

**United States House of Representatives  
Hearing**

**Subcommittee on Social Security  
Of the Committee on Ways and Means**

**Testimony of  
Steve Clifton  
President  
National Council of Social Security  
Management Associations, Inc.**

**Hearing Series on Securing the Future of the Social Security  
Disability Insurance Program**

**January 24, 2012**

Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee, on behalf of the National Council of Social Security Management Associations (NCSSMA), thank you for the opportunity to submit this written testimony regarding the future of the Social Security disability insurance program. We share your concern for combatting disability waste, fraud, and abuse and offer our perspective on the disability insurance program and the important work addressed by the dedicated employees of the Social Security Administration (SSA).

NCSSMA is a membership organization of nearly 3,500 SSA managers and supervisors who provide leadership in nearly 1,300 community-based Field Offices and Teleservice Centers throughout the country. We are the front-line service providers for SSA in communities all over the nation.

In this role, our interactions with the American public often come at a time when they experience life-changing events such as retirement, loss of a loved one, or onset of disability. Oftentimes this translates into a sense of urgency or even desperation as they look to SSA for assistance. We are also the federal employees who work with your staff members to resolve problems and issues for your constituents who receive Social Security retirement, survivors and disability benefits (RSDI), and Supplemental Security Income payments (SSI).

Since the founding of our organization over forty-two years ago, NCSSMA has considered our top priority to be a strong and stable SSA, which delivers quality and timely community-based service to the American public. We also consider it a top priority to be good stewards of the taxpayers' monies and the Social Security programs we administer. Our testimony provides a summary of the current state of SSA operations, a review of SSA's current funding situation, the many challenges confronting our agency, and our recommendations for improving payment accuracy and the disability insurance program.

Despite SSA's enormous workloads and challenges, SSA's FY 2012 appropriation for administrative funding through the Limitation on Administrative Expenses (LAE) account was only slightly above the FY 2011 appropriation. While the dedicated funding to address program integrity workloads included in the FY 2012 appropriation is much needed and appreciated, the overall funding level does not allow SSA to cover inflationary costs for fixed expenses. This has resulted in a hiring freeze and drastic reduction of overtime hours in our Field Offices, as well as the postponement of agency initiatives to improve efficiency—all of which will have major public service repercussions on payment accuracy and overall program integrity.

SSA already has an acute staff-to-workload imbalance and is over-extended in critical program areas as the agency struggles to keep up with rapidly increasing workloads and existing backlogs. Congress must give thoughtful consideration to future appropriations for SSA to ensure the preservation of this valued program.

Preventing improper payments is important before claims are adjudicated as well as protecting tax payer dollars after claims are adjudicated. Properly funding SSA to process core workloads not eligible for specific program integrity monies and investing in program integrity initiatives improve payment accuracy will save taxpayer dollars and is fiscally prudent in reducing the federal budget and deficit.

## **The Current State of SSA Operations**

NCSSMA has critical concerns about the dramatic growth in SSA workloads, and the need to receive necessary resources to maintain service levels vital to the 60 million Social Security beneficiaries and SSI recipients. Despite agency strategic planning, expansion of online services, significant productivity gains, and the best efforts of management and employees, SSA still faces many challenges to providing the service that the American public has earned and deserves.

Over the last several years, SSA has experienced a significant increase in Social Security claims. The additional claims receipts are driven by the initial wave of the nearly 80 million baby boomers who will be filing for Social Security benefits by 2030—an average of 10,000 per day. In addition, since 2008 there has been a surge in new initial claims filed due to poor economic conditions and rising unemployment levels.

In FY 2011, SSA Field Offices assisted 44.9 million visitors, received 4.8 million retirement, survivor and Medicare applications, and 3.2 million initial disability claims—the highest number in SSA history. Also in FY 2011, SSA completed 795,424 hearing requests—the largest annual total to date—and received 859,514 requests for hearings—an all-time high.

During FY 2011, there were 16.4 million new and replacement Social Security cards issued. Over this same time period, benefit verifications, status inquiries and Social Security card applications accounted for nearly 50% of all transactions where the public walked into a Field Office without an appointment.

