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## **A MESSAGE FROM THE COMMISSIONER**

Social Security touches the lives of nearly every American, often during times of personal hardship, transition, and uncertainty. Our 80,000 Federal and State employees serve the public through a network of 1,500 offices across the country. Each day, almost 180,000 people visit our field offices and more than 435,000 people call us for a variety of services such as filing claims and asking questions. Our fiscal year (FY) 2013 budget request is consistent with my commitment to be a good steward of our programs and provide these services to the public.

For FY 2013, we are requesting \$11.760 billion for our administrative expenses, a modest increase from FY 2012. I urge Congress to pass this level of funding because we have proven that we deliver. We have drastically reduced the time claimants wait for a hearing decision. In FY 2011, we cut the average wait below one year for the first time since 2003. Wait times were also down in field offices and on our 800-number. Busy signals on our 800-number were the lowest ever. We achieved these improvements even as we have steadily increased our program integrity work as well. Since 2007, we have doubled our Supplemental Security Income (SSI) non-disability redeterminations and increased our medical Continuing Disability Reviews (CDRs) by over 80 percent, and we will conduct even more reviews this fiscal year. The benefits we save through these efforts far outweigh their costs, and we have seen a significant increase in SSI payment accuracy. Through the hard work of our employees and technological advancements, we have increased employee productivity by an average of about four percent in each of the last five years. Few, if any, organizations have accomplished similar improvements.

Despite these remarkable outcomes, in FY 2011 and FY 2012, we received appropriations that were far below what the President requested. In FY 2012, we are operating with \$400 million less than we had in FY 2010. These cuts forced hard choices so that we can direct our limited resources to our most vital services.

Our FY 2013 budget request is lean. We have already curbed lower priority activities so that we can continue to achieve our most important goals – eliminating the hearings backlog and focusing on program integrity work. While we will meet our highest priorities, we simply cannot do all of the other work we are required to do. We expect to lose over 3,000 employees in FY 2012 and over 2,000 more in FY 2013, on top of the more than 4,000 employees we already lost in FY 2011 – a total loss of more than 9,000 Social Security and State Disability Determination Services employees in just three years. When I leave office in 2013, the agency will have about the same number of employees that we had when I arrived in 2007 even though our work has increased dramatically. Retirement and Survivor claims will have

increased by over 30 percent and disability claims will have increased by nearly 25 percent since that time.

When I became the Commissioner, Congress made it clear that the hearings backlog was unacceptable. I committed, by the end of FY 2013, to eliminate the hearings backlog and reduce the average time it takes for a hearing decision to 270 days. Mustering help from across the agency, we remain determined to achieve this goal despite the significant increase in hearing requests. More people filed for disability during the economic downturn, and even more people have pursued appeals. By the end of FY 2013, we will have received nearly one million more hearing requests than we estimated when we established the hearings backlog reduction plan in 2007. In FY 2013, we plan to complete over 960,000 hearings, 75 percent more than we completed in FY 2007. Due to these increases, our ability to promptly hire additional judges and Congress' support of our FY 2013 budget request are vital to meeting this goal.

We will balance the hearings backlog initiative with increased program integrity work. We pay over \$60 billion in benefit payments each month to over 60 million beneficiaries, and we have a duty to pay those benefits promptly and accurately. We have several tools to help minimize improper payments—two of our most cost-effective program integrity tools are medical CDRs and SSI redeterminations. With this budget, we will complete the Budget Control Act levels of these workloads, which will save billions for the taxpayer.

Let me be clear. We still cannot accomplish everything we would like for the American people. Many of our successes are slipping, and it will take us longer than a year to recover from prior year shortfalls. Pending initial disability claims will grow, and callers to our 800-number telephone service will get more busy signals and wait longer for service.

Social Security is indispensable to workers, people with disabilities, seniors, and survivors. Our employees are dedicated and hard-working public servants, and they do what they can to provide good service to the millions of people who count on us. Without your support, we will not meet our service goals for the American people. Conversely, your support will enable us to continue to deliver.



Michael J. Astrue  
*Commissioner*

## FY 2013 FUNDING TABLE

	FY 2011 Actual	FY 2012 Enacted <sup>1,2,3</sup>	FY 2013 Estimate
<b>BUDGET AUTHORITY</b> (in millions)			
Limitation on Administrative Expenses (LAE)	\$11,424	\$11,446	\$11,760
Research and Demonstrations	\$43	\$8	\$48
Office of the Inspector General (OIG)	\$102	\$102	\$108
<b>Total Budget Authority</b>	<b>\$11,569</b>	<b>\$11,556</b>	<b>\$11,916</b>
<b>WORKYEARS</b>			
Full-Time Equivalents	67,030	64,545	62,761
Overtime	2,039	2,125	2,125
Lump Sum	289	293	293
<b>Total SSA</b>	<b>69,358</b>	<b>66,963</b>	<b>65,179</b>
Disability Determination Services (DDS)	16,739	14,825	14,391
<b>Total SSA/DDS</b>	<b>86,097</b>	<b>81,788</b>	<b>79,570</b>
OIG	578	586	596
<b>Total SSA/DDS/OIG Workyears</b>	<b>86,675</b>	<b>82,374</b>	<b>80,166</b>

<sup>1</sup> Includes program integrity funding from the Disaster Relief Appropriations Act, 2012 (P.L. 112-77.)

