

AGENDA FOR SOCIAL SECURITY:

**CHALLENGES FOR THE NEW CONGRESS
AND THE NEW ADMINISTRATION**

Social Security Advisory Board
February 2001

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

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SSA's RESPONSIBILITIES

The responsibilities of the Social Security Administration in serving the public are numerous and complex. In summary, they include:

- **Issuing Social Security Numbers** – SSA employees must evaluate the validity of documents proving identity, age, and citizenship or alien status when taking applications for Social Security numbers.
- **Maintaining Wage Records** – SSA maintains records of the lifetime earnings of all workers who are covered by Social Security. In calculating benefits, both the amount and the number of years of earnings are considered.
- **Determining Eligibility for OASDI Benefits** – SSA employees must verify work history, age, and marital or survivor status before awarding Social Security retirement or survivor benefits. They also obtain medical and work history information needed for State disability agencies to determine Disability Insurance eligibility.
- **Determining Eligibility for SSI** – SSA employees review applicants' income, assets, living arrangements, age, and citizenship to determine eligibility and payment amount for SSI old age and disability benefits. Disability applications (which are more than 90 percent of all SSI applications) also require employees to develop medical information for eligibility determinations by State disability agencies.
- **Keeping Up With Changes in Beneficiary Circumstances (Postentitlement Changes)** – SSA employees record address changes, replace lost checks, work with beneficiaries to resolve over and underpayments, conduct redeterminations of eligibility, and monitor representative payees. They also adjust SSI payment amounts as needed. In addition, SSA and State disability agency employees conduct continuing disability reviews to determine whether individuals remain eligible for disability benefits.
- **Delivery of Related Beneficiary Services** – SSA determines eligibility for Medicare, and also performs work on behalf of the Medicaid, Food Stamp, Railroad Retirement, and Black Lung programs. Field offices also provide beneficiaries with information regarding other public and private programs available in their communities, such as vocational rehabilitation and welfare.
- **Providing Public Information** – SSA employees prepare pamphlets, use the public media, and give speeches in local communities to communicate with the public. In October 1999, SSA began mailing Social Security Statements to all taxpayers age 25 and over showing the amount of Social Security taxes they have paid and their estimated benefits.
- **Developing Program Policy** – SSA adopts rules and regulations to ensure its programs are administered according to law. It conducts research and analysis to help policy makers address problems and develop proposals for change.
- **Resolving Disputes** – Individuals may appeal Social Security decisions through an administrative appeals process, including a hearing before an administrative law judge.

INTRODUCTION

Social Security touches nearly every family in immediate and direct ways. Today, about 154 million workers are engaged in employment covered by Social Security and, together with their employers, are paying the taxes that are used to support the system. About 45 million individuals are receiving retirement, survivors, or disability benefits.

Since the Social Security program was enacted in 1935, responsibility for ensuring that taxes are properly credited to a worker's account and beneficiaries receive monthly checks that are accurate and paid on time has rested with the Social Security Administration or its predecessor institution, the Social Security Board. SSA is also responsible for issuing Social Security numbers, determining whether individuals are disabled and whether low-income individuals qualify for Supplemental Security Income (SSI) benefits, and for performing other functions as well. How well the agency fulfills its complex and numerous responsibilities has a profound impact on the well-being of the public at large.

In the years prior to the enactment of legislation that established SSA as an independent agency, there was a growing sense that important policy and administrative issues were not being brought to the attention of policy makers so that shortcomings could be rectified. It was believed that this was at least partially due to the fact that SSA was a subordinate unit within another government department and the Commissioner was unable to deal directly with the President and the Congress.

The Social Security Independence and Program Improvements Act of 1994 gave SSA new responsibilities and new opportunity to fulfill its mission. The position of Commissioner was significantly elevated. The Commissioner is now at a level equivalent to a cabinet officer, and reports directly to the President and the Congress. The Commissioner and Deputy Commissioner have six-year terms with the Commissioner, once confirmed, being removable only for cause.

The 1994 law also created an independent, bipartisan Social Security Advisory Board to advise the Congress, the President, and the Commissioner of Social Security on issues relating to the Social Security and Supplemental Security Income programs. The Board has operated to help the agency set its agenda and provide a bridge to the Congress and the public, so that problems of policy and of service to the public will be recognized and addressed.

The establishment of this new leadership structure for Social Security has made it possible to focus increased attention on issues that are critically important to the future of the Social Security

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and SSI programs. Since the Board began meeting in the Spring of 1996, it has issued a series of reports on major issues that need to be addressed if public confidence in these programs is to be ensured.* As the Board's reports have made clear, many of the agency's problems are long-standing and stem from many factors. The agency has made headway in addressing some of them, but much remains to be done.

Social Security's problems are twofold, involving both financing of benefits and program operations. Policy makers and the public are well aware of the first of these – there is widespread recognition that change is needed to ensure the long-term solvency of the Social Security system. But there is relatively little awareness of the changes that are needed if the Social Security Administration is to be able to meet its public service and public information responsibilities, which are also important to public confidence.

The purpose of this report is to provide the new Congress and the new Administration an overview of the major issues that confront the Social Security and SSI programs and the Social Security Administration. The analyses and the recommendations for changes that are presented are based on the work the Board has conducted over the last four and a half years.

Reflecting the mandate that the Congress gave the Board in the 1994 legislation, the Board's work has been focused on a broad range of major issues. Our approach to these issues has been on a nonpartisan basis because we believe that both Social Security and the Social Security Administration are too important to the American people to allow partisanship to intrude on the effort to preserve and strengthen them for future generations.

One of the first concerns of the Board was how SSA, as an independent agency, could be strengthened so that it can meet the policy development responsibilities that the Congress has given it. The Board's first report recommended that the agency establish a policy office that would have the capability of addressing major policy issues.

Subsequently, the Board has issued a "primer" on the Social Security financing problem that has been used by both Republican and Democratic Members of Congress and by the White House.

* The Board's reports are listed on page 40. All of the reports are available on the Board's web site at www.ssab.gov.

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It has also issued reports recommending structural reform and other changes in the disability programs, changes that need to be made to improve the Social Security Administration's service to the public, and how the Social Security Administration can increase public understanding of Social Security.

Many of the changes the Board has recommended are within the purview of SSA itself, and over the last two years the agency has responded by issuing a number of reports that have outlined the steps the agency is taking to address the Board's concerns. These include, among others, reports on managing the disability programs, short-term initiatives to improve 800 number telephone service, workforce planning for the agency, and informing the public about Social Security. Most recently, in response to the Board's recommendation that the agency develop a service delivery plan for how it intends to handle its rapidly growing workloads, the agency issued a *2010 Vision*, which outlines the principles for service delivery in the future. These are useful beginnings that can be built upon in the coming years.

In addition, there are many other changes recommended by the Board – particularly those relating to the disability programs and service to the public – that will require legislative or funding changes. The agency will have to work closely with policy makers in the new Congress and the new Administration to make the case for why these changes are needed. We pledge our support in this effort.

The Social Security Administration has important strengths. The agency's field operations remain fundamentally strong, with dedicated and experienced employees and effective national reach. The agency's management ranks among the top of government agencies. Employees in the agency continue today, as they have in the past, to regard SSA as the premier Federal agency. They have a tradition of loyal service to the agency and the public. As we emphasize in this report, however, there are serious policy and service delivery challenges that need prompt attention. We hope that this report will be helpful to the new Congress, the new Administration, and the agency as they consider how these challenges will be met.

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I. ENSURE THE LONG-RANGE SOLVENCY OF THE SOCIAL SECURITY SYSTEM¹

The Value of Social Security to Workers and Their Families

For the last several years the Nation has been engaged in an important discussion about the future of Social Security. There is broad consensus on the high value of the Social Security program to the American people both now and in the future, but there are many different views about the kinds of changes that should be made to ensure its solvency over the long term.

Social Security is a social insurance program to which nearly all workers, along with their employers, are required to contribute in order to provide income protection for those who have reached the age of retirement or who risk loss of wages due to disability or death of a worker. Retired workers make up 62 percent of all beneficiaries, and Social Security is the major source of income for most of them,

providing 40 percent of the total income to the aged and making up more than half of the income of about two-thirds of the aged.

The program's income protection extends beyond retired workers. According to estimates by Social Security's actuaries, about 4 out of 10 young men, and 3 out of 10 young women, who are now age 20 will die or become disabled before reaching age 67. Today, 10 percent of all Social Security beneficiaries are workers who are disabled and have not reached retirement age; 11 percent are spouses and children of retired and disabled workers; and 16 percent are spouses and children of deceased workers. Whatever changes are enacted, Social Security must continue to protect these vulnerable individuals.

The Looming Financing Shortfall

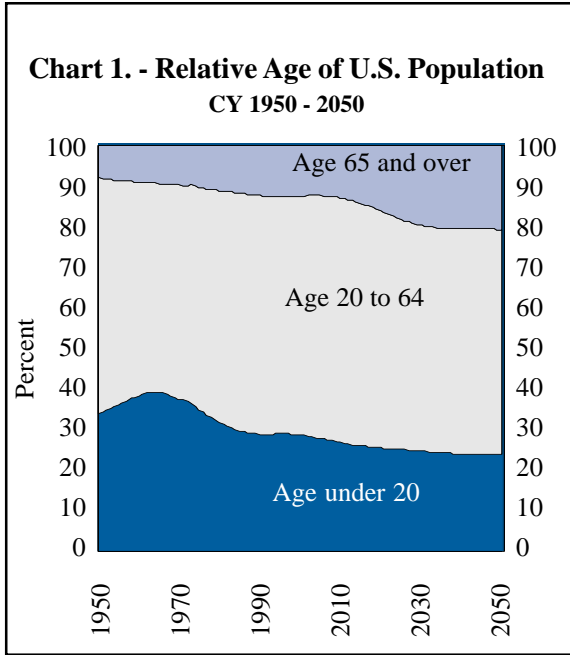
Current projections of income and spending for Social Security indicate that there will not be enough money coming into the program to meet the obligations of the program to future beneficiaries. This is because most of the money used to pay benefits for current retirees comes from the payroll taxes paid by current workers and their employers. The demographic changes that are occurring in the United States mean that in future years there will be more retirees, but relatively fewer workers to pay for their benefits.

There will be more retirees...

A major shift in the relative size of the working age and elderly populations will begin to occur in the first few years of this century. The large numbers of people born during the post-World War II "baby boom" currently make up

¹ The analysis presented here is based on the Advisory Board's July 1998 report, *Social Security: Why Action Should Be Taken Soon*.

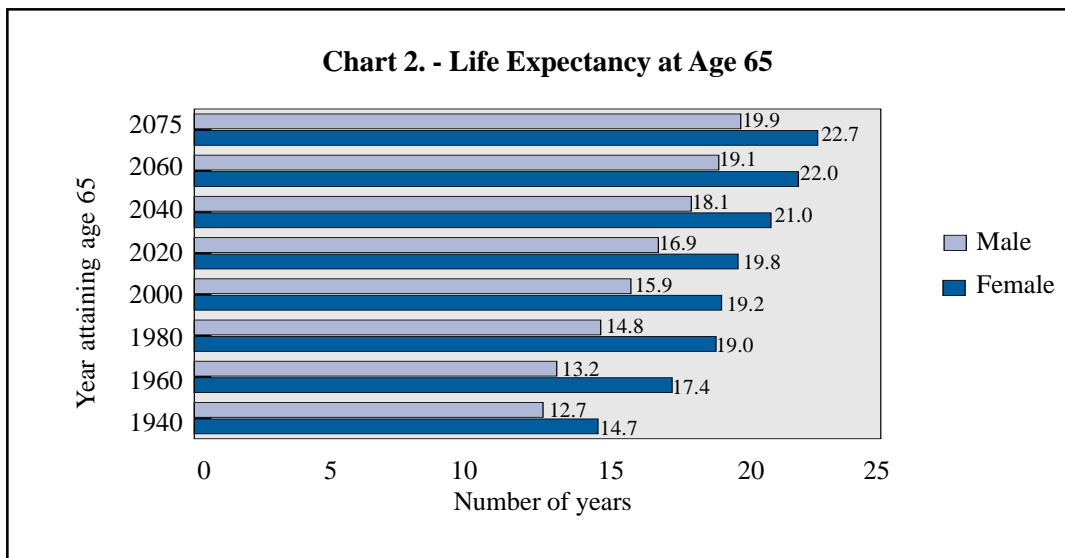
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most of the workforce paying Social Security taxes. But they are nearing retirement age, and the oldest of the baby boomers (those born in 1946) will reach age 65 in 2011. By 2030, about 20 percent of the population is expected to be 65 and over as compared to about 12 percent in 1990. When the baby boomers move from being taxpayers to being beneficiaries, the cost of the Social Security program will rise quickly.