To address program integrity and reduce improper payments, SSA completed 2.4 million SSI non-disability redeterminations in FY 2011. SSI redeterminations provide a return-on-investment of more than \$7 in program savings over 10 years for every \$1 spent, including savings accrued to Medicaid. SSA also completed over 1.4 million medical continuing disability reviews (CDRs) in FY 2011. Every \$1 spent on medical CDRs produces at least \$10 in lifetime program savings.

It is important to note that program integrity workloads are processed by the same SSA Field Office employees that answer public telephone calls, take initial applications for disability benefits, and develop and adjudicate benefit claims. In addition, it is also important to note, that while program integrity initiatives are vital in protecting taxpayer dollars after claims have been adjudicated, it is equally critical to prevent improper payments before they occur.

To this end, having adequate staffing levels in SSA Field Offices to process workloads, answer questions and educate the public on their reporting responsibilities is essential to save taxpayer dollars. Adequate resources to conduct training and to perform quality reviews to ensure that claims are adjudicated accurately are also imperative to discharging SSA's stewardship responsibilities.

### **Social Security Administration Funding**

SSA appropriations are an excellent investment and return on taxpayer dollars. The additional funding Congress provided SSA in FY 2008-2010 helped significantly to prevent workloads from spiraling out of control, allowed the agency to accomplish its program integrity workloads, and assisted with improving service to the American public.

Despite SSA's enormous workloads and challenges, SSA's FY 2011 appropriation for administrative funding through the Limitation on Administrative Expenses (LAE) account was below the FY 2010 enacted level and \$275 million was rescinded from Carryover Information Technology (IT) funds. While SSA's FY 2012 appropriation was slightly above the FY 2011 amount and the dedicated funds for program integrity workloads is appreciated, this funding level still does not allow SSA to cover inflationary costs for fixed expenses. This has resulted in noticeable public service repercussions in FY 2011 and the first quarter of FY 2012, including a hiring freeze, drastic reduction of overtime hours in our Field Offices, closing all Field Offices to the public one-half hour earlier, and the postponement of agency initiatives to improve efficiency.

From the chart below, you can see the cumulative final appropriation levels SSA received from FY 2008 through FY 2011.

<b>SSA FUNDING REQUESTS AND FINAL APPROPRIATIONS: FY 2008 – FY 2011</b>					
(Figures in \$Billions)	Commissioner's Request	President's Request	Final Appropriation	Final vs. President	Final vs. Commissioner
<b>FY 2008</b>	\$10.420	\$9.597	\$9.745	\$0.148	(\$0.675)
<b>FY 2009</b>	\$10.395	\$10.327	\$10.454	\$0.059	\$0.127
<b>FY 2010</b>	\$11.793	\$11.451	\$11.447	(\$0.004)	(\$0.346)
<b>FY 2011</b>	\$13.143	\$12.379	\$11.424	(\$0.955)	(\$1.719)
<b>Total</b>	<b>\$45.751</b>	<b>\$43.754</b>	<b>\$43.070</b>	<b>(\$0.752)</b>	<b>(\$2.613)</b>

### Assessment of SSA Challenges

The FY 2011 and FY 2012 funding levels have impacted SSA and its dedicated employees. Field Offices across the country are struggling to address increased workloads without overtime while a hiring freeze remains in place. Employees, faced with these additional job stressors, frequently choose retirement in greater numbers, contributing to the loss of significant institutional knowledge, which exacerbates the problem.

SSA has a highly skilled but aging workforce with about two-thirds of its employees involved in delivering direct service to the public. Of SSA's 68,880 full-time and part-time permanent employees on duty as of October 1, 2010, 22.5% were eligible to retire in FY 2011. By FY 2015, 32.9% of SSA employees will be eligible to retire, and by FY 2020, this number will increase to 44.9%.

In FY 2011, there were approximately 3,600 federal and DDS employee losses in SSA. In FY 2012, it is estimated that another 4,400 federal and DDS employees will leave the agency for a total of nearly 8,000 losses in two years. As the chart below illustrates, through December 2011, there were 3,315 fewer employees in SSA Field Offices and DDS offices than in FY 2010.

