



COMMITTEE ON APPROPRIATIONS

**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES**

UNITED STATES HOUSE OF REPRESENTATIVES

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STATEMENT FOR THE RECORD

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COMMISSIONER
SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee, before I begin I want to express my sincere appreciation for your efforts in securing funding for the Social Security Administration (SSA) in Fiscal Year (FY) 2008. FY 2008 could be a watershed year for SSA. For the first time in 15 years, Congress has appropriated not only the President's budget request, but an additional \$148 million to address SSA's disability hearings backlog. On behalf of the American public, I am deeply grateful for the Committee's support of the Social Security programs and want to assure you that your decision to support the Agency and its backlog plan will truly make a difference in people's lives. Today, I will discuss SSA's FY 2009 budget request, as well as our plans to improve the disability workloads.

As you know, SSA is now at a critical juncture. Due to the aging of the baby boomers, SSA is facing an avalanche of retirement and disability claims at the same time that it must address large backlogs due to years of increasing workloads and limited resources. Over the last few years as SSA offices lost staff, waiting times increased, lines grew longer, and busy rates in our field offices deteriorated. Without sustained, adequate funding, this situation will only worsen. Furthermore, we must attack the disability backlogs, which have dramatically and unacceptably damaged many applicants' lives.

It is a moral imperative to reduce the disability backlogs, which have caused an incredible hardship for disabled workers and their families as they cope with the loss of income and often medical insurance as well due to a severe disability. With the additional funding provided by Congress, SSA will be able to implement all of the key features of our Hearings Backlog Reduction Plan. We will build a firm foundation for the future with automation improvements, fast-track reviews, Administrative Law Judge (ALJ) hiring, and other initiatives, so that we can significantly reduce waiting times while also improving accuracy.

While FY 2008 will allow us to make significant inroads, sustained, adequate funding is critical so that we can continue to make progress. Over the next 10 years, SSA's traditional workloads will increase substantially – retirement claims by over 40 percent and initial disability claims by nearly 10 percent. The first of over 80 million baby boomers has already applied for retirement benefits. Baby boomers are also applying for disability benefits in greater numbers than previous generations. At the same time as SSA faces increasing workloads, the Agency must attack the disability backlogs and address new non-traditional workloads, such as the Medicare Prescription Drug Program and immigration reform.

From FY 2001 through FY 2007, SSA achieved a cumulative productivity improvement of 15.5 percent. However, although we continue to be a can-do Agency and are implementing efficiencies both large and small, productivity alone cannot fully offset the increase in our workloads. Furthermore, inflationary growth in costs such as rent, guards, and employee salaries and benefits have more than offset increases in SSA's budget in recent years, leaving SSA with even fewer resources to address these growing workloads. SSA currently requires over a \$400 million increase each year simply to keep up with increases in fixed costs. As a result, staffing levels have declined significantly, which has affected service to the public.

The 2009 President's Budget will enable SSA to build upon planned accomplishments in FY 2008 and make significant progress. At \$10.460 billion for SSA's administrative expenses, the President's Budget provides a nearly \$600 million or 6 percent increase over FY 2008. SSA's administrative budget includes \$10.327 billion for the Limitation on Administrative Expenses account, \$98 million for the Office of the Inspector General, and \$35 million for Research. At this funding level, we expect to make substantial progress with our Hearings Backlog Reduction Plan by processing 85,000 more hearings in FY 2009 compared to FY 2008,

ultimately reducing the number of hearings pending from over 750,000 to 683,000 in one year. We will be able to reduce the initial disability claims backlogs to the lowest level in 10 years; the number of initial disability claims pending will drop below 500,000 for the first time since 1999. Finally, the FY 2009 budget will put us in a better position to handle the onslaught of work we are confronting due to the aging of the baby boomers. We plan to process over 400,000 additional retirement claims in FY 2009 as compared to FY 2007, enabling SSA to keep up with the influx of baby boomer claims.

SSA's budget provides the necessary resources to begin to halt the decline in customer service by preventing further staffing losses and investing in needed technology. The budget is a fiscally reasonable and responsible approach. A multi-year effort is needed to eliminate the disability backlogs. In addition, SSA will not be able to handle some of its less visible work, generally work that is done after an individual is approved for benefits.

Overview of SSA's Programs and Responsibilities

SSA administers the Nation's social security programs, including Old-Age and Survivors Insurance and Disability Insurance (OASDI), commonly referred to as Social Security, and Supplemental Security Income (SSI). Through these programs, SSA affects nearly all Americans at some point in their lives.

In FY 2009, SSA will pay \$683 billion in Federal benefits to nearly 56 million people. While Social Security trust fund benefit payments are permanently appropriated, and therefore not part of the budget requests before this Committee, the administrative resources that SSA needs in order to pay these benefits are part of the appropriations requests that I am asking you to support. SSA has four appropriations requests before this Committee, totaling \$56.3 billion: Limitation on Administrative Expenses, Office of the Inspector General, Supplemental Security Income, and Payments to the Social Security Trust Funds.

In FY 2009, some of the tasks SSA employees will perform with the administrative resources requested in the President's budget include: processing over 6.8 million claims for benefits; making decisions on 644,000 hearings; issuing 20 million new and replacement Social Security cards; processing 274 million earnings items for crediting to workers' earnings records; handling approximately 67 million transactions through SSA's 800-number; issuing 150 million Social Security Statements; processing millions of actions to keep beneficiary and recipient records current and accurate; and conducting 329,000 medical continuing disability reviews (CDRs) and nearly 1.5 million non-disability SSI redeterminations.

In addition to our core workloads described above, SSA has complex responsibilities related to the Medicare program, immigration, homeland security and data exchange programs.

I would now like to discuss our Limitation on Administrative Expenses appropriations request.

President's Request for SSA's Limitation on Administrative Expenses

The President's Budget includes \$10.327 billion for SSA's Limitation on Administrative Expenses (LAE), providing SSA with the resources necessary to administer the Nation's social security programs. This is less than 1.5 percent of SSA's total estimated outlays of approximately \$697 billion under current law, and an increase of \$582 million in discretionary budget authority from the FY 2008 appropriation.

