneficiaries. SSA is proud of its public service reputation for achieving outstanding results with limited resources, making the Agency a proven good investment.

The President's budget also allows SSA to continue to improve the way it does business. SSA will obtain efficiencies through automation, electronic service delivery, and/or process change, amounting to a 2 percent productivity gain at the Agency level. Our long term efforts to improve productivity include continuing our successful implementation of the electronic disability (eDib) project, and moving forward with my Disability Service Improvements. In addition, SSA will continue to actively participate in the President's Management Agenda initiatives. SSA has achieved three green status scores on the five President's Management Agenda initiatives, and will strive to attain five out of five, as outlined in the Agency's Annual Performance Plan. Moreover, SSA is working hard to fully implement the Program Assessment Rating Tool (PART) recommendations to address performance, management, and efficiency challenges.

Finally, this budget helps SSA to fulfill its fiscal stewardship responsibility by providing funding to conduct periodic reevaluations of eligibility factors for DI and SSI recipients, continuing disability reviews (CDR), which ensure proper benefit payments. Funding for CDRs is included in the \$9.496 billion budget for SSA's LAE account. The FY 2007 President's budget proposes to finance the increase in SSA's CDR funding through a discretionary cap adjustment of \$201 million. This is because CDRs are a cost-effective program integrity workload, saving \$10 in program benefits for every \$1 spent administering them. An increase in the number of CDRs conducted in FY 2007 would result in greater program savings, reducing the overall deficit. Let me stress that SSA needs its full request for administrative resources for CDRs, whether provided in our appropriation within the discretionary spending cap, or provided as an adjustment to the cap.

SSA's Recent Accomplishments

SSA is a good and worthy investment. Our achievements over the last year are proof that resources provided to SSA are used efficiently and effectively to administer America's social security programs. In FY 2005, SSA made benefit payments monthly to over 52 million people for an annual total of over \$552 billion. In addition to carrying out this responsibility, SSA has

made progress in meeting a wide range of challenges despite difficult choices required to operate within appropriated resources.

In FY 2005, SSA productivity increased by 2.7 percent over the previous year, part of an impressive cumulative increase of 12.6 percent since 2001. We are proud to note that we kept our promise to improve productivity annually for fiscal years 2003, 2004, and 2005.

From FY 2001 to FY 2005, several of the Agency's key performance indicators have improved. For example, SSA has reduced processing time for both initial disability claims (from 106 days to 93 days) and appeals of hearing decisions (from 447 days to 242 days). SSA has also processed more work. In FY 2005, SSA processed over 450,000 more initial disability claims, approximately 140,000 additional hearings, and over 670,000 more retirement and survivors claims than in FY 2001.

SSA has completed its rollout of electronic disability (eDib). SSA expects that, over time, claims accuracy will increase and processing time will decrease with eDib. Already, in 28 State Disability Determination Services (DDS), the electronic claims folder is the official Agency record. The remaining 22 States are well on their way to full implementation in 2006. In the immediate aftermath of Hurricane Katrina, SSA was a constant and reliable force for the people who depend on its benefit programs, issuing over 73,000 immediate payments to displaced evacuees. SSA staff set up payment centers at the Houston Astrodome and other evacuation centers, manually prepared the payments checks, and solved thousands of individual problems. In addition, SSA worked closely with the Department of the Treasury and the United States Postal Service to ensure timely delivery of checks and to provide special handling for undeliverable checks. SSA also worked with financial institutions to facilitate check cashing, including helping verify identity.

Last year, SSA sent 19 million applications to individuals potentially eligible for extra help with prescription drug costs. Over 9 million follow-up calls and approximately 65,000 outreach events were conducted to ensure that as many people as possible have the opportunity to apply for the extra help. As of January, 4.4 million Medicare beneficiaries had applied for the low-income subsidy under the Medicare prescription drug program and we had processed over 92 percent of their applications. Of those, 1.4 million individuals were eligible for the subsidy. Also in January, SSA began withholding Medicare prescription drug program premiums based on beneficiaries' selected prescription drug plans (PDP) and their request to their PDPs to deduct the premium from their Social Security check.

