

Clearing the Disability Claims Backlogs: The Social Security Administration's Progress and New Challenges Arising from the Recession

Statement of
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Chairman Tanner, Mr. Johnson, Members of the Subcommittee. I am pleased to have this opportunity to appear on behalf of the Social Security Advisory Board to present the Board's view on the progress made by the Social Security Administration (SSA) in clearing the disability backlogs. As you have noted, the agency is facing unprecedented workloads in the Disability Determination Services at the same time they are diligently working to bring down the backlogs in the hearings offices.

Mr. Chairman, I want to thank the Congress and especially this Subcommittee for the much-needed investment that you have already made in the Social Security Administration. In FY 2009, Congress provided SSA with an administrative budget of \$10.4 billion— \$126.5 million above the President's budget request. I also want to thank you for the enactment of the *American Recovery and Reinvestment Act*, which provided SSA with another \$500 million to process the growing backlog of disability claims. These funds have helped ensure that the agency is able to fulfill its vital role in serving the American public.

Through the services it provides, the Social Security Administration touches the lives of nearly 60 million beneficiaries, 145 million workers and nearly every American. One out of every six individuals receives monthly cash benefits from Social Security or Supplemental Security Income (SSI), the major programs that SSA administers. This fact alone should be an indicator of the importance of continuous, smooth operations of this agency.

Social Security is an important economic lifeline for millions of America's most vulnerable people, including aged individuals and persons with disabilities, as well as their spouses, dependents, and survivors. In fiscal year 2009, 42.6 million people were receiving retirement and survivor benefits and another 15.1 million were receiving disability benefits. SSA processed over 4.7 million retirement and survivor claims, 2.8 million initial disability claims, and 661,000 disability hearings during the fiscal year that has just ended. The agency provided services to the public in general by processing over 19 million requests for new or replacement Social Security cards, posting

273 million earnings items to individual earnings records, answering 67 million calls to its 800-number and receiving over 45 million visitors to the local field offices.

Over the past 74 years, the agency has been a diligent steward of the public's trust, overseeing the benefit programs upon which so many individuals and families depend. In recent years, however, SSA's ability to fulfill its mission has been severely strained. Chronic underfunding despite growing workloads has been the chief source of the problem. In his fiscal year 2010 budget, the President has requested \$11.45 billion for the Social Security Administration. If SSA has any chance of keeping up with its growing workload, it will need this full appropriation. The fiscal year 2011 budget is now being prepared by the Office of Management and Budget. It is my hope that the President and the Congress will include sufficient funds in the fiscal year 2011 appropriation to address the current backlog of cases as well as the new recession-driven claims.

Fiscal Year 2009 Accomplishments

It is well known to this Subcommittee that SSA has long struggled with managing its disability hearings workload. This year, indeed, may well be a watershed year for the hearing process where new business processing and management analysis tools have been developed, electronic service delivery has been improved, and much-needed staff has been added.

The investment made in SSA has had a significant impact on the agency's ability to address the disability backlog. They have been able to do unprecedented hiring—nearly 9,000 new employees. These new personnel have allowed them to replace retiring staff and expand critical front-line service in the field offices, the state disability determination services, and the hearings offices. For the hearings process, this additional funding gave the Office of Disability Adjudication and Review (ODAR) the ability to hire 148 Administrative Law Judges (ALJs), bringing the total ALJ corps up to 1,238 judges as well as adding 1,000 support staff.

Earlier this year, this Subcommittee sought the perspectives of the Social Security Advisory Board on the progress made by SSA in using *ARRA* resources. When that hearing was held last April, the effects of the recession were not evident in the hearing appeals process. The backlogs and long waiting times for a decision were—and still are—a function of understaffing, lack of a standardized business process, and fledgling electronic tools that were still being tested. At that time over 760,000 people were waiting on average nearly 500 days for disability decisions from Administrative Law Judges.

In the seven months since that hearing, productivity in the hearings offices has steadily increased; each month the number of pending claims has declined and the number of people now waiting for a hearing has decreased nearly five percent. Administrative Law Judges have improved their average daily production. Nearly three-quarters of the ALJs are clearing between 500-700 cases per year; this is a 15 percentage point increase over

fiscal year 2008. SSA exceeded its productivity goals by processing almost 14,000 more hearings than originally estimated and ended the fiscal year with an average processing time 25 days lower than anticipated in earlier FY 09 budget estimates.