The requested increase is needed to provide the salaries and benefits, facilities, computer and telecommunications equipment, training, and other expenses required to deliver service to the American public. Approximately 70 percent of our administrative resources are used for personnel costs. The remainder is used to support these personnel and the workloads they process. Due to fixed cost increases, such as annual increases to Federal employee salaries, benefits, rent, and guard services, the total requested increase is essential to avoid disruptions to the service SSA provides and to help provide better service to the millions of Americans who count on us each and every day.

There are three overarching themes of SSA's FY 2009 LAE budget:

- Improving the Disability Programs - Eliminating the hearings backlog is a moral imperative for the Agency. This effort will take several years, but by the end of FY 2009, SSA will have laid the groundwork of regulatory and process changes needed and will be driving waiting times down. We already have made significant progress, which will be discussed later in the statement. SSA also will process more initial disability claims, resulting in the lowest pending level for these claims since 1999, and will make changes to the disability process to improve timeliness, accuracy and efficiency.
- Enhancing Service to the American Public - SSA will continue to improve its retirement and enumeration processes, safeguard personally identifiable information, and reach out to all Americans through financial literacy efforts. Furthermore, with the FY 2008 enacted appropriation and the FY 2009 budget, SSA will end a trend of staffing declines that has damaged service to the public.
- Innovating, Automating and Investing in the Future - The FY 2009 budget, if it receives the full support of Congress, will allow SSA to make automation and business process changes which will improve service to the public. The budget also provides more support for program integrity to ensure that the public's money is spent in an appropriate fashion.

I would now like to address these three key areas of SSA's FY 2009 budget in more detail.

Improving the Disability Programs

Eliminating the Hearings Backlog – SSA's Recent Accomplishments and Future Plans
SSA will be implementing the Hearings Backlog Reduction Plan over the next 5 years to eliminate the hearings backlog as efficiently and expeditiously as possible. These new initiatives will increase the Agency's capacity to hold hearings and implement necessary modernizations to the hearing process. Crucial to the plan's success is full funding of SSA's FY 2009 budget, which would ensure that hearing offices have enough staff to handle more cases and allow critical improvements to Agency infrastructure.

There are four key elements of the Hearings Backlog Reduction Plan that I believe hold the most promise to eliminate the hearings backlog:

- Accelerating Review of Cases Likely or Certain to be Approved;
- Improving hearings procedures;
- Increasing adjudicatory capacity; and
- Increasing efficiency through automation and improved business processes.

I am pleased that we have already made progress in many of these areas. For example, national rollout of the Quick Disability Determination (QDD) process, designed to identify and expedite claims that are likely to be allowed, began in October 2007. An electronic screening tool/predictive model is used to identify claims where there is a high probability that the claimant is disabled and where medical evidence can be easily and quickly obtained. QDD claims are electronically routed to the state Disability Determination Services where experienced disability examiners and other staff review and adjudicate them on an expedited basis, many times in less than two weeks. As of January 2008, 1 percent of all cases nationally are being reviewed within 8 days under the new QDD process, and we expect that percentage to increase in the next year.

We also are making progress on Compassionate Allowances, which is a way of quickly identifying diseases and other medical conditions that invariably qualify under SSA's medical listings based on minimal medical information. Many of these claims can be allowed based on confirmation of a medical diagnosis supported by medical evidence. For example, allowances for cases such as catastrophic congenital anomalies (such as anencephaly, a form of Tay-Sachs disease, and the most common form of Down syndrome), acute leukemia, amyotrophic lateral sclerosis (ALS), and pancreatic cancer can be made as soon as the medical diagnosis and onset data is confirmed.

In recent months SSA has continued to significantly reduce the number of hearing requests that have been pending the longest. At the beginning of FY 2007, there were over 63,000 hearing requests that would have been 1,000 or more days old on September 30, 2007. By September 30, SSA reduced that number to 108 and, since then, the remaining cases have been processed. For FY 2008, SSA raised the bar for its own performance and set a goal to resolve over 135,000 cases that are or would be 900 days old or older by the end of the fiscal year. As of the end of January, SSA has reduced that number to 76,099. As the number of aged cases is reduced, SSA will create new targets to ensure we provide decisions to those waiting the longest.

As another key part of the plan, SSA established a National Hearing Center in Falls Church, Virginia so that a centralized cadre of ALJs can use video hearing technology to hear cases from the most backlogged parts of the country. As we review data from the pilot, we will consider opening additional National Hearing Centers to conduct more video hearings and to more effectively balance workloads at hearing offices nationwide.

SSA also is currently implementing a Service Area Realignment Plan to balance hearings backlogs on a national basis. The Service Area Realignment Plan is designed to shift workloads to offices with lower pendings. New requests for hearings may be processed in other offices by means of video hearings.

Another way SSA is expediting hearings is through the Senior Attorney Adjudicator program, which allows Senior Attorneys to issue decisions in cases that are fully favorable without the involvement of an ALJ. Allowing non-ALJs to issue fully favorable on-the-record decisions improves processing times for those hearings and conserves ALJ resources for the more complex cases and cases that require a hearing.

In addition to new rules and processes, a number of electronic initiatives are being developed which would reduce the lengthy procedure to simply prepare cases for the ALJs. For example, the electronic folder has the potential to significantly decrease the time it takes hearing office staff to prepare and exhibit files, associate correspondence, prepare and send notices, and transfer workloads.

Even with all of these improvements, adequate staff is still a critical component of the Hearings Backlog Reduction Plan. Our hearing offices will be able to replace all of their staff losses this year including hiring approximately 150 ALJs this spring, for which we are deeply grateful to Congress. Our goal is to reach a level of 1,250 ALJs in FY 2009. Sufficient funding in FY 2009 and beyond is essential to ensuring that we can maintain an adequate number of ALJs as we continue our efforts to reduce the hearings backlog.

