



**COMMITTEE ON APPROPRIATIONS**

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

**UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 2007**

**STATEMENT FOR THE RECORD**

**MICHAEL J. ASTRUE  
COMMISSIONER  
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee, the Social Security Administration (SSA) has administered some of the nation's most important social programs for more than 70 years. More than any other Federal program, Social Security has been woven into the national fabric. Millions of older Americans, Americans with disabilities, and their dependents have benefited from the dependable level of support that Social Security provides. The Subcommittee has been very supportive of the Agency's mission in the past. I greatly appreciate the Subcommittee's efforts in providing the resources necessary to avoid an agency-wide furlough and look forward to working with you to continue achieving SSA's important mission.

### **Overview of SSA's Programs and Overall Budget**

SSA administers the Nation's social security programs, including Old-Age and Survivors Insurance and Disability Insurance (DI), commonly referred to as Social Security, and Supplemental Security Income (SSI).

Through these programs, SSA affects almost every American at some point in their lives. We strive to accomplish our mission by emphasizing our four strategic goals: service, stewardship, solvency and staff. Further, we recognize that citizens expect and deserve to interact with an agency that is respectful, responsive, and reliable.

In FY 2008, SSA will pay \$645 billion in Federal benefits to nearly 55 million people. While Social Security trust fund benefit payments are permanently appropriated, and therefore not part of the budget requests before this Committee, the administrative resources that SSA needs in order to pay these benefits are part of the appropriation requests that I am asking you to support. SSA has four appropriations requests before this Committee, totaling \$51.4 billion: Limitation on Administrative Expenses, Office of the Inspector General, Supplemental Security Income, and Payments to the Social Security Trust Funds.

In FY 2008, some of the tasks SSA employees will perform with the administrative resources requested in the President's budget include processing over 6.8 million claims for benefits; processing almost 269,000 Medicare Part D subsidy applications; making decisions on over 545,000 hearings; issuing 18 million new and replacement Social Security cards; processing 268 million earnings items for crediting to workers' earnings records; handling approximately 63 million transactions through SSA's 800-number; issuing 148 million Social Security Statements; processing millions of actions to keep beneficiary and recipient records current and accurate; and conducting 1.1 million continuing disability reviews (CDRs) and 1.5 million non-disability SSI redeterminations.

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

SSA is at the frontline of Government and, as such, provides direct service to beneficiaries, claimants, employers, and the general public. The President's budget includes \$9.597 billion for SSA's Limitation on Administrative Expenses (LAE). This is less than 2 percent of SSA's total estimated outlays of approximately \$657 billion under current law, and an increase of \$299 million in discretionary budget authority from the FY 2007 appropriation.

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

SSA's first and foremost priority is service. This budget will allow SSA to maintain longstanding service levels as well as continue our new responsibilities related to the Medicare prescription drug program and Part B income-related premiums. As you know, SSA's resource needs are determined primarily by the size of SSA's programs and their corresponding workloads. The FY 2008 President's budget is critical if we are to provide service to an increasing number of claimants and beneficiaries. SSA is proud of its public reputation for achieving outstanding results with limited resources, an accomplishment that helps make the Agency a reliable investment.

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

Finally, this budget helps SSA to fulfill its fiscal stewardship responsibility by providing funding to two of the Agency's most important initiatives, CDRs and SSI non-disability redeterminations. CDRs are periodic reevaluations of medical eligibility factors for DI and SSI recipients; SSI redeterminations are periodic reviews of non-medical factors of SSI eligibility. Funding for CDRs and redeterminations is included in the \$9.597 billion budget for SSA's LAE account. The FY 2008 President's budget proposes to finance some of the funding for CDRs and redeterminations through a discretionary cap adjustment of \$213 million. CDRs and redeterminations are cost-effective program integrity workloads: CDRs save an estimated \$10 in program benefits for every \$1 spent administering them, redeterminations save an estimated \$7 for every \$1 spent. Less than adequate funding has meant that the Agency has not been current in these workloads for several years. An increase in the number of CDRs and redeterminations conducted in FY 2008 would result in greater program savings, reducing the overall deficit. Let me stress that SSA needs its full request for administrative resources, including the funding for CDRs and redeterminations, whether provided in our appropriation within the discretionary spending cap, or provided as an adjustment to the cap.

### **SSA's Recent Accomplishments**

SSA gives the taxpayers a significant return on their investment. Our achievements over the last year are proof that resources provided to SSA are used efficiently and effectively to administer America's social security programs. In FY 2006, SSA made benefit payments monthly to 53 million people for an annual total of over \$586 billion. In addition to carrying out this responsibility, SSA has made progress in meeting a wide range of challenges despite having to make difficult choices required to operate within appropriated resources.

Since 2001, SSA has improved productivity for a cumulative improvement of 13.1 percent through FY 2006. SSA commits to Agency-wide productivity improvements, and consistently achieves them by focusing resources on process and technology improvements that will generate the greatest results.

From FY 2001 to FY 2006, several of the Agency's key performance indicators have improved. For example, SSA has reduced processing time for both initial disability claims (from 106 days

to 88 days) and appeals of hearing decisions (from 447 days to 203 days). SSA has also processed more work. In FY 2006, SSA processed over 360,000 more initial disability claims and nearly 700,000 more retirement and survivors claims than in FY 2001.

