

Social Security Disability Backlogs

**Statement of Sylvester J. Schieber, Chairman
Social Security Advisory Board
To the
Subcommittee on Social Security of the
Committee on Ways and Means
U.S. House of Representatives
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Chairman McNulty, Mr. Johnson, Members of the Subcommittee. I am pleased to have this opportunity to appear on behalf of the Social Security Advisory Board to discuss the backlogs in the Social Security disability programs. I would like to give you the Board's perspectives on what the situation is, how we got there, and—most importantly—what can be done about it.

What the situation is

As you pointed out in the press release announcing this hearing, Social Security disability claimants often face lengthy and sometimes unconscionable delays in the processing of their claims. I think that situation is well known. I am, if anything, a bit surprised that it does not get more attention than it has. The only thing I would add to your assessment of the current situation is that it may be even worse than some of the numbers indicate.

Average processing times mask the fact that many claims lower the average because they are simple, obviously severe (or obviously not), and are well documented. Others may require more complex evaluation that can require processing time well in excess of the average. Moreover, a very large number of those who get disability benefits are required to pursue their claims beyond the initial stage. For example, a little more than one million of those who applied for benefits in the year 2000 were ultimately found eligible. About 300 thousand of them got their benefit awards only after going through the reconsideration and/or hearing stages. So, while the average processing time for initial claims is about 3 months, it is not at all unusual to wait additional months in the reconsideration process, and much more in the hearings process where average processing times have risen to about a year and a half and many appeals take much longer.

Moreover, the very existence of long average processing times and of huge backlogs in high visibility areas such as initial pending workloads creates pressures that distort the process. Trying to control those metrics can put too much emphasis on moving easier cases or those that contribute most to the backlog count at the expense of older cases and at the expense of cases in categories such as reconsideration which are not widely reported. In fiscal year 2006, for example, the number of initial claims pending actually declined slightly from 560 thousand to 555 thousand. Given the tight budget, this

looks like a major achievement. But the number of initial claims pending longer than 4 months grew by over 7000 and there was a 38 percent increase in claims pending over half a year. The situation was even more pronounced for those waiting a decision at the less visible reconsideration level. Even though the State Disability Determination Services received substantially fewer reconsideration requests in 2006, the size of the backlog grew by more than 30,000 claims and there was a more than 115% increase in the percentage of claims that had been waiting a decision at the reconsideration stage for more than 6 months.

The number of hearings pending at the end of fiscal year 2006 showed an increase over the prior year from 708 thousand to 716 thousand, but that was far smaller than the 756 thousand projected at the start of the year. However, this was not because the agency processed more claims than it had expected to but rather because there were fewer appeals than expected. That sounds like good news, but at least part of the reduction in the number of new hearings cases is a reflection of the growing number of cases remaining undecided at the earlier, reconsideration stage. And within the hearings stage, as within the earlier stages, such progress as was made seems to have come at the expense of those claimants who have been waiting longest for a decision. While overall pending levels rose by less than 10,000, hearings cases pending more than 9 months rose by 32,000 including an increase of 16% in cases pending over a year.

In pointing out these distortions, I do not intend to be critical of the Social Security Administration's employees or management, but rather to make sure that you are not confused by some seeming good news that really masks a very serious and worsening situation caused by inadequate resources. The fact is that the Social Security programs, especially the disability programs, are complex, production operations that demand adequate resources. In the absence of those resources, program managers are faced with making decisions where both choices are bad. On the one hand, fairness would seem to dictate concentrating resources on those claims that have been waiting longest. On the other hand, failing to act quickly on easy claims will likely turn them into difficult ones that consume even more resources to update evidence and to evaluate the additional and worsening conditions that claimants experience during, and to some extent because of, the delays in processing their applications.

One of the bad choices that managers have to make when administrative funding is inadequate is whether or not they should divert funds from activities which have a long-run payoff in lower costs in order to meet the immediate pressures of rising claims backlogs. In that sort of competition, the needs of the disabled claimant obviously and correctly win out. But funding at a level that forces that choice is the ultimate in penny-wise and pound foolish behavior.

Careful actuarial studies show that stewardship activities return benefit savings that are many times their administrative costs – up to \$10 saved for each \$1 spent for some kinds of reviews. Yet, the agency has been largely abandoning these stewardship activities in order to move claims along. I realize that there is a budgetary distinction between administrative and benefit spending, but that distinction is an artificial

procedural construct. Failing to achieve easily attainable reductions in improper benefit payments is not only wasteful, but it will worsen the future year total deficits that are, in the last analysis, what constrains discretionary spending. It also makes a mockery of the legislative and regulatory rules that define eligibility for benefits in the first place.