We are pleased to report that hearings processing times and ALJ productivity are already better than we anticipated, resulting in quicker decisions for the American public. While we still have a long way to go to provide the level of service the American public deserves, the progress we have made so far gives me confidence that we are making the right changes in the right places.

Processing More Disability Claims

In FY 2007, SSA was able to stem the tide and slow the growth in the claims backlog. With the FY 2009 budget, the DDSs will process significantly more disability claims, reducing claims backlogs to the lowest level since 1999. This is critical since nearly 70 percent of disability allowances are allowed at the initial claims level. Efforts such as the successful electronic disability process and our new Quick Disability Determination and Compassionate Allowance processes will improve service to the public, helping claimants to receive decisions earlier at this critical juncture in their lives.

I am pleased to report that we have already made significant progress in providing better service to the men and women who serve our country. U.S. military personnel are now receiving expedited processing of disability claims from SSA. We are onsite every week at Walter Reed, Bethesda, Brooke and numerous other treatment facilities throughout the U.S. to take disability cases and ensure expeditious handling of those cases. We also have an agreement with the Department of Veterans Affairs (VA) for the VA to electronically provide SSA with the medical records of veterans applying for disability benefits, which enables SSA to get medical records more quickly and efficiently.

Modernizing the Disability Process

Until just recently, many of SSA's medical regulations—generally known as our “listings”—went decades without review and revision. The Agency is now on a schedule that will review all listings every 5 years, and with this budget SSA plans to review them every 3 years. Moreover, we have an ambitious effort underway to expand the listings to include, for the first time, many rare diseases and conditions. In the past, lack of guidance to adjudicators has resulted in errors in these cases.

Enhancing Service to the American Public

With millions of Americans becoming eligible for Social Security retirement benefits at the rate of 10,000 a day for the next two decades, SSA must continue its development of a wide range of online and automated services and seek to transform its service model. Maximizing the use of modern technology and changing the service delivery model will enable SSA to continue to provide critical services to all future beneficiaries.

In addition, in order to reverse a trend of deteriorating service, SSA also requires an adequate staffing level. The 2009 President's Budget will help SSA begin to turn around the staffing crisis by enabling SSA to replace those employees who leave the Agency, whether for retirement or other reasons. While the stable staffing levels will help SSA improve service on a national level, it will have an even more profound effect on local offices because hiring freezes have caused staffing imbalances and critical staffing shortages.

In addition to preparing for the nation's imminent retirement wave, we have several other priorities. SSA has already opened five Social Security Card Centers, in cities across the country, which have succeeded in issuing cards more efficiently and accurately. To ensure the continued security of the Social Security card and prepare for anticipated growth in card applications if immigration-related legislation is passed by Congress, SSA is planning to open a total of 7 more Card Centers in FYs 2008 and 2009. Our Pasadena, Texas, and Orlando, Florida, Card Centers are expected to open in the spring.

With the prevalence of identity theft in the world today and increased exposure as more transactions are completed across the Internet, our efforts to protect the personal information entrusted to us are more important than ever. SSA's security program includes comprehensive policies and controls to protect the confidentiality, integrity, and availability of data and systems, including personally identifiable information. We closely follow Federal guidelines including security standards and guidelines issued by the National Institute of Standards and Technology (NIST) and the Office of Management and Budget. We have constant monitoring of SSA systems for potential attacks and problems. We limit SSA systems access to a "need-to-know" basis. We have encryption of all data lines across SSA. We also have secure electronic mail solutions between SSA and other Federal agencies where personal information is regularly exchanged.

Finally, SSA must continue to explore new ways to have a greater impact on educating the public about the importance of financial retirement planning. Research indicates that many Americans lack comprehensive financial literacy and often make poor savings and retirement decisions. Improving the public's financial literacy, particularly its understanding about the need for retirement planning and the role of Social Security's retirement benefits as a supplement to other sources of income, could boost personal savings and foster better retirement decisions. Our annual Social Security Statements, online presence, and contacts with the public provide a unique opportunity to participate in educational efforts.

We continue to explore new ways to have a greater impact on educating the public. For example, future plans include a streamlined online claims process and enhanced Internet benefit calculators that will provide real-time estimates of retirement benefits based on the user's earnings record. These tools will facilitate financial planning by allowing multiple "what if" scenarios based on different user-entered retirement dates and earnings amounts.

Innovating, Automating and Investing in the Future

Leveraging Technology

The 2009 President's Budget will allow SSA to continue to invest in the Agency's information technology infrastructure. We are seeking new ways to automate workloads to increase productivity and reduce the impact of the ongoing growth to our workloads. SSA will offer additional services on our website, improve the automated services we offer by telephone, provide more efficient and compassionate service to our disabled clients, and ensure that the sensitive information entrusted to us is protected and can be restored in the case of a disaster.

In FY 2009, some of the new services we will be offering are a much improved claims application package that will help ensure that claimants file for all benefits to which they are entitled, and a more integrated disability application that will streamline the filing process and improve the quality of the data we receive. In addition, we will offer the capability for third parties, such as personnel offices, to help individuals file for retirement benefits.

Improving telephone services also will be a major focus in FY 2009. We will replace our 10 year-old call center network systems, which manage and route our 800-number calls, with a system providing the Agency with 21st century features. In addition, we will continue the replacement of our outdated field office telephone systems with a state-of-the-art phone system that saves the Agency money and provides the capability to review e-mail messages over the phone.

SSA is working with the 54 State DDSs on plans to pursue the replacement, beginning in FY 2009, of the outdated systems that the States use to process disability claims with a modern, web-based case processing system. As soon as we resolve the remaining technical issues of the State DDSs, we plan to proceed.

We will take advantage of the progress that the medical community is making in automating services through Electronic Health Records and Personal Health Records. Using automated exchanges in standardized data formats, medical providers will send us requested evidence electronically, allowing us to compare this information to our updated medical listings and use business intelligence tools to make more accurate, consistent, and timely decisions.