In FY 2006, SSA continued efforts to ensure that all Medicare beneficiaries know about the extra help available through the prescription drug program (Medicare Part D), that they can file the Part D subsidy application through SSA, and that SSA employees are available to assist them in filing. As of December 29, 2006, almost 6 million people have applied for the extra help. SSA has processed 98.3 percent of low-income subsidy applications received. In the first quarter of FY 2007, SSA determined which current Medicare beneficiaries, based on modified adjusted gross income, would pay a higher percentage of the Medicare Part B premium and issued notices to the affected individuals.

SSA processed more than 265 million earnings items in FY 2006. To minimize inaccurate reporting of wages by employers, SSA provides employers information and services to help them correctly report names and Social Security Numbers (SSNs). SSA's free, automated verification programs for employers include the Social Security Number Verification System (SSNVS) and the Employer Verification Service. In FY 2006, SSA participated in 84 million employee verifications.

I would now like to address five key areas of SSA's FY 2008 budget in more detail.

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

The Agency continues to consider major structural and qualitative changes to the disability adjudication system to enable it to provide the high quality of service that claimants and the public expect and deserve.

The foundation of our electronic disability initiative is known as eDib. The main component of eDib, the electronic claims folder, is now the official Agency record in all 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. SSA has made millions of records quickly accessible in what is the largest repository of electronic medical records in the world. In addition, SSA has stringent policies and procedures in place to safeguard personally identifiable and medical information from loss, theft, or inadvertent disclosure. Productivity improvements are expected from eDib beginning in FY 2007. In hearing offices, eDib implementation continues. The electronic claims folder is now active in all hearing offices. SSA is holding an increasing number of hearings that use the electronic claims folder and digital recording: 9,612 hearings on electronic folders have been held through FY 2006, compared to a total of approximately 1,000 in FY 2005. In addition, SSA is employing new electronic decisional tools that will strengthen the ability of adjudicators at all levels of the process in making and documenting the correct decision.

### **Administering the Medicare Modernization Act (MMA)**

SSA's Medicare workloads have a significant impact on the Agency's budget and performance. For decades, SSA has taken applications for Medicare benefits and replacement Medicare cards and has withheld Medicare premiums from beneficiaries' Social Security checks. However, MMA significantly increased SSA's Medicare-related responsibilities. SSA's FY 2008 budget includes the resources required for Part B income-related premium adjustment amount determinations, as well as for ongoing work related to the Medicare prescription drug program, including new determinations of eligibility for extra help, processing subsidy changing events for

existing beneficiaries, conducting redeterminations of eligibility, and performing premium withholding.

Beginning in FY 2007, SSA has a new workload resulting from the MMA requirement that individuals with modified adjusted gross incomes above \$80,000 (\$160,000 for a couple) pay a higher percentage of the Medicare Part B premium. Prior to the start of each calendar year, SSA will make annual income-related premium adjustment amount determinations for all Medicare beneficiaries on the rolls that will be effective the entire year. SSA also makes new income-related premium determinations after individuals either state they would like to enroll in Part B (new filers) or become entitled to Medicare.

### **Increasing SSA's Overall Productivity**

SSA has continued to meet its goal of annual average productivity increases of 2 percent. SSA has met its goal to increase productivity in every year since 2001, and as noted earlier, in that time, the cumulative increase has been 13.1 percent. The President's budget request assumes SSA will continue to achieve average annual productivity increases of 2 percent in FY 2008.

### **Strengthening Opportunities for the Public to Conduct Business with SSA Electronically**

Technology is the foundation for the Agency's current and future ability to provide quality service in the face of dramatic workload growth and SSA's employee retirement wave. SSA has several initiatives underway that will help improve service and provide efficiencies. SSA's Information Technology budget is fully integrated with SSA's service delivery and performance plans.

To meet increasing service needs, SSA has aggressively pursued a portfolio of electronic services for the public to conduct Agency business online, in a private and secure environment. The Internet Social Security Benefit Application allows the public to apply for Social Security benefits online. In addition, beneficiaries can use the SSA website or the national 800-number to access a host of services, such as changing their address, starting or changing direct deposit, ordering a replacement Medicare card, or requesting a Proof of Income letter.

SSA continuously strives to make its services more accessible to people nationwide. In three western States—North Dakota, Wyoming, and South Dakota—SSA uses video technology to take claims and provide other services. SSA has entered into a joint venture with the University of North Dakota, the General Services Administration (GSA), local government, and tribal leaders to establish video networks. Many people live in remote areas of the United States and have restricted access to SSA field offices. The video sites offer many of the services provided in a field office for individuals who are not able to travel to one. The number of claims taken has increased significantly in areas offering video conferencing. Through video technology, SSA is better serving the public.

SSA also has made improvements in the electronic service delivery provided to employers and the business community, resulting in efficiencies in SSA's operations. Examples of SSA's services for businesses include electronic wage reporting, which simplifies the process for businesses by allowing them to submit employee wage reports online, and SSNVS, which employers use to verify large numbers of employees' names and SSNs. SSA also provides services for the Department of Homeland Security's (DHS) Basic Pilot, which employers can also use to verify employee names, SSNs, and work eligibility.