Another factor contributing to increasing retirement costs is that people are living longer. Longer lives for retirees mean more years receiving Social Security benefits. In 1940, when the first Social Security benefits were paid, a man who reached 65 could look forward to fewer than 13 years of life, and a woman had a life expectancy of fewer than 15 years. By 2030, when virtually all the boomers will have retired, life expectancy at age 65 is projected to be nearly 18 years for men and more than 20 years for women.

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...and relatively fewer workers

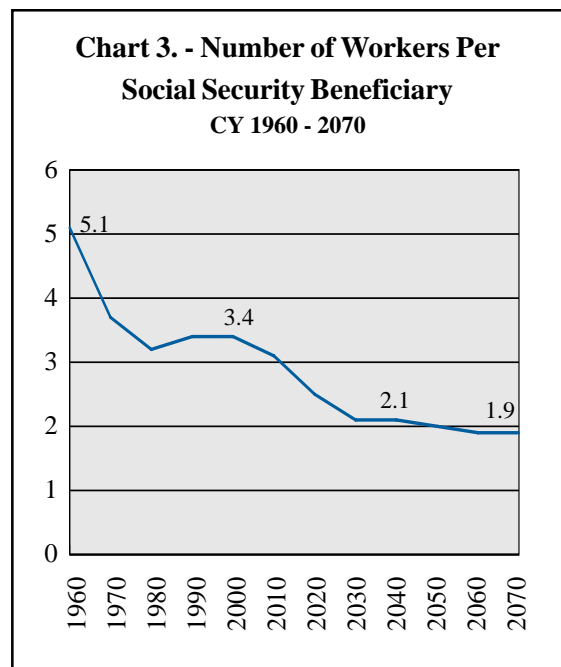
While spending for Social Security will continue to grow, other factors will cause a slowdown in the growth of the labor force. Projections indicate that the average rate of growth of the labor force will slow from the 2 percent a year it achieved from 1960 through 1989, to 1.2 percent annually for the years 1990 through 1999, 0.9 percent for the years 2000 through 2009, and slowing to 0.2 percent by 2075.

The major reason for this slowdown is the decline in the birth rate that began in the 1960s. During the mid- to late-1960s, fertility rates began to decline dramatically, shrinking from above 3.00 children per woman from 1947 to 1964 to a low of just 1.74 by 1976. Since then it has edged up slightly, to just above 2.00. Over the long run, the Social Security actuaries project a fertility rate of about 1.95. Because of lower birth rates, there will be fewer workers to replace the baby boomers as they retire.

Another reason for the slower growth in the number of workers is that the rapid growth in labor force participation by women is expected to level off. The female labor force participation rate increased from 34 percent in 1950 to 60 percent in 1999. Greater labor force participation among women has offset some of the costs of the growing number of Social Security retirees, but this trend must eventually end. Over the long term, female participation rates are expected to increase only slightly above today's level.

The decline in the number of workers per beneficiary

Since most of the money used to pay benefits under the Social Security program comes from the payroll taxes paid by current workers and their employers, the number of workers relative to the number of beneficiaries affects the ability of society to meet obligations to retirees. With more retirees and little growth in the number of workers, the ratio of workers to beneficiaries will decline substantially for several decades. In 2000 there were 3.4 workers for every beneficiary. This ratio will decline to 2.1 workers per beneficiary over the period 2030 to 2040. Between 2040 and 2075, the number of workers per beneficiary will continue to decline slowly, reaching 2.0 in the period 2045 to 2060, and 1.9 in the period 2065 to 2075.



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The Status of the Trust Funds

The current situation

In 2000, total income to the Social Security Old-Age, Survivors, and Disability Insurance Trust Funds exceeded spending by about \$150 billion, and the amount of this excess income is expected to increase over the next 13 years. At the end of 2000, the Trust Funds had assets of more than \$1 trillion. Assets are expected to grow to more than \$6 trillion by 2023. By law, Social Security income that is not needed to pay benefits is invested in U.S. Treasury bonds.

In 1999, payroll taxes accounted for nearly 87 percent of income to Social Security, interest on Trust Fund investments accounted for almost 11 percent, and income from taxes on Social Security benefits accounted for about 2 percent.

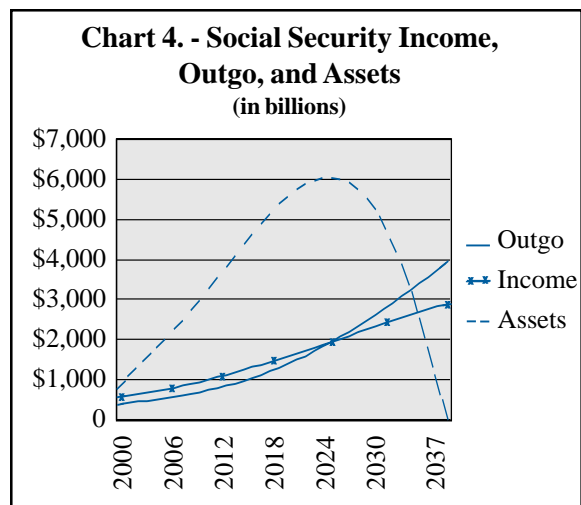
Income from payroll taxes and taxes on benefits is expected to be higher than spending for benefits and administrative expenses until the year 2015. Thus, until 2015 the Social Security program will be a net plus for the Federal budget. This surplus currently accounts for most of the surplus in the so-called “unified Federal budget,” which includes the operations of both the general funds of the government and a number of trust funds designated for special purposes, such as the Social Security, Medicare, and Highway Trust Funds. The U.S. Treasury borrows Social Security’s surplus income, uses it for other government activities or to retire the national debt, and issues bonds to the Social Security Trust Funds.

Spending will exceed taxes in 2015

Beginning in 2015, Social Security expenditures will be higher than tax income. At that time, an amount equal to all of the tax income and a part of the interest due to the Trust Funds on outstanding bonds will be needed to pay the benefits that are due. The Federal government will either have to find additional funds elsewhere, or (if the budget is in surplus without considering Social Security tax income) retire less publicly held debt.

Spending will exceed taxes plus interest in 2025

Beginning in 2025, Social Security spending will exceed total Social Security income (taxes plus interest on the bonds). At this point the government will have to begin paying back the funds it has borrowed from



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Social Security. This will provide the government with a public finance issue that will need to be addressed because, in order to pay the benefits that are due, the Treasury will have to redeem the bonds held by the Trust Funds.

By cashing in the bonds, Social Security will be able to pay the full amount of promised benefits until 2037. In that year, all of the assets of the Trust Funds will have been used up and the ongoing income to the program will be insufficient to meet all of the benefit obligations.

The situation in 2037

By 2037, income to Social Security will be equal to about three-fourths (72 percent) of the promised benefits. However, the rate of growth in benefit obligations will increase faster than the rate of growth in tax income, so the

percentage of the benefits that can be paid with current income will continue to decline, dropping to about two-thirds (67 percent) for the year 2074, and it is expected to continue to fall after that.

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The Advantages of Acting Sooner Rather Than Later

The Congress has never allowed the finances of the Social Security program to reach the point that benefits could not be paid, and it is not expected to do so in the future. There are many options that can be considered. However, as time goes by the size of the Social Security problem grows, and the choices available to fix it become more limited. Thus, there are important reasons for making changes earlier.

- **There are more choices available earlier.** For example, the sooner you change the way Social Security benefits are financed or

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calculated, or the age at which people can receive benefits, the more choices you have about how to make the changes.

- **Changes can be phased in more gradually.** By acting sooner, you can avoid making extreme changes at a future crisis point, and can instead phase them in gradually. Making gradual changes avoids creation of the large differences in benefit or tax levels between successive generations of retirees and workers that can result when modifications are made precipitously.
- **The cost of repairing Social Security can be spread more evenly over more generations of workers and beneficiaries.** The cost of fixing Social Security will be the same whenever the changes are made, but the possibilities for distributing this cost across generations will diminish as time passes. The net effect of delaying action is to reduce or eliminate the burden of repairing Social Security on earlier generations and to place an even heavier burden on later generations.

- **The longer change is delayed, the heavier the impact will be on each individual who is affected.** Larger increases in tax rates or benefit cuts greatly increase the magnitude of the loss in well-being experienced by each individual. Conversely, making smaller changes in benefits or taxes soon, so that they could apply over a longer period of time, would affect more people – but by less per person.
- **There will be more advance notice for those who will be affected, so they can plan for their retirement.** For those still in the workforce who need to build reliable pension and investment strategies for retirement, knowing what they can expect from Social Security is a critical factor. Some changes in program benefits are already occurring. Beginning in 2000, scheduled increases in the normal retirement age from 65 to 67 are resulting in a decline in Social Security replacement rates for all new retirees. The effect of delaying change is to deprive workers of important information upon which they can base their lifetime plans for retirement security.
- **Confidence in the ability of Social Security to continue to pay benefits to future generations of retirees will be strengthened.** According to a 1999 survey, only 36 percent of those polled were very or somewhat confident that Social Security retirement benefits “will be there for you when you retire.” Fixing the program quickly would eliminate the uncertainty that is currently eroding confidence in the program.
- **There will be less disruption in labor market participation.** Changes in either Social Security benefits or taxes affect the work and retirement decisions of individuals and the hiring decisions of employers. Benefit cuts, for example, would likely induce some people to stay in the labor force longer, while payroll tax increases may in the short run cause employers to hire fewer workers and thus limit employment opportunities for older workers. The sooner that both employees and employers know about future changes, the more time they have to alter their choices gradually and avoid creating sudden shifts in the availability of workers or jobs.
- **There will be less disruption in decisions about consumption and saving.** Social Security can affect household decisions about how much to consume and save. Raising taxes reduces the take-home pay of households and forces people to either consume less, save less, or work more. Reducing expected benefits during retirement years causes people to either save more during their working years or work more to make up for the loss, or to have a reduced standard of living in retirement. The sooner that households become aware of the changes so that they can plan ahead, the smaller would be the disruptions to consumption and saving.

Future Board Report

The Board intends to revise and update its July 1998 report, *Social Security: Why Action Should Be Taken Soon*. The new report will include a description of options that have been proposed to address the long-term solvency issue, including the impact on costs and savings.

II. REFORM THE DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME DISABILITY PROGRAMS ²

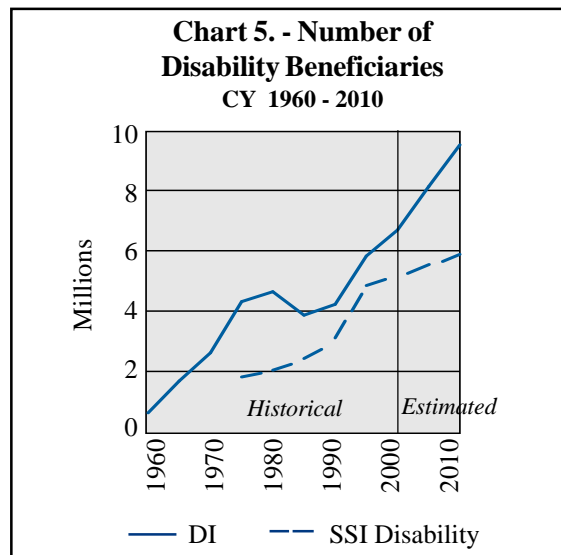
The Need for Comprehensive Review

The Nation's two primary disability programs – Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) disability – are a vital but complex part of our social insurance and welfare systems, requiring vigilant attention in order to keep their policy and administrative structures sound and up to date.

