

# SOCIAL SECURITY ADMINISTRATION

## The President's Proposal:

- Provides funding to maintain good service to the public in the face of growing workloads;
- Would increase the Social Security Administration's overall productivity by at least two percent in 2004; and
- Implements an electronic disability claims process.

## The Agency's Major Challenges:

- Significantly improving the disability claims process; and
- Effectively handling the increasing workload as the baby boom generation nears retirement.

### Social Security Administration

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**Number of Employees:** 63,600

**2003 Spending:** \$509.9 billion

**Field Offices:** 1,336

The Social Security Administration (SSA) promotes the nation's economic security through administering America's major income support payments for older Americans, Americans with disabilities, and their dependents. SSA manages the Old-Age, Survivors, and Disability Insurance programs, universally known as Social Security. SSA also runs the Supplemental Security Income (SSI) program for

low-income aged and disabled persons. In addition, the agency provides services that support Medicare on behalf of the Centers for Medicare and Medicaid Services.

SSA is responsible for paying around \$42 billion monthly in benefits to more than 50 million people. SSA's responsibilities also include the following:

- process more than five million new claims for benefits each year;
- handle 55 million 800-number phone calls;
- host 40 million visits to SSA's website;
- issue 136 million Social Security statements; and
- manage activities that help individuals with disabilities enter or return to the workforce.

## Overview

SSA at some point touches nearly everyone in America by issuing Social Security numbers, maintaining earnings records used later to calculate Social Security benefits, and administering the benefit programs. SSA provides good service to beneficiaries and at the same time protects the interests of taxpayers by making sure that only those who meet eligibility requirements receive benefits. For the disability programs in particular, determining initial or continuing eligibility for these benefits is often a complex task that requires gathering and analyzing detailed information. For example, disability claims examiners in the initial claims process and administrative law judges in the appeals process must examine a person's medical history, employment background, and current functional abilities to determine whether that particular individual is capable of working.

As the retirement of the baby boom generation draws near, SSA will face the challenge of serving record numbers of beneficiaries and maintaining program integrity at the same time that a large portion of SSA's own workforce will also be retiring. Meeting this challenge will require SSA to retool business processes and leverage technology to become more efficient than ever before.

The 2004 Budget includes resources to increase productivity in public service areas, detect and prevent erroneous payments, and effectively handle increasing workloads as the baby boom generation ages toward retirement. With this budget, SSA expects to achieve the performance targets outlined in the accompanying table.

### Performance Measures

Goal	2002 Actual	Estimate	
		2003	2004
Productivity:			
SSA Hearing Decisions, Per Worker Per Year .....	95	101	104
Disability Decisions, Per Worker Per Year.....	265	264	268
Timeliness (in days):			
Average Processing Time for Initial Disability Claims .....	104	104	103
Average Processing Time for Hearing Decisions .....	336	352	336
Accuracy:			
Disability Determination Services Accuracy Rate.....	NA	97%	97%
Accuracy Rate for Hearings Decisions .....	NA	89%	89%

## Citizen-Centered Service

### Confronting Growing Workloads

SSA is experiencing a marked increase in applications for disability benefits. SSA projects that between 1999 and 2004, the number of individuals applying for disability will increase 22 percent. The disability programs are sensitive to economic and demographic trends. SSA actuaries project the volume of claims to remain high in future years due to baby boomers moving into their disability-prone years. To appropriately address this growing workload, the 2004 Budget provides nearly eight percent more administrative resources for SSA than in 2003. With this budget, in spite of growing workloads, SSA will be able to maintain stable levels of initial disability claims pending.

SSA is committed to annual productivity gains of at least two percent per year. As in the past, SSA will process more cases per worker through efficiencies gained from investments in technology and streamlining agency procedures. Technology improvements are crucial to improving service as well as productivity. While productivity is expected to improve through these efforts, further improvement will be slightly constrained due to training requirements for newly hired employees and managing pending disability claims.

In 2004, the paper-driven disability claims process will become more efficient as the agency performs more work electronically. While processing time is expected to improve slightly in 2004, this initiative is expected to substantially reduce processing time over the long term and reduce the costs of disability determinations and hearings. In the paper-driven process, when a claimant requests a hearing, it often takes more than a month simply to locate the claimant's folder and deliver it to the appropriate hearing office.