<sup>2</sup> Since the Consolidated Appropriations Act of 2012 (P.L. 112-74) did not fully fund the cap adjustment for FY 2012, the President's Budget proposes to provide an additional \$140 million in cap adjustment funding in FY 2012, consistent with section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. This additional funding, which is not included above, would allow SSA to complete 569,000 periodic medical CDRs in FY 2012 instead of the 435,000 currently projected.

<sup>3</sup> The FY 2012 enacted LAE Budget Authority is \$11,453 million. However, effective April 1, 2012, Massachusetts will assume control of its State Supplementary payments reducing the estimated SSI user fees by approximately \$7.1 million. The resulting available SSI user fee funding for FY 2012 is approximately \$154 million. The available LAE funding for FY 2012 is approximately \$11,446 million.

## FY 2013 PERFORMANCE TABLE

	FY 2011 Actual	FY 2012 Enacted <sup>1,2</sup>	FY 2013 Estimate
<b>Selected Workload Measures</b>			
Retirement and Survivors Claims Completed (thousands)	4,878	4,918	5,049
Initial Disability Claims Completed (thousands)	3,391	3,173	2,847
Reconsiderations Completed (thousands) <sup>3</sup>	832	787	663
Hearings Completed (thousands)	795	875	960
Periodic Continuing Disability Reviews (CDR) Completed (thousands)	1,409	1,285	1,550
Periodic Medical CDRs (included above, thousands)	345	435	650
SSI Non-Disability Redeterminations Completed (thousands)	2,457	2,622	2,622
800-Number Transactions Handled (millions)	63	63	62
Average Speed of Answer (seconds)	180	285	300
Agent Busy Rate	3%	6%	7%
Social Security Numbers Issued (millions)	17	17	16
Annual Earnings Items Completed (millions)	241	242	251
Social Security Statements Issued (millions)	74	14	158
<b>Selected Outcome Measures</b>			
Initial Disability Claims Pending (thousands)	759	861	1,164
Reconsiderations Pending (thousands) <sup>3</sup>	176	184	242
Hearings Pending (thousands)	787	746	544
Average Processing Time for Initial Disability Claims (days)	109	111	137
Annual Average Processing Time for Hearings Decisions (days)	360	338	293
September Average Processing Time for Hearings Decisions (days)	345	321	270
Disability Determination Services Production per Workyear	287	322	322
Office of Disability Adjudication and Review Production per Workyear	109	114	115
Other Work/Service in Support of the Public - Annual Growth of Backlog (workyears)		(3,800)	(6,000)

<sup>1</sup> Includes program integrity funding from the Disaster Relief Appropriations Act, 2012 (P.L. 112-77.)

<sup>2</sup> Since the Consolidated Appropriations Act of 2012 (P.L. 112-74) did not fully fund the cap adjustment for FY 2012, the President's Budget proposes to provide an additional \$140 million in cap adjustment funding in FY 2012, consistent with section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. This additional funding would allow SSA to complete 569,000 periodic medical CDRs in FY 2012 instead of the 435,000 currently projected.

<sup>3</sup> Average Processing Time measures for reconsiderations are currently under development.

## OUR PROGRAMS

Whether it is after the loss of a loved one, at the onset of disability, during the transition from work to retirement, or posting covered wages to a worker's earnings record, we touch the lives of virtually every person in America, as well as the lives of many people living abroad. We administer three key programs that serve the public. They are:

**OLD-AGE AND SURVIVORS INSURANCE (OASI)** – Created in 1935, the OASI program provides retirement and survivors benefits to qualified workers and their families. In FY 2013, we will pay about \$672 billion in OASI benefits to approximately 47 million beneficiaries, including about 90 percent of the population aged 65 and over.

**DISABILITY INSURANCE (DI)** – Adopted in 1956, the DI program provides benefits for disabled workers and their families. In FY 2013, we will pay about \$143 billion in DI benefits to approximately 11 million disabled workers and their family members.

**SUPPLEMENTAL SECURITY INCOME (SSI)** – The SSI program, established in 1972, provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2013, we will pay about \$58 billion in Federal and State Supplementation benefits to almost 8.5 million SSI recipients.

**WORKLOADS** – Our ongoing workloads include:

→ **Claims:** We take claims, evaluate evidence, and determine benefit eligibility and amounts. In FY 2013, we will handle over 5 million retirement, survivor, and Medicare claims; over 2.8 million Social Security and SSI initial disability claims; and 297,000 SSI aged claims.

→ **Appeals:** We have three levels of administrative appeals for claimants who dispute our decisions:

- 1) a reconsideration, which is a complete review of the claim by an employee who did not take part in the initial determination;
- 2) a hearing before an administrative law judge (ALJ); and,
- 3) a request for review to the Appeals Council.

In FY 2013, we will complete approximately 663,000 reconsiderations, 960,000 hearings, and 137,000 Appeals Council reviews. If a claimant disagrees with the Appeals Council's decision or if the Appeals Council decides not to review the case, he or she may file a lawsuit in a Federal district court.

