

Social Security Advisory Board

**Annual Report
Fiscal Year 2002**

December 2002

Social Security Advisory Board

An independent, bipartisan Board created by the Congress and appointed by the President and the Congress to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs.

December 2002

Message from the Board

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created an independent, bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters related to the Social Security and Supplemental Security Income programs. Under this legislation, appointments to the Board are made by the President, the Speaker of the House of Representatives, and the President pro tempore of the Senate. Presidential appointees are subject to Senate confirmation.

Since the Board began meeting in the spring of 1996, it has worked to address the broad mandate that the law provides. As this Annual Report describes, the Board's work has encompassed a number of important issues, including the responsibility of the Social Security Administration to operate its programs with integrity and to provide an excellent level of service to the public; the need for improved management of the disability programs; long-range financing for Social Security; the administration of the Supplemental Security Income program; the need for adequate funding for the agency; the use and misuse of Social Security numbers; and other challenges facing the Social Security program. We have studied the program in many ways, including consulting with experts, meeting with agency officials and employees throughout the nation and at all levels of administration, and holding hearings to receive the views of the public. Our reports and recommendations have been issued by consensus and without dissent, and they have been widely distributed to members of Congress, the Administration, and the public. In addition, we have testified on important issues before the Congress.

This, our fifth *Annual Report*, describes the work that the Board has completed and the work that we currently have underway. The Board is committed to producing objective analysis and constructive recommendations that help both the Congress and the Administration in fulfilling their responsibilities with respect to the Social Security and Supplemental Security Income programs.

Hal Daub, Chairman

Dorcas R. Hardy

Martha Keys

David Podoff

Sylvester J. Schieber

Gerald M. Shea

TABLE OF CONTENTS

I.	Establishment of the Board.....	1
II.	The Board's Mandate	1
III.	Major Activities of the Board	2
	<i>A. Safeguarding the Public's Funds.....</i>	<i>2</i>
	<i>B. Disability Review Process Studies</i>	<i>3</i>
	<i>C. Service to the Public</i>	<i>4</i>
	<i>D. Disability Programs.....</i>	<i>5</i>
	<i>E. Long-Range Financing of Social Security</i>	<i>7</i>
	<i>F. Supplemental Security Income.....</i>	<i>8</i>
	<i>G. Use and Misuse of Social Security Numbers.....</i>	<i>9</i>
	<i>H. The Agency's Resource Needs.....</i>	<i>11</i>
	<i>I. The Quality of Program Administration</i>	<i>12</i>
	<i>J. Policy, Research and Program Evaluation.....</i>	<i>14</i>
IV.	Board Operations and Communications	14
V.	Visits to Field Sites in Fiscal Year 2002.....	15
VI.	Reports and Publications	17
	Members of the Board.....	19

I. Establishment of the Board

In 1994, when the Congress passed legislation establishing the Social Security Administration as an independent agency, it also created a 7-member bipartisan Advisory Board to advise the President, the Congress, and the Commissioner of Social Security on matters relating to the Social Security and Supplemental Security Income (SSI) programs. The conference report on the legislation passed both Houses of Congress without opposition. President Clinton signed the Social Security Independence and Program Improvements Act of 1994 into law on August 15, 1994 (P.L. 103-296).

Advisory Board members are appointed to staggered 6-year terms, made up as follows: three appointed by the President (no more than two from the same political party); and two each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and the Ranking Minority Member of the Committee on Ways and Means) and by the President pro tempore of the Senate (in consultation with the Chairman and Ranking Minority Member of the Committee on Finance). Presidential appointees are subject to Senate confirmation. The President designates one member of the Board to serve as Chairman for a 4-year term, coincident with the term of the President, or until the designation of a successor.

Hal Daub was named by President George W. Bush as member and Chairman of the Advisory Board, and confirmed by the Senate in January 2002. He was sworn in as Chairman on March 20, 2002. In addition to the Chairman, the members of the Board are Dorcas R. Hardy, Martha Keys, David Podoff, Sylvester J. Schieber, and Gerald M. Shea. (Stanford G. Ross served on the Board from November 1997 until his term expired on September 30, 2002. He served as Chairman from November 1997 to March 2002. Jo Anne B. Barnhart served as a member of the Board until November 2001, when she became Commissioner of Social Security.).

II. The Board's Mandate

The law gives the Board the following functions:

- 1) analyzing the Nation's retirement and disability systems and making recommendations with respect to how the Old-Age, Survivors, and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program, supported by other public and private systems, can most effectively assure economic security;
- 2) studying and making recommendations relating to the coordination of programs that provide health security with the OASDI and SSI programs;
- 3) making recommendations to the President and to the Congress with respect to policies that will ensure the solvency of the OASDI programs, both in the short term and the long term;
- 4) making recommendations with respect to the quality of service that the Social Security Administration provides to the public;

- 5) making recommendations with respect to policies and regulations regarding the OASDI and SSI programs;
- 6) increasing public understanding of Social Security;
- 7) making recommendations with respect to a long-range research and program evaluation plan for the Social Security Administration;
- 8) reviewing and assessing any major studies of Social Security as may come to the attention of the Board; and
- 9) making recommendations with respect to such other matters as the Board determines to be appropriate.

III. Major Activities of the Board

Consistent with its broad mandate, during fiscal year 2002 the Board devoted attention to a number of issues, as described below.

A. Safeguarding the Public's Funds

Ensuring that taxes are properly collected and expended is an important aspect of the Social Security Administration's responsibility to provide high quality service to the public. The Board began in fiscal year 2001 to study how the agency might better carry out these stewardship responsibilities. In conducting its study, the Board met with agency officials and with SSA's Inspector General. It made stewardship the focus of its field visit to New York in February 2002. The Board also held public hearings and discussed stewardship issues during its visits to Seattle in October 2001 and to Denver in June 2002. Stewardship issues were also the subject of a field office visit to Alexandria, Virginia in January 2002 by the Chairman and Board staff.

In March 2002, the Board published a report on stewardship, *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*. Board Chairman Hal Daub testified in July 2002 before the Human Resources Subcommittee of the House Committee on Ways and Means on the subject of stewardship as it applies to the SSI program.

