

ADMINISTRATIVE CHALLENGES FACING THE SOCIAL SECURITY ADMINISTRATION

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED NINTH CONGRESS SECOND SESSION

MARCH 14, 2006



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ADMINISTRATIVE CHALLENGES FACING THE SOCIAL SECURITY ADMINISTRATION

TUESDAY, MARCH 14, 2006

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Charles E. Grassley (chairman of the committee) presiding.

Also present: Senators Snowe, Thomas, Bunning, Baucus, and Lincoln.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. Many times when Senator Baucus and I have hearings, we have people before us we want to complain about. That is not the case with Social Security this time, but we do have primary responsibility for overseeing, and we are here to get an update, basically.

The primary responsibility of the Social Security Administration is to ensure the timely and accurate payment of monthly payments. That is to, I believe, now about 52 million people. To accomplish this task, the Agency has 65,000 Federal employees, 1,500 offices, and tele-service centers as well.

The Agency also relies on 15,000 State employees to assist in disability determination. By most accounts, the Agency is doing a remarkable job, providing \$550 billion in annual benefits, with an administrative budget of less than \$10 billion, or just 2 percent.

Various measures of payment accuracies suggest the right person receives the right amount more than 95 percent of the time. Of course, in a program this large, even the tiniest error is a problem for a lot of people that have that error made for them.

Ironically, the Agency's accomplishments have led to growing demands of its resources. In recent years, Congress has imposed significant new duties. The Medicare Modernization Act requires the Agency to identify low-income seniors eligible to receive extra Medicare Part D assistance, as the latest example.

The Intelligence Reform and Terrorism Prevention Act of 2004 is a more recent example of imposing additional safeguards when issuing Social Security cards. We have the Deficit Reduction Act of 2005, requiring the Agency to conduct additional reviews before SSI Disability benefits are first paid.

Now, while these provisions improve program integrity, they will also add to your responsibilities and costs, of course. Compared to

many other Federal agencies, Social Security has fared reasonably well. Its administrative budget has increased between 4 percent and 5 percent in recent years.

However, these budget increases have apparently not been enough to address this increased workload. This fact is no more apparent than in the area of disability benefits.

Recent data suggest that the backlog of pending disability cases is rising, while program integrity activities are declining. There is undue hardship when continuing disability reviews and SSI redeterminations are not performed. It wastes limited taxpayers' dollars.

Resolving these issues, of course, is challenging enough, but a new and even more difficult task may lie ahead as we look at immigration reform, as an example, a bill passing the House of Representatives, a bill pending now before the Senate Judiciary Committee creating mandatory employment verification systems.

This system, of course, relies heavily upon the resources of Social Security. As outlined in various competing versions of the pending legislation, employers would be required to verify the names and Social Security numbers of their employees. So, that is an additional burden.

Under current immigration law, employers are required to examine, but not independently verify, the documents presented to them by prospective employees. A number of systems have already been created to allow employers to voluntarily verify names, Social Security numbers, and employment authorization. Most employers do not use these systems, especially those who are most likely to hire illegal workers.

One recent study suggests that there are more than 7 million illegal workers employed in the United States. This number is roughly consistent with the number of W-2s filed each year that contain names and Social Security numbers that do not match those in the records of the Agency.

In theory, it might be possible to identify all the employers who file mismatched names and Social Security numbers and thereby target immigration work site enforcement efforts, but relying on Social Security records to enforce immigration laws raises a number of critical issues for this committee, ranging from its impact on the Agency's ability to perform its primary functions and the increased potential for identity theft, the impact on taxpayer compliance, the potential for increasing the tax gap, the impact on confidential taxpayer return information, and potential for abuse. So, all sorts of problems.

On identity theft, illegal workers often use fake Social Security cards with bogus numbers. This would no longer be possible with mandatory verification, thus, illegal workers would try to use fake documents to obtain real Social Security numbers, or they would try to steal someone else's name and Social Security number.

Without adequate safeguards, millions of law-abiding citizens would soon be getting letters from the IRS, demanding to know why they did not pay income taxes on the wages earned by illegal workers using their stolen numbers.

Another one on the tax gap. It is illegal to hire unauthorized workers. It is also illegal to fail to withhold taxes that are owed on workers' wages, regardless of their legal status.

Total wages reported as mismatched W-2s in 2003 were \$58 billion. That represents nearly \$9 billion in Social Security and Medicare payroll taxes. Without adequate IRS oversight, thousands of employers are now withholding taxes on legal workers and may decide to join the underground economy.

On taxpayer privacy, the protection of taxpayer information is a cornerstone to the voluntary tax system. These protections are in section 6103. They are designed to strike the balance between taxpayer privacy on the one hand and legitimate law enforcement on the other.

The administration has proposed a very open-ended use of taxpayer information by Homeland Security to identify illegal workers. Such a proposal must be looked at very closely by this committee.

Back in 2004, the Appropriations Committee tried to end-run the privacy protections, and we had a lot of Senators—this one included—very upset, and their proposal was voted down. So, we need to proceed with caution in this area.

The need for caution is underscored by the Taxpayer Advocate, who has come out very forcefully in a letter to me raising serious questions about the administration's proposal, particularly with regard to the impact on taxpayers' compliance.

Immigration law does not fall within the jurisdiction of this committee. However, changes in immigration law can have a significant impact on many areas within this committee's jurisdiction, so the purpose of today's hearing is to examine a number of these areas and consider the potential consequences, and this testimony is very important.

Senator Baucus?

**OPENING STATEMENT OF HON. MAX BAUCUS,
A U.S. SENATOR FROM MONTANA**

Senator BAUCUS. Thank you, Mr. Chairman. I thank you very much for holding this hearing. It is, I think, vitally important. I wish that more members of the Senate, this body, and the country would recognize just how difficult this problem is so we can do more about it.

Today we examine two causes of delay in receiving Social Security benefits, the first, longstanding, the second, potential. Today we ask whether Americans are having to wait too long to receive the Social Security disability benefits.

The first cause of delay results from inadequate funding for Social Security's administrative expenses. The second delay could result from pending immigration legislation that would place yet more responsibilities on Social Security.

Some who apply for the Social Security Disability Program under the disability portion of Supplemental Security Income, have had to wait 3 to 4 years to get their benefits—not months, years.

One of our witnesses today is Erwin Hathaway. Erv is from Trego, MT. That is in the far northwestern part of our State. Erv suffered a severe disabling ankle injury, but Erv had to wait nearly

4 years until he finally received his benefits. That is unconscionable.

People with disabilities often cannot work. They have no earnings. Yet, they may have to wait for years to get their benefits. People with disabilities have it hard enough. They often have to live with pain, with discomfort. That burden should not be added to by delays in the delivery of needed benefits.

At her confirmation hearing, Commissioner Barnhart committed to me that she would study why it takes so long for applicants to get their benefits, and I might say, those findings were eye-opening.

It took 1,153 days, more than 3 years, for some applicants to get their benefits, but of that time, only about 7 days were actually spent by Social Security employees doing the necessary work.

Huge backlogs of cases cause about half of the remaining delays. Despite the Commissioner's best efforts, and I commend her for them, these backlogs have grown. When the Commissioner took office at the end of 2001, a backlog of nearly 400,000 cases was pending before administrative law judges. At the end of this fiscal year, the backlog is expected to be about 750,000 cases. That is a line of people, three quarters of a million people long. To get disability benefits to people who need them more quickly, clearly, we must reduce those backlogs. That means more efficiency, but it also means more money to reduce the backlogs.

The Commissioner has done a good job of getting the administration to request appropriations each year that, if enacted, would have reduced these backlogs. But each year, Congress has cut the appropriations for the Social Security Administration well below the President's request.

By and large, however, the cuts in the requested funds have not been the fault of the Appropriations Committees. The President's overall budget requests have included too few funds for domestic programs overall. The Appropriations subcommittees, therefore, are forced to rob Social Security's account to restore other accounts.

But this year, the situation has deteriorated even further, for four reasons. First, the total appropriation for Social Security's administrative costs is about \$300 million below the President's request. I might add, Social Security requested quite a bit more than that in the first place.

The other three reasons for the deterioration were unanticipated. First, Social Security had unanticipated expenditures because of the damage caused by Hurricanes Katrina and Rita. Second, implementation of the Medicare drug benefit has created unanticipated burdens for Social Security.

The administration has made the drug benefit program more confusing than it had to be, of that I am sure. Many seniors turned for help to Social Security, not to the Centers for Medicare and Medicaid Services.

Third, as a result of the Intelligence Reform and Terrorism Protection Act of 2004, Social Security has unanticipated costs there, too. Social Security now has to ask for a different method of documentation before giving an individual a Social Security card. Therefore, a full third of applicants do not have the right docu-

ments, so they must make return visits. This adds to Social Security's work load.

As a result of these three unanticipated problems, backlogs are getting worse, and with them, delays in benefits for people with disabilities.

The bottom line is, Social Security needs more money for administrative costs right now. It is not too late to provide Social Security with the capacity to use \$80 million for additional overtime this year.

These funds could begin to reduce the backlog of cases that results from the three unanticipated causes I just described. Now we are looking for a way to provide these funds through new legislation.

Now, on top of this, another important administrative challenge is about to face Social Security: immigration. The Judiciary Committee has been debating legislation to change our Nation's immigration policies, and the House has already passed immigration legislation.

Some of these immigration proposals would place additional responsibilities on Social Security. One has to do with Social Security's role in verifying that a job applicant is eligible to work in this country.

The current process can involve the use of a Social Security card, but it is vulnerable to fraud. Counterfeiters can recreate a brand-new card, or a card that mimics someone else's legitimate card.

One proposal is to mandate that all employers use a system called Basic Pilot. That provides employers with electronic access to Social Security's system. This access can verify that the numbers on the cards match the names given by the applicants. But this access cannot confirm that the individuals with the cards are who they say they are.

In theory, Basic Pilot sounds like a good idea. But in practice, as the GAO and others have indicated, Basic Pilot does not appear to be ready to be made mandatory for all employers in America.

The system is not reliable. It may have a huge cost to employers. It may create new incentives for identity theft, it may endanger personal information, and it may raise civil liberty concerns.

I understand all that. I also understand the need to make sure that we enforce our immigration laws. That is a difficult balance. I will be interested to hear from our witnesses how to achieve that balance.

To avoid adding to backlogs, any new responsibilities placed on Social Security must be accompanied with resources to accomplish the task, and the Social Security trust funds must not be compromised.

I look forward to our witnesses, and I again thank the Commissioner, Ms. Barnhart, for all her hard work. She was trying very hard, under very difficult circumstances, and we very much appreciate her dedication to trying to do the best with what she has.

Our job, Mr. Chairman, frankly, is to not only help her, but to help all those people who are not getting disability benefits quickly. That is the real goal of all of this. Thank you.

Senator BUNNING. Mr. Chairman?

The CHAIRMAN. Yes. Go ahead, Senator.

Senator BUNNING. I would like to not correct, but just state for the record, that the Social Security Administration is an independent agency. The law does not even require them to submit their budget to OMB. We passed that law, Patrick Moynihan and myself, together. Still, the Social Security Administration submits their budget to OMB.

Senator BAUCUS. That is right.

Senator BUNNING. Well, they have no requirement to do so. They can independently put forth their budget, and the Congress can act one way or the other on it. Until they do that on their own, OMB is going to continue to do what it does every year by reducing the Social Security Administration's budget to perform their duties. Thank you.

Senator BAUCUS. If I might add, Mr. Chairman, a point of clarification.

The CHAIRMAN. I think he is agreeing with you.

Senator BAUCUS. No, he is not. No, he is not. [Laughter.] As a point of clarification, I do not think he is.

The CHAIRMAN. Well, I thought he was.

Senator BAUCUS. And that is why I spoke up. No. I think the process is this, and certainly the Commissioner knows better than anybody else here. It is true, it is an independent agency. We know the request that they make. On the other hand, they do submit their request to OMB.

Senator BUNNING. Not necessary.

Senator BAUCUS. But they do. And it is also true that the amount is in the President's budget. That is, the President recommends to the Congress what the appropriation should be for the Social Security Administration. That is in the President's budget.

I am just saying that I think the request by the Commissioner was \$800 million more than they previously had. The President's budget, however, cut that down to a lower amount. Added to that, Congress then cut that further.

Senator BUNNING. Senator, what I am saying to you is that, in spite of the fact that they are an independent agency, in spite of the fact that they do not have to submit their budget to OMB, they continue to do it and they continue to get their budget cut not only by the President, but then again by Congress.

Senator BAUCUS. That is my point.

Senator BUNNING. My point is, they should submit the budget directly to Congress. There is no requirement to go through OMB. That is the law.

The CHAIRMAN. And I think you are saying that if they did that—

Senator BUNNING. They will do better. They will get more money if they submit it directly to the people in the Congress of the United States, and not submit it to OMB.

Senator BAUCUS. That could well be. But I can just see what is going to happen. I am not defending this process at all. But each independent agency is going to submit its own independent budget. I can tell you right now, the President is not going to like that at all.

Senator BUNNING. Why did we do it as a Congress 10 years ago, plus?

Senator BAUCUS. It is a compromise.

Senator BUNNING. It was not a compromise at the time. It was a meaningful reform of the Social Security Administration that Senator Daniel Patrick Moynihan and some people over in the House got together on and said, this is necessary if we are going to have a better Social Security system.

Senator BAUCUS. Mr. Chairman, this is all a very interesting discussion, but I think we should get to the issue at hand here and help people out, help people get their benefits more quickly.

The CHAIRMAN. All right.

Now we have the Commissioner of the Social Security Administration, Jo Anne Barnhart. For you as well as the other four witnesses on the next panel, if all of you had a long statement, the entire statement will be put in the record without your asking, and then you can summarize in the time that has been allotted.

Commissioner, go ahead.

**STATEMENT OF JO ANNE B. BARNHART, COMMISSIONER,
SOCIAL SECURITY ADMINISTRATION, BALTIMORE, MD**

Commissioner BARNHART. Thank you very much, Mr. Chairman. I do have a longer statement that has been officially submitted that I am going to summarize, just hit the highlights for you, knowing the time constraint.

I want to thank you, Mr. Chairman, for inviting me here today to discuss the administrative challenges that are facing the Social Security Administration (SSA). Much has changed in the world and at SSA since my term began more than 4 years ago, but the core mission of the Agency remains the same: giving the American people the service that they expect and deserve.

Over time, Mr. Chairman, as you and Senator Baucus pointed out in your opening remarks, Social Security has been tasked with new and non-traditional workloads through new legislation.

Managing these new workloads, such as the responsibilities under the Medicare Modernization Act, or prescription drugs, and the Intelligence Reform and Terrorism Prevention Act (IRTPA), in a way that does not erode our ability to carry out our core responsibilities, is certainly a challenge, especially in a world of tighter resource constraints.

Our responsibilities are many, and I believe our mission is critical. In fiscal year 2007, Social Security employees will process over 6.7 million claims for benefits, process almost 245,000 Medicare Part D low-income subsidy applications, make decisions on over 575,000 hearings, issue 18 million new and replacement Social Security cards, process 265 million earnings items for workers' earnings records, handle approximately 59 million transactions through our 800 number, and serve approximately 42 million visitors to our field offices, and, in addition, will process millions of actions to keep beneficiaries and recipient records current and accurate.

In addition to those service activities, we will also be performing 1.6 million continuing disability reviews and over 1 million non-disability SSI re-determinations.

As I have often said in these past 4 years, I did not accept this position to manage the status quo, and nowhere was the need for change more apparent than in the Disability Program.

From the outset, I made improving service to our disability claimants a priority, especially the successful development and implementation of the Electronic Disability Process, or eDib.

I am proud of the medical information we have captured electronically since we began rolling eDib out in January of 2004. Already, it is the world's largest repository of electronic medical records, with over 34 million such records.

The implementation of electronic disability is important, in and of itself, in terms of moving into the 21st century in the way that we do business at Social Security, but it is also a vital precursor to the successful implementation of process changes that I believe will significantly improve the disability determination process.

In July of 2005, just this past summer, we published an NPRM, or Notice of Proposed Rulemaking, to improve the disability determination process. The central goal and the over-arching theme and guiding principle of those regulations is to make the right decision as early in the process as possible, and we are looking forward to publication of a final regulation in the very near future.

To that end of making the right decision as early in the process as possible, the regulations were developed after long and comprehensive outreach efforts to all groups that were involved at every step or stage of the disability determination process.

Our commitment to quality service extends to all of our programs, and I am sure that you will agree that true public service also requires sound fiscal stewardship of public resources.

But good stewardship involves more than just money. It also means making sure that earnings reported, and recorded by employers, are as accurate and precise as possible, and that they are credited to the correct worker.

I believe that SSA is a good and a worthy investment. Our achievements over the last year are proof that resources provided to SSA are used efficiently and effectively to administer America's Social Security programs.

In fiscal year 2005, our productivity increased by 2.7 percent over the previous year. That is part of what I believe is an impressive cumulative increase of almost 13 percent in productivity since fiscal year 2001.

But as I noted earlier, and as you and Senator Baucus both mentioned, our workloads have continued to grow over these years through increased numbers of claims, new responsibilities resulting from the Medicare Modernization Act, and increased verification requirements that have been added to the processes for the enumeration and replacement of cards in a post-9/11 environment.

As you all well know, Congress is in the process of considering changes in immigration policies that could require additional verification processes or make other changes to the way that we do business, and we would hope that consideration of those proposals take into account the time and the resources that Social Security would need to ensure that workers would not have to wait lengthy periods after being hired because of delays in the verification process.

Mr. Chairman, I know I do not have to tell this committee, there are very real consequences when we have reduced resources, and I would be remiss if I did not thank you and Senator Baucus for

your support for the President's budget request, and if I did not take this opportunity to publicly thank and acknowledge the hard-working men and women of Social Security, who continue to do their absolute best for the people of America.

I will be happy to try to answer any questions that you may have at this time.

[The prepared statement of Commissioner Barnhart appears in the appendix.]

The CHAIRMAN. I have two questions that are directly related to some of this additional workload that you have had to undergo recently. Back before you became Commissioner in 1996, Congress enacted legislation that requires your Agency to conduct a study and report on different methods of improving the Social Security card.

One of the options briefly discussed in that report was the "No Card" option. Under this option, there would be no card. As the report stated, "Since the key identifier is the number rather than the card, matching the number to other authentication means could virtually eliminate counterfeit Social Security card issues."

Given the development of various computer systems that allow employers to verify the name and State number of their employees, it is now possible to identify someone using a duplicate or phony Social Security number without the need to physically examine a card.

I also understand that the SSA issued about 12 million replacement cards last year, at a cost of roughly \$28. If you exclude the potential name changes that could be related to marriage or divorce, you are left with about 8 million replacement cards issued last year, at a total cost of \$224 million.

Could you comment on the "No Card" option, specifically with regard to the impact the savings generated from eliminating replacement cards would have on your overall budget.

Commissioner BARNHART. If I could, I would like to make a couple of points, Mr. Chairman. There is no question that there is a cost associated with providing Social Security cards, with issuing original and also replacement cards. We estimate the cost of a replacement card is right around \$28 a card.

The bulk of that is not the actual card itself. It is actually the time spent: approximately 31 minutes is how we have timed it out, doing the interviewing and getting the documentation to make sure that the evidence that is presented is appropriate.

In terms of the whole issue of the need for a card, I would say this. We try to encourage people not to carry their Social Security cards. If you look on our website, the materials that we produce and send out urge people not to put their Social Security card in their wallet.

Just last week, I was flying and a young man dropped his wallet in front of me in the security line at the airport, and his Social Security card fell out. I said, you really should not be carrying that, you know, because it just landed right there on the floor.

So, it is a very difficult concept to sell to people, because many people are used to the card, having the card. There are cards for so many things. But we really would prefer people not carry it because it is really a pathway to identity theft.

One of the things that we have done to try to discourage the use of cards and carrying cards is what we call NUMI-lite, something we used quite effectively, quite frankly, during the post-Hurricane Katrina environment.

That is, individuals come in, they request a replacement card or verification of Social Security number to present to other people, and we simply issue a letter right there on the spot in the field office, which allows them to take an official document from Social Security, but obviates the need for the card in some circumstances.

I do think one issue that eliminating the cards would pose is this. Currently, if you have a Social Security card with no legend, simply your name and your number, that is an indication that you are authorized to work in this country.

You could have one of two other legends. One could say "Valid for Work Only With DHS Authorization," which means that the person has a temporary work visa from DHS.

The second legend is "Not Valid for Employment." Those are the cards that we issue to individuals who need the card, are required to have it in order to receive Federal or State benefits, but who are not authorized to work. So, I think if we did not have the card, the purpose that those legend notations serve for employers and others would need to be served some other way.

The CHAIRMAN. My second question, and last one. The Intelligence Reform and Terrorism Prevention Act requires your Agency to establish minimum standards for verification of documents submitted to get a card.

In response to this mandate, employees of your Agency are now instructed to "accept all State driver's license and State identification cards if they meet the visual standards."

The "visual standards" are defined as "an exhibit of documents," in the document verification website. In other words, employees are not required to contact the State and verify whether or not the license was actually issued. They are merely required to see if the license looks like the sample on the website.

As we will hear in later testimony today, many applicants for replacement cards are being asked to go back home and return with additional documents. Of course, this increases your office's workload and is annoying to applicants.

Given the fact that Social Security employees do not have the ability to verify documents of U.S. citizens directly with the issuing agency, with a few limited exceptions, are these procedures justified? There is no criticism of your Agency in my question.

Commissioner BARNHART. I appreciate that, Mr. Chairman. I think that certainly it is not perfect, but I guess I would say this. We are faced with the situation of trying not to let the desire for the perfect be the enemy of what is the best we can do.

In response to the passage of the IRTPA, we issued requirements, increased evidentiary requirements, for individuals applying for Social Security numbers, and we did it based on the probative value of the documents that individuals would be asked to present.

I should say, by the way, a birth certificate is required, and we do verify those for all individuals, even those under age 1. As far as identity goes, a driver's license is preferred. If the individual

does not have the driver's license, we will accept the U.S. passport or U.S. State-issued identity card.

Obviously, it is possible for anyone—unscrupulous people—to present forged documents, and we do our best to try to discern those. But it is not a perfect system. As you point out, asking for a driver's license, we do not have a guarantee that it was, in fact, issued by the State of Iowa.

We go on the website, we look to see what the State of Iowa license looks like, and do the best that we can. As I say, it is not a perfect system, but it is hard to imagine what we could do that would be better, from our perspective, at Social Security.

The CHAIRMAN. All right. Well, thank you.

Senator Baucus?

Senator BAUCUS. Yes. Thank you, Mr. Chairman.

Just to clarify the record here on what the Agency can or cannot do, I think Senator Bunning and I really agree on the long-term goal, that the Social Security Administration needs more money.

But actually, just for the record, so we know what the law is, in August of 1994, in the conference report accompanying Social Security legislation, basically it says, "The Commissioner shall prepare an annual budget for the administration, which shall be submitted to the President and to the Congress without revision, together with the President's annual budget for the administration." So that is the law.

There is another section here, which I do not have with me, which makes the same point. But, namely, we do get from OMB this huge, big book, and it is available to the public, one little paragraph tells us how much SSA is requesting in appropriations.

But the law says that it has to go to the President, and it is in the President's budget because it is an executive agency. It is an independent agency, but the magic words are, it is part of the executive branch. It is a strange situation, but that is what it is. We can always change the law.

Senator BUNNING. Well, we did change the law, and they changed it when it went to conference, I will guarantee you that.

Senator BAUCUS. All right. Well, this is the 1994 conference report. I think it is the most recent information.

Madam Commissioner, there are some who might say, observing this hearing, well, gee, Social Security should just be more efficient. Can you address that?

Commissioner BARNHART. I would love to, Senator. I think one of the things I am proudest of is the increased efficiency of the Agency. It is true, as you pointed out, that our pending disability hearing cases, for example, have grown.

But in large part, that is because of the increased efficiency of the State Disability Determination Services (DDS). As the committee knows, it is actually State agencies that are funded by Social Security to make the initial determination for disability.

Our State DDSs are now processing over 450,000 more claims a year than they were doing in fiscal year 2001. I think that is a phenomenal improvement. The electronic disability system should help them do even more in the future. In our office of Hearings and Appeals, we are now conducting over 140,000 more hearings than we were in 2001.

Our ALJ production rate has moved from 1.8 cases per day, at the end of last year, to 2.6 cases a day. Our overall productivity rate in the Agency, as I pointed out in my opening remarks, has increased almost 13 percent in 4 years.

So one of the reasons, quite frankly, that I have great confidence, and I have not been shy about asking for increasing resources for the Agency, is because I am not simply asking for more money to keep doing things the same old way.

What I am doing, I believe, is bringing a proven track record of success at the Agency, first to OMB, then the President, and then to the Congress, to say, a dollar spent at SSA is a good investment, we will use it wisely. We are constantly looking at ways to improve productivity.

Senator BAUCUS. Right. Is there some outside, either audit or examination, that you could point to that helps make your case, so that when you go to the White House, OMB, or to Congress, that you could show, hey, we are doing a great job here? There is not a lot of waste here. In fact, there is more efficiency. I am wondering if there is any outside——

Commissioner BARNHART. Well, the productivity analysis that got to the almost 13 percent increase in overall productivity was done by the Office of the Actuary, which, as you know, is an independent office. So they actually looked at the data from the 4 years to come up with that percentage.

That was the best I could do, in terms of independence, because the Actuary's Office does serve members of Congress and the administration, but does so on a confidential basis and in an independent fashion, and always has.

Senator BAUCUS. Among the various unanticipated consequences I listed, which is the most burdensome, new additional burden, is it Part D, the hurricanes? What has it been?

Commissioner BARNHART. I would like to take this opportunity, if I may, just to commend the employees of Social Security, because I think our response—their response—after Hurricane Katrina was really remarkable.

We had 125 of our own employees who lost their homes and drove to the closest Social Security office to continue working to assist other people. I had the honor of going down right after the storm, and then just about a month ago, to thank everybody personally.

I want to tell you, when I look at what our employees were facing and what they did in the face of the tragedy, personal tragedies, it was really amazing. We issued 74,000 immediate payments to people. There were 650,000 affected Social Security beneficiaries.

The cost of doing that, not only in terms of personnel, but the 15 facilities that were damaged, 8 of which sustained major damage, some simply do not exist any more, some we had to just absolutely give up on. I toured some of those myself when I was down there to make that decision, that we are not going to rebuild.

The cost for all that is around \$73 million. We spent \$6 million of it in fiscal year 2005. We have to spend an additional \$67 million unanticipated funds in fiscal year 2006. So, that is obviously very significant for us.

Beyond that, as you mentioned, the IRTPA, or Intelligence Reform Act, which required the increased evidentiary requirements, has had a significant effect. We estimate that about 50 percent of the increased traffic, at least in the field offices, can be attributed directly to the increased evidentiary requirements.

As you and the Chairman point out, people had to make return visits. We are doing our best to publicize what the new requirements are. We have it on the website, we are putting it in our publications. But obviously we do not have money for a big ad campaign.

Senator BAUCUS. I appreciate that. I also very much appreciate your learning how hard a lot of the Social Security folks really worked during the hurricanes. I sense that has to be true, and I am very appreciative of that.

My time has expired. Thank you very much.

The CHAIRMAN. All right. According to our first-come list, Mr. Thomas, Mr. Bunning, and then I think it is Senator Snowe, then Senator Lincoln.

Senator Thomas?

Senator THOMAS. Thank you. Thank you for your information.

I guess we are here—and there are a lot of technicalities, lots of details and so on—to say there is a problem, and what can we do. I guess that is my question: what should we do differently than we are doing now?

Commissioner BARNHART. I think that we are doing a lot of good things now, Senator. I think it is important to remember that. I do think that in this post-9/11 environment in particular, looking at the immigration situation, we have implemented a lot of procedures to safeguard the issuance of Social Security numbers, increased identity requirements, and so forth.

The Basic Pilot, which was referred to earlier, provides a system for employers to verify work authorization through the Department of Homeland Security and to confirm name, date of birth, and Social Security number through SSA. The Basic Pilot is really, I think, an effective thing.

One of the options that I understand is being looked at—I think it was included in the House bill recently passed—is the expansion of the Basic Pilot; it is now voluntary and people are looking at making it mandatory.

I would also like to point out that, during my tenure, we created something called the Social Security Number Verification System (SSNVS). SSNVS, another one of our catchy acronyms, allows employers all over the country to register, get a PIN and password, and then to type in the names and Social Security numbers of their employees and get a real-time, instantaneous match. It will tell them if the name and Social Security number match.

It is a very easy, inexpensive system to run. We started it as a pilot over the course of the last 2 years. It is now available to anyone who wants to use it, and I think it is important to promote that.

Senator THOMAS. I know. But you are doing all those things. What needs to be changed? Can there be a way to be more efficient? Do you just need more money? I guess you are telling us what you are doing. Then why are we even having this hearing, if

that is all there is to it? Do we need to do anything differently than we are doing now?

Commissioner BARNHART. Well, for example, should Congress and the President decide to make the Basic Pilot mandatory as opposed to optional.

Senator THOMAS. That is a question that needs to be decided here?

Commissioner BARNHART. That is one of the proposals that is being explored. It would ensure that all employers were verifying the work status.

Senator THOMAS. So you think that is a good thing to do.

Commissioner BARNHART. I think that it is up to Congress and the President to make those policy decisions.

Senator THOMAS. Well, of course it is. But you have an opinion, do you not?

Commissioner BARNHART. I think, from my perspective as Commissioner, as we move down this path of trying to make decisions about what appropriate additional constraints are necessary, we need to be cognizant of the balance, the fine line that one walks in doing that.

That is, there is a certain price you pay, not just in terms of money, but also in terms of delays in waiting time for people. For example, one of the ideas that has been put forth is to require mandatory verification only for new workers or people who change jobs and also to have an increased tamper-proof card for those individuals.