<b>SSA FIELD OFFICE AND DDS STAFFING FY 2010 - PRESENT</b>						
	Field Office (FO) Without TSC	FO Staffing Change +/- vs. FY 2010	Disability Determination Service (DDS)	DDS Staffing Change +/- vs. FY 2010	TOTAL FO & DDS Staff	FO & DDS Staffing Change +/- vs. FY 2010
<b>FY 2010 - 9/30</b>	30,623		16,193		46,816	
<b>FY 2011 - 9/30</b>	29,202	-1,421	15,469	-724	44,671	-2,145
<b>FY 2012 - 12/31</b>	28,767	-1,856	14,734	-1,459	43,501	-3,315

This is an incredible loss of institutional knowledge considering that the agency is confronted with exploding workloads resulting from aging baby boomers, very complex programs to administer, and the volume of important program integrity work to be accomplished. With the hiring freeze in SSA Field Offices, there is no relief in sight, and the agency is quickly becoming severely understaffed.

These resource reductions significantly compromise SSA's ability to provide complete attention to claims accuracy and properly discuss beneficiary reporting responsibilities. Managers and supervisors are frequently pressed into direct service duties such as answering public telephone calls, interviewing and adjudicating claims for benefits, and processing program integrity workloads. This prevents them from essential management responsibilities, including the oversight of quality initiatives, addressing critical on-going training, and ensuring efficient field operations.

Geographical staffing disparities have occurred and will only increase as ongoing attrition spreads unevenly across the country. This leaves many offices significantly understaffed. Managers report the following situations in their offices:

- *We are down to 24 (from 30) employees and one of our SRs just suffered a major heart attack. The other offices in the state are at (or will soon be) in identical circumstances. It is a daily challenge to keep morale afloat. We struggle every day to make the hard choices of what we can and cannot get done. The staff is feeling disillusioned, given all of the negative discussions concerning the future of the federal workforce and the uncertainty regarding our future. The other offices in the state have indicated that they have lost staff as a direct result of this uncertainty. From a succession management standpoint, we are disenfranchising those who would carry the agency forward into the future.*
- *The office had 27 employees but currently has 15 on duty. The office is receiving help with processing their Internet claims and answering their phones.*
- *It is getting more serious daily. My office is at a historically low staffing point as no doubt many offices are. Yet we are providing assistance to another office that is down from 21 to 12 employees in the span of about a year.*
- *A manager is expected to lose 60% of her staff early next year and with the hiring freeze, she doesn't expect to get any replacements. Even if she did, it would take at least a year before those employees could really be productive. With the loss of overtime, the ability to process work has also been significantly impacted.*
- *We received about 150% increase in SSI redeterminations this year. Because of this, we have needed to shift all of the initial claims appointment over to our T2 unit. This has caused our appointment calendar to be extended and we are now receiving assistance with our RSI appointments. In trying to keep our office wait time under 30 minutes, we have been unable to maintain adequate phone coverage.*

One of SSA's top priorities, and most significant challenges, is eliminating the disability hearings backlog. SSA has made a major resource investment to improve this situation and the goal is to eliminate the backlog by FY 2013 and to improve processing time to 270 days. The Commissioner has implemented several initiatives to achieve this goal, but this will depend on the available resources provided by SSA funding and the volume of new hearings received.

SSA's efforts have resulted in significant progress in reducing the amount of time a claimant must wait for a hearing decision. In December 2011, the average processing time for a hearing was 343 days, a 171 day improvement over Fiscal Year 2008. Even though this is positive news, Hearing Offices are facing a significant wave of new hearings with approximately 140,000 more

hearings filed in FY 2011 than were filed in FY 2010. This is attributable to the increased number of disability claims filed since the economic downturn that began in 2008.

## **SSA Payment Accuracy and Program Integrity Investments**

SSA issues approximately \$800 billion in benefit payments annually to 60 million people. Balancing service commitments with stewardship responsibilities is difficult given the complexity of the programs SSA administers, but the reduction of improper payments (both overpayments and underpayments) is one of SSA's key strategic objectives.

- In FY 2010, the accuracy rate for Old Age, Survivors, and Disability Insurance (OASDI) payments was 99.6 percent for overpayments. The comparable accuracy rate for FY 2009 was 99.6 percent.
- In FY 2010, the SSI accuracy rate was 93.3 percent for overpayments. This represents an increase of 1.7 percentage points over the FY 2009 overpayment accuracy rate of 91.6 percent.