- Program Integrity: Our stewardship responsibilities include conducting non-medical SSI redeterminations and periodic medical CDRs. These reviews save significant program dollars by avoiding improper payments to beneficiaries. For FY 2013, we estimate that every dollar spent on CDRs will yield about \$9 in program savings over 10 years, including Medicare and Medicaid program effects, and that every dollar spent on SSI redeterminations will yield about \$6 in program savings over 10 years, including Medicaid program effects. In FY 2013, we will perform 2.6 million SSI redeterminations and 650,000 periodic medical CDRs.
- Social Security Numbers (SSN): We complete applications for and assign SSNs to every American and to qualifying foreign-born workers. We also complete millions of actions to keep our number holders' records current and accurate. In FY 2013, we will complete requests for approximately 16 million new and replacement Social Security cards.
- Earnings Records: We receive regular updates on the earnings of the working population from employers and post those reported earnings to the workers' records. We link earnings records to SSNs and resolve any discrepancies. In FY 2013, we will post 251 million earnings items to workers' records.
- Social Security Statements: These statements provide updates of the earnings on which workers have paid Social Security taxes and summaries of the estimated benefits workers and their families may receive as a result of those earnings. Full funding of the FY 2013 President's Budget will allow us to resume mailing Social Security Statements to all eligible workers 25 years old or older, 158 million in FY 2013.
- Services After Individuals Become Eligible for Benefits: In FY 2013, we will complete more than 100 million post-entitlement actions for beneficiaries, including issuing emergency payments, re-computing payment amounts, and completing address and other status changes.
- Employment Eligibility Verification (E-Verify): We support the Department of Homeland Security (DHS) with its E-Verify program. We assist DHS in verifying the employment eligibility of newly hired employees by electronically checking employee names, SSNs, dates of birth, and U.S. citizenship status, and we resolve discrepancies. We expect that through E-Verify we will process more than 21.7 million queries in FY 2013.
- Medicare & Medicaid Administration Assistance: For over four decades, we have assisted the Centers for Medicare & Medicaid Services (CMS) in administering the Medicare Hospital Insurance and Supplementary Medical Insurance programs. Over the years, we have received additional Medicare related responsibilities. In addition to determining Medicare

eligibility, in FY 2013, we will handle 1.4 million Medicare prescription drug subsidy applications.

→ Other Activities Mandated by Congress: We also perform many other workloads mandated by Congress, including activities related to: the Employee Retirement Income Security Act of 1974 (ERISA); the Coal Act; Supplemental Nutrition Assistance Program (formerly Food Stamps); SSN Verifications for a wide-range of non-program purposes; the Help America Vote Act; the State Children's Health Insurance Program; Veterans benefits; and the Affordable Care Act.

## **FY 2013 BUDGET REQUEST**

In FY 2013, we will be able to replace staff in the DDSs and in our hearings operation. Replacing some of our staffing losses is critical to meeting our service and stewardship priorities in FY 2013: processing an extremely high number of applications for benefits; providing timely justice on their appeals; and significantly increasing our program integrity work consistent with the Budget Control Act.

Our work is vital to the national economy. Large backlogs in initial disability claims and hearings cause millions of eligible Americans to endure lengthy waits for benefit payments, which can result in financial hardship and gaps in health care coverage. Our program integrity work saves billions of taxpayer dollars each year. In addition, promptly and accurately handling claims on the front end is critical to the integrity of our programs. This budget, building on our productivity improvements, will allow us to achieve our top priorities. We plan to meet our 270-day hearings processing time goal in September 2013 and complete the Budget Control Act levels of program integrity work.

In FY 2013, we will need a minimum administrative budget increase of over \$300 million just to cover our fixed costs, including rent, guards, postage, and employee salaries and benefits. Even with this request, we will only be able to replace about one out of four employees in the rest of the agency, including our field offices and processing centers. We have had to make difficult trade-offs in these lean times. The backlog in initial disability claims will rise, and service in other key areas will deteriorate.

## **WHAT WE HAVE DONE TO REDUCE OUR COSTS**

In FY 2011, we operated with and, in FY 2012, we continue to operate with less funding than we had in FY 2010; thus, we have had to make significant cuts. In FY 2011, we froze hiring across the agency except in our hearing offices, and we will only be able to do some limited critical

hiring in FY 2012. As a result, we expect to lose more than 7,000 Federal and State employees over these two years. We have reduced the hours we are open to the public so that we can complete late day interviews without using overtime, which use of has significantly dropped since 2010.

We were unable to open eight needed new hearings offices and a new teleservice center. Our field and hearing office employees stopped visiting remote service sites to save travel time and costs, and we are beginning to consolidate offices where it makes business sense.

In FY 2011, we suspended mailing the paper Social Security Statements because it costs nearly \$70 million each year. Most workers who would like an estimate of their Social Security retirement benefit can currently use our online Estimator at our [website](#). We also reduced, or completely suspended, the mailing of other lower priority notices.

We looked for a number of small and easy policy improvements to allow our employees to work more efficiently. In 2011, we revised our policies to eliminate subsequent disability applications and give DDSs some flexibility in the order of evaluation steps when it is appropriate to do so. Later in 2012, we will require all claimant representatives to file appeals online using our improved iAppeal application. This change will reduce duplicative work in the field offices and speed the progress of the cases for claimants.

We made these cuts to preserve our highest priorities – meeting our hearings plan commitments and increasing our program integrity work. We will continue to cut costs where we can and to search for creative ways to maximize our resources to best preserve our service to the American people. However, it will be difficult to make further reductions without significantly jeopardizing our service and stewardship efforts.