The March 2002 report pointed out that the need for better stewardship will continue to grow. SSA's workloads are massive and are projected to become even larger. Between 1990 and 2001, the number of Social Security beneficiaries grew by 14 percent, compared with a population growth of 11 percent. This rapid growth in the rolls will accelerate as the baby boom generation ages. While the agency's workload has grown, its resources have been drastically reduced. Since 1982, SSA has experienced a 26 percent decline in the number of employees. It has also reduced its management-staff ratio from 1:7 in 1993 to 1:14 in 2001.

The report identified several areas where improvement in stewardship is critically needed:

- Integrity of the Social Security number
- Accuracy of disability determinations
- Accuracy of Supplemental Security Income (SSI) payments
- Collection of overpayments
- Accountability of representative payees
- Proper reporting and posting of wages

The Board recommended several ways SSA should fulfill its stewardship responsibilities:

- Improve SSI and disability program policies
- Improve the tools the agency uses to measure performance and quality
- Accelerate systems improvements
- Expedite decision making
- Become more aggressive in working with other agencies
- Ensure that maintaining the integrity of the agency's work is recognized as an agency priority
- Ensure that the agency has sufficient staff with the right skills to do the job right

In his testimony to the Human Resources Subcommittee, Mr. Daub stated that increasing workloads and declining resources have undermined SSA's commitment to program integrity. He pointed out that, with regard to fraud and abuse, the most effective remedy is prevention through an overall commitment to program integrity, with the resources needed to investigate allegations or suspicious circumstances.

He also pointed out that some fundamental changes need to be made, including changing SSI policy rules to make them easier for the agency to administer and easier for beneficiaries to understand and comply with. In addition, Mr. Daub added that SSA needs to implement a new quality management system that will make quality a guiding principle for all aspects of its work.

B. Disability Review Process Studies

The Advisory Board contracted with Paul Verkuil and Jeffrey Lubbers of Strategem, Inc. in November 2001 to analyze different proposals for change at the judicial review level in the Social Security disability claims process. Professors Verkuil and Lubbers are distinguished scholars who have studied the Social Security disability process for many years. In their March 2002 report, *Alternative Approaches to Judicial Review of Social Security Disability Cases*, Verkuil and Lubbers discussed an Article I court structure (a Social Security court) and a revised Article III structure (a U.S. Social Security Court of Appeals), describing the advantages and disadvantages of each. They concluded their

report by recommending that serious consideration be given to establishing an Article I Social Security Court.

In May, the Board again contracted with Strategem to conduct a related study of ways in which SSA's current hearing process could be reformed. They were tasked with researching two issues that the Board discussed in its February 2001 report, *Agenda for Social Security: Challenges for the New Congress and New Administration* – having the government represented at the administrative law judge (ALJ) hearing and closing the case record after the ALJ's decision. To assist with the study, Verkuil and Lubbers have recruited Frank Bloch, who is Professor of Law at Vanderbilt University Law School and is an expert on the Social Security disability appeals process.

Strategem's report is to be submitted to the Board in fiscal year 2003.

C. Service to the Public

When legislation was enacted in 1994 establishing the Social Security Administration as a separate agency and creating an independent Social Security Advisory Board, both the Congress and the President emphasized that a major objective of the legislation was to improve service to the public. The legislation gave the Advisory Board the specific charge of making recommendations for improving the quality of service that the agency provides to the public.

Since the Board began its work in 1996, it has undertaken a continuing study of the agency's service to the public. The Board has made on-site visits to field locations across the country in order to obtain a point-of-service perspective of the challenges facing those who administer SSA's programs and the needs of those whom the programs are intended to serve. In September 1999, the Board issued a report, *How the Social Security Administration Can Improve Its Service to the Public*, which described how SSA was meeting its extensive service delivery demands and how its service could be improved.

The Board summarized its recommendations on SSA's service to the public in its report, *Agenda for Social Security: Challenges for the New Congress and the New Administration*, issued in February 2001. The report noted that SSA is facing serious service delivery problems in carrying out its responsibilities. These problems stem from a combination of factors, including a prolonged period of downsizing, a growing workload, and increasing program complexity.

The Board has made four overarching recommendations for improving SSA's service to the public:

- The agency needs to develop a service delivery plan that describes how it will deliver service over the short term and the long term.
- The Administration and the Congress need to ensure that SSA has the resources needed to carry out its plan.

- The agency needs to make major improvements in a number of its service delivery practices and strategies.
- The agency's leadership needs to address long-standing institutional problems.

On October 18, 2001, the Board held a public hearing in Seattle, Washington, and on June 14, 2002, the Board held another public hearing in Denver, Colorado. At both hearings the Board heard testimony from invited witnesses as well as from beneficiaries and others who are interested in improving SSA's service to the public. Some of the observations made by witnesses were:

- SSA needs to make public information materials more widely available.
- SSA's increased use of telephone and Internet service should be balanced by a more personal approach, in which SSA specialists are trained in the issues of mental illness, homelessness, and various cultural competencies.
- SSA should train both its own workers and those in State agencies that deal with financial assistance and employability determinations on how its programs interact with other programs.
- SSA should increase its bilingual staff. All staff should be adequately trained on national origin discrimination and cultural sensitivity.
- SSA should provide clear and consistent information to beneficiaries, especially about work and its impact on benefits.
- The Ticket to Work program should be more clearly presented to beneficiaries.
- The SSI eligibility process should be simplified, as people with mental illness have difficulty getting through the process.
- SSA should act quickly on reports of work and earnings.

D. Disability Programs

From the Board's inception, the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disability programs have been a primary focus of the Board's work. SSA's disability programs provide vital income support for more than 10 million people. Over 140 million American workers are insured for Disability Insurance and rely upon this protection in case of serious illness or accident.

The disability programs have grown rapidly in recent years. In fiscal year 2002, the disability programs are expected to cost nearly \$100 billion, or about 5 percent of the Federal budget. They require a growing portion of the time and attention of Social Security Administration employees at all levels. In 2002, about two-thirds of the agency's \$7.7 billion administrative budget, \$5.2 billion, is expected to be spent on disability work.

