

CHAPTER 14

ADMINISTRATION OF THE SOCIAL SECURITY PROGRAMS

The Commission believes that Social Security is one of our government's most successful programs. However, administering the Social Security program is unquestionably more difficult today than when the program began. The scope of the program has grown enormously. In addition to the steadily growing population covered by the program, the Social Security Administration became responsible for Disability Insurance, Medicare, and Supplemental Security Income. In more recent years, it has also been assigned a large number of non-Social Security tasks, as diverse as taking food stamp applications and assisting Selective Service in registering young men.

As a result of this growth, the Social Security Administration (SSA) now employs about 80,000 persons who maintain earnings records for millions of American workers and pay monthly benefits to 36 million people. As commendable as their performance is, the administration of the program needs improvement. The Commission visited the Social Security Central Office in Baltimore, Program Service Centers, Regional Offices, District Offices, and State Disability Determination units across the country. It interviewed many current and former Social Security Administration employees. Among the problem areas identified were: communications, office space and facilities, training, and computer systems.

Administrative Problems

Communications

Central to the Social Security Administration's mission is the ability to communicate the complexities of the program in a prompt and clear fashion to the public. Letters to the Commission and testimony from the public indicate this is not being done adequately. Witnesses at the Commission hearings testified that they had waited weeks and months to receive responses to their inquiries about benefits and then received computer-generated letters which were difficult to understand. District Office staff indicated that they often have trouble explaining the letters to beneficiaries.

Teleservice centers, which were created to be central locations for persons to get information by telephone, are often impossible to reach. A person who is successful in getting a call through may have to talk with an inadequately trained employee or one who has no direct access to the facts of the specific case.

Poor communication is not limited, however, to contacts with the public. Social Security Administration employees report that communications between District Offices, Regional Offices, and the Central Office are generally inadequate. District Offices in particular complain that information received from the Central Office is often inaccurate and too late to be useful.

Office Space and Facilities

The physical location and layout of many Social Security offices hinder their accessibility to the public. Several of the District Offices visited were poorly located and badly designed to serve a constituency which often has to depend on public transportation and may have

physical handicaps. The open setting of most of the offices makes confidential interviews difficult to conduct. Social Security staff indicated that this problem occurs because General Services Administration standards do not take into account the special needs of Social Security Administration beneficiaries.

Training

Training a large staff in the complexities of a highly technical program is a difficult task, but an essential one in maintaining the program's credibility and the public's confidence. When changes are made in the law or regulations, which happens frequently, manuals explaining the changes to District Office personnel are not always clear enough, and do not arrive soon enough, to be used effectively in informing the public.

As the original cadre of professionals who made a career of Social Security has retired, the program to train their successors has been inadequate. A concerted effort needs to be made in the future to assure that knowledge of the program and its operations is routinely passed on to the next generation of program managers.

Systems Adequacy

The Social Security Administration's computer-based system (including telecommunications) is indispensable to the efficient administration of the Social Security program. This system, which at one time was a model of what a good one should be and could do, is increasingly hard put to get the job done. The rate of improvement in data processing has lagged badly behind the need for speedier and more automated handling and the state-of-the-art. As a result, service to

applicants and beneficiaries is deteriorating. It will continue to do so even faster unless the situation is reversed.

The telecommunications link between the District Offices and the central computer facility in Baltimore--the so-called SSADARS system--is a good example of how the problems have developed. After enactment of the Supplemental Security Income program, there was a clear need for a data processing system to keep track of applications and beneficiary records. The time available to develop the system was brief--15 months from enactment to the effective date. The system, as developed, consisted of essentially computer terminals in District Offices connected by telephone lines with the main computer in Baltimore.

Because it was expected that operating experience would reveal the need for future modifications, the original contract was for only a 5-year period and covered the installation of terminals in only about one-half of the District Offices. Near the end of the 5-year period, the contractor (who not only installed, but also maintained the system) was informed that the contract would not be renewed because the system was inadequate, and a whole new system would have to be developed.