## **Increasing the Integrity of SSA's Programs**

As part of its effort to pursue cost-saving initiatives, the FY 2008 budget includes resources for SSA to continue performing CDRs and SSI redeterminations and a special funding mechanism to increase the resources available for these important workloads. CDRs save an estimated \$10 in lifetime program benefits for every \$1 spent administering them; redeterminations save an estimated \$7 for every \$1 spent. The purpose of these program integrity efforts is to prevent and detect improper payments; to support Government-wide efforts to improve financial performance and to implement the recommendations resulting from the PART findings; and to address concerns of the Congress, the Government Accountability Office, and the Office of the Inspector General (OIG) about payment accuracy.

SSA places a high priority on its efforts to reduce overpayments and collect unpaid debt. SSA consistently strives to achieve high levels of payment accuracy to minimize the amount of program dollars paid incorrectly. SSA's highly successful debt management program currently makes use of many of the tools available under existing law, such as administrative wage garnishment. The Agency plans to implement additional initiatives in the future.

SSA works continuously to strengthen the process for assigning SSNs and issuing Social Security cards. SSA is committed to combating SSN misuse and identity theft. Over the years, SSA has taken many steps to strengthen the integrity of the SSN process. Some of these initiatives include removing SSNs from Agency notices and introducing a mandatory front-end system for processing all enumeration actions. In addition, in 2004, the President signed the Intelligence Reform and Terrorism Prevention Act into law, requiring SSA to further improve its document verification processes, SSN and Social Security card security, and SSN verification services. As a result, SSA added death indicators to the SSN verification services used by employers and State agencies issuing drivers' licenses and identity cards, limited the number of replacement SSN cards an individual can receive, and improved SSA's electronic systems for processing SSN applications through the enumeration at birth process. In addition, SSA is currently on target for adding the fraud indicators as required by the legislation.

In 2006, SSA opened its third Social Security Card Center in Queens, New York, joining existing Card Centers in Brooklyn, New York and Las Vegas, Nevada. The Card Centers are centralized processing sites for all SSN applications for area residents. The purpose of the Centers is to improve service as well as the integrity and quality of the enumeration process, ensuring that only those individuals entitled to SSNs receive them, and that they receive them in a timely fashion. SSA is evaluating further expansion in other rapidly growing metropolitan areas. These Centers represent a joint effort of SSA, SSA's OIG, and DHS.

## **Other FY 2008 Appropriation Requests**

I would like to turn now to a brief summary of the other appropriation requests for FY 2008.

### **Office of the Inspector General**

\$95 million for the Office of the Inspector General (OIG) – Since becoming an independent agency in March 1995, SSA has had its own Inspector General whose mission is to protect the integrity of SSA's programs. A strong OIG, working together with SSA employees in local offices, is the most effective means we have to detect and prevent fraud and abuse in the programs we administer. A strong OIG also is essential given the need to continue to strengthen homeland security efforts through audit and investigative activities that focus on fortifying the enumeration process and combating SSN misuse.

The request for FY 2008 represents a \$3.0 million increase in resources from the FY 2007 appropriation. The request provides resources needed to maintain this full complement of staff, including mandatory payroll increases (e.g., pay raises, health benefits) and related support costs. The budget request assumes OIG will replace most staffing losses during FY 2008 and provides ongoing support of the major initiatives already in place. OIG will continue to strengthen homeland security responsibilities through audit and investigative activities that focus on strengthening the enumeration process and combating SSN misuse.

### Supplemental Security Income

\$41.7 billion for the Supplemental Security Income (SSI) Program – The SSI program ensures a minimum monthly level of income to eligible aged, blind, and disabled individuals. An individual's income, resources, and living arrangements are evaluated to determine the monthly SSI payment. The President's budget includes \$40.7 billion for Federal benefit payments to approximately 7.2 million aged, blind, and disabled beneficiaries, \$2.983 billion to reimburse the Social Security trust funds for SSI administrative expenses, \$36 million for beneficiary services, and \$27 million to fund extramural research and demonstration projects for FY 2008. This includes \$16.8 billion for benefit payments in the first quarter of FY 2008 which was appropriated in advance in the FY 2007 appropriation. The budget also includes \$14.8 billion for Federal benefit payments for the first quarter of FY 2009.

Estimates of current benefits are driven by the number of recipients eligible for monthly payments and the amount of the monthly payments. There is a slight increase of 176,000 in the number of Federal SSI recipients in FY 2008 as compared with FY 2007. The budget increase of \$3.5 billion for Federal benefit payments is largely the result of the number of monthly payments in each fiscal year. SSI monthly payments are normally paid on the first of the month. However, when the first of the month is on a weekend or holiday, the payment is made on the preceding business day, which can move it into the prior fiscal year. In FY 2007, there will be 11 SSI payments compared to 12 payments for FY 2008.

### Payments to the Social Security Trust Funds

\$28 million for Payments to the Social Security Trust Funds – This request will serve to reimburse the Social Security trust funds for the costs of certain benefits and administrative expenses.

