

**Address of
Sylvester J. Schieber, Chairman
Social Security Advisory Board to the
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Good morning. Thank you for inviting me here today to speak with you again about the matters with which you deal on a daily basis. My colleagues and I at the Social Security Advisory Board find these matters of utmost importance.

Some of you may know that I have written two books about Social Security, one I coauthored with John Shoven, an economics professor at Stanford University. This latter book included a fairly detailed economic history of the evolution of Social Security in the United States. I am not trying to sell you any books here but to make a point that I think that this history is extremely important and instructive for how we consider the organization of our activities with a view toward the future. Both Winston Churchill and Harry Truman are quoted as saying something to the effect that those who choose to ignore history are condemned to repeat it.

Reflecting on history is apt as we consider the disability program on this special day, August 14. It was 73 years ago today that Franklin D. Roosevelt signed the Social Security Act into law. Happy birthday to each and everyone in this amazing organization that has become such a vital element of our national fabric!

Birchard Wyatt, who happened to have founded the private consulting company where I spent most of my professional career, was the chief technical assistant to the Social Security Board during 1936 as the agency was being formed. He wrote a book about many of the issues the early architects faced as they took Social Security from an abstract concept spelled out in a law enacted relatively late in 1935 to a highly efficient operating entity that had registered 60 percent of the U.S. workers and was collecting payroll taxes from them by January 1937. This was a time when computers, even in a rudimentary form of what we know today, did not exist.

Among the elements that had to be resolved in designing the original administrative systems for Social Security was how to develop unique identifiers for program participants. Some of the original architects of the administrative system favored using thumb prints as identifiers. Imagine the foresight of these individuals in 1936 in realizing the potential efficiency of a biometric identifier as the way to keep track of people. This idea was abandoned because of the fear of the negative public reaction to using an identifier that was then largely associated with the identification of criminals.

Instead, the old faithful Social Security Number that we have come to know and hate was adopted as the practical way to achieve public acceptance.

There is a lesson in this bit of history. The problem in 1936 was not that the managers at Social Security had not figured out the best way forward in identifying program participants. It was that they felt compelled to choose a less desirable way to accommodate current considerations. Today, the agency and taxpayers pay for that decision with every Social Security card that is issued. The cost now is roughly one-half billion dollars per year.

As Social Security got underway, it paid a great deal of attention to the design of efficient processing systems. When the Social Security Board considered the original bids for processing equipment to handle wage reporting, they chose among three companies that had submitted proposals out of the 90 that had been solicited. IBM was selected because its proposal alone was based on electronic processing. The Social Security recordkeeping operations in the 1930s were at the cutting edge of technology. The work was not done by long rows of clerks in eyeshades manually recording workers wages in large ledger books. The work was done by card punch operators, sorting machines, accounting machines, posting machines and electronic collators. All of these were the direct descendent of the “electro-mechanical tabulator” invented by Herman Hollerith for use in tabulating the 1890 Census. While the staff at Social Security did not invent this equipment, they recognized the potential for its adaptation to the task at hand. They were at the forefront in using technology in an applied administrative context.

In 1945, Harvard University unveiled the first electronic computer. It weighed in at 5 tons and could multiply two, 23-digit numbers in 6 seconds. This machine was fed its information and instructions with just the sort of punch cards that Social Security administrators had already massively employed and they saw the immediate potential from moving up the technology ladder. Initially, however, computers were designed to solve computational problems and were not oriented toward administrative tasks. Social Security managers pushed the industry to develop this capability. The agency’s first computers were acquired in 1951—today we would call them rudimentary electronic calculators. By the early 1950s, magnetic tape storage was coming on line to tremendous benefit—one, 10-inch reel could hold the equivalent of 60,000 data cards. In March 1956, Social Security brought on line its first real computer and began posting workers’ records on magnetic tape by July of that year.

Program Evolution and New Administrative Responses

In signing the original Social Security Act, President Roosevelt described it as providing protection against the vicissitudes of life but acknowledged that it was only the foundation on which expansion would be built. Initially, there was no provision for insurance protection against disability. By the 1950s, however, the debate about Social Security policy turned to creating new types of benefits – initially a disability benefit.

Then, as now, the disability program was the focus of much controversy. The concept did not fit neatly into the retirement pension framework. Retirements are a function of age and can, at some level, be predicted and the costs managed. In contrast, disability is a function of health status and the potential costs of such a program were unknown and of concern to legislators. Some questioned whether the new disability program might entice workers into applying for benefits early. While these critics who were concerned about the implications of adopting a disability program are largely gone today, some must be turning in their graves as contemporary researchers conclude that, to a considerable extent, the program does act as a pre-retirement unemployment insurance program in many cases.