## **FY 2011 ACCOMPLISHMENTS**

We are a very efficient organization—our administrative costs are less than 1.5 percent of the benefit payments we pay each year. Our fiscal data confirm that we are continuing to work smarter than ever before. In FY 2011, our productivity increased 4.6 percent. I am pleased to report that the average time to complete a hearing is over five months lower than when I first took office. We also completed a record number of retirement and disability claims, about 30 percent more than in FY 2007. Without our employees' hard work and dedication, we would not have been able to keep improving our services and reducing wait times during these difficult times.

We maximized our resources to best to serve the American people. However, due to our reduced funding, we lost over 4,000 employees in FY 2011 while facing unprecedented workloads. Our work is labor-intensive; therefore, the number of employees we have determines the amount of work we can complete. With fewer employees and less overtime, we had to lower some of our performance goals in our FY 2011 Operating Plan to Congress. Most notably, we were not able to complete as much program integrity work as we originally planned in the President's Budget.

Despite the budget constraints, in FY 2011 we achieved the following:

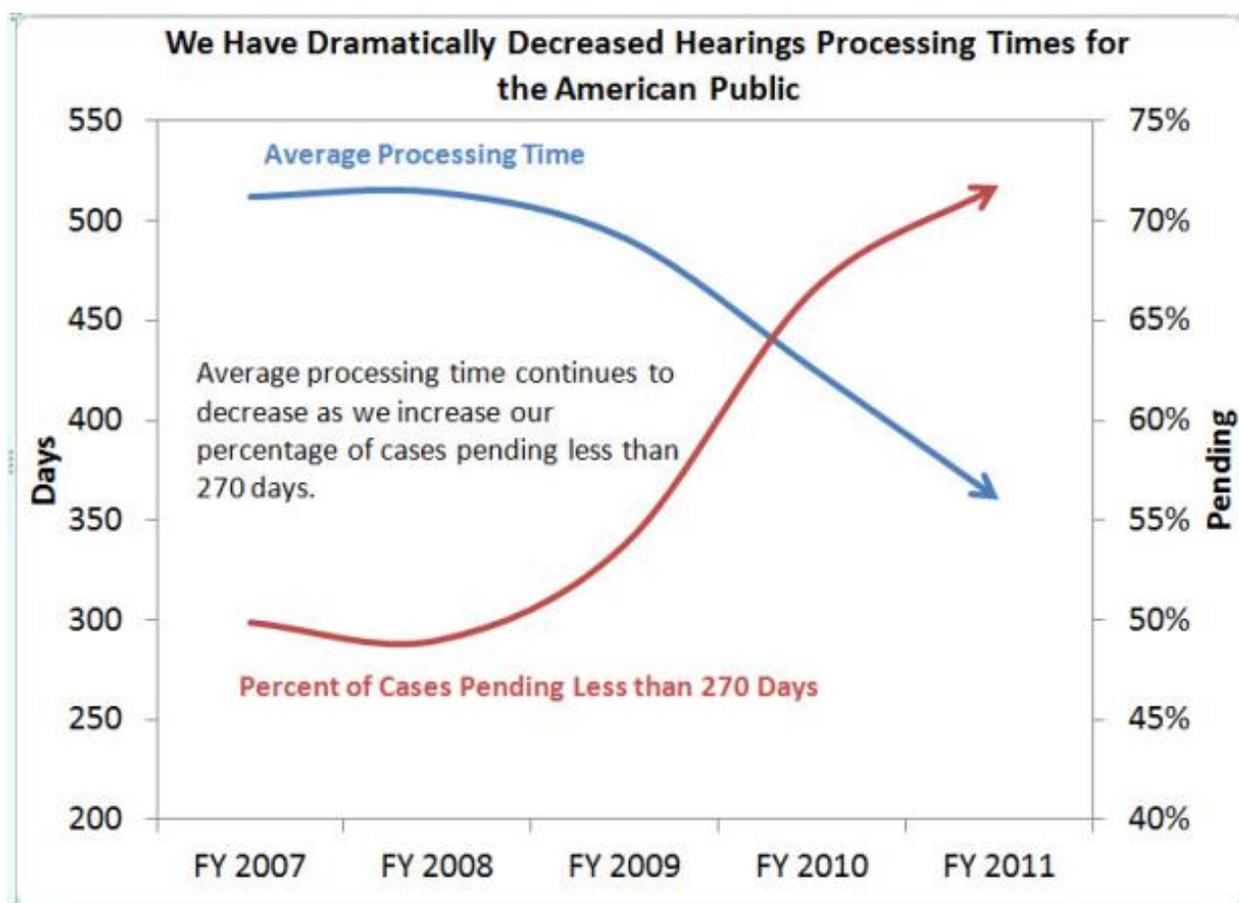
- Set new records for claims and hearings handled by completing over 4.8 million retirement and survivors claims, nearly 3.4 million initial disability claims, and over 795,000 hearings;
- Completed 345,000 periodic medical CDRs and over 2.4 million SSI non-disability redeterminations;
- Handled nearly 63 million 800-number transactions;
- Issued 17 million SSNs;
- Posted 241 million annual earnings reports;
- Beat our average hearings processing time goal of 365 days. We ended the fiscal year at 345 days, keeping us on track for meeting our FY 2013 hearings goal;
- Significantly exceeded our 800-number average speed of answer goal of 267 seconds and busy rate goal of 6 percent, achieving 180 seconds and 3 percent, respectively; and
- Continued to increase online claims, with 41 percent of retirement claims and 33 percent of disability claims filed online.