## **Conclusion**

SSA strives to deliver high-quality service to every claimant, beneficiary, and American taxpayer. Every day, 62,000 SSA employees and 14,000 State DDS employees perform a wide range of services that have a direct impact on individuals and families. Altogether, their work affects the lives of millions of people each year. In FY 2006, we made payments to 53 million people each month, and served approximately 42 million visitors to our more than 1,300 field offices in communities across America.

The President's FY 2008 administrative budget for SSA, including \$9.597 billion for SSA's administrative expenses and \$95 million for the Inspector General, will provide the resources to allow SSA to generally maintain service while meeting our Medicare prescription drug program and new Part B premium responsibilities. We will also continue to improve the way we do business with investments in technology, such as eDib, and improvements to the disability determination process. Finally, we will be able to increase the amount of cost-effective program integrity work we perform.

SSA has shown that it makes excellent use of the resources it receives. The Agency can quickly determine the impact that budgetary changes would have on its level of service. SSA is also able to adjust resources based on the most current experience, enabling the Agency to maximize efficiency. Our accomplishments, in particular our cumulative 13.1 percent increase in productivity since 2001, demonstrate that SSA is an excellent steward of taxpayer dollars.

We have received unqualified opinions on our financial statements since 1994 and the Association of Government Accountants Certificate of Excellence in Accountability Reporting for the past 8 years. In the 2006 American Customer Satisfaction Index (ACSI), SSA received an 88 percent customer satisfaction score for our Internet Social Security Benefits Application and 87 percent for the Help with Medicare Prescription Drug Costs web page. SSA's average E-Government score was 78.4 percent, higher than the Federal average of 73.9 percent, and the second-highest average among departments with five or more sites evaluated.

SSA has accomplished much in recent years, but we can continue making our programs even more effective and efficient. Every day, hundreds of thousands of Americans visit an SSA field office, call the 800-number, or seek information and service from our website. They can count on SSA for reliable administration of Social Security retirement, survivors, and disability benefits, SSI, and extra help for Medicare prescription drug program premiums, deductibles and co-payments.

Mr. Chairman, thank you for the opportunity to present SSA's budget. I understand the many difficult choices the Committee will have to make in the near future as you appropriate funding to numerous worthwhile programs. The Social Security Administration has a proud history of directing some of the nation's most successful programs, and deserves your full support. I look forward to working with you to ensure the continued success of the Agency and its programs.



**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Payments to Social Security Trust Funds**

The fiscal year (FY) 2008 appropriation request for Payments to Social Security Trust Funds totals \$28,140,000 and covers four general fund payments to the Social Security trust funds.

**Reimbursement for Pension Reform Administrative Costs**

Included in this request is \$6,400,000 to reimburse the Old-Age and Survivors Insurance (OASI) trust fund for the cost of administering pension reform responsibilities assigned to the Social Security Administration under Public Law 93-406, the Pension Reform Act. The reimbursement is for the cost of furnishing information on deferred vested pension rights to pension plan participants or their survivors.

The request for FY 2008 is the same as the FY 2007 funding level and reflects the ongoing level of effort associated with this work, which flows from reports received from the Internal Revenue Service regarding individuals who have earned vested pension rights. In the event that actual expenses needed to process this workload exceed the amount available for reimbursement through this account in any fiscal year, the trust fund is made whole in the subsequent fiscal year upon enactment of the Payments to Social Security Trust Funds appropriation for that year.

**Unnegotiated Checks**

Also included in this request is \$14,000,000 to reimburse the OASI and Disability Insurance (DI) trust funds for the value of interest on benefit checks that remain uncashed after 6 months. This payment is authorized by Section 201(m) of the Social Security Act and Section 152 of the Social Security Amendments of 1983 (P.L. 98-21). The request for FY 2008 is the same as the FY 2007 funding level. It supports the expected level of uncashed check activity and represents the estimated interest for unnegotiated OASDI checks.

Social Security checks are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act of 1987 (P.L. 100-86). The face value of these checks is credited directly to the trust funds from the general funds when the checks are canceled. This account reimburses the trust funds for interest lost through the date of crediting at the following points in the check negotiation process: (1) checks that remain uncashed after 6 months; (2) checks that are cashed after 6 months; and (3) checks that are administratively canceled after 12 months.

**Special Payments for Certain Uninsured Persons**

The request before this Committee includes \$13,000 to reimburse the OASI trust fund for the cost of special benefits paid to certain uninsured persons aged 72 years and over. The benefits are paid mainly to individuals who attained age 72 before 1968 and did not have a chance to work long enough under Social Security to become insured. This payment covers benefits paid in FY 2006. The amount requested also includes reimbursement for related administrative expenses and interest lost to the trust fund.

The population receiving special payments is a closed group of very aged persons, and their number decreases annually. As of September 30, 2006, there were 2 persons receiving benefits under this program, as compared to 3 on September 30, 2005.

### **Military Service Wage Credits**

The FY 2008 request includes \$7,727,000 to reimburse the DI trust fund for the costs of granting noncontributory wage credits for pre-1957 military service, as authorized by Section 217(g) of the Social Security Act. The 1946 Social Security Amendments provided for payment of Social Security benefits to World War II veterans and their survivors based on noncontributory wage credits for each month of the veteran's active military service.