The debate over whether to add a disability component and what it should look like raged on from 1949 to 1956. The final battle for passage was mounted in 1956 and through maneuverings by Lyndon Johnson and the AFL-CIO the disability insurance program was added to the original Social Security protections.

In a contemporary context, it is interesting to juxtapose the administrative systems approach that the agency took in its initial operations with the approach that it took with the disability application process. When it was time to accumulate the necessary information to enroll workers in the program and keep their earnings records up to date, SSA was at the cutting edge. When it came to accumulating the information to determine whether an applicant was disabled, the agency was much less structured in its approach. While it had adopted magnetic storage of data early on to deal with earnings records, a far bulkier and free form paper process for record development and storage of disability applications was the “rule.” The paper disability claims folders persisted until the twenty-first century arrived. I understand that 14 percent of the current cases in the hearing backlog in mid-August 2008 are still paper files.

When the Social Security Act was passed by Congress in 1935, there was no provision for a hearings process for people who felt they were not treated properly under Social Security. However, the 1939 amendments required the agency to provide hearings to dissatisfied claimants. Concerns about fair treatment in the early years of Social Security operations were a far different kettle of fish than they are today but there have been concerns about fair treatment in the case of the disability program almost from the outset.

We all know that over the years there have been numerous attempts to reform, redesign, and improve the disability hearing process. In fact, when the Board was doing research for our September 2006 report, *Improving the Hearings Process*, we counted over 40 “hearings process improvements” initiatives undertaken by the agency in the preceding 30 years. Unfortunately, none of them had much lasting success. Today, the Social Security Administration has implemented another initiative designed to eliminate the disability hearings backlog and prevent its recurrence.

Yesterday and Today

Last year when we met we acknowledged that confidence in the program was low. Newspaper articles continue to appear regularly—including a recent series in the *Portland Oregonian* that described the plight of real people who are facing bankruptcy, loss of dignity, and despair while they wait for a disability decision.

Congress continues to hold hearings seeking answers as to why the disability backlogs never seem to go away. They are—finally, I believe—facing up to their own role in the recent declining fortunes of the agency. Chronic under-funding of core mission workloads coupled with more and more unfunded mandates to support a broad array of other federal programs has pushed SSA to the tipping point. As I am sure you know SSA did receive \$148 million above the President's budget for fiscal year 2008. Fiscal year 2009 could bring another increase if Congress acts before the November elections. Otherwise, the agency could be looking at a continuing resolution, that at best, freezes spending at 2008 levels.

Last year when we met, the hearings pending levels were at an historic high of 750,000. And here a year later, at the end of July 2008, a new high-watermark was set; over 762,000 Americans are now waiting to receive a decision—a decision that will allow them to go on with their lives rather than remain in an adjudicatory limbo. Pending cases have grown steadily in the past three years, averaging 128 percent of receipts.

Processing time is still on the rise. As of July 2008 it reached 512 days. While this level is clearly unacceptable to all of us in this room, it is only fair to acknowledge that processing time measures can be skewed. As you clear out the very old cases that have been pending for over 900 days, the processing time numbers will be affected. A more disturbing measure is the increase in the age of the pending workload which is now averaging 329 days. Over half of the work is 270 days old.

Much of the growth in the backlog last year was attributed to an increase in hearings receipts from 2006 to 2007. This increase in work flowing into ODAR continues. Receipts through July were 480,468 and are projected to be about 15,000 higher than what the Office of Budget had originally expected. It is fairly simple to figure out where these cases are coming from – DDSs continue to deny about 86 percent of all reconsideration requests. On average, about 75 percent of those denied at the reconsideration level file for a hearing before an ALJ.

A few months ago the House Committee on Ways and Means held a hearing that focused on clearing the backlog. In my testimony there, I emphasized that the focus needed to be about more than just the state of the workload at the hearings level. The problems do not start at the hearings level and any initiative to improve the process must take into consideration the critical steps all along the determination process. These

critical steps must be linked together with a seamless infrastructure that acknowledges that the disability adjudication process is not a series of disjointed elements, but one that must be tightly woven together. Unfortunately, this is not the case today.

For example, DDS claims adjudicators operate under processing time, productivity measures, and quality control rules that put unreasonable stress on their process. The quality assurance system focuses primarily on checking the accuracy of allowance determinations and this clearly sends an unintended message regarding the “importance” or “lack of importance” of accurate decisions in proposed denials. The chance of an insufficiently documented denial determination sliding through the system unchecked cannot be discounted. This is not rocket science—tell anyone working on these sorts of problems that you are going to check their “yes” answers and not their “no” answers and they will naturally answer “yes” to the easiest ones and “no” to those that are more difficult even if they should be answered “yes.” The unbalanced QA process in the DDS has a clear and direct impact on the workload reaching ODAR.