When SSA developed its hearings backlog reduction plan in 2007, they acknowledged that too many claims had been allowed to languish unadjudicated far too long. This year, under the most recent phase of the “aged case initiative” ODAR has cleared over 166,610 cases that were over 850 days old. At the end of FY 09, less than 1 percent of hearings pending was 850 days or older. The aged case backlog is now sufficiently stabilized that they have been able to incorporate new standard operating business rules that will ensure that the oldest cases are routinely adjudicated first.

In several of the Board’s reports, and most recently in our April 2009 report on improving public service through technology, we stated that SSA needed to do a better job of integrating electronic service delivery options into its business process. Growing workloads coupled with the public’s increasing demand for alternative ways to do business with the agency requires that SSA explore new ways of meeting with claimants and their representatives and holding hearings. With the funding received from Congress, SSA has been able to meet that challenge and the agency has opened three new National Video Hearings Centers to help process workloads for hearings offices with exceptionally large backlogs. This increased capacity has resulted in over 86,000 hearings being held sooner rather than much later.

The recent gains in productivity are a significant accomplishment, and we fully expect the agency to continue to improve its process. However, they are now confronted with a tremendous growth in new claims. As a result, productivity improvements alone will not be sufficient. There needs to be additional investment in staff. SSA projects it may lose up to 44 percent of its current employees by 2016. Within the ALJ corps, 59 percent are retirement-eligible and another 31 percent will become eligible to retire between FY 2010 and FY 2019. Moreover, new workload projections indicate that they will need to add approximately 400 more ALJs, bringing the total ALJ corps up to 1,600.

Last April, the Board was briefed on several new initiatives underway in ODAR. The agency is placing a growing emphasis on data analysis and process management. They have developed an electronic business process model that simulates how work currently is processed, and for the first time, will be able to systematically identify steps in the process that create bottlenecks or do not add value to the process. While this initiative is very new, it holds promise for improving workload management throughout the hearings process. Through this modeling, ODAR will be able to plan proactively for changes in receipts and how to redistribute workload, anticipate the need for changes in staffing mix, and determine what can be mitigated by improved management practices. The current use is focused on assuring the success of the agency’s plan to reduce the backlog. Going forward, it will give ODAR the capability to manage proactively, not just reactively. It is a new direction for ODAR and we hope it will prove effective.

Growth in workload

The hearings backlogs are still of tremendous concern but become even more so when they are coupled with the anticipated rise in claims over the next 10 years. SSA's workload will increase dramatically. Projections indicate that retirement claims are likely to jump by over 40 percent and disability claims could rise by nearly 10 percent. The 2009 OASDI Trustees Report estimated that by 2015 there will be 50 million retirees, widows and widowers, and dependents receiving benefits. Those individuals will be expecting efficient and modern service from the Social Security Administration.

But the anticipated growth in claims does not stop there. The baby boomers are entering their disability prone years and the number of initial disability claims is projected to rise steadily over the next several years, and indeed it has. The Office of the Chief Actuary (OACT) has carefully tracked the anticipated growth in disability claims that will be due to the baby boom population. Projections made in 2007-2008 for the fiscal year 2009 hovered just around the 2.6 million mark. But the reality has been significantly different. In 2009, SSA actually received 3 million new disability claims this year, about 380,000 more than originally expected.

The most obvious factor impacting the volume of disability applications today is the recession with its significant increase in unemployment. Recent history demonstrates that disability applications generally rise and fall in tandem with the unemployment rate. The DI application rate per 1,000 workers among non-elderly adults rose 37% from 1989 to 1993 (from 8.3 per 1,000 workers to 11.5), and by 49% from 1999 to 2003 (from 8.8 per 1,000 workers to 13.1). One exception was seen from 1980 to 1984 when eligibility for disability was significantly curtailed while unemployment soared.

The logic is straightforward. In a recession with widespread unemployment, people with disabilities who previously worked despite their condition may find themselves without a job, especially people with fewer skills or who are approaching retirement. These people may be more likely to apply for disability benefits to support themselves and their families. The recession may speed up an application that might have been made later or it may encourage more individuals who think that they might have a disabling condition to apply for benefits.

What does this mean for SSA's disability workload? The 15 percent increase in new initial claims experienced in fiscal year 2009 has put extraordinary stress on the DDS system. Backlogs are climbing and there are now 783,000 initial claims pending in the DDSs. This is an 18 percent increase since April. And it is anticipated that these backlogs will grow. More recent projections by SSA's actuaries estimate that DDS claims in 2010 will peak at 3.3 million, and stay just above 3 million through 2012. SSA expects pending claims in the DDS to climb to 1 million by the end of 2010. These claims forecasts may increase or decrease as unemployment figures change.