In June 2005, SSA announced the nationwide launch of the Social Security Number Verification Service (SSNVS) for employers. We processed over 25.7 million verifications for over 12,000 employers in 2005. This free service allows employers to match and verify SSNs with the names of employees, ensuring more accurate wage reporting so that employees' earnings are properly credited for determining their future Social Security benefits. SSNVS provides better service for the business community and increases efficiency.

I would now like to address five key areas of SSA's FY 2007 budget in more detail.

Continuing to Improve the Disability Program through Automation (eDib) & Process Improvements

I am especially pleased to report that, as of January 2006, electronic disability (eDib) has been rolled out in every State in America. Ninety percent of the disability examiners in the States are processing new cases using eDib, and in 28 States, the electronic folder is the official Agency record. With over 34 million records already, SSA maintains the largest repository of medical records in the world. In the long run, we expect eDib to result in more timely and accurate disability claims adjudication. The FY 2007 President's budget includes the resources required to continue this remarkable effort.

I want to assure you that SSA is monitoring the implementation of eDib carefully. We have developed a certification process, called the Independence Day Assessment (IDA) certification, to determine when each State is ready to use eDib exclusively as the official Agency record and no longer maintain paper folders for new cases. During the IDA certification process, SSA assesses the electronic process and evaluates the system performance. IDA is an important quality assurance initiative that accurately measures eDib rollout progress while allowing for the unique characteristics of each State's disability determination infrastructure, population, and demographics. I noted that 28 State DDSs have completed this process; the remaining 22 State DDSs are well on their way to being IDA certified in 2006.

Let me share with you a real-life story that makes obvious the necessity of eDib. Previously, I noted SSA's tremendous efforts in the aftermath of Hurricane Katrina – issuing over 73,000 immediate benefits payments for displaced persons and setting up response units at the Houston Astrodome and all other evacuation centers. In addition, through eDib, SSA provided further relief. Of the 5,000 cases in the New Orleans Disability Determination Services, 1,500 had already been stored electronically through eDib. These records were immediately transferred to other offices to be processed.

The implementation of eDib is important in and of itself, but it is also a vital precursor to the successful implementation of process changes that I believe will significantly improve the disability determination process. In July 2005, SSA published a Notice of Proposed Rule Making to improve the disability determination process and make the right decision as early in the process as possible. During the comment period, SSA received close to 900 comments. I met with my senior staff to consider all of these comments and make decisions based on the issues that the interested parties raised. I was very impressed with the professionalism and the time and effort that these groups put into their comments and do believe that, as a result, we have improved the final regulation. I am pleased to report that as of last month, the final rule was under review at the Office of Management and Budget. This represents a major step forward in the Agency's effort to effectively serve the public.

The Disability Service Improvements (DSI) would include creation of a Quick Disability Determination process which will provide favorable determinations within 20 calendar days for individuals who are clearly disabled. In addition, SSA will create and maintain a national network of qualified medical, psychological, and vocational experts to assist disability adjudicators at all levels of the disability determination process. We will eliminate the DDS reconsideration step and create Federal Reviewing Officials to review DDS initial determinations upon the request of claimants. DSI will preserve the right of claimants to request and be provided a de novo hearing, which will be conducted by an Administrative Law Judge. A

Decision Review Board will be created to gradually replace the Appeals Council. Finally, SSA will establish a new, more comprehensive, and better integrated quality program. SSA intends to implement DSI gradually, region by region, beginning in one of our smaller regions this summer. As we gain experience, we will expand to additional regions. This would enable SSA to carefully monitor the rollout of the new process and quickly address any concerns that may arise.

Administering the Medicare Modernization Act

SSA's Medicare workloads have a significant impact on the Agency's budget and performance. For decades, SSA has taken applications for Medicare benefits and replacement Medicare cards and has withheld Medicare premiums from beneficiaries' Social Security checks. However, the Medicare Modernization Act (MMA) significantly increased SSA's Medicare-related responsibilities.