Through the tenacity of the Director of the Virginia DDS, last year new life was breathed into an electronic disability case analysis tool that was destined for the shelf. This tool, eCat, essentially “forces” the examiner to consider fully all of the allegations, weigh all of the evidence appropriately, and then thoroughly explain, with references to the Social Security Rulings and the Code of Federal Regulations, how they arrived at their determination. When eCat is fully implemented, the ALJ will be able to view the eCat analysis. It is much too early to draw conclusions. But the DDS adjudicators testing the system have been very enthusiastic about eCat and the DDS’s internal quality assurance data indicate that the claims being developed using the system are much improved.

At the same time, ODAR is working hard on the development of its own set of electronic adjudication tools. But we were dismayed when we recently learned that ODAR has had limited involvement with the development of the DDS eCat initiative. ODAR has not been able to explore fully how eCat can lead to efficiencies in the hearings development process. We have raised concerns over this seeming lack of coordination. Moreover, we are concerned that there does not appear to be an overarching electronic systems strategy that is linked to a well thought-out process structure, and that emphasizes the interdependence of the operating components.

As I think about the DDS and ODAR operations separately working on their own historically belated efforts at electronically streamlining their processing systems, I am reminded of the effort to build the transcontinental railroad after our Civil War. One group of its builders started their initiative in Omaha and built westward. Another started their initiative in Sacramento and started eastward. Both groups were being compensated based on the miles of track that they laid. As they neared the completion of their project, however, the separate initiatives did not intersect. And both groups kept laying track parallel to each other for some period of time, because that was what they were being

compensated to do. Finally, federal managers stepped in and the two sets of tracks were linked together in Provo, Utah. I am concerned that all the separate initiatives to build electronic pathways to solve Social Security's disability problem may fail because no one is making sure they link up to create a path to a real solution to this national eyesore.

Plan to Eliminate the Hearing Backlog and Prevent Its Recurrence

Last summer, the agency implemented the *Plan to Eliminate the Hearing Backlog and Prevent Its Recurrence*. This plan, like many of those implemented in the past focuses on expanding adjudicatory capacity in ODAR, enlisting the assistance of DDSs and field offices, seeking to correct hearing office procedures, and relying on expected process efficiencies through automation. These same tactical initiatives have been successful in the past and may facilitate clearing out the backlog by 2013.

But here I am reminded of a story that Elting Morison, a professor at MIT, has told. During the initial stages of World War II, the British were in short supply of armaments and decided to use some light artillery that had been used at the turn of the century in the Boer War. These old guns and their operating manuals were from the period when military artillery was horse drawn. But nothing kept the old guns from being hitched to trucks and used as part of a mobile defense strategy. In operation, however, the Brits found the firing rate was too slow with the old artillery. The army called in a time and motion expert to speed up firing of the guns. He watched the men practicing loading, aiming, and firing the guns and noticed something odd. Just before firing the guns each time, two of the five men on each gun crew stopped all activity and came to attention for a three second interval and then the gun was fired. He could not understand why these soldiers went stone still for this brief period prior to firing. Finally, he located a retired colonel and asked him to observe the firing crew. After several moments, the old colonel had figured it out— under the standard operating procedures for these guns, the two crew members came to their motionless halt because it was their assignment to hold the horses when the guns were fired. The procedures that the crew implemented merely replicated the same (successful) techniques that had been used time and time again in the past.

My point in telling this story is not to cast doubt on the viability of the backlog reduction plan. I want to be clear that we are encouraged by the effort going into this initiative. However, the landscape has changed and it is necessary to look beyond conventional solutions to address the needs of the future. If SSA truly is going to reduce the hearings backlog and prevent its recurrence, then the effort must extend beyond ODAR and look at how work gets done across the agency. Policy and procedural conflicts and ambiguities need to be addressed; performance measures need to be standardized; and technology must be leveraged in a way that reflects a new approach to workflow rather than as a tool that merely automates current processes.

You may think that I over-simplify in using the British artillery example as an analogy for the disability systems efforts now underway. But earlier this year we visited with a group of DDS examiners in Connecticut to ask them about their assessment of the eCat system being developed in conjunction with the folks in Virginia. They told us that the new system was a tremendous improvement over the old paper approach but that it was limited because it was mostly just an electrification of existing forms. The system still lacked much of the dynamic information management and presentation widely available to anyone who signs onto the web today. It sounds to me like we are still holding our horses.