As the baby boomers reach the age of increased likelihood of disability, the growth in these programs will accelerate. The Social Security Administration's actuaries project that between now and 2012 the number of DI beneficiaries will increase by 37 percent.

The number of SSI beneficiaries is projected to increase by 15 percent. The projected growth in the number of disability claimants threatens to overwhelm a policy and administrative infrastructure that is already inadequate to meet the needs of the public.

The Board has issued three publications related to the disability program. In August 1998, it issued the report, *How SSA's Disability Programs Can Be Improved*, which made several recommendations including implementation of joint training for all adjudicators, development of a unified presentation of policy backed up by a unified quality assurance system, and improvements in the quality of medical evidence and in systems support for the program. In January 2001, the Board published *Disability Decision Making: Data and Materials*, a source book of information about how the disability programs operate together with a variety of statistical data related to applications, awards, beneficiary characteristics, and other aspects of the program. Also in January 2001, the Board issued a report on the agency's disability programs, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*. The purpose of this report was to provide the Administration and the Congress with a framework for considering the fundamental changes that need to be made if the disability programs are to meet the serious challenges they are facing.

It has been more than two decades since either the Congress or the Administration comprehensively reviewed whether the administrative structure established nearly five decades ago should be strengthened or changed. Numerous regulations and rulings affecting disability decision making have been implemented without review by policy makers. Moreover, despite long-standing concerns about consistency, the agency has no effective mechanism to provide the information needed to understand the degree to which the programs' policies and procedures, and their implementation, are causing inconsistent outcomes in different regions of the country and different parts of the disability system. As long as variations in decision making remain unexplained, the integrity and the fairness of the disability programs are open to question.

On June 11, 2002, Chairman Hal Daub presented testimony before the Social Security Subcommittee of the House Committee on Ways and Means at a hearing on reforming the SSDI and SSI disability programs. Mr. Daub pointed out that in recent decades, disability policy has come to resemble a mosaic, pieced together in response to court decisions and other external pressures, rather than the result of a well thought-out plan of how the programs should be operating. Compounding the problem, the disability administrative structure, now nearly a half-century-old, has been unable to keep pace with the increasing demands that have been imposed upon it. Policy and administrative capacity are dramatically out of alignment in the sense that new and binding rules of adjudication frequently cannot be implemented in a reasonable manner with the resources that are available. The Chairman emphasized that, given the magnitude and projected growth of the disability programs, it is increasingly important to reexamine how they are working and whether the policies, resources, and administrative structure that currently exist are adequate to meet future needs.

The Board continues to actively monitor developments in the disability programs. In fiscal year 2002, the Board met with numerous officials from SSA's headquarters to discuss administrative and policy issues related to these programs. It held public hearings in Seattle, Washington, and Denver, Colorado. It made site visits to Aurora and Denver, Colorado, and Auburn, Renton, and Seattle, Washington. On these visits the Board met with DDS administrators, supervisors, examiners, medical consultants, quality assurance and training staff, and other DDS employees as well as with administrative law judges and other Office of Hearings and Appeals employees. The Board discussed disability issues with SSA officials in the Denver and Seattle SSA regional offices. It also met with SSA's Inspector General and members of his staff as well as with officials from the General Accounting Office.

E. Long-Range Financing of Social Security

In 1999, the Social Security Advisory Board appointed a Technical Panel to review and make recommendations on the assumptions and methods used by the Board of Trustees in their annual reports on the Social Security trust funds and by SSA's Office of the Chief Actuary in making projections of changes in the program. The 1999 Technical Panel was chaired by Eugene Steuerle, Senior Fellow at the Urban Institute, and was composed of distinguished economists, demographers, and actuaries. In addition to examining the economic and demographic assumptions underlying the work of the Trustees and the actuaries, the Panel was also asked to make recommendations on the rate of return that should be used in making projections on investment in equities and on stochastic modeling and other methods of displaying the inherent uncertainty of long-range projections. The Panel submitted its report to the Advisory Board in November 1999. Following the publication of the Panel's report, the Board sponsored a forum at which members of the Panel and other experts discussed the issues and recommendations in the Panel's report.

Prior to 1999, such Technical Panels had been appointed by the quadrennial Advisory Councils on Social Security. The provision of law providing for these advisory councils was repealed in 1994. However, the Advisory Board believed that it was important to have periodic review of the program's underlying assumptions and methods by experts from outside of the government and therefore assumed the responsibility for their appointment in the future.

In keeping with the belief in the value of outside review, in 2002 the Advisory Board began the process of establishing another Technical Panel on Assumptions and Methods. The principal tasks undertaken by the Board in 2002 were the decision on the specific charge to the Technical Panel on the scope and content of their review and the identification of and research on potential members of the Panel. It is expected that the Panel will be appointed and begin its review early in calendar year 2003 and that it will make its report to the Advisory Board in the fall of 2003.

Other activities in 2002 related to the long-range financing of the Social Security program included meetings with the Chief Actuary of the Social Security Administration

to discuss a number of topics relating to financing. One topic was the economic and demographic assumptions used in the 2002 Report of the Board of Trustees of the OASDI Trust Funds and their implications for the resulting projections of the long-range financial status of the program. The Board also discussed the implications of the plans developed by the President's Commission to Strengthen Social Security and certain variations on those plans.

F. Supplemental Security Income

Public Law 104-193 requires that members of the Social Security Advisory Board be given an opportunity, either individually or jointly, to include their views in the Social Security Administration's annual report to the President and the Congress on the Supplemental Security Income (SSI) program.

In its comments in the 2002 SSI report, the Board chose to focus on SSA's obligation to ensure that the public's funds are spent responsibly. The Board commented on four major aspects of the SSI program that need to be strengthened: payment accuracy, collection of overpayments, accuracy of disability determinations, and accountability of representative payees.