If we go that route, then those individuals are going to have a delay in terms of getting employment, because they are going to have to go through this extra step. I think, as far as what is in the best public interest, these are the factors that must be weighed in terms of just making a decision.

Senator THOMAS. Well, I guess the bottom line, apparently—and I am not an expert in this—is that the basic beginning is simply records for Social Security. Now, because everyone practically is involved in those, we are beginning to look at them for Homeland Security, we are beginning to look at them for perhaps immigration, and other kinds of things.

Now, I guess I am saying, is that a good thing to do? Can this system be utilized for these other purposes efficiently?

Commissioner BARNHART. There is no question that there is a great deal of information at Social Security. But as was discussed earlier by some of your colleagues, privacy and confidentiality—I believe the Chairman spoke to that issue, particularly in his opening remarks—is something we take very seriously at Social Security. Our first regulation deals with privacy and protection of taxpayer information.

We are guided, in terms of the information that we may even release to Homeland Security, by section 6103 of the tax code. That is really an interpretation and a decision that is left up to the Secretary of Treasury, operating within the confines of the laws passed by Congress. Our wage data, for example, is considered tax information, and we are not allowed to release it.

Senator THOMAS. Yes. I guess the issue that I think we ought to break out and talk about a little more directly is whether or not

this basic massive database should be used for a number of other things. If that is the case, then we have to find an efficient way to do it. But we seem to sort of avoid that really straightforward issue: is this a good way to do it?

Commissioner BARNHART. If I could elaborate just a little bit, Senator Thomas.

Senator THOMAS. Yes.

Commissioner BARNHART. One of the other issues, and a point I think that is underlying what you are saying, is this: the mission of the Social Security Administration today is to provide service to the American people.

Senator THOMAS. For what? For Social Security?

Commissioner BARNHART. For determining entitlement to benefits, and making sure those benefits are paid, the right check to the right people, on time.

Senator THOMAS. All right. I understand that.

Commissioner BARNHART. There is no question that some of the proposals that are being discussed could potentially cast the Social Security Administration as an enforcement agency, and that is not part of our mission today.

Senator THOMAS. I see.

Commissioner BARNHART. I think one of the issues is the release of the information. The other issue is who uses the information, whether it is Social Security, which is traditionally a service agency, or Homeland Security or IRS, which are traditional enforcement agencies.

Senator THOMAS. I think this is a real issue that we need to talk about. Thank you so much.

The CHAIRMAN. Senator Bunning?

Senator BUNNING. Thank you, Mr. Chairman.

Commissioner Barnhart, you mentioned in your testimony that Continuing Disability Reviews, or CDRs, ensure that those receiving disability benefits continue to meet SSA's definition of disabled.

Apparently, for every \$1 SSA spends in CDRs, the Social Security Administration sees a savings of \$10 in the program benefits. However, SSA may have to reduce the number of CDRs next year. I want to know why.

Commissioner BARNHART. The reason, Senator, is that we received \$300 million less in our appropriation from the Congress than was included in the President's budget. It simply is a matter of work years.

I was faced this year, as I was last year, with the dilemma of reduced allocation based on the work years we said we needed and calculated that we needed to meet other goals, such as the incoming disability claims, meeting the retirement and survivor claims, and so forth.

My dilemma, my choice last year and again this year, was either to delay claims-taking on the front end—in other words, making people who are entitled to benefits wait longer to get those benefits—or to reduce the number of Continuing Disability Reviews and SSI re-determinations.

It was my decision that reducing CDRs and re-determinations was more in line with the core mission of the Agency, because mak-

ing sure that people who are entitled to benefits receive those benefits is the original purpose of the Social Security program.

It is not a decision I took lightly, I want to emphasize. While it saves at least \$10, those dollars are program dollars, but we spend administrative dollars to conduct the reviews.

In other words, we spend 1 administrative dollar to save the \$10 in program dollars. To some extent, it is penny wise and pound foolish not to do, obviously, CDRs and re-determinations. I assume that is one of the points you are trying to make.

That is one of the reasons that the administration has put forth various proposals in the past few years, and has one again, which would provide for sort of an outside-of-the-cap fund to specifically fund CDRs.

Senator BUNNING. You mentioned in your testimony that SSA has seen a decrease from the beginning of the year in the number of calls to the 800 number, and visits to offices about the Medicare low-income subsidy. Do you feel SSA can handle this current level of inquiries, and what type of challenges do you face long-term in processing these applications?

Commissioner BARNHART. Yes, sir. Definitely, the issue that we were facing, the spike that happened in January has waned significantly. If I might give you an example, in January, our agent-busy rate was 23.7 percent, average, for the month. In February, the average agent-busy rate was 7.2 percent. So far in March, it is 7.7 percent. So you see a rather dramatic reduction.

Our goal for the year was to be at 10 percent. Right now, we are at almost 20 percent for the total, almost twice where our——

Senator BUNNING. Average.

Commissioner BARNHART. Average.

Senator BUNNING. In other words, that is double what you normally would have.

Commissioner BARNHART. Correct. And double our goal. Now, it is important also to acknowledge that, just this past week, we had days where the busy rate was 1.2 percent, and then other days where the busy rate was 23 percent. I am speaking averages here. I do not want people, every time they call, to expect this to be the result.

But the point is, we do not think there is any way we can get to the 10 percent, obviously, because we are over a quarter way through the year and we are already at double that.

Now, we believe that we can stay right around the 10 percent, and some weeks below it, and continue to ratchet the 20 percent down, but we will not make the 10 percent busy rate. Obviously, that has other, what we call “work affected.” It is like fall-out work, is the term I am looking for.

Senator BUNNING. Are most of those calls from dual eligibles?

Commissioner BARNHART. Dual eligibles. You mean from SSI and Social Security?

Senator BUNNING. Yes.

Commissioner BARNHART. I could not tell you.

Senator BUNNING. Oh, you could not tell?

Commissioner BARNHART. I could not tell you that. I do not know that.

Senator BUNNING. You would be able to filter that out over a period of time, though.

Commissioner BARNHART. I could see if we could do that kind of management information. We do not maintain management information on the number of calls SSA receives from individuals who are dually entitled to Social Security and Supplemental Security Income payments.

Senator BUNNING. For the simple reason, that is who we seem to hear the most from in our Congressional and senatorial offices, that there was a problem on the Medicare prescription drug benefit, particularly with dual eligibles, people who had been getting their money from Medicaid, then were on Medicare.

Thank you. My time has expired.

The CHAIRMAN. Thank you.

Senator SNOWE?

Senator SNOWE. Thank you, Mr. Chairman. Welcome, Ms. Barnhart, to the committee.

With respect to the employment verification problems, and obviously the Office of Inspector General is going to be speaking to that shortly, what exactly would it require for resources, given the fact that this continues to be a persistent problem, in terms of erroneous earnings reports and so on, because of unauthorized workers?

Commissioner BARNHART. In terms of making the Basic Pilot mandatory, Senator?

Senator SNOWE. Yes.

Commissioner BARNHART. The cost for that is actually very low. It is probably less than 50 cents, almost pennies, frankly, per transaction. The only additional cost if it were made mandatory would be dependent on if the Department of Homeland Security decided to send data to us in a different format, or if they were going to send additional data fields. It would be systems-related costs.

Also, there would be an impact on our help desk for the employers who are using it and who would call us for assistance, and also our field office employees. These are some of the issues that fall out as a result of the lack of verification in that process. Last year, we had about 27,000 such disputed records sent to our field offices for resolution. So, it would really depend. We could calculate it for you, but I do not think that we are talking a significant cost.

Senator SNOWE. So could it be done sooner rather than later? I mean, is this something that could be put in place? Does it require pending legislation? I know there is pending legislation that would require—

Commissioner BARNHART. From our perspective, that is certainly the case. I think the issue is, you would really need to ask Homeland Security about their system readiness and those kinds of things, since we are an add-on to the DHS systems. Homeland Security is the point of entry for the Basic Pilot. They come to us then to verify name, Social Security number, and U.S. citizenship.

Senator SNOWE. Do you have any estimate of the value of erroneous wage reporting?

Commissioner BARNHART. In terms of what is in our earnings suspense file?

Senator SNOWE. Yes.

Commissioner BARNHART. Yes, I do. Actually, the total number of wages that have not been posted, since 1937, is \$519.6 billion. It is comprised of 255 million items. But I would like to emphasize, that is not a static number. Obviously, each year there are additional unmatched wages that go into the Earnings Suspense File.

But at the same time, we run a number of routines and have many different activities we undertake now to remove items from the suspense file. It ends up, when all is said and done, after a year of postings and doing the routines that we do to remove the ones that we find matches for, we end up with somewhere between 2 to 4 percent of all wages that are reported every year ending up in the Earnings Suspense File.

But I should point out that, just this past year, we posted some wage items from the 1940s to workers' records, meaning we took these items out of the ESF. So we do not just work on a particular year. We are constantly unscrambling earnings for people.

Senator SNOWE. Is the problem getting worse, better, or the same? I mean, is this your most significant challenge?

Commissioner BARNHART. It certainly is a challenge, but actually it has been roughly the same for quite some time in terms of the percentage of wages that end up not being a match to the Social Security numbers. It has been a fairly static program.

But obviously, with \$519 billion worth of wages that are unposted, that means the individuals that earn those wages will not get credit for them when they retire, unless they are able to come in and do what we call "unscramble the earnings," and that means present proof of employment and wages earned.

Some of those, I want to point out, get fixed fairly readily. They are due to people who got married and changed their name, or people who got divorced and changed their name, or the transposition of names, particularly foreign surnames, double names, putting the last one first, and so forth. The kind of routines we run catch those.

Senator SNOWE. All right.

Thank you, Mr. Chairman. Thank you.

The CHAIRMAN. Senator Lincoln? Go ahead.

Senator LINCOLN. Thank you, Mr. Chairman. We certainly appreciate you bringing us together to discuss a program that has been such a vital safety net for our Nation's elderly, the sick, widowed, and disabled for over 70 years. Our State of Arkansas faces significant challenges, and it really relies heavily on Social Security.

I do want to echo your comments about your Social Security Administration workers. I traveled to the evacuee sites in Arkansas. We had about 65,000 evacuees from the Gulf region, and I visited multiple church camp sites, all kinds of places where these evacuees were, and there was not one single site I did not go to that there was not an unbelievable response from the Social Security Administration office and workers.

They were working 24/7. They were there handing out checks, making sure, doing the background work that they needed. It was phenomenal, and I know you must be proud of them, because I certainly am.

Commissioner BARNHART. Thank you. I have never been prouder to be Commissioner of Social Security than I was after Hurricane Katrina.

Senator LINCOLN. They were just absolutely incredible. They did it in a very efficient way. They did it in a very compassionate way, with a lot of integrity and a great sense of pride. So, I know you are proud of them, because I certainly was. Those are people we work with from our office on a day-to-day basis, so it made it a lot easier for us to be able to find the answers. But, nonetheless, they did a tremendous, tremendous job.

But our State ranks third in the percentage of our population receiving Social Security. Nearly 50 million Americans receive benefits they have paid into Social Security, and a lot of them really depend on those benefits to meet their everyday expenses.

In Arkansas, that is probably a disproportionate number. So, we are very, very appreciative of the work you do, and certainly very concerned in ways that we can be helpful in making sure that the work that you are doing is coming about in a productive way.

I guess, just two quick questions, if I may. We have discussed how the implementation of the new Medicare drug benefit has cost the Social Security Administration hundreds of millions of dollars. I know that there is an awful lot there.

SSA employees continue to shift responsibilities in carrying out their workloads. I know, because they get referred there often-times. In a lot of ways, I think the Medicare hot-line operators have been incorrectly referring some of the calls to their SSA.

If you could just briefly touch on how the SSA and CMS are working cooperatively to address those issues, that would be great.

Then I also would just like to make sure that you address also some of the short-term fixes that you have implemented. I know you commented that there were 500,000 more per-year disability reviews. Is that more than what we have been having, or are those the specific reviews?

Because I guess my concerns rest with some of the reforms that you have put into place, where there is cut in Medical Continuing Disability Reviews of disabled beneficiaries by 50 percent, and reducing the Periodic Continuing Disability Reviews from 1.6 million to 1.2. Some of these types of efforts may save money in the short-term, but being penny wise and pound foolish is one thing I get very concerned about.

I guess one of the specifics there would be the CDRs and the SSI income re-determinations. They really do save, at least in some reports, \$10 for every dollar spent administering them, because they determine benefits for the beneficiaries who are no longer eligible. So if you can kind of address some of that for me, that would be very helpful.

Commissioner BARNHART. Certainly. And again, thank you very much for your comments about SSA.

Senator LINCOLN. They are a great bunch.

Commissioner BARNHART. They are fabulous.

With regard to our relationship with the Centers for Medicare and Medicaid Services, we worked very closely with CMS on the implementation of the new prescription drug legislation. As this committee knows, our responsibility is fairly limited in that legislation. We basically are charged with determining eligibility for the low-income subsidy.

Senator LINCOLN. Right.

Commissioner BARNHART. Determining the amount of that subsidy. And that was obviously a very large responsibility, because we had to look at everyone since the summer, moving forward now.

Senator LINCOLN. Well, they wanted us to implement it in 6 weeks, those dual eligibles, when you move over the low income.

Commissioner BARNHART. Yes. And then we will have an ongoing workload with new retirees who come in every year to do that. Also, the calculation and deduction of the premium from the checks for individuals is an ongoing workload. As you know, we deduct that from the Social Security check.

Senator LINCOLN. Right.

Commissioner BARNHART. Then next year, with the income-related Part B premium, we will be handling those deductions as well.

Senator LINCOLN. I thought you already did that on Part B.

Commissioner BARNHART. We do, but there are additional calculations that will have to be done as a result of the fact that now it is associated with income, the amount of the premium.

So those are our basic responsibilities. In order to do the low-income subsidy implementation effectively, we engaged in a massive outreach effort, and we worked closely with CMS in doing that. We sent letters to 19 million people.

We did 9 million follow-up calls to try to reach everyone who did not respond, and had a very high success rate in terms of getting telephone numbers, as you know, when you do matches of names and telephone numbers.

So then we did 5 million follow-up applications and letters after we did the 9 million calls to the individuals who said they would like to have the applications, and so forth. We have been involved in over 66,000 outreach events, and many of those have been done in concert with representatives from CMS.

We have worked very, very closely, I want to emphasize, with them, private charities and social service agencies, State and local, and they have been absolutely wonderful, too. They have been tremendous partners in this effort of reaching out to the low-income population.

When individuals started signing up for the plans, actually enrolling in the plans, and some of the difficulties being experienced were in terms of people being able to get enrolled in the program, one of the things we did is we worked with CMS to create a process for people with dire need.

In other words, not surprisingly, people are familiar with Social Security, they know and trust Social Security, so they call Social Security or they come to our office.

Senator LINCOLN. Right.

Commissioner BARNHART. When we learned of individuals who, for example, could not get insulin—they were diabetic—or they needed heart medication and there were difficulties, we worked out an arrangement with CMS where we could go directly to a “Dire Need Office” to take care of those individuals, which I think was really important, as they worked out some of the initial implementation issues with enrollment.

And we continue to work closely with them by providing information, letting them know how we are doing in terms of enrolling peo-

ple in the low-income subsidy, how many we have reached, and so forth.

The CHAIRMAN. Before I go to the second panel——

Senator LINCOLN. Can she just answer my second question in writing, perhaps?

The CHAIRMAN. I am sorry. I did not realize she did not.

Senator LINCOLN. That is all right. I am concerned about some of the reforms.

The CHAIRMAN. She can answer it now.

Senator LINCOLN. All right.

Commissioner BARNHART. All right.

The CHAIRMAN. I did not mean to cut you off. I thought that was the end.

Senator LINCOLN. No, no. That is all right.

Commissioner BARNHART. As far as the CDRs and re-determinations go, this was an issue that Senator Bunning raised as well. It clearly is penny wise and pound foolish, my sentiments and thoughts exactly, when you look at it in terms of a dollar spent in administration saves \$10 in program costs.

However, from my perspective as Commissioner of Social Security, my first responsibility, looking at the core mission of the Agency, is to make sure people who are entitled to benefits receive those benefits and get them on a timely basis.

I was faced this year, as I was last year, after receiving a \$300 million reduction in the budget request, with having to make a determination about what we could not do.

I could have told everyone, we will try to do everything, and then done everything badly, quite frankly, Senator Lincoln. I decided a long time ago when I came into this job that that would not serve the Agency, the people, or the Congress well to adopt that approach.

So I made the decision, if I have to choose between processing initial claims for benefits or doing Continuing Disability Reviews and re-determinations, I will go for the initial claim for benefit every time, even though I understand that not only is there a fiscal stewardship component that is important in the CDRs and re-determinations, but it could also be very detrimental to the claimant not to have those done. I am sensitive to that as well; it is not a choice I make cavalierly.

Senator LINCOLN. Sure.

Commissioner BARNHART. It is something I do take seriously. But given the possibilities before me, it was the one that I felt was in the best interests of everyone.

Senator LINCOLN. Thank you.

The CHAIRMAN. Before you go, you did not have any more, did you?

Senator BUNNING. Go right ahead, since you are the Chairman.

The CHAIRMAN. Did you want a second round, should have been my question.

Senator BUNNING. I have one question.

The CHAIRMAN. All right.

Either I misunderstood Senator Snowe's question or you did, the question on your being able to handle the verification that is being

suggested for employers. This is where I am coming from. I think you said you would be able to handle it.

If these numbers are right, it is my understanding that the current verification system used by the Social Security Administration has a 10- to 18-percent initial no-match rate.

So if the Social Security Administration had to verify all workers, that would be 15 to 20 million people seeking Social Security Administration assistance. It just seems like you could not handle that.

Commissioner BARNHART. Senator, maybe perhaps I did misunderstand. I thought she was speaking about Basic Pilot itself, the system itself. I was speaking specifically to the operation of the system, the capability, was the system ready today, the actual mechanical piece of it.

When I explained that we had a fall-out to the field offices of roughly 27,000 people last year, that represented, I think, almost 3 percent of the verifications that were done, I believe. With respect to the request for information concerning the staff time associated with handling the fall-out work from the Basic Pilot program to the Social Security Administration's field offices, we are developing this information and will provide it to the committee. I will double-check that number, and I would be happy to submit something for the record.

I would be happy to do a calculation for the staff time associated with dealing with that fall-out work or the field office verification work that is necessary to respond to you. I was speaking specifically to the system of the Basic Pilot itself.

The CHAIRMAN. All right.

Senator Bunning, then Senator Baucus.

Senator BUNNING. Thank you, Mr. Chairman.

This is a follow-up to others who have questioned you. But I would like to know, what would be Social Security's biggest challenge if Congress passed immigration legislation this year requiring employers to verify Social Security numbers? What is the biggest problem for you?

Commissioner BARNHART. Senator, if it is simply to verify Social Security numbers, that is to say that Jo Anne Barnhart's Social Security number is XXX, they could do that right now under our Social Security number verification system.

Senator BUNNING. I know. But what is the biggest problem for you if this becomes part of immigration law?

Commissioner BARNHART. I do think that, I guess to some extent, it is making clear a greater enforcement—certainly not really enforcement, because we would not be doing any follow-up activity to it. You are not suggesting we do anything to follow up.

Senator BUNNING. No. I am asking you, what is the toughest thing that you are going to have to do if we require verification in an immigration law?

Commissioner BARNHART. Again, it would depend on how it is required. If it is simply to verify—and I am not trying to be difficult, because there are so many different things being talked about—that my name and my Social Security match, not that I am who I say I am, but to go into a system—

Senator BUNNING. No. That would be an immigration problem, not a Social Security problem.

Commissioner BARNHART. Correct. Correct. Then we have the system in place right now, through the Social Security number verification system, that can do that. Employers participate on a voluntary basis.

We probably would have to look at the capacity issues of the system. Because you are going to increase dramatically the number of employers using the system on a regular basis, then obviously you have to have system capacity so people are not sitting there for 5 minutes waiting for the information to come back.

We would obviously have to have more people to answer questions for individuals who had difficulty maneuvering the system, although it is a pretty intuitive system. I have sat and used it myself.

Senator BUNNING. Then my question to you is, what percentage of people would not be able to be verified?

Commissioner BARNHART. The percentage that could not be verified?

Senator BUNNING. In other words, if we required it in an immigration bill and required Social Security to furnish that information.

Commissioner BARNHART. There would probably be somewhere around 10 to 20 percent that could not be verified.

Senator BUNNING. Thank you.

Commissioner BARNHART. And then there would be, as the Chairman pointed out a minute ago, the fall-out work that goes into the office when they cannot be verified, for us then to do further checking. So that would be perhaps the greatest thing for us. I could attempt to quantify that for you, if you are interested, and provide it for the record as well. With respect to the request for information concerning the fall-out work from the Basic Pilot program to the Social Security Administration's field offices, we are developing this information and will provide it to the committee.

The CHAIRMAN. Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman. I was just wondering, Mr. Chairman, if you might agree with me or work with me. They just need some more help, the Social Security Administration. We might find some way we can give them additional resources.

The CHAIRMAN. I think in the past we have made those requests. We probably have not been as successful as we should, but I think we have joined together on that in the past. I would join with you again.

Senator BAUCUS. I appreciate that. I was thinking, maybe not even a request in that sense, but maybe just an amendment on some appropriate vehicle somewhere, just to give a little assistance.

The CHAIRMAN. All right.

Senator BAUCUS. That is something we can explore, you and I together.

The CHAIRMAN. Sure.

Senator BAUCUS. But I would just make that observation. I just think it makes sense, frankly, for us to try to find something.

Commissioner BARNHART. If I could just make one additional comment to Senator Bunning's question, if I could, please. It is something that just occurred to me.

Senator BAUCUS. Yes.

Commissioner BARNHART. That is, another issue would be the individuals who should match, but do not match. We would get false negatives, I guess would be the best way to put it, because somebody enters the name the wrong way or the number gets confused.

So there could be some individuals who are perfectly legitimate that would have a delay because it would have to go to our field office. So, that would be more a public perception issue and disadvantageous for some individuals.

Senator BUNNING. Would that be included in the 10 to 20 percent?

Commissioner BARNHART. It would be.

Senator BUNNING. Thank you.

Commissioner BARNHART. It would be part of that.

The CHAIRMAN. Thank you, Senator Baucus.

Senator BAUCUS. Yes. Thank you. Thank you, Commissioner.

Maybe Senator Bunning already asked this, but on the Continuing Disability Reviews, is it true, if you are able to have more resources, that not only the Agency will be more efficient, but it would also save Uncle Sam a few dollars?

Commissioner BARNHART. Absolutely, we would. It is estimated that we would save \$10 in program costs for every \$1 that we spend through administrative costs, and so it is definitely a good thing.

Senator BAUCUS. I saw a large number. I was surprised how large it was overall on an annual basis.

Commissioner BARNHART. Yes.

Senator BAUCUS. It was in the low billions, as I recall.

Commissioner BARNHART. Yes. That is correct. Absolutely. Absolutely, Senator. You are absolutely right. It is like \$2 billion, I believe, based on what we are not doing this year.

Senator BAUCUS. Yes. Exactly.

Commissioner BARNHART. Yes.

Senator BAUCUS. So we could save \$2 billion. Is that right?

Commissioner BARNHART. That is correct.

Senator BAUCUS. If the Continuing Disability Review process were fully utilized.

Commissioner BARNHART. That is right.

Senator BAUCUS. But you could not fully utilize it because it meant that you would be robbing efforts in other areas.

Commissioner BARNHART. It means that the waiting time would be longer on the 800 number, people would, instead of getting appointments within 3 weeks, be getting appointments in 5 weeks.

Senator BAUCUS. So you are scrambling to just rob a little bit here, pay for a little bit there, and people are getting short-changed in some areas along the way.

Commissioner BARNHART. We are constantly scrambling. Now, maybe I do not want to sound that frantic, but—

Senator BAUCUS. That is how it appears to me, anyway.

Commissioner BARNHART. But the characterization is an apt one, when you look at the fact that, constantly through the year, I am

reevaluating, every month, looking at where can I get money from and shift it around to achieve our goals.

Senator BAUCUS. Right. Right. That is what I mean.

Commissioner BARNHART. So you are absolutely right. That is a continual activity.

Senator BAUCUS. That is what I meant.

One other question. Maybe this was addressed, and I apologize if it was. I am just sort of concerned. Whenever I see a Social Security number used so many different places, drivers' licenses, whenever you apply for a bank account they want your Social Security number, and all this. It is just used everywhere.

I guess the good side is, that is a common, consistent sort of benchmark. On the other hand, it is used so many places, in so many different areas. It is a little worrisome to me as an individual as to who all has those Social Security numbers and who has access to those Social Security numbers, and how are they used.

A separate question, and maybe it is related, is sort of out of the box. What is down the road in new technologies to address a different, new sort of identification that Social Security would use, but others might use too, which is more tamper-proof, less able to be abused by some nefarious persons?

Commissioner BARNHART. Well, there are a number of things that have been looked at in terms of tamper-proof cards; some include biometrics.

Senator BAUCUS. Is that promising?

Commissioner BARNHART. Well, obviously, we could do anything. We could put a photograph on a card. But then you have the issue of the aging process. People do not go back to renew the Social Security card every 4 years like they do drivers' licenses.

Senator BAUCUS. You mean, they do not like having an older photograph on a card? No, I am kidding.

Commissioner BARNHART. So we could do thumbprints. You can do a number of different things.

The issue there, quite frankly, the primary issue, is cost. We looked at, based on some of the proposals that have been put forward, what it would cost if we replaced all Social Security cards.

In other words, if we said, for the 300 million cardholders, we subtract the 60 million under 14 and younger because you assume they are not working, that leaves you with somewhere around 240 million cards that we would be replacing. The cost of doing a new card for everyone—and it is not the cost of the card itself—

Senator BAUCUS. It is all behind it. Yes.

Commissioner BARNHART. It is everything behind it. Would be somewhere around \$9 billion and would require 67,000 work years.

Senator BAUCUS. How many work years?

Commissioner BARNHART. Sixty-seven thousand more people than we currently have employed at the Social Security Administration, because you are talking about—

Senator BAUCUS. That is double.

Commissioner BARNHART. Yes. It is not just a matter of a person coming in and presenting a card, and SSA issuing a new card. We would have to go back, just as we do now when a person wants a replacement card, and see the documentation. We require documentation because, what is to stop anyone from taking a Social Se-

curity card, coming in, and representing themselves as the individual?

I think that is a point that you made, Senator Bunning, when we were talking about whether or not we know the person who presents the card is actually that person with that number. We can confirm the name and number.

Senator BAUCUS. What should I do with my card if you do not want me to carry it in my wallet?

Commissioner BARNHART. I would like you to put it in a safe place, labeled "Important Papers." [Laughter.]

Senator BAUCUS. All right. I am sorry. I interrupted you.

Commissioner BARNHART. No, no. So, the issue for me, as we struggle to get the resources that we need to be able to do our current job, our full request this year from the President for Social Security is \$9.4 billion, so basically we are talking about essentially doubling that to be able to do Social Security cards.

Now, obviously they do not all have to be done in a year. We think it would take at least 2 years. It does not all have to be done that way. You could phase it in over time. But the basic costs remain the same. You could parcel it out in different ways. Some suggestions have been, do it only for new workers or people who change jobs. That is about 34 million a year.

But the way I look at that is, you have that 34 million, 30 million people changing jobs, plus 4 million new workers. You also have the 17 million new and replacement cards you issue every year, so that is 51 million, minimum, you would be doing.

I can assure you that if anyone finds out that there is a new "better" Social Security card, it will have a woodwork effect, and we will have hundreds, thousands, maybe millions, tens of millions of people, coming forward and saying, I want the better card.

Senator BAUCUS. Right.

Commissioner BARNHART. If you have a safer card, I want that one. So would we simply say to those people, we will not give you one?

Senator BAUCUS. It reminds me of notch babies.

Commissioner BARNHART. Oh, my goodness. [Laughter.]

Senator BAUCUS. Well, thank you very much. My time has expired. I just want to commend you. You obviously are a very good public servant.

Commissioner BARNHART. Thank you.

Senator BAUCUS. You are trying hard, and you are doing a good job with what you have. The Chairman, I, and others will try to work to help you do what you need to do.

The CHAIRMAN. Yes.

Commissioner BARNHART. Thank you. I really appreciate that.

The CHAIRMAN. Yes. I thank you, too. But maybe I would remind you, because we did not have such a large turn-out at our committee, you may get questions for answers in writing, and we would appreciate those responses. I would also say that to the second panel now, as I call the second panel.

We thank you, Ms. Barnhart.

Commissioner BARNHART. Absolutely. Thank you very much, Mr. Chairman. Thank you for your continuing support for Social Security programs and the Agency.

The CHAIRMAN. Yes. Thank you.

We will have you speak in this order: Patrick P. O'Carroll, Jr., Inspector General, Social Security Administration; Richard E. Warsinskey, president of the National Council of Social Security Management Associations, Inc.; Eileen Sweeney, co-chair, Social Security Task Force, Consortium for Citizens With Disabilities senior fellow, Center on Budget and Policy Priorities here in Washington, DC; and, last, Erwin Hathaway, Social Security disability insurance beneficiary, Trego, MT.

So we will go just the way you are seated there, starting with you, Mr. O'Carroll.

STATEMENT OF PATRICK P. O'CARROLL, JR., INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION, BALTIMORE, MD

Mr. O'CARROLL. Good morning, Chairman Grassley, Senator Baucus, Senator Bunning, members of the committee. I am pleased to be here today to take part in the discussion on Administrative Challenges Facing the Social Security Administration. Thank you for inviting me.

While SSA faces challenges in several areas, I would like to focus today on the Earnings Suspense File, or the ESF, and, in particular, the impact unauthorized workers have on the ESF.