The new system was not developed by the time the contract expired, so temporary extensions for maintenance of the old system were negotiated. To date, no replacement system has been developed. As a result, about one-half of the offices still have no terminals, and those that are in service are wearing out. The only remedy applied so far has been to begin replacing the old terminals with new models, which it is hoped will be compatible with whatever new system is developed.

Organizational Problems

The National Commission asked Jack S. Futterman, a former Assistant Commissioner for Administration in the Social Security Administration, to assist in an evaluation of the organization and operations of the Central Office. In his report, Mr. Futterman describes the organization as "ailing" and indicates the current administrative difficulties are a forewarning of more serious problems. The most significant problems are "difficulties stemming from the concept and structure of recent reorganizations, particularly the 1979 reorganization. "

The Social Security Administration has undergone three reorganizations affecting both program and management responsibility in the last 6 years. A 1975 reorganization was designed to reduce the number of people reporting to the Commissioner. It placed the operating bureaus for Retirement and Survivors Insurance, Disability Insurance, Supplemental Security Income, and for data processing under a consolidated Office of Program Operations and attempted to pull together all program policy and legislative functions in one Office of Program Policy and Planning. The role of the Regional Offices was strengthened by providing Regional Commissioners with line authority over Social Security field operations. Although this reorganization was never completed, it created considerable confusion and additional layers of review, which delayed many important tasks such as communicating program information and preparing regulations.

Even as implementation of the 1975 reorganization dragged along, a 1977 Department of Health, Education, and Welfare reorganization made other changes in the Social Security Administration. The establishment

of a new Health Care Financing Administration, merging the administration of the Medicare and Medicaid programs, necessitated the transfer of the Bureau of Health Insurance out of SSA. Responsibilities for the Aid to Families with Dependent Children (AFDC) program and the refugee assistance program were transferred to SSA. The Secretary of the Department of Health, Education, and Welfare designated the Commissioner of Social Security to act as Director of Child Support Assistance.

The purpose of the 1979 reorganization was to create a "functional" organization. In direct contrast to the motivation for the 1975 reorganization, the new Commissioner increased the number of people reporting directly to him by establishing IO Associate Commissioners, each with a specific functional responsibility. In addition, the Regional Commissioners were to report directly to the Commissioner. As a result of this reorganization, the Commissioner now has 23 persons reporting directly to him. This span of control is more than one person can handle effectively and forces the Commissioner to spend his time on issues that should be handled at lower levels.

Under this "functional" structure, the program bureaus--Retirement and Survivors Insurance, Disability Insurance, etc. --were eliminated. Their responsibilities were divided by function among the various new offices and divisions. It is now necessary to coordinate the activities of several SSA components to deal with a single problem. For example, prior to 1979, the responsibility for operation and evaluation of the disability program was in one organizational segment, the Bureau of Disability Insurance. Today responsibility is divided among various offices: Operational Policy and Procedure, Assessment, and

Governmental Affairs. Throughout most of SSA's Central Office operations (but not the Commissioner's office), it is difficult to determine what the lines of authority are.

A number of critics within the Social Security Administration see this functional organization as a major source of current administrative difficulties. Over the years, studies, both within and outside of the agency, have also identified poor organization as a problem, and recommendations have been made to remedy it.

The Commission is not in a position to decide whether the current organization or some other internal organization of the Social Security Administration is preferable. The evidence to date, however, is that the latest reorganization has not been fully effective.

Greater Independence for Social Security Programs

Because the National Commission believes that significant improvements in the operation of Social Security and related programs and the public's understanding of those programs would result, it recommends the creation of an independent agency, to be called the Social Security Board. The Board should be responsible for administering the Old-Age, Survivors, and Disability Insurance program, the Supplemental Security Income program, and the Medicare and Medicaid programs. The day-to-day operations of each program should be directed by three career employees--an executive director and two chief operations officers who would report to the executive director. One operations officer would be responsible for the cash benefits programs and the other for the health care programs.