In FY 2007, SSA will begin to determine which Medicare beneficiaries, based on income, will have an increase in their Part B premiums and SSA will issue notices to affected individuals. The Agency already has begun the systems changes required to implement this provision of the MMA. SSA's FY 2007 budget includes the resources required for these Part B income-related premium determinations, as well as for ongoing work related to the Medicare prescription drug program, including new determinations of eligibility for extra help, processing subsidy changing events for existing beneficiaries, conducting redeterminations of eligibility, and performing premium withholding.

I want to thank the Committee and Congress for the authority granted in the first FY 2006 continuing resolution, allowing SSA to carry over approximately \$100 million in unspent funds from the original \$500 million provided in the MMA. Additional work in FY 2006 and beyond will be funded as part of our main administrative budget request, the LAE account. In FY 2006, we will commit the resources necessary to process all MMA related work. In FY 2007, the amount of work related to MMA will decrease, and we will balance it with our other ongoing workloads based on resource availability.

Increasing SSA's Overall Productivity

In FY 2005, we exceeded our Agency-wide productivity goal again, by achieving a 2.7 percent increase in productivity. SSA has met its goal to increase productivity in every year since 2001, and as noted earlier, in that time, the cumulative increase has been 12.6 percent. I believe SSA's productivity is remarkable. SSA's goal for FY 2007 is to again obtain efficiencies through automation, electronic service delivery and/or process change, amounting to a 2 percent productivity gain at the Agency level. Continued investments in technology are critical to ongoing improvements in productivity.

Strengthening Opportunities for the Public to Conduct Business with SSA Electronically

SSA places a high priority on information technology investments. Technology is the foundation for the Agency's current and future ability to provide quality service in the face of dramatic workload growth and SSA's employee retirement wave. Our FY 2007 budget authority for information technology is increasing by \$53 million, from \$434 million to \$487 million. SSA plans to invest in infrastructure and office automation necessary for the support of ongoing operations, including eDib, maintenance of SSA's National Computer Center, telephone services, and hardware and software nationwide.

To meet increasing service needs, SSA has aggressively pursued a portfolio of electronic services for the public to conduct Agency business online, in a private and secure environment. The Internet Social Security Benefit Application allows the public to apply for Social Security benefits online. Internet Disability Reports, such as the Adult Disability and Work History Report, allow individuals to submit information in support of their claim for disability benefits. In the first quarter of FY 2006, the volume of Internet Disability Reports was 67.5 percent higher than the same period in FY 2005.

Since 2004, signature proxy has removed the requirement for a “wet” signature on benefit applications that are filed online, by phone, or in person. By the end of FY 2005, this innovation had resulted in more than 2.4 million electronic records that would otherwise have been created as paper. Signature proxy is another indicator of the Agency’s commitment to a paperless claims process, saving costs related to both processing time and storage.

Beneficiaries can use the SSA website or the national 800-number to obtain a host of services, such as changing their address, ordering a replacement Medicare card, or requesting a Social Security Statement. In the first quarter of FY 2006, the volume of ‘hits’ on SSA’s home page, socialsecurity.gov, was 35 percent higher than in the same period in FY 2005. The volume of email inquiries sent to SSA through our website was also 35 percent higher in the first quarter of FY 2006 than in the first quarter of FY 2005. Additionally, SSA offers several benefits planning tools, which can assist visitors in determining if they may be eligible for benefits.

SSA has also continued expanding its services for business by introducing SSNVS, a new tool that allows rapid verification of employee names and SSNs against SSA’s records. This online service is free to registered employers. This should decrease the number of mismatched records and uncredited earnings, and increase SSN integrity. Recent survey results show that 100 percent of participants rated SSNVS as excellent, very good, or good.

Increasing the Integrity of SSA’s Programs

SSA’s mission demands that we balance our commitment to service with our obligation to be good stewards of the programs we administer. We fulfill this obligation through cost-effective program integrity work. The FY 2007 budget includes resources for SSA to continue performing CDRs and SSI redeterminations. The purpose of these program integrity efforts is to prevent and detect more improper payments; to support the Results Agenda for Financial Management and the PART findings; and to address concerns of the Congress, the Government Accountability Office, and the Office of the Inspector General (OIG) about payment accuracy.