By way of background, SSA receives wage reports, W-2s, from all employers, and the Agency records these earnings in order to determine eligibility for retirement, survivors, disability, and health insurance benefits, and to calculate the appropriate amount of benefits to be paid to an individual. When the name and SSN on one of these wage reports cannot be reconciled with SSA's records, the item is placed in the ESF.

Since the beginning of the program in 1936, through tax year 2003, the ESF contained about 255 million wage items, representing about \$520 billion in wages. We believe the chief cause of wage items posted in the ESF is unauthorized work by non-citizens.

This is an area in which my office has performed significant audit and investigation work, because it not only relates to the proper administration of SSA's programs but also to the broader concerns of illegal immigration and homeland security.

Over the years, SSA has developed several tools to assist employers in verifying a worker's information, to improve accuracy in wage reporting, and to reduce the size of the ESF. Currently, SSA offers employers three types of voluntary automated verification: the Employee Verification System, or EVS, the Social Security Number Verification System, or SSNVS, and the Basic Pilot.

EVS and SSNVS are the Agency's two primary verification programs. They are available to employers to ensure that current and prospective employees' names and SSNs are valid before the employer submits its wage reports to SSA. Through EVS, requests are made via paper or magnetic media, while SSNVS is an on-line service.

While these two programs offer SSN verification, they do not provide work authorization information. The Basic Pilot, on the other hand, is a joint program between SSA and the Department of

Homeland Security that verifies both the employment eligibility of newly hired employees as well as the SSN information.

In 2003, the program was extended for an additional 5 years and expanded to all 50 States. The Basic Pilot, however, is available to employers only to verify information on new hires, not existing employees.

In our audit work, we have recommended that chronic problem employers be required to participate in an employment verification program. However, we have not specifically considered the impact of a mandatory verification program for all employers, as has been proposed in several versions of immigration reform legislation.

Our work on chronic problem employers leads us to agree with the GAO that the notion of mandatory verification raises significant concerns, such as: the cost, workload implications, education, identity fraud, and the production of counterfeit documents.

We agree that such factors should be considered, and we would advise that even further issues should be weighed, such as: capacity, employer handling, monitoring, feedback, and enforcement.

We are actively reviewing such factors and, in particular, are examining three specific aspects of the verification program: (1) the accuracy of SSA's information used to verify an employee's SSN, name, date of birth, citizenship status, and, if applicable, the date of death; (2) employer satisfaction with current verification services such as SSNVS and the Basic Pilot; and (3) management controls over SSNVS to ensure that employers are properly using the verification service.

This review should enable us to provide SSA and Congress with a more specific initial assessment of the impact and utility of a mandatory verification program. As always, my office stands ready to assist you and the SSA by providing accurate and meaningful audit and investigative work.

Thank you for inviting me here today. I will be happy to answer any of your questions.

The CHAIRMAN. Thank you very much.

[The prepared statement of Mr. O'Carroll appears in the appendix.]

The CHAIRMAN. Mr. Warsinskey?

STATEMENT OF RICHARD E. WARSINSKEY, PRESIDENT, NATIONAL COUNCIL OF SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, INC., CLEVELAND, OH

Mr. WARSINSKEY. Chairman Grassley, Senator Baucus, and members of the committee, my name is Richard Warsinskey, and I represent the National Council of Social Security Management Associations. On behalf of our membership, I am pleased to have the opportunity to submit this testimony to the committee.

SSA is facing many challenges this year. Let me give you some examples. In 1999, SSA had 311,000 hearings pending. There are now an estimated 750,000 hearings pending, an increase of 140 percent. As a result, the average time to receive a hearing decision can, in many cases, run more than 2 years.

SSA's program service centers have seen their pending cases more than double in the past 2 years, increasing by more than

350,000 cases. Waiting times in field offices rose dramatically for the first 6 weeks of the year.

Walk-in traffic increased by approximately 40 percent. Since then, traffic has moderated somewhat, but walk-in traffic is currently up an estimated 25 percent.

SSA's 1-800 number received around 4.5 million more calls for the first 2 months of this year compared to the first 2 months of last year. Failure to receive an adequate appropriation for fiscal year 2006 led SSA to make the decision to cut back on processing over a quarter of a million Medical Continuing Disability Reviews this year, and over half a million since fiscal year 2002. It also led to cutbacks on processing SSI re-determinations of over three-quarters of a million this year.

SSA estimates, for every \$1 it spends on an SSA re-determination, it saves \$7 in program costs. For every \$1 the Agency spends for a Continuing Disability Review, it saves \$10 in program costs.

In August, SSA will send out an estimated 2 million letters for those qualified for extra help for Part D Medicare to determine whether the amount of extra help will change.

In late November, SSA will also mail out an estimated 2 million letters for those potentially affected by the income-related increased Medicare Part B premiums. Many of those affected will contact SSA field offices with questions and request assistance to help them determine a correct premium to pay.

The Intelligence Reform and Terrorism Prevention Act of 2004 that went into effect on December 17, 2005, significantly strengthened the rules for issuing new and replacement Social Security numbers and cards. Immediately after this law went into effect, SSA field offices throughout the country saw a dramatic increase in waiting times and number of visitors.

We estimate that nearly one-third of the people currently coming in to SSA field offices to apply for an original or duplicate Social Security account number card have to return to the office with additional documentation for that card. We have seen countless numbers of people leaving our offices upset because of the inconvenience.

For example, someone living in Shenandoah, IA would have to make a 150-mile round trip to their servicing office in Creston, IA. If you live in Broadus, MT, you would need to make a 337-mile round trip to the servicing office in Billings, MT.

As these increased demands on SSA facilities throughout the country have hit the Agency, we are faced with a reduction in staffing of 2,500 from fiscal year 2005 to 2007, even with the President's proposed budget.

On the horizon is another enormous workload that SSA could receive due to language in the proposed Border Security Act that could require the Agency to verify an estimated 50 million Social Security numbers a year.

We understand the current budgetary constraints, but when making decisions about how limited appropriated funds should be allocated, keep in mind that SSA has a reputation as an Agency that gets results, and it has earned that reputation.

Mr. Chairman, I thank you for the opportunity to appear before this committee. I would welcome any questions that you and the members of the committee may have.

The CHAIRMAN. Thank you.

[The prepared statement of Mr. Warsinskey appears in the appendix.]

The CHAIRMAN. Ms. Sweeney?

STATEMENT OF EILEEN SWEENEY, CO-CHAIR, SOCIAL SECURITY TASK FORCE, CONSORTIUM FOR CITIZENS WITH DISABILITIES SENIOR FELLOW, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Ms. SWEENEY. Thank you, Mr. Grassley. My name is Eileen Sweeney. I am a senior fellow at the Center on Budget and Policy Priorities. I also am the co-chair of the Social Security Task Force of the Consortium for Citizens With Disabilities.

CCD is a working coalition of more than 100 national consumer, advocacy, provider, and professional organizations, working together with, and on behalf of, the 54 million children and adults with disabilities and their families in the United States.

The CCD Social Security Task Force focuses on disability policy issues in both Title 2 and SSI, and I am here to testify on their behalf. There are four key points related to SSA's administrative challenges that I would like to raise.

The first is, SSA is doing a good job with limited resources. As Mr. Hathaway's testimony reflects, there is much that remains to be done and some workloads that need more attention, but Commissioner Barnhart has made great strides in improving the Agency's technological capacity in ways that will help to accomplish its work.

We are concerned, however, that SSA does not have adequate funds for the current fiscal year, and will not have sufficient funds under its proposed budget for 2007.

Of greatest concern, SSA will need to reduce its staff. Even though SSA is seeking \$387 million more than it has received for this year, this figure will not even cover current staffing. SSA will lose 2,545 full-time staff positions in 2007, according to the Commissioner's statements.

In addition, SSA's progress in reducing delays related to administrative appeals is projected to slow down or worsen in fiscal year 2006. For example, in 2005, the average processing time for hearing decisions at the ALJ stage was 415 days. This is far too long. Yet, in 2006, SSA expects the average time frame will climb to 467 days, an additional 52 days. SSA expects this to be the average figure in 2007 as well.

Second, we believe that SSA needs increased funding to cover the level of post-entitlement work that is needed in both Social Security and SSI. By this, I mean the contacts with people after they become beneficiaries on Social Security or SSI.

One really important example that has come up is, for a long time, we have had a serious problem with people going back to work and trying to report to SSA that they were working, and SSA somehow would get the information and it would disappear and it would never be put in the person's record.

Then there would be an IRS match done a couple years later, the person will be found to have a huge amount of earnings, they would be over-paid. This creates a huge disincentive to work. It is very frightening to be told, you are going to lose your Social Security, you are going to lose your Medicare.

SSA now has in place a system called e-work for Title 2—they do not have it for SSI yet, but they are working on that—that will be able to track this workload and make sure that the workload gets done and changes are made.

In the context of Mr. Bunning's question about what kinds of things do not happen, or what would you need if there is more immigration work, the answer is, these are the things that disappear, things like this, this progress that has been made on e-work and trying to eliminate work disincentives.

These things disappear when SSA is pushed, or scrambles, as the Commissioner said, to try to figure out how to make all the pieces fit together. It is the things that are not as pressing in the workload that do not get done. So, we are concerned that some of the progress SSA has been making will not be continued.

Third, we share the concerns about the CDRs. In 1984, Congress acted to improve the CDR process and basically reversed what was a terrible situation at that time, of people being arbitrarily terminated from the rolls, even though they continued to be severely disabled. That process that you put in place was the CDR process.

It is absolutely essential that SSA do these CDRs to maintain the integrity of the process, not just for SSA, not just for the trust funds, but also for people with disabilities who count on being able to receive these benefits if their condition has not medically improved.

The comments before about saving \$10 for every \$1 spent, that is absolutely important to remember. It is also important to remember that that is just based upon the 4 percent of people who are cut off. Ninety-six percent of the people who have CDRs are continued on the rolls and are found eligible. It is just that the program is so big, that that \$1 out of \$10 really can make a huge difference.

So, getting that extra money for the CDRs really is important, not just to SSA, not just to the deficit, but also to people with disabilities, to maintain the program.

And then, the last point is my first point, which is, on issues like immigration, when you talk about a big workload, and I have seen the CBO estimates that were published last fall that show huge amounts of work for SSA if some of these verification provisions are put in place, huge amounts of work, not just in the first 5 years, but in the second 5 years out.

You are talking about SSA not having the ability to do the kinds of things that people with disabilities and other beneficiaries rely upon them for if there is not additional funding put in place as well.

Thank you.

The CHAIRMAN. Yes. Thank you very much.

[The prepared statement of Ms. Sweeney appears in the appendix.]

The CHAIRMAN. Mr. Hathaway, I forgot to introduce Mr. Bliven. Would you speak about him before you give us your statement?

Mr. HATHAWAY. Well, Mr. Bliven was my attorney during this whole fiasco.

The CHAIRMAN. All right.

Senator BAUCUS. Mr. Chairman, I might just mention to you—

The CHAIRMAN. Please, go ahead.

Senator BAUCUS. Trego is a very special place in Montana where Erv is from. It is up in the northwestern part of our State. It is, by Iowa standards, a little remote. It is really a wonderful little community near the Canadian border.

The CHAIRMAN. I will bet it is beautiful. One time I visited Senator Baucus' State. My wife always wanted to go to Montana.

Senator BAUCUS. Well, you ought to listen to her.

The CHAIRMAN. I said, why would anybody want to go to Montana? So I went to Montana with my wife, and I know why people want to go to Montana. It is a beautiful State.

Mr. HATHAWAY. One of my good friends said, before I left home, do not tell everybody how pretty it is. He said, they will all come.

The CHAIRMAN. All right. Well, I will keep my mouth shut, then. [Laughter.]

Would you proceed, Mr. Hathaway?

STATEMENT OF ERWIN HATHAWAY, SOCIAL SECURITY DISABILITY BENEFICIARY, TREGO, MT; ACCOMPANIED BY MICHAEL BLIVEN, ESQ.

Mr. HATHAWAY. Thank you, Chairman Grassley and Mr. Baucus. I appreciate you bringing me out here. It has been a very interesting, very difficult trip for me and my wife. We got through, but it has been different. I cannot wait to get back.

So, anyway, you have most of my story in the written testimony. There are a couple of things I would like to touch on that I have thought about since then a little bit to make more emphasis on, just the problems that we went through during this time period.

To start right off, I want to tell you, I may not have come through this situation without the moral support and physical help of getting things done that needed to be done without my wife. I think many spouses in this situation would have just given up and moved on. But we have a good relationship, and I just want to thank her.

And Mr. Bliven, too, and his crew. They were really good. They supported me a lot. They settled me down when I would blow off the handle. He kept me from doing some things that I probably should not have done.

I guess one of the big things that happened in this case that I really did not understand was, on the first application, when I filled it out, they wanted 10 or 12 names of friends and relatives, people that did not live with me, whatever, to get an insight to what I was like in an everyday situation. They wanted doctors' names and where my films, surgeries, and this and that had all taken place. I gave them all that information.

They never contacted one. Just, somebody down in the office down there looked at my application. They never contacted any of

my doctors for any further information. They just stamped it "Rejected" and sent it back. That took about 4 months.

Then I appealed that. Within 2 weeks after I sent that appeal in, I got it stamped "Rejected" again. That is when I contacted Mr. Bliven, and this whole court thing started, and all that. They did not seem like they wanted to listen to me, or the doctors, or my friends.

They just never wanted to talk to them. I asked continually to be sent to a doctor of their choosing to be examined. That did not happen either. I just feel there are some things that could be put in the system that would help people.

All right. Send me to a doctor. Do not just have somebody look at a piece of paper and say "he is not disabled." You cannot see that. You have to look at the medical information. I guess that is my biggest complaint about the whole thing.

And the doctors. The doctors all supported me. I had several doctors. I was up to seven, eight, nine of my own, psychiatrist, orthopedics, GPs, pain medicine doctors. I mean, it was just an ongoing list. They all said that I was unable to work.

The judge kept saying, yes, you are. Even the medical expert and vocational expert at the hearings said I was unable to work. The judge said, yes, you are. There is a problem there. He should be looking at the evidence presented to him, taking that evidence, and making a decision, not his own personal opinions.

Just a little bit on the financial side. It was getting pretty tight. We sold a lot of stuff. We sold all our stocks and depleted our savings. I took an early retirement from where I had worked.

I got discounted on that actually at the time, but we had to get medical coverage, because we had none. That was part of my retirement program. So, that is why I got the bullet on early retirement. I had to take an early withdrawal from my 401(k). I just got hurt there.

I had to take a small mortgage out on the house and had to do some fast talking, because I had no proof of income. There again, the State of Montana, they will listen to you and they understand. I do not know if it would have worked somewhere else, but I do not think so.

The CHAIRMAN. You go ahead.

Senator BAUCUS. Your time may be technically up. But why do you not go ahead?

The CHAIRMAN. Yes. Please.

Senator BAUCUS. Tell us what you want to tell us.

The CHAIRMAN. Yes. Yes.

Mr. HATHAWAY. There is not much left here. The last 12 to 18 months, we were paying our bills, buying our groceries, gas, and that kind of stuff. But we were using credit cards. Financially, we were done. We were just about an inch away from going under. Most people, they do not have the assets we had to do that.

Six months ago, my wife's car broke down. We parked it in the garage. I could not afford to fix it. Living up where we lived, you should have two vehicles up there, because if one goes down, you are dead in the water. It is just an overall burden.

I guess that is about it. I do not know what else I could add, but I will answer any questions, and thank you for bringing us.

[The prepared statement of Mr. Hathaway appears in the appendix.]

The CHAIRMAN. Yes.

Senator BAUCUS. Thank you, sir.

The CHAIRMAN. What we are going to do is, I had several questions I was going to ask, and Senator Baucus does. But we both have to go at noon. So I am going to ask a couple of questions, Senator Baucus is going to ask a couple of questions, and then the last of the questions we will submit for answer in writing, please.

Mr. O'Carroll, section 6103 of the Internal Revenue Code prohibits the disclosure of taxpayer return information, with some exceptions. Unauthorized disclosures then are subject to a penalty of up to \$5,000, or even 5 years in jail.

Now, the Immigration Reform Act of 1996 requires the Commissioner of Social Security to notify the Attorney General whenever there is a report of earnings by an alien who was assigned a non-work Social Security number.

This notification would include the name and Social Security derived from the taxpayer's return information. While these reports have been issued every year, they have never been used for workplace enforcement activities.

Now, I understand that there has been some recent discussions between Social Security and the IRS that suggests this notification provision may be in conflict with section 6103. Would you elaborate on those discussions for me?

Mr. O'CARROLL. Yes, Mr. Chairman. The Illegal Immigration Reform and Immigrant Responsibility Act of 1996 mandated SSA to provide non-work alien information to the Attorney General, notwithstanding any other statutes or laws. SSA has been complying with that law.

But recently, two things have happened. One, INS moved from under the Attorney General and the Justice Department to the Department of Homeland Security. Therefore, it is unclear with whom SSA is authorized to share that information.

Two, IRS and the Department of the Treasury believe that the Internal Revenue Code, section 6103, prohibits the disclosure of that information despite the "notwithstanding" clause in the Act.

Thus, IRS, Treasury, and Social Security are now in negotiations discussing the disclosure issue. To be truthful, I think it is probably something that is going to require legislation to clarify.

The CHAIRMAN. Senator Baucus? I am going to say goodbye, and he will adjourn the hearing. I have another question for Mr. O'Carroll, one for Mr. Warsinskey, one for Ms. Sweeney that I would like to have answered in writing, and also one for Mr. Hathaway.

Thank you very much.

Senator BAUCUS. Thank you, Mr. Chairman.

Erv, could you just tell us a little more your reactions and what ideas you might have to deal with the situation where the doctors all agree that you are disabled, but at the first level, you are summarily denied without seeing anybody personally.

Mr. HATHAWAY. Exactly.

Senator BAUCUS. And then I guess at the hearing level, when it is appealed—maybe Mr. Bliven can answer the question too and

help out a little bit—at least the Hearing Officer hears from the doctors, I guess. I guess that is how it works. But the Hearing Officer, on appeal, does not really examine you.

What I am trying to get at, is your frustration with being summarily denied, even though, clearly, you are disabled. You are denied by people that do not see you personally or examine you.

Mr. HATHAWAY. Exactly.

Senator BAUCUS. And how we get at that a little bit better. Any thoughts you might have, or even Mr. Bliven might have on how we get at that?

Mr. HATHAWAY. My thought is, if you send in three or four reports from the doctors that say this man cannot work, or this lady cannot work, and you fill out the application, if they have a question, send you to a doctor of their choosing, like I requested, and at least give you the opportunity to be seen by somebody alive instead of somebody just reading some paper and saying, you are out of here. That is totally wrong, as far as I am concerned. There is no one-on-one contact with anybody.

Senator BAUCUS. As far as you are concerned, that is, based on information you have, how do they make that determination? What do they look at? What information, what documents? What do they have?

Mr. HATHAWAY. You fill out all these forms with all this information of doctors you have seen and everything, and submit any additional letters or anything you may have, and then you sign it. Then they have people down there. Michael probably knows better exactly what goes on down there.

Senator BAUCUS. Do you want to add anything, Mr. Bliven?

Mr. BLIVEN. I would, Senator. I want to thank you for inviting my client and myself here to address the committee.

In Mr. Hathaway's case, what happened was not uncommon. Even though his treating doctors stated that he was disabled and that he met a disability listing and had a number of limitations, that was essentially discounted or ignored by the reviewing officials at the Agency.

No consulting examination was scheduled by either his doctor, or any other doctor. I share your commendation for the Commissioner in her efforts to speed up the process, and the committee's efforts so the Agency has appropriate funding.

Despite the Commissioner's proposed regulations, which hopefully will help, we do have our concerns—that is, the Consortium, I am sure, and those of us who represent claimants. The claimant really needs to be able to submit evidence throughout the process, have their doctors be heard, and our concern remains that the Commissioner not make any changes that would undermine the weight that should be given treating physicians. These decisions are made in a State office.

Now they may be made in a Federal office hundreds of miles away, and not necessarily give weight to what the claimant is saying, or their doctors, but rather some reviewing doctor who has not met the claimant or examined him.

We believe that if the Agency continues with its regulations that say that the treating physician should be given the greatest weight, and controlling weight in most circumstances, hopefully these deci-

sions will be made quickly and appropriately. We ask that the committee, and yourself, please continue to have oversight over that, because we do have concerns about some of the proposed regulations.

Senator BAUCUS. And your major concern would be what?

Mr. BLIVEN. Well, quite frankly, and I thank you for asking, our concern is that elimination of the Appeals Council would flood the Federal courts with appeals.

It is important that the Federal judge, as in Mr. Hathaway's case, review the file and that the claimant have full access to the Federal court if necessary, and that they get a full and fair hearing with the administrative law judge and be able to submit reports from their treating physician and updated medical evidence up through the hearing rather than the record being closed in advance of the hearing and having the hearing officer or the Agency have the ability to ignore that evidence or not allow the claimant to submit evidence. The claimant should be allowed to submit evidence from their doctors throughout the process.

Senator BAUCUS. Might I ask you, Mr. Hathaway, from your perspective, what is the cause of all these delays, too? Why does it take so long?

Mr. HATHAWAY. I have no idea.

Senator BAUCUS. Well, your gut guess, if you can just put your finger on it. What does it seem like it is?

Mr. HATHAWAY. Well, you send it in and you wait for the mail to come back, and it never comes, and it never comes. And that is one of the things I was talking about with my frustrations. I would call up Mike's office and I am just mad as an old wet hen, and I do not know what is going on; you guys are not doing your job.

Well, I finally understood that it was just the process it had to go through. It took forever to get an answer back on anything, with the exception of that second rejection on the original application.

Senator BAUCUS. Right.

Mr. HATHAWAY. That was just almost like, it came across somebody's desk and it was back in the mail the next day. I mean, it was about 2 weeks, 2½ weeks, something like that.

Senator BAUCUS. Yes, you had mentioned that. Yes.

Mr. HATHAWAY. Yes.

Senator BAUCUS. Your thoughts, Mr. Bliven, why, from your perspective, it just takes so long.

Mr. BLIVEN. Well, again, I believe the committee is appropriately focusing its energy on providing the Commissioner with the funding that she needs to implement the programs. The eDib is helpful. Her redesign hopefully will help.

But frankly, as you noted earlier in this hearing, there are only about 7 days where someone is actually working on the file while it moves through the system. That is a serious problem. The backlogs are a serious problem as well.

Senator BAUCUS. Yes. I should know the answer to this question, but what is happening in those non-seven days?

Mr. BLIVEN. Well, in my experience, and I do represent a lot of claimants, and have for over 10 years, files get lost. I cannot answer exactly what goes on at the local Disability Determination

Service Office. I have dealt with them not just in Montana, but in other States as well. That is always a good question.

I do believe the Commissioner is doing everything she can to help that process, but sometimes we really wonder, and we wonder what is going on, even at the Office of Hearings and Appeals, frankly.

Senator BAUCUS. So a lot of it is just backlog. There are so many people, so few resources.

Mr. BLIVEN. The backlog and the lack of resources is a very serious problem, and I appreciate the committee taking a look at that and seeking the funding for it, because that is critical.

In fact, in Mr. Hathaway's case, one thing I wanted to add was, his case is not outside of the bell curve. It is fairly in the middle. He only had to wait a year from the time he requested a hearing. Delays throughout the system are longer than that.

His Appeals Council process did not take as long as it does for, actually, many people. Mr. Hathaway, unlike many of my clients, did not end up homeless and did not pass away while his claim was pending. It could have been a lot worse for him.

Senator BAUCUS. That is what I was next going to ask. You mentioned, Mr. Hathaway, that although your resources were practically depleted, still you had some resources.

Mr. HATHAWAY. Some. Yes.

Senator BAUCUS. Some. Whereas, some people do not have anything.

Mr. HATHAWAY. That is why I say, we were luckier than others in that aspect, that we had something to fall onto.

Senator BAUCUS. Right.

Mr. HATHAWAY. But it is not the way you had things before.

Senator BAUCUS. So what happens to those people?

Mr. HATHAWAY. I do not know. That is a problem for these people. That is why it should not take this long.

Senator BAUCUS. It is an outrage, it really is.

Mr. HATHAWAY. Yes. If we would not have had some of the assets that we had, we would have been out on the streets somewhere.

Senator BAUCUS. Mr. Bliven, you have some experience with some other clients who have fewer resources. What happens? Do other people pick up and help them out?

Mr. BLIVEN. Yes. I have clients living in homeless shelters, clients living, in Montana winters, in a camper on somebody else's property. I have had clients pass away waiting for their hearing. It is pretty stark stuff. I refer clients all the time to the Salvation Army, or whatever local resources we have. I, myself, have gone to Costco and bought my clients paper towels and dog food, or whatever I can ethically do to help them. It is tough.

Senator BAUCUS. Right. Yes, I can tell.

Well, thank you, Mr. Hathaway. I, regrettably, have to conclude this hearing now. But I just thank all of you, all five of you, for coming. Thank you for coming this great distance, Erv, and sharing your experiences. I know it has had a real effect on me, and it does, I know, on the Chairman of the committee and others who are here. Thank you very much.

Let us just hope, now we can find some solutions here and get additional resources and help people in the chain who need some help, and even down the road who are not yet in the system, but who will be. Thank you very much. The hearing is adjourned.
[Whereupon, at 12:05 p.m., the hearing was concluded.]

A P P E N D I X

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

**Testimony of
Jo Anne B. Barnhart
Commissioner
of
Social Security**

Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to discuss the administrative challenges facing the Social Security Administration (SSA). As I prepared for this hearing, I realized that this is my first appearance before this committee since my confirmation hearing on October 4, 2001, even though we have worked closely together since that time. I am pleased to have this opportunity to discuss the progress we have made as well as the new challenges we face.

Much has changed in the world and at SSA since the day I last sat here almost five years ago, but the core mission of the Agency remains the same: giving the American people the high quality service they deserve; improving program integrity through sound financial stewardship; ensuring the program's financial solvency for future generations; and maintaining the quality staff SSA needs to provide the service and stewardship.

Over time however, Mr. Chairman, SSA has been tasked with new and non-traditional workloads through new legislation which I will discuss later in my testimony. Managing these new workloads, such as our duties under the Medicare Modernization Act and the Intelligence Reform and Terrorism Prevention Act, in a way that does not erode our ability to carry out our core responsibilities, is a challenge, especially in a world of tighter resource constraints.

SSA's responsibilities are great, and our mission is critical. In FY 2007, SSA employees will process over 6.7 million claims for benefits; process almost 245,000 Medicare Part D low income subsidy applications; make decisions on over 575,000 hearings;

issue 18 million new and replacement Social Security cards; process 265 million earnings items for workers' earnings records; handle approximately 59 million transactions through SSA's 800-number; serve 42 million visitors to our field offices; process millions of actions to keep beneficiary and recipient records current and accurate; and conduct 1.6 million continuing disability reviews (CDR) and over 1 million non-disability SSI redeterminations.

First, I will discuss where we are in terms of delivering our traditional services.

Service

As I told you that day in 2001, when I asked you to confirm my appointment, I made it clear that I did not accept this position to manage the status quo. Nowhere was the need for change more apparent than in the disability program. Therefore, from the outset I made improving service to our disability claimants a priority.

We have taken significant steps toward that end—especially the successful development and implementation of the electronic disability process, or eDib.

As of January 31, 2006, all 50 State Disability Determination Services (DDS) have rolled out the electronic disability folder. As you know, DDSs are the state agencies that make initial determinations for Social Security and SSI disability claims. Already, in 26 States the electronic claims folder is the official Agency record. I am proud that the medical information we capture electronically is already the world's largest repository of electronic medical records, with over 34 million records.

I want to assure you that SSA is monitoring the implementation of eDib carefully. We have developed a certification process, called the Independence Day Assessment (IDA) certification, to determine when each State is ready to use eDib exclusively as the official Agency record and no longer maintain paper folders for new cases. During the IDA certification process, SSA assesses the electronic business process and evaluates the system performance. IDA is an important quality assurance initiative that accurately measures eDib rollout

progress while allowing for the unique characteristics of each State's disability determination infrastructure, population, and demographics. As I noted, 26 State DDSs have completed this process. The remainder will be certified IDA within a year.

Let me share with you a real-life story that makes obvious the necessity of eDib. In the aftermath of Hurricane Katrina – while issuing almost 74,000 immediate benefits payments for displaced persons and setting up response units at the Houston Astrodome and other evacuation centers--SSA provided further relief. Of the 5,000 cases in the New Orleans Disability Determination Services, 1,500 had already been stored electronically through eDib. These records were immediately transferred to other offices to be processed. Ultimately, we gained access to the building, packed the remaining 3500 folders in 400 hundred boxes and carted those down six flights of stairs by flashlight.

The implementation of eDib is important in and of itself to improving service and efficiency, but it is also a vital precursor to the successful implementation of process changes that I believe will significantly improve the disability determination process. In July 2005, SSA published a Notice of Proposed Rule Making to improve the disability determination process. The central goal is to make the right decision as early in the process as possible.

To that end, the regulations were developed after a long and comprehensive outreach process to all groups involved at every step of the disability determination process. We listened to interested parties and groups in both the government and private sector, and to the claimants and beneficiaries who rely on us to provide the best possible service. I personally participated in more than 60 meetings with more than 40 organizations. My staff participated in many more meetings, and we received more than 700 comments and recommendations over the Internet alone.

I was very impressed with the spirit of cooperation and professionalism that these groups brought to our discussion.

When we published the proposed rule, I did not expect agreement on every element of the approach outlined in the NPRM. However, I hoped for—and got—a continuation of the same spirit that we saw in the initial outreach period.