These programs have grown steadily over the years to the point where in fiscal year 2001 they are expected to account for about \$90 billion in Federal spending, or nearly five percent of the Federal budget. They require a growing portion of the time and attention of Social Security Administration employees at all levels. In 2001, about two-thirds of the agency's \$7.1 billion administrative budget, nearly \$5 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

This 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.



Security Administration's actuaries project that between now and 2010 the number of DI beneficiaries will increase by nearly 50 percent. The growth in SSI disability is projected to be slower, increasing by 15 percent. This 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.

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

² For more information on this subject, see the Advisory Board's January 2001 reports, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* and *Disability Decision Making: Data and Materials*, as well as *How SSA's Disability Programs Can Be Improved*, issued in August 1998.

thought out concept 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

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 concept of how the programs should be operating.

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, particularly in view of the resources that are currently available.

It has been more than two decades since either the Congress or the Administration has reviewed in a comprehensive manner the question of whether the administrative structure established nearly five decades ago should be strengthened or changed. Numerous regulations and rulings affecting how disability decisions are made have been implemented without review by policy makers. The question of whether the definition of disability for adults should be changed has not undergone close examination for more than 30 years.

Major Issues Need to Be Addressed

Are disability decisions consistent and fair?

There are substantial data that show striking differences in decisional outcomes over time, among State agencies, and between levels of adjudication, raising the question of whether disability determinations are being made in a uniform and consistent manner.

For example, in 2000 the percentage of DI applicants whose claims were allowed by a State agency ranged from a high of 65 percent in New Hampshire to a low of 31 percent in Texas. As another example, a strikingly large percentage of cases denied by State agencies are reversed upon appeal to an administrative law judge hearing, and, at least at the State level, there appears to be no correlation between high State agency allowance rates and low ALJ reversals of these decisions. Both State agency and hearing level allowance rates have varied substantially over the years. The hearing level allowance rates (allowances as a percent of all decisions) for both DI and SSI disability stood at 58 percent in 1985,

grew to nearly 72 percent in 1995, fell to 63 percent in 1998, and grew again to 66 percent in 2000.

For many years both Members of Congress and others who have studied the disability programs have expressed concern about variations such as these. Analysts have identified many factors which they believe contribute to inconsistencies in outcomes, such as economic and demographic differences among regions of the country, court decisions, the fact that the claimant has no opportunity to meet with the decision maker until the face-to-face hearing at the ALJ level, and the record remains open throughout the appeals process.

But many who are knowledgeable about the programs – including disability examiners in the State agencies as well as administrative law judges – have long believed that there are also reasons relating to program policy, procedures, and structure that are responsible for some if not many of these inconsistencies. In a recent study of SSA's quality assurance processes, the Lewin Group found that although the information on

current consistency of the disability programs is somewhat mixed and not as definitive as one would like, “The evidence of inconsistencies is compelling....”³

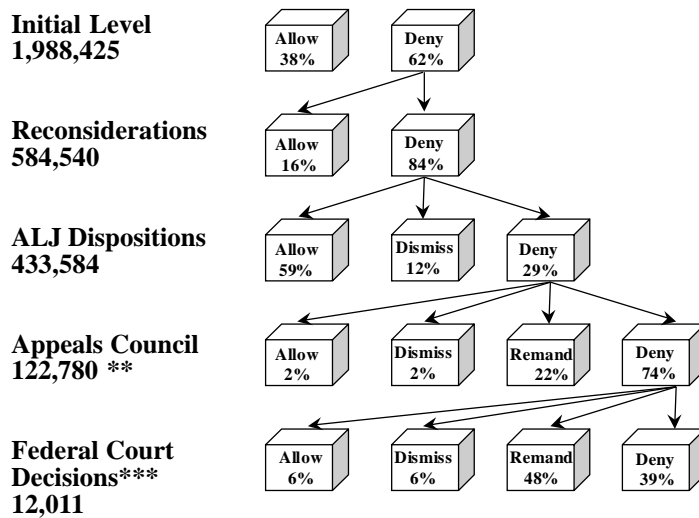
Despite the long-standing concern about consistency, the agency has no effective mechanism to provide the information needed to understand the degree to which the programs’ own policies and procedures – including their uneven implementation – are causing inconsistent outcomes in different regions of 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. These programs are too valuable and important to the American public for this issue not to be addressed.

³ The Lewin Group, Inc. and Pugh Ettinger McCarthy Associates, L.L.C., *Evaluation of SSA’s Disability Quality Assurance (QA) Processes and Development of QA Options That Will Support The Long-Term Management of The Disability Program*, June 21, 2000, p. C-24.

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Chart 6. - DI and SSI Disability Determinations and Appeals*
FY 2000



* Data relate to workloads processed (but not necessarily received) in fiscal year 2000, i.e., the cases processed at each adjudicative level may include cases received at 1 or more of the lower adjudicative levels prior to fiscal year 2000. Not all denials are appealed to the next level of review.

** Includes ALJ decisions not appealed further by the claimant but reviewed by the Appeals Council on “own motion” authority.

*** Remands to ALJs by the Appeals Council and courts result in allowances in about 60 percent of the cases.

Total Allowances		
	Number	Percent
Total	1,106,344	100.0
Initial Applications	759,191	68.6
Reconsiderations	90,805	8.2
ALJs	253,615	22.9
Appeals Council **	1,999	0.2
Federal Court ***	734	0.1

Is disability policy being developed coherently and in accord with the intent of the Congress?

Although Congress has not changed the law defining disability for adults for more than 30 years, the determination of what constitutes disability has changed in fundamental ways. For example, there has been a gradual but persistent trend away from decisions based on the medical listings to decisions that increasingly involve assessment of function. Today, many more decisions involve mental impairments than was the case in the past. In addition, changes in agency rules mean that now all adjudicators must adhere to more complex and intricate requirements regarding such matters as determining the weight that should be given to the opinion of a treating source and making a finding as to the credibility of claimants' statements about the effect of pain and other symptoms on their ability to function. All of these changes have made decision making more subjective and difficult.

These policy changes have been made through changes in regulations and rulings. A number of the most significant changes have grown out of court decisions, many of which have not been appealed. None of them have been reviewed by the Congress as to their effect on decision making or whether they are operationally sustainable for a program that must process massive numbers of cases.

Can today's administrative structure support future program needs?

When the DI program was enacted in 1956, the expectation was that the program would be

relatively small. But over the last half century, the original Federal-State administrative structure has had to accommodate a growth in program size and complexity that it has been ill equipped to handle. In addition to working within a fragmented administrative structure, employees at all levels have been buffeted by periodic surges in workloads and funding shortfalls.

At the present time, all parts of the applications and appeals structure are experiencing great stress with every indication that the difficulties each is facing will continue to grow unless changes are made. There are about 15,000 disability adjudicators throughout the disability system. Their qualifications and the rules and procedures they follow differ, sometimes dramatically. For example, adjudicators at the State agency and ALJ levels may receive vastly different training and draw upon very different resources. Factors such as these raise questions about how well the administrative structure will be able to handle the growing workload.

Is Social Security's definition of disability appropriately aligned with national disability policy?

There are many who believe that the Social Security Act definition of disability, which requires claimants to prove they cannot work in order to qualify for benefits, is inconsistent with the Americans with Disabilities Act and is at odds with the desire of many disabled individuals who want to work but who still need some financial or medical assistance. Recent Ticket to Work legislation is aimed at helping people who are already on the disability rolls to return to

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work by providing increased services and new incentives, but does not fully address these basic inconsistencies.

In recent testimony the Consortium of Citizens with Disabilities questioned whether the

Social Security definition of disability adequately captures “the spectrum and continuum of disability today. Does it reflect the interaction of vocational, environmental, medical and other factors that can affect the ability of someone on SSI or SSDI to attain a level of independence?”

The Elements of Reform

To build a disability system that can meet the challenges of the future will require changes in policy, procedure, and structure. The Board has proposed a number of changes that we urge policy makers in the Congress and the Administration to consider. These changes would represent fundamental reform. In summary, they include the following elements.

Strengthen SSA’s capacity to manage

SSA’s ability to manage the disability programs is undermined by three major shortcomings —

There is a lack of management accountability. Nearly every staff component of the agency has a role in administering the disability programs.

The policy infrastructure is weak. There are too many voices articulating disability policy. Adjudicators in different parts of the system are bound by different sets of rules. Important policy elements are out of date. As the result of downsizing and lack of new staff to replace those who have left the agency through retirement or otherwise, the level of expertise in areas such as medical and vocational factors has declined.

The agency lacks a quality management system that can provide the comprehensive information that is needed for accurate and consistent decision making.

The Board recommends that SSA address these shortcomings by —

- organizing the agency so as to ensure greater accountability and unified direction for the disability programs,
- developing a single presentation of policy to guide all adjudicators and enhancing the medical and vocational expertise of its staff, and
- developing and implementing a new quality management system that will (1) provide the information that policy makers and administrators need to guide disability

Reform Should Have Clear Goals and Objectives

Reform of the disability programs must be evaluated within the context of clear goals and objectives:

- All who are truly disabled and cannot work should receive benefits.
- Those who can work but need assistance to do so should receive it.
- Vocational rehabilitation and employment services should be readily available and claimants and beneficiaries should be helped to take advantage of them.
- Claimants should be helped to understand the disability rules and the determination process.
- The disability system should provide fair and consistent treatment for all.
- The disability system should ensure high quality decisions by well-qualified and trained adjudicators.
- The disability system should provide expeditious processing of claims. When cases are complex and require more time, claimants should be informed so that they will understand why there is delay.

policy and procedures and (2) ensure accuracy and consistency in decision making.

ensure high quality, uniform administration throughout the country.

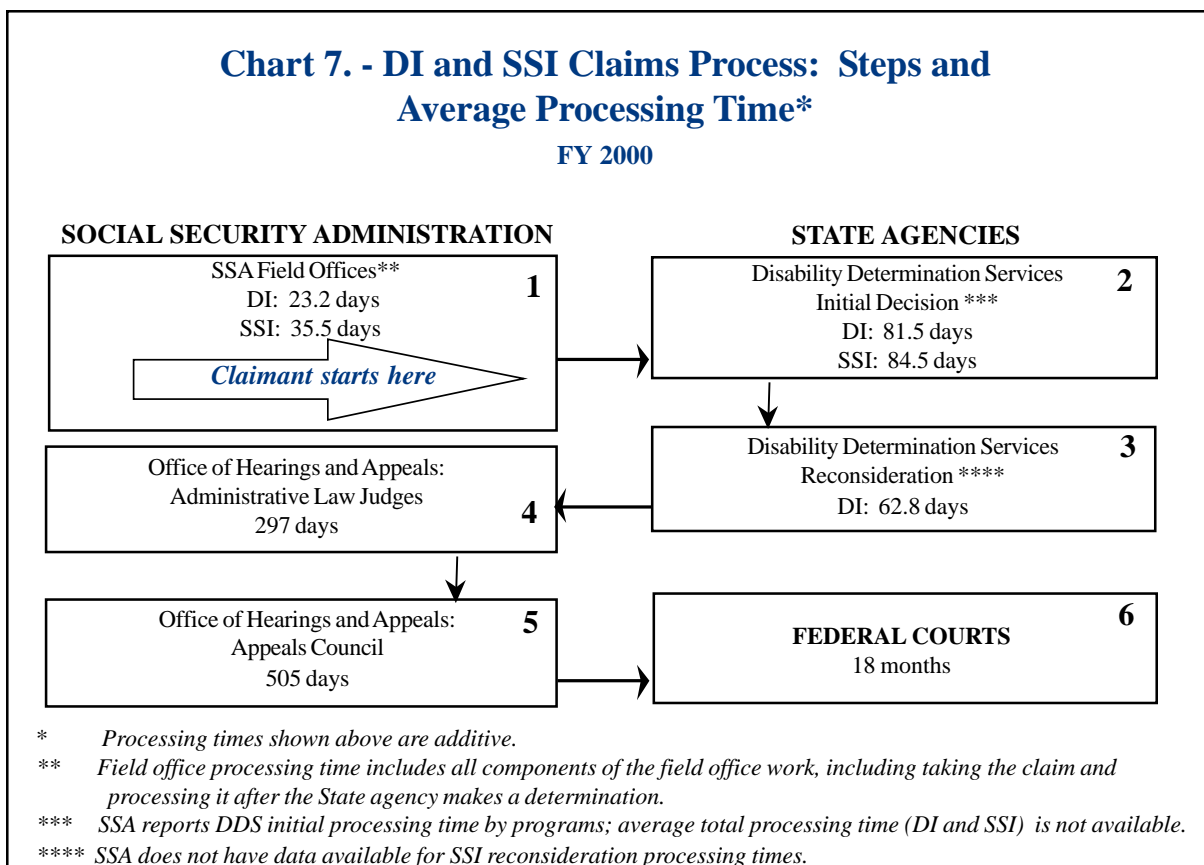
Change the disability adjudication process

Strengthen the Federal-State arrangement. – Although the law gives SSA the basic responsibility for administering the disability programs, it requires that disability decisions be made by State agencies rather than by SSA itself. The Federal government pays 100 percent of the cost.

