

# SOCIAL SECURITY ADMINISTRATION

## **Since 2001, the Administration:**

- Improved productivity by 13 percent, enabling the Social Security Administration to provide more services with fewer resources;
- Increased work opportunities for beneficiaries with disabilities;
- Decreased the average waiting time for decisions on disability applications from 106 to 93 days; and
- Expanded online service options on *www.socialsecurity.gov* and 1-800-772-1213 that are secure, citizen-friendly, and available 24 hours a day.

## **The President's Budget:**

- Is committed to Social Security reform that strengthens the safety net for future generations, protects those who depend on Social Security, and offers every American a chance to experience the opportunity of ownership through voluntary personal retirement accounts. Seniors at or near retirement will see no changes to their benefits;
- Simplifies the administration of the Social Security retirement and disability programs, making the programs clearer and more fair and reducing improper payments;
- Promotes the President's vision for an Ownership Society by providing incentives for low-income disabled individuals to save; and
- Increases operational productivity by two percent while maintaining service to the public.

## FOCUSING ON THE NATION'S PRIORITIES

### *Strengthening Social Security*

As the President has emphasized with respect to the Social Security system:

“One of America’s most important institutions—a symbol of trust between generations—is also in need of wise and effective reform...And so we must join together to strengthen and save Social Security...We must make Social Security permanently sound, not leave the task for another day.”

Social Security is sound for today’s seniors and for those nearing retirement, but it needs to be fixed for younger workers. Social Security today operates on what is known as a “pay-as-you-go” basis, in which current worker payroll taxes are used immediately to pay for the benefits of current retirees and other beneficiaries. In 1950, there were about 16 workers for every retiree. Today, there are slightly more than three workers for every beneficiary. By the time today’s 20-year-olds retire, that number will drop to two workers for every beneficiary. Furthermore, people are living longer than when the system was created. As the baby boom generation begins retiring in 2008, there will be a dramatic rise in the number of retirees, putting added strain on the system. In 2017, the Social Security system will collect less in taxes than it pays in benefits and will shift into a permanent cash deficit that will grow every year. In 2041, Social Security will exhaust its Trust Fund assets. If Social Security’s problems are left unresolved, today’s young workers will see their benefits sharply and suddenly cut, their children’s payroll taxes raised, or both.

The President is committed to strengthening the Social Security system and has put forward three goals for any reforms: strengthen the safety net for future generations; protect those who depend on Social Security; and offer every American a chance to experience the opportunity of ownership through voluntary personal retirement accounts.

The President has proposed reforms to address the system’s long-term financial shortfall while making Social Security a better deal for today’s young workers. Under the President’s approach, Social Security would include voluntary personal accounts funded by a portion of workers’ payroll taxes. The 2007 President’s Budget includes the estimated impact from the creation of personal accounts. The accounts will be funded through the Social Security payroll tax. In the first year of the accounts, contributions will be capped at four percent of Social Security taxable earnings, up to a \$1,100 limit in 2010, increasing by \$100 each year through 2016. The President has also embraced the idea of indexing the future benefits of the highest wage workers to inflation while providing for a higher rate of benefit growth for lower-wage workers. This measure would significantly contribute to the solvency of the system. By adjusting the way benefits are calculated, progressive indexing would eliminate nearly 70 percent of annual cash shortfalls by the end of the Social Security Trustees’ long-range (75 year) valuation period, trending towards greater improvement thereafter. Because progressive indexing would index benefits for lower-wage workers to wage growth, which generally grows faster than inflation, benefits would grow faster than the poverty level. This will keep a greater portion of future seniors out of poverty than today.

By adopting progressive indexing and allowing young workers to create voluntary personal retirement accounts within the Social Security system, the President’s recommendations would provide future seniors with real money instead of the current system’s empty promises. Indexing benefits partially to inflation rather than wages allows the Government to save significant sums in future decades, money that would be used to maintain faster benefit growth for low-income seniors. Without Social Security reform, benefits for future seniors will have to be cut about 30 percent across-the-board.

### ***Extra Help with Drug Costs for Seniors and Persons with Disabilities***

Under the Medicare Prescription Drug Improvement and Modernization Act of 2003, the Social Security Administration (SSA) is helping eligible Social Security and Medicare beneficiaries obtain extra help paying for prescription drugs.