## BEST VALUE FOR THE TAXPAYERS

### Eliminating the Hearings Backlog

Since FY 2007 when we implemented our plan to eliminate the hearings backlog, we have made steady improvements each year, despite huge increases in hearing requests. Hearings requests have skyrocketed because more people have been filing for disability benefits due to the economic recession and the aging of the baby boomers. We received over 877,000 hearings requests in FY 2011 compared to about 579,000 in FY 2007. In FY 2011, we completed nearly 50 percent more hearings than in FY 2007 and nearly 25 percent more than we estimated in our original backlog reduction plan.

We continue to experience unprecedented levels of hearings requests. Nonetheless, we are making remarkable progress on reducing the waiting time for decisions. We decreased the average time it takes to complete hearings from a peak of 532 days in August 2008 to 345 days as of September 2011 – a decrease of over one-third and the lowest level since FY 2003.



The increased productivity of our ALJ corps and many small but important initiatives—including enhanced systems for management information, uniform business processes, more effective use of support staff, improved training, more efficient allocation of resources, and development of decisional templates—have brought us closer to our goal of an average of 270 days to decide a case.

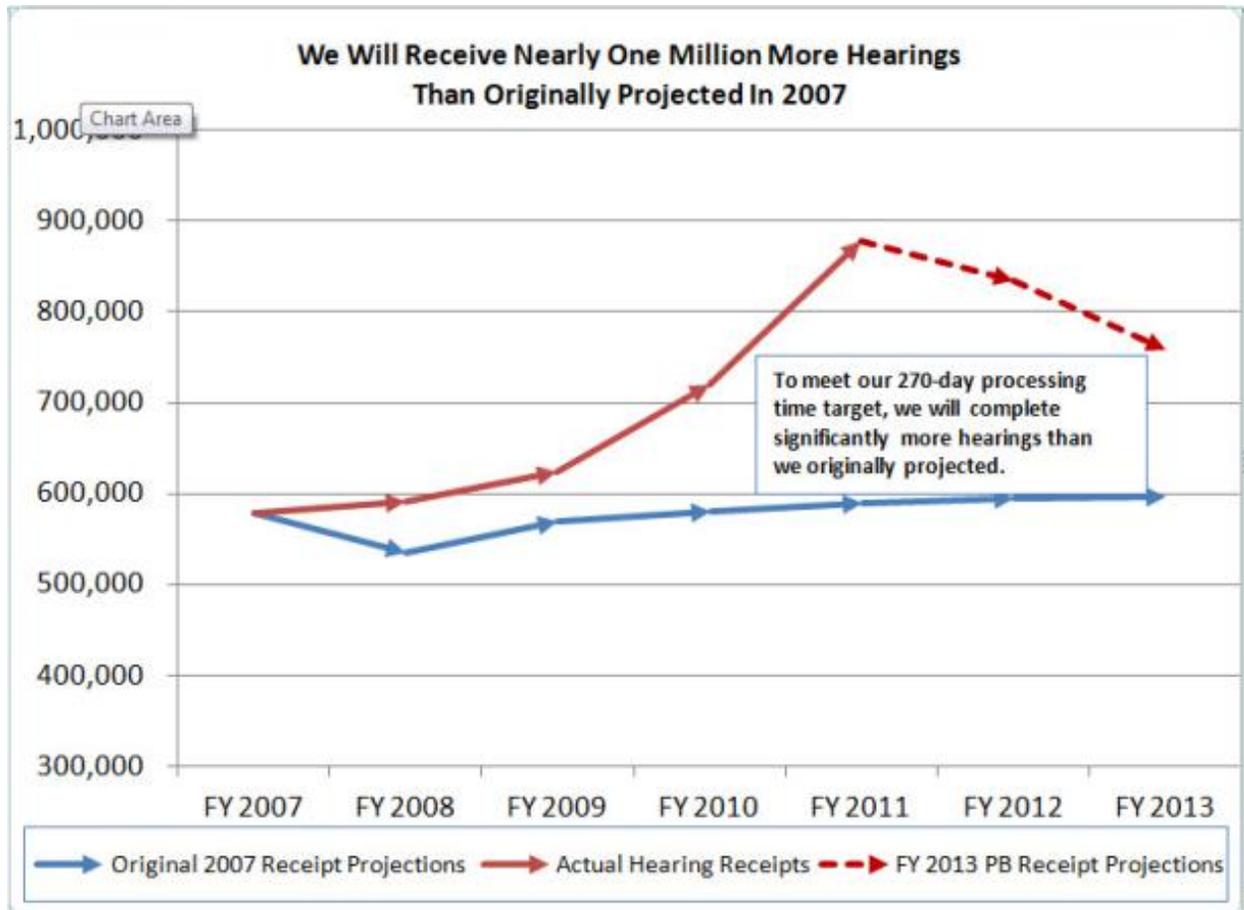
In FY 2011, we built upon our success by implementing the following improvements and efficiencies:

- Set and met weekly workload targets for our hearing offices to more effectively balance work throughout each month;
- Decreased the percentage of hearings pending more than 270 days from about 50 percent in FY 2008 to less than 30 percent at the end of FY 2011;
- Virtually eliminated all cases over 750 days, exceeding our 775 day goal;
- Continued to increase our use of video technology, which is cost-effective, reduces travel expenses and travel time, and gives us flexibility in meeting customer needs;
- Discontinued the scheduling of hearings at temporary remote sites;
- Hired verbatim hearing reporters to replace contractors;
- Adapted and implemented hearing office best practices in all of our National Hearing Centers; and
- Allowed appointed representatives to access their clients' electronic folder to prepare for a hearing, which eliminated the need for our support staff to handle these issues.