Most importantly, we will continue with the automation of our hearing offices, expanding video conferencing technology to offer attorneys the ability to participate in video hearings from their own offices. Additional functionality that will be provided to the hearing offices includes scheduling software that automates the complex process of scheduling a hearing and case-pulling software that allows us to identify, classify and extract data from document images.

Technology and business process improvements will both play an instrumental role in helping SSA continue to make incremental productivity improvements. From FY 2001 through FY 2007, SSA achieved a cumulative 15.5 percent productivity increase. With the FY 2008 appropriation and the FY 2009 President's Budget, we plan to achieve an additional 2 percent productivity increase in each of these years.

Investing in Program Integrity

The budget includes a special funding mechanism that will provide \$240 million for SSA's program integrity efforts, in addition to the \$264 million already included in the base request, for a total of \$504 million. These efforts protect taxpayers' money by reviewing factors that could

affect eligibility for benefits or the payment amount. The two most cost-effective efforts are CDRs and SSI redeterminations.

CDRs are periodic reevaluations of medical eligibility factors for Disability Insurance (DI) and SSI disability recipients and are estimated to yield \$10 in lifetime program savings for every \$1 spent. The additional funding requested for SSI redeterminations, which are periodic reviews of non-medical factors of SSI eligibility such as income and resources, are estimated to yield \$7 in lifetime program savings for every \$1 spent. SSA plans to process 329,000 medical CDRs and nearly 1.5 million SSI redeterminations in FY 2009.

If found to be as cost effective as redeterminations, up to \$40 million may be used for initiatives to improve the disability process and up to \$34 million may be used to expand the Access to Financial Information project, which automates verification of SSI recipients' assets held in banks. In total, SSA estimates this program integrity funding in FY 2009 will result in over \$4 billion in savings over 10 years.

Other FY 2009 Appropriation Requests

I would like to turn now to a brief summary of the other appropriation requests for FY 2009.

Office of the Inspector General (OIG)

\$98.1 million for the OIG – The request for FY 2009 represents a \$6.2 million increase in resources from the FY 2008 appropriation and provides resources needed to restore some of the staffing losses that occurred in FY 2008 due to budget constraints. The OIG will continue efforts to improve the Agency's integrity, efficiency and effectiveness. To that end, the OIG provides invaluable service by directing, conducting and supervising a comprehensive program of audits, evaluations and investigations relating to SSA's programs and operations. The focal point of this effort is protecting the integrity of the Social Security Number (SSN) and the enumeration process. The OIG has also been an invaluable source of advice and data on the Hearings Backlog Reduction Plan.

Supplemental Security Income

\$45.8 billion for the SSI Program – The SSI program ensures a minimum monthly level of income to eligible aged, blind, and disabled individuals. An individual's income, resources, and living arrangements are evaluated to determine the monthly SSI payment. The President's budget reflects \$42.0 billion for Federal benefit payments to approximately 7.3 million aged, blind, and disabled beneficiaries, \$3.149 billion to reimburse the Social Security trust funds for SSI administrative expenses, \$3 million for beneficiary services, and \$35 million to fund extramural research and demonstration projects for FY 2009. The budget also includes \$15.4 billion for Federal benefit payments for the first quarter of FY 2010.

Estimates of current benefits are driven by the number of recipients eligible for monthly payments and the amount of the monthly payments. The FY 2009 request represents almost a \$1.5 billion increase over the FY 2008 enacted level. The majority of this increase results from mandatory increases in Federal benefit payments due to annual cost-of-living adjustments and an increase in SSI recipients.

Payments to the Social Security Trust Funds

\$20.4 million for Payments to the Social Security Trust Funds – This request will reimburse the Social Security trust funds for the costs of certain benefits and administrative expenses which are initially paid from the trust funds but are chargeable to general revenues. The purpose of this account is to put the trust funds in the same financial position in which they would have been had they not borne the cost of these expenses.

Conclusion

With sustained, adequate funding in FY 2009 and beyond, SSA can significantly reduce disability waiting times and backlogs while investing in the infrastructure needed to serve the baby boomers. It is critical that we begin to stabilize staffing levels and make the necessary automation and business process improvements now more than ever. America's retirement wave has officially begun.

SSA has shown that it makes excellent use of the resources it receives. Our accomplishments, in particular our cumulative 15.5 percent increase in productivity from FY 2001 through FY 2007, demonstrate that SSA is an excellent steward of taxpayer dollars. We plan to build upon our recent successes, such as the electronic disability process, by continuing to automate wherever possible. Investments in technology and new business processes will allow SSA to continue achieving incremental productivity improvements.

However, with 1,400 field and hearing offices in cities and towns across the nation, productivity alone is not enough. Service is certain to deteriorate further without an adequate and timely budget for SSA. SSA programs not only have a huge impact on the national economy, infusing billions of dollars into the economy, but a huge impact on millions of individual people's lives: people striving to build economic security, people who overcome tremendous odds to return to the workplace, people who are able to hold their families together with the help of Social Security.

The funding Congress provided to SSA for FY 2008 has made a difference in people's lives. We already have made progress with our Hearings Backlog Reduction Plan. We are reducing backlogs of our oldest cases first because it is simply unacceptable that Americans have to wait so long for a hearing decision. We have created a National Hearing Center and a Service Area Realignment Plan to distribute work more evenly across the nation. We are allowing Senior Attorneys to issue decisions in cases that are fully favorable without the involvement of an ALJ, and we are pursuing a number of electronic initiatives which will reduce the lengthy procedure to prepare cases for the ALJs. New technology and rules, such as QDD and Compassionate Allowances, are helping SSA to allow cases quicker and earlier in the process. Processing times are better than we anticipated, and the ALJs we will be able to hire this spring will place SSA in an even better position next year.