During the comment period, SSA received almost 900 comments. We reviewed these comments very carefully. In fact, I met with my senior staff to consider all of these comments. And we have made changes in response. I am pleased to report that as of last month, the final rule was under review at the Office of Management and Budget, and we expect it to be published shortly. The Disability Service Improvement regulation represents a major step forward in the Agency's effort to effectively serve the public.

In our disability program as with all our core services, the Agency continually strives to find cost-effective means for providing excellent service. In response to the growing number of Americans who prefer the convenience of electronic service delivery, SSA has developed a suite of Internet and automated telephone applications that are safe, accurate and efficient. Last year, more than 23 million inquiries were answered through our Internet Frequently Asked Questions (FAQs), rather than by our employees. FAQs are easy to use and ensure consistent and accurate information is provided to those who need it. Electronic transactions initiated by the public, such as applications for benefits and reports of status changes, grew from 611,266 in FY 2004 to 1,685,959 in FY 2005, an increase of approximately 175 percent. We continue to seek ways to make such services effective and appealing.

Stewardship

SSA's commitment to quality service extends to all of our programs. I've discussed today some of the steps we are taking to improve the disability process so that eligible claimants receive the benefits they are entitled to. But true public service also requires sound stewardship of public resources. The people of America, who fund the Social Security program through their tax contributions and the

Supplementary Security Income (SSI) program through their income tax payments, expect and deserve well managed programs. And we take very seriously this responsibility to ensure that those entitled to benefits—but only those that are entitled—receive them.

In addition, there is also a strong economic incentive for avoiding improper payments. In several areas, such as SSA's continuing disability reviews, ensuring that disability beneficiaries still meet eligibility criteria can reap significant savings.

But good stewardship involves more than money. It also means making sure that earnings reported and recorded by employers are as accurate and precise as possible, credited to the correct worker, and that those with criminal intent are prevented from using Social Security numbers (SSNs) and cards to advance their illicit operations.

Accurate earnings information is vitally important to our administration of the Social Security program because a worker's earnings record is the basis for determining eligibility for and computing retirement, survivors, and disability benefits. If a worker's earnings are not properly recorded, he or she may not qualify for Social Security benefits or the benefit amount payable may be wrong.

SSA has assigned over 436 million SSNs since 1936. Earnings posted to an individual's SSN are used to determine eligibility for and the amount of Social Security benefits to which that worker and his or her family may be entitled. Ultimately, the SSN is used to track earnings and the payment of those benefits.

Over the years, SSA has worked to offer employers alternative methods to verify SSNs. One of those methods is the Employee Verification Service (EVS). EVS is a free, convenient way for employers to verify employee SSNs. It provides employers with several options depending on the number of SSNs to be verified. For up to five SSNs, employers can call SSA's toll-free number for employers (1-800-772-6270) weekdays from 7:00 a.m. to 7:00 p.m. Eastern Standard Time. Employers may also use this number to get answers to any questions they may have about EVS or to request assistance. In FY 2005, SSA responded to nearly 1.5 million calls.

Employers also have the option to submit a paper listing to the local Social Security office to verify up to 50 names and SSNs. In addition, employers may use a simple registration process to verify requests of more than 50 names and SSNs or for any number of requests submitted on magnetic media. Currently, almost 17,000 employers have registered for this verification service.

To further increase the ease and convenience of verifying employee SSNs, SSA developed the Social Security Number Verification Service (SSNVS), which is an internet option that permits employers to quickly verify the accuracy of employees' names and SSNs by matching the employee-provided information with SSA's records. SSA expanded this service to all employers in June 2005. We processed over 25.7 million verifications for over 12,000 employers in 2005.

On June 2, 2005 I announced the nationwide rollout of the SSNVS at the SSA- sponsored National Payroll Reporting Forum in Baltimore, Maryland. SSA has publicized SSNVS in various ways. An article on SSNVS was placed in the SSA/IRS Reporter that is sent to over 6.5 million employers. It was also featured in the SSA wage reporting email newsletter, W2News. We have also highlighted SSNVS in our many speaking engagements before the employer community. There is a special section on SSA's website for employers that highlights and explains the use of SSNVS.

In addition, employers may participate in the Basic Pilot program, an ongoing initiative in which SSA supports the Department of Homeland Security (DHS) in assisting employers confirming employment eligibility for newly hired employees. Participating employers register with DHS to use the DHS' automated system to verify an employee's SSN and work authorization status. The information the employer submits to DHS is sent to SSA to verify that the social security number, name, and date of birth submitted match information in SSA records. SSA will also confirm US citizenship, thereby confirming

work authorization; DHS confirms current work authorization for all non-citizens. DHS will notify the employer of the employee's current work authorization status. In December 2004 the Basic Pilot was expanded to be available on a voluntary basis to employers nationwide. This program is also available to all employers, as long as SSA receives sufficient funding to perform this work.

In 2005, through the EVS, SSNVS, and Basic Pilot programs, we estimate we provided a total of 67 million employer verifications, up from 62 million in 2004.

Employers report wages to SSA on Forms W-2 (Wage and Tax Statement). SSA processes the Form W-2 data for tax purposes for the Internal Revenue Service (IRS). Self-employed individuals report information on self-employment income to IRS on Schedule SE. IRS then sends this self-employment information to SSA. SSA uses the SSN to record employees' earnings.

Last year, SSA processed over 235 million W-2s from 6.6 million employers that are sent to the SSA either on electronic media or on paper. Over 150 million wage earners work in jobs covered by Social Security, which means that many workers were employed in more than one job during a year. While some employers continue to send us their reports on paper, we encourage electronic filing. We work with the employer community to educate them on the advantages of this method and expect its use to expand as technology improves. In fact, in FY 2005, 66 percent of W-2s were filed electronically, up from less than 10 percent in 1999. We believe the increase in electronic filing will reduce errors over time.

SSA also offers a suite of services called Business Services Online (BSO). BSO offers Internet services for businesses and employers who exchange information with Social Security. Available services for registered users include the ability to report W-2s via the internet.

As you know, SSA mails Social Security Statements to workers over age 25 each year (approximately 144 million in 2005). The Statement is a concise, easy-to-read personal record of the earnings on which the worker has paid Social Security taxes during his or her

working years and a summary of the estimated benefits the individual and his/her family may receive as a result of those earnings. We encourage workers to review the Statement to ensure that the information in SSA's records is correct and to contact SSA to make any corrections necessary.

When a person files for benefits, an SSA employee reviews the earnings record with the worker and assists the worker to establish any earnings that are not shown or are not correctly posted. However, since it may be difficult for the worker to accurately recall past earnings or to obtain evidence of them, SSA strives to maintain accurate records at the time the wages are reported.

Apart from enumeration initiatives, we also fulfill our fiscal stewardship responsibility by conducting Continuing Disability Reviews (CDRs), which ensure that those who receive disability benefits continue to meet our definition of disability. CDRs are a cost-effective program integrity workload, saving \$10 in program benefits for every \$1 spent in administering them. An increase in the number of CDRs conducted in FY 2007 will result in greater program savings, but let me stress that we need our full request for administrative resources for CDRs, whether provided in our appropriation within the discretionary spending cap, or provided as an adjustment to the cap.

Staffing

SSA is an agency committed to technology and innovation, but it is also an agency which believes that its devoted employees are the heart of its success. Our most critical asset in continuing to maintain a high level of service is the excellence of our workforce, and we currently have almost 65,000 full time and part time permanent employees.

However, we expect that just over 40 percent of that workforce will be retiring by 2014. Our workloads are also expected to grow dramatically as the baby boom generation approaches their peak disability and retirement years. Consequently, the greatest human

capital challenge facing SSA is to develop strategies that ensure we will be able to maintain a high performing workforce that is prepared to deliver quality service.

In 2004, SSA developed its first Human Capital Plan as a tool to chart the Agency's course, and we issued an updated Plan in 2005. As a supplement, we developed the Future Workforce Transition Plan to serve as a roadmap to develop and engage the workforce of the future. It outlines our plans to successfully recruit, hire, develop, and retain a diverse workforce to carry out the mission of the Agency.

Through our efforts, we have turned the retirement wave into an opportunity. Over the past five fiscal years, we have hired approximately 18,350 permanent employees, and we have focused on equal opportunities for all, including minorities and women.

We attribute our success to several factors:

- Support from the highest levels of the agency;
- Strong linkage to the agency strategic plan;
- Development of a long-term service vision;
- Analysis and study of potential future losses;
- A specific workforce transition plan; and
- National and regional leadership development programs.

At the beginning of my testimony, I said that I am concerned that new and non-traditional workloads may affect our ability to perform our core responsibilities. I will discuss those now.

Medicare Prescription Drug Program

As you know, the Medicare Modernization Act, or MMA, enacted in December 2003, established the new Medicare prescription drug benefit. The new Medicare prescription drug coverage was designed to allow all people with Medicare an opportunity to voluntarily enroll in prescription drug coverage. MMA also provided an extra level of assistance for people with Medicare who have limited incomes and resources in helping to pay for the monthly premiums and cost-sharing that are required by the new Medicare prescription drug coverage. This assistance is the low income subsidy, or extra help, as it is frequently called.

SSA was given the responsibility by Congress to take extra help applications and to make extra help eligibility determinations for individuals who were not automatically eligible. In order to be eligible for the subsidy, individuals must enroll in the Part D program, have incomes below 150 percent of the poverty level applicable to their corresponding household size, and have resources of less than \$11,500 for single individuals or \$23,000 for married couples.

Individuals with incomes between 135 percent and 150 percent of poverty are eligible for a subsidy amount based on a sliding scale. Individuals with incomes below 135 percent would be eligible for full premium subsidies if they enrolled in the basic drug plan, with no annual deductibles.

Additionally, SSA was charged by Congress with the collection of premiums for the prescription drug program itself, in cases where beneficiaries tell the prescription drug plans when they enroll that they want their premiums withheld from monthly Social Security benefits. This withholding of premiums is similar to the function SSA already performs for beneficiaries in the withholding of other Medicare premiums.

SSA was given these responsibilities because of its network of nearly 1,300 offices with 35,000 employees across the country, and because of our existing role in administering some parts of the Medicare program and our proven experience in serving the public. Over the past 70 years, SSA has gained a reputation for helping citizens in the communities where they live, and Congress realized that SSA's presence on the ground would be vital in the launch of the Medicare extra - help program.

Also, the low income subsidy was designed with many similarities to the Supplemental Security Income (SSI) program, a means-tested assistance program for low-income aged, blind and disabled individuals, which SSA has administered for more than 30 years.

As of the end of February, SSA has received applications from over 4.5 million beneficiaries. We have made over 3.6 million determinations on the eligibility for extra help, and have now found nearly 1.5 million of these individuals eligible.

At this point, let me say that I am aware that there was a concern that SSA was not prepared to deal with the increased traffic from callers asking questions about the new drug plan. It is true that beginning in the fall we experienced an increase in visits to our field offices and in telephone calls. Traffic spiked in early and mid-January, coinciding with our busiest time of the year when many people contact us to file retirement claims, to report their earnings from the prior year, and to request new or replacement Social Security cards—which, starting in December, require more specific identity document verification. Fortunately, the increase in traffic proved to be short term. By the beginning of February we had already seen a reduction in the January levels. At the beginning of March, visits to our offices averaged about 173,000 per day, down from a high of 200,000 in early January, and our 800 number busy rate is well under 10 percent on most days.

We will face new Medicare challenges at the beginning of FY 2007. Section 811 of the MMA reduces the federal subsidy of Medicare Part B premiums for those with higher incomes. Currently, Part B enrollees pay about 25 percent of their Part B cost (the “standard” premium). The remainder is financed by transfers from general revenues into the part B Trust Fund.

Starting in January 2007, the 25 percent/75 percent formula will change for Medicare Part B enrollees with higher incomes. There will be an income threshold test and depending on their income level, higher income beneficiaries will have to pay an increased share of the premium. There will be four levels of increases to the beneficiary’s share of the cost of the Part B premium. This subsidy reduction will be phased in over three years. MMA requires that we use IRS data to determine who is affected and the amount of the additional premium they will have to pay.

In 2007, the threshold level (the amount above which a higher premium is paid) is \$80,000 for those who file a single income tax return and \$160,000 for married couples who file a joint return. Threshold levels will be indexed annually.

MMA requires use of modified adjusted gross income. This is adjusted gross income plus tax-exempt interest income. We will do the first annual data exchange with IRS in October 2006 for premiums paid effective 2007. Weekly exchanges for the newly entitled will start prior to January 2007. Ongoing premium amount determinations will be made annually, prior to the start of each calendar year, and will be effective the entire year. It will also be made on an ongoing basis as people enroll in Medicare Part B.

The IRS data we will get is 2 years old, or if that is not available, 3 years old. Because of the time lag, the law permits Medicare beneficiaries to request that we use more recent tax return data to determine the premium when they have a life-changing event that significantly reduces their income or to provide corrected or amended tax returns.

SSA published proposed regulations concerning these rules on Friday, March 3. Those regulations and the statute define those life changing events as well as the procedures beneficiaries may use when questioning the amount of their modified adjusted gross income and the new premium amounts. While beneficiaries may appeal SSA's calculation of the premium, SSA cannot process appeals of IRS data.

Affected Medicare beneficiaries will receive a notice from Social Security by December 2006. And I need not tell you, Mr. Chairman, that we can expect to see another uptick in calls and visits when those notices go out.

New Enumeration Procedures

As I touched on earlier, we have taken a number of steps to further strengthen the processes associated with issuing SSNs. You will recall that SSA formed a high-level response team to develop recommendations on enumeration policy and procedure in the aftermath of the terrorist attacks of September 11, 2001. Implementation of many of the team's recommendations has strengthened our capability of preventing those with criminal intent from obtaining and using SSNs and SSN cards. Some of these initiatives include:

- Beginning June 1, 2002, SSA began verifying birth records with the issuing agency for all United States born SSN applicants age one or older. Under former rules, we only verified birth records for applicants age 18 and older. As of December 17, 2005, SSA is verifying all birth records.
- Beginning in July 2002, SSA began verifying the immigration status of all non-citizen applicants for SSNs with DHS before assigning SSNs to these persons.

In addition, we have new responsibilities under the Intelligence Reform and Terrorism Prevention Act of 2004 which became effective in mid-December. As a result, the processes we employ to issue Social Security numbers and cards have changed. For instance, we now require applicants to submit documents that include a name, identifying information, and a photograph. For U.S. citizens, we must see a driver's license, a state-issued picture ID, or a passport if one is available. If these documents are not available and the applicant cannot obtain one within 10 days, we will accept other documents, such as an employee identification card, a school ID, a health insurance card, a U.S. military ID card, or an adoption decree. For non-citizens, we must see current U.S. immigration documents. This may require an applicant to return to the field office if they come to an office without one. This requirement also appears to be increasing traffic to our offices.

Other Possible Changes

More new workloads could be on our horizon as a result of proposed changes to our immigration laws. As the President has said, workplace enforcement is one of the key ingredients to an effective immigration policy. I realize that Congress and the Administration are grappling with important national policy issues in determining how to achieve that goal. SSA's primary role in this discussion is to provide information on how various proposals could affect our workloads and our ability to provide quality service. For example, Congress is in the process of considering changes in immigration policies that could require additional verification of documents, or that make other changes to the way we do business.

There are several recent proposals that would require SSA to disclose wage reporting information from our databases to other agencies. I would like to take this opportunity to clarify that any data generated as a result of the wage reporting process is derived from information reported to the IRS in the form of tax return data. SSA processes employer wage reports for IRS and uses that information to credit earnings to workers' records so that eventually we can pay them or their dependents and survivors the benefits that they have earned. Redislosure of tax return information is within the purview of the Secretary of the Treasury and is proscribed under section 6103 of the Internal Revenue Code, 26 U.S.C.

Let me emphasize that I am not here today to take a position on the wisdom of making any particular change to our immigration enforcement procedures. As I said before, these are important national policy decisions that require consideration of a wide range of issues. I would like to clarify, however, how some of these potential changes might affect SSA.

There are several proposals that would require all employers to use an electronic work authorization verification system that would be similar to the current Basic Pilot program. If the program remains essentially the same, SSA would not anticipate significant changes to our current systems architecture to support this initiative. However, should there be revisions to the program, and depending on the extent of those changes, SSA might need to make changes as well as enhancements to our current service capacity.

Of course, we would expect additional traffic in our field offices as workers whose data does not match our records come in to provide correct information. We would hope that consideration of such proposals take into account the time and resources SSA would need to ensure that workers would not have to wait lengthy periods after being hired, before being able to straighten out their SSN records because of delays in the verification process.

Similarly, there are a number of proposals under consideration that would require workers seeking new employment to show a different kind of Social Security card—thus requiring them to obtain replacement cards. Again, we believe that it is important to include in

the consideration of such proposals an assessment of the time and resources that would be required to meet the increased demand for replacement cards so that workers would not have to wait potentially long periods to start working. Under existing requirements, SSA already issues approximately 12 million replacement cards each year.

Funding and Productivity

SSA is a good and worthy investment. Our achievements over the last year are proof that resources provided to SSA are used efficiently and effectively to administer America's social security programs. In FY 2005, SSA made benefit payments monthly to over 52 million people for an annual total of over \$552 billion. In addition to carrying out this responsibility, SSA has made progress in meeting a wide range of challenges despite tough choices required to operate within appropriated resources.

In FY 2005, SSA productivity increased by 2.7 percent over the previous year, part of an impressive cumulative increase of 12.6 percent since 2001. I am proud to note that we kept to our promise to increase productivity annually for fiscal years 2003, 2004, and 2005.

In addition, from FY 2001 to FY 2005, SSA improved performance in several key service areas. For example, SSA has reduced processing time for both initial disability claims (from 106 days to 93 days) and appeals of hearing decisions (from 447 days to 242 days). SSA has also processed more work. In FY 2005, SSA processed over 450,000 more initial disability claims, approximately 140,000 additional SSA and Medicare hearings, and over 670,000 more retirement and survivors claims than in FY 2001.

Since funding is the fuel that drives our ability to meet the needs of the people who rely on our services, I must tell you that there are very real consequences when we have reduced resources. Under the current performance-based budgets, there is a certain amount of work that can be done for a certain amount of funding, and when our portfolio of traditional work and the new workloads I have described expands without funding, our effectiveness is jeopardized.

In recent years, the Congress has appropriated less for SSA than called for in the President's budget requests. When Congress passed our FY 2006 budget in late December, it gave SSA \$300 million less than the President requested. As a result, we must closely scrutinize discretionary workloads and make decisions accordingly. For instance, the FY 2006 budget reduction will result in processing 390,000 fewer CDRs and 808,000 fewer SSI non-disability redeterminations, which are also cost-effective.

The President's FY 2007 administrative budget \$9.496 billion for SSA - would provide the resources to allow SSA to maintain service and fulfill our new responsibilities, some of which I have outlined today. We would also continue to improve the way we do business with investments in technology, such as eDib, and my disability service improvements.

This budget also helps SSA to fulfill its fiscal stewardship responsibility by providing funding to conduct CDRs, which ensure proper benefit payments. The President's FY 2007 \$9.496 billion budget for SSA's Limitation on Administrative Expenses account includes \$490 million for CDRs, with \$201 million funded through a cap adjustment. We estimate we will save \$2 billion in program costs through this additional funding.

Conclusion

I am very proud of the exceptional dedication of the men and women of Social Security and the State Disability Determination Services. Our employees share a deep commitment to finding better ways to be even more responsive to those who depend on our service and sound fiscal stewardship. I am fortunate to work with such dedicated and compassionate public servants.

Finally, Mr. Chairman, thank you again for inviting me to be here today. In order to meet the challenges I have described, and others, we will continue to need the help and advice of the Congress, and your continued support to obtain the needed funding for our operations.

I will be happy to answer any questions you may have.

**Finance Committee Hearing
Questions Submitted for the Record
Jo Anne B. Barnhart
Administrative Challenges Facing the Social Security Administration
March 14, 2006**

Senator Baucus

- 1. You have tried to improve Social Security's service delivery since you took office. But you have been stymied by inadequate funding each year. And this year is even worse. Social Security is faced this year with four problems. First, your funding was cut by \$300 million below the President's request. In addition, there have been three events that were unanticipated by Congress: Katrina and Rita hit the Gulf Coast, The implementation of the Medicare Part D drug benefit has caused many people to call or visit SSA rather than to call Medicare, The Intelligence Reform Act has changed the type of documentation that needed by individuals who are applying for initial and replacement Social Security cards. What impact have all three of these unanticipated events had on your backlogs of hearings and initial disability claims this year? Would you be able to use more money for overtime for the rest of the year, if it were provided reasonably soon? How much would you be able to use?**

In managing the Social Security Administration's (SSA) budget and workloads this year, I made a decision to focus our annual resources on providing public service, including the processing of disability claims and hearings requests. When Congress reduced SSA's Fiscal Year (FY) 2006 appropriation by nearly \$300 million, we decided to reflect the impact of that reduction primarily on program integrity workloads, such as continuing disability reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. Although these reviews produce significantly more in program savings compared to the administrative cost to perform them, I decided that ensuring service to applicants and beneficiaries was more important.

Of course, the combined impact of the Gulf Coast hurricanes, increased public response to the Medicare Prescription Drug benefit, and new documentation requirements for Social Security Numbers (SSN) from the Intelligence Reform and Terrorism Protection Act of 2004 (P.L. 108-458) have caused significant strains on SSA's capacity to deal with all of its workloads. These factors also have created additional unbudgeted costs, such as facility and other costs caused by the hurricanes, as well as additional time spent in our field offices on SSN issues.

Even though we are 7 months into the fiscal year, if more resources were to be made available, we could use those resources effectively. If provided quickly, we would use such resources to help our field offices and processing centers deal with aged workloads exacerbated by the hurricanes and other major events and help reach our workload processing goals for disability hearings.

2. **At your confirmation hearing, I requested that you conduct a study of the administration of Social Security's two disability programs (SSDI and SSI), and report back to me in six months. The study was intended to find out why it could take as much as three and one-half years for some applicants for disability programs to get their benefits. You completed the study on time. Can you tell me what the study showed, and how its results have changed the administration of the disability programs? The results of the study focused in part on backlogs (for hearings before administrative law judges and for adjudication of initial claims. Since you became Commissioner, what has happened to each of these backlogs?**

At your request, in FY 2002, SSA conducted a service delivery assessment of the disability process. We found that people who pursue their disability claims through all levels of Agency appeal could wait an average of 1,153 days for that final decision. A variety of factors account for the 621 days of "delay" time, including factors outside the Agency's control, such as time periods afforded claimants to request the next step in due process (more than 200 days). However, about 40 days of that time was for mailing voluminous paper folders from one place to another, and about 60 days was for locating those folders in order to ship them to the next place action needed to occur. Cases that went through all levels of appeal spent an average of 525 days in backlogs waiting for the Agency's action. Actual hands-on or task time took only 7 days, less than 1 percent of the elapsed time.

The study results provided valuable information that helped us focus our efforts on initiatives that would reduce unnecessary delays. These initiatives have included implementation of the electronic disability folder in all States, installation of video hearing and digital recording equipment in hearing offices, and hiring additional administrative law judges.

Since then, productivity has improved significantly. Although hearings backlogs have continued to grow because of insufficient resources needed to handle the increased claims receipts, they would have grown far more without these and other productivity increases and the tireless efforts of the men and women of SSA. For example, administrative law judge productivity is at record levels.

As the next step in improving the process, we plan to begin implementation of the disability service initiative (DSI) this summer. The DSI goal is to make the right decision in the disability process as early as possible. Some of the key features include a quick decision step to handle claims for people who are obviously disabled, more thorough documentation of disability decisions at all levels, better use of medical and vocational experts, the establishment of a new Federal Reviewing Official position to replace the reconsideration level of appeal, and a strengthened quality review function. We believe that these improvements will shorten decision times and help us eliminate the backlogs, as well as improve the quality of service SSA provides.

Since my confirmation in 2001, SSA has improved performance in several key service areas. For example, despite an increase in claims, our pending workloads for initial disability claims have stayed relatively stable, decreasing from approximately 579,000 in FY 2001 to 561,000 in FY 2005. In addition, SSA has reduced processing time for both initial disability claims (from 106 days to 93 days) and appeals of hearing decisions (from 447 days to 242 days). SSA has also processed more work. In FY 2005, SSA processed over 450,000 more initial disability claims, approximately 140,000 additional SSA and Medicare hearings, and over 670,000 more retirement and survivors claims than in FY 2001.

- 3. I have heard that documentation requirements imposed by the 2004 intelligence reform bill have increased visits to field offices because applicants who come in without the correct documents must return a second time. What impact has this had on SSA? I have heard that SSA's increased responsibilities for verifying birth records can be burdensome. What additional costs has this imposed on SSA?**

The new documentation requirements imposed by the Intelligence Reform and Terrorism Prevention Act of 2004 have increased visits to field offices, because applicants for a replacement card who possess or can obtain within 10 days identity documents of the highest probative value (U.S. passport, driver's license or State-issued ID card) must provide one of those documents. If they do not bring the required documents, they must return to the field office a second time. We are finding that a significant number of individuals who visit field offices to obtain an SSN card need to make a second visit for this reason.

Currently, we estimate that the average overall SSN card interview process has increased approximately 14 percent as a result of the new requirements. The reason for the increase is the time needed to explain the new rules, procedures and evidentiary requirements for SSNs, the verification of

documents, and the need to conduct second interviews when individuals return with the required documentation. The result of these new requirements is an additional cost of approximately \$40 million, which represents 500 workyears, for FY 2006.

- 4. You requested about \$10.3 billion for SSA administrative resources for FY2007, which is about \$800 million more than what the President requested for SSA. What does that \$800 million represent? Or, what could you accomplish if you were provided with the \$10.3 billion you requested?**

The FY 2007 President's budget provides total administrative budgetary resources of \$9.619 billion. This \$392 million, or 4.2 percent, increase over FY 2006 includes resources to keep up with our initial disability and retirement claims workloads.

SSA's service delivery budget provides a procedure for determining the effect a given level of funding would have on the Agency's ability to provide service over a broad range of workloads and a context to make decisions on how to use the funds that are available. Although my budget would have permitted more aggressive pursuit of my service delivery goals, the President's budget request will still allow me to maintain service in initial claims workloads. The President has many agencies, many programs, and several key priorities to balance when he determines the level of resources for each agency. The increased funding requested in the President's budget is recognition by the President of the important work carried out by SSA and the Agency's record of producing results.

- 5. As you know, there are many proposals out there to require all employers to use an employee verification system like the Basic Pilot system. What are your concerns about that? The House immigration bill passed in December included a provision that authorized you to perform these new immigration activities, but "only to the extent the Secretary of Homeland Security has provided, in advance, funds to cover the Commissioner's full costs in carrying out such responsibilities." Am I correct in saying that you consider this a very important part of this legislation and that you would want to see it remain in any immigration reform bill that becomes law?**

The Administration supports the inclusion of an employee verification system in an immigration reform bill. As Commissioner of Social Security, I ask you to remember that additional resources would be needed to accomplish the objectives of any law. As described in the House-passed version of the bill,

the number of newly-hired individuals whose work eligibility would be determined is 60 million individuals per year. Even though each verification itself may require little time to process, the volume of transactions is significant. Without additional funding, I would need to make difficult choices about the workloads that can be processed with our available resources. It is essential that SSA has the time and resources necessary to avoid situations in which workers would have to wait lengthy periods after being hired before being able to correct their SSN records because of delays in the verification process.

As you noted, the immigration reform bill, The Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005 (H.R. 4437), passed by the House on December 16, 2005, includes a provision which states, "only to the extent the Secretary of Homeland Security has provided, in advance, funds to cover the Commissioner's full costs in carrying out such responsibilities." This provision would help ensure that SSA is able to meet its responsibilities without impinging on its core workloads.

- 6. You have tried to improve Social Security's service delivery since you took office. But you have been stymied by inadequate funding each year. And this year is even worse. Your funding was cut by \$300 million below the President's request. What impact has this funding cutback had on the number of Continuing Disability Reviews you are doing this year? What effect does the reduced number of continuing disability reviews have on Federal debt? On the Social Security and Medicare Hospital Trust Funds?**

SSA received \$300 million less than the President requested for FY 2006. As a result, we must closely scrutinize discretionary workloads and make decisions accordingly. I elected to account for this decrease primarily through reduced program integrity actions, such as CDRs and non-medical SSI redeterminations.

Reducing CDRs and redeterminations was not a decision I took lightly. My choice last year and again this year was either to delay claims (making people who are entitled to benefits wait longer to receive those benefits) or to reduce stewardship activities. It was my decision to reduce CDRs and redeterminations rather than delay benefits to those who are entitled to them. SSA will be able to process 360,000 CDRs in FY 2006 based on the enacted FY 2006 appropriation, compared to 750,000 CDRs based on the proposal in the FY 2006 President's Budget. The reduced number of CDRs will increase benefit expenditures for Old-Age, Survivors, and Disability Insurance and SSI by an estimated present value of \$2.2 billion in the future. For FY 2007 through FY 2010, similar reductions in the number of CDRs that SSA would

be able to process would result in additional future program costs with a present value of \$2.2 billion for the reduction in FY 2007, \$2.1 billion in FY 2008, and \$2.0 billion for reductions in each of the following 2 years.

7. The Medicare Modernization Act requires SSA to implement income relating for Medicare Part B premiums. This is a big change for Medicare beneficiaries and for SSA. How will SSA go about making the change in the Part B premium? What is the impact of income-relating Part B premiums on SSA and its other workloads?

SSA has been planning for the implementation of the income-related Part B premium changes since enactment of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003. Our proposed regulations, published on March 3, 2006, are currently available for public comment. We estimate that approximately 2 million Medicare beneficiaries will be affected by this provision.