The Board noted that despite SSA's efforts to improve the SSI determination and redetermination processes, overpayment accuracy has improved only slightly. In 2001, SSA detected overpayments of nearly \$2 billion. The agency is pursuing a number of initiatives to improve payment accuracy, but its efforts have been hampered by resource constraints. For example, although conducting redeterminations is one of the most useful mechanisms that the agency has to prevent and identify SSI payment errors, over the last decade program growth has far outstripped the growth in the number of redeterminations. Throughout SSA's field operations there is widespread concern about the agency's capacity to properly administer the SSI program.

The Board observed that although the amount of SSI overpayments that SSA has recouped has increased every year since 1990, the amount of newly detected overpayments has grown more rapidly. As a result, the balance of outstanding overpayments at the end of the year has tripled since 1990. Over the last decade, Congress has authorized agencies to use a number of debt collection tools. SSA has been gradually implementing the use of these tools, but because of resource limitations has not implemented all of them yet. The Board also raised questions about SSA's practices in waiving recovery of overpayments, noting that a regional executive had told the Board that field offices often do not pursue overpayment recoupment because the staffs are too busy. It is easier for them to waive the debt.

Noting that more than 80 percent of current SSI recipients are receiving benefits because of disability, the Board stated that of all the functions SSA performs, none is more complex and labor intensive than determining whether a claimant is eligible for disability benefits. The Board recommended some reforms to the process. Regulations should be revised to require States to follow specific Federal guidelines relating to

educational requirements and salaries for staff, training, carrying out quality assurance procedures, and other areas that have a direct impact on the quality of their employees and their ability to make timely, high-quality decisions. The Board also suggested that some reforms of the hearing process be considered, including having the agency represented at the hearing, closing the record after the administrative law judge decision, establishing new rules for claimant representatives, and establishing an Article I Social Security Court for appeals from the hearing level. The Board recommended that the Administration and Congress continue to provide the agency with the funding it needs to conduct continuing disability reviews. The Board also stated that the Administration and Congress need to address the fundamental issue of the current lack of alignment between disability policy and administrative capacity.

After observing that currently more than 2 million SSI beneficiaries, about a third of the total, have their benefits paid to representative payees and that the number of SSI beneficiaries with payees rose by 67 percent between 1990 and 1999, the Board stated that the agency's implementation of representative payee requirements had been problematic for many years. The Board cited the work of the 1995-96 Representative Payment Advisory Committee, a December 2001 report by the Office of Inspector General, and statements made to the Board during its field visits. It concluded that the agency will need to devote considerably more resources to the task of screening and monitoring payees.

G. Use and Misuse of Social Security Numbers

Since its inception, the Board has been concerned about the rapidly growing incidence of Social Security number misuse and other identity-related crimes. According to SSA's Inspector General, the vast majority of identity crimes – most of which are financial in nature – involve the misuse of an individual's Social Security number. But despite the seriousness with which these concerns were being discussed both inside and outside of government before September 11th, the terrorist attacks against the United States have attached a new level of urgency to resolving unanswered questions about SSA's appropriate role vis-à-vis identity verification.

The Federal Bureau of Investigation (FBI) recently recognized identity fraud as the fastest growing white-collar crime in America, making it a significant public policy issue. And, according to other recent reports from SSA's Inspector General and the FBI, improperly obtained Social Security numbers provide a significant vehicle for would-be terrorists to infiltrate themselves into our society, making Social Security number abuse a national security concern as well. Likewise, the Board has heard from SSA officials and the agency's Inspector General that improper attainment or theft of Social Security numbers, including counterfeit Social Security cards, plays a major role in illegal immigration and unauthorized work. It is also a cause of the growing inaccuracies in wage reporting that have resulted in huge increases in SSA's earnings suspense file, which records wages reported for Social Security numbers that do not match SSA records.

The Board has been examining both the authorized and unauthorized uses of Social Security numbers, weaknesses in SSA's enumeration process and systems, and SSA's role in deterring identity-related crimes, illegal immigration and other security issues related to Social Security numbers. In addition, we have been keeping abreast of developments in SSA's pilot initiatives with the Immigration and Naturalization Service and the Department of State to improve communications and data sharing between agencies.

In fiscal year 2002, the Board convened a meeting with a group of Regional Commissioners to discuss the agency's stewardship responsibilities. Social Security number integrity and identity crimes were major topics of discussion. In addition, the Board met with both SSA's Inspector General and with members of the Enumeration Task Force established by SSA in response to the events of September 11th.

While visiting SSA offices in Seattle, New York City, and Denver, the Board discussed enumeration vulnerabilities with SSA regional executives and staff, area directors, field office managers, and front-line personnel in field offices who are responsible for verifying the identities of applicants for Social Security numbers. We also spoke with managers and staff of the new Enumeration Center established in Denver and with managers and staff from the Regional Security and Integrity Centers in both New York City and Denver. In particular, the Board heard that SSA, alone, cannot do what is necessary to protect our society from identity-related crimes. Rather the agency must rely on the expertise of the Immigration and Naturalization Service and the Department of State, and it is imperative that these other agencies hold up their end of the responsibility for identity verification of noncitizens. At a public hearing in Denver, the Board heard testimony from a victim of identity theft about how difficult it is to right the damage done once the crime has been detected. In addition, the Board heard from the Consul General of the Consulate of Mexico about inappropriate employment terminations occurring among immigrant laborers as a result of SSA's attempts to correct its records when mismatches occur between the names and Social Security numbers reported by employers.

In March 2002, the Board issued its report on the agency's responsibility to ensure program integrity, *SSA's Obligation to Ensure That The Public's Funds Are Responsibly Collected and Expended*. In that report, the Board recommended that SSA work more aggressively with the Immigration and Naturalization Service and with the Department of State to resolve any outstanding loopholes or gaps in data sharing and in the identity verification process. The report noted the widespread use of Social Security numbers for purposes that extend well beyond its original role within the Social Security program. The issues surrounding the issuance and use of Social Security number and cards involve serious concerns for the Social Security Administration, other Federal and State agencies, and our society generally. The Board intends to continue its work on this important stewardship and security issue in the coming year.