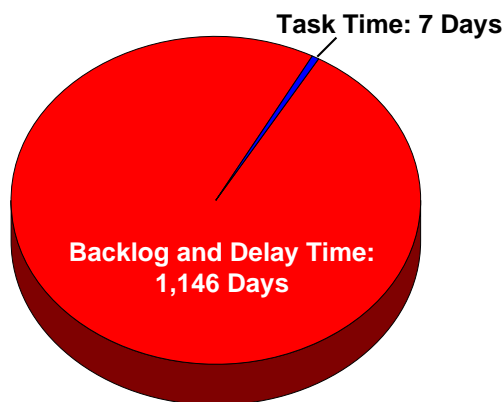


SSA spends significant resources locating, mailing, and storing paper files.

### Disability Claims Process

A long-standing management challenge for SSA has been the time, complexity, and expense involved in processing claims for disability benefits, and, in particular, appeals of unfavorable initial decisions. Initial claims are processed by state employees at state disability determination service agencies, which are fully funded by SSA. In 2002, the average time to reach a decision on a new claim was 104 days, or about three and a half months. Individuals whose claims are initially denied can pursue their claim through three levels of administrative appeals. Although most claims are resolved at the initial step or the first level of appeals, individuals who exhaust all levels of administrative appeals can expect the process from initial contact with SSA to final decision to take about three years (see accompanying chart). Worse yet, the time spent actually working on the claim by federal and state workers, while spread over the three years, only totals up to seven days. The rest of the time, cases either sit waiting to be processed due to backlogs, or are delayed for various reasons such as the collection of medical evidence or giving claimants time to request the next step in due process. The vast majority of those who appeal spend substantial time waiting for a decision from either an administrative law judge or the SSA Appeals Council. In addition, the accuracy rate of hearing decisions is only 88 percent.

**Average Disability Processing Time**  
From initial claim through all stages of administrative appeal



Source: Social Security Administration.

Since 1998, substantial backlogs of claims have accumulated as SSA has been unable to process all the claims received. The budget invests resources to process these pending claims and reduce the time that cases wait in backlog status.

While transforming the paper-driven disability claims process to an electronic process will help reduce delay time, SSA must develop the capacity to efficiently manage these growing workloads over the long term. SSA has undertaken an extensive review of the disability claims process to determine the changes required to better serve individuals with disabilities. Based on this experience,

SSA will recommend and implement strategies during the next two years to significantly improve the disability claims process. As part of this assessment, SSA is looking at ways to improve the accuracy rate of hearing decisions. Until these strategies are fully implemented, the accuracy of these decisions is expected to remain level.

## Electronic Service Delivery

The budget includes \$795 million for information technology initiatives to make it easier for the public to conduct business with SSA over the Internet or through automated telephone service, allow SSA to provide more timely and efficient service, reduce erroneous payments, and maintain SSA's extensive technology systems.

SSA has established a new performance indicator to measure the percentage of transactions conducted electronically. For those with Internet access, most routine transactions could be handled at lower cost to the agency and greater convenience to the public. SSA also will continue its current service delivery options of face-to-face service along with telephone and mail service.

## Performance Evaluation of Select Programs

Assessments of the SSI for the Aged and Disability Insurance (DI) programs indicate that SSA uses strong financial management and accountability practices. SSI Aged and DI have adequate long-term and annual performance measures. However, the SSI Aged assessment also highlighted the fact that SSA has not achieved its payment accuracy goals for the SSI program overall. For additional details on findings of the Program Assessment Rating Tool (PART) for SSI and DI, please see the SSA chapter in the *Performance and Management Assessments* volume.

Program	Rating	Explanation	Recommendation
Supplemental Security Income for the Aged	Moderately Effective	The program has a clear purpose and addresses a specific need. Annual processing time goals were met, but payment accuracy goals for the SSI program overall were not.	SSA will address payment accuracy issues and more closely match up resources with performance benchmarks.
Disability Insurance	Moderately Effective	The program has a clear purpose and addresses a specific need. While processing time goals have been met, SSA made insufficient progress toward improving accuracy of denied claims and the number of hearings decisions issued per worker.	SSA will significantly improve the claims process and bring resources more in line with performance benchmarks.

## Program Stewardship

### Detecting and Preventing Payment Errors

A crucial aspect of good management in income support programs is ensuring that only eligible individuals receive benefits, and that they receive the correct amount in benefits. Reducing erroneous payments is a major objective of the President's Management Agenda. SSA undertakes a variety of activities to minimize erroneous payments through means such as verifying beneficiaries' eligibility status, collecting debt, and investigating and deterring fraud. While the SSI program in particular remains vulnerable to payment error, SSA is making real progress in this area.