The independent agency the Commission recommends would resemble the original Social Security Board in that it would be governed by a three- or five-member board reporting directly to the President. The Board would be appointed by the President with the advice and consent of the Senate. Not more than two members, in the case of a three-member Board (or three in the case of a five-member Board), at any one time could be members of the same political party. One member would be designated by the President as Chairman and would be appointed for a fixed term which would coincide with the term of the President. The initial appointments would vary so that no more than one term would expire in any calendar year.

Until an independent Board is established, the Commission recommends that Medicare and Medicaid remain under the administration of the Health Care Financing Administration in the Department of Health and Human Services.^{A/}

In 1969, the operations of the Social Security trust funds were included in the unified budget for the first time. Prior to that time, the trust funds were considered separately from other government operations, and they did not affect the overall balance of the Federal budget. Inclusion of these funds in the budget has been criticized because of the artificial effect they have on the balance of the budget. For instance, in 1969, the excess of income over outgo in the Old-Age, Survivors, and Disability Insurance program had the effect of "balancing" the

^{A/} By Mr. Dillman, Mr. Myers, and Mr. Rodgers: We believe that, in the event that the recommendation to establish an independent agency to administer the OASDI and Medicare programs is not followed, then the administration of the Medicare program should be transferred back to the Social Security Administration -- or, at the very least, those functions related to beneficiary contact, actuarial work, and research.

budget recommended by the President which, in the absence of these funds, would have shown a deficit. The National Commission recommends that the operation of the Social Security and Medicare trust funds be removed from the unified budget.

Of course, any transactions involving payments from the General Fund of the Treasury to the trust funds (such as interest or reimbursement for military service wage credits) would be shown in the budget as outgo items.^{B/}

Staffing and Budget

The current administrative expenses of the Old-Age, Survivors, and Disability Insurance program amount to only 1.4 percent of Social Security taxes. This is remarkably low, compared to both private insurance programs and other agencies of government. In the past, needed increases in money and personnel for administration of the program may have been delayed because of an unwillingness to increase the overall Federal budget. Because the program is primarily financed through a payroll tax designed to meet its special needs,^{1/} concern for

^{1/} The payroll tax is permanently appropriated for use in paying benefits and administrative expenses. However, the amount of administrative funds and the number of employees are subject to annual limitations and review. While no appropriation is needed to pay benefits from the trust funds, each year a limitation on the permanent appropriation is enacted which limits the amount of money available to administer the program. In addition, the number of employees is subject to an allocation from the total number of Federal employees authorized by the President.

^{B/} See dissenting statement on removing Social Security from the unified budget by Mr. Laxson, and Mr. MacNaughton. Also see dissenting statement on an independent Social Security board and on removing Social Security from the unified budget by Mr. Gwartzman.

the total Federal budget should not affect decisions on the program's personnel needs. It is important to note that over its 44 years of operation, the Old-Age, Survivors, and Disability Insurance program has had a balanced budget. The Commission recommends that significant additional funds should be made available to improve the administration and delivery of services to beneficiaries.

Health Care Financing Administration

In 1977, the Secretary of Health, Education, and Welfare announced a series of reorganizations designed to streamline operations, improve delivery of services, and reduce opportunities for fraud and abuse. One of these established the Health Care Financing Administration (HCFA). It placed under one administrator the supervision of the Medicare and Medicaid programs. With the establishment of HCFA, the major responsibility for the administration of Medicare was transferred from the Social Security Administration, although SSA continues to provide computer support, enroll beneficiaries for both parts of Medicare, collect premiums, and provide very limited services to Medicare beneficiaries from its network of field offices.

The Health Care Financing Administration has about 4,600 employees, of whom 2,000 are based in 10 Regional Offices. The Medicare and Medicaid programs account for most of its expenditures. In fiscal year 1980, an estimated \$55.8 billion was spent for health care services for about 23 million low-income beneficiaries who were protected under Medicaid and 27 million aged and disabled beneficiaries who were protected under Medicare.

The principal function of HCFA is to assure the timely and appropriate delivery of health care benefits through effective administration of Medicare and Medicaid, related quality assurance programs, and other programs. Medicare and Medicaid are administered and operated through a complicated set of relationships involving the private insurance industry, government institutions at the State and local levels, and thousands of independent hospitals, physicians, and providers of services.