And no one should think that this is a problem that will just go away with the passage of time. Quite the contrary. Over the coming decade and a half, the projected rate of growth in the number on the benefit rolls will be roughly double what it was over the past quarter century. That is, the size of the Social Security programs will increase from about 50 million beneficiaries to over 70 million. At the same time, the agency faces a retirement wave of experienced staff, a tighter labor force that will make it more difficult and expensive to hire replacements, and a likely continuation of budgetary constraints.

How did we get here?

The Social Security Advisory Board has attempted over the years of its existence to point out the need for increased resources. Just last month, we wrote to the leadership of the Appropriations Committees that inadequate funding has prevented the Social Security Administration from providing the level of service to the public and program stewardship that American taxpayers have a right to expect. Last year, my predecessor as Chairman submitted testimony to the Finance Committee, noting that the agency has been provided resources that are inadequate to enable it to keep up with its workloads. The Advisory Board issued its first report on the disability programs in August of 1998. In that report, the Board made several references to the need for more adequate resources. Every year since then, the Board has issued one or more reports or other statements pointing out the need for more adequate resources. A quick count by our staff revealed that during my tenure on the Board since 1998 we have issued some 21 different Board reports and statements along those lines.

The Congress, in setting up the Social Security Administration as an independent agency, directed it to develop annual budgets based on comprehensive workforce plans. In each of the past several years, the official budget request for the agency's administrative operations has been lower than the amount in these "workforce plan" budgets. As shown in the table below, the actual amounts enacted in each year of this 21st Century have been below the SSA workforce budget and also below the Administration's formal budget request. The shortfall relative to the official administration budget has totaled \$1.4 billion over these seven years including a half billion just in the last 2 years. The difference between the enacted budgets and the agency workforce plan budgets over the period totals over \$5 billion.

So what we have are several consecutive years of providing resources well below the levels recommended by the professional program managers. During that same period, the demands on the program grew rapidly. In the Disability Insurance program for example, there were 1.3 million new benefit applications in the year 2000. By 2005, that number had grown to 2.1 million—an increase of 60 percent over the period.

Social Security Administrative Funding (millions)			
Fiscal Year	SSA Request	President's Budget Request	Final Appropriation
2000	\$ 6,997.0	\$ 6,706.0	\$ 6,572.0
2001	\$ 7,466.0	\$ 7,134.0	\$ 7,124.0
2002	\$ 8,122.0	\$ 7,581.5	\$ 7,569.6
2003	\$ 8,080.0	\$ 8,282.8	\$ 7,885.1
2004	\$ 9,018.0	\$ 8,530.0	\$ 8,313.2
2005	\$ 9,442.0	\$ 8,878.0	\$ 8,732.5
2006	\$ 10,240.0	\$ 9,403.0	\$ 9,108.6
2007	\$ 10,350.0	\$ 9,496.0	\$ 9,294.0
Total	\$ 69,715.0	\$ 66,011.3	\$ 64,599.0

As you indicated in announcing this hearing, Congress has also added new workloads for the Social Security Administration during this period including significant responsibilities outside its core mission, for example, in support of the new Medicare prescription drug program and to assist with verifications of immigration status.

The Social Security Administration and its management and employees have always taken pride in their “can do” attitude even in the face of growing workloads, new workloads, and inadequate resources. But attitude can take you only so far. At some point “can do” takes on the proverbial straw that breaks the camel’s back.

We can talk about Social Security as America’s premier social program. We can talk about our commitment to providing “world class” service to the American public. We can talk about our concern to promptly address the needs of the most vulnerable among us, including those disabled persons who turn to the program for the benefits it promises. The reality is this. Thousands of cases of disability applications languish for years as the committed workers at the agency work through crushing backlogs, rapidly growing application rates, and steadily declining numbers of workers to process the workloads. If we want to achieve the publicly stated goals of this program, we have to pay for doing so, and at this point we are not.

What can be done?

Former Commissioner JoAnne Barnhart, who recently completed her term of office, initiated some important changes that, in the long-run, may significantly help to meet the challenges of the growing caseloads the agency will see in the future. In particular, she accelerated the development of an electronic disability case folder that is already paying dividends in terms of reduced storage and postage costs, quicker shipment of case folders from one place to the next, and greater ability for collaboration. She also initiated major changes in the handling of disability claims including restructuring of the appeals process and commitment to a much improved quality management system that

can have significant payoff in efficiency, timeliness, and consistency. This is important and promising, and the Social Security Advisory Board was and remains very supportive of these initiatives. But they are not magic bullets.

Many aspects of these changes are very much in the beginning stages. The new disability system is to be rolled out over the remainder of this year in the smallest, and in many ways, easiest region and expanded to the rest of the country over a period of years. The new quality management system is, at this point, a plan rather than an accomplishment. And the successes of all these initiatives are very much dependent upon the provision of adequate resources to complete them and to provide the technological development and other support needed to make them work properly. How quickly and how well those successes are achieved will be affected by whether or not they become lesser priorities in the face of the competing demands of huge backlogs of current claims and appeals.