H. The Agency's Resource Needs

The Board continues to be concerned that SSA lacks sufficient resources to carry out its mission and fulfill its responsibilities to taxpayers, to the beneficiaries of the programs administered by the agency, and to the American people. The Board has noted that the agency's capacity to serve the public is not as strong as it should be and that changes are urgently needed. This is due in part to inadequate staffing levels in several key components of the agency. In addition, SSA lacks sufficient resources to conduct – with expediency and with appropriate safeguards in place to assure both quality and appropriate service to the public – the full range of activities for which the agency has responsibility.

Repeatedly, the Board has expressed its concern that SSA has often failed to analyze and communicate effectively its resource needs to the Administration and the Congress. The Board has made a number of recommendations regarding the agency's administrative budget. These recommendations have been followed up with additional communications to inform the Congress and the Administration about the increasing pressures facing SSA now and in the future. In addition, the Board has expressed concerns about how SSA's existing work measurement system drives agency resource allocations and creates perverse performance incentives for employees in the field.

Over the last year, the Board has met with the Commissioner of Social Security and with a number of agency executives to discuss SSA's resource needs, processes through which budgetary priorities are set, and processes through which the resources appropriated by the Congress are allocated to the various priorities and components of the agency. During fiscal year 2002, the Board also met with SSA, DDS, and hearing office executives, judges, managers, and front-line staff in Seattle and Denver. The Board heard consistently that SSA's lack of adequate resources and its focus on processing workloads as quickly as possible resulted in deteriorations of both quality service to the public and the quality of the work produced. In Seattle and Denver, the Board held public hearings on SSA's service to the public and program integrity vulnerabilities inherent in the system. Witnesses at these hearings provided first-hand accounts of how they believe that SSA's under-funded and under-staffed operations have created problems in both service delivery and quality. In addition, the Board met with SSA's Inspector General and members of his audit and investigations staff, who expressed concerns about the detrimental impact that insufficient resource allocations have had in several key areas of the agency's stewardship responsibility, including timely claims processing, quality assurance, enumeration integrity, ensuring representative payee accountability, overpayment collections, and timely processing of other post-entitlement workloads.

On the basis of its work on service and stewardship issues, the Board released in March 2002, its report, *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*. In that report, the Board reiterated its long-standing concerns about resource levels and urged the new Commissioner to assure that SSA has sufficient staff and other resources to meet its responsibilities. The Board recommended that SSA develop a budget process and staffing plan based on the actual

work of the agency rather than on arbitrary increases over prior funding and staffing levels. The Board intends to continue its work on these important resources issues and plans to work closely with the new Commissioner as she develops a service delivery assessment methodology and an administrative budget-making process that is based on the workloads of the agency. In addition, the Board will work aggressively with the Administration and the Congress to educate and inform decision-makers about SSA's resource needs and the potential consequences of not taking decisive, corrective actions quickly.

I. The Quality of Program Administration

The quality of SSA's operations has been an important focus of the Board since it began its work in 1996. Quality is much broader than how long it takes to answer the phone or process a claim. It is interwoven with all the topics discussed in this report. It clearly includes providing prompt, courteous, and accurate assistance to beneficiaries and claimants. It also includes providing the same sort of assistance to employers and workers. Another aspect of quality is helping members of the public to understand Social Security's principles, benefits, and costs, and what they need to do to ensure their economic security in retirement. Program integrity is also a key element of quality, assuring taxpayers that their tax dollars are accurately collected and expended.

The Board has actively sought the public's input in assessing the quality of the service it receives. In fiscal year 2002, it held public hearings in Seattle in October 2001 and in Denver in June 2002. These hearings followed earlier hearings in San Francisco, Dallas, Chicago, and Philadelphia on how SSA could improve its service to the public. At these hearings, the Board heard from members of the public and from organizations that represent populations served by SSA regarding the quality of service that SSA provides and ideas for improving it.

A statement by then-Chairman Stanford G. Ross, *Challenges Facing the New Commissioner of Social Security*, issued by the Board in December 2001, emphasized the problem of the quality of SSA's service to the public. The statement cited both statistics and concerns expressed by employees and by members of the public during the Board's field visits and public hearings. Chairman Ross cited problems in the delivery of 800 number service, long waits in field offices, the lengthy disability determination process, and the need for greater effort to increase the public's understanding of Social Security's programs. He went on to cite critical needs in the safeguarding, or stewardship, of the public's funds. He stated that many of the problems with inaccurate payments arise because employees in the field lack the time they need to process their workloads with proper care. He added that the Board had heard similar concerns about state disability agencies, where examiners are pressed to meet processing times at the expense of making accurate and fully documented disability determinations.

In March 2002 the Board issued a report on *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*. That report, described in more detail elsewhere in this document, focused on program integrity as one aspect of quality

service. Taxpayers who support the Social Security and SSI programs must be confident that their tax dollars are accurately collected and expended. Claimants and beneficiaries must believe that program rules and procedures are rigorously followed and that the benefits they and others receive are accurate. Full accountability is critical to the integrity of SSA's programs. Just as efficiency and accuracy are essential concerns of beneficiaries, the efficient and effective use of worker contributions to Social Security is essential to those who are supporting the system.

The need for quality was a consistent theme in testimony presented to Congressional subcommittees by the Board's chairman in fiscal year 2002. In his March 2002 testimony on challenges facing the new Commissioner, Chairman Daub told the Social Security Subcommittee of the Committee on Ways and Means that problems in the agency's service to the public were large and growing, and that improving the quality of service was one of the main areas needing the Commissioner's attention. "In our reports," he stated, "we have documented critical service shortfalls in field offices and on SSA's 800 number, as well as throughout the disability application and appeals process. Service levels in all of these areas are unacceptably low." He went on to describe the actions needed to improve the quality of SSA's service. Among them were a plan to clarify how the agency would meet growing service delivery needs and a budget that provides the resources that will allow SSA to carry out its objectives. He also pointed out the need to improve current performance measures, which "emphasize process rather than outcomes, speed at the expense of quality, and skew performance in inappropriate ways."