SSA strives to achieve high levels of payment accuracy in order to minimize the amount of program dollars paid incorrectly. Often, debt can be traced to the complex nature of our programs and their requirements, rather than operational error on the part of the Agency. For example, SSI overpayment errors can result from unreported wages and unreported bank accounts with substantial assets. Therefore, SSA is bolstering its efforts to reduce overpayments and collect unpaid debt. SSA’s highly successful debt management program currently makes use of many of the tools available under existing law, such as administrative wage garnishment, and SSA is in the process of implementing the remainder, such as Federal salary offset.

In 2004, the President signed the Intelligence Reform and Terrorism Prevention Act (IRTPA) into law, requiring Social Security to further improve its document verification processes, SSN

and Social Security card security, and SSN verification services. SSN integrity is of vital importance to SSA. For several years, we have been working to strengthen the process for assigning SSNs and issuing Social Security cards. We are committed to a long-term effort to combat SSN misuse and identity theft that will reduce threats and problems resulting from these crimes. Already, we have taken many steps to prevent those with criminal intent from getting Social Security cards or numbers. We have removed SSNs from notices we send and added death indicators to the SSN verification services used by employers and State agencies issuing drivers' licenses and identity cards. We now limit the number of replacement SSN cards an individual can receive to 3 in a year and 10 in a lifetime, as required by IRTPA. Further, SSA is continuing to improve our electronic systems for processing SSN applications, and we are currently on target for adding the fraud indicators to our records as required by the legislation.

In 2005, SSA opened a new Social Security Card Center in Las Vegas, Nevada. Along with the Card Center in Brooklyn, New York, it is a centralized processing site for all SSN applications for area residents. A third Card Center will be opening in Queens, New York in FY 2006, and additional Centers are being planned for Phoenix and Houston. The purpose of the Centers is to improve service, as well as the integrity and quality of the enumeration process, ensuring that only those individuals entitled to SSNs receive them, and that they receive them in a timely fashion. SSA is evaluating further expansion in other rapidly growing metropolitan areas. These Centers represent a joint effort of SSA, SSA's OIG, and the Department of Homeland Security.

Other FY 2007 Appropriation Requests

I would like to turn now to a brief summary of the other appropriation requests for FY 2007.

Office of the Inspector General

\$96 million for the Office of the Inspector General (OIG) – Since becoming an independent agency in March 1995, we have had our own Inspector General whose mission is to protect the integrity of SSA's programs. A strong OIG, working together with SSA employees in local offices, is the most effective means we have to detect and prevent fraud and abuse in the programs we administer. A strong OIG also is essential given the need to continue to strengthen homeland security efforts through audit and investigative activities that focus on fortifying the enumeration process and combating SSN misuse.

The request for FY 2007 represents a \$4.5 million increase in resources from the FY 2006 appropriation. This increase covers fixed payroll-related costs such as Federal pay raises and benefit rate increases, allowing OIG to maintain its current staffing level. With the resources included in this request, OIG will continue major initiatives already in place, focusing on key areas such as homeland security, SSN misuse, computer-related fraud, fugitive felons, and misuse of benefits.

Supplemental Security Income

\$45.9 billion for the Supplemental Security Income (SSI) Program – The SSI program ensures a minimum monthly level of income to eligible aged, blind, and disabled individuals. An individual's income, resources, and living arrangements are evaluated to determine the monthly SSI payment. The President's budget for FY 2007 is \$40.2 billion, including \$11.1 billion appropriated in advance. The budget also includes \$16.8 billion for the first quarter of FY 2008. In FY 2007, the budget includes \$37.2 billion for Federal benefit payments to approximately

7.1 million aged, blind, and disabled beneficiaries, \$3 billion to reimburse the Social Security trust funds for SSI administrative expenses, and \$27 million to fund extramural research and demonstration projects.