I recently met with a group of state disability determination directors who are excited that this quality control system will help them dramatically improve the quality of their determination processes. They are also gravely concerned that the quality management system will not be rolled out on a timely basis because there are not resources available to do so.

In these times of constrained budgets, it is indeed a daunting challenge to find resources adequate both to deal with the large current caseloads and to undertake the changes in technology and process that will be needed to prepare for the even larger caseloads that are on the way. As I mentioned earlier, the Advisory Board has repeatedly, over the years since you created it, called attention to the need for more adequate administrative resources. I could simply reiterate those earlier pronouncements, but I am mindful of the adage that insanity lies in repeating the same failed actions over and over but expecting improved results. So I would like to suggest a few avenues you might explore to facilitate the process of matching the program's requirements and its administrative funding. I should tell you that, because of the limited advance notice of this hearing, I have not had the opportunity to have my colleagues on the Advisory Board review these suggestions, but I believe they are generally consistent with the views the Board has expressed in the past.

As I mentioned earlier, you enacted legislation in 1994 that made the Social Security Administration an independent agency and directed the Commissioner to develop and transmit to the Congress a budget based on a workforce plan. Former Commissioner Barnhart built upon this provision by developing what she called a "service-delivery" budget—a multi-year funding and workforce plan that showed a path to reducing the current huge backlogs to appropriate levels over a period of years. The objective of this Commissioner's budget is very well described in the President's budget document for fiscal 2008. It says:

The Commissioner developed a multi-year Service Delivery Budget through 2012 to provide a context for making decisions on needed improvements in service delivery and fiscal stewardship, and the requisite staffing to accomplish both.

The Social Security Act requires this budget to be transmitted to Congress without change along with the President's own budget. In developing his budget, the President obviously has to consider all National needs. It is neither surprising nor inappropriate that his judgment as to the appropriate administrative budget for the Social Security Administration may differ from that of the Commissioner. But the workforce-plan budget required by statute can, as the words of the President's budget indicate, provide a context for decision-making.

Unfortunately, all that is included in the budget submission is the single, bottom-line number from the Commissioner's budget and none of the detail about how that number was derived. A single number does not provide a "context for decision-making"; it is simply a number. As far as I know, that number appears at the end of the Social Security section in the budget appendix and is used for nothing. The process of deriving it may be helpful to decision makers within SSA, but it does not help the Advisory Board or the Congress understand the workforce needs of the agency. As far as I can tell, it is printed and ignored.

The justification materials presented to and considered by the Appropriations Committees are entirely based on the official budget numbers without benefit of the context that could be available if the background of the workforce-plan or service-delivery budget were included. I believe this additional transparency in budgeting could help Congress better understand what is needed to fund the administrative costs adequately, but knowing and doing are different.

In its past reports concerning the Social Security Administration's resources, the Advisory Board has on a number of occasions urged that the agency's administrative funding should not be subject to discretionary caps in the budget process. Beyond this, I would point out that Congress has in the past employed special budgetary procedures aimed at meeting identified needs in the operation of the Social Security program. For example, over a period of years, there were special amounts of funding set aside to enable the agency to upgrade its technology and to carry out continuing disability reviews. There is, of course, always a concern about overly constraining the flexibility of the Commissioner to move resources around as circumstances change, but Congress has occasionally found funding mechanisms directed at certain high priority objectives to be useful and effective.

A third suggestion I would make is for a thoroughgoing evaluation of the Social Security programs with a view to finding policy improvements that might suggest ways to make the program easier to administer. In the Board's library we have a copy of the original Social Security Act. It is somewhere between a sixteenth and an eighth of an inch thick. The current compilation of the Act is about 3 inches thick. I realize that much of that relates to Medicare, but the Social Security and SSI programs also have been

amended many times over, usually with the result of adding complexity. As we move into a future with larger workloads and continuing budgetary limits, it would be useful to evaluate existing procedures and rules to see if they can be made more objective and easier to administer.

In 1997, the very first report the Advisory Board issued called upon the agency to enhance its policy research and evaluation capacity. A year later, the Board again called for improved capacity to evaluate SSA programs: "It is critically important," we said "for SSA to conduct, on a continuing basis, careful research and analysis of its administrative operations....The agency must be able to know what works and what does not and be looking continually for ways to improve its service to the public." The agency collects enormous amounts of data about its programs and operations, but it still is deficient in both tools and personnel to capture and use that data for program evaluation.

Mr. Chairman. I hope these comments are helpful to the Subcommittee as it examines the backlogs in the Social Security disability programs. Those programs have been one of the major concerns of the Social Security Advisory Board since it first began operations in 1996. The Board expects to continue its careful review of them. It would be happy to provide any additional assistance you may want, and I would be happy to answer any questions you may have.