To finance the additional costs of paying benefits based on periods of military service before 1957 for which no contributions were made, the Social Security Act provides for reimbursement to the OASI and DI trust funds from the general funds of the Treasury. The Social Security Amendments of 1983 modified procedures for reimbursing the trust funds, with an initial lump-sum transfer based on the estimated present value of all future benefits arising from noncontributory credits granted before 1957, subject to adjustment every fifth year beginning in 1985. Following the transfers to the trust funds in 1983 and 1985, subsequent quinquennial adjustments have called for transfers from SSA's trust funds to the general funds of the Treasury, with the exception of 2000, when an appropriation was needed in FY 2002 to transfer general funds to the OASI trust fund. Consistent with the statute, transfers from the trust funds have been effectuated in a timely fashion and without appropriations.

SSA's Office of the Chief Actuary determined that \$350,000,000 should be transferred from the OASI trust fund to the general funds for the latest quinquennial adjustment. This transfer was made on December 30, 2005. The actuaries also determined that \$7,727,000 should be transferred from the general funds to the DI trust fund in FY 2008, including interest, as authorized under Section 217(g). SSA's appropriation request will enable SSA to implement the quinquennial DI adjustment.

### **Coal Industry Retiree Health Benefits**

The request before this Committee does not include additional funds to reimburse the OASI trust fund for work carried out under Section 19141 of the Energy Policy Act of 1992 (P.L. 102-486), which established the "Coal Industry Retiree Health Benefit Act of 1992" (CIRHBA). CIRHBA requires the Social Security Administration to search earnings records of certain retired coal miners to determine which mine operators are responsible for payment of their health benefit premiums under the law. The Social Security Administration computes the premiums due based on a formula established in the Act, notifies the affected mine operators, processes appeals from operators who believe that assignments have been made incorrectly, and responds to and participates in litigation resulting from these agency determinations. Additional funds are not requested for FY 2008 because amounts remaining from the \$10,000,000 per year appropriated in FY 1996 and in FY 1997 will continue to be available until expended to reimburse the OASI trust fund.

SSA is also in the process of analyzing new legislation which significantly impacts and restructures the Coal Act. On December 20, 2006, the President signed the Tax Relief and Health Care Act of 2006 (H.R. 6111). Subtitle B of this bill, entitled the "Coal Industry Retirement Health Benefit Act," contains numerous provisions affecting how SSA makes assignments of retired miners to coal companies. One provision specifically directs the Commissioner to "revoke all assignments to persons other than 1988 agreement operators for purposes of assessing premiums for plan years beginning on or after October 1, 2007." SSA is unsure of the resources that will be required to accomplish the implementation of this legislative mandate. Thus, SSA will conduct numerous internal/external meetings and discussions to determine how H.R. 6111 will affect existing policies and procedures.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Supplemental Security Income**

The Supplemental Security Income (SSI) appropriation provides funds for direct cash assistance to eligible aged and blind or disabled recipients to help finance their basic needs. The appropriation request for fiscal year (FY) 2008 is \$26,911,000,000 in addition to the \$16,810,000,000 appropriated for the first quarter of FY 2008 in the FY 2007 appropriation, bringing the total to \$43,721,000,000. This includes \$40,675,000,000 for Federal benefits to aged, blind and disabled beneficiaries, \$2,983,000,000 for payment to the trust funds for administrative expenses, \$36,000,000 for beneficiary services, and \$27,000,000 for research and demonstration projects.

In addition to the appropriation request, in FY 2008 SSA is also planning to use \$1,001,234,983 in carryover of unobligated balances for federal benefit payments, \$70,433,556 in carryover for beneficiary services, and \$17,910,191 for research and demonstration projects.

We are also requesting an advance appropriation of \$14,800,000,000 for the first quarter of FY 2009 to ensure that benefits will continue without interruption into the next fiscal year.

**Federal Benefit Payments**

The SSI program ensures a minimum monthly level of income to eligible aged and blind or disabled individuals. An individual's income, resources and living arrangements are evaluated to compute the monthly SSI payment. The average number of Federal SSI beneficiaries is expected to increase from 7,045,000 in FY 2007 to 7,221,000 in FY 2008, an increase of about 2.5 percent. The Federal Benefit Rate is expected to increase from \$623 for an individual and \$934 for a couple in calendar year 2007 to \$632 and \$947 respectively in 2008.

The total FY 2008 request for Federal benefit payments is \$40.675 billion. This is an increase of \$3,471,000,000 from the amount appropriated for Federal benefits in FY 2007. This increase is primarily due to the October 1, 2006 payment having been accelerated into FY 2006. Because October 1, 2006 was a Sunday, the payment was made on September 29, the prior business day, and was attributable to FY 2006. This resulted in only 11 monthly benefit checks in FY 2007, while the normal 12 monthly benefit checks will be paid in FY 2008.

Increases are also due to increases in Federal SSI recipients and increases in the average monthly benefit payment due to cost-of-living adjustments (COLA) of 3.3% in January 2007 and an estimated 1.4% in January 2008. The effects of these increases are partially offset by the corresponding increase in Social Security benefits due to annual COLAs. Social Security benefits are counted as income for concurrent recipients (about 35% of SSI recipients) and the higher income reduces the SSI benefit payment.