With full funding of the FY 2013 President's Budget, we expect to reduce the average wait for a hearing decision to 270 days in September 2013 – a major accomplishment, particularly in this difficult fiscal environment. To reach this ambitious goal, we will need to complete a record number of cases in FYs 2012 and 2013 – nearly 875,000 cases in FY 2012 and over 960,000 in FY 2013, which is nearly double the number we handled ten years ago.

We continue to press on all fronts to reduce the hearings backlog, including shifting our Federal disability units from assisting the State agencies with disability determinations to helping in the hearings process. Because of these efforts, we are steadily decreasing the hearings backlog. However, because only ALJs can hear cases, even these efforts will not allow our current ALJ cadre to keep up with the influx of new hearing requests. Therefore, we are working closely with the Office of Personnel Management to develop a new list of potential candidates from

which we can hire additional ALJs. By 2013, we plan to have a cadre of over 1,500 ALJs along with the necessary support staff.



As we work down the hearings backlog, it increases the number of appealed hearing decisions. Under the Social Security Act, a claimant who is dissatisfied with a decision regarding eligibility or the amount of benefits can pursue administrative remedies (i.e., reconsideration, hearing, and appeal) and, after exhausting these remedies, can file a complaint in Federal court. Working with the Department of Justice, our Office of the General Counsel attorneys handle the court case workload, which is the single largest workload in the Federal courts. We plan to hire approximately 95 additional attorneys mid-year in FY 2012 to position ourselves in FY 2013 to handle the large influx of court cases.

### Program Integrity Efforts

We pay over \$60 billion in benefits each month to our beneficiaries; we have a duty to pay those benefits accurately and promptly. We have many tools to help us minimize improper payments. Many of the tools, like our medical CDRs, SSI redeterminations, and the Access to

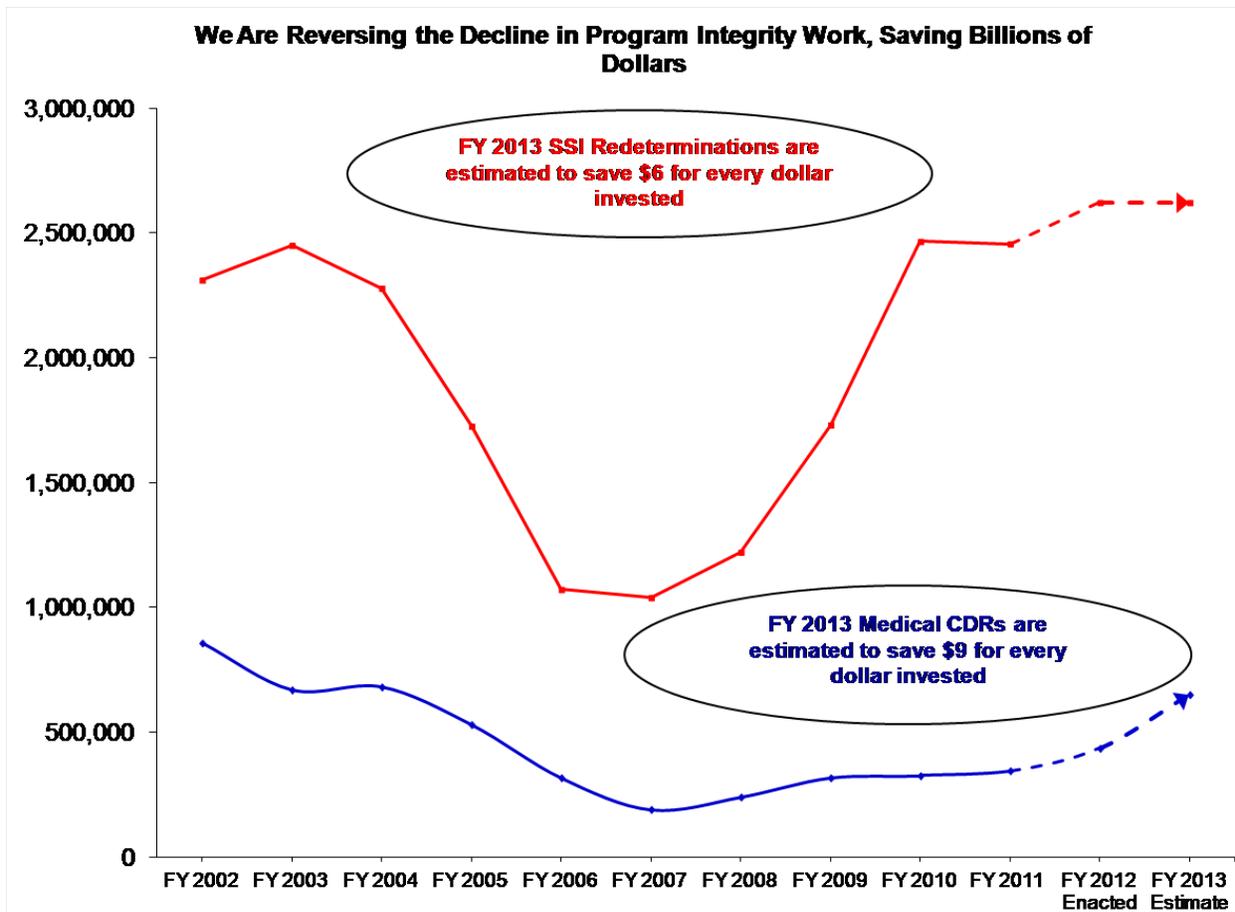
Financial Institution (AFI) initiative, save billions of program dollars with a small investment of administrative resources.