Mr. Chairman, thank you for the opportunity to present SSA's budget. I understand the many difficult choices the Committee will have to make in the near future as you appropriate funding to numerous worthwhile programs, and I appreciate how much you and the Committee did for SSA and the American people last year. Critical to our future success is adequate funding in FY 2009. People in need are counting on us now more than ever. I look forward to continuing to work with you to ensure that SSA receives a timely and adequate budget so that we can provide the level of service they deserve.

SOCIAL SECURITY ADMINISTRATION
Statement by the Commissioner of Social Security
On
Payments to Social Security Trust Funds

The fiscal year (FY) 2009 appropriation request for Payments to Social Security Trust Funds totals \$20,406,000 and covers three general fund payments to the Social Security trust funds.

Reimbursement for Pension Reform Administrative Costs

Included in this request is \$6,400,000 to reimburse the Old-Age and Survivors Insurance (OASI) trust fund for the cost of administering pension reform responsibilities assigned to the Social Security Administration under Public Law 93-406, the Pension Reform Act. The reimbursement is for the cost of furnishing information on deferred vested pension rights to pension plan participants or their survivors.

The request for FY 2009 is the same as the FY 2008 funding level and reflects the ongoing level of effort associated with this work, which flows from reports received from the Internal Revenue Service regarding individuals who have earned vested pension rights. In the event that actual expenses needed to process this workload exceed the amount available for reimbursement through this account in any fiscal year, the trust fund is made whole in the subsequent fiscal year upon enactment of the Payments to Social Security Trust Funds appropriation for that year.

Unnegotiated Checks

Also included in this request is \$14,000,000 to reimburse the OASI and Disability Insurance (DI) trust funds for the value of interest on benefit checks that remain uncashed after 6 months. This payment is authorized by Section 201(m) of the Social Security Act and Section 152 of the Social Security Amendments of 1983 (P.L. 98-21). The request for FY 2009 is the same as the FY 2008 funding level. It supports the expected level of uncashed check activity and represents the estimated interest for unnegotiated OASDI checks.

Social Security checks are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act of 1987 (P.L. 100-86). The face value of these checks is credited directly to the trust funds from the general funds when the checks are canceled. This account reimburses the trust funds for interest lost through the date of crediting at the following points in the check negotiation process: (1) checks that remain uncashed after 6 months; (2) checks that are cashed after 6 months; and (3) checks that are administratively canceled after 12 months.

Special Payments for Certain Uninsured Persons

The request before this Committee includes \$6,000 to reimburse the OASI trust fund for the cost of special benefits paid to certain uninsured persons aged 72 years and over. The benefits are paid mainly to individuals who attained age 72 before 1968 and did not have a chance to work long enough under Social Security to become insured. This payment covers benefits paid in FY 2007. The amount requested also includes reimbursement for related administrative expenses and interest lost to the trust fund.

The population receiving special payments is a closed group of very aged persons, and their number decreases annually. As of September 30, 2007, there was 1 person receiving benefits under this program, as compared to 2 on September 30, 2006.

Coal Industry Retiree Health Benefits

The request before this Committee does not include additional funds to reimburse the OASI trust fund for work carried out under Section 19141 of the Energy Policy Act of 1992 (P.L. 102-486), which established the “Coal Industry Retiree Health Benefit Act of 1992” (CIRHBA). CIRHBA requires the Social Security Administration to search earnings records of certain retired coal miners to determine which mine operators are responsible for payment of their health benefit premiums under the law. The Social Security Administration computes the premiums due based on a formula established in the Act, notifies the affected mine operators, processes appeals from operators who believe that assignments have been made incorrectly, and responds to and participates in litigation resulting from these agency determinations. Additional funds are not requested for FY 2009 because amounts remaining from the \$10,000,000 per year appropriated in FY 1996 and in FY 1997 will continue to be available until expended to reimburse the OASI trust fund.

The Social Security Administration (SSA) has made initial decisions on all of the retired miners covered under these provisions of the 1992 CIRHBA (the Coal Act) and continues to provide requested earnings records and review the appeals made by the assigned coal operators. In addition, SSA has implemented the Coal Act provisions of The Tax Relief and Health Care Act of 2006 (P.L. 109-432) which significantly impacted and restructured the Coal Act. After carefully reviewing the legislation, obtaining legal advice, and assessing how P.L. 109-432 affected existing policies and procedures, SSA complied with the provision that specifically directed the Commissioner to “revoke all assignments to persons other than 1988 agreement operators for purposes of assessing premiums for plan years beginning on or after October 1, 2007.”

While SSA has devoted considerable Agency time and resources to comply with P.L. 109-432, it also remains active in one Coal Act case which is pending adjudication in the Federal Court. The case is as follows:

Nicewonder Group, LLC v. Astrue is pending in the United States District Court for the Western District of Virginia. Plaintiffs filed a complaint alleging that they are not related to a former United Mine Workers of America signatory operator and therefore they are not responsible for the premiums of the eight miners that have been assigned to them. SSA has recently responded to this complaint.

SOCIAL SECURITY ADMINISTRATION
Statement by the Commissioner of Social Security
on
Supplemental Security Income

The Supplemental Security Income program (SSI) guarantees a minimum level of income to financially needy individuals who are aged, blind or disabled. The appropriation request for fiscal year (FY) 2009 is \$30,414,000,000, in addition to the \$14,800,000,000 appropriated for the first quarter of FY 2009 in the FY 2008 appropriation, bringing the total to \$45,214,000,000. This includes \$42,027,000,000 for Federal benefits to aged, blind and disabled recipients, \$3,149,000,000 for administrative expenses, \$3,000,000 for beneficiary services, and \$35,000,000 for research and demonstration projects.

In addition to the appropriation request, in FY 2009 SSA is also planning to use \$1,211,000,000 in carryover of unobligated balances for federal benefit payments, \$54,000,000 in carryover for beneficiary services, and \$8,554,000 for research and demonstration projects.

We are also requesting an advance appropriation of \$15,400,000,000 for the first quarter of FY 2010 to ensure that benefits will continue without interruption into the next fiscal year.