The FY 2007 budget represents a decrease of \$64 million in budget authority from FY 2006. Estimates of current benefits are driven by the number of recipients eligible for monthly payments and the amount of the monthly payments. Even though the number of recipients will increase by 188,000, the benefit payments will decrease because fewer monthly payments will be made in FY 2007 compared to FY 2006. SSI monthly payments are normally paid on the first of the month. However, when the first of the month is on a weekend or holiday, the payment is made on the preceding business day. Monthly payments will total 12 in FY 2006 and 11 in FY 2007.

Payments to the Social Security Trust Funds

\$28 million for Payments to the Social Security Trust Funds – This request will serve to reimburse the Social Security trust funds for the costs of certain benefits and administrative expenses. This represents an increase of \$7.3 million which is entirely attributable to the quinquennial adjustment for the cost of granting noncontributory wage credits for military service before 1957.

Conclusion

SSA strives to deliver high-quality, citizen-centered service to every claimant, beneficiary, and American taxpayer. Every day, 64,000 SSA employees and 14,400 State DDS employees perform a wide range of services that have a direct impact on individuals and families. Altogether, their work affects the lives of millions of people each year. In FY 2007, we will make payments to over 54 million people each month, and serve approximately 42 million visitors to our more than 1,300 field offices in communities across America.

The President's FY 2007 administrative budget for SSA, including \$9.496 billion for SSA proper and \$96 million for the Inspector General will provide the resources to allow SSA to maintain service and implement the new Part B income-related premiums mandated by the MMA while continuing our Medicare prescription drug program responsibilities. We will also continue to improve the way we do business with investments in technology, such as eDib, and my Disability Service Improvements. Finally, we will be able to increase the amount of cost-effective program integrity work we perform.

Our accomplishments, in particular our cumulative 12.6 percent increase in productivity since 2001, demonstrate that SSA is worthy of the resources included in the President's budget. I am proud of how far we have come, and I would be remiss if I didn't take a moment to recognize our employees, who are at the core of our success. I am fortunate to work with such dedicated and compassionate public servants.

I am pleased to tell you that our service and accomplishments are recognized by the President, other Federal agencies, numerous associations and companies, as well as the public we serve. In 2005, SSA was one of three Federal agencies to receive a President's Quality Award, the highest recognition given to Federal agencies for demonstrating significant management results. In addition, OMB has rated SSA as green for progress on each of the five President's Management Agenda initiatives. We have received unqualified opinions on our financial statements since 1994 and the Association of Government Accountants Certificate of

Excellence in Accountability Reporting for the past 7 years. In the 2005 American Customer Satisfaction Index (ACSI), SSA received an 88 percent customer satisfaction score for our Help with Medicare Prescription Drug Costs web pages and 81 percent for the Internet Social Security Benefits Application. The Federal Government's overall satisfaction score was 71.3 percent.

Over the past 70 years, the Social Security Administration has proven to be an Agency on which Congress and the American people can rely. Repeatedly throughout our history, we have been given new responsibilities because Congress had faith in our ability to not only get the job done, but to do it effectively and with compassion. From traditional Social Security retirement, survivors, and disability benefits, to SSI, to extra help for Medicare prescription drug program premiums, SSA helps the nation's people at some of the most critical times in their lives.

Mr. Chairman, the Social Security Administration faces great service, stewardship, and budget challenges. With adequate resources, SSA can, and will, meet these challenges. Repeatedly, we have responded effectively to the needs of the American people in a timely and compassionate manner. The Agency routinely increases its productivity by focusing its resources on process and technology improvements within the areas of the budget where additional resources will generate the greatest results. SSA's administrative budget, at less than 2 percent of total outlays, is a sound investment that demonstrates a cost-conscious approach to managing resources. By balancing service and fiscal responsibility, SSA will strive to meet its goals for the American people.

Thank you for the opportunity to present SSA's budget request to the Committee. Although I recognize that there are many competing priorities, I believe the men and women of the Social Security Administration, who faithfully serve millions of people across America, deserve your full support. I look forward to working with you and appreciate your continued support of our programs and people.