### **Program Integrity Reviews**

We have two types of program integrity reviews for which we receive special funding: CDRs and SSI redeterminations. CDRs are periodic reevaluations to determine if beneficiaries are still disabled or have returned to work and no longer qualify for benefits. In FY 2013, we estimate that every dollar spent on CDRs will yield about \$9 in program savings over 10 years, including Medicare and Medicaid program effects. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. In FY 2013, we estimate that every dollar spent on SSI redeterminations will yield about \$6 in program savings over 10 years, including Medicaid program effects.

The Budget Control Act allows increases to the Government's annual spending caps through FY 2021 for program integrity spending. If Congress appropriates funds for our program integrity work, the discretionary spending limit will increase by a corresponding amount up to a specified level above a \$273 million base. In FY 2013, the Budget Control Act allows a maximum cap adjustment of \$751 million for program integrity funding above a \$273 million base. With a \$1.024 billion total appropriation for program integrity work, we would conduct 650,000 full medical CDRs and 2,622,000 SSI redeterminations in FY 2013. At these volumes, we would complete over 300,000 more medical CDRs and 165,000 more SSI redeterminations than we handled in FY 2011. Our budget requests the levels of program integrity funding as authorized in the Budget Control Act for both FYs 2012 and 2013.

Program integrity reviews save taxpayers billions of dollars but, without adequate funding, these savings will not be realized. Since the Consolidated Appropriations Act of 2012 (P.L. 112-74) did not fully fund the cap adjustment for FY 2012, the President's Budget proposes to provide an additional \$140 million in cap adjustment funding in FY 2012, consistent with section 251(b)(2)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. This additional funding would allow us to complete 569,000 periodic medical CDRs in FY 2012 instead of the 435,000 currently projected.



### Initiatives to Reduce Improper Payments

In FY 2010, 99.6 percent of all OASDI payments were free of an overpayment, and 99.8 percent were free of an underpayment. In the SSI program, a needs-based program in which income and resources affect an applicant’s eligibility and benefit amount, 93.3 percent of all payments were free of an overpayment, and 97.6 percent were free of an underpayment. While we have improved our SSI overpayment rate from 89.7 percent in FY 2008, this rate is still unacceptable.

We have developed several cost-effective program initiatives to further prevent or minimize improper payments and improve our payment accuracy. Improper payments include overpayments as well as underpayments. Furthermore, not all overpayments are fraudulent.

#### Access to Financial Institutions (AFI)

AFI is an electronic process that allows us to identify financial accounts of SSI applicants and recipients that exceed statutory limits. This process has proven very useful in identifying undisclosed accounts. As of June 2011, all 50 States use AFI, achieving our

goal three months ahead of schedule. We will soon complete systems enhancements that will further automate the AFI process. We project roughly \$900 million in lifetime program savings for each year we use the fully implemented process.

#### Telephone Wage Reporting

SSI recipients can report wage data through a telephone wage reporting system, which automatically processes the wage information into the SSI system. In FY 2011, we processed more than 325,000 monthly wage reports using this system. These reports generally are accurate and require no additional evidence, which saves time in our field offices. Telephone wage reporting has allowed us to increase the number of wage reports we receive, reducing wage-related errors.

We have exceeded our goal of increasing the number of recipients using telephone wage reporting to 28,000 a month by September 2011. As of January 2012, we have nearly 32,000 recipients successfully using the system each month, and we continue to increase that number.

#### Non-Home Real Property

Undisclosed non-home real property accounts for an estimated \$210 million in SSI improper payments. In FY 2011, we initiated a proof of concept pilot to determine the accuracy and reliability of property ownership data available through two commercial websites, and to assess the cost-effectiveness of using this information to reduce and prevent improper payments. We expect to have results later in FY 2012 that will provide information on how we might improve our ability to identify undisclosed non-home real property.

### **Cooperative Disability Investigations (CDI) and Other Efforts**

One of our most successful efforts against disability fraud is the CDI program, which links our OIG and local law enforcement with Federal and State workers who handle disability cases. By the end of September 2012, we expect to operate 28 CDI units. These units are highly successful at detecting fraud before we make a disability decision and identifying overpayments.

Since its inception in FY 1998, CDI efforts nationwide have resulted in nearly \$3.1 billion in projected savings: \$1.9 billion to our disability programs and \$1.2 billion to other programs,

such as Medicare and Medicaid. Due to the success of the CDI program and our increased efforts to prevent improper payments, we plan to open additional units as resources permit.