In addition, SSA is planning to use \$1,001,234,983 in carryover of unobligated balances for Federal benefits payments in FY 2008 and has reduced the appropriation request by that amount.

## **Beneficiary Services**

This activity funds reimbursements to Vocational Rehabilitation (VR) agencies for rehabilitation services provided to SSI beneficiaries. It also funds payments to Employment Networks authorized under the "Ticket to Work and Work Incentives Improvement Act of 1999" (P.L. 106-170). The FY 2008 request for beneficiary services is \$36 million. There was no FY 2007 request because planned obligations are being funded with budget authority carried over from FY 2006. SSA plans to obligate \$106.4 million in FY 2008 with funds partially carried over from FY 2007. This represents an increase of \$16.4 million from the FY 2007 obligation estimate of \$90 million. The Ticket legislation allows SSI disabled recipients more flexibility in obtaining "return to work" services by providing them with a Ticket to offer an Employment Network of their choice in exchange for VR services, employment services, and other support services. The regulation to implement the Ticket to Work Program was effective January 28, 2002. The Ticket program has been rolled out to all States and U.S. territories since September 2004.

## **Payment to the Trust Funds**

The SSI and Social Security programs are administered on an integrated basis for purposes of economy and efficiency. The Social Security Act authorizes SSA to pay for SSI administrative expenses from the Social Security trust funds, through the Limitation on Administrative Expenses (LAE) account, with subsequent reimbursement from general funds through this appropriation. The FY 2008 request for this reimbursement is \$2,983,000,000. This amount will reimburse the trust funds for estimated FY 2008 SSI administrative expenses advanced from the trust funds. In the event that actual SSI administrative expenses exceed the amount available for reimbursement through this account in any fiscal year, the trust funds are made whole in the subsequent fiscal year upon enactment of the SSI appropriation for that year.

These amounts exclude funding made available in the LAE account from user fees related to SSA administration of State SSI supplementation payments. The LAE account assumes funding of \$135,000,000 from this source in FY 2008.

## **Research**

Sections 1110 and 1115 of the Social Security Act provide funding authority, including waiver authority for the SSI program where appropriate, for research and demonstration projects. Authority is provided for conducting both broad-based cross-program projects in the Social Security and SSI programs and projects dealing with specific SSI program issues. Section 1144 of the Social Security Act requires SSA to conduct outreach efforts to identify individuals who may be eligible for payment of the cost of Medicare under the Medicare Savings Program. The passage of the Medicare Prescription Drug, Modernization, and Improvement Act of 2003, P.L. 108-173, expanded the existing cost-sharing outreach requirements of section 1144 to include outreach to beneficiaries who may potentially be eligible for Medicare prescription drug subsidies under Medicare Part D.

The \$27 million request for the FY 2008 extramural research program, along with \$17.9 million in funds carried over from FY 2007, will fund a range of activities, including projects to develop effective rehabilitation and return-to-work strategies, analyze reform proposals to ensure sustainable solvency, maintain and improve basic data about the Social Security and SSI programs and beneficiaries, and provide outreach to potential beneficiaries of the Medicare Savings Program and prescription drug subsidies. Some of the major research efforts are as follows:

Youth Transition Demonstration. SSA has cooperative agreements in six States for the purpose of assisting youth with disabilities to successfully transition from school, which may include post-secondary education, to employment and ultimately economic self-sufficiency. The States have formed partnerships with Federal, State and local entities to improve employment outcomes for youth ages 14-25 who receive SSI or SSDI payments on the basis of their own disability. These projects are providing a broad array of transition-related services and support to SSI and SSDI applicants and children. The Youth Transition Demonstration Project will have joint funding with section 234, as appropriate, based on the participation of Title II and Title XVI beneficiaries.

Florida Freedom Initiative. The Florida Department of Children and Families has a waiver program with the Centers for Medicare and Medicaid Services targeting individuals with developmental disabilities. The waiver program allows individuals to obtain cash instead of certain Medicaid services to allow participants greater control in the planning and purchase of supports and services. SSA has waived certain SSI program rules to allow our beneficiaries to participate in the Florida Freedom Initiative. This project is expected to continue into FY 2008.

Interim Medical Benefits. The Interim Medical Benefits project will provide medical benefits to individuals with no medical insurance (no "treating source" evidence) whose medical condition would likely improve with treatment. This intervention will facilitate the development of the necessary documentation for disability adjudication while providing the applicant with needed services.

Evaluation of the Ticket to Work. This independent evaluation project is being conducted to assess the cost and effectiveness of the Ticket to Work initiative. It is examining the total and net cost of the program; the individual and service provision characteristics affecting return-to-work; the employment outcomes for participants; the characteristics of service providers and provider networks; the appeal of the program among the eligible population; and the satisfaction of participants with the program in general. The evaluation will also provide feedback to policy makers through annual reports detailing data collected, and findings and recommendations for program modifications.