SSA has two major tools for ensuring payment accuracy: Continuing Disability Reviews (CDRs) and SSI non-disability redeterminations. The first checks that only those who continue to have disabilities continue receiving benefits. Redeterminations are used to assess whether an SSI recipient continues to meet the financial eligibility requirements or has experienced a change of circumstances that would affect his or her monthly benefit amount. The budget supports activities undertaken by SSA to promote payment accuracy. The Administration proposes \$1.4 billion for conducting CDRs, redeterminations, and collecting overpayments in 2004. SSA's experience shows approximately \$9 in savings for each \$1 spent on CDRs and \$7 in savings from overpayments collected and prevented for each \$1 spent on redeterminations.

Besides investing in these existing tools, the budget proposes several changes to improve SSA's payment accuracy. In response to the President's initiative to reduce erroneous payments, SSA has developed an SSI Corrective Action plan with initiatives that should help prevent overpayment error caused by unreported wages and assets and help simplify the administration of the SSI program. One of these initiatives would review at least 50 percent of favorable SSI disability decisions before starting payments. This provision would generate more accurate payments of SSI benefits and make the disability determination process for SSI benefits consistent with the process for DI benefits.

The budget also proposes to increase Social Security payment accuracy by giving SSA the ability to independently verify whether beneficiaries have pension income from employment not covered by Social Security. The law requires that Social Security benefits be reduced in such cases, recognizing, in effect, that these pensions are designed as a substitute for Social Security.

### **Misuse of Social Security Numbers**

Unofficial use of Social Security Numbers (SSNs) as a universal identifier has led to increased incidents of SSN fraud and misuse. Individuals seeking an SSN must provide proof of identity, age, and U.S. citizenship or legal alien and work authorization status. To eliminate counterfeits, SSA is developing ways to share information with other federal and state agencies to decrease reliance on documents presented by SSN applicants. SSA is also developing additional automated checks to detect potential fraud.

#### **A Loophole Gets a Workout**

Some retirees get thousands of dollars from Social Security while paying virtually nothing into the system—and it's all perfectly legal, thanks to a loophole in the law.

Generally, a retired government employee receiving a pension that substitutes for Social Security cannot also get full Social Security spouse or survivor benefits, because these benefits are intended for financially dependent spouses. However, if they spend even their last day of employment in a position covered by Social Security, they get full spousal or survivor benefits. Some school districts in at least two states have set up special programs for teachers to transfer to a covered job—such as a cafeteria worker—typically for one day. In school districts in Texas, one fourth of teachers retiring in 2002 (3,500 people) took advantage of the transfer arrangement. Only a handful of teachers in Georgia have used it, but officials there expect usage to increase as awareness spreads.

If this practice becomes widespread, the fairness of the Social Security system will be compromised, and the costs could run into hundreds of millions of dollars. The budget proposes to close this loophole for future retirees.

General Accounting Office, "Revision to the Government Pension Offset Exemption Should be Reconsidered."

August 2002

### Update on the President’s Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	●	●	●	●	●↑
Progress	●	●	●	●	●

Arrow indicates change in status since baseline evaluation on September 30, 2001.

SSA has made strong progress implementing the President’s Management Agenda. In budget and performance integration, SSA improved to a yellow for current status. SSA is developing a new budget formulation system that will tie into its financial management systems and have modeling capabilities to estimate what level of performance to expect for different levels of funding. In financial management, SSA produced audited financial statements 45 days after the end of the fiscal year, meeting an accelerated annual deadline two years ahead of schedule. SSA also cleared its one remaining financial management material weakness. In addition, SSA revised its performance appraisal system for senior positions as part of its human capital efforts. SSA also has contributed expertise to several cross-agency E-Government initiatives aimed at improving public service and efficiency. While SSA has made progress in other areas of the President’s Management Agenda, it has only taken initial steps in the competitive sourcing area, having only recently announced the specific positions that will participate in the competitive sourcing effort.

### Social Security Administration (In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
<b>Spending</b>			
Discretionary Budget Authority:			
Limitation on Administrative Expenses (LAE) <sup>1</sup> .....	7,570	7,937	8,530
Office of the Inspector General .....	75	83	90
Research and Development .....	30	23	23
Total, Discretionary budget authority .....	7,675	8,043	8,643
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance .....	452,154	474,570	493,107
Supplemental Security Income .....	31,411	32,888	34,295
Special Benefits for Certain World War II Veterans.....	7	10	10
Offsetting Collections .....	-1,707	-4,532	-3,976
Undistributed Offsetting Receipts.....	-9,292	-9,493	-10,023
Total, Mandatory outlays .....	472,573	493,443	513,413

<sup>1</sup> The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program.