Under present law, as administered, the agency has little direct contact with those entitled to Medicare and Medicaid benefits. Medicaid beneficiaries are able to take their problems to the State agencies responsible for operating the program. Beneficiaries who have problems with Medicare, however, must deal with the private carriers and intermediaries which administer the program. Although the personnel at local Social Security offices provide some assistance to Medicare beneficiaries, their training in regard to Medicare has, unfortunately, in the Commission's view, been increasingly deemphasized.

Combining Administration of Hospital Insurance and Supplementary Medical Insurance

One issue brought before the Commission was whether the administration of both Hospital Insurance and Supplementary Medical Insurance in each geographic area should be brought together under a single contractor to coordinate claims processing.

Coordinated claims processing for Hospital Insurance and Supplementary Medical Insurance has been provided even though different contractors have the prime responsibility for each of the two parts.' The effectiveness of the coordination process is taken into account when decisions are made on the selection and retention of contractors.

If a single contractor were used, some experienced contractors, such as some Blue Cross and Blue Shield organizations, might no longer qualify. Each organization can administer either Hospital Insurance or Supplementary Medical Insurance activities, but not both. Using a single contractor for both programs could, in effect, remove certain organizations from the competition, even when they may be the most effective performers. For these reasons, the Commission recommends against the use of a single contractor for administering Hospital Insurance and Supplementary Medical Insurance claims.

Staff Specialist for Medicare

The Health Care Financing Administration deals with health care carriers and intermediaries primarily from its central headquarters in Baltimore, without the need for localized facilities to handle routine matters.^{2/} This arrangement reduces greatly the availability of Medicare specialists to answer questions and provide information to

^{2/} Health Care Financing Administration Regional Offices monitor the performance of contractors and State agencies to ensure that standards are met and goals are reached within the prescribed time. In addition, they are supposed to make certain that program beneficiaries are aware of the services for which they are eligible and give some assurance that these services are provided in an effective manner.

claimants and beneficiaries across the country. The Commission believes that providing beneficiary services should be one of the most important objectives of the Medicare program. Specially trained advisers should be provided in each Social Security District Office to give beneficiaries information and assistance about their benefit rights. Contractors should also provide better services to beneficiaries. The cost of the added services can be met, at least in part, through savings from more effective management of the program.

Providing Social Security Benefit Illustrations

The Commission believes that the Social Security Administration does not now provide sufficient information to individuals about their potential benefit amounts. Despite the complexity of the benefit computation procedures, in this day of computer technology, it would be relatively simple, and not too costly, to furnish non-retired individuals with the following information, upon their request therefor:

- (1) The disabled-worker benefit payable if the insured individual should become disabled at the beginning of the particular year, along with the family benefit payable if there are various numbers of supplementary beneficiaries (and with an indication of the effect of the CPI adjustment for June).
- (2) The survivor benefits payable if the insured worker should die at the beginning of the year, for various possible family compositions (and with an indication of the effect of the CPI adjustment for June).

- (3) The relative retirement benefits payable at ages 62, 65, and 70, including wife's benefits. Such benefits would be expressed as percentages of the covered earnings in the previous year, under the assumption that future earnings in relation to nationwide average earnings would remain the same relatively as they had been in the past.

The Commission recommends that the Social Security Administration should furnish Social Security benefit illustrations to persons who request them. The individual would have to furnish the Social Security Administration with the following information: years of birth of worker and of spouse, number of ages of children, and covered earnings in previous year.

It should be noted that the Employee Retirement Income Security Act requires private pension plans to furnish accrued pension benefit information to all covered employees each year (including projected Social Security benefits in plans that are closely coordinated with Social Security). Accordingly, it seems only reasonable that the Social Security system should do so too, at least on a "request" basis. In fact, over the long run, when it becomes administratively feasible, it would be desirable if annual Social Security benefit illustrations were automatically distributed to all covered workers (say, each fall, after the previous year's earnings have been posted); illustrative figures could be given for various assumed family characteristics.