Whether the disability decision making authority should belong to the States or to SSA has been a subject of debate since Congress established the Federal-State arrangement nearly five decades ago. Proponents of federalizing the process argue that the present structure is inherently difficult to manage and that federal administration is necessary to

The issue of federalizing the disability determination process needs to be examined in the light of anticipated future needs of the disability programs. In the short term we believe it is necessary to strengthen the present Federal-State arrangement. Underpinning this view is the fact that SSA currently lacks the administrative and staffing capacity to take on the significant additional responsibility that federalization would entail. Nevertheless, the present arrangement is inadequate to meet the needs of the disability programs today, and problems need to be addressed as quickly as possible.

SSA’s regulations should be revised to improve the agency’s ability to manage State agency operations and to provide greater national uniformity. States should be required to follow specific 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 decisions that are both of high quality and timely.

Reform the hearing process. – The formal right of claimants to a hearing was adopted in 1940 with only 12 “referees” to hear appeals. But with the enactment of the disability programs, the hearing process has become massive, with about 1,000 administrative law judges and nearly 7,000 other employees.

Along with becoming a much larger operation than originally envisaged, SSA’s hearing process has also changed as the result of the fact that most claimants are now represented by attorneys or other representatives. Because the agency is not represented as well, many believe the hearing process has become too one-sided. We think that having an individual present at the hearing to defend the agency’s position would help to clarify the issues and introduce greater consistency and accountability into the adjudicative system and, as in a more traditional court setting, would help to carry out an effective cross-examination. Consideration should also be given to allowing the individual who represents the agency at the hearing to file an appeal of the ALJ decision.

We also recommend that the Congress and SSA review again the issue of whether the record should be closed after the ALJ hearing. Leaving the record open means that the case can change at each level of appeal, requiring a *de novo* decision based on a different record. Many ALJs have told the Board that leaving the record open gives attorneys an incentive to withhold evidence in order to strengthen an appeal at a later stage, and provides an inherent incentive to withhold evidence in order to prolong the case and increase fees. Other ALJs do not believe that representatives hold back evidence for these reasons. If evidence is held back, they maintain, it is because the rules for presenting evidence are lax and representatives do not take the time or spend the money to obtain additional evidence

unless required to do so as a result of an unfavorable hearing decision. Closing the record would heighten the need to develop the record as fully as possible before the decision is made in order to ensure that claimants are not unfairly penalized. Closing the record would not preclude filing a new application.

Third, we recommend that consideration be given to establishing a system of certification for claimant representatives and to establishing uniform procedures for claimant representatives to follow. The objective would be to provide for a more orderly and expeditious hearing procedure than currently exists.

Consider changes in the current provisions for judicial review. – Concerns about national uniformity in policy and procedure have led many to consider whether there is a need for change in the current provisions for judicial review. Under the current system, Federal courts frequently issue decisions that vary from district to district and circuit to circuit. Over the years a number of bills have been introduced in the Congress that would create either a Social Security Court or a Social Security Court of Appeals that would specialize in Social Security cases, thus establishing a framework that could produce greater uniformity in decision making. The statutorily-established Commission on Structural Alternatives for the Federal Courts of Appeals, chaired by Justice Byron White, stated in its final report in December 1998 that Congress should seriously consider proposals that would place judicial review of Social Security cases in an Article I court. We believe that the question of whether existing arrangements for judicial review should be retained or replaced by a new court structure deserves careful study by the Congress and the Social Security Administration.

Align policy and administrative capacity

Nearly every part of the Social Security Administration has been affected by the

downsizing and restraint on government hiring that has occurred over the last two decades. But for various reasons, the disability programs in particular have tended to suffer. As resources have been constrained, SSA has issued numerous regulations and rulings that require more time and expertise on the part of all adjudicators than was the case in the past and workloads have grown substantially. The result is that disability policy and administrative capacity are now seriously out of alignment and threaten to become more so as the agency moves toward national implementation of several new initiatives.

Of particular importance are the “process unification” rulings issued by SSA in 1996, which were aimed at bringing State agency and ALJ decisions closer together. Many State agency administrators claim that some of them are so complex that State agency employees cannot adhere to them without spending substantially increased time on a large percentage of the cases they are adjudicating. In addition, these new rules for adjudicating cases require analytical and writing skills that many employees do not have.

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Both the new Administration and the new Congress will share the responsibility for making the changes that are needed to ensure that disability policy and administrative capabilities are properly aligned. This will likely involve a combination of changes in policy, processes,

institutional arrangements, and funding. In addition, the Board has urged the agency to develop a comprehensive workforce plan and base its appropriations requests on this plan, as directed by the 1994 independent agency legislation. We also urge the Administration and the Congress to exclude SSA’s administrative budget for Social Security from the statutory cap that imposes a limit on the amount of discretionary government spending.

Examine ways to improve incentives for early rehabilitation and employment

The issue of whether the present structure of assistance to the disabled provides sufficient help and incentive for employment needs careful review. Many experts believe that the most effective intervention is to help disabled individuals return to work as quickly as possible. More comprehensive research on ways to improve incentives for rehabilitation and employment early in a period of disability is needed. This may include new or different arrangements for cash or medical benefits or for rehabilitation and employment services. The experience of other countries and of both private and public employers in the United States should be taken into account.

Included as part of this comprehensive research effort should be a study of whether providing some type of short-term disability assistance, combined with rehabilitation services, would improve assistance for those who have disabilities while also relieving pressure on the permanent disability programs. The studies that are conducted should include cost-benefit analyses. Where needed, specific legislative authority and funding for these studies should be provided.

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III. IMPROVE THE SOCIAL SECURITY ADMINISTRATION'S SERVICE TO THE PUBLIC ⁴

Present and Future Challenges to Providing Quality Service

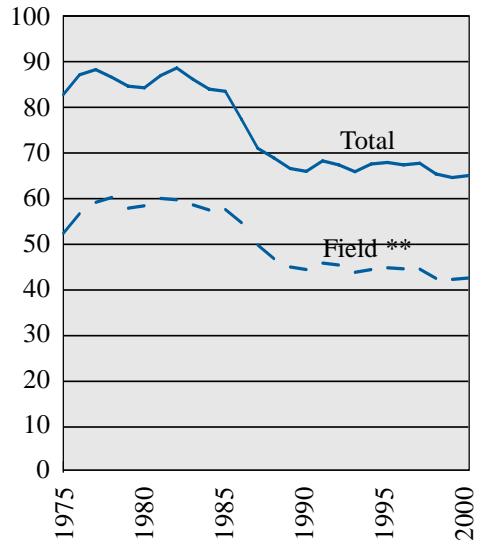
The magnitude of the Social Security Administration's service delivery responsibilities is reflected in its basic workload statistics. In fiscal year 2000, the agency processed more than 277 million earnings reports and more than 6.6 million claims for Social Security and Supplemental Security Income (SSI) benefits. The agency's 1,300 field offices had about 27 million visitors and about 87 million calls were placed to its 800 number. A determination as to whether a claimant was disabled was made on behalf of more than two million individuals.

SSA's capacity to serve the public is increasingly at risk

Despite a dedicated workforce, SSA is facing serious service delivery problems in carrying out its important responsibilities. These problems stem from a combination of factors, including a prolonged period of downsizing, a growing workload, and increasing program complexity. Since 1982, downsizing has resulted in a 29 percent decline in the number of employees who work in the agency's regional and field offices, teleservice centers, and program service centers. The agency's effort to meet the 15-to-1 staff-management ratio recommended by the National Performance Review in 1993 has reduced the number of managers and supervisors in field offices and teleservice centers by nearly one-half, reducing the capacity to provide the training, mentoring, and other activities necessary to ensure the quality and accuracy of the work that is being performed.

Employees throughout the agency's field operations are having increasing difficulty in keeping up with their growing workloads, and the emphasis on meeting processing time goals is causing burnout and affecting employee morale. Overworked managers and supervisors lack the time to provide the training and perform the quality reviews that are needed to ensure the accuracy and integrity of the Social Security and SSI programs.

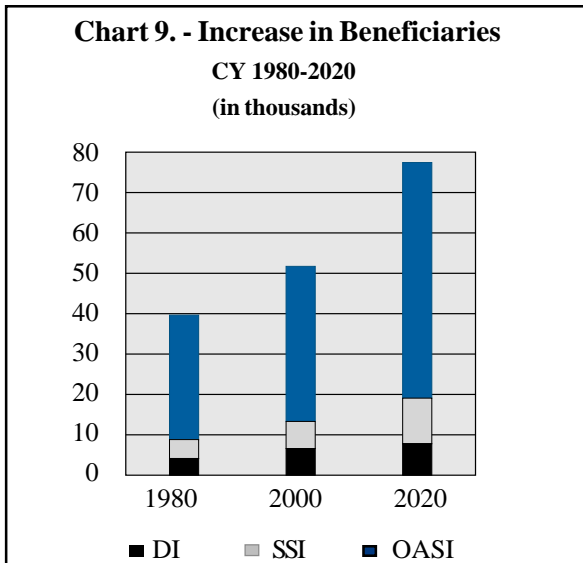
Chart 8. - SSA On-Duty Employment*
FY 1975 - 2000
(in thousands)



* Includes full-time, part-time, temporary, seasonal, and student employees as of the end of the fiscal year.

**Includes employees in regional and field offices, program service centers, and teleservice centers.

⁴ For more information on this subject, see the Advisory Board's September 1999 report, *How the Social Security Administration Can Improve Its Service to the Public*.



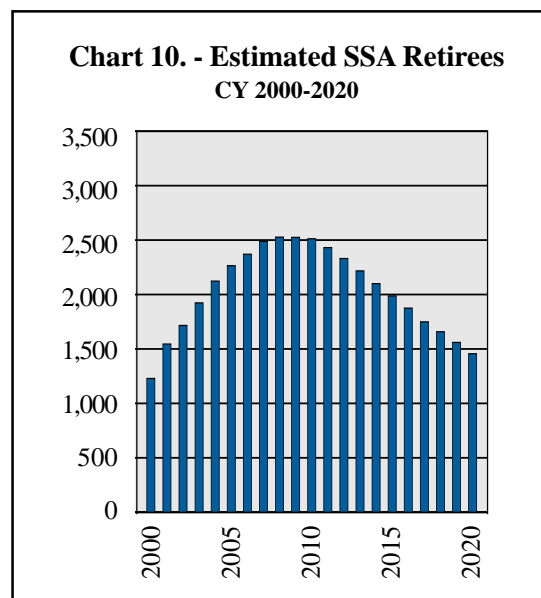
The agency's workload will increase significantly in future years as the baby boom generation ages

The agency will face additional challenges in the coming years that will test its administrative capacities even more. According to actuarial projections, beginning in this decade the agency's workload will increase greatly. SSA will have to process increasingly larger numbers of Social Security retirement claims. More taxing on its resources, however, will be the greatly increased numbers of disability claims that it will receive. As noted earlier in this report, disability applications are highly labor intensive. They are often difficult to evaluate and require carefully informed judgment. SSI claims, which are also growing, require time-consuming efforts to verify each claimant's income, resources, citizenship, and living arrangements. The combination of the growth in workloads with a large wave of retirements by SSA's own aging workforce will place extraordinary pressures on the agency to meet the public's needs for service. SSA estimates that by 2010 over 28,000 of its Federal employees will retire and another 10,000 will leave the agency for other reasons. This is more than half of the current workforce.