SSA has developed strategic plans in the past which were successful in leading them to new ways of doing business. In the recent past they have drifted away from long-term planning in order to cope with current crises. The Social Security Advisory Board believes that it is incumbent upon the Social Security Administration to once again envision a future where emerging technologies and other innovations can be used to deliver services that meet the needs of the American public. This will involve shedding traditional paradigms and undertaking a comprehensive review of current business processes, identifying gaps in service delivery and looking for efficiencies that will leverage human capital and resources. It is time for the agency to learn the right lessons from its history—that appropriate adaptation of technology can be the key to addressing its massive administrative challenges—but it is also time to stop holding the horses.

Achieving Success

Throughout the Board's existence, we have spent the vast majority of our time studying the disability program and how well it serves the public. In our 1999 report on how SSA can improve service to the public, we noted that SSA needed to improve the way it measures performance. This is an agency that collects a wealth of data on case characteristics, decisional outcomes, timeliness, productivity, quality, and cost. The data are tallied and put into charts and called "management information." I am not convinced that much of this is nearly as helpful as it might be. I believe that many modern organizations confuse data for information. They are not the same.

Part of the problem here may be that data itself is often of little value if not refined into information and knowledge that managers on the ground can use to improve the efficiency of the units they run. For example, a raw statistic that shows that a particular ALJ may be extremely productive in terms of disposing of cases provides little value if it hides the fact that that individual's productivity is correlated (and possibly responsible) for low productivity of other ALJ's in the same unit. Statistics on gross dispositions may be misleading if they are not highly correlated with net dispositions after remands. And so forth. Data on individual ALJ productivity can only be properly assessed in an analysis that controls for other environmental variables—number and characteristics of support staff, characteristics of cases being assessed, percentage of decisions being remanded and other variables that affect work flows.

The data that I cited earlier regarding processing time and pending are certainly essential for managing the operation, but there is more to data analysis than merely counting. The Case Processing Management System (CPMS) technology provides ODAR with the opportunity for immediate creation and retrieval of information, yet it seems there is little innovative analysis occurring. The only way to truly prevent the backlog from recurring is by identifying and targeting the root cause of bottlenecks and vulnerable processes and then implementing performance measures that track outcomes. The cadre of economists, statisticians and other technical analysts in Social Security's research operations could help in devising appropriate analyses if they were simply brought into the process and given a free hand to do so.

Performance measures need to reflect more than incremental change from year to year. They should be benchmarked against the level of performance that the agency would ultimately like to achieve. For example, SSA has stated that the optimal processing time for hearings cases is 270 days. A useful measure of success could be one that reflects the number of cases processed within 270 days. Now clearly, given that the current processing time is 512 days, the type of measure suggested would have little meaning in the near term. In this case, ODAR could publish incremental targets, the number of cases processed in 350 or 500 days, for example, as well as achievement against the final goal.

In a report released in March 2007, OIG noted that CPMS uses 40 status codes to track and process pending claims. Each code may well play a critical role in managing work, but one cannot help but wonder if this is an example of "too much data" with "too little information" that makes it nearly impossible to understand from a process perspective what is happening with the workload. Experts have noted that too many measures for a specific workload can be overwhelming. If managers cannot fairly quickly sort out the salient messages in the materials they are given, it is not information. ODAR should be able to identify a few key measures that tell the essential story and that provide a concise and balanced picture.

As you are well aware, CPMS can generate a host of reports and should be able to provide judges and local hearings offices with a wealth of material that could be useful for informing a lasting change in the hearings process. How aware are judges of the patterns of their own decision making? How aware are they of how their own patterns of decision making compare to the office, region and nation as a whole?

When we met last year and I shared some observations on aggregate allowance and productivity rates, I had the sense that this type of information is not readily available to judges. If the agency wants to affect change, then it must be willing to share information reflecting performance levels and variations and, as judges, you must be willing to accept the information as a tool designed to inform you of your role in the overall performance of the agency. At a minimum, you should regularly see measures

that capture, timeliness, productivity, pending, quality as reflected in peer reviews and remands, and cost.

I know that you all have a very difficult job to do handling a high volume of complex claims with limited resources. Using data wisely, implementing new automation tools, partnering with DDS and field offices, and most importantly, embracing change are the most effective means for eliminating the backlog and preventing its recurrence. It is incumbent upon all SSA employees to ensure that this time, an agency plan dedicated to improving public service at the hearings level does not fail. We are facing a period of constrained resources and increasing caseloads. Careful management to assure effective and efficient use of those resources is essential.

The Social Security Administration has had a magnificent 73-year history in many regards. There are ample lessons that we can learn from that history if we pay attention to it. It is time that we learn from those lessons and apply them to solving the problems we now face as we advance into the twenty-first century. We cannot afford to fail now as the program is facing more daunting challenges than any it has faced thus far and the public is watching far more closely than it has for a long time.