Federal Benefit Payments

The SSI appropriation provides funds for direct cash assistance to eligible aged and blind or disabled recipients to help finance their basic needs. An individual's income, resources and living arrangements are evaluated to compute the monthly SSI payment. The maximum monthly Federal Benefit Rate (FBR) is expected to increase from \$637 for an individual and \$956 for a couple in calendar year 2008 to \$653 and \$980 respectively in 2009. The average monthly benefit is expected to increase from \$473 in FY 2008 to \$486 in FY 2009.

The total FY 2009 request for Federal benefit payments is \$42.0 billion. This is an increase of \$1.35 billion from the amount appropriated for Federal benefits in FY 2008. This increase is primarily the result of annual cost-of-living adjustments (COLA) and a projected increase in SSI recipients. The maximum monthly Federal Benefit Rate is increased each January based on increases in the cost-of-living. A COLA of 2.3 percent was effective January 2008 and a 2.5 percent increase is projected for January 2009. The average number of Federal SSI recipients is expected to increase from 7,155,000 in FY 2008 to 7,314,000 in FY 2009, an increase of about 2.2 percent.

These increases are partially offset by the effect of OASDI COLAs on concurrent SSI/OASDI recipients and the use of more carryover prior-year unobligated balances in FY 2009. Because Social Security benefits are counted as income for concurrent recipients (about 36% of SSI recipients) the higher income reduces the SSI benefit payment. SSA expects to use \$1.2 billion in carryover of prior-year unobligated balances for Federal benefit payments in FY 2009, compared to an estimated \$550 million in FY 2008.

Administrative Expenses

The SSI and Social Security programs are administered on an integrated basis for purposes of economy and efficiency. The Social Security Act authorizes SSA to pay for SSI administrative expenses from the Social Security trust funds through the Limitation on Administrative Expenses (LAE) account. This appropriation funds the SSI program's share of administrative expenses incurred through the LAE account. In the event that actual SSI administrative expenses exceed the amount available for reimbursement through this account in any fiscal year, the trust funds are made whole in the subsequent fiscal year upon enactment of the SSI appropriation for that year.

The FY 2009 request for SSI administrative expenses is \$3,149,000,000. This includes \$217 million in cap adjustment funding specifically for program integrity activities such as continuing disability reviews, SSI redeterminations, and asset verification initiatives. This additional funding will allow SSA to process an additional 112,000 continuing disability reviews and 636,000 redeterminations.

These amounts exclude funding made available in the LAE account from State supplementation user fees. State supplementation is mandatory for certain recipients who were on State rolls just prior to the creation of the Federal program in 1974. Otherwise, States are encouraged to supplement the Federal benefit and may elect to have SSA administer their program. States that choose to have SSA administer their program reimburse SSA for the costs of administering the program based on a user fee schedule established by the Social Security Act. The LAE account assumes funding of \$145,000,000 from State supplementation user fees in FY 2009.

Beneficiary Services

This activity funds reimbursements to Vocational Rehabilitation (VR) agencies for rehabilitation services provided to SSI recipients. It also funds payments to Employment Networks authorized under the "Ticket to Work and Work Incentives Improvement Act of 1999" (P.L. 106-170). SSA plans to obligate \$57 million for beneficiary services in FY 2009, mostly funded from prior-year unobligated balances.

The Ticket legislation allows SSI disabled recipients more flexibility in obtaining "return to work" services by providing them with a Ticket to offer an Employment Network of their choice in exchange for VR services, employment services, and other support services. The regulation to implement the Ticket to Work Program was effective January 28, 2002. The Ticket program has been rolled out to all States and U.S. territories since September 2004. In August 2007, SSA published a Notice of Proposed Rule Making to simplify and improve the Ticket to Work program. SSA expects to publish the final regulation in 2008.

Research

Sections 1110 and 1115 of the Social Security Act provide funding authority, including waiver authority for the SSI program where appropriate, for research and demonstration projects. Authority is provided for conducting both broad-based cross-program projects in the Social Security and SSI programs and projects dealing with specific SSI program issues.

Section 1144 of the Social Security Act requires SSA to conduct outreach efforts to identify individuals who may be eligible for payment of the cost of Medicare under the Medicare Savings Program. The passage of the Medicare Prescription Drug, Modernization, and Improvement Act of 2003 (P.L. 108-173), expanded the existing cost-sharing outreach requirements of section 1144 to include outreach to beneficiaries who may potentially be eligible for Medicare prescription drug subsidies under Medicare Part D.

The \$35 million request for the FY 2009 extramural research program, along with \$13.4 million in funds carried over from FY 2008, will fund a range of activities, including projects to develop effective rehabilitation and return-to-work strategies, analyze reform proposals to ensure sustainable solvency, maintain and improve basic data about the Social Security and SSI programs and beneficiaries, and provide outreach to potential beneficiaries of the Medicare Savings Program and prescription drug subsidies. Some of the major research efforts are as follows:

Youth Transition Demonstration (YTD)—assists young people with disabilities to transition to the workforce.

The projects focus on youth between the ages of 14 and 25 who receive (or could receive) disability benefits. In addition, five pilot sites have been funded for a year beginning in 2007. In November, 2007, on the basis of a systematic assessment of the pilot operation and advancement of the SSA research agenda, three of these sites were selected to fully implement their YTD projects beginning in 2008. The overarching goal of the YTD is to find ways to enable young people with disabilities to maximize their potential for self-sufficiency. The projects also are testing whether modified SSI rules will encourage YTD participants to work and save for their future. Throughout implementation of YTD, project staff receives technical assistance and training. The YTD project has joint funding with section 234, as appropriate, based on the participation of Title II and Title XVI beneficiaries.

Evaluation of the Ticket to Work—the evaluation will examine participation by both beneficiaries and the new Employment Networks (EN) created by the program. It will also provide feedback to policymakers through periodic reports detailing data collection, findings and recommendations for program modifications.