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Although SSA's workforce continues to be highly committed and productive, major service delivery problems need prompt attention

Although the agency's difficulties will grow over the coming years, it has a number of service delivery problems that need attention now. Telephone service is inadequate, with too many callers unable to get prompt service either through the agency's 800 number or in field offices. In 2000, of the more than 76 million calls actually received by the 800



number, approximately 12 percent of the callers received a busy signal. Nearly 17 million calls were abandoned by the caller, either while waiting for an agent to handle the call or before using automated services. This means that only about 66 percent of the calls placed were actually served.

Many who visit one of SSA's field offices encounter overcrowded waiting areas and long waits for service. Field office managers have told the Board that in many offices, primarily urban offices, waits of 2, 3, or 4 hours are not uncommon.

Heavy workloads and pressures to meet processing times mean that field office employees often do not have sufficient time to help claimants understand complex disability eligibility rules or to help them file adequately documented disability claims. The result may be an improper denial of benefits, and a claimant may suffer a prolonged period without benefits while going through the agency's slow and overloaded appeals process. Heavy workloads are also contributing to a rapidly growing backlog of postentitlement actions that are necessary to maintain the accuracy of the benefit rolls.

What the New Administration and the New Congress Need to Do

SSA's administrative problems will not be easy to address. There are both external and internal factors that impose constraints on the agency's ability to act, including the fact that the budget is not under its control but is determined by the legislative process, other agencies have significant authority over personnel and acquisition rules and policies, and management-union agreements establish parameters for how the agency conducts its business. More than 60 years of history have produced a service delivery system that can be changed only with energy and commitment.

Within this context, in its September 1999 report the Board made four overarching recommendations for how SSA should proceed in order to be able to improve the quality of service that it provides 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

SSA needs to resolve how it will handle its growing workloads, whether through increases in staffing, technological improvements, changes in the way the agency processes its work, or a combination of these approaches. In response to the Board's recommendation, the agency recently took a first step in this planning effort by issuing what it calls the *2010 Vision*, which outlines the principles for service delivery in the future. The new Administration should advance the work the agency has begun by developing a comprehensive and detailed plan for how the agency will meet its needs in the areas of human resources, technology, and work processes. This plan should address both the short-term and the long-term objectives of the agency.

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The Administration and the Congress need to ensure that SSA has the resources it needs to carry out its plan

In our September 1999 report the Board made the point that the agency cannot sustain any further reductions, and in fact now faces staffing shortages in key parts of its organization. We were pleased that the Commissioner used the authority provided to him in the 1994 independent agency legislation to submit a budget request for 2001 that provided for much-needed but modest increases in staffing for the agency. Although the Office of Management and Budget and the Congress did not agree to support this increase, the Commissioner's action reflected an important shift from the position that the agency has taken in prior years that it would somehow manage to carry out its work even though the appropriation was inadequate for its needs.

SSA will need the support of the Administration and the Congress in order to meet its human resource needs. The agency should develop a comprehensive workforce plan and base its appropriations requests on this plan, as directed by the 1994 legislation. The plan should reflect the real needs of SSA's programs. It should be developed using a work measurement system that accurately assesses the work to be done and the amount of time required to perform it in a manner that ensures a high quality of service. A workforce-based budget will allow the President and the Congress to make better-informed decisions about appropriate funding levels for the agency. SSA should also continue its work to develop a new work measurement system that will provide a better understanding than the agency now has of the time employees in the field are spending in carrying out the agency's many varied responsibilities.

As noted earlier in this report, we urge the new Administration and the new Congress to exclude SSA's administrative budget, like its program budget, from the statutory cap that imposes a limit on the amount of discretionary government spending. Both workers and employers contribute to the self-financed Social Security system, and are entitled to receive service that is of high quality. It is entirely appropriate that spending for administration of Social Security programs be set at a level that fits the needs of Social Security's contributors and beneficiaries, rather than requiring it to compete with funding for health, education, and other human services functions within the current government cap on discretionary spending.

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The agency needs to make major improvements in a number of its service delivery practices and strategies

The agency should follow the example of the most successful public and private entities and become much more oriented toward meeting

The agency should follow the example of the most successful public and private entities and become much more oriented toward meeting the needs and expectations of its clients.

the needs and expectations of its clients. It should improve the way it measures its service to the public and use the information it receives to guide its decisions on how to deliver high quality service most cost-effectively. SSA also needs to improve the way it measures its performance, and should test its performance against that of successful organizations in the public and private sectors.

We were pleased that in the fall of 2000 the agency accepted the Board's proposal for joint sponsorship of a forum on the measurement and use of customer service information. This forum brought together experts from the private sector and academia to advise the agency on ways it can improve its measurement and use of customer service information so as to improve the quality of service it provides to the public.

SSA has made delivering "customer-responsive world-class service" one of the five major goals in its current five-year strategic plan. SSA has thus set a goal, which we believe to be appropriate, that will require the agency to measure its service against the best that is offered in both the public and private sectors. If it is to meet this goal in the foreseeable future, it must make dramatic improvements in its telephone service, accelerate its ability to develop and use new technologies, and restructure and improve the way it conducts much of its work, particularly with respect to the disability programs. In order to implement many of the changes that are needed, it will need the support of both the Administration and the Congress.

The agency's leadership needs to address long-standing institutional problems

Although SSA's long-standing institutional problems relate to all of the agency's work, they directly affect SSA's ability to serve the public. These are problems that have grown over many years and to some degree are endemic to any large institution. To address them will require

changing the culture of the agency. The problems include a culture that discourages open discussion and timely resolution of problems, weaknesses in communication between SSA's headquarters and operations in the field, and inadequate teamwork. We have observed that in more recent months the agency's leadership has been working to address these problems and some progress has been made. But it will require continued strong leadership to build upon these beginnings.

The need to encourage open discussion of agency problems. – As we noted in our September 1999 report on service to the public, SSA has a strong institutional resistance to open discussion of the agency's problems. Although this attitude has apparently existed for many years and may be related to the agency's historic "can do" approach, it is particularly inappropriate and troubling today, given the scope and magnitude of the agency's problems. This kind of problem is difficult to correct. It requires a fundamental change in agency culture – a change that can be brought about only by strong leadership from the top.

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The need for better communication between management in headquarters and employees in the field. – A related problem is a feeling of misunderstanding between SSA’s managers in headquarters and employees in the field, including in State disability agencies. Many employees in the field have expressed concern that SSA’s management in headquarters is unaware of the problems they are having in serving the public and uninterested in hearing their suggestions for how these problems might be resolved. Consistent with these observations, a recent report on organizational culture conducted by SSA’s Office of Workforce Analysis found that “employees in the field feel strongly that SSA Headquarters is out of touch with them.”⁵

This finding underscores the need for the agency to do far more than it has been doing in the past to assure employees in the field that what they are saying is actually being heard and that their suggestions for improvements will receive thoughtful consideration within the agency. The outreach that the agency conducted in developing its *2010 Vision* is an illustration of the kind of effort that needs to be made on a systematic and consistent basis.

SSA should consider organizational changes to create a more service-oriented agency. – A reorganization of SSA

in 1979 established the agency’s first functional organization, replacing an organization based on program bureaus that went back to the early days of the program. Over the last 20 years there has been an expansion of the number of functional components, leading to a dispersion of responsibility and a narrowing of accountability. Many of the components have overlapping lines of authority, requiring a great deal of coordination.

SSA needs to make organizational changes to satisfactorily address its service delivery problems. Clearer lines of responsibility and more precise accountability for major segments of the agency’s work would be desirable. In addition, the agency should address a number of fundamental questions relating to how it is organized to serve the public, including how far can, and should, the agency go to reduce reliance on resource-expensive face-to-face settings, and how far can, and should, the agency go to increase the use of the telephone, and in turn, electronic communications, to provide more responsive service at lower cost.

The Board urges the new Commissioner to undertake a study of the agency’s organization, with a view toward providing a sharper focus on how the agency can improve its service to the public.

⁵ See *Organizational Culture Project: Final Report*, Social Security Administration, May 2000, p. 6.

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IV. INCREASE PUBLIC UNDERSTANDING OF SOCIAL SECURITY⁶

SSA's Obligation to Communicate with the Public

SSA has a responsibility to communicate in an authoritative, credible, accurate, and accessible manner with two important groups: first, the 154 million workers who pay the taxes needed to finance the Social Security system; and second, the 45 million individuals who are currently receiving Social Security benefits.

SSA has a particular obligation to inform workers, whose dedicated taxes pay for Social Security, about the benefit protections provided to them by Social Security, the financing of benefits, and the operations of the Trust Funds.

The agency's efforts to communicate with the public should extend beyond providing basic descriptions of the Social Security program. SSA should take the lead among government agencies in educating workers and their families about retirement planning.

Adequate retirement income depends on the strength of each of the legs of the "three-legged stool" – Social Security, employer pensions, and private savings. Helping individuals understand what they need to do to ensure their economic security in retirement should be a major objective of the agency.

The public also needs balanced and objective information about the complex issues involved in ensuring the long-term solvency of Social Security. SSA has the opportunity and the responsibility to provide information and analysis that will be helpful in the national debate on this issue.

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What the Public Thinks About Social Security

Over the years the Social Security program has enjoyed widespread public support. Despite this strong support, the numerous studies and surveys of public understanding of Social Security that have been made in recent years show that understanding of many aspects of Social Security is weak.

There is confusion about what Social Security does and does not do

A 1999 survey by SSA shows that more than half (52 percent) of people surveyed think they know some about Social Security and an additional 11 percent think they know a lot.

⁶ For more information on this subject, see the Advisory Board's September 1997 report, *Increasing Public Understanding of Social Security*.

About 80 percent know that Social Security provides for disability and survivor benefits, as well as retirement benefits. But there are major areas of confusion. For example, one-fifth of respondents erroneously think that Social Security pays for the food stamp program and an additional one-third are unsure whether it does or not. Sixty percent think that Social Security taxes go to pay for the SSI program and an additional one-third are uncertain. Only 8 percent correctly think that Social Security taxes are not used to pay for SSI.

Another 1999 survey conducted by non-governmental institutions backs up these findings. Asked why the system is in trouble, more people (65 percent) selected “money in the Social Security trust fund is being spent on programs other than Social Security” than any other reason.⁷

Over the years there has been a widely held view that there is a significant amount of fraud and abuse in the program. This view continues to prevail. The non-governmental survey referred to above found that more than half (54 percent) of those surveyed think that fraud and abuse by people who are not entitled to benefits is a major reason why the program faces financing difficulties.

Public confidence in the program has declined...

Public confidence in the program declined in the late 1970s and early 1980s, a period of extensive media coverage of the short-term financing problems of Social Security that preceded the reform amendments of 1983. It rose again in the late 1980s before beginning

another decline in the early 1990s, when the issue of long-term solvency of Social Security became a frequent topic of media attention. In the 1999 SSA survey more than half of non-retirees who were polled were only a little confident or not confident at all that Social Security retirement benefits will be there for them when they retire. The 1999 non-governmental survey found that 52 percent hold the view that the program has major problems, and an additional 30 percent think the program is in crisis. Three-quarters said that the program is likely to go bankrupt if Congress fails to take any action.