Tackling the Initial Claims Workload

SSA has acknowledged that the pending level of initial claims in the DDSs is unacceptable and they have pledged to bring the pending workload down to 525,000 by fiscal year 2013. Their strategy to reduce this backlog includes additional hiring and overtime in the DDSs. With the additional funding provided by Congress this year, the DDSs were able to hire 1,400 new disability examiners. Even though they were not fully engaged for the entire year, these new hires were instrumental in processing an additional 30,000 claims.

SSA's electronic folder makes it fairly easy to transfer work to other offices. An element of the agency's current plan includes shifting work out of heavily-impacted DDSs and into offices, including the federal quality assurance units, where there is excess capacity. In addition, SSA is in the process of establishing four "mega-DDSs". Similar to the National Hearings Centers, these state mega-DDSs will be able to provide assistance to overloaded DDSs from anywhere in the country.

The agency also continues to improve and expand their "compassionate allowance" and "quick disability decision" processes. These tools, combined with ongoing policy simplification initiatives may help to speed up decision making and free up valuable disability examiners for the more complex cases.

Need for a comprehensive workload strategy

As SSA works to reduce its disability backlog and address the influx of new claims, the agency should be encouraged to develop a comprehensive strategy. This would include establishing a plan for processing initial claims just as it has created a plan for processing appeals in a more timely and efficient manner.

It strikes me that the DDSs are in a position similar to the one that the hearings offices were in about two years ago. They have suffered staffing losses and had some success with electronic adjudication tools. However, electronic tools alone are not enough to offset the reductions in disability examiners and medical staff and the increase in caseloads. SSA has relied to date on shifting workloads across offices and ramping up productivity, but nothing will work without funding for additional staff. We do not want to produce efficiency at the expense of due process.

SSA has a number of electronic initiatives under development including electronic medical evidence (EME) and health information technology (HIT) tools that may hold long-term promise. Recently, the Board was briefed on the scope and timeline for the EME and HIT initiatives. We are encouraged by these initiatives. SSA has a basic plan for development and implementation and is making good use of the *ARRA* funding. We appreciate the work that is going on within the organization. Over the next three years, SSA should have several projects underway which could greatly enhance the electronic exchange of medical evidence. If effectively implemented, they should improve timeliness of disability decisions and enhance public service.

Similarly, work continues on the development of a single DDS case processing system which will streamline case processing, improve data sharing, and help to improve management.

The longer-range strategies for improving the disability process are necessary, but they do not provide relief in the near term for the hundreds of thousands of vulnerable individuals who have turned to the Social Security Administration for assistance. We believe that a comprehensive backlog reduction plan—similar to the one developed for ODAR— should be instituted for the DDSs. Working with the DDSs, the agency should be able to identify and adapt the best practices from the hearings backlog reduction plan; in addition consideration should be given to accelerating the eCat disability adjudication analysis tool. SSA and its state partners must move swiftly to staff fully the mega-DDSs and establish the criteria that will be used for obtaining workload assistance from these centers.

There is one caution I need to raise: the backlog reduction plan in the DDSs cannot come at the expense of well-reasoned and high quality decisions based on a well-developed evidentiary record. Rushing cases out the door to meet production goals does not, in the end, improve service to the American public. DDSs need to be adequately funded and have sufficient staffing to carry out the job. I do not need to remind this Subcommittee that the furloughs that have been imposed by States on nine DDSs slow the progress in reducing the backlogs and undermine the quality of public service. These issues need to be resolved as quickly as possible.

Beyond 2010

It is only a matter of time that the surge in initial claims is felt in ODAR. If the traditional waterfall of appeals occurs, about 45 percent of those denied at the initial level will request reconsideration, and then approximately three-quarters of the individuals who are denied at the reconsideration level will appeal to the ALJ. It takes about 250 days, on average, for an initial claim that has been appealed to reach ODAR and then several more months before the case is on an ALJ's desk. This means that the increased caseloads in the DDSs will begin to materialize in ODAR in the second half of 2010 or in early 2011. Without continuing assistance from the Congress, these disability cases could take several years to work their way through the agency.

As we look down the road, it is clear that fiscal year 2011 will present extraordinary workload levels throughout the Social Security Administration. It is imperative that the agency has the resources and tools in place to meet this challenge and to be able to continue to provide the high-quality public service for which it is known.

Thank you for inviting me to appear before you today. I will be pleased to answer any questions you may have.