To be eligible for the additional assistance, Medicare beneficiaries must have limited resources (below \$10,000 for an individual or \$20,000 for a married couple) and limited income (no more than 150 percent of the poverty level). Individuals have the option of applying for the extra help through the Internet, telephone, mail, or at a local Social Security office. SSA is continuing its outreach efforts to ensure that all who are eligible for the extra help know about it and have the opportunity to apply. From May through mid-August 2005, SSA sent 19 million applications to potentially eligible beneficiaries.

### ***Flexibility to Save***

The Budget promotes the Administration's Ownership Society agenda among the low-income disabled. In 2007, SSA will launch the Disability Freedom Account demonstration project to help disabled Supplemental Security Income (SSI) beneficiaries save more money to pay for their first home, education, or other services needed to get back to work, or for assistive technologies to make their lives easier. Current SSI asset limits will be waived for these individuals. Certain SSI recipients who also receive Medicaid and self-direct their long-term care support services may also be eligible to participate in this demonstration.

### ***Removing Barriers to Work***

Only about a half of one percent of SSA's disability program beneficiaries ever leave the rolls for work. To better connect these beneficiaries with employment opportunities and in response to a Program Assessment Rating Tool (PART) review, SSA is implementing several demonstrations to test various types of assistance to help those who are able to return to work. Among the projects is the National Benefit Offset Demonstration, which will test the effects of allowing Disability Insurance (DI) beneficiaries to work without total loss of their benefits by reducing their monthly benefit one dollar for every two dollars of earnings above \$830 per month. Within the benefit offset demonstration, SSA will also test an early intervention model in which SSA will provide cash and medical benefits to disability applicants with certain impairments presumed disabling who elect to pursue work rather than proceed through the disability determination process.



SSA is involved in reaching out in many ways to seniors who may be eligible for help with prescription drug costs, including conducting more than 60,000 community outreach events.



A disabled beneficiary (left) receiving a Ticket to Work, enabling him to work again without total loss of Social Security benefits.

## **FOCUSING ON THE NATION'S PRIORITIES—Continued**

Under the Ticket to Work and Work Incentives Improvement Act of 1999, SSA provides disability beneficiaries with a “ticket” that can be used to receive vocational rehabilitation and employment support services to go back to work without losing health benefits. SSA has proposed regulatory changes to the Ticket to Work program to improve its overall effectiveness. These changes include offering enriched payments to service providers and allowing disability beneficiaries with medical conditions likely to improve to participate in the program.

## RESTRAINING SPENDING AND MANAGING FOR RESULTS

### *Quicker Decisions*

SSA has reduced its average processing time for initial disability claims by about two weeks since 2001. While applicants waited on average 106 days for a decision in 2001, SSA improved the wait in 2005 to 93 days. In 2005, SSA was able to reduce initial disability claim backlogs by 64,000 cases, a more than 10-percent reduction from the prior year. Implementing the new approach to disability determinations, as noted in the DI PART evaluation, will further reduce processing time.

#### **Providing Relief to Hurricane Victims**

Hurricane Katrina struck the central Gulf Coast on August 29, 2005, and the resulting flooding and wind damage led to the displacement of hundreds of thousands of people, major disruptions in mail delivery, and bank closings. SSA went to great lengths to ensure that all beneficiaries in the area received their Social Security and Supplemental Security Income payments, issuing almost 74,000 immediate payments. SSA staff set up payment centers at the Houston Astrodome and other evacuation centers, manually prepared the payment 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.

### *Productivity Gains*

In 2005, SSA made payments to more than 52 million people each month. Further, SSA served approximately 30 million visitors to its more than 1,300 field offices in communities across America, processed 3.8 million applications for retirement and survivors benefits, processed 2.6 million applications for disability benefits, handled more than 55 million 1-800 number transactions, and processed more than 1.6 million electronic transactions.

The 2007 Budget projects that SSA will improve productivity in 2007 by two percent over the prior year, based on the Agency's proven track record. Increased productivity means that SSA can provide more services to citizens with fewer resources. SSA has an impressive track record in increasing agency-wide productivity. In 2005, productivity climbed 2.7 percent over the previous year—for a total gain of 12.6 percent since 2001. SSA continually evaluates its business processes and invests heavily in its information technology systems to ensure these improvements. For example, eDib, SSA's new electronic folder for disability applications, allows SSA to store disability cases electronically, which reduces staff time spent looking for and reconstructing lost folders.

### *Program Integrity*

Program integrity efforts ensure that only eligible individuals receive benefits, and that they receive the correct benefits. As part of these efforts, SSA re-verifies beneficiaries' eligibility status, collects overpayments, and uses other methods to investigate and deter fraud.