In his statement to the same subcommittee in June 2002, at a hearing on Social Security's disability programs, Chairman Daub again drew upon the Board's earlier work to emphasize the need for quality. He recommended that SSA establish a new quality management system to ensure that the right things are done well the first time at every level of the disability process. He also recommended measures to strengthen SSA's capacity to manage its programs. Finally, noting the gap between what was required by policy and the administrative capacity to carry it out, he stated that bridging that gap would require introducing changes in policy, in institutional arrangements, in funding, or – most probably – in all three of these facets of an interwoven process.

In his statement to the House Human Resources Subcommittee in a July 2002 hearing on fraud and abuse in the SSI program, Chairman Daub noted that SSA's work measurement system tends to reward quantity of production rather than quality of product. That type of incentive, he stated, along with staffing shortages and inadequate training and supervision, inevitably leads to a lowering of quality. He again pointed out the need for a quality management system that would make quality a guiding principle for all aspects of the agency's work.

J. Policy, Research, and Program Evaluation

The Advisory Board examined the activities of the Office of Research, Evaluation and Statistics (ORES) in the Office of Policy. It reviewed the various models being developed by ORES to assess short-, mid-, and long-range effects of changes in the Social Security program and the impact of such changes on different categories of individuals and on the national economy. The Board also reviewed the operations of the Retirement Research Consortium, two university-based research centers funded by the Social Security Administration to conduct research and evaluation, to disseminate their findings, to train and educate researchers, and to facilitate data usage.

The Board reviewed the disability-related research projects of ORES, especially the Early Intervention demonstration and other work incentive initiatives. The Board was briefed on ORES's work on simplifying SSI rules. The Board also reviewed the activities of the Disability Research Institute, an SSA-funded research consortium.

IV. Board Operations and Communications

Membership changes—In September 2001, Hal Daub was appointed by the President as a member of the Social Security Advisory Board. His nomination was confirmed by the Senate on January 25, 2002. On March 20, 2002, he was sworn in as Chairman of the Social Security Advisory Board, replacing Stanford G. Ross who served as Chairman since his appointment to the Board in 1997. Mr. Ross' term as a member of the Board expired on September 30, 2002. In November 2001, Jo Anne B. Barnhart resigned as a member of the Board upon taking office as Commissioner of Social Security. On April 9, 2002, Dorcas R. Hardy was appointed to serve as a member of the Board by the Speaker of the House of Representatives.

Meetings—In fiscal year 2002, the Board met at its offices nine times and held one conference call. It made three site visits for the purpose of gathering and evaluating information related to the operation of the disability programs, program integrity, and other aspects of SSA's service to the public. The Board Chair made one additional site visit for the same purpose.

Public Hearings—The Board conducted public hearings in Seattle in October 2001, and in Denver in June 2002. It heard testimony from members of the public and organizations that represent populations served by the SSA regarding the Social Security disability programs, the quality of service that the SSA delivers, and how SSA can improve its service delivery. It also heard from victims of identity theft and the Consul General of Mexico, who spoke to the Board about the consequences of aggressive efforts to validate Social Security numbers.

Publications—During fiscal year 2002, the Board issued two reports: *Annual Report for Fiscal Year 2001*, and *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*. It published *Alternative Approaches to Judicial Review of Social Security Disability Cases*, a report written by Strategem, Inc. under

contract to the Board. In addition, the Board commented on the Supplemental Security Income Program in “Statement on the Supplemental Security Income Program,” included in the SSA’s *Annual Report of the Supplemental Security Income Program*. The Board also distributed to Members of Congress and to the Social Security Administration a statement written by Chairman Stanford Ross, *Challenges Facing the New Commissioner of Social Security*.

Testimony—On November 1, 2001, Hal Daub addressed the Senate Committee on Finance at his confirmation hearing, discussing the problems facing the Social Security programs. On May 2, 2002, Chairman Daub testified before the Social Security Subcommittee of the House Ways and Means Committee on the challenges facing the new Commissioner. On June 11, Chairman Daub again addressed the Social Security Subcommittee, this time on the Social Security disability programs. On July 25, 2002, Chairman Daub testified before the Subcommittee on Human Resources of the House Committee on Ways and Means on fraud and abuse in the Supplemental Security Income program. In addition, the Board submitted a statement for the record for the September 19, 2002, hearing on preserving the integrity of Social Security numbers and preventing their misuse by terrorists and identity thieves. The hearing was sponsored jointly by the House Subcommittee on Social Security of the Committee on Ways and Means and the Subcommittee on Immigration, Border Security, and Claims of the Committee on the Judiciary.

Addresses— In October, 2001, Chairman Ross sent a written statement to the Association of Administrative Law Judges’ national educational conference. On October 31, 2001, Chairman Ross addressed the National Association of Disability Examiners. On September 18, 2002, Chairman Daub spoke to the National Council of Disability Determination Directors at the DDS management forum.

Communications—On May 6 and June 12, 2002, Chairman Daub sent letters to the Director of the Selective Service System to express concern about the manner in which that organization captures personal information from young men who are required by law to register. The letters pointed out that with the increase of instances of identity theft, the open format of a mail-in postcard with personal information on it, including a Social Security number, does not protect privacy. Chairman Daub strongly urged the Director to take the necessary steps to provide a more secure format for collecting this information.

V. Visits to Field Sites in Fiscal Year 2002

1. Seattle, Washington, October 17 and 18, 2001

The Advisory Board and staff met with SSA officials and staff of the Seattle regional office to discuss program integrity, disability, and service to the public issues. Board members held sessions with the Regional Commissioner, the Deputy Regional Commissioner, and the regional executive staff; field office managers; area directors; the Quality Assurance and Performance Assessment

staff; Center for Disability Operations staff; the Regional Chief Administrative Law Judge; and the Regional Chief Counsel. The Board and staff also met with administrative law judges and employees in the Seattle hearing office to discuss issues related to the hearing process. In addition, the Board and staff met with officials and staff of the Washington State Disability Determination Services at its branch office in Renton, Washington. While there, the Board met with the DDS Director and Deputy Director, regional managers, program managers, DDS supervisors, and DDS staff to discuss disability program issues.