We have worked with the Internal Revenue Service (IRS) to obtain the tax return data that we will use to determine whether Medicare beneficiaries are subject to the new income-related premium adjustment. We expect to receive the data from IRS and to issue notices to impacted beneficiaries in the first quarter of FY 2007. The notices will advise the individuals that, based on the data from IRS, they will be subject to the new income-related adjustment. The notice will also advise the individuals that the law permits us to use data from a more recent tax year if they have experienced a major life-changing event that caused a significant reduction in their income. We are currently developing automated systems and processes to enable us to process reports of life-changing events.

We budgeted for the necessary resources to process income-related Part B work. These resources are included in the FY 2007 President's budget. If fully funded, the President's budget request will still allow me to meet key service goals and to fulfill SSA's new MMA responsibilities.

8. In your written testimony and opening statement, you said that SSA is planning to "process almost 245,000 Medicare Part D low income subsidy applications" in Fiscal Year (FY) 2007. Please explain in detail how you arrived at that number, and whether it includes applications SSA received in FY 2006.

SSA expects to process almost 245,000 Medicare Part D low-income subsidy applications in FY 2007. This volume is based on the 2 million individuals that the Centers for Medicare and Medicaid Services estimated to become eligible for Medicare in FY 2007, and of this total, 65 percent, or

1.3 million individuals, will enroll in the Part D program. Nineteen percent of the 1.3 million, or about 245,000, of the Part D enrollees are projected to apply for the low-income subsidy. The volume of applications projected for FY 2007 does not include applications received in FY 2006.

- 9. Please explain in detail what SSA's plans are for making redeterminations of Medicare Part D low-income subsidy eligibility. Please be sure to respond for redeterminations you have to make in 2007 and beyond. In your response, please include how this workload will impact SSA's ability to perform its other workloads.**

The MMA of 2003 requires that we conduct a redetermination for each eligible individual within 12 months of becoming eligible. For most individuals, we will follow a two-step process for these initial redeterminations. In the first step, we will send the individual a letter asking if his or her income or resources are still below or within certain limits, or if the household size has changed. We will skip this first step for people who have already reported a change during the year. If the person advises us that there has been a change, as a second step, we will send a redetermination form (along with a summary of the information already in our records) to collect specific information about the change. Individuals who receive one of these redetermination forms will be required to complete it and return it to us. Failure to do so will result in termination of the subsidy. On an ongoing basis, we expect to periodically redetermine a portion of the subsidy-eligible population each year based on case characteristics which indicate a likelihood of change.

In FY 2007, we estimate that we will need to send Part D redetermination letters to nearly 2.6 million individuals. We budgeted for the necessary resources to process these redeterminations as part of the FY 2007 President's budget. As I stated above, if the President's budget is fully funded, we will be able to meet key service goals and to fulfill SSA's MMA responsibilities.

- 10. In his written and oral testimony, Mr. Hathaway described how he felt that the examiners did not even consider the medical evidence he put forward to make his case. Nor did they contact the "references" he listed. He feels that SSA rejected him out right and the final resolution of his case appears to support his contention. You have remarked that your proposal to redesign the disability application and appeals process will make the right decision sooner in the process and will add accountability to every step in the process. Can you please describe how Mr. Hathaway's case may have been handled differently under your new proposal?**

Mr. Hathaway's unfortunate situation is an example which illustrates the reasons I made developing the new disability approach and improving service to our disability claimants my top priority.

In general, the new disability approach allows for a more fully developed claim at an earlier stage of the adjudication process. If the Disability Determination Service (DDS) denies a claim and the person seeks a review, the Federal Reviewing Official would ensure that the claim would be fully developed so that all relevant medical evidence was properly considered. The Medical and Vocational Expert Unit would be available to provide expertise if necessary. Adjudicators at every level of the process would explain in clear and understandable language the specific reasons for the determination or decision made. If a claim were denied by an administrative law judge, the Decision Review Board could review the claim and possibly reverse, modify, or remand it as appropriate. As a result of this new approach, individuals would be able to quickly seek judicial review if unsatisfied with the final decision on their claim.

- 11. Please provide me with management information on denials of claims for benefits or payments under Titles II and XVI of the Social Security Act for fiscal years 2002, 2003, 2004 and 2005. Specifically, please provide data on Title II insured status denials and Title XVI income or resource denials separated from other denials and report separately the average processing time for each of these three categories by Title for each fiscal year. Please compute and report the total number of denials and average processing time by Title for each fiscal year as well. Please also provide me with a copy of "The Report of Management Information Partnership Team," which was originally released in June 1996.**

**Medical Denials of Disability Claims FY 2002-FY 2005
With Processing Time in Days**

	Total Medical Denials	Title 2		Title 16	
		Denials*	Days*	Denials	Days*
FY 2002	1,432,254	843,256	114.5	588,998	122.5
FY 2003	1,561,044	947,222	111.3	613,822	117.4
FY 2004	1,594,751	980,807	116.3	613,944	120.8
FY 2005	1,646,402	1,018,193	121.5	628,209	118.7

Source: Office of Disability Programs, ODISP

*Includes Concurrent Claims

Non-Medical Denials of Disability Claims FY 2002-FY 2005
With Processing Time in Days**

	Total Non-Medical Denials	Title 2		Title 16	
		Denials	Days	Denials	Days
FY 2002	372,378	213,128	13.8	159,250	13.6
FY 2003	534,545	320,268	11.5	214,277	15.3
FY 2004	889,897	550,519	12.8	339,378	22.4
FY 2005	1,125,789	641,003	16.6	484,786	22.6

Source: Office of Operations

**Most of the Title 2 non-medical denials are for lack of insured status. Most of the Title 16 non-medical denials are for income and resources. Both categories also include denials for failure to pursue. Beginning FY 2004, non-medical denials increase significantly as we clarified our application taking policy to ensure that eligibility to all benefits was properly considered when the initial claim for benefits was filed, and we included all denials that did not go to a State DDS for a medical decision.

A copy of the requested report will be forwarded under a separate cover letter.

12. I understand that there is a new hearings and appeals office that is opening in Casper, Wyoming. Could you tell me what impact that opening will have on service delivery in Montana?

Based on conversations with Mr. Baucus and his staff, I realized that service delivery in Montana could be much improved by creating a separate office in Casper to serve the public who live in Wyoming. This eliminates the need for other offices, such as the Billings Hearing Office, to serve the Cody/Sheridan, Wyoming service area. The Billings Hearing Office workload will be reduced by approximately 155 cases per year, and the administrative law judges (ALJ) will no longer have to travel to the Wyoming service area. Additional ALJ time will be devoted to servicing Montana's workload and claimants.

Written Testimony of Erwin Hathaway
Trego, Montana
Before the Senate Committee on Finance
Administrative Challenges Facing the Social Security Administration

March 14, 2005

Introductory Remarks

Good morning Chairman Grassley, Ranking Member Baucus, and members of the Committee. Thank you for inviting me to discuss the delays in the Social Security Administration's processing of Disability claims. Thank you for assisting me in making this difficult trip to Washington D.C., so that I may address to the Committee my problems, as well as my concerns about the system as a whole. I felt it worthwhile to come here to see if I can add my experience and it will help make the system better for others. I would like to see the system improved and made more efficient. I appreciate the opportunity to address the Committee.

I live outside Trego, Montana. Trego is a very small town in northwest Montana. This trip out to Washington D.C. was a very difficult trip for me to make, and I could not have done so without the assistance of my wife.

My Case

During the four year period between when I applied and I started receiving benefits, we suffered significant financial hardship. I had to draw early retirement from Boeing at a discounted monthly amount. I will never get back the difference. We depleted our life savings, and we sold that stocks that I had accumulated through my work over many, many years. I had to take early withdrawals from my 401k. We had to take a mortgage on our home and sell possessions. This was all because of the long delay before receiving the benefits which were ultimately determined went back to when I stated I was disabled on my original application. During the time my first, and then second applications were pending, I could not work. If I could have worked, I would have. Although this was hard for me and my family, I know many people have worse circumstances and end up homeless waiting to get benefits. I was fortunate we had better circumstances, but I suffered a lot of anger and disappointed about how my case went and how long it took to get resolved.

It was not my idea to apply for disability in the first place, nor was it anything other than a last resort. I was originally injured in September of 1978. I had major surgeries in 1978 and 1979. I returned to work in 1980. I was not able to go back to my past work, and I was retrained at a community college to do quality assurance work. Because of the size of Boeing, and its many government contracts, the company had opportunities for people with disabilities. I went to work for Boeing in June of 1988. They hired me with the knowledge of my restrictions with walking, standing, stairs and not being able to climb ladders. I even had an 'inside' parking pass so I would not have to walk far. However, over time, my condition deteriorated. During my last 3-4 years of employment I missed a lot of work because of my pain and depression that resulted. My doctor had even suggested that I should apply for disability sooner because I was not able to sustain the work. They put up with me longer than they probably should have. I was finally laid off by

Boeing in December of 2001, and I applied for disability in February 2002. I was denied and appealed. I requested Reconsideration, and I was denied again.

I contacted my attorney when I was denied the second time and needed to request a Hearing. I requested my hearing on August 21, 2002. My hearing was held over a year later, in October 2003.

I did not feel that the Judge listened to me and had an open mind about the evidence. At times I wanted to write and complain about the judges and the hearing office. I contacted both my U.S. Senators in Montana about the delay and the way my case was handled.

I have had problems with my foot and ankle going back many years. Over the years I have been injured, especially the last five to six years, my activities have been severely limited. I cannot play catch with my grandkids nor do the kinds of activities with them I want to do. We have a very limited social life. I am in constant pain and do not interact well with others because of not only the pain, but my depression and mood swings. While my disability claim was pending, was also diagnosed with carpal tunnel syndrome and a chronic pain syndrome. My foot hurt so badly at one point I asked my doctor to just cut it off. I got so depressed I felt like I should be put down, like they do for horses. I can no longer walk on uneven ground or walk any significant distance. I use a cane. I have problems sitting and standing. For the past several years I cannot walk the woods, or hunt on foot. I have had a disabled parking permit since at least 2002. I have a Montana disabled hunting and fishing license, and I have a permit to hunt from my vehicle because of my disabilities.

I wonder if this long appeal process would have been necessary if there were better controls about accepting the treating doctors' recommendations and opinions about my limitations and disability. The claimant's doctors know the claimant's condition far better than some paper pusher or doctor looking at a file in an office hundreds of miles away. In my case I was very angry by not case not being granted because someone who read my file questioned my "credibility" about my pain and mental limitations. My doctors repeatedly advised I could not work and stated what my limitations were. This was confirmed when they responded to the second set of questions sent to them by last Administrative Law Judge (ALJ) - which he sent after my attorney objected to the first set of questions he sent. My attorney proposed questions which were fair, which the ALJ submitted to my doctors. Prior to that time, SSA never asked my doctors what they thought and the first Judge ignored what they had said. Even after the case came back from Federal Court, I felt like I was struggling against the system.

My wife has been very helpful during these very trying years, not only as a caregiver, but also during my times of severe depression, as well as my anger at the system that seems to be broken. Mr. Bliven and his office staff have also been very supportive when I would call and vent anger and frustration. Without this support I do not feel I could have overcome the system and made it to the day when I actually got my disability benefits.

My first hearing before an Administrative Law Judge was held on October 7, 2003, about sixteen months after the denial of my initial claim. My appeal was denied by the Administrative Law Judge at the Billings Office of Hearings and Appeals (OHA). My attorney appealed to the next

level, the Social Security Appeals Council. A ruling was issued nine months later. This ruling denied my claim, so my attorney appealed again to the United States District Court on July 28th 2004. I filed a second application, which was denied, I appealed, and was denied again. I requested a hearing. Before that hearing was set, and nine months later after my Complaint was filed in the U.S. District Court, the District Court determined that SSA had improperly evaluated his case and remanded the case back to the Appeals Council. At this point, I had waited 3 years and 6 months for resolution of my disability claim. Given the evidence in his case file and other facts, I was finally approved for benefits on December 28, 2005 – almost 4 years after my initial application.

A summary of time lines in my case (my original application) is in the table below:

			Onset of disability date was 12-14-01
02-15-02			Filed first DI application
05-31-02		3.5 months	Denial of initial application
10-07-03	1 year	8 months	First ALJ hearing (OHA)
11-19-03			Filed Appeal with Appeals Council
04-12-04			Case materials arrive from Appeals Council
05-21-04			Attorney Filed brief with Appeals Council
06-26-04	2 years	4 months	Appeals Council issues denial
07-28-04			Filed Complaint in District Court
03-25-05	3 years	1 month	Commissioner's Motion to Remand – District Court found denial of due process. Improper rejection of treating doctors' opinions. Failure to consider mental limitations.
04-01-05			Magistrate Judge Issues Remand Order to Appeals Council
08-16-05	3 years	6 months	Appeals Council issues case back to ALJ
08-23-05/8-25-05			Second ALJ Hearing (OHA)
12-28-05	3 years	10 months	Approval of Claim

I received my first check in January of 2006. I have not been paid all my back pay, nor has my attorney been paid from my benefits that have been withheld to pay him. While my case was pending I was diagnosed and treated for Prostate Cancer. After the Appeals Council denied my first application and while my case was on appeal the Federal Court, I filed a second application. That application was quickly denied without any significant development by the SSA because of the first denial. I was able to get a hearing date on the second application before the case came back from Federal Court, but the ALJ postponed that hearing because of the first denial and the file had not come back from Federal Court, despite my attorney's repeated efforts to get the files put together. It was quite an odyssey. My second hearing was postponed twice before it was heard. Even though SSA's doctor testified I was disabled at the second hearing, the ALJ would

not find me disabled until the second set of responses from my doctors, months later. I really felt like someone was against me.

Funding and Proposed Changes

I again thank the Committee for supporting funding for the Social Security Administration and its oversight. I support the goals of the Commissioner to speed up the system. I have reviewed much of her proposals, and the response of the National Organization of Social Security Claimant's Representatives (NOSSCR). I support efforts to use technology to help speed up the processing. I support funding for upgrading the system. However, I am concerned that others may suffer from similar problems that I had, and that those errors will increase if disabled applicants do not get a full and fair hearing. I think that access to the Federal Courts is critical, that someone outside the SSA reviews the actions of the adjudicators and even the ALJ's, to make sure that Disability applicants get a full and fair review. I believe that treating physicians should continue to be given the greatest weight and consideration - they know the claimant the best. I believe very strongly that claimants should have the continued ability to submit evidence until a final decision is made. It is important that Due Process is not sacrificed, and that the claimant have a full and fair opportunity to prove their disability. The claimant also needs to have the opportunity to appeal the incorrect decisions of the SSA including the Federal Courts.

Conclusion

My case took too long for the Social Security Administration to make the right determination. I would like to see the Congress to provide the funding necessary to the SSA so that it can process Disability claims like mine quickly and correctly. I appreciate the efforts and consideration of this Committee and ask that claimants like me continue to have your support and oversight.

U.S. Senate
Committee on Finance



Statement for the Record

Administrative Challenges Facing the
Social Security Administration

The Honorable Patrick P. O'Carroll, Jr.
Inspector General of the Social Security Administration

March 14, 2006

Good Morning, Chairman Grassley, Senator Baucus, Members of the Senate Finance Committee. I am pleased to be here today to be a part of the discussion on Administrative Challenges Facing the Social Security Administration. While there are various challenges that SSA faces, I would like to specifically focus on the issue of unauthorized workers in the U.S. and how it contributes to one of SSA's greatest challenges - erroneous wage reports held in SSA's Earnings Suspense File (ESF).

The impact of unauthorized workers in the U.S. is an area in which my office has performed significant audit and investigatory work, as it relates not only to SSA program administration, but to broader concerns of illegal immigration and homeland security.

Unauthorized Work in the United States

Title II of the Social Security Act requires SSA to maintain the reported earnings records of individuals. SSA uses these reported earnings to determine individuals' eligibility for, and amount of, retirement, survivors, disability and health insurance benefits. SSA validates the names and Social Security numbers (SSN) on the Wage and Tax Statements (Forms W-2) it receives against information in its own records. When an earnings report contains a name and/or SSN that does not match SSA's records and cannot be resolved, the report cannot be posted to an individual earnings record in SSA's Master Earnings File. Instead, the report is posted to the ESF, a repository for unmatched wages.

From Tax Years (TY) 1937 through 2003, the most recent year for which data is available, the ESF accumulated about 255 million wage reports, representing \$520 billion in wages, that SSA remains unable to resolve. As of October 2005, approximately 8.8 million wage reports, representing \$57.8 billion in wages, remained in the suspense file for TY 2003 alone. Unless corrected, suspended wages could reduce the amount of benefits paid to individuals and their families.

SSA has stated that it believes unauthorized work by non-citizens is a major cause of wage items being posted to the ESF instead of an individual's earnings record.

Another indicator of unauthorized noncitizens working in the U.S. is the Nonwork Alien, or NWALIEN file. This is a file of noncitizens who have received earnings using a nonwork Social Security number. SSA assigns nonwork SSNs to noncitizens lacking Department of Homeland Security (DHS) work authorization but who have valid nonwork reasons for the SSNs. In recent years, SSA has strictly limited the assignment of these numbers. Despite the fact that such SSNs are not to be used for work purposes, some noncitizens continue to work under these numbers and SSA is required to post the earnings reported under these nonwork SSNs.

By law, SSA annually sends DHS an electronic version of the NWALIEN file to provide information on noncitizens who have earnings recorded under SSNs assigned for nonwork purposes. This file is sent 6 to 18 months after the earnings occur.

In May 2005, SSA reported to the Senate Judiciary Committee that for TY 2003 SSA credited earnings under 555,227 individual nonwork SSNs.

The issue of unauthorized noncitizens working in the U.S. is a complex issue that directly contributes to SSA's problem of erroneous wage reports held in the ESF and the NWALIEN files.

Over the years, SSA has developed various tools to assist employers in verifying a worker's SSN, so that Social Security can properly credit employees' earnings records.

Current Verification Processes

Because one of the SSA's most important responsibilities is to maintain reliable records of wages employers pay individuals, accuracy in recording those earnings is critical. SSA's ability to do so, however, greatly depends on employers and employees correctly reporting names and SSNs. As such, SSA provides employers information and services to help them with this responsibility.

SSA utilizes the following tools:

- (1) Telephone, fax, and walk-ins, and
- (2) Automated employee verification programs, such as the Employee Verification System (EVS), the Social Security Number Verification System (SSNVS), and the Basic Pilot.

Telephone, Fax, and Walk-ins

Employers can verify up to five SSNs at no cost by calling SSA's toll-free number for employers (1-800-772-6270). Employers may also use this number to get answers to any questions they may have about EVS or to request assistance.

Employers also have the option to fax a paper listing to the local Social Security office to verify up to 50 names and SSNs.

Employees may also visit a local field office and request a copy of their Numident print-out, a document containing all the verified information necessary to obtain employment.

While we have not conducted a full audit in this area to determine the effectiveness of telephone, fax, and walk-in verifications, current policies and procedures, if utilized, should help employers verify SSNs of employees.

Employee Verification Programs

EVS and SSNVS are SSA's two primary automated verification programs made available to employers to verify a large quantity of employees' names and SSNs. The employers can also provide optional fields, such as an employee's date of birth and gender for additional verification

of identity. Participation in EVS and SSNVS is voluntary, and both services are available to employers to ensure information related to their new and existing employees is valid before the employer submits their Forms W-2 to SSA. Employers must register to gain access to these programs.

EVS

Employers may verify requests of more than 50 names and SSNs on paper or any number of requests can be submitted on magnetic media (tape, cartridge, or diskette). To verify employee records through the registered user process, employers must submit three required elements: employee's SSN, last name, and first name. Employers can also provide optional data such as date of birth and gender. Through EVS, SSA confirms whether the name, SSN, date of birth, and gender of an employee match SSA's records. As of January 2004, SSA also began to disclose whether SSA's records indicate that the wage earner is deceased.

We have conducted audits of this program in the past and found that it was not frequently used by employers. While use of EVS has increased in the years since our work was done, and SSA made improvements based on our recommendations, emphasis and resources eventually became more focused on SSNVS.

SSNVS

To further increase the ease and convenience of verifying employee SSNs, SSA developed SSNVS. SSNVS, which was implemented nationwide in June 2005, is an on-line service that enables employers to verify whether employees' names and SSNs match the information in SSA's records. Employers can either verify up to 10 names and SSNs (per screen) on-line and receive immediate results or upload batch files of up to 250,000 names and SSNs, and usually receive results the next Government business day. SSA reported that it processed over 25.7 million verifications for over 12,000 employers in 2005.

Basic Pilot

The Basic Pilot is a joint program between SSA and DHS, whereby employers verify the employment eligibility of newly-hired employees. This voluntary program helps employers determine whether an individual is eligible to work in the United States. The President signed the Basic Pilot Program Extension and Expansion Act of 2003 (Pub. L. No. 108-156) into law on December 3, 2003. This law extended the operation of the Basic Pilot for an additional 5 years (to a total of 11 years) and expanded the operation to all 50 States, not later than December 1, 2004.

The Basic Pilot system first checks the information entered by the employer against SSA's database to verify the name, SSN, and DoB of all newly-hired employees, regardless of citizenship. When the Numident shows the U.S. as the place of birth for the newly-hired employee or a code indicating the number holder is a U.S. citizen, the Basic Pilot automated system confirms employment eligibility. If the Basic Pilot system cannot confirm employment eligibility based on the information in SSA's database or if an Alien Registration Number or I-94

Number was entered, the Basic Pilot system automatically checks the data against DHS' database.

If the Basic Pilot finds that the employee's name, SSN, and/or date of birth do not match SSA's records, or that an employee who represented himself to be a citizen is not a citizen, the employer will receive an "SSA Tentative Non-Confirmation." If the Basic Pilot finds that the employee has presented a non-work SSN for work purposes, the employer will receive a "DHS Tentative Confirmation." In either case, the employer asks the employee whether he/she wishes to contest the tentative non-confirmation. If contested, the employee must contact SSA or DHS within 8 Government working days of the notification. After the employee contacts SSA or DHS to correct the record, the employer resubmits the query through the Basic Pilot system. If the system still does not confirm employment eligibility after the employer resubmits the query, the employer may terminate the new-hire.

While the Basic Pilot has been highly effective on a limited basis, there are concerns about mandating its use for all employers.

We would also point out that while Basic Pilot provides verification of work authorization as well as name, SSN, and date of birth, it is available only for new hires, not existing employees. Meanwhile, while SSNVS and EVS are available for existing employees, they do not provide work authorization verification. At this time, no existing system offers a fully comprehensive approach to verifying all relevant information for both new and existing employees.

Potential Mandatory Verification Service

To date, the OIG has not conducted any specific audit work to determine the impact of a mandatory verification program for all U.S. employers, but we recognize that such a program has been supported in several immigration reform bills, including Representative Sensenbrenner's "*Border and Immigration Enforcement Act of 2005*," and that there are potential benefits to a mandatory verification program.

In previous audit reports we have recommended that chronic problem employers should be required to participate in a verification program, such as the Basic Pilot. We made this recommendation to SSA for the purpose of addressing employers who frequently and egregiously report wages for employees with name and SSN discrepancies. In the absence of effective IRS penalties and DHS workplace enforcement, we believe requiring chronic problem employers to use the Basic Pilot could be the best method to address ESF growth.

However, we are concerned that implementation of a mandatory verification program for all employers is seen as an instant solution for SSA's erroneous wage reporting problem, and/or more broadly, for unauthorized work or illegal immigration issues in the United States. There are numerous implications of requiring employers to use such a service, including the impact on labor availability for employers who rely on the unauthorized noncitizen workforce. The GAO has identified several challenges to an employment verification program, including costs, work load implications, education, identity fraud, and increase for the production of counterfeit documents.

Along with GAO, we would express similar concerns about various challenges in light of our own prior audit and investigative work. In particular, prior OIG audit work involving modified programs has suggested that systems capabilities would have to be significantly expanded and an increased workload in the field offices and teleservice centers would result from traffic/calls attempting to resolve any initial “non-verifications” for employees.

Another of our primary concerns is Identity fraud. In order to avoid “no-match” results in a mandatory verification environment, unauthorized workers could make greater attempts to steal valid names and SSNs that match, especially, considering that valid name/SSN matches are widely available on the internet and public documents.

Commercial websites, such as those administered by Choicepoint and LexisNexis, provide SSNs and other personal information. Furthermore, websites designed for genealogy searches may sometimes link to documents containing SSNs. SSA death information is also readily available, and in fact, may be purchased by private parties.

To combat this issue, our Office of Investigations (OI) regularly reviews websites such as eBay for Social Security cards being sold, as well as search engines like Google and Yahoo for offers to obtain Social Security cards and numbers. Each search engine provides approximately 35-40 vendors per inquiry. OI reviews each vendor to determine if the advertisement constitutes fraudulent behavior, and undertakes criminal investigations as appropriate.

A related concern is the production of counterfeit documents. Our Office of Investigations (OI) has suggested that if a mandatory verification program makes it more difficult to obtain work with non-work SSNs, criminal enterprises may turn to counterfeiting Social Security cards rather than risk discovery during a more rigorous application process. In addition, improvements in technology are facilitating the manufacture of more deceptive documents, and production has become cheaper and easier. Not only do counterfeit documents weaken the integrity of the Social Security number - they also pose a real threat to Homeland Security. In an attempt to address both of these concerns, our OI has participated in collaborative efforts with DHS and other law enforcement entities on task forces and joint investigations targeting these counterfeit document rings.

One example of this cooperation is Operation Card Shark, a continuing effort to dismantle numerous such rings operating in the heart of our nation's capital. In August 2005, our agents participated in a major raid on five separate locations in the District of Columbia, seizing documents and manufacturing equipment, and making 16 arrests. Since May 2002, this operation has identified several document vending organizations and has dismantled three of them, apprehending 118 aliens in the process. SSA OIG has been involved in similar operations around the country, and the issue of counterfeit document rings remains a high investigative priority as we support SSA in its efforts to maintain the integrity of the Social Security number.

We are currently undertaking an examination of three separate aspects of verification programs, which may provide valuable information to Congress in determining whether to require that all employers use an employee verification service. These reviews will address:

- The accuracy of SSA information used to verify an employee's SSN, name, date of birth, citizenship status and, if applicable, date of death. The accuracy of these data elements is essential in ensuring that employees are not improperly denied employment simply because SSA records are incorrect or not up-to-date.
- Employer satisfaction with current verification services—SSNVS and the Basic Pilot.
- Management controls over SSNVS to ensure that employers are properly using the verification service.

Conclusion

Since the inception of this office in 1995, the issue of erroneous wage reports held in SSA's ESF was of great concern. More than a decade later, the ESF remains one of SSA's greatest challenges. While SSA has taken steps to address the issue through various tools, such as employee verification programs, the issue remains largely unresolved. My office is particularly concerned about this issue not only because it affects SSA, but also because on a larger scale, it impacts Homeland Security. We continue to work toward a solution, we appreciate Congress' interest and concern, and we stand ready as always to assist you and SSA by providing accurate and meaningful audit and investigative work. Thank you, and I would be happy to answer any questions you may have.



SOCIAL SECURITY

Office of the Inspector General

April 24, 2006

The Honorable Charles E. Grassley
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510-6200

Dear Chairman Grassley:

Thank you again for the opportunity to appear before your Committee on March 14, 2006 to discuss administrative challenges facing the Social Security Administration (SSA). In response to your April 10, 2006 letter, we have provided the following information to address Senator Baucus' follow up questions.

1. **There are several legislative proposals that would change Social Security cards. Some proposals would make cards machine-readable and others would add a biometric feature. Do you believe that these changes are a good idea? What suggestions do you have for preventing theft other than changing Social Security cards?**

We do not believe a perfectly counterfeit-proof Social Security card is possible. Certainly, new security features help to make the card more tamper-resistant. However, we are uncertain as to whether such minor adjustments are cost-beneficial considering how the card is currently used. Specifically, as we have stated in several previous testimonies, we believe security features for the Social Security card should be secondary to protecting the Social Security number (SSN). Most users of the SSN never ask to see the Social Security card. Accordingly, we believe money would be better spent in developing methods for those who do rely on the SSN, such as employers and government agencies, to verify the accuracy of that number. More specifically, real time verification could assist in preventing theft of an individual's SSN. In addition, active deterrence, in the form of possible apprehension for false use of an SSN, would further decrease SSN misuse.

Should biometrics be considered as a part of the Social Security card, we see several challenges that SSA will face, including:

- **Planning:** SSA will need sufficient time to design the card. It will need to determine which biometric features will be captured, ensure proper data linkage with the Department of Homeland Security, and issue the new card to tens of millions of workers. Such an effort

will certainly create a significant administrative and cost burden for SSA as it will be required to issue these cards and to maintain the accompanying biometric data.