The Budget increases funding for continuing disability reviews (CDRs), assessments of whether the beneficiary still meets the medical requirements of the program. SSA generates savings of \$10 for each \$1 spent on CDRs. SSA's 2004 CDRs are expected to yield more than \$5 billion in program savings.

## RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

SSA is engaged in many other activities to improve payment accuracy, including SSI redeterminations—checks of whether the benefit amount is correct—that yield savings of \$7 for every \$1 spent on them. SSA is refining its redetermination process to produce an even greater return on investment.

SSA is also fine tuning electronic matches with financial institutions to make sure that people who have assets exceeding the allowed limits do not receive SSI. SSA is working with States to develop speedier, electronic systems for reporting deaths, so that benefits can be terminated on a timely basis. Additionally, the Agency is exploring approaches to make it easier to update earnings records, including telephone technology and a centralized unit to process wage reports.

### *Simplifying Program Administration*

#### **Telephone Wage Reporting Helps SSI Beneficiaries Keep in Touch**

SSI recipients can supplement their monthly benefit checks by working. Because the amount they earn can affect their benefit payments, they must periodically update SSA on their earnings.

Starting in 2006, SSA's new telephone wage reporting pilot will enable SSI recipients to report wages more quickly and will reduce incorrect payments. Participants in the pilot will call a special 1-800 number and report their monthly wages, send in pay stubs to verify wages, and SSA will then adjust benefits accordingly. In addition to making it easier for the participants, the pilot will reduce SSA's administrative costs by cutting down on contacts with employers. Speedier reporting via the telephone wage reporting pilot promises to allow SSA to improve SSI payment accuracy.

The Budget includes several proposals that would simplify the administration of SSA's benefit programs. These proposals would make the program rules clearer and easier to understand, reduce improper payments, and reduce the costs to SSA of administering the programs.

One proposal would replace the current, complicated reduction to DI benefits for beneficiaries in some States who also receive Workers Compensation benefits with a uniform offset that would affect all such beneficiaries for not more than five years. This simplified offset will reduce erroneous DI payments and the burden on claimants in making large repayments, and will save SSA \$7 million a year in administrative costs.

A second proposal will give 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. This proposal would eliminate the current self-reporting burden on individuals and will improve payment accuracy.

A third proposal will eliminate the lump sum death benefit that currently goes to surviving spouses and children who receive benefits under a deceased worker's Social Security record. This one time payment of \$255 no longer provides meaningful monetary benefit for survivors and is normally less than one month's widow/widower benefits and children's benefits. This small payment costs SSA \$15 million to administer annually, which will be redirected to higher priority activities beginning in 2007.

Finally, SSA remains committed to restructuring and simplifying the SSI program, including the complicated in-kind support and maintenance rules. It is exploring ways to do this in a fair and equitable manner and at the same time, be budget neutral in regard to program costs.

### ***New Approach to Processing Disability Claims***

Despite recent improvements in reducing waiting times, timely and accurate processing of disability claims has been a longstanding challenge for SSA. In recent years, the rapidly rising volume and complexity of these cases has greatly increased the challenge. In 2005, those who were denied benefits initially and again upon appeal had to wait on average 14 months for a decision from an Administrative Law Judge (ALJ).

To address these issues and ensure decisional accuracy, SSA is implementing several changes to the disability determination process. An integral part of the new approach is implementation of eDib, which enables SSA to use technology to replace a paper-driven process. SSA has initiated the electronic folder process in all SSA field offices and in all State Disability Determination Services sites except New York, where it will be implemented shortly. Under the new approach, quick decision units will make

#### **Hurricane Katrina Highlights the Importance of Electronic Files**











Over the past several years, SSA has been moving to electronic disability file folders (eDib) and away from paper folders. The benefits of this initiative were particularly evident in the aftermath of Hurricane Katrina. Of the 5,000 cases in the New Orleans, Louisiana, Disability Determination Services office, 1,500 had been stored electronically since the State began implementation of eDib. None of these records were lost or damaged and SSA was able to immediately transfer the electronic cases to other offices where they remained active.

disability determinations within 20 days or less for individuals who clearly have disabilities, thereby reducing waiting times. A national network will be established to consistently make available medical, psychological, and vocational experts to assist all adjudicators. The new approach also introduces a Federal attorney review level prior to the ALJ hearing. Decisions made at all levels of review will be well-documented and evaluated by a centralized unit for quality. Together, these changes are expected to reduce processing time by at least 25 percent over the current process and result in making the right decision earlier in the process.



## RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

### *Update on the President’s Management Agenda*

The table below provides an update on SSA’s implementation of the President’s Management Agenda as of December 31, 2005.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
<b>Status</b>					
<b>Progress</b>					

SSA is a well-managed agency that uses technological and program design changes to improve productivity annually. Most recently, it implemented an electronic disability claims folder and is streamlining its appeals process. In Budget and Performance Integration, SSA is able to determine the full and marginal costs of processing applications for benefits and uses that information to reallocate work among offices to process applications more quickly. In the area of Financial Performance, SSA produces accurate and timely financial information so managers can drive better results, thus reducing the administrative costs of SSA’s benefit programs. In Human Capital, the Agency now has a multi-tiered performance appraisal system for executives and senior managers that effectively differentiate between different levels of performance. SSA is working to include all employees under such a system. Using its Human Capital Plan and the Future Workforce Transition Plan as roadmaps for its workforce planning initiatives, SSA has recruited a talented and dedicated workforce with the bilingual skills and cultural diversity to serve the American public. In achieving its recruitment needs, SSA is one of the few Federal agencies that has equaled or surpassed the civilian labor force in all under-represented groups, including employees with disabilities. In E-Government, SSA increased its processing of electronic transactions, which includes Internet applications and applications received through the 1–800 number voice recognition system, to 1.6 million in 2005, a 470-percent increase. SSA also implemented the largest electronic disability claims process in the world in 2005. In addition, through the Presidential E-Gov initiative E-Vital, SSA has reduced the frequency and amount of erroneous payments as a result of untimely and inaccurate vital records. Finally, SSA completed nine competitive sourcing studies in 2005, including competitions of mailroom functions and occupational health nurses. The Agency estimates savings of \$37 million from 12 competitions since 2003 that have increased operational efficiency and improved services.

Initiative	Status	Progress
Eliminating Improper Payments		

SSA has established measures of improper payments for its three major benefit programs: Old-Age and Survivors Insurance (OASI), DI, and SSI. It uses established business practices for analyzing and reporting improper payments in all three programs, and has completed a risk assessment of administrative payments as well. The OASDI programs had an accuracy rate of 99.5 percent in 2004. SSA did not meet its target for improper payments for SSI in 2004 and has implemented a corrective action plan with specific reduction targets. SSA is working to meet its improper payment reduction goals, with targeted efforts to determine program eligibility more quickly and accurately.



## AGENCY-SPECIFIC GOALS

SSA sets goals to provide high-quality service, which is reflected in the Agency's commitment to increase productivity, timeliness, and accuracy in processing applications for disability benefits. With this Budget, SSA expects to achieve the performance targets outlined in the accompanying table.

Goal	2005 Actual	Goal	
		2006	2007
Productivity:			
Disability Decisions, Per Worker Per Year <sup>1</sup> .....	260	262	276
SSA Hearings Decisions, Per Worker Per Year .....	102	104	106
Timeliness (in days):			
Average Processing Time for Initial Disability Claims .....	93	93	93
Average Processing Time for Hearing Decisions .....	443	467	467
Accuracy:			
Disability Determination Services Accuracy Rate .....	NA	97%	97%
Accuracy Rate for Hearing Decisions .....	NA	90%	90%

<sup>1</sup> In 2005, an SSA worker on average made 260 disability decisions in that year. The higher number in a given year, the greater the productivity.

## Social Security Administration

(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
<b>Spending</b>			
Discretionary Budget Authority:			
Limitation on Administrative Expenses (LAE) Base <sup>1</sup> .....	8,733	9,109	9,496
Office of the Inspector General .....	90	91	96
Research and Development .....	28	20	20
Subtotal, Discretionary budget authority .....	8,851	9,220	9,612
All other .....	8	-1	-1
Total, Discretionary budget authority .....	8,859	9,219	9,611
Total, Discretionary outlays .....	9,023	9,265	9,541
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance .....	518,772	550,594	581,428
Supplemental Security Income .....	38,258	38,011	36,915
Special Benefits for Certain World War II Veterans .....	11	12	11
Offsetting Collections .....	-3,034	-3,508	-3,275
Legislative proposals .....	—	—	-162
Total, Mandatory outlays .....	554,007	585,109	614,917
Total, Outlays .....	563,030	594,374	624,458

<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, including implementation of Medicare Reform.