The Board also held a public hearing in Seattle where it heard testimony from members of the public and organizations that represent populations served by SSA regarding the Social Security disability programs, the quality of service that SSA delivers, and how SSA can improve its service delivery.

2. New York, New York, January 23 and 24, 2002

The Advisory Board and Board staff met with Social Security Administration officials and staff of the New York regional office and the Uptown and East Harlem field offices to discuss program integrity and enumeration issues. Sessions were held with the Regional Commissioner, the Deputy Regional Commissioner, and the regional executive staff; field office managers and supervisors; field office staff; staff of the regional Automation Center; regional office Retirement and Survivors Insurance analysts and Supplemental Security Income analysts; area directors; Northeastern Program Service Center staff; and staff of the office of General Counsel.

3. Alexandria, Virginia, January 29, 2002

The Board Chair and Board staff met with managers and staff of the Alexandria, Virginia field office to discuss program integrity and service to the public issues. Sessions were held with the field office manager, a management support specialist, claims representatives, service representatives, and a technical expert.

4. Denver, Colorado, June 13 and 14, 2002

The Advisory Board and staff met with Social Security Administration officials and staff of the Denver regional office to discuss program integrity, disability, and service to the public. Board members held sessions with the Regional Commissioner, the Deputy Regional Commissioner, and the regional executive staff; field office managers; area directors; staff in the Office of Inspector General; Systems Security staff; the Regional Chief Administrative Law Judge; and the Regional Chief Counsel. The Board and staff also met with administrative law judges and employees in the Denver hearing office to discuss issues related to the hearing process. In addition, The Board and staff met with officials and staff of the Colorado Disability Determination Services, including the DDS Director and Deputy Director, supervisors, and disability examiners.

The Board also visited the Denver Field Office, where it had meetings with field office staff, field office managers, and the special disability unit of the field office.

The Board held a public hearing in Denver, where it heard testimony from members of the public and organizations that represent populations served by the Social Security Administration regarding the Social Security disability programs, the quality of service that the Social Security Administration delivers, and how SSA can improve its service delivery. It also heard from victims of identity theft and the Consul General of Mexico, who spoke to the Board about the consequences of aggressive efforts to validate Social Security number mismatches.

VI. Reports and Publications

1. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 2002.
2. *SSA's Obligation to Ensure that the Public's Funds are Responsibly Collected and Expended*, March 2002.
3. *Alternative Approaches to Judicial Review of Social Security Disability Cases: A Report to the Social Security Advisory Board*, March 1, 2002.
4. *Challenges Facing the New Commissioner of Social Security*, Statement by Stanford G. Ross, December 2001.
5. *Annual Report Fiscal Year 2001*, October 2001.
6. *Estimating the Real Rate of Return on Stocks Over the Long Term*, Papers presented to the Social Security Advisory Board, August 2001.
7. *Social Security: Why Action Should Be Taken Soon* (Revised Edition), July 2001.
8. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 2001.
9. *Agenda for Social Security: Challenges for the New Congress and the New Administration*, February 2001.
10. *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change*, January 2001.
11. *Disability Decision Making: Data and Materials*, January 2001.

12. *Annual Report Fiscal Year 2000*, October 2000.
13. *The Technical Panel on Assumptions and Methods, Report to the Social Security Advisory Board*, November 1999.
14. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 2000.
15. *Annual Report Fiscal Year 1999*, October 1999.
16. *How the Social Security Administration Can Improve Its Service to the Public*, September 1999.
17. *Forum on the Implications of Raising the Social Security Retirement Age*, May 1999 (Staff document).
18. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 1999.
19. *Annual Report Fiscal Year 1998*, October 1998.
20. *How SSA's Disability Programs Can Be Improved*, August 1998.
21. *Social Security: Why Action Should Be Taken Soon*, July 1998.
22. "Statement on the Supplemental Security Income Program," Additional Statement by the Social Security Advisory Board in the *Annual Report of the Supplemental Security Income Program*, Social Security Administration, May 1998.
23. *Strengthening Social Security Research: The Responsibilities of the Social Security Administration*, January 1998.
24. *Increasing Public Understanding of Social Security*, September 1997.
25. *Forum on a Long-Range Research and Program Evaluation Plan for the Social Security Administration: Proceedings and Additional Comments*, June 24, 1997 (Staff document).
26. *Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership*, March 1997.

Reports are available on the Board's web site at www.ssab.gov

VII. Members of the Board

Hal Daub, Chairman

Hal Daub is currently a partner with the law firm of Blackwell Sanders Peper Martin in Omaha, Nebraska and Washington, D.C. Previously, he served as Mayor of Omaha, Nebraska from 1995 to 2001, and as an attorney, principal, and international trade specialist with the accounting firm of Deloitte & Touche from 1989 to 1994. Mr. Daub was elected to the United States Congress in 1980, and reelected in 1982, 1984, and 1986. While there he served on the House Ways and Means Committee, the Public Works and Transportation Committee, and the Small Business Committee. In 1992, Mr. Daub was appointed by President George H.W. Bush to the National Advisory Council on the Public Service. From 1997 to 1999, he served on the Board of Directors of the National League of Cities, and from 1999 to 2001, he served on the League's Advisory Council. He was also elected to serve on the Advisory Board of the U.S. Conference of Mayors, serving a term from 1999 to 2001. From 1971 to 1980, Mr. Daub was vice president and general counsel of Standard Chemical Manufacturing Company, an Omaha-based livestock feed and supply firm. A former U.S. Army Infantry Captain, Mr. Daub is a graduate of Washington University in St. Louis, Missouri, and received his law degree from the University of Nebraska. Term of office: January 2002 to September 2006.