...but there is continuing strong public support

This same survey suggests that concern about the future of Social Security does not imply a lack of public support for the program. When given a list of Federal government programs, 85 percent of respondents said that Social Security was very important – more than for any other program listed, including Medicare (80 percent) and Medicaid (67 percent). Nearly three-quarters (73 percent) said that helping make Social Security financially sound should be one of the top priorities for the use of any budget surplus, compared to 57 percent for Medicare and 50 percent for increased spending on domestic programs, such as health, education, and the environment.

⁷ Survey conducted by National Public Radio, the Kaiser Family Foundation, and Harvard University’s Kennedy School of Government, May 1999.

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What SSA Should Do to Increase Public Understanding of Social Security

In its September 1997 report, *Increasing Public Understanding of Social Security*, the Board made a number of specific recommendations for changes the agency should make to increase public understanding of Social Security. The Board recommended that SSA:

- Develop a long-range plan for how the agency can take a far more active role in informing the public about Social Security and how it fits into an individual worker's long-term financial planning.
- Take the lead among government agencies in educating workers about retirement planning.
- Use new tools to improve public understanding, including the Social Security Statement (formerly called the Personal Earnings and Benefit Estimate Statement), the Internet, and other modes of communication. The Board urged the agency to make the Social Security Statement one of its highest priorities and to improve its content and design so that it can be an effective tool in enhancing public understanding of the program and in individual financial planning.
- Target efforts on areas where public understanding is weak, including ensuring long-term solvency, improving understanding of disability and survivors benefits, informing younger workers regarding Social Security taxes and benefits, informing the public about the already-scheduled increase in the retirement age, and clarifying that SSI benefits are funded out of general revenues rather than Social Security taxes.
- Assure that the Office of Communications and field offices have sufficient staff to

perform their public information responsibilities and that they have appropriate experience and training.

- Make the most of agency resources by maximizing the ability of the Commissioner to call the attention of the media to Social Security issues and by placing renewed emphasis on increasing public understanding through the agency's field office managers and other employees.

The agency has taken steps to improve communications with the public

Since the issuance of the Board's report, SSA has taken a number of steps to improve its communications with the public. Strengthening public understanding of Social Security has become one of the five goals in the agency's strategic plan. SSA has established the objective of having 90 percent of the public knowledgeable about the Social Security program in five areas by 2005. These areas include basic program facts, the financial value of the program to individuals, the economic and social impact of

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Strengthening public understanding of Social Security has become one of the five goals in the agency's strategic plan.

the program, the current financing arrangement, and financing issues. SSA has developed a process to measure improvement.

The agency has also been conducting an outreach campaign, which includes holding public events and media campaigns, developing new brochures and printed materials, improving the Social Security Statement, and expanding the information and services that it makes available through the Internet. Recently, for example, the agency has provided a “Retirement Planner” on its Web site that allows workers to compute estimates of their future Social Security retirement benefits.

In the past, SSA depended largely on field representatives who worked in field offices and had the specific responsibility of maintaining communications with their communities through visits to local organizations and working with the media. In 1982 there were 1,400 field representatives, but as the agency has been downsized, these positions have been reduced to about 400 today, and the focus of their work has been shifted away from public information. Today, most of SSA’s communications efforts are being handled by staff professionals, including about 100 public affairs specialists who work in major local media markets. The agency has also been providing communications training to its field office managers and regional public affairs officers and has conducted an “Ambassadors Program” to educate all employees on financing and other major issues. As the Board noted in its 1997 report, however, we are concerned that field office managers and others who work in communities throughout the country are so hard pressed by heavy workloads and inadequate resources that they no longer have time to carry out important public information activities.

Another area of concern is the notices that SSA sends to millions of individuals each year. The agency mails approximately 240 million notices annually to its claimants, beneficiaries, and their representatives. These notices explain program policy, administrative processes, and the criteria upon which SSA’s decisions have been made on individual cases. The quality and clarity of many of these notices have been called into question by reviewers both inside and outside of SSA, including a recent study conducted by the Pacific Consulting Group. Many of SSA’s notices are produced by an automated notice production system that has been criticized by experts both within and outside the agency as outdated. In addition, about 150 million notices are produced manually, most of which are preprinted form letters that may contain superseded, out-of-date policy information. While the agency has included “notice improvements” among its key initiatives outlined in its performance plan for fiscal year 2001, and improvements are being made, we believe that the agency should strengthen its efforts.

Much remains to be done

Although increasing public understanding has become a major focus for the agency, as the statistics above show there is still much that needs to be done. The agency’s efforts to improve the work that it is doing will need the support of both the Administration and the Congress. The recommendations made by the Board in 1997 and summarized above continue to provide a useful framework for assessing how well the agency is doing in improving understanding of Social Security not only by the beneficiaries of the program, but even more importantly, by the workers and employers who support it.

...we are concerned that field office managers and others who work in communities throughout the country are so hard pressed by heavy workloads and inadequate resources that they no longer have time to carry out important public information activities.

V. IMPROVE THE QUALITY OF SERVICE AND THE INTEGRITY OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM⁸

The Impact of the SSI Program on the Functioning of the Agency

In 1972, when the Supplemental Security Income program was enacted, questions were raised in the Congress and elsewhere about SSA's capacity to absorb administrative responsibility for the complex new welfare program without compromising its ability to administer the much larger Social Security retirement, survivors, and disability programs. The Congress ultimately chose the Social Security Administration to administer the SSI program, in part because of the agency's network of offices accessible to the public and its reputation for providing high quality service.

The Congress believed that the SSI program, which was intended to serve as a supplement to the Social Security programs, could function best in close connection with them. It was hoped that joint administration of the programs would result in improved service for low-income aged, blind, and disabled individuals, and that they would experience less stigma than under the prior State-administered welfare programs.

The agency had difficulties from the beginning in taking over the complex responsibility of administering the means-tested SSI program, and over the last 25 years the impact of the SSI program on the

functioning of the agency has grown. Today SSI continues to represent a major challenge for SSA's management and for employees in the field.

The SSI program is inherently more complex to administer than Social Security

As a means-tested program, SSI is inherently more difficult to administer than the earned-right Social Security program. Social Security eligibility depends upon generally objective and stable factors, such as date of birth, date of death, and marital status. In contrast, under SSI the fact and degree of eligibility can change from month to month based on changes in income, resources, individual living arrangements, and place of residence.

Administration is further complicated by the fact that the SSI program has become predominantly a disability program and thus shares with Social Security all of the

⁸ For more information on the Board's work regarding the SSI program, see the "Additional Statement by the Social Security Board" that has accompanied SSA's *Annual Report of the Supplemental Security Income Program* for fiscal years 1998, 1999, and 2000.

The agency had difficulties from the beginning in taking over the complex responsibility of administering the means-tested SSI program, and over the last 25 years the impact of the SSI program on the functioning of the agency has grown. Today SSI continues to represent a major challenge for SSA's management and for employees in the field.

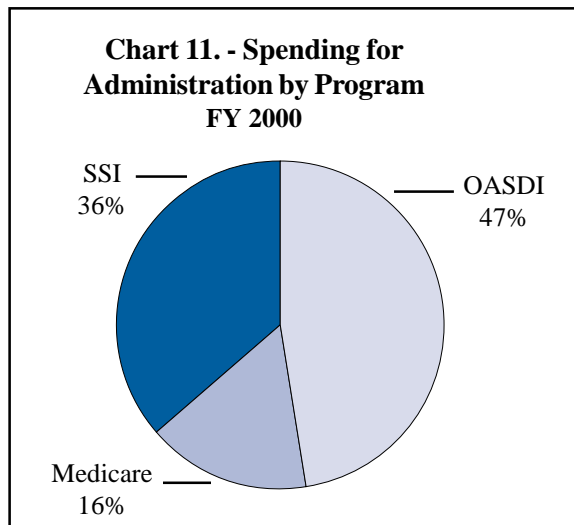
complexities involved in the multi-step disability determination process. Today, 91 percent of SSI applications are for disability benefits. The 5.2 million SSI disability beneficiaries greatly outnumber the 1.3 million beneficiaries who receive benefits on the basis of age. This is in contrast with the situation prevailing at the time the SSI program began, when the aged constituted the majority of beneficiaries.

SSI disability applications often present special complexities. Many applicants lack documentation of work or medical histories. This requires more work on the part of SSA and State agency employees to gather medical evidence and makes it more difficult to determine whether these individuals are able to work. In 1999, 59 percent of disabled SSI beneficiaries had a mental impairment. Adjudicating mental impairment cases can require the use of much more subjective judgment than is required in the case of most physical impairments. In addition, nearly a quarter of all SSI disability applications are for children, whose conditions often change rapidly over time, requiring more frequent reviews than other cases.

As a result of all these factors, the cost of administering the SSI program (including both old age and disability benefits) is high in proportion to benefit outlays. Although in 2000 SSI accounted for only about 7 percent of SSA's benefit outlays, it accounted for about 36 percent of the agency's administrative budget (as compared to about 47 percent for the Social Security programs and 16 percent for Medicare

responsibilities). The proportion of SSA's administrative budget devoted to SSI has grown since the early years of the program. In 1980, SSI accounted for only 27 percent of SSA's total administrative costs.

The agency's service delivery could almost certainly be improved if the complexity of SSI program rules were reduced. While not underestimating the difficulty of the task, we encourage SSA to take the lead in developing



measures, however incremental, that will simplify the SSI program from the standpoint of the individual applicant and beneficiary, and from the standpoint of the agency. The Congress should also be cognizant of the desirability of program simplification, and consider legislative changes where they are appropriate.

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The Need for a Better Understanding of the Service Needs of the SSI Population

Because of the factors discussed above relating to the complexity of SSI rules and procedures and the special characteristics of the population, SSA has been called upon to take on substantial casework responsibility, a responsibility that it is presently not staffed to fulfill.

Many SSA field office personnel, as well as advocates for the poor, believe that the agency should do more to assist aged and disabled individuals. Specific recommendations the Board has heard include:

- SSA should provide more assistance to SSI claimants than it is currently providing, particularly to those who are infirm or have disabilities that make it difficult for them to pursue their claims on their own.
- The agency should be more diligent and careful in helping to obtain representative payees for those who are unable to manage their own resources, and in monitoring how their funds are spent.
- SSA should find ways to make it easier for individuals to report income and other changes that will result in a change in benefits and should process these reports quickly and reliably.
- The agency should do more to help SSI applicants and beneficiaries find and retain employment.

Better data are needed to help the agency target its efforts to improve service

All of these recommendations appear to have validity. At the present time, however, SSA has very little data that it can use to determine how it should target its efforts to improve service to the diverse SSI population. For example, although the agency has data that identify service satisfaction levels for the SSI population as a whole, it does not systematically collect and use data relating to large and important segments of the SSI population – the aged, disabled, those who are working, disabled children, or those with specific types of impairments. It also lacks data that present a picture of clients' needs or satisfaction with specific aspects of the agency's responsibilities — performance in field offices, State disability agencies, or the Office of Hearings and Appeals.

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SSA would be able to target its efforts and improve its performance much more efficiently and effectively if it collected data such as these and used them to drive its actions.

Many SSA field office personnel, as well as advocates for the poor, believe that the agency should do more to assist aged and disabled individuals.

A more accurate work measurement system should be a high agency priority

Along with expanding and improving its measures of the service needs and satisfaction of SSI claimants and beneficiaries, SSA should make its current effort to develop a new and more accurate work measurement system a high priority. Field employees who spoke to us about the current system universally described it as inaccurate and unfair. Among other problems, they believe that it fails to give appropriate credit for many SSI-related activities, particularly SSI postentitlement work. They also view the system as tilted toward quantity and speed of work at the expense of quality and responsiveness to claimants' needs. Because SSA's work measurement system is used to allocate staffing for all regions of the country, it has a strong influence on how employees conduct their work.

SSA established a working group that has recommended numerous changes in the work measurement system. Many of the recommendations are complex and implementing them will require significant changes in computer systems. It will take strong leadership to give changes in the work measurement system the priority that they deserve within the agency. But work measurement, like measurement of client satisfaction, can undermine quality service if it

is not carried out appropriately. And a system that is as widely criticized as the present work measurement system can only serve to undermine the confidence of the agency's own employees in the fairness of the agency's procedures.