The findings thus far indicate that the Ticket program has significant potential but that improvements in beneficiary awareness and EN incentives are needed. Survey findings show that many more beneficiaries are interested in employment and working their way off disability benefits than is reflected in Ticket to Work program participation. Most beneficiaries remain unaware of the Ticket to Work program despite various efforts by SSA to publicize the program. Among those who are aware, a small, but significant number, have tried to use their Ticket but have been unable to find an EN to accept it. Participation by ENs has been disappointing and the evaluation indicates that the current payment rules are not providing enough revenue by ENs to cover their costs. SSA initiatives to reduce EN costs have helped but have not significantly affected EN profitability. The proposed changes to the Ticket to Work program

regulations are

designed to address this cost/revenue imbalance and hold promise for reinvigorating the program.

Compassionate Allowance—a new initiative designed to expedite disability determinations for individuals who, often at the time of application, meet SSA’s medical criteria for disability. The project intends to reduce SSA’s disability hearings backlog by ensuring that such claims are allowed early in the claims process.

Funding of this initiative supports the following activities:

- Interagency Agreements with the National Institutes of Health, including agreements with its individual institutes and grantees.
- Development of an up-to-date, disease-specific medical information data-base specifically designed to be applicable to SSA’s disability criteria.
- Investigation of how advances in medical and information systems technologies can be applied to expedite SSA’s processing of compassionate allowances.
- Obtaining expert advice from organizations such as the Institute of Medicine or the National Academy of Social Insurance on discrete medical issues pertaining to SSA’s medical criteria for determining disability.
- Development of user-friendly tools designed to aid claimants’ interactions with SSA’s disability claims processes.
- Field testing and implementation of tools designed to improve disability processes.

The Compassionate Allowances initiative is designed to quickly identify diseases and other medical conditions that invariably qualify under the Listing of Impairments based on minimal objective medical information.

Section 1144/1110 Outreach Requirements:

Medicare Buy-in—cost-sharing under the Medicaid program; Medicare Buy-in Outreach, required by section 1144 of the Social Security Act, requires SSA to provide notification to those potentially eligible for the Medicare Savings Program and help with prescription drug expenses under Medicare Part D. In addition, SSA is required to share lists of those potentially eligible with State Medicaid agencies.

Medicare Part D Prescription Drug Outreach—The major objective of these projects is to increase enrollment of eligible low-income individuals into programs which assist Medicare beneficiaries with their out-of-pocket medical expenses, including prescription drugs.

Homeless Outreach—this initiative will help SSA to demonstrate the effectiveness of using skilled medical and social service providers to identify and engage homeless individuals with disabilities as well as assist them with the application process. The service providers began enrolling project participants in September 2004. As of October 2007, Homeless Outreach

Project & Evaluation (HOPE) grantees enrolled 9,054 homeless individuals in to the HOPE project. Of those, 2,976 have been awarded benefits based on disability.

The HOPE initiative is focused on assisting eligible, homeless individuals in applying for SSI and DI benefits. The HOPE projects will help SSA to demonstrate the effectiveness of using skilled medical and social service providers to identify and engage homeless individuals with disabilities as well as assist them with the application process.

In September 2004, SSA awarded an evaluation contract to Westat Inc. The evaluation report was completed in October 2007.

Solvency Research

The research budget supports efforts to assess the economic and distributional effect of proposals for reforming Social Security and keeping it financially sustainable now and in the future. Two key projects are:

- Retirement Income Modeling, which uses econometric and simulation models to provide policymakers with detailed information on the effects of changes in Social Security on individuals and the economy, with projections for years into the future.
- The Retirement Research Consortium, which consists of three multi-disciplinary centers that perform research and evaluation of retirement policies, disseminate results, train young scholars and practitioners, and facilitate the use of SSA administrative data for policy research purposes.

SOCIAL SECURITY ADMINISTRATION
Statement by the Commissioner of Social Security
on
Limitation on Administrative Expenses

The President's fiscal year (FY) 2009 request for the Limitation on Administrative Expenses (LAE) account is \$10.327 billion, an increase of 6 percent or \$582 million over FY 2008. The LAE request, including funding derived from user fees, provides administrative resources for the Old-Age and Survivors Insurance, Disability Insurance (DI), Supplemental Security Income (SSI) programs, Special Benefits for Certain World War II Veterans, the Medicare prescription drug program, and certain other Medicare support functions.

At this funding level, we expect to make significant progress with our Hearings Backlog Reduction Plan by processing 85,000 more hearings in FY 2009 compared to FY 2008, ultimately reducing the number of hearings pending from over 750,000 to 683,000 in one year. We will be able to reduce the initial disability claims backlog to the lowest level in 10 years; the pending level for these claims will drop below 500,000 for the first time since 1999. Finally, the FY 2009 budget will put us in a better position to handle the onslaught of work we are confronting due to the aging of the baby boomers. We plan to process over 400,000 additional retirement claims in FY 2009 as compared to FY 2007, enabling SSA to keep up with the influx of baby boomer claims.

Salaries and Operating Expenses

The LAE budget request includes \$7.844 billion for Federal salaries and operating expenses, including Federal pay raises and benefit increases and rent for SSA offices across the nation. Approximately 70 percent of our administrative resources are used for personnel costs. The remainder is used to support these personnel and the workloads they process. Due to fixed cost increases, such as annual increases to Federal employee salaries, benefits, rent, and guard services, the total requested increase is essential to avoid disruptions to the service SSA provides and to help provide better service to the millions of Americans who count on us each and every day.

SSA relies on a mix of full time equivalents and overtime to achieve its total workyears. This budget supports 62,538 workyears for SSA proper, essentially providing stable staffing and stopping a trend in recent years of declining staffing levels which has affected service to the public. With 1,400 offices in cities and towns across America, it is important that SSA has adequate staffing now and in the future to provide service to a growing number of beneficiaries.