Jo Anne Barnhart

Jo Anne Barnhart resigned from the Advisory Board in November 2001, upon taking office as Commissioner of Social Security. Prior to that she was a political consultant and public policy consultant to State and local governments on welfare and social services program design, policy, implementation, evaluation, and legislation. From 1990 to 1993 she served as Assistant Secretary for Children and Families, Department of Health and Human Services, overseeing more than 65 programs, including Aid to Families with Dependent Children, the Job Opportunities and Basic Skills Training program, Child Support Enforcement, and various child care programs. Previously, she was Minority Staff Director for the U.S. Senate Committee on Governmental Affairs, and legislative assistant for domestic policy issues for Senator William V. Roth. Ms. Barnhart served as Political Director for the National Republican Senatorial Committee. First term of office: March 1997 to September 1998; second term of office: October 1998 to November 2001.

Dorcas R. Hardy

Dorcas R. Hardy is President of Dorcas R. Hardy & Associates, a government relations and public policy firm serving a diverse portfolio of clients. She was Commissioner of Social Security from 1986 to 1989. Ms. Hardy launched and hosted her own primetime, weekly television program, "Financing Your Future," on Financial News Network and UPI Broadcasting. She has also hosted "The Senior American," an NET political program for older Americans. She speaks and writes widely about domestic and international retirement financing issues and entitlement program reforms and is the author of *Social Insecurity: The Crisis in America's Social Security System and How to Plan Now for Your Own Financial Survival*. Ms. Hardy consults with seniors organizations, public policy groups, and businesses to promote

redesign and modernization of the Social Security and Medicare systems. She received her B.A. from Connecticut College, her M.B.A. from Pepperdine University and completed the Executive Program in Health Policy and Financial Management at Harvard University. She is a Certified Senior Advisor and serves on the Board of Directors of The Options Clearing Corporation, Wright Investors Service Managed Funds, and First Coast Service Options. She is also a member of the Board of Visitors of Mary Washington College and the Board of Rehabilitative Services of the Commonwealth of Virginia. Term of office: April 2002 to September 2004.

Martha Keys

Martha Keys served as a U.S. Representative in the 94th and 95th Congresses. She was a member of the House Ways and Means Committee and its Subcommittees on Health and on Public Assistance and Unemployment Compensation. Ms. Keys also served on the Select Committee on Welfare Reform. She served in the executive branch as Special Advisor to the Secretary of Health, Education, and Welfare and as Assistant Secretary of Education. She was a member of the 1983 National Commission (Greenspan) on Social Security Reform. Martha Keys is currently consulting on public policy issues. She has held executive positions in the non-profit sector, lectured widely on public policy in universities, and served on the National Council on Aging and other Boards. Ms. Keys is the author of *Planning for Retirement: Everywoman's Legal Guide*. First term of office: November 1994 to September 1999; current term of office: October 1999 to September 2005.

David Podoff

David Podoff is visiting Associate Professor in the Department of Economics and Finance at the Baruch College of the City University of New York. Recently, he was Minority Staff Director and Chief Economist for the Senate Committee on Finance. Previously, he also served as the Committee's Minority Chief Health and Social Security Counselor and Chief Economist. In these positions on the Committee he was involved in major legislative debates with respect to the long-term solvency of Social Security, health care reform, the constitutional amendment to balance the budget, the debt ceiling, plans to balance the budget, and the accuracy of inflation measures and other government statistics. Prior to serving with the Finance Committee he was a Senior Economist with the Joint Economic Committee and directed various research units in the Social Security Administration's Office of Research and Statistics. He has taught economics at the University of Massachusetts and the University of California at Santa Barbara. He received his Ph.D. in economics from the Massachusetts Institute of Technology and a B.B.A. from the City University of New York. Term of office: October 2000 to September 2006.

Stanford G. Ross

Stanford Ross is a partner in the law firm of Arnold & Porter, Washington, D.C. He has dealt extensively with public policy issues while serving in the Treasury Department, on the White House domestic policy staff, as Commissioner of Social Security, and as Public Trustee of the Social Security and Medicare Trust Funds. He is a Founding Member and a former Director and President of the National Academy of Social Insurance. Mr. Ross has provided technical assistance on Social Security and tax issues

under the auspices of the International Monetary Fund, World Bank, and U.S. Treasury Department to various foreign countries. He has taught at the law schools of Georgetown University, Harvard University, New York University, and the University of Virginia, and has been a Visiting Fellow at the Hoover Institution, Stanford University. He is the author of many papers on Social Security and Federal taxation subjects. Term of office: October 1997 to September 2002.

Sylvester J. Schieber

Sylvester Schieber is Director of the Research and Information Center at Watson Wyatt Worldwide, where he specializes in analysis of public and private retirement policy issues and the development of special surveys and data files. From 1981 to 1983, Mr. Schieber was the Director of Research at the Employee Benefit Research Institute. Earlier, he worked for the Social Security Administration as an economic analyst and as Deputy Director at the Office of Policy Analysis. Mr. Schieber is the author of numerous journal articles, policy analysis papers, and several books, including: *Retirement Income Opportunities in An Aging America: Coverage and Benefit Entitlement*; *Social Security: Perspectives on Preserving the System*; and *The Real Deal: The History and Future of Social Security*. He served on the 1994-1996 Advisory Council on Social Security. He received his Ph.D. from the University of Notre Dame. Term of office: January 1998 to September 2003.

Gerald M. Shea

Gerald M. Shea is currently Assistant to the President for Government Affairs at the AFL-CIO. He previously held several positions within the AFL-CIO, serving as the director of the policy office with responsibility for health care and pensions, and also in various executive staff positions. Before joining the AFL-CIO, Mr. Shea spent 21 years with the Service Employees International Union as an organizer and local union official in Massachusetts and later on the national union's staff. He was a member of the 1994-1996 Advisory Council on Social Security. Mr. Shea serves as a public representative on the Joint Commission on the Accreditation of Health Care Organizations, is a founding Board member of the Foundation for Accountability, Chair of the RxHealth Value Project, and is on the Board of the Forum for Health Care Quality and Measurement. He is a graduate of Boston College. First term of office: January 1996 to September 1997; current term of office: October 2000 to September 2004.

Members of the Staff

Joe Humphreys, Staff Director

Michael Brennan

Noah Meyerson

Beverly Rollins

George Schuette

Wayne Sulfridge

Jean Von Ancken

David Warner