- **Creating a Reliable Identifier:** As a person ages, there are changes in appearance, i.e., weight gain/loss, facial hair, etc. Thus, photographic identification, to keep up with an individual's physiological changes, will require that new photographs be taken periodically. Further, we are concerned that such a requirement will negatively impact SSA's Enumeration at Birth program, which provides a convenient service to parents and SSA and is very cost-effective for SSA. Because of these reasons, SSA may want to consider using other biometric alternatives. Based on the experience of our Office of Investigations, we believe that digitized fingerprints would be more reliable as scientific data suggests that a person's fingerprints do not substantially change after age 3.
 - **Potential Equipment Needs:** If the Social Security card is machine-readable, then other public and private sector entities will need to procure equipment that can read the biometrics on the new cards. The costs to the public and private sector entities, in terms of the equipment and training, would need to be considered.
 - **Verification of Biometric Information:** Since the Social Security card is not considered an identification document, once an employer determines that the employee has a valid Social Security card, how does the employer determine the identity of the employee who actually owns the Social Security card? Employers will need the ability to obtain biometric information from a potential employee such as a fingerprint, and compare it to the information on the Social Security card. This would not be required with a photograph.
 - **Database Upgrades:** Finally, for biometrics to work, SSA would need to modify the Agency's current computer systems. For example, SSA may need a database that links the biometric data to the individual and the technology would have to be able to identify anyone who tried to use the same biometric data to keep an individual from obtaining multiple SSNs. Also needed would be technology to ensure that if two or more individuals use the SSN, they will be identified within the system and flagged for review and action. Currently, this type of technology is not in place within SSA and its implementation would take substantial resources away from SSA's normal business process of paying benefits and tracking wages if additional resources were not provided for the Agency to perform this new function.
2. **In your testimony you remarked that "system capabilities would have to be significantly expanded" and that there would be an increase in SSA field office workloads if a system like the Basic Pilot were made mandatory. I agree with that assessment. This appears to be a change that GAO and others feel we should not make at this time. Can you give us some more details about your concerns?**

As of late 2005, about 5,500 employers were registered to use the Basic Pilot out of the approximately 6.5 million employers in the nation. Once a new employee is hired and has completed the required Employment Eligibility Verification Form (Form I-9), the employer

enters elements from the I-9 into the Basic Pilot system. If the Basic Pilot is unable to verify the employee's information, a tentative nonconfirmation response is provided to the employer. The employer is to check the accuracy of the information and resubmit. After this occurs, if the information still does not match, the employer must advise the employee of the finding and refer him or her to either SSA or the Department of Homeland Security (DHS) to correct the problem. With increased use, and the corresponding increase in the number of employees referred to SSA and DHS to correct any information errors, the burden for SSA falls upon their field office personnel. These front line employees are the ones who will interact with the employees and assist in attempting to clear up any problems. In addition, if SSA were asked to increase its assistance to DHS in monitoring employer use of the Basic Pilot program, this may entail increased data sharing and enhanced systems on SSA's part.

We also would note that one current limitation is the ability to detect the misuse of another person's identity (name and SSN). That is, an employer may not be able to detect through the Basic Pilot that an employee is using someone else's identity to obtain work. If an employee obtained and used counterfeit documentation with the real name, SSN and date of birth for someone alive and authorized to work in the United States, an employer would not detect such an occurrence through use of the Basic Pilot.

I hope this is responsive to your inquiry.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", written in a cursive style.

Patrick P. O'Carroll, Jr.
Inspector General



**CONSORTIUM FOR CITIZENS
WITH DISABILITIES**

Testimony of Eileen P. Sweeney
Center on Budget and Policy Priorities
on behalf of
the Social Security Task Force of the Consortium for Citizens with Disabilities
on Administrative Challenges Facing the Social Security Administration
before the Finance Committee
United States Senate
March 14, 2006

On behalf of:

American Association of People with Disabilities
American Association on Mental Retardation
Association of University Centers on Disabilities
Bazelon Center on Mental Health Law
Easter Seals
National Association of Councils on Developmental Disabilities
National Association of Disability Representatives
National Disability Rights Network
National Organization of Social Security Claimants' Representatives
NISH
Paralyzed Veterans of America
The Arc of the United States
Title II Community AIDS National Network
United Cerebral Palsy
United Spinal Association
World Institute on Disability

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Mr. Chairman and members of the Committee, I appreciate this opportunity to testify on this important question.

I am a senior fellow at the Center on Budget and Policy Priorities. I also am a Co-chair of the Social Security Task Force of the Consortium for Citizens with Disabilities (CCD). CCD is a working coalition of more than 100 national consumer, advocacy, provider and professional organizations working together with, and on behalf of, the 54 million children and adults with disabilities and their families in the United States. The CCD Social Security Task Force focuses on disability policy issues in the Title II disability program and in the Title XVI Supplemental Security Income (SSI) program. I am testifying today on behalf of the Task Force.

The topic of this hearing is especially important to people with disabilities who rely upon the Social Security Administration: to adjudicate completely and fairly their applications for disability benefits; for payment of their monthly Social Security and Supplemental Security Income benefits; to withhold their Medicare Part B and Part D premiums from their benefits; to determine their eligibility for Part D drug subsidies, also known as "extra help;" and to make accurate and timely determinations on post-entitlement issues that may arise in their cases. Like millions of others across the nation, people with disabilities count upon SSA to issue Social Security numbers for their newborn children, to issue replacement SSN cards when needed, to record and maintain their earnings records, to correctly answer their questions when they call the "800" number, and to meet with them when they visit one of the approximately 1300 SSA field offices with questions or reports.

In my testimony, I address four key points related to SSA's administrative challenges.

First, SSA is doing a good job with limited resources. There is much that remains to be done and some workloads that need more attention, but Commissioner Barnhart has made great strides in improving the agency's technological capacity in ways that will help it accomplish its work. We are concerned, however, that SSA does not have adequate funds for the current fiscal year and will not have sufficient funding under its proposed budget for fiscal year 2007. SSA's budget materials for FY 2007 indicate that at the funding levels being requested, the recent progress will not be able to be sustained.

Second, we believe that SSA needs more funding to provide the level of post-entitlement work that is required in both the Social Security and SSI programs. By "post-entitlement" work, I mean the contacts that SSA has (or should have) with a beneficiary once the person begins to receive Social Security or SSI benefits.

Third, we are concerned that SSA have sufficient funds to maintain the level of continuing disability reviews (CDRs) that it should be doing in Social Security and SSI disability cases. These reviews are essential to maintaining the integrity of the disability determination process.

Fourth, without additional resources, SSA is not going to be able to keep up with the technological challenges it faces. SSA's future success may be threatened by Congressional interest in adding to its workload, especially in verifying employee SSNs and immigration status, unless SSA is provided with adequate additional resources to address the new workloads over the

long term. Further, Congress should try to identify a way to ensure that SSA's budget is not reduced arbitrarily through across-the-board cuts or affected in ways that compromise the service that SSA provides, as a result of pressure from very tight ceilings on total discretionary funding.

The remainder of my testimony discusses these points in greater detail.

I. SSA is doing a good job with limited resources. But there is much that still needs to be done, and SSA will not be able to sustain recent progress at the funding levels that have been requested.

Overall, SSA currently is a well-managed agency. Commissioner Barnhart has taken numerous steps to improve SSA's technology and procedures so the agency is better able to accomplish its missions. However, we are concerned that SSA does not have adequate resources to meet all of its current responsibilities, including some of importance to people with disabilities.

Of greatest concern, even with the increase that SSA seeks for FY 2007, it will need to reduce its staff. SSA is seeking \$387 million more for fiscal year 2007 than it has received for fiscal year 2006, but this figure will not even leave the agency staffing whole. This budget request will result in a loss of 2,545 full-time staff positions/work years.¹ This is a result of increased costs for salaries and benefits for existing staff. As a result, we believe SSA needs more funds than it is seeking.

These staffing reductions may translate into SSA being less able to do post-entitlement work and not being able to reduce the backlogs in the administrative appeals process. Both of those tasks require sufficient commitments of staff time. Without adequate staffing, these are areas of work that tend to stagnate quickly, resulting in increased backlogs or, with post-entitlement work, cases being ignored.

SSA's progress in reducing delays related to administrative appeals is projected to slow down — actually to worsen in some cases — in fiscal year 2006. For example, in fiscal year 2005, SSA's average processing time for initial disability claims was 93 days. SSA had proposed to

¹ See *FY 2007 President's Budget, February 6, 2006, Congressional Briefings (hereinafter, "SSA FY 2007 Congressional Briefings,"* page 11, "SSA's FY 2007 Administrative Budget: Full-Time Equivalents and Workyears." The chart provides the following information:

	2006 estimate	2007 estimate	+/-
SSA FTEs (including OIG)	63,998	62,036	-1,962
SSA overtime and lump sum leave	2,398	1,948	-450
DDS Workyears	14,398	14,265	-133
Total SSA/DDS Workyears	80,794	78,249	-2,545

reduce that figure to 91 days in the President's fiscal year 2006 budget, but with its enacted fiscal year 2006 appropriation, SSA expects only to maintain, not reduce, this processing time — keeping it at 93 days. Further, SSA is not proposing to reduce this figure in fiscal year 2007, when it will again be 93 days.

More troubling, the average processing time for hearing decisions at the Administrative Law Judge level was 415 days in fiscal year 2005. That is far too long. Yet, in fiscal year 2006, SSA expects that the average time frame will *climb* to 467 days, an additional 52 days.² SSA expects this to be the average figure in fiscal year 2007 as well. While this will include processing an additional 17,000 hearing decisions in fiscal year 2007, SSA should be provided sufficient funds to reduce the delays while also processing more decisions.³ This suggests that SSA is not asking for sufficient funds in its overall Limitation on Administrative Expenses (LAE) request to reduce these delays.

II. SSA does not have the resources it needs to fully address its post-entitlement workloads.

Not surprisingly, with millions of new applications each year, SSA emphasizes the importance of processing applications, determining eligibility, and providing benefits. Once a person begins to receive monthly benefits, there are many reasons why SSA may need to respond to contacts from the person or to initiate a contact. This is known as “post-entitlement work” and generally does not receive the priority it should. All too often, when SSA is short on staff and local offices are overwhelmed by incoming applications and inquiries, they are less attentive to post-entitlement issues. For people with disabilities, this can discourage efforts to return to work, undermining an important national goal of assisting people with disabilities to secure and maintain employment.

One example of post-entitlement work that has fallen by the wayside in the past is the processing of earnings reports filed by people with disabilities. For many years, beneficiaries of Social Security or SSI disability payments who wish to return to work have found that they can end up owing SSA substantial sums as a result of overpayments for which they were not at fault. Typically, this has happened when the individual calls SSA and reports work and earnings or brings the information into an SSA field office, but SSA fails to input the information into its computer system and does not make the needed adjustments in the person's benefits. Then, months or years later, after a computer match with earnings records, SSA determines that the person was overpaid and sends a notice to this effect. All too often, after receiving the overpayment notice, the beneficiary will tell SSA that he or she reported the income as required and SSA will reply that it has no record of the reports.

² SSA, *SSA FY 2007 Congressional Briefings*, pages 8 and 14.

³ SSA processed 519,000 cases at the appeals level through ALJ decision in fiscal year 2005 and expects to process 560,000 cases through the ALJ decision in fiscal year 2006 and 577,000 cases through the ALJ decision in fiscal year 2007. *Id.*, pp. 9 and 15.

Depending on which program the person participates in — Social Security or SSI — discovery that the person is working may result in complete loss of cash benefits (Social Security) or a reduction in cash assistance (SSI). It also can affect the person's health care coverage. To collect the overpayment, SSA may decide to withhold all or a portion of any current benefits owed, or SSA may demand repayment from the beneficiary if the person is not currently eligible for benefits. The result of this is that some individuals with disabilities are wary of attempting to return to work, out of fear that this may give rise to the overpayment scenario and result in a loss of economic stability and potentially of health care coverage upon which they rely. As a result of this long-term administrative problem, anecdotal evidence indicates that there is a widespread belief among people with disabilities that it is too risky to attempt to return to work, because the beneficiary may end up in a frightening bureaucratic morass of overpayment notices, demands for repayment, and benefit termination.

Recently, SSA has been making some significant progress on this issue. It has developed the "eWork" system, a new computer process through which SSA staff record reports of earnings from Social Security disability beneficiaries. The system is designed so that office managers know when there is additional work to be done on the case in order to ensure that the information is input completely into the system and acted upon in a timely manner. SSA is working on a parallel system for SSI, but that system is not yet operational. As a result of SSA's effort on "eWork," SSA theoretically and practically is situated to resolve this long-standing problem and hopefully to eliminate a serious work disincentive. But that will not occur if this work is not given priority. Without the staffing needed to conduct this post-entitlement work, we are concerned that these cases will continue not to be processed in a timely manner.

SSA's ability to respond to work reports submitted by Social Security and SSI disability beneficiaries in a timely manner is essential if progress is to be made in realizing Congress' goal of reducing work disincentives in the Social Security and SSI disability programs and encouraging more beneficiaries to attempt to return to work. With the increases expected in applications from retirees and people with disabilities over the next few years — and the staff reductions already being built into SSA's budget request — the encouraging work now underway on earnings reports is likely to be pushed to the side if SSA does not have sufficient funding to do the requisite post-entitlement work.

III. SSA needs additional funds to conduct more continuing disability reviews and to remain current on SSI redeterminations.

In 1984, Congress corrected some very troubling problems that were occurring — individuals with severe disabilities were being arbitrarily terminated from the program — by developing and enacting the current continuing disability review (CDR) rules. It is essential both to beneficiaries and to SSA that Congress provide SSA with sufficient funds to conduct these reviews.

In fiscal year 2007, SSA seeks a total of \$490 million to conduct continuing disability reviews. This includes \$289 million in base funding and another \$201 million in additional funds.⁴ SSA has reported that each dollar spent on CDRs returns \$10 in benefit savings to the program.⁵

Failure to provide SSA with adequate funds to stay current with the processing of continuing disability reviews would, over time, diminish the integrity and accuracy of the disability programs. To protect program integrity and avert improper payments, it is essential that SSA conduct ongoing, regular reviews (CDRs) to determine whether recipients with disabilities continue to be eligible.

Failure to conduct the full complement of CDRs would have adverse consequences for the federal budget and the deficit. As noted, SSA has determined that CDRs result in \$10 in program savings for each \$1 spent in administrative costs in conducting these reviews. SSA estimates that the CDRs it conducted in 2002 “are expected to yield \$6 billion in lifetime program savings.”⁶ To put this figure in context, of the one million Social Security continuing disability reviews that SSA conducted in fiscal year 2001, SSA continued benefits in 96 percent of the cases reviewed and terminated benefits in four percent of the cases.⁷ Even though the great majority of CDRs result in continuation of benefits, the savings from those CDRs that result in terminations are substantial because of the size of the program and the value of the benefits provided.

The number of CDRs that SSA will conduct is directly related to whether SSA receives the additional funds it needs to conduct these reviews. SSA conducted 537,000 medical CDRs in fiscal year 2005 and had proposed to conduct 750,000 such reviews in fiscal year 2006. However, that number has been reduced to 360,000 for fiscal year 2006 due to the lower level of appropriations provided for SSA. In fiscal year 2007, with some funds sought outside the discretionary caps through a cap adjustment, SSA hopes to do 597,000 CDRs.⁸ We urge Congress to ensure the funding is there to undertake these reviews.

⁴ The \$289 million in base funding includes \$60 million for SSI CDRs and \$229 million for Social Security disability CDRs. The \$201 million in additional funding being requested for fiscal year 2007 includes \$60 million for SSI CDRs and \$141 million for Social Security disability CDRs. *Social Security Administration: Fiscal Year 2007, Justification of Estimates for Appropriations Committees*, Social Security Administration, SSA Pub. No. 22-017, February 2006, page 63, footnote 2.

⁵ See SSA: *The Fiscal Year 2007 Budget Press Release*, SSA, page 12.

⁶ *Social Security Administration: Fiscal Year 2005: Justification of Estimates for the Appropriations Committee*, SSA Pub. No. 22-017, February 2004, page 74.

⁷ *2004 Green Book*, Committee on Ways and Means, U.S. House of Representatives, Table I-44, page I-70.

⁸ *SSA FY 2007 Congressional Briefings*, pages 9, 15. The President seeks \$201 million for CDRs in fiscal year 2007 and \$213 million in fiscal year 2008 that would be outside the normal ceiling on discretionary appropriations. The budget proposal also includes \$289 million for CDRs within the discretionary ceiling in fiscal year 2007. See also, footnote 4, above.

IV. SSA's future success depends on Congress acting to find ways to boost its budget now — and to significantly supplement its budget over the long term as caseloads grow and when new workloads otherwise are added.

SSA's appropriation competes with that for other programs under the Labor, HHS and Education Appropriations Subcommittee. In addition, when there is an across-the-board cut in funding, SSA is affected. Finally, new work often is added by Congress, without new funds to undertake the work being provided.

When Congress imposed the across-the-board cut on discretionary funding for fiscal year 2006, SSA lost close to \$91 million.⁹ Although the President originally requested \$9.403 billion for SSA for fiscal year 2006, Congress had appropriated \$9.199 billion prior to the across-the-board cut. With the loss of the additional \$91 million, SSA received almost \$300 million less than the President requested.¹⁰

In addition, Congress sometimes passes provisions that show savings in entitlement costs while failing to recognize the administrative costs to SSA of implementing those provisions. Three recent examples are:

1. The Deficit Reduction Act (DRA) signed into law on February 8, 2006 requires that SSA conduct pre-effectuation reviews on 20 percent of initial SSI allowances at the state disability determination service level in fiscal year 2006. This number grows to 50 percent of allowances in fiscal year 2008 and thereafter.¹¹ These are cases in which SSA has determined that the person is eligible for benefits but now must review a percentage of those decisions prior to finalizing the allowances. Under the new rules, SSA must review these cases for accuracy (and possibly change its decision) prior to issuing the decision.
2. Also in the DRA, Congress changed how SSI lump sum benefits are to be paid to recipients. Under the change, SSA is required to issue lump sum retroactive awards beginning with a first payment equivalent to three months of benefits. This previously had been 12 months.¹² The underlying provision that the DRA changed makes clear that in cases where the amount of the first installment payment works a hardship for the individual because he or she has debts that need to be repaid, SSA will provide a higher amount to help cover these debts.¹³ Until now, because the first installment equaled up to 12 months of benefits, few new SSI recipients apparently have needed to avail themselves of the ability to request that SSA issue a different, higher amount. Now that the first installment will be

⁹ Social Security Administrations: Fiscal Year 2007: Justification of Estimates for Appropriations Committees, SSA Office of Budget, SSA Pub. No. 22-017, February 2006, page 75.

¹⁰ SSA requested \$9,403,000,000 in fiscal year 2006. Congress appropriated \$9,199,400,00 and then rescinded \$90,794,000 in Public Law 109-148, Department of Defense Appropriations Act of 2005. *Social Security Administration: Fiscal Year 2007, Justification of Estimates for Appropriations Committees*, Social Security Administration, SSA Pub. No. 22-017, February 2006, pages 75-77 and footnote 22.

¹¹ Section 7501, Deficit Reduction Act of 2005, Pub. L. 109-171, signed February 8, 2006.

¹² *Id.*, Section 7502.

¹³ Section 1631(a)(10)(B)(iii), 42 U.S.C. §1383(a)(10)(B)(iii).

limited to three months of SSI benefits even though SSI disability beneficiaries may have been made to wait much longer than that to begin receiving benefits — and thus may have incurred substantial debts — it is likely that many more beneficiaries will need to ask SSA to make the special determination and issue a larger first payment. This will be a new workload for SSA staff.

3. In the Social Security Protection Act of 2004, Congress expanded SSA's workload related to "fleeing felons."¹⁴ Since January 2005, the ban on felons and probation and parole violators receiving benefits applies not only to SSI (the rule has applied since 1996 in SSI) but also to Social Security beneficiaries. Also, there now is a "good cause" exception that allows payment of benefits under certain circumstances. It may sound simple to do a computer match, determine that a person is a fleeing felon or violating probation or parole and then terminate benefits, but these are people who sometimes have serious mental impairments or terminal illnesses and they may require assistance in figuring out what happened and how to respond. They may need to meet with SSA staff in the field offices to understand the process and what action they need to take, as well as to determine if they are eligible for continuation of benefits under the "good cause" exception. Staff time is a valuable SSA resource, one that it needs more of. The less time that SSA spends on these cases, the more that individuals can be harmed by inappropriate applications of the rule.

In none of these cases did Congress provide separate funding for SSA to do the additional work. The assumption is that SSA will work it out and, if needed, will seek additional funding as part of its next annual request. That would make sense if it were not for the tight discretionary spending ceilings the budget resolutions are imposing and the fact that SSA's budget must compete with the budgets of many smaller but important discretionary programs that are in the Labor, HHS and Education appropriations bill. Unless Congress acts to identify another way to secure additional funds for SSA on a reliable basis — not simply for a year or two, as happened with the additional Medicare Part D funds — we worry that SSA's workload will continue to grow but its administrative funding will not follow suit.

An example of potential long-term costs are the efforts to expand employer verification of Social Security Numbers (SSNs) to employers and employees, as Congress is currently contemplating. Without expressing an opinion on these proposals, should Congress pass such a law, it is essential that it provide funds for SSA to implement this very large increase in workload — not just for a year or two, but out past 2010 when CBO says the caseload costs would rise very substantially.¹⁵ If Congress does not do this, then one can anticipate that something else important at SSA will not get done or will be done inadequately. Would it be the

¹⁴ Section 203, Pub. L. 108-203.

¹⁵ CBO estimates that the cost to SSA of implementing its responsibilities under HR 4437, the Border Protection, Antiterrorism, and Illegal Immigration Control Act of 2005, would be \$200 million over the 2006 to 2010 period. SSA's costs will continue at high levels outside the five-year window; CBO estimates that SSA's costs will be about \$640 million over the 2006 to 2015 period. "Under the bill, the agency's cost to process employment verification inquiries would increase substantially after 2010 when all private employers would be required to check the eligibility of their entire workforce by 2012." CBO Cost Estimate on HR 4437, December 13, 2005, page 4, <http://www.cbo.gov/ftpdocs/69xx/doc6954/hr4437.pdf>.

continuing disability reviews? Longer processing times for applications? Longer times to issue SSNs and replacement SSNs?

Conclusion

Thank you for this opportunity to testify today. The CCD Social Security Task Force believes that SSA has been making strides in addressing delays in the disability determination process and in the post-entitlement workloads but recognizes that much more is needed. And, we worry that SSA will not be provided sufficient funds to conduct the continuing disability reviews. We are concerned that, at the level of funding provided in fiscal year 2006 and the level requested for fiscal year 2007, some progress that already has been made will be eroded. We urge Congress to ensure that SSA receives adequate funds to maintain and improve upon its vital work.

United States Senate
Committee on Finance

Testimony
Of

Richard E. Warsinskey
President
National Council of Social Security
Management Associations Inc.

March 14, 2006

Chairman Grassley, Senator Baucus and Members of the Committee, my name is Richard Warsinskey and I represent the National Council of Social Security Management Associations (NCSSMA). I am also the manager of the Social Security office in Downtown Cleveland, Ohio and have worked for the Social Security Administration for 30 years. On behalf of our membership, I am pleased to have the opportunity to submit this testimony to the Committee.

The NCSSMA is a membership organization of nearly 3,400 Social Security Administration (SSA) managers and supervisors who provide leadership in SSA's 1,374 Field Offices and Teleservice Centers throughout the country. We are the front-line service providers for SSA in communities all over the nation. We are also the federal employees with whom many of your staff work to resolve problems and issues for your constituents who receive Social Security retirement benefits, survivors or disability benefits, or Supplemental Security Income. From the time our organization was founded over thirty-five years ago, the NCSSMA has been a strong advocate of locally delivered services nationwide to meet the variety of needs of beneficiaries, claimants, and the general public. We consider our top priority to be a strong and stable Social Security Administration that delivers quality service to the people we serve - your constituents.

SSA is facing many challenges this year. My testimony today will focus on the following areas: limited resources and ever-increasing workloads and responsibilities.

Resources

The President's Fiscal Year 2007 budget proposes \$9.496 billion for the Social Security Administration's Limitation on Administrative Expenses (LAE) account. This account, which is included as part of the Labor, Health and Human Services, and Education Appropriations Bill, supplies the resources for SSA's administrative budget. The budget request for FY 2007 represents less than a 1.0% increase over the amount requested for FY 2006. The Agency did not receive the full President's Budget request for FY 2006 - the final appropriation was reduced by nearly \$300 million during the appropriations process.

The Commissioner of Social Security is required by law to submit her own budget. This budget reflects what she sees as the level of funding necessary to meet the Agency's service delivery improvements and fiscal stewardship plans through 2011. This budget also factors in that SSA has received less than the President's budget request in recent years, thus leading to the need for additional resources in future years to meet the full service delivery plan. The budget amount submitted by the Commissioner of Social Security to the President for SSA's FY 2007 administrative expenses was \$10.25 billion. The budget submitted by the Commissioner takes into consideration the increasing workloads and new mandates that are confronting the Agency. The budget shortfalls in comparison to the Agency's real needs, increased workloads, and new mandates have, and will continue to have, a tremendous impact on SSA's service delivery.

It is important to note that SSA's administrative budget constitutes less than 2% of program expenditures for the current fiscal year which is an outstanding value. This becomes all the more noteworthy when compared to private sector insurance companies which, as pointed out in a report issued by the Social Security Advisory Board, commonly have cost ratios of 10 to 20 percent or more. Certainly the American people deserve to have the Social Security Administration's excellent service while maintaining such value. A good example of this value can be seen by the service we provided after the hurricanes this past fall. SSA detailed people throughout the country and moved a huge amount of equipment around to assist people in receiving their benefits after the hurricanes. Every possible effort was made to pay benefits due on a timely basis.

Increasing Workloads

The following are some key current and future workload trends that are impacting SSA:

- In 1999 SSA had 311,000 hearings pending. There are now an estimated 750,000 hearings pending, an increase of 140%. The average Administrative Law Judge has approximately 750 cases pending per available judge. As a result the average time to receive a hearing decision is often more than two years.
- SSA's Program Service Centers (PSCs) have seen their pending cases more than double in the past two years, increasing by more than 350,000 cases. Backlogs in the PSCs have contributed to an increase in requests from Congress for status of cases by over 40% and requests for special high priority payment of cases by over 110%.
- Waiting times in Field Offices rose dramatically for the first six weeks of the year. Walk-in traffic increased by approximately 40% from the same time last year. Since then traffic has moderated somewhat but walk-in traffic is currently up an estimated 25% from the same time last year.
- SSA's 1-800 number received nearly 4.8 million more calls for the first two months of this year compared to the first two months of last year.
- Failure to receive an adequate appropriation led SSA to make the decision to cut back on processing Medical Continuing Disability Reviews. This year SSA has reduced the number by about 235,000 and by over 500,000 since FY 2002. SSA estimates that every one dollar spent on a Continuing Disability Review saves ten dollars in program costs.

- Failure to receive an adequate appropriation led SSA to make the decision to cut back on processing SSI redeterminations by approximately 750,000 this year. SSA estimates that every one dollar spent on an SSI Redetermination saves seven dollars in program costs.
- In FY 2005, SSA processed 64% more new claims for Title II and Title XVI disability claims than it did in FY 2000.
- SSA will process an increasing number of retirement claims as the baby boom generation retires. Last year SSA Field Offices processed 16% more retirement claims than the previous year.
- SSA will send out an estimated 2 million letters for those that qualified for Extra Help for Part D Medicare in August to determine whether the amount of Extra Help will change. Many of these cases will need to be reworked by SSA Field Offices.
- SSA will also mail out an estimated 2 million letters for those potentially affected by the Income-Related increased Medicare Part B Premiums this fall. Many of those affected will contact SSA Field Offices with questions and for assistance in helping them determine the correct premium to pay.

Increasing Responsibilities

One of the areas where SSA Field Offices have seen the most significant impact on their workloads and on the public has been due to the implementation of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) on December 17, 2005. This law significantly strengthened the rules for issuing new and replacement Social Security numbers and cards. Immediately after this law went into effect, SSA Field Offices throughout the country saw a dramatic increase in waiting times and number of visitors. This is due to the need to complete a much more intensive interview of those applying for Social Security Account numbers. This more intensive interview process and review of documents has led to an increased number of visitors that must go home and return with additional documents, sometimes multiple times.

We estimate that nearly one-third of the people currently coming into SSA Field Offices to apply for an original or duplicate Social Security Account number card have to return to the office with additional documentation for their card. We have seen countless numbers of people leaving our offices angry and frustrated because of the inconvenience. For example someone living in Shenandoah, Iowa would have to make a 150-mile return round trip to their servicing office in Creston, Iowa. If you live in Broadus, Montana you would need to make a 337-mile round trip to the servicing office in Billings, Montana.

Last year SSA processed 13.4 million requests for new and replacement cards. If one-third of the public has to obtain additional documentation and return to an SSA Field Office to complete the interview process this is affecting nearly 4.5 million people.

An example of the impact on a local Field Office can be seen in this message received from a manager in the metro Washington, DC area:

"The number one impediment in providing acceptable service to the public is the increase in daily visitors to the office, the majority of which are in the office to apply for Social Security cards. We used to have 7 Service Representatives and we are now down to 4 full time and 1 part time employee. We seldom see less than 250 visitors in a day and 55% came in for Social Security Number cards. The reception area is inadequate for the number of visitors, the waiting time often exceeds 2 hours and more importantly the Service Representatives are not able to do much of any other work other than Social Security numbers and are simply burned out. They dutifully handle reception all day, day after day without many complaints but it certainly takes a toll. There are other offices in the Washington, DC Area in similar situations."

As these increased demands on SSA facilities throughout the country have hit the Agency, we are faced with a reduction in staffing of 500 positions this year and an estimated 2,000 people next year. This reduction in staffing will occur even if SSA is funded at the full level of \$9.496 billion as proposed in the President's budget. It is estimated that SSA will have 500 fewer employees on duty next year than before the Agency started working on Medicare Part D cases. Moving forward, we realize that we no longer have the large workloads associated with the start up of Part D. Although resources were provided by the Congress in Fiscal Years 2004-2006 to address the initial workload related to Medicare Part D, there are still incredible challenges to be met in addressing the ongoing Medicare Part D workloads, rule changes in issuing Social Security Number cards, and new Medicare Part B premium increase cases, as well as increased retirement and disability claims and telephone calls.

SSA Field Offices receive about the same number of telephone calls as SSA's 1-800 number. This is because many people prefer to talk to the local Field Office and because all letters that are mailed out must include the local Field Office telephone number on the letter. Yet most local Field Offices do not have adequate staff to answer telephone calls. In the NCSSMA's 2005 Survey of Management, 78% of the 2,400 respondents stated they did not have enough staff to provide adequate local telephone service. In addition, Field Office telephones systems are antiquated and desperately need to be replaced. Field Offices nationwide are forced to cannibalize parts to keep some telephone systems running.