Institute of Medicine (IOM) / Medical Listings. SSA awarded a contract in FY 2004 to the IOM asking advice on how SSA could improve the Listings of Impairments and Agency access to medical expertise. An expert committee issued an interim report on December 21, 2005. Its initial recommendations advised SSA to standardize qualification criteria and training for medical experts and consultative examiners. The final report will address remaining tasks about the Listings of Impairments. IOM will also host a meeting to inform the public and the medical community of its final recommendations.

SSA intends to award a follow-on contract in FY 2007 to seek advice from another committee of experts on a number of issues related to implementation of the Office of Medical/Vocational Expertise. In addition, IOM will make recommendations relative to improving medical opinion evidence, the use of treating source opinion evidence, and qualifications for consultative examination providers.

Pediatric Medical Unit. This contract will support the development of Pediatric Medical Units which will provide a range of medical expertise resulting in improved determinations for children filing for SSI disability benefits.

Predictive Modeling. As part of SSA's new approach and the final rule for adjudicating initial disability claims dated March 31, 2006, SSA is undertaking several activities to streamline the disability determination process for those whose impairment(s) clearly meet our rigorous standards and to provide return to work assistance to applicants and beneficiaries at all levels of

the process. In support of that goal, SSA developed a Predictive Modeling (PM) tool which will help SSA identify people applying for disability benefits as potential candidates for a "Quick Disability Determination" (QDD) or potential participants for one of the demonstration projects involving work interventions. A contract was awarded to IBM in September 2004 to develop a PM tool for the QDD process. The contractor has conducted the analysis for the screening tool, developed a logical model, data/text mining alternatives and systems design alternatives and has developed the detailed functional requirements and system implementation. In July 2006, the QDD tool was incrementally tested in the Boston Region.

Solvency Research. The research budget supports efforts to assess the economic and distributional impact of proposals for reforming Social Security and keeping it financially sustainable now and in the future. Two key projects are:

Retirement Income Modeling, which uses econometric and simulation models to provide policymakers with detailed information on the effects of changes in Social Security on individuals and the economy, with projections for years into the future.

The Retirement Research Consortium, which consists of three multi-disciplinary centers that perform research and evaluation of retirement policies, disseminate results, train young scholars and practitioners, and facilitate the use of SSA administrative data for policy research purposes.

Medicare Outreach. Medicare Buy-in Outreach, required by section 1144 of the Social Security Act, calls for SSA to provide notification to those potentially eligible for the Medicare Savings Program and help with prescription drug expenses under Medicare Part D. In addition, SSA is required to share lists of potential eligibles with State Medicaid agencies. The major objective of these projects is to increase enrollment of eligible low-income individuals into programs which assist Medicare beneficiaries with their out-of-pocket medical expenses, including prescription drugs.

Homeless Outreach Projects and Evaluation (HOPE). SSA received earmarked appropriations in FYs 2003-2005 to conduct outreach to "homeless and other under-served populations." These funds are used to test ways of conducting outreach that makes use of external partnerships to improve services to disability applicants and that improves the quality of applications from homeless individuals. The purpose of the outreach is two-fold: to make individuals who may be eligible for benefits aware of them; and to provide special assistance to those who have difficulty completing an application or following through on it. We have entered into cooperative agreements with community-based entities that already have expertise in locating and engaging people with disabilities who are homeless.

**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Limitation on Administrative Expenses**

The Administration's fiscal year (FY) 2008 request for the Limitation on Administrative Expenses (LAE) account is \$9.597 billion, which is less than 2 percent of the Agency's total outlays. The LAE request, including funding derived from user fees, provides administrative resources for the Old-Age and Survivors Insurance, Disability Insurance (DI), Supplemental Security Income (SSI) programs, Special Benefits for Certain World War II Veterans, the Medicare prescription drug program, and certain other Medicare support functions.

The President's LAE request of \$9.597 billion is an increase of \$299 million over the FY 2007 enacted level, and \$101 million over the FY 2007 President's budget request. The LAE budget is driven primarily by the size of SSA's programs and their corresponding workloads, and the Agency's strategic goals. The year-to-year increase is related primarily to fixed SSA and State Disability Determination Service (DDS) cost increases associated with higher costs for Federal and State employee salaries, and increases in the cost of rent, guard services and other fixed costs, as well as SSA's efforts to increase the number of continuing disability reviews (CDRs) processed.

This request will allow SSA to generally maintain service, increase processing of cost-effective continuing disability reviews and SSI non-disability redeterminations through a discretionary spending cap adjustment of \$213 million, and help administer the Medicare prescription drug plan. With this budget SSA will also continue to increase overall productivity by continuing successful implementation of the electronic disability (eDib) project and with investments in automation and electronic service delivery.

**Salaries and Operating Expenses**

The LAE budget request includes \$7.336 billion for Federal salaries and operating expenses, including Federal pay raises and benefit increases. This amount is associated with the staffing levels needed to process projected workloads. SSA relies on a mix of full-time equivalents and overtime to achieve its total workyears. This budget supports 61,129 Federal workyears – a decrease of 1,573 workyears from the FY 2007 enacted level.