There is a strong relationship between measures of client satisfaction and work measurement. Both of these measures are important drivers of behavior, affecting the day-to-day actions of individual employees as well as the priorities of the agency as a whole. These measures need to be developed in coordination so that they will reinforce each other and serve as consistent reminders of what the agency values as high quality service to the public.

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Integrating Program Integrity and Quality of Service

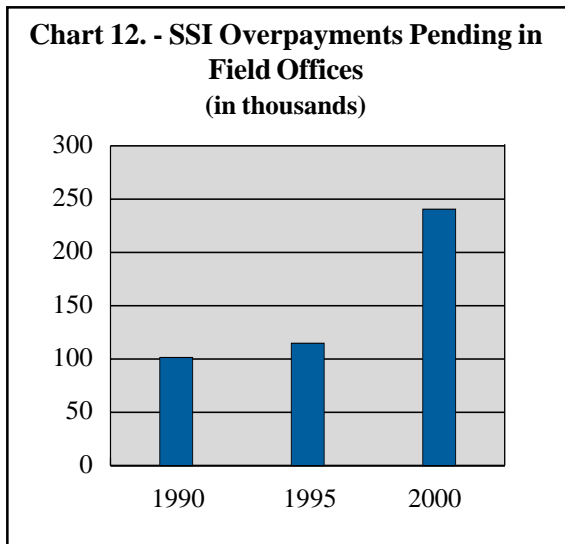
Because of resource limitations and pressures to process work quickly, program integrity and serving the public are viewed by many within the agency as competing objectives. But program integrity is in fact integral to good service to the public. Certainly taxpayers who support the SSI program view it as good service if their tax dollars are accurately dispensed. Similarly, beneficiaries view it as good service if

their payments are correct and they do not have the inconvenience or hardship of either overpayments or underpayments.

The concern about program integrity

In fiscal year 2000, SSA processed 3.3 million SSI overpayments, more than twice as

many as in 1990. Despite this large number of clearances, the number of unresolved SSI overpayments pending in field offices at the end of fiscal year 2000 was twice what it was at the end of 1990.



According to the agency’s data, the SSI payment accuracy rate, measuring the accuracy of current, retroactive, and estimated future payments, increased from 93 percent in fiscal year 1997 to 94.2 percent in 1999. However, both of these numbers are below those reported in the earlier part of the decade. For example, in fiscal year 1991 the SSI payment accuracy rate stood at 96.2 percent.

The General Accounting Office has placed the SSI program on its list of government programs that are at “high risk” of waste, fraud, and abuse, and the Board has talked with many in the agency, particularly in field offices, who are also concerned about the integrity of the program. The results of a 1999 survey of field office managers underscore the concerns that we have heard. The survey, conducted by the National Council of Social Security Management Associations, included 111 managers representing a cross-section of offices from all regions, ranging from large metropolitan offices to small rural offices. While three-quarters of those responding rated the quality of their office’s Social Security retirement and Disability Insurance claims work as good or

excellent, half rated their SSI claims work as only fair or poor.

In our observation, many of the problems that can lead to inaccurate benefit payments stem from the fact that too often employees in the field lack the time they need to process their workloads with proper care. There are many examples of this. For instance, overworked employees in field offices have told us that they sometimes do not pursue certain lines of questioning, such as the details of an individual’s living arrangements, because it takes too long to resolve the issues that may be raised. Agency employees are not processing reports of earnings or changes in living arrangements as promptly as they should because interviewing claimants who are sitting in overcrowded waiting rooms is a higher priority. And many report that they do not have time to investigate properly the quality and reliability of the representative payees whom they assign to manage payments on behalf of beneficiaries who are physically or mentally impaired.

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We have been told of similar concerns in State disability agencies, where examiners are pressed to meet processing times that make it difficult or impossible for them to gather all the evidence that is needed to make accurate and fully substantiated disability determinations.

We believe that both the employees who administer SSI and the individuals who benefit from it would have a much more favorable view of both program integrity and quality of service if there were greater emphasis on preventing problems before they occur.

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SSA's efforts to correct errors in payments

SSA conducts two types of reviews to catch errors in payments to SSI beneficiaries. It has made redeterminations of SSI non-disability eligibility factors a high priority, and over the last decade has been conducting between 1.5 to more than 2 million redeterminations a year. SSA also conducts reviews of the disability status of SSI beneficiaries. Until the last few years, the agency conducted very few of these reviews. In 1993, SSA processed only 12,000 SSI continuing disability reviews (CDRs).

Legislation requiring additional CDRs for SSI beneficiaries and special earmarked funding enacted by the Congress in 1996 enabled the agency to increase this number to more than 672,000 in 2000. The agency has also supported expanded program integrity efforts by the Office of the Inspector General, which has

acquired increased resources and has significantly stepped up its investigations of fraud and abuse in the SSI program. In fiscal year 2000, the Office of the Inspector General recovered or saved \$118 million as the result of its SSI investigative activities.

The agency is to be commended for these important efforts. We believe, however, that these efforts should go hand in hand with increased emphasis on careful handling of claims at the front end of the process.

The need for a better balance between meeting processing time goals and careful claims processing

As we indicated in our report on SSA's service to the public, there is always a danger that the pressure to meet processing time goals, because they are easily measured, will override program needs that are also essential but are more difficult to quantify, such as careful claims processing, adequate levels of training and review, and appropriate attention to client needs. The agency needs to take steps to achieve balance between better performance and workload processing so that program integrity and high quality service will be an integral part of all of the agency's work.

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We understand that more careful interviewing, better training, and increased monitoring for quality will require additional resources in some if not many offices. This is another area where the agency needs the support of both the Administration and the Congress in order to ensure that its staffing needs are met.

As indicated above, the agency should ensure that its work and performance measurement systems provide an appropriate balance between quality and quantity. For example, currently, when field office employees try to provide good public service by responding to general inquiries and referring people to other sources of assistance, they are given no work credit for this activity. And if, as the result of a careful interview and thorough explanation of the rules, an individual decides not to file a claim, the incomplete claim is not counted, while completing a claim for someone who is clearly ineligible is counted as a work unit.

The agency is taking more and more claims by telephone and it is also exploring ways to increase the kinds of work that it can perform by Internet. Although these efforts to increase efficiency and reduce costs are needed and will expedite service delivery to many whom SSA serves, the agency needs to take great care to build in safeguards that will ensure program integrity. Many SSA and DDS employees have told the Board that they are concerned that the reduction in face-to-face contact with claimants is increasing the likelihood of errors and of fraud and abuse, as well as making it more difficult to process claims in an accurate and timely manner.

Problems in the agency's quality assurance program

SSA should also reexamine its quality assurance program as it relates to SSI. In the last few years, SSA has dramatically reduced the number of full time staff who work on the quality review of SSI workloads. At the start of fiscal year 1993, the agency had 325 individuals in the field who performed this work. As of the end of September 2000, the number had been reduced to 187 – a 42 percent reduction. We have heard from individuals who perform this work in the field that because of downsizing they do not have time to make the careful checks they think are needed. For example, they are relying more on telephone interviews to obtain information to verify accuracy rather than making home visits.

There are other problems as well. There is a widely held view in the field that SSA's quality assurance program for disability is not uniformly applied among the regions of the country, and that it is applied differently to cases at different levels of review. Employees in the field also think that it would be helpful if more information about SSA's quality assurance procedures and findings were shared with them so that they could use it to improve their operations. It is a matter of serious concern when SSA and State agency employees question the validity and usefulness of the quality measuring system.

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The need to build quality into work processes from the beginning

Improvements in quality cannot rest only or even primarily on quality assurance and investigations of fraud and abuse, important as these activities are. While these efforts will discover serious systemic problems, they are not currently operating in a way that helps local offices improve the quality of their products. Quality needs to be built into work processes from the beginning, not just measured at the end.

Downsizing and the accompanying reduction in the number of managers and supervisors have led to a decline in the amount of review, training, and mentoring in the field. Managers across the country have told us that the reduction in first-line supervision has raised questions about the quality of work that is being performed in their offices. Review, training, and mentoring will be increasingly important as SSA begins to hire large numbers of new employees to replace the experienced employees who will soon be lost to retirement.

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VI. ADDRESS THE PROBLEM OF MISUSE OF SOCIAL SECURITY NUMBERS

The Social Security number (SSN) is increasingly being used for purposes not related to the administration of the Social Security program. Within the Federal government it is used for cross-program identity verification and data collection. Its use in programs from civil service to income taxes to student loans is mandated by Federal law. It is used widely by State and local governments, especially in welfare and Medicaid programs, and for purely State level purposes, such as drivers' licenses. The SSN is also widely used by private businesses.

The Social Security number (SSN) is increasingly being used for purposes not related to the administration of the Social Security program.

Because of its wide availability and use, the Social Security number has become a prime tool for illegal activity. In a report issued by SSA's Office of the Inspector General (OIG) in May 1999, investigators concluded that most identity-related crimes involve the fraudulent use of a Social Security number. Reports by the Federal Trade Commission, law enforcement agencies, and inspectors from the United States Postal Service have indicated that the nationwide incidence of identity-related crimes is growing rapidly.

According to SSA's Inspector General, the introduction of the SSN into the stream of electronic commerce has been accompanied by a dramatic increase in SSN misuse. Examples

include the use of stolen and counterfeit SSNs to obtain employment, establish credit, and defraud Federal programs. Individuals also misuse SSNs to conceal their true identity while committing a variety of other crimes.

In 1999, the OIG fraud hotline received over 75,000 allegations of fraud, over 80 percent of which involved misuse of the SSN. About half of these instances involved SSA programs, with the other half involving other types of activity. The OIG expects these numbers to escalate and has been stepping up fraud investigations where SSN misuse is alleged.

In September 2000, the OIG issued a report indicating that there may be serious problems with the validity and types of documentation that SSA accepts for identity verification. The OIG conducted a non-random sample review of 3,557 SSNs and found that the assignment of 28 percent of them was based on invalid or inappropriate documents. Inappropriate assignment of SSNs has a direct impact not only on the accuracy of SSA's wage and earnings data, but also on the integrity of payments made from both Trust Fund and general fund programs administered by the agency. The OIG's report stated that to effectively combat criminals and reduce the occurrences of fraudulent SSN attainment, SSA must employ effective front-end controls in its enumeration process.

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Until recently, SSA's view has been that identity-related crimes involving the fraudulent use of SSNs are a law enforcement issue and outside of the agency's jurisdiction. Hard data on identity-related crimes and other misuses of SSNs are not collected in a systematic way, making the magnitude of the problem difficult to discern. Suggestions, such as those made in the past by former Senator Daniel Patrick Moynihan and others, that SSA replace the current paper Social Security card with one that is tamper-resistant have been rejected by the agency as too costly. Given the upward trend in SSN misuse, it may be time for SSA to take a new look at options for a secure Social Security card.

The Board has become increasingly concerned about the growing fraudulent use of the Social Security number. We have been examining both the authorized and unauthorized uses of Social Security numbers, vulnerabilities in SSA's enumeration process,

and the role that Social Security numbers play in identity-related crimes. As part of our studies, we have consulted with the Consumer Protection Bureau of the Federal Trade Commission on the role that Social Security numbers play in identity theft and other identity-related crimes. We have also discussed with the Inspector General the role that SSA can and should play in reducing the misuse of the SSN.

Recently, SSA has become involved in developing pilot projects with the State Department and the Immigration and Naturalization Service to increase the integrity of the SSN enumeration process for immigrants and travelers. This is a promising initiative. We urge the Congress and the Administration to study carefully additional actions that should be taken to address the serious and growing issue of SSN misuse, including actions that the agency should take on its own initiative as well as any changes that should be made in the law.

VII. STRENGTHEN THE AGENCY'S CAPACITY TO PROVIDE GREATER POLICY LEADERSHIP⁹

One of the motivating forces behind the enactment of the 1994 independent agency legislation was the expectation that, as an independent agency, SSA would be more likely to exercise appropriate policy leadership on Social Security issues.