SSA has also made enormous investments in the Electronic Disability Claims Process (e-Dib) which will revolutionize the way the Agency handles disability claims. While these changes will lead to significant savings and improve processing times down the line, it is actually a more labor-intensive process and results in longer interview times for local Field Offices. In fact it takes nearly 30 minutes longer to take an interview under e-Dib because of the amount of information that must be formatted electronically.

Is the \$9.496 billion dollars requested by the President for FY 2007 sufficient to address the backlogs and increasing workloads described above? Unfortunately, the National Council of Social Security Management Associations would have to say no. We do understand the fiscal constraints of today's budget environment, but at a minimum, it is absolutely critical that Congress match the President's FY 2007 budget request for SSA. Each year that SSA receives less than adequate funding for the LAE account, it has a compounding effect on our workloads. This compounding has meant that we have over 8,000 fewer work years than we would have received had we received the full level of funding recommended in recent years in the President's budget.

This staffing shortage is one of the key reasons for massive backlogs in the Hearings Offices and Program Service Centers, reductions in processing stewardship workloads such as SSI redeterminations and Continuing Disability Reviews in Field Offices, major strains on Field Office employees to handle the increased walk-in traffic, and for Field Offices and Teleservice Centers to handle the nearly 135 million calls per year.

The key problem is that SSA is being given more and more responsibilities without sufficient funding to handle these responsibilities. On the horizon is another enormous workload SSA could receive due to language in the Border Security Act that would require the Agency to verify approximately 50 million Social Security numbers a year. SSA would need additional funds to administer the provisions of this bill if it becomes law. The Agency also needs additional funds for IRTPA, ongoing workloads associated with Medicare Part D, and the upcoming income-related Medicare Part B premium changes that take effect in January 2007.

SSA is making every effort it can to address these increasing mandates. Our Agency's productivity continues to rise, and in fact has risen at least 2% a year this decade. When you invest the people's money in SSA they get their money's worth and much more. Think of the hundreds of millions of dollars that would be saved if SSA could process more Continuing Disability Reviews and SSI redeterminations. But, because of all of the additional workloads that must be addressed by the Agency this is just not possible without additional funding.

Conclusion

SSA is facing an enormous challenge to keep up with all of its workloads. Without additional funding backlogs will increase and we will not be able to provide the level of service we believe the American public deserves. At a minimum, SSA needs to receive the FY 2007 budget proposed by the President. Our Agency also needs to receive additional funds for new tasks we are given such as those mandated by IRTPA and the proposed Border Security Act, which has the potential to task SSA with a new and immense workload. Without *additional* funding for these new workloads, the Agency will have to delay processing various existing workloads, leading to even more backlogs and delays. Ultimately, this will lead to increased costs.

We understand the current budgetary constraints, but when making decisions about how limited appropriated funds should be allocated keep in mind that SSA has a reputation as an Agency that gets results, and it has earned that reputation. As the only face of government a broad number of Americans ever see, it is important to retain confidence in our government and that SSA be able to provide these Americans the efficient, accurate, and compassionate service they deserve.

On behalf of the members of the NCSSMA, I thank you again for the opportunity to submit this testimony to the Committee and would welcome any questions that you may have.

**Finance Committee Hearing
Questions Submitted for the Record
Richard E. Warsinskey
Administrative Challenges Facing the Social Security Administration
March 14, 2006**

Senator Baucus

1. There are several legislative proposals to change Social Security cards. Some ideas include making cards machine-readable or adding a biometric. Do you believe that these changes are a good idea? What do you think the impact on Social Security field offices would be of having to issue everyone new Social Security cards?

We agree with the Commissioner that there really isn't a need to carry a Social Security card in your wallet and that it should be kept in a safe place. We would encourage communicating this information to the American public in an effort to reduce the number of lost Social Security cards. The NCSSMA has not taken a position on the type of card that is issued. But we are very concerned about the enormous costs associated with issuing new cards to the public. If legislation is approved directing the replacement of all existing Social Security cards the cost would be astronomical. There are an estimated 300 million Social Security cards currently being used. It is estimated that it could cost the Agency \$25 per card in administrative costs for some of the more sophisticated cards that have been proposed, for example a biometric card. This could cost over \$7 billion and require SSA to hire thousands of new employees to process the new cards.

The time and cost involved for the American public to visit SSA offices and present the necessary documents for new cards will be quite significant. Even the comparatively minor changes in enumeration policy resulting from the implementation of IRTPA in December 2005 resulted in the largest increase in visitors to SSA field offices in over 30 years. The proposed changes now being considered would require even more face to face interviews in field offices. We anticipate that there would be a need to add additional Social Security Administration offices or card centers, or at the very least expand the existing space of current offices to accommodate the increased numbers of people requesting assistance. Waiting and parking areas would have to be considerably expanded. We would have additional needs for security personnel as well as responsibility for the resulting increases in costs associated with that security. Lines and waiting times could be very long in many locations.

It is possible that legislation requiring the re-issuance of all Social Security cards could lead to the greatest workload impact ever faced by SSA. The NCSSMA would also have very significant concerns as to whether we would have the resources necessary to continue processing the remainder of SSA's workloads, including the processing and payment of benefits to the American public. The addition of this new workload without additional resources for SSA would have a devastating effect on delivery of services to the American public.

2. The Medicare Modernization Act requires SSA to implement income-relating for Medicare Part B premiums. This is a big change for SSA. What do you think the impact of income-relating Part B premiums on SSA and its other workloads will be? Specifically, I understand that there is a concern about SSA being deluged by upper-income Medicare beneficiaries attempting to document their correct incomes. Do you share that concern?

The NCSSMA is quite concerned about the potential impact of this workload. The key problem is that the period of time for SSA personnel to work on these cases and meet with the public is very limited. SSA must wait until special computer runs are completed in mid November to determine exactly how to apply the new premium payments. As a result the letters to the public will not be mailed out until around Thanksgiving. Those individuals who do not agree with the initial determination of the premium they pay must contact SSA early in December to have the correct premium withheld from their January check. Otherwise they could be overpaid or underpaid. We anticipate that those beneficiaries who receive the letters will come in to SSA field offices and/or call our 800 number during a very small window of time. We estimate that approximately 2 million letters will be mailed out. SSA could see anywhere from 20-50% of the recipients coming in to discuss the letters. It is possible that SSA could have an additional 400,000 to a million visitors – all in the space of a few weeks. Some offices will have many more visitors than the average. This could occur in offices located in more affluent areas, as the residents in those areas would be more likely to receive the letters. This could result in some offices providing assistance to an additional 1000 visitors or more within a period of just a few weeks. Waiting times could be very lengthy and these added responsibilities for SSA could lead to considerable delays in working on other workloads.

COMMUNICATIONS

**Statement for the Record on
Administrative Challenges Facing the
Social Security Administration**

Before the Finance Committee United State Senate
Hearing Dated March 14, 2006

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My Name is Earl Tucker. I am President of AFGE 224 which represents the Quality Assurance workers in the Social Security Administration.

The Social Security Administration's (SSA) is facing major challenges today because of staffing and resources shortages. However, your Senate Finance Committee is fully aware of these shortcomings so my comments will focus on better training for existing staff to lessen the crisis and challenges.

With the current challenges, a large number of our limited staffing is unable to process the calls to the 800# to completion. There are many excuses made by SSA for not equipping employees to handle calls to completions such as time constraints, classification, busy rates, training etc. Regardless of the reasons, our current challenges will get worst unless SSA train all 800# agents to handle calls to completion.

Due to the limited training, some of the lower grade 800# agents have to refer the caller to other employees for completion. If SSA properly trained all 800# technicians to answer every call to completion there could be one stop shopping for the public. SSA has over 16,000 employees in the lower grades i. e. below the GS-9 grade levels that have not been fully trained to handle all aspects Title II or Title XVI programs. Most of these employees are women and individuals with disabilities who could perform the full range of SSA's program work if given the opportunity and properly trained. SSA workers are ready, willing and able to be trained in order to provide "one stop shopping". One stop shopping on the 800# is one tool to help provide world class service to our customers and to help SSA to better face its challenges of limited staffing and resources.

Thank you for the opportunity to enter my comment on the record.

If you have any questions do not hesitate to contact me.

Sincerely,



Earl Tucker
President
AFGE Council 224

**STATEMENT
Of The
NATIONAL ASSOCIATION OF DISABILITY EXAMINERS**

**Shari Bratt, President
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**Prepared For The
FINANCE COMMITTEE
UNITED STATES SENATE**

Hearing On

**ADMINISTRATIVE CHALLENGES FACING THE SOCIAL
SECURITY ADMINISTRATION**

March 14, 2006

Chairman Grassley, Senator Baucus, and members of the Committee, thank you for providing this opportunity for the National Association of Disability Examiners (NADE) to present our views on the Administrative Challenges Facing the Social Security Administration.

NADE is a professional association whose purpose is to promote the art and science of disability evaluation. The majority of our members work in the state Disability Determination Service (DDS) agencies and thus are on the "front-line" of the disability evaluation process. However, our membership also includes SSA Central Office personnel, attorneys, physicians, and claimant advocates. It is the diversity of our membership, combined with our extensive program knowledge and "hands on" experience, which enables NADE to offer a perspective on disability issues that is both unique and which reflects a programmatic realism.

NADE members, whether in the state DDSs, the SSA Regional Office, SSA Headquarters, OHA offices or in the private sector, are deeply concerned about the integrity and efficiency of both the Social Security and the SSI disability programs. Simply stated, we believe that those who are entitled to disability benefits under the law should receive them; those who are not, should not. We also believe decisions should be reached in a timely, efficient and equitable manner.

The challenges facing the Social Security Administration involve all of the various programs administered by the agency. Significant challenges facing SSA in the disability program include the proposed Disability Service Improvement regulation (DSI), the implementation of the electronic disability process (eDib), management of the Continuing Disability Review (CDR) program, the impact of the Supplemental Security Income (SSI) Pre-effectuation Reviews required under the Deficit Reduction Act of 2005 and the continuing hardships imposed by the Five Month Waiting Period and the 24 month Medicare Waiting Period.

Disability Service Improvement (DSI) Regulation

In July 2005, the Social Security Administration published a Notice of Proposed Rule Making to improve the disability determination process. NADE believes that one of the most important challenges facing SSA is the need for an effective and affordable disability claims process. Although the final regulation has not yet been published, we have some ongoing concerns about the DSI as it was proposed in the NPRM.

NADE agrees that changes in the disability determination process are needed to reduce processing time, particularly at certain steps in the process. The processing delays of greatest concern currently occur in association with the appeals process at the Administrative Law Judge (ALJ) level. It currently takes approximately 1,100 days to process an average claim for any individual who goes through every stage of the process. This is unconscionable and certainly needs reform. However, we would like to point out that only about 150 days of the current processing time take place in the DDS, yet the proposal appears to make the most changes at this step, by introducing quick decision units and eliminating the reconsideration step. It is our belief that this proposal, as written, will do little to change the extensively long delays that occur when an individual submits a request for an administrative law judge hearing. In fact, NADE believes that the insertion of two new federal bureaucracies - the Federal Expert Unit and the Reviewing Official - have the potential to significantly increase the amount of time it takes to arrive at a disability decision, especially at the first appeal step.

For the past decade, SSA has attempted to redesign the disability claims process in an effort to create a new process that will result in more timely and accurate disability decisions. Results of numerous tests undertaken by SSA to improve the disability process have not produced the results expected.

There is a pervasive public perception that "almost everyone" is denied disability benefits at the initial and reconsideration levels, and that claimants are found disabled only when they reach the Administrative Law Judge level of appeal. This perception is totally inaccurate as SSA statistics show that 75-80 out of 100 disability beneficiaries were allowed benefits by the DDS. Numerous references are made in the NPRM about "making the right decision as early in the process as possible." NADE certainly supports that goal, but we wish to point out that sometimes the right decision is a denial of benefits.

Quick Decision Determination (QDD) claims - In the proposed rules, appropriate QDD claims would be identified and referred to special units within the DDSs for expedited action with a goal of processing the claim within 20 days.

In our considerable practical experience with such cases, we have found that the complexity of these cases is minimal and we believe that the expertise of the more experienced disability adjudicators is best allocated to process more complex cases. If the decision is made to require the most experienced disability adjudicators to process QDD cases, then NADE believes that it is not necessary to require a medical consultant's signature on fully favorable allowances. A Single Decision Maker (SDM) pilot is in place in 20 states and is effective in reducing program costs, increasing efficiency and decreasing processing time. At the very least, the SDM authority should be continued for the QDD cases.

It is imperative that predictive software used to identify QDD cases be manageable and that it accurately identify the appropriate cases for quick determinations. Selection criteria should include issues other than diagnosis, including involvement in current treatment, current insured status and a specifically identifiable impairment proven most likely to result in a totally favorable allowance decision.

It is important to note that in Title II claims, those persons found disabled under the Social Security Disability program must complete a five month waiting period to receive benefits. *A disability allowance decision, no matter how quickly it is processed, will not solve the problem of having to wait five full calendar months before being able to receive any cash benefits.*

Specialists and Training (Reviewing Official and Federal Expert Units) - NADE is concerned that the Disability Process Improvement Initiative, with its increased reliance on medical specialists and attorneys, and its elimination of the triage approach currently being used in 20 DDSs, could increase both administrative and program costs. If the first level of appeal following a denial by the DDS is handled by a Reviewing Official who is an attorney, rather than by a trained disability adjudicator, such as a disability hearing officer, and if medical specialists replace programmatically trained DDS medical consultants, the disability program's administrative costs will almost certainly increase. We also suspect program costs will increase as more claims are allowed on appeal by individuals who lack the requisite medical and vocational training to view such claims from the perspective of SSA's definition of disability.

Adjudicators evaluating Social Security and SSI disability claims must appropriately and interchangeably, during the course of adjudication, apply the "logic" of a doctor, a lawyer, or rehabilitation counselor, following SSA's complex regulations and policies to arrive at a disability decision. Training in all of these areas is critical to effectively adjudicate these cases accurately and in a timely manner. Failure to do so carries enormous consequences for the Social Security Administration and the huge number of citizens who call upon the Agency for assistance. NADE places a high value on initial

and on-going continuing education training to maintain and enhance disability expertise in the Social Security disability program.

The Disability Service Improvement Initiative is unclear as to the method the RO would use to gather any necessary medical evidence to adjudicate a claim. If additional evidence is needed, it appears likely that increased costs at the DDS level may result for obtaining additional medical evidence or to purchase consultative examinations. If the RO component will be responsible for obtaining additional medical evidence, an extensive administrative support structure will need to be developed to obtain medical evidence of record and to implement, maintain and monitor a separate consultative examination process in addition to the system already in place at the DDS.

Reviewing Official - The proposed rules recommend establishing a federal Reviewing Official (RO) as an interim step between the DDS decision and the Office of Hearings and Appeals (OHA). An interim step outlining the facts of the case and requiring resolution of issues involved could help improve the quality and consistency of decisions between the DDS and OHA components. NADE supports an interim step because of the structure it imposes, the potential for improving consistency of decisions, reducing processing time on appeals, and correcting obvious decisional errors at the initial level.

There is little, if any data to support a conclusion that the interim step between the DDS decision and OHA must be handled by an attorney. Assessment of eligibility under the Social Security Disability program requires that the adjudicator at every level possess a great deal of program, medical and legal knowledge. As currently proposed, the only qualification indicated for a Reviewing Official is that he/she be an attorney. Individuals who are hired into this new position without previous experience in the disability program will require extensive training and mentoring for a period of a least one year. It is also unclear in the proposal who would be responsible for training and supervision of the RO.

NADE feels that a review at this interim step should be conducted by a medically and programmatically trained individual such as a disability hearing officer (DHO). The DHO has received additional training in conducting administrative and evidentiary hearings, decision writing, and making findings of fact, along with detailed case analysis and program information. The DHO currently makes complex medical-vocational-legal decisions using the Medical Improvement Review Standard (MIRS). There is currently a training program in place for DHOs through a contract that SSA has with McGeorge School of Law. The DHO training program could be easily adapted to train experienced disability professionals who already have extensive medical and vocational expertise and disability program knowledge, to perform RO duties. Since a DHO infrastructure is already in place, national implementation of the DHO alternative could occur quickly and effectively. Using an already established structure will prevent costly and less claimant-friendly federal bureaucracy. There would be extreme cost considerations if attorneys were to fill these positions as is currently suggested

SSA previously piloted a disability redesign project called the Adjudicative Officer. These pilots proved that non-attorneys could produce a high quality product and a well documented and well reasoned case for the Office of Hearings and Appeals Administrative Law Judge.

Federal Expert Unit - NADE believes the Federal Expert Unit (FEU) can provide DDSs with additional access to medical and vocational expertise. Qualification standards for inclusion in the FEU should not exclude the knowledgeable state agency medical consultant. DDS medical consultants are trained in program requirements and the majority of cases they review include multiple impairments. Having specialists review impairments individually is a time consuming, costly proposal. Specialty consultants with limited scope and experience cannot fully assess the combined effects of multiple impairments on the claimant's functioning. DDS medical consultants are not only medical specialists—physicians, psychologists, and speech/language pathologists—they are also SSA program specialists.

Adjudication of cases that have more than a single impairment require assessment of how all impairments, alone or in combination affect an individual's ability to function. The use of specialists alone would result in numerous hand-offs, adding significantly to processing time. This would also decrease the quality of decisions if there were no method in place to pull all of the specialty conditions together into an overall, global assessment of their impact on functioning.

Although members of the FEU will surely be qualified to treat patients in their respective fields of specialty, they will also require extensive training in the area of determining disability. Evaluating disability for Social Security purposes is a far different area of expertise than treating patients. There is a very real difference between clinical and regulatory medicine, and it takes at least a year to become proficient in Social Security disability rules and regulations. Again, the responsibility for training, mentoring, and supervising these experts is not established in the proposed rules. While NADE supports the concept of the FEU being used to supplement the expertise of the medical consultant at the DDS, we feel that most cases at the initial level of adjudication should continue to be reviewed and evaluated by state agency medical consultants.

NADE recognizes that the qualification standards for medical experts have not yet been determined, but we are concerned that primary care medical consultants will be excluded from the FEU. At risk of exclusion also appear to be administrative or semi-retired physicians who may not choose to keep up their clinical board certification.

Currently, all DDSs have a contingent of state agency medical consultants. In some states, they are state employees, and in other states, they are under contract. These consultants possess a wealth of knowledge and experience, not only in the medical field and in specialty areas, but in the SSA disability program, as well as important knowledge of state health care systems. They are an extremely valuable resource to the DDSs and the Social Security disability program as a whole. It is difficult for the DDS to recruit

and retain good medical consultants, and it is NADE's hope that any established new qualification standards do not make it even more difficult to do so.

Electronic Disability Process (eDib)

In initial comments about a new disability approach, the Commissioner indicated the foundation for the approach was the successful implementation of an electronic folder system. NADE fully agrees with the Commissioner on this fact. NADE remains very supportive of these new technologies as a means for more efficient service to the public. The proposed disability process improvements are predicated on the new electronic folder system. For eDib to be successful, it is critically important that adequate infrastructure support and proper equipment is in place to make the process work effectively and efficiently. Until eDib is fully implemented nationwide, it is impossible to determine critical service delivery issues that impact on daily case processing. NADE supports continued rollout of an electronic disability folder for the obvious reasons of administrative cost savings in terms of postage and folder storage, as well as time savings from mailing and retrieving paper folders. At the same time, it must be recognized that an electronic disability case process may have a negative impact on case production capacities at the DDS level.

While eDib may be rolled out nationally, it is not in use by all adjudicators in all components, and it remains to be seen how the system will handle the increased volume of work and number of users when it is implemented completely in all components of disability case processing. Until eDib is fully operational, (including predictive software to identify Quick Disability Decisions) we do not believe it is appropriate to make widespread changes in the adjudicative process. The full implementation of eDib in itself may result in a significant reduction in processing time at all levels of adjudication without additional sweeping changes to the adjudicative process.

Because eDib is still a work in progress, refinements, upgrades and improvements are frequently necessary. The impact on the system as a whole when these refinements are accomplished is unpredictable, but presently they frequently result in a slowing or shutting down of the system, or parts thereof. Since DDSs process over 2.5 million cases on an annual basis, any shut down of the system equates to a significant loss of production capacity. *Even a shut-down of only 5 minutes a day equates to over 1,250 work hours lost on a daily basis due to system instability.* Currently, many DDSs experience far more than 5 minutes per day of system instability problems.

In addition, some upgrades and improvements to the system require that the adjudicator relearn basic functionality which again impacts in the ability of the DDSs to process the large volume of cases they receive in a year. Upgrades to the system are essential to insure that the system operates as efficiently as possible, but it must be recognized that there is a resource impact every time a change is made.

While NADE recognizes the need for, and supports, SSA's commitment to move to an electronic disability claims process, this tool will not replace the highly skilled and trained disability adjudicator who evaluates the claim and determines an individual's eligibility for disability benefits in accordance with SSA's rules and regulations.

Continuing Disability Reviews (CDR)

Limited resources have forced SSA to reduce the number of CDRs performed this year. There is a past history of the agency falling behind in these critical reviews. It took a great deal of effort by all components of SSA to reach a point where these reviews were being conducted as scheduled. There is now a real danger that we will again find ourselves in the position of having backlogs of overdue CDRs. While there are increased program costs (including overtime, additional purchase of medical evidence, claimant transportation costs and increased utilization of contract medical consultants), there is a potential significant savings in program costs with the elimination of benefits paid to claimants who are found to be no longer eligible under the SSA Disability program requirements. The estimate is that for every \$1 spent on conducting CDRs, \$10 of program funds is saved. While necessary given the current budget situation, the decision to reduce the number of CDRs has been described as "penny-wise and pound-foolish". We agree. It is essential to program integrity that these reviews be conducted in a timely manner. Experience has shown that dedicated funding for CDRs is the best means of getting "current" with the CDR backlog.

SSI Pre-Effectuation Reviews

The Deficit Reduction Act of 2005 includes the following requirement:

- '(e)(1) The Commissioner of Social Security shall review determinations, made by State agencies pursuant to subsection (a) in connection with applications for benefits under this title on the basis of blindness or disability, that individuals who have attained 18 years of age are blind or disabled as of a specified onset date. The Commissioner of Social Security shall review such a determination before any action is taken to implement the determination.
- '(2)(A) In carrying out paragraph (1), the Commissioner of Social Security shall review--
 - '(i) at least 20 percent of all determinations referred to in paragraph (1) that are made in fiscal year 2006;
 - '(ii) at least 40 percent of all such determinations that are made in fiscal year 2007; and
 - '(iii) at least 50 percent of all such determinations that are made in fiscal year 2008 or thereafter.
- '(B) In carrying out subparagraph (A), the Commissioner of Social Security shall, to the extent feasible, select for review the determinations which the Commissioner of Social Security identifies as being the most likely to be incorrect.'

The implementation of SSI Pre-Effectuation Reviews will have an impact on program costs, utilization of resources and processing time. Budgets and agency goals must be adjusted to reflect this impact.

Five month Waiting Period and 24 month Medicare Waiting Period

It is important to note that in Title II claims, those persons found disabled under the Social Security Disability program must complete a five month waiting period to receive benefits. *A disability allowance decision, no matter how quickly it is processed, will not solve the problem of having to wait five full calendar months before being able to receive any cash benefits.* NADE believes that requiring some individuals to serve a waiting period before becoming eligible to receive disability cash benefits while not requiring others to serve the same (or any type of a) waiting period is a gross inequity to American citizens with disabilities and a disservice to the American public.

In addition, members of the National Association of Disability Examiners are deeply concerned about the hardship the 24 month Medicare waiting period creates for these disabled individuals, and their families, at one of the most vulnerable periods of their lives. Most Social Security disability beneficiaries have serious health problems, low incomes and limited access to health insurance. Many cannot afford private health insurance due to the high cost secondary to their pre-existing health conditions.

NADE supports the elimination or, at the very least a reduction, of the Five Month and 24 Month (Title II) Medicare Waiting Periods.

Summary

- Although we have not seen the final regulation, NADE has concerns regarding the Disability Service Improvement regulation as outlined in the NPRM.
- Any national rollout of DSI must be closely monitored and the process must be adjusted to accommodate the “real world” application of the regulation.
- Single Decision Maker authority should be continued, at least for QDD cases. .
- The Disability Hearing Officer should be utilized in the current infrastructure as an interim appeals step. It is not necessary that this position be filled by an attorney.
- Qualification standards for inclusion in the FEU should not exclude the knowledgeable state agency medical or vocational consultants. Board certification is not a practical standard and, if required for State Agency Medical Consultants, could significantly reduce the effectiveness and efficiency of the DDS medical review.
- Necessary programmatic training and ongoing administrative support for the ROs and FEUs will result in significant expense.

- Resources should not be diverted from eDib until the system is fully operational in all DDS locations. It is critical that necessary refinements be made to the system in order for it to produce the anticipated and desired efficiencies.
- Dedicated funding is necessary in order to avoid the costly possibility of again having a backlog of overdue CDRs.
- There must be recognition that the implementation of SSI Pre-effectuation reviews will have an impact on the DDSs budget and processing time.
- The five month cash benefit and 24 month Medicare waiting periods for Social Security disability beneficiaries should be eliminated or reduced.

NADE appreciates this opportunity to present our views on the Challenges Facing the Social Security Administration and we look forward to working with SSA and Congress as we face these challenges.

Shari Bratt

NADE President

Letter of Transmittal

March 28, 2006

Senate Committee on Finance
 Senator Charles E. Grassley, Chair
 219 Dirksen Senate Office Building
 Washington, DC 20510-6200

Dear Chair Grassley,

On behalf of the National Council on Disability (NCD), I am pleased to submit a brief two-page summary of and link to the full report, entitled *The Social Security Administration's Efforts to Promote Employment for People with Disabilities: New Solutions for Old Problems*, to be included in the record of the March 14, 2006 Senate Finance Committee Hearing on Administrative Challenges Facing the Social Security Administration. <http://www.ncd.gov/newsroom/publications/2005/ssa-promoteemployment.htm>

Under its congressional mandate, NCD is charged with the responsibility to gather information on the development and implementation of federal laws, programs, and initiatives that affect people with disabilities. Our nation's current disability benefit programs are based on a policy principle that assumes that the presence of a significant disability and lack of substantial earnings equate with a complete inability to work. Americans with disabilities remain underemployed, despite the fact that many are willing and able to work. Although the Social Security Administration (SSA) has instituted a number of incentives to reduce the numerous obstacles to employment faced by its Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) beneficiaries, such efforts have had little impact because few beneficiaries are aware of these incentives and how they affect benefits and access to health care.

In recent times there has not been a comprehensive, research-based examination of the practices that are most likely to support the employment of SSI and DI beneficiaries. NCD undertook this study to address that absence and found that the complex obstacles to employment faced by SSA beneficiaries require a comprehensive set of solutions. New approaches must be identified that emphasize beneficiary control of career planning and the ability to access self-selected services and supports. Public and private health care providers must develop new collaborations and new approaches to combining coverage from multiple sources to improve program efficiencies. SSA must continue to work with the Rehabilitation Services Administration and the Department of Labor to improve implementation of the Ticket to Work program and identify new approaches that will overcome the traditional inability of SSA beneficiaries to benefit from services provided by the nation's employment and training programs. Secondary and postsecondary educational institutions must emphasize benefits counseling and financial management training as the foundation for beneficiary self-direction and economic self-sufficiency. Federal agencies and the business community must realize that collaborative approaches to incorporating beneficiaries into the workforce are needed as a way to reduce dependence on federal benefits while simultaneously enhancing the productivity and competitiveness of large and small business.

The recommendations discussed in this report include policy and procedural modifications for both Congress and the Social Security Administration to significantly address the continuing number of SSA beneficiaries who never leave the SSI and DI rolls, and to increase the number of beneficiaries who enter, or reenter, the United States workforce. For any further information, please contact our Congressional Liaison, Mark Seifarth, at 202-272-0106 or MSeifarth@ncd.gov.

Sincerely,

Lex Frieden, Chairperson
 National Council on Disability
 1331 F Street, NW, Suite 850
 Washington, DC 20004

The Social Security Administration's Efforts to Promote Employment for People with Disabilities—New Solutions for Old Problems
National Council on Disability Congressional Briefing
November 30, 2005
Committee on House Administration Hearing Room
Washington, DC

Americans with Disabilities remain underemployed, despite the fact that many are willing and able to work. Although the Social Security Administration (SSA) has instituted a number of incentives to reduce the numerous obstacles to employment faced by its Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) beneficiaries, such efforts have had little impact because few beneficiaries are aware of these incentives and how they affect benefits and access to health care.

The National Council on Disability's (NCD) findings reinforce what has been known for decades by SSI and SSDI beneficiaries with disabilities who want to enter, re-enter, or increase their employment within the U.S. workforce. The major findings in NCD's report include:

- The Social Security Administration's demonstration authority has not resulted in the validation of evidence-based practices that promote employment or return to work for beneficiaries.
- The culture of SSA is not geared toward providing rehabilitation services and returning individuals to work or promoting work for SSI recipients. The complexity of program rules, coupled with the inability of the agency to accurately track and record post-eligibility earnings, frequently penalizes beneficiaries who attempt to enter or re-enter employment.
- The definition of disability in the current SSA eligibility process is based on a 50 year old conceptualization of disability that is in direct conflict with the policy premises of more recent federal policies and programs. The present eligibility determination process fails to acknowledge the concepts of partial disability or temporary disability. Rather than facilitating early intervention services by making rehabilitation services available to individuals early in the disability process, it delays eligibility for those services that might enable individuals to return to work.
- SSA is not and should not be solely responsible for providing all of the services and supports necessary to enable beneficiaries to enter employment and return to work. Coordination and collaboration across multiple federal and state agencies remains a significant challenge for the agency.