These figures illustrate that SSA pays a very high percentage of benefits accurately. To adjudicate claims with an accurate payment amount and to ensure that claimants reporting responsibilities have been fully explained, an adequate number of trained SSA employees are of paramount importance to program integrity.

Equally important is sufficient time to address these complex issues. The hiring freeze in SSA Field Offices, the higher attrition rate, and increasing workloads, all serve to compromise efforts to improve payment accuracy. SSA places a high priority on meeting workload goals, but meeting these goals and maintaining payment accuracy requires sufficient resources.

One important initiative to provide relief to SSA Field Offices and to improve efficiency is increasing Internet services. In FY 2011, SSA received 999,203 retirement applications online and 289,418 Medicare-only applications online. The percentage of retirement applications filed online increased to nearly 41 percent, from approximately 37 percent in FY 2010. In FY 2011, almost 33 percent of disability applications were filed online compared to 27 percent in FY 2010.

The expansion of electronic services available to the American public has helped to alleviate the number of visitors and telephone calls to SSA. NCSSMA believes that SSA must be properly funded to continue to invest in improved user-friendly online services. Electronic services that are extended to benefit estimates, benefit verifications, Social Security card replacements, claim status inquiries, and processing routine transactions (such as change of address, change of direct deposit, etc.), in real time, would reduce contacts with Field Offices and allow employees to concentrate on efforts that would promote payment accuracy and program integrity.

In the Budget Control Act of 2011, Congress authorized \$13 billion in additional funds above the discretionary budget caps over the next ten years exclusively for program integrity work. We appreciate this much needed support to ensure the future viability of our disability and SSI programs. Once benefits are paid, two powerful tools for reducing improper payments and maximizing program integrity investments are conducting medical CDRs and SSI

redeterminations.

- Medical CDRs determine whether disability benefits should be ceased because of medical improvement. Every dollar spent on medical CDRs produces at least \$10 in lifetime program savings.
- SSI redeterminations review nonmedical factors of eligibility, such as income and resources to identify payment errors. Every dollar spent on redeterminations produces at least \$7 in lifetime program savings.

SSA budgetary constraints have caused a shortfall between the number of medical CDRs due and the number conducted each year. Although SSA achieved its target for full medical CDRs by completing over 345,000 in FY 2011, a backlog of approximately 1.4 million cases still exists. The SSA Office of Inspector General has identified this as one of SSA’s most serious management challenges. As a result of the additional program integrity funding, SSA’s FY 2012 goals include completing 592,000 full medical continuing disability reviews (CDRs), an increase of 82 percent over FY 2010. It is critical that SSA receives the necessary funds to eliminate this backlog by FY 2016.

The chart below is based on data from the Social Security Administration Office of Quality Performance. It illustrates the cost savings achieved from completing SSI redetermination program integrity workloads.

<b>SSI REDETERMINATIONS CHANGE RATE</b>							
<b>Review Name</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>
<b>Redeterminations/Limited Issue Completions</b>	2,462,086	1,414,503	1,038,943	1,220,664	1,730,575	2,445,550	2,216,145
<b>Overpayment Benefits (Millions)</b>	\$2,211.0	\$1,378.7	\$1,141.4	\$2,139.2	\$2,843.1	\$3,764.7	\$2,974.20
<b>Underpayment Benefits (Millions)</b>	\$1,247.8	\$849.4	\$709.7	\$1,085.5	\$1,034.1	\$1,425.0	\$1,323.30

Two major causes of improper payments for disability beneficiaries relate to return to work activities resulting in performing substantial gainful activity (SGA) and the detection of unreported financial accounts and wages. SGA is determined during work CDRs and financial accounts affect SSI eligibility.

SSA initiates work CDRs when earnings are reported to a disabled individual’s record that could affect their benefit eligibility. Local SSA Field Offices handle self-reported earnings as well as many third party earnings reports. The Office of Disability Operations (ODO) or Program Service Centers (PSCs) conduct reviews based on earnings reports posted on the disabled individual’s earnings record.