In the debate on the Senate floor leading up to passage, it was noted that SSA, as a component of the Department of Health and Human Services, had failed to bring to the attention of the Congress a number of important questions of policy, such as whether drug addicts and alcoholics should be eligible for disability benefits and the need for improved coverage of domestic employees. The hope was expressed that an independent Social Security Administration would be more mindful of the need to address such issues and would have the research and analytical capacity to do so.

In its first report, issued in March 1997, the Board's primary recommendation was that SSA should provide greater policy leadership on Social Security and SSI issues, and should strengthen its ability to carry out policy research. The Board observed that the Commissioner should place a high priority on policy, research, and program evaluation, and should establish a policy development office headed by an individual who would report directly to the Commissioner.

The Board noted that, as an independent agency, SSA has the opportunity and the responsibility of providing policy makers with objective research and analysis on important policy questions, including long-term financing and the future of the disability programs. It urged the agency to move swiftly to enhance its capability by recruiting additional qualified policy and research staff from outside the agency and developing staff within the agency.

The Social Security Administration has subsequently created a new high level policy

office as the Board recommended, and it has hired additional staff in the policy and research offices. It has also established "effective policy development, research, and program evaluation" as one of the five goals in its five-year strategic plan.

Consistent with the objectives of the Congress, we believe that SSA, as the administering agency for Social Security and SSI, has an obligation to assume policy leadership on issues related to these programs. Taking the leadership role in addressing policy issues is critical to maintaining the agency's credibility with the Congress and with the public. We urge the agency and the Congress to build on the initial improvements that have already been made by assuring that adequate resources are provided. The Board also intends to exercise its responsibility to advise the agency with respect to the policy issues that it should be addressing.

Taking the leadership role in addressing policy issues is critical to maintaining the agency's credibility with the Congress and with the public. We urge the agency and the Congress to build on the initial improvements that have already been made by assuring that adequate resources are provided.

⁹ For more information on this subject, see the Advisory Board's March 1997 report, *Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership*, and the January 1998 report, *Strengthening Social Security Research: The Responsibilities of the Social Security Administration*.

VIII. CONCLUSION

The purpose of this report is to provide the new Congress and the new Administration an overview of the major policy and administrative issues relating to the Social Security and Supplemental Security Income (SSI) programs. The analyses and recommendations for change that are presented are based on the work of the Social Security Advisory Board over the last four and one-half years.

In addition to outlining the reasons why it is important to act sooner rather than later to address the shortfall in the long-term financing of the Social Security program, this report highlights the reasons why the Congress and the Administration should make it a high priority to improve the administrative capacity of the Social Security Administration to fulfill its important responsibilities to serve the public.

The agency's service delivery problems stem from a combination of factors, including a prolonged period of downsizing, a growing workload, and increasing program complexity. SSA will face additional challenges over the coming decade as the large baby boom generation begins to file for disability and retirement benefits at the same time that the agency faces its own wave of retirements. Although SSA's employees have a strong commitment to providing high quality service, the agency's capacity to serve the public is not as strong as it should be and changes are urgently needed. This report summarizes why these changes are needed and provides an outline of what we believe needs to be done.

SSA's administrative budget shortfall, which is undermining its ability to provide an appropriate level of service to the American people, needs to be addressed. The Congress and the Administration should exclude SSA's administrative budget from the statutory cap that imposes a limit on the amount of discretionary spending, and provide the agency with a budget that fits the needs of Social Security's contributors and beneficiaries.

SSA must also make changes. Last year it made a beginning by issuing a *2010 Vision* that outlines how the agency expects to deliver service by the end of this decade. This vision needs to be translated into a tangible service delivery plan that will describe how the agency will handle its

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growing workloads, whether through increases in staffing, technological improvements, changes in policy, changes in the way the agency processes its work, or a combination of these approaches.

Addressing the problems of administering the disability programs is particularly urgent. In addition, major improvements need to be made in a number of the agency's service delivery practices and strategies, including the measurement of customer service needs and agency performance. A new quality management system capable of providing the information needed to ensure high quality and consistent decision making in the disability programs needs to be implemented. Issues relating to SSI program integrity and misuse of the Social Security number need to be addressed.

Organizational changes should be considered. Clearer lines of responsibility and more precise accountability for major segments of the agency's work are needed if SSA is to be able to manage its vast responsibilities.

The agency also has to address longstanding institutional problems. For many years, SSA has had a culture that discourages open discussion and timely resolution of problems. There have been problems in communication between SSA's headquarters and operations in the field, and inadequate teamwork. In recent years efforts have been made to address these problems and some progress has been made. But the present situation developed over many years and it will require strong leadership over a sustained period of time to provide an agency culture that will ensure that problems will be addressed and the public will receive the high quality service that it deserves.

HOW THE BOARD HAS CONDUCTED ITS WORK

The Social Security Advisory Board began its work in the Spring of 1996. Since then, the Board has met with Social Security Administration officials, officials from other Federal and State organizations, Congressional staff, claimant advocates, union and employee organization officials, and representatives from the White House. We have traveled to Social Security offices throughout the country and met with employees in all parts of SSA's administrative structure. We have also held public hearings, where we heard from public officials, experts, advocacy groups, and other individuals who shared their views with us.

Meetings of the Board. Since 1996, the Board has generally met monthly at its offices in Washington, D.C. It has also held conference calls.

Site Visits. The Board has visited Social Security Regional Offices in Boston, San Francisco, Philadelphia, Dallas, New York City, Kansas City, Chicago, and Atlanta. We have visited hearing offices, including offices in Boston, Massachusetts; Pasadena, Downey, and Oakland, California; Harrisburg, Pennsylvania; Lansing, Michigan; Brooklyn and New York, New York; New Orleans, Louisiana; Richmond, Virginia; Fort Worth, Texas; and Birmingham, Alabama. The Board has visited SSA field offices throughout the country, including Boston; Los Angeles; Philadelphia; Dallas; Atlanta, Rome, Marietta, and Tucker, Georgia; Fort Lauderdale and Miami, Florida; Kansas City, Kansas; Kansas City, Missouri; Chicago; Fort Worth; and New York City. We have met with employees in SSA's teleservice centers and program service centers in San Francisco, Philadelphia, Dallas, Ft. Lauderdale, Chicago, Kansas City, New York City, and Atlanta.

In addition, the Board has met with officials and employees from State and local governments, including State Disability Determination agencies in Lansing and Detroit, Michigan; Austin, Texas; Richmond, Virginia; Washington, D.C.; Boston, Massachusetts; Los Angeles and Oakland, California; Harrisburg, Pennsylvania; and New York and Brooklyn, New York. In Oakland, California we met with a number of the Alameda County Supervisors, and talked with representatives of the Oakland Center for Independent Living.

The Chairman has met with and addressed the National Council of Disability Determination Directors and the National Council of Social Security Management Associations. He has addressed representatives of the American Federation of Government Employees, the National Association of Disability Examiners, the national forum for State Disability Determination Directors, and the hearing office chief administrative law judges.

Public Hearings. The Board has held public hearings in San Francisco, Dallas, and Chicago. The Board heard from Social Security officials, advocates for the elderly and disabled, State government officials, academics, legal services attorneys, representatives from private and non-profit organizations concerned with Social Security issues, and members of the public.

Board Forums. The Board has held three public forums to discuss issues facing the Social Security Administration. The first was held in June 1997 on developing a long-range research and program evaluation plan for SSA. Twelve academicians and researchers participated as presenters or moderators. The Board's second forum was held in October 1998 to discuss the implications of raising the Social Security retirement age. Participants included academicians, researchers, and government officials. In January 2000, the Board held a third forum to discuss the report of the

1999 Technical Panel on Assumptions and Methods. At this forum recommendations on the economic and demographic assumptions and methods used to project the status of the Old-Age, Survivors, and Disability Insurance Trust Funds were discussed. Attendees of these forums included Congressional staff, SSA officials, individuals from other government organizations, members of the press, and other individuals with an interest in Social Security issues.

The Board also co-sponsored a forum with the Social Security Administration on the measurement of customer service expectations and needs, and how SSA can better use customer information to drive decision-making. The forum brought together a panel of experts from the private sector and academia to discuss with the leadership of the agency and the Board how successful private sector companies measure customer service and use this information to improve service delivery.

Board Testimony. In October 1997, the Chairman testified before the Senate Committee on Finance on the role of the Advisory Board. On March 12, 1998, he provided testimony for the House Committee on Ways and Means hearing on the “Challenges Facing the New Commissioner of the Social Security Administration.” On November 19, 1998 he provided testimony for the House Committee on Ways and Means hearing on “Saving Social Security.” On February 10, 2000 Chairman Ross and Sylvester Schieber testified at a hearing held by the Human Resources and Social Security Subcommittees of the House Ways and Means Committee on the issue of SSA’s readiness for the impending wave of baby boomers. On April 5, 2000 the Chairman presented testimony for the record to the Subcommittee on Labor, Health and Human Services, and Education of the House Appropriations Committee.

Appointment of Technical Panel. In 1999, the Board appointed a panel of experts to review the assumptions and methods used by the Board of Trustees of the Old-Age, Survivors, and Disability Trust Funds to project the future financial status of the funds. The panel issued its report in November 1999.

Board Reports and Statements. The Board has issued the following reports and statements:

1. *Agenda for Social Security: Challenges for the New Congress and the New Administration*, February, 2001.
2. *Charting the Future of Social Security’s Disability Programs: The Need for Fundamental Change*, January, 2001.
3. *Disability Decision Making: Data and Materials*, January 2001.
4. *Annual Report Fiscal Year 2000*, October, 2000.
5. *Selected Aspects of Disability Decision Making*, September 2000.
6. “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.
7. *The Technical Panel on Assumptions and Methods, Report to the Social Security Advisory Board*, November 1999.
8. *Annual Report Fiscal Year 1999*, October 1999.
9. *How the Social Security Administration Can Improve Its Service to the Public*, September, 1999.
10. *Forum on the Implications of Raising the Social Security Retirement Age*, May 1999 (Staff document).

11. "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.
12. *Annual Report Fiscal Year 1998*, October 1998.
13. *How SSA's Disability Programs Can Be Improved*, August 1998.
14. *Social Security: Why Action Should Be Taken Soon*, July 1998.
15. "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.
16. *Strengthening Social Security Research: The Responsibilities of the Social Security Administration*, January 1998.
17. *Increasing Public Understanding of Social Security*, September 1997.
18. *Forum on a Long-Range Research and Program Evaluation Plan for the Social Security Administration: Proceedings and Additional Comments*, June 24, 1997 (Staff document).
19. *Developing Social Security Policy: How the Social Security Administration Can Provide Greater Policy Leadership*, March 1997.

THE SOCIAL SECURITY ADVISORY BOARD

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 this 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 6-year terms, made up as follows: 3 appointed by the President (no more than 2 from the same political party); and 2 each (no more than one from the same political party) by the Speaker of the House (in consultation with the Chairman and 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. Board members serve staggered terms.

The Chairman of the Board is appointed by the President for a 4-year term, coincident with the term of the President, or until the designation of a successor.

Members of the Board

Stanford G. Ross, Chairman

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. He 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.

Jo Anne Barnhart

Jo Anne Barnhart is 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; current term of office: October 1998 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 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 at 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.

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.

Mark A. Weinberger

Mark A. Weinberger is currently the Director of the U.S. National Tax Practice for Ernst & Young LLP. Mr. Weinberger has previously served as Chief of Staff and Counsel to the President's 1994 Bipartisan Commission on Entitlement and Tax Reform (the Kerrey-Danforth Commission). He also is a former Commissioner of the National Commission on Retirement Policy. Mr. Weinberger served as Chief Tax and Budget Counsel to Senator John Danforth, and also as a tax advisor to the National Commission on Economic Growth and Tax Reform (the Kemp Commission), which studied fundamental tax reform. Mr. Weinberger has written and lectured extensively on tax, budget, political and retirement security issues. He graduated from Emory University; holds a Masters degree in Business Administration and a law degree from Case Western Reserve University; and has an LL.M. from Georgetown University Law Center. Term of office: October 2000 to September 2006.

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