NCD considers the most important recommendations in this report to be in the areas of beneficiary perspective and self-direction; income issues and incentives; and coordination and collaboration among multiple public and private systems. NCD's report recommendations include the following:

- Congress and SSA should implement a series of procedural reforms to reduce overpayment to beneficiaries by increasing the use of electronic quarterly earnings data, piloting the creation of centralized work Continuing Disability Review processing cadres, and enhancing efforts to educate beneficiaries on reporting requirements, the impact of wages on benefits, and available work incentives. One way of addressing the last part of

this recommendation would be to allow beneficiaries to access benefits planning services through an integrated, coordinated program across multiple federal systems.

- Congress and SSA should address current shortcomings in the Ticket to Work program by expanding eligibility to include beneficiaries whose conditions are expected to improve, and to beneficiaries under the age of 18. Further, Ticket to Work regulations should be modified to ensure that Ticket assignment practices do not violate the voluntary nature of the program and beneficiary rights to give informed consent.
- Congress should modify the current Title II disability legislation to eliminate Substantial Gainful Activity (SGA) as a post-entitlement consideration for continued eligibility and provide a gradual reduction in DI cash benefits based on increases in earned income.
- Congress should direct SSA to simplify regulatory earnings definitions and wage verification processes so they are consistent across the SSI and DI programs, as well as modify regulations related to the treatment of earnings in the DI program by applying the same rules currently applied in the SSI program.
- Congress should direct SSA develop and test program additions and regulatory modifications that will enable SSI beneficiaries to accumulate assets beyond existing limits through protected accounts and other savings programs. Also, SSA should change current program rules and work with other federal agencies to modify and expand the value of Individual Development Accounts for all beneficiaries with disabilities.
- SSA should modify Ticket to Work program regulations to allow the SSA Vocational Rehabilitation traditional Cost Reimbursement Program to carry on as a parallel program to the Employment Network Outcome or Outcome Milestone payment mechanisms and ensure that an EN is able to accept a Ticket from a beneficiary and refer that individual to a VR agency for services without having to reimburse VR for those services.
- Congress should direct SSA to work with the Department of Education to expand the current Student Earned Income Exclusion and the Plan for Achieving Self Support programs to encourage involvement of transitioning beneficiaries in postsecondary education and training. SSA should implement a policy change that would disregard all earned income and asset accumulation limits of transitioning beneficiaries for at least one year after post secondary education or training is completed.
- The Centers for Medicare and Medicaid Services and SSA should work closely together to modify existing program regulations in order to uncouple Medicare and Medicaid coverage from SSI or DI cash payments; eliminate the many employment disincentives built into CMS's Medicaid waiver, Medicaid Buy-in, and Health Insurance Premium Payment programs; and work collaboratively with public and private insurance providers and business representatives to design insurance partnerships that will expand access to health care for individuals with disabilities.

The release of this report today is yet another call for the leadership of this country and those designing disability policy, to recognize that most social security beneficiaries, indeed most Americans, want to work. With the appropriate supports, including a forward thinking income support program, this can happen.

Statement of Hal Daub, Chairman
Social Security Advisory Board

Submitted for the Record of the March 14, 2006 Hearing of the
Committee on Finance
United States Senate
On
Administrative Challenges Facing the Social Security Administration

Chairman Grassley, Senator Baucus, members of the Committee on Finance. I am pleased, as Chairman of the Social Security Advisory Board, to submit to you this statement concerning the Administrative Challenges Facing the Social Security Administration.

First of all, I want to congratulate you on holding this hearing. I think most Americans are aware of the Social Security Administration in much the same way that we are aware of the sun in the sky. If asked, we would, of course, say that we know it exists and that it is important to the proper functioning of our lives, but we mostly just expect it to be there and to operate smoothly. When we need a Social Security number, we expect to be able to get one. As we work, we expect that our wages will be properly tracked. Those who are retired and drawing benefits expect them to be paid in the right amount and at the right time. Those who become disabled or suffer the loss of a breadwinner expect that they can turn to the agency and have their eligibility accurately and promptly adjudicated.

To a very great extent, the Social Security Administration lives up to and, in many cases, exceeds these expectations. As an excellent example, I would mention last year's hurricanes. We all have heard a great deal about the things that went wrong. But one of the things that went right was the way that the Social Security Administration responded to that crisis by keeping its payments and other services flowing to the affected population. The Advisory Board undertook a special study of how the agency handled that crisis and I would like to submit for the record the report of our findings.

But while the Social Security Administration and its employees have a well deserved reputation as a "can-do" organization that handles both routine and crisis challenges with efficiency and great commitment to public service, it is also very much a large scale production operation that cannot meet all of its challenges adequately unless it is given adequate resources to do so.

The massiveness of the agency's routine operations is, I think, not well understood. It provides benefits to over 53 million Americans every month. Now that may not seem like such a big challenge. The largest part of that workload is retirement benefits and most of those now are paid by direct deposit rather than by physical checks. But, that is not really a static workload. People move. People die. Family circumstances that affect entitlement can change. People in certain categories have benefits that may vary from month to month depending on their earnings or income. The Social Security Administration has to keep track of these changes, update its benefit rolls, send out explanations, handle phone inquiries and office visits asking about these changes. On a typical day, the agency has to process more than 300 thousand actions of this kind.

Beyond maintaining the benefit rolls, one of the most important things that the Social Security Administration does is to handle new claims. And again, the magnitude of this operation

is so large that it is difficult to comprehend. Every week, the agency gets something like 150 thousand new benefit claims. That's about 8 million per year. Now the Social Security Administration has done an excellent job of leveraging technology to help it handle this huge workload. Lots of information is available on its website to help people understand what benefits there are and how to claim them. More and more of these claims are actually being filed on the Internet and those who do not have Internet access—or, perhaps, don't trust it—can often file their claims by telephone. However, technology can take you only so far. For most of us, reaching the age for claiming Social Security benefits is an important life event, and many want to go to their local Social Security field office to talk with a human being and make sure they are making the right choices. And, even for retirees, there are important choices in this very complex program. Between age 62 and 70, how much your permanent benefit rate will be depends on just which month in that period you choose to have it start. If you are under 65, the amount you work may affect your benefits. And Social Security also handles your choice of whether or not to enroll in Part B of Medicare when you reach age 65. So even the so-called "simple claims" are not so simple.

But it is in the disability area that the Social Security Administration faces the most significant administrative challenges. A disability claim—and there are about 2.5 million of them each year—is inherently far more complicated than other claims. For retirement and survivors claims the availability and evaluation of evidentiary factors is generally straightforward: age, relationship, the fact of death all generally can be shown by official records, and wage history information is maintained in the agency's own databases. But a disability claim involves a complex interview where the claimant explains the nature of the impairment and why he or she thinks it prevents employment. The claimant's prior work history and educational background also must be recorded. All the doctors and hospitals and clinics that have provided treatment are contacted to provide their medical findings. In many cases, the claimant will be asked to undergo a medical examination by an agency consultant. The claim passes through many hands. Generally, it is filed and the initial interview conducted at an SSA field office. It then goes to a State disability determination agency which gathers the evidence so that a lay disability examiner and a medical professional can jointly decide whether the claimant meets the statutory definition of disability. Because disability is often not clear cut, a large portion of claims go on to a lengthy appeals process that may involve a reconsideration by the State agency, a hearing before an administrative law judge, further administrative review by the Appeals Council, and, in a relatively small but still significant number of cases, review by a Federal District Court.

Again, the agency has been making strong efforts to increase its efficiency in handling this difficult and complex caseload. Even as millions of claims continue to come in the door, it undertook over the past couple years to develop a sophisticated new electronic processing system for disability claims which should, when fully implemented, reduce the costs of handling, storing, and transporting the bulky paper claims folders previously used. This new "eDib" system also holds promise of improving the agency's ability to process claims and implement effective quality management measures. But still, the nature of the program will continue to involve the labor-intensive functions of identifying, gathering, and evaluating evidence for a necessarily subjective determination. The agency has been able to make impressive productivity gains over the past several years, but with the babyboom generation now approaching its most disability prone years, the administrative challenge will continue to grow.

So adequate resources will always be an important factor in the Social Security Administration's ability to meet its administrative challenges. And, despite its significant record of achievement, it does not now have adequate resources to keep up with all its workloads.

In 1994, this Committee proposed that the Social Security Administration should become an independent agency of the government. In the legislation that you recommended and that Congress and the President enacted into law, you gave the Commissioner the responsibility of drawing up budgets based on the agency's workforce needs and required that these be submitted to the Congress along with the President's request. Based on this requirement, the Social Security Administration has been submitting budgets which would allow it to gradually bring down its backlogs to normal levels. The pattern has been for the President's budget to include much, but not quite all of the requested funding, and for the Congress to appropriate at a level below the President's recommendation. For the current fiscal year, for example, the Social Security Administration told Congress that a service delivery budget level of \$10.1 billion was the amount needed to meet its ongoing responsibilities including a glide path to the elimination of backlogs. The President recommended that Congress allow \$9.4 billion. And the actual administrative funding level approved by the Congress was \$9.1 billion.

The Social Security Administration does its best to continue to provide a high level of public service with the resources it does receive. But, when resources are not adequate, workloads will and do suffer. This obviously puts the Commissioner of Social Security into a difficult position of deciding what gets done and what gets left undone. Some things that get left undone are important stewardship activities. Some of those who go on the disability rolls will recover, but it takes resources to carry out continuing disability reviews. Some of those who are needy and apply for Supplemental Security Income will have changed circumstances that lessen (or perhaps increase) their entitlement. It takes resources to conduct redeterminations. The actuaries have found that a dollar spent on disability reviews yields ten dollars in long-term benefit savings and a dollar spent on SSI redeterminations has a sevenfold return on investment. So failing to provide adequate resources to carry out these stewardship responsibilities really is not beneficial to either the Federal budget or the trust funds.

But it is not just stewardship that suffers when resources are inadequate. Members of the public coming into Social Security offices to do business such as filing a claim or getting a Social Security card find themselves waiting longer than necessary. Telephone calls, especially those to field offices with inadequate staff and obsolete equipment, are not answered and voice mail messages are not returned promptly and, in some cases, are not returned at all.

Again, it is in the complex and difficult disability area that service to the public especially suffers when resources are insufficient to enable the agency to keep up with growing workloads. The number of initial disability claims awaiting a decision is over 600,000 and growing. In 1980, Congress directed SSA to promulgate performance standards for State Disability Determination Services. SSA's regulations set a target average processing time for Social Security disability claims of 37 days with 50 days as the outside threshold of what is "acceptable". In the past three months, the average time was over 92 days.

The situation in the hearings process is even more serious. At the end of 1999, there were 265,000 Social Security claimants awaiting a hearing on their appeals. By the end of 2003, that had more than doubled to 556,000. And the backlog continues to grow. It is now over 700,000 and by the end of this fiscal year will reach 756,000. That is three-quarters of a million

Americans with severe disabilities who have already waited 3 or 4 months to get a decision on their claim and will now face, on average, another year and a quarter awaiting a decision on their appeal. And most of them will ultimately be found eligible.

So, just to carry out its basic ongoing responsibilities, the Social Security Administration must have adequate resources. But even as it struggles with a less than optimal funding level and still attempts to make those investments in technology and improvements in process that will make it better able to cope efficiently with its workloads, SSA finds its workloads growing because the public and the Congress tend to look to this "can do" agency when new needs arise. The public expected and received extraordinary efforts from the Social Security Administration when the hurricanes were shutting down many other services. The agency met the challenge, but at a cost. Last year's hurricanes absorbed an unplanned for expenditure of over \$70 million that will reduce the agency's capacity to use overtime for some of its ongoing workloads. A few months back, the period for enrollment in the new Medicare prescription drug program began. Even though this was not properly a Social Security Administration responsibility, the agency has a presence in the community and is trusted as a source of information. As a result, its field offices were swamped with visitors and its 800 number experienced a huge spike in calls. Again, this absorbed resources that reduce the agency's ability to do its own work. In 2004, legislation was enacted requiring increased evidentiary standards for issuing new and replacement Social Security cards. This doesn't sound like a huge burden, but the agency processes 18 million cards each year. Field offices tell us that something like a third of those who visit the office for a Social Security card now need to make a return visit to bring additional documents.

Legislation is now pending which would mandate that employers verify the accuracy of the Social Security numbers presented to them by their workers. Chairman Grassley and Senator Baucus, in their opening statements, mentioned a number of reasons why such legislation may have broad implications that need to be carefully examined. But, if Congress ultimately does decide to take this step or some variant of it, it is important to be aware that this does represent another administrative challenge for the Social Security Administration. As the Commissioner testified, the challenge is not so much in setting up and operating the verification system itself—the agency already provides such services on a voluntary basis—but rather in the spillover impact as Social Security deals with the many cases where the verification will be negative and workers will need to straighten out their records with Social Security. This certainly may have some beneficial results in terms of reducing the amount of wages that cannot now be properly credited, but, like all administrative burdens, it is not free. It will take administrative resources, and unless those are provided, it will detract from the ability of the agency to provide other services to the public.

I would like to take a moment to discuss the administrative challenges that this Committee placed upon the Social Security Administration in connection with the Medicare prescription drug program. Recognizing Social Security's presence in American communities and its reputation for providing effective and efficient public service, you gave it the responsibility for soliciting and adjudicating applications for the extra assistance provided to lower income beneficiaries in meeting their prescription drug costs. But you very wisely, I believe, recognized that this would be a significant administrative challenge and, to avoid an adverse impact on the agency's other important workloads, you included additional administrative funds as an integral part of the same legislation that gave the Social Security Administration this new mandate. I think that should become a model for the future and one that you should insist that other Committees follow if they

propose changes that have the effect of increasing the Social Security Administration's administrative tasks.

In reports issued by the Social Security Advisory Board in 1999 and again in 2002, the Board urged that the administrative budget for the Social Security Administration should be "excluded from any cap that sets an arbitrary limit on discretionary spending." We also said that the Board does not in any sense mean that the agency's budget should be exempt from close scrutiny by the Congress. The Social Security program and the Social Security trust funds are very important to the workers who bear the burden of paying Social Security taxes and to the beneficiaries who depend upon the program for economic security. The Congress has a responsibility to assure both that this core responsibility of government is adequately resourced and efficiently carried out and that proper levels of benefit and administrative expenditure are maintained. Unfortunately, there is a shortcoming in our current budgetary processes that seems to result in the worst of both worlds. In a more rational process, the agency would be able to devote sufficient resources to its stewardship responsibilities to generate a reduction in improper payments that could in turn be redirected to carrying out its responsibilities for providing excellence in all aspects of its service to the public. I would urge the Committee to find ways to resolve this problem.

Attachments:

Letter reporting on Hurricane Katrina

Letter to Appropriations Committees

March 23, 2006

The Honorable Jo Anne B. Barnhart
Commissioner of Social Security
Social Security Administration
6401 Security Boulevard
Baltimore, Maryland 21235

Dear Commissioner Barnhart:

I am writing on behalf of the Social Security Advisory Board to inform you of our findings with respect to the Social Security Administration's response to the hurricanes that devastated large areas of the South last year. As you know, the Congress, in establishing an independent, bi-partisan Social Security Advisory Board, charged us with a number of responsibilities including "making recommendations with respect to the quality of service that the Administration provides to the public." In discharging this duty, we have not hesitated to point out areas in which the quality of service could be improved. We think, however, that it is equally important to recognize and commend examples of excellence in service.

Shortly after the hurricanes, the Board visited SSA's Dallas region to get a first hand account of the agency's response, and we have supplemented this visit with other inquiries. Based on these studies, we have prepared the attached analysis. As explained more fully in that analysis, we find that the agency and its employees have every reason to be proud of their actions in dealing with that crisis.

Last year's hurricanes caused great suffering for the residents of the impacted areas many of whom experienced displacement from their communities, damage or destruction of their homes and belongings, and, in many cases, loss of family members. For those who depended on income from Social Security or needed to apply for benefits or just needed to have their Social Security numbers verified, those sufferings would have been magnified substantially if the Social Security Administration did not undertake extraordinary efforts to continue providing its services. The agency's success, under those difficult conditions, in meeting the service needs of those affected by the hurricanes was no accident. It represents the culmination of thoughtful planning and preparedness combined with a workforce imbued with and dedicated to a culture of service. The Board is pleased to send you this report on our findings.

Sincerely,

Hal Daub,
Chairman

Attachment

SSA Response to Hurricanes of 2005

It has been said that a crisis reveals the true nature of an individual or an organization. In its performance in response to the hurricanes of 2005, the Social Security Administration showed that it and the people of SSA are models of service to the public. As Representative Jim McCrery of Louisiana said, "In spite of the personal trauma caused by these hurricanes, Social Security employees have been hard at work to ensure that eligible evacuees received and will continue to receive their Social Security payments . . . [Social Security] employees have exemplified excellence in public service—going far beyond the call of duty to serve those in dire need."

These are some of the elements that made SSA's response successful: its clear sense of mission, a culture of service, coordination with other agencies, communications, planning and flexibility. Our findings represent the results of a two-day regional field trip by the Social Security Advisory Board to Texas, the headquarters of the Dallas region, which is the office responsible for directing the emergency efforts in Louisiana and Texas. What we learned through that trip has been supplemented by a teleconference with SSA officials in the Atlanta region, who directed the SSA response to the impact of the hurricanes in Mississippi and Florida and numerous other inquiries by our staff.

Providing service delivery in emergency situations is generally difficult, but hurricanes Katrina and Rita presented an especially stressful test of SSA's preparedness, resourcefulness, and commitment. A wide swath of the South was subjected to damage and destruction. About 600,000 Social Security and 200,000 Supplemental Security Income beneficiaries lived in the counties affected by the hurricanes. The impact was felt over most of the country as evacuees went to other regions and sought services there. The amount of field office walk-in traffic increased dramatically in metro areas across the South, quadrupling in major areas near New Orleans. And the hurricane did not spare SSA personnel and structures. More than 500 employees were dislocated from their homes for some period. Nearly 200 had their homes destroyed or severely damaged. More than 100 local offices were closed for some time, some for weeks. Eleven temporary offices were established to replace damaged facilities or to meet needs created by the hurricanes.

Sense of mission

Despite the obstacles, SSA responded with a clear sense of mission. While it is not the agency's formal mission statement, "the right check to the right person, on time," is a mantra near to the heart of its direct service employees and familiar to everyone throughout the agency. Both Katrina and Rita hit after monthly checks had been issued by the Treasury and were in the hands of the Postal Service. Getting payments to the right people in the wide area damaged by the hurricanes was a challenge. Some people needed to file claims for disability or survivors benefits as a result of the storms. And many evacuees had left home with nothing more than a change of clothes. They needed SSA to help them provide verification of their Social Security numbers in order to establish their identities for the other services they needed.

Exceeding expectations

Some numbers tell the basic story of SSA's response. SSA took more than 4,000 claims for benefits as a result of the hurricanes. It issued almost 75,000 immediate payments amounting to \$40 million.

But the numbers do not tell the whole story. SSA's employees responded to the real needs of the people they served. There are numerous stories of employees going the extra mile, and more, to help reunite families who had been separated during the evacuation. For example, employees in Muskogee, Oklahoma used SSA records and assistance from other field offices to reunite a beneficiary with a mental disability with his mother in Houston.

SSA not only issued checks but made sure that people could cash them. The immediate payment checks are not the normal Treasury checks but are third-party drafts drawn on a commercial bank and were often completed by hand. SSA worked with the Chase Manhattan Bank to develop a "Dear Fellow Banker" letter that explained what the checks were, with a space for SSA field employees to insert the name and telephone number of an SSA contact to answer any questions. SSA field management also used its ties to the community to work with local banks.

Many employees worked long hours to meet the challenges they faced. In the interests of space, we will cite some examples from Baton Rouge to stand for the efforts of employees all over the area hit by the hurricanes. Employees from Dallas rode a bus to Baton Rouge to work in offices there. On three separate occasions, they got on a bus at midnight, rode eight hours, and worked past the regular office hours. Then, since closer hotels were full, they got back on the bus and returned to Dallas. Employees in Baton Rouge itself worked all day, closing the office doors at 10:00 p.m., then cleared up paperwork so they could get a few hours of sleep before starting again.

SSA's area director for Louisiana wrote to his employees after the crisis: "You never know how people will react to pressure, but our employees, throughout the area, went way beyond what we could ever have expected of them. I will never forget the day after the flood having New Orleans employees come into the Baton Rouge office and ask how they could help, sit down and begin interviewing, even though they had just lost their homes and were still unable to locate family members."

Culture of service

In our visits to SSA facilities all over the country over the past several years, we have constantly been impressed by the positive tradition of public service that we found there. While we have pointed out problems with the agency's delivery of services, we have at the same time praised the commitment of its employees. And while it has seemed at times that their "can-do" attitude has flagged under the burdens placed on them, when faced with a crisis, that attitude comes forth and prevails.

In its many visits with agency employees in all components and throughout the Nation, the Board has observed this culture of service. That culture is no accident. It is a

tribute not only to SSA's employees but to its management. Since it began, SSA has ensured that this commitment to service is an integral part of its makeup.

Coordination

SSA demonstrated the importance of good working relationships with the other agencies it relies on to get its job done. The General Services Administration assessed damage to buildings, provided trailers for temporary office space, and leased other space quickly. SSA and the Postal Service established temporary mail delivery stations in areas where mail service was suspended, so that beneficiaries remaining in those areas could pick up their checks at those locations. The Postal Service implemented special procedures to ensure timely delivery of the November checks, and the Treasury Department printed the November checks earlier than usual to give the Postal Service time to implement its special procedures. SSA, along with other agencies, provided services at disaster relief centers set up by the Federal Emergency Management Agency across the affected area. SSA employees also participated in "sweep teams" that visited shelters, nursing homes, and other locations where numbers of evacuees were staying, providing immediate payments, changes of address, Social Security number verification, and benefit applications. The same sorts of activities took place across the country as evacuees arrived and SSA employees met them to provide assistance.

We examined internal coordination and found that support components provided exceptional help to those providing direct service. This may seem like something that should be taken for granted, but it enabled SSA to move more nimbly than some smaller agencies. SSA's Office of Systems responded quickly to needs for communications equipment and to restore and move computer systems and networks and to set them up in temporary locations such as the Houston Astrodome. Finance components ensured that check stock for immediate payments was available. The Office of General Counsel worked with FEMA to obtain release of lists of people who had died in the storms. The Office of Inspector General provided armed law enforcement agents needed to accompany employees into some areas.

Communications

SSA made efforts to ensure that the public knew what services were available and how to obtain them. Local managers and public affairs specialists worked with local media to let the public know which offices were open, as well as other ways to contact SSA and obtain services. They provided information in English, Spanish, Creole, and Vietnamese. They also made outreach contacts with State and local community agencies to support and provide services to evacuees. Again, they went beyond the expected. The managers of the SSA offices in Gulfport and Moss Point, Mississippi, which were closed because of damage to the buildings, stood in the parking lots of those offices passing out literature on Social Security services and the location of the nearest open office.

Planning/flexibility

SSA has a continuity-of-operations plan and emergency plans at local levels. It has experience at dealing with disasters, which have been generally more localized. It has dealt with numerous natural disasters and with more unusual events such as the bombing of the Federal Building in Oklahoma City; a suspected outbreak of Legionnaire's disease in Richmond, California; and the attacks on September 11, 2001. The agency regularly brings people together to discuss lessons learned after major events and to revise plans based on those lessons learned.

SSA also recognizes that not everything can be foreseen. SSA applied its plans flexibly, moving work to other areas and bringing additional resources to the areas hit by the storms. It established field office support units in larger regional facilities to help with field office workloads. It used its Office of Quality Assurance to help with pending disability decisions. Workloads that could be moved electronically were transferred from closed offices to other offices to minimize delays in processing. SSA extended field office hours and 800-number service hours. Many field offices were open throughout the Labor Day weekend to help evacuees. With the help of GSA, SSA established 11 temporary offices or portable offices to supplement established space. It brought in 171 detailees from offices around the country to help in areas with large numbers of evacuees.

Lessons learned

The hurricanes reinforced the importance of maintaining a balanced and multi-faceted approach to service delivery. Over the past decades the agency has followed a strategy of offering the public a variety of different ways to interact with it. This not only created significant efficiencies and improved SSA's ability to meet service delivery needs in normal circumstances but also gave it an arsenal of tools to use in crisis situations. Its continuing presence in local communities was an invaluable asset as it relied on its local knowledge in coordinating with community leaders and government institutions. The immediate claims-taking units it had established in its teleservice and processing centers made it possible for many callers needing to file a claim to be routed to someone who could take that claim on the initial call. For claimants who could not be handled in that way, a field office support unit called back to take the claim within 24 hours. A national 800 emergency number enabled employees who had evacuated to report their locations and movement; it also provided office closure information. The hurricane response validated the critical importance of the agency's efforts to anticipate events and to establish continuity of operations plans and emergency plans for its components.

The storms also demonstrated that the agency's commitment to utilizing modern technology not only provides more efficient service, but also will make it better able to respond to unforeseen contingencies. For example, a Louisiana Disability Determination Services (DDS) building in Metairie, Louisiana was severely damaged by the storm. DDS and SSA employees helped movers retrieve 6,000 disability folders, carrying 400 boxes of folders down six flights of unlighted stairs. However, because of the new electronic disability system that the agency has been implementing, there were 1,400 electronic claims pending at that office were simply transferred electronically to

the Shreveport office. About 500 case files were lost in the Office of Hearings and Appeals in Metairie. Once the electronic disability system is fully implemented, losses of that type will not happen.

A difficult lesson that SSA is learning is how expensive it can be to provide service in such circumstances. The storms came at the end of the fiscal year, and the agency showed flexibility in absorbing about \$6 million in costs for personnel, space, and equipment. It faces a greater challenge in the current fiscal year, when it will have to absorb as much as \$50 million in expenses for refurbishing offices, replacing equipment, and relocating employees.

Conclusion

Even in normal circumstances, the operations of the Social Security Administration directly and crucially affect the lives of millions of Americans. Over the years of the Board's existence, we have been continually impressed by the commitment and expertise of the agency, its management, and its employees at all levels to providing excellent service to the beneficiaries who depend on Social Security. Last year's hurricanes showed that commitment and expertise to be deep and solid. Service is what SSA does. Its employees both in the area and throughout the country volunteered to do whatever was necessary to assure that service to the public in the affected areas would continue. Agency management did not stop to worry about its constrained budgetary circumstances, but immediately deployed the resources necessary to meet the crisis. The agency and its employees, and especially those in the Atlanta and Dallas regions, have every reason to be proud of their preparedness, resourcefulness, and dedication in meeting the needs of the population they serve under the most trying of circumstances.

March 14, 2006

Senator Thad Cochran
Chairman
Senate Committee on Appropriations
United States Senate
S-128, U.S. Capitol
Washington, DC 20510

Dear Chairman Cochran:

I am writing on behalf of the Social Security Advisory Board to urge the Committee on Appropriations to assure funding that adequately enables the Social Security Administration to carry out its responsibilities with a high level of integrity and excellence of service to the public.

The operations of the Social Security Administration directly affect the lives of the people of this country in multiple, vitally important ways. Over 160 million workers pay Social Security taxes. Social Security benefits are paid each month to 48 million beneficiaries, and over 7 million low-income Americans depend on the agency's Supplemental Security Income program. Each year the agency receives and must process more than six and a half million new benefit claims. It also has responsibility for a great many other tasks including the issuance and verification of many millions of Social Security numbers, the proper crediting of wages to the accounts of workers, and the conduct of continuing eligibility reviews.

If the agency fails to receive adequate resources for proper administration, the results are reflected in delays, inordinate processing backlogs, and inability to perform eligibility reviews that will ultimately save many times their costs. Unfortunately, that describes the existing situation. There are now nearly 600,000 initial disability claims awaiting a decision, but the State disability determination agencies that process those claims are facing reduced staffing levels. The situation with respect to appeals is even more severe. Since 1999, the number of Americans awaiting a decision on their Social Security appeals has more than doubled from 265 thousand to over 700 thousand with further increases projected. By the end of the current fiscal year, a typical appeal is expected to take 15 to 16 months. Moreover, the existence of such large backlogs necessarily creates pressures to expedite adjudication and defer action on continuing eligibility reviews. In any case where those pressures result in an incorrect denial or allowance, the claimant or the taxpayers may suffer a loss of a magnitude that can run into the tens of thousands of dollars. Inadequate

resources to perform required continuing reviews of eligibility may result in the payment of \$10 in improper benefits for each dollar not spent on reviews.

In 1994, Congress enacted legislation making the Social Security Administration an independent agency. That legislation directed the Commissioner to develop the agency's budget on the basis of a comprehensive workforce plan. The current Commissioner of Social Security has carried out that mandate by creating a service delivery budget designed to reduce the backlogs in Social Security processing to normal levels over a period of years while meeting the agency's obligations to maintain high levels of program integrity. This agency-developed budget is included each year in the Appendix to the President's budget.

The Board urges the Committee on Appropriations, in developing its recommendations for funding the Social Security Administration, to meet the needs addressed in the Commissioner's service delivery budget for adequate resources to begin reducing the inappropriate backlogs now faced by Americans applying for benefits and other services from the agency. We also urge you to provide the special funding that the Administration has requested for carrying out continuing eligibility reviews, which, as noted earlier, will pay for themselves many times over. Over the past several years, the agency has shown consistent and substantial improvements in productivity. But, without sufficient funding, it cannot keep up with its large caseloads and provide the type of service and careful stewardship that America's beneficiaries and taxpayers deserve.

Sincerely,

Hal Daub,
Chairman

Note: Identical letters sent to the Chairmen and Ranking Members of the House and Senate Appropriations Committees and Subcommittees on Labor, Health and Human Services, Education and Related Agencies