**State Disability Determination Services**

The LAE budget request includes \$1.806 billion for operating expenses for the State Disability Determination Services. This represents a net increase of \$91 million over the FY 2007 level, primarily to fund State pay raises and higher costs for medical evidence. SSA estimates that almost 2.5 million initial disability claims will be processed by the DDSs in FY 2008. In addition, SSA will continue its focus on program integrity by conducting periodic CDRs. The FY 2008 President's budget includes a proposal to dedicate funding for increasing the number of CDRs conducted.

**Information Technology Systems**

The LAE budget request includes \$455 million for Information Technology Systems (ITS) in FY 2008. The ITS budget provides for the acquisition and maintenance of automated data processing and telecommunications hardware and software, as well as related contractual services. These funds will help expand the range of services SSA offers electronically and

support key automation initiatives, such as the electronic disability process, as well as provide for ongoing operations and maintenance activities and upgrading information technology infrastructure.

### **Program Integrity Activities**

The President has proposed to set caps on net discretionary budget authority and outlays in FY 2008. The FY 2008 President's budget would allow adjustments to these caps for spending above a base level of funding for several Government-wide program integrity activities, including SSA's CDRs and SSI redeterminations.

In FY 2008, the LAE base request includes a total of \$264 million dedicated for CDRs and SSI non-disability redeterminations. The request specifies that upon enactment of discretionary spending caps, \$213 million of SSA's budget request would not count towards the overall cap on discretionary budget authority. CDRs are the most effective mechanism SSA has for determining whether DI and SSI disability beneficiaries have medically improved or continue to meet the statutory definition of disability. CDRs are a proven, sound investment – yielding \$10 in lifetime program savings for every \$1 spent. SSI redeterminations are periodic reviews of non-medical factors of SSI eligibility. Redeterminations yield \$7 in lifetime program savings for every \$1 spent.

### **User Fees**

The FY 2008 LAE request includes up to \$135 million in funding from user fees that are paid by States for Federal administration of SSI State supplementation payments. This is \$16 million higher than the FY 2007 level. Funding derived from the user fees helps cover the costs of administering State supplementation payments. The FY 2008 LAE request also includes up to \$1 million in fees for certification of non-attorney representatives, as provided in section 303(c) of the Social Security Protection Act.

### **Medicare Workloads**

SSA continues to play a substantial role in the implementation of the Medicare Modernization Act (MMA) – specifically, the Medicare prescription drug benefit. SSA includes resources to support this work in the LAE request. In FY 2008, SSA expects to receive approximately 269,000 Part D subsidy applications as new seniors become eligible. The budget estimate also includes resources for the new MMA related workload, Part B income-related premium determinations.

### **Conclusion**

This budget request of \$9.597 billion for the LAE account provides the administrative funding necessary to enable SSA to continue providing monthly benefit payments and related services to nearly 55 million people, while:

- Increasing cost-effective CDRs and redeterminations;
- Helping to administer the Medicare prescription drug plan; and
- Continuing to increase SSA's overall productivity.



**SOCIAL SECURITY ADMINISTRATION**  
**Statement by the Commissioner of Social Security**  
**on**  
**Office of the Inspector General**

**Background**

As part of the Social Security Independence and Program Improvements Act of 1994, SSA was provided with its own statutory Inspector General. As mandated by the Inspector General Act of 1978, as amended, the Office of the Inspector General's (OIG) mission is to protect the integrity of SSA's programs. The OIG is directly responsible for promoting economy, efficiency and effectiveness in SSA programs and detecting and preventing fraud, waste and abuse. This mission is carried out through a nationwide network of audits and investigations. In conducting audits and investigations, the Inspector General works closely with both the Congress and SSA to improve program management.

**Budget Request**

The fiscal year (FY) 2008 appropriation request for the OIG totals \$95,047,000. This includes \$27,000,000 to be appropriated from general funds and \$68,047,000 to be transferred from the Social Security trust funds. OIG's FY 2008 budget request provides funds for the current operating expenses of its programs, including:

- almost \$84.3 million for salaries and benefits; and
- almost \$10.8 million for other operating expenses such as rent, travel, service agreements, investigative equipment, and supplies.

This request is an increase of approximately \$3 million (3.3 percent) compared to the FY 2007 enacted level. This increase covers the costs of mandatory payroll increases including Federal pay raises, within-grade increases, benefit rate increases for health benefits, and higher costs for newer employees hired under the Federal Employees' Retirement System (FERS).

The budget request is driven primarily by costs (including salaries, benefits, rent and core services) associated with supporting the staffing levels needed to conduct audits and investigations. The FY 2008 request supports a staffing level of 618 workyears. With the resources included in this request, OIG will continue to support ongoing major initiatives that focus on key areas such as Social Security number integrity and protection. OIG will also continue to aggressively pursue anti-fraud activities on a variety of fronts. The Cooperative Disability Investigation Program will continue to investigate disability program fraud while other personnel will combat improper OASDI and SSI payments.

**Conclusion**

FY 2008 will bring new opportunities for the OIG to fulfill its mission, as well as to confront the continuing challenges of assuring integrity in the nation's largest benefit-paying programs. This budget request provides funding to enable the OIG to carry out that mission and to support SSA's efforts to seek efficiencies, avoid erroneous payments, and combat fraud.