Regardless of the source of work reports, contact is required with the disabled beneficiary, employers, and often others providing support to the individual to determine if the earnings reported affect disability. In addition to verifying the work activities, SSA must evaluate whether this work is SGA and consider such things as impairment related work expenses (IRWE), subsidies, extra assistance with duties and other special accommodations to determine

continuing eligibility. This work is funded out of SSA's general operating budget, not the dedicated program integrity funds.

The work activity of disabled beneficiaries is a significant cause of overpayments. SSA identifies the majority of these cases through the current work CDR process, but a percentage are undetected because either the wages were not identified or work CDRs were not completed on identified reports of wages.

Prompt attention to this workload prevents or minimizes the amount of overpayments. The ability of SSA to promptly and efficiently address these workloads is a direct function of having sufficient time and an adequate number of employees. Generally, the same employees who evaluate work CDRs are also the same employees that take and adjudicate initial claims, answer public telephone calls, and process other important agency workloads. NCSSMA believes a continued investment to address work CDRs would enhance SSA's program integrity efforts.

SSA must improve work reporting mechanisms for disability beneficiaries to make this activity more "user friendly" and to ensure payment accuracy. While SSA has made significant strides in improving mechanisms for reporting work activity of disabled beneficiaries, additional investments in technology in this area would result in fewer overpayments. There are impediments to reporting work activity with the SSI wage reporting telephone number. Additionally, there is no SSA online tool for disabled beneficiaries to report work activity. NCSSMA recommends investing in technological improvements to improve wage reporting. Increasing the timeliness of wage reporting would enhance tax administration and improve program integrity for a range of programs, thereby improving payment accuracy.

NCSSMA also supports legislative changes and/or regulatory proposals that improve the effective administration of the Social Security program with minimal effect on program dollars. We believe the following proposals have the potential to increase administrative efficiency, lower operational costs, and save taxpayer dollars. These proposals would increase the accuracy of SSA payments.

- **Enact the Work Incentives Simplification Program (WISP):** This proposal would replace the complex work provisions in the Social Security Disability Program, including the Trial Work Period, SGA Determinations, Extended Period of Eligibility and Expedited Reinstatement, and replace these provisions with an earnings test comparable to that of RSI beneficiaries under full retirement age. This provision would simplify the entire work incentive process for the beneficiary and SSA. Work years saved by SSA currently spent in enforcing the prior provision could be redirected to other priority workloads.
- **Federal Wage Reporting:** This proposal would require employers to report wages quarterly; the proposal would not affect reporting of self-employment. Increasing the timeliness of wage reporting would enhance tax administration and improve program integrity for a range of programs. This program would give SSA more immediate access to earnings information for the SSI program, thereby decreasing underpayments.
- **Require that SSA be provided with Workers Compensation Information:** Providing workers compensation data exchange information, in an electronic fashion, to SSA would



greatly reduce the number of times SSA personnel must contact state governments, local governments, and private insurance providers. Having accurate information at the time of determinations would ensure more accurate decisions, thereby reducing incorrect payments. This proposal would save both administrative and program dollars.

## **Conclusion**

NCSSMA recognizes in the current budget environment it is difficult to provide adequate funding for SSA. However, Social Security is one of the most successful government programs in the world and touches the lives of nearly every American family. We are a very productive agency and a key component of the nation's economic safety net for the aged and disabled.

With sufficient resources, program simplifications, legislative reforms, enhanced data exchanges, and expanded electronic services, SSA can address payment accuracy and ensure program integrity, both before and after claims are adjudicated. A strong Social Security program equates to a strong America and it must be maintained as such for future generations.

We sincerely appreciate the Subcommittee's interest in the vital services Social Security provides, and your ongoing support to ensure SSA has the resources necessary to serve the American public. We also request your continued support for funding dedicated program integrity workloads as well as adequate funding to address core workloads not eligible for specific program integrity monies, which ensure accurate payments, saves taxpayer dollars and is fiscally prudent.

Failure to process program integrity workloads has adverse consequences on the federal budget and the ongoing administration of SSA programs. NCSSMA is confident that this increased investment in SSA will benefit our entire nation.

On behalf of NCSSMA members nationwide, thank you for the opportunity to submit this written testimony. We respectfully ask that you consider our comments, and would appreciate any assistance you can provide in ensuring the American public receives the critical and necessary service they deserve from the Social Security Administration.