State Disability Determination Services

The LAE budget request includes \$1.946 billion for operating expenses for the State DDSs. This represents a net increase of \$102 million over the FY 2008 level, primarily to fund State pay raises and higher costs for medical evidence. SSA estimates that almost 2.6 million initial disability claims will be processed by the DDSs in FY 2009, nearly 20,000 more cases than in FY 2008 and 70,000 more cases than in FY 2007. Efforts such as the successful electronic disability process and SSA's new Quick Disability Determination and Compassionate Allowance processes will improve service to the public, helping claimants to receive decisions earlier at this critical juncture in their lives.

In addition, SSA will continue its focus on program integrity by conducting periodic continuing disability reviews (CDR). The FY 2009 President's budget includes a proposal to dedicate funding for increasing the number of CDRs conducted.

Information Technology Systems

The LAE budget request includes \$504 million for Information Technology Systems (ITS) in FY 2009. With this funding, SSA will be able to continue to invest in the Agency's information technology infrastructure. We are seeking new ways to automate workloads to increase productivity and reduce the impact of the ongoing growth to our workloads. SSA will offer additional services on our website, improve the automated services we offer by telephone, provide more efficient and compassionate service to our disabled clients, and ensure that the sensitive information entrusted to us is protected and can be restored in the case of a disaster.

Technology and business process improvements will both play an instrumental role in helping SSA continue to make incremental productivity improvements. From FY 2001 through FY 2007, SSA achieved a cumulative 15.5 percent productivity increase. With the FY 2008 appropriation and the FY 2009 President's Budget, we plan to achieve an additional 2 percent productivity increase in each of these years.

Program Integrity Activities

The President has proposed to set caps on net discretionary budget authority and outlays in FY 2009. The FY 2009 President's Budget would allow adjustments to these caps for spending above a base level of funding for several Government-wide program integrity activities, including SSA's CDRs and SSI redeterminations.

In FY 2009, the LAE base request includes a total of \$264 million dedicated for CDRs and SSI non-disability redeterminations. The request specifies that upon enactment of discretionary spending caps, \$240 million of SSA's budget request would not count towards the overall cap on discretionary budget authority. CDRs are the most effective mechanism SSA has for determining whether DI and SSI disability beneficiaries have medically improved or continue to meet the statutory definition of disability. CDRs are a proven, sound investment – yielding \$10 in lifetime program savings for every \$1 spent. SSI redeterminations are periodic reviews of non-medical factors of SSI eligibility. The additional funding requested for redeterminations are estimated to yield \$7 in lifetime program savings for every \$1 spent. SSA plans to process 329,000 medical CDRs and nearly 1.5 million SSI redeterminations in FY 2009. If found to be cost effective as redeterminations, up to \$40 million may be used for initiatives to improve the disability process and up to \$34 million may be used to expand the Access to Financial Information project, which automates verification of SSI recipients assets held in banks. In total, SSA estimates this program integrity funding in FY 2009 will result in over \$4 billion in savings over 10 years.

User Fees

The FY 2009 LAE request includes up to \$145 million in funding from user fees that are paid by States for Federal administration of SSI State supplementation payments. This is \$12 million higher than the FY 2008 level. Funding derived from the user fees helps cover the costs of administering State supplementation payments. The FY 2009 LAE request also includes up to \$1 million in fees for certification of non-attorney representatives, as provided in section 303(c) of the Social Security Protection Act.

Conclusion

SSA's LAE budget provides the necessary resources to begin to halt the decline in customer service by preventing further staffing losses and investing in needed technology. SSA will be able to process substantially more retirement claims, keeping up with an onslaught of work as baby boomers begin to retire, while significantly reducing the disability backlogs.

It is important to note that at less than 1.5 percent of SSA's total outlays, the LAE budget is a fiscally reasonable and responsible approach. A multi-year effort is needed to eliminate the disability backlogs. In addition, SSA will not be able to handle some of its less visible work, generally work that is done after an individual is approved for benefits.

SOCIAL SECURITY ADMINISTRATION
Statement by the Commissioner of Social Security
on
Office of the Inspector General

Background

As part of the Social Security Independence and Program Improvements Act of 1994, SSA was provided with its own statutory Inspector General. As mandated by the Inspector General Act of 1978, as amended, the Office of the Inspector General's (OIG) mission is to protect the integrity of SSA's programs. The OIG is directly responsible for promoting economy, efficiency and effectiveness in SSA programs and detecting and preventing fraud, waste and abuse. This mission is carried out through a nationwide network of audits and investigations. In conducting audits and investigations, the Inspector General works closely with both the Congress and SSA to improve program management.

Budget Request

The fiscal year (FY) 2009 appropriation request for the OIG totals \$98,127,000. This includes \$28,000,000 to be appropriated from general funds and \$70,127,000 to be transferred from the Social Security trust funds. OIG's FY 2009 budget request provides funds for the current operating expenses of its programs, including:

- Almost \$86.8 million for salaries and benefits; and
- Almost \$11.3 million for other operating expenses such as rent, travel, service agreements, investigative equipment, and supplies.

This request is an increase of approximately \$6 million (6.8 percent) compared to the FY 2008 enacted level. This increase covers the costs of payroll increases including Federal pay raises, within-grade increases, benefit rate increases for health benefits, and higher costs for newer employees hired under the Federal Employees' Retirement System (FERS).

The budget request is driven primarily by costs (including salaries, benefits, rent and core services) associated with supporting the staffing levels needed to conduct audits and investigations. The FY 2009 request supports a staffing level of 604 workyears. With the resources included in this request, OIG will continue to support ongoing major initiatives that focus on key areas such as the protection of personally identifiable information, including the protection and integrity of the Social Security number. OIG will also continue to aggressively pursue anti-fraud activities on a variety of fronts. The Cooperative Disability Investigation Program will continue to investigate disability program fraud while other personnel will combat improper OASDI and SSI payments.

Conclusion

FY 2009 will bring new opportunities for the OIG to fulfill its mission, as well as to confront the continuing challenges of assuring integrity in the nation's largest benefit-paying programs. This budget request provides funding to enable the OIG to carry out that mission and to support SSA's efforts to seek efficiencies, avoid erroneous payments, and combat fraud.