Additionally, we have nine attorneys assigned to a United States Attorney's Office as Special Assistants. These attorneys prosecute possible fraud cases referred by OIG that would not otherwise be prosecuted in Federal court. From FYs 2003 through 2010, our attorneys secured over \$36.9 million in restitution orders and 717 convictions or guilty pleas. In FY 2011, we secured nearly \$6.8 million in restitution orders and 97 convictions for identity theft, program fraud, and SSN misuse.

### The Initial Disability Claims Backlog

In FY 2011, we received over 3.3 million initial disability claims, the highest in our history. We completed nearly 3.4 million claims, about 230,000 more than FY 2010 and over 860,000 more than in FY 2007, before the economic recession. As a result, initial disability claims pending declined by about 83,000 to 759,000 in FY 2011, and processing times decreased slightly. A large part of this success is because the more than 2,600 DDS employees we hired in FY 2009 and FY 2010 became fully productive in FY 2011.

However, with the hiring freeze in FY 2011 and only limited critical hiring in FY 2012, this level of performance will be short-lived. We anticipate that FY 2013 will be another year with a high level of initial disability claims receipts. As a result, we expect that pending initial disability claims will rise to nearly 861,000 in FY 2012 and to over 1.1 million in FY 2013. Processing times will increase as well, despite tremendous productivity gains.

We will continue to make our disability processes more efficient. For example, our Disability Case Processing System (DCPS) is a common case processing system that will replace 54 different existing systems that support the DDSs. This system will integrate case analysis tools and health information technology. It will allow us to distribute policy changes faster, and it will improve consistency between the DDSs, which will positively affect processing times and the accuracy of disability decisions. We plan to begin testing the initial version of DCPS in FY 2012.

### Improving Service

#### **Online Services**

In FY 2011, we increased the percentage of online applications for retirement and disability to the highest level ever – 41 percent and 33 percent, respectively. These online services reduced

the time employees spent handling applications, which was vital to dealing with the continued high level of claims. We achieved this success while maintaining high customer satisfaction. We have the three best electronic services in the Federal Government and private sector, as measured by the University of Michigan's American Customer Satisfaction Index public satisfaction survey.

We continue to expand our electronic services. In 2011, we launched Spanish versions of our popular Retirement Estimator application, our Medicare Extra Help application, and our online benefit application. These new services make it easier for the 35 million Americans who may prefer to interact with us in Spanish to do so. We gain both operational flexibility and save about 15 minutes with each online application; therefore, it is critical to our field offices that we continue our impressive progress in this area.

We are developing a secure and easy-to-use online Social Security Statement, which will improve our Statement process by including all of the information available in the traditional mailed Statement and link users to other information and services to help them plan for retirement. In the meantime, in FY 2012, we plan to mail the Statement to workers nearing retirement age (age 60 and older) as well as to workers who turn 25, so that they are aware of the services Social Security provides. We also will mail them on request to people who need a Statement but cannot use the online service. The FY 2013 President's Budget funds the mailing of the Social Security Statements to 158 million eligible workers.

Along with the online Statement, we are working on a new security protocol to authenticate people who are interested in conducting additional business with us online. This new process allows members of the public access to secure personal information online. We are testing the new process, and we plan to begin rolling it out in FY 2012 to allow workers to access their Social Security Statements online. Once we have gained some experience with the new process, we will make additional personalized services available online. We are also enhancing the online disability application to allow users to authorize electronically the release of medical information to the agency, which will eliminate the last paper requirement of the initial disability application and help reduce processing times.

## **Video Service**

A hearing requires a face-to-face interaction; therefore, it is a perfect opportunity to use video services to connect claimants and their representatives to our ALJs. Video hearings give us the flexibility to distribute our workloads more efficiently. For example, the National Hearing Centers, which rely on video hearings, can quickly target support to the most-backlogged hearing offices. We continue to expand our use of video hearings, including the representative

video project, which allows claimant representatives and their clients to participate in hearings at the representative's office. We are using video technology for other services as well. For example, video services allow us to better reach customers in remote sites such as American Indian Tribal centers or in hospitals or homeless shelters.

## **Telephone Service**

Our 800-number is the primary access to our services as we serve over 60 million people a year over the telephone. In the last three years, we have made incredible improvements on our 800-number. We slashed our busy rate by 70 percent, from 10 percent in FY 2008 to only 3 percent in FY 2011. We also reduced the time it takes to reach an agent by nearly 45 percent, from 326 seconds in FY 2008 to 180 seconds in FY 2011. We attribute much of our improved performance to hiring additional teleservice representatives in FY 2009 and 2010, along with several technological advancements to make our 800-number more efficient. However, with staffing losses in FYs 2011 and 2012, we project the busy rate will increase to 7 percent and time spent waiting for an agent to increase to 300 seconds in FY 2013.

We are taking advantage of additional technological advancements that will help us keep pace with industry standards and increase our efficiency. We are replacing our 800-number infrastructure with a new system, called CARE2020, to help us better forecast call volumes, anticipate staffing needs, and distribute incoming calls across the network so callers can more quickly reach an agent. We know that reaching a busy signal is frustrating for people, and we are considering ways to address it. Surveys show that people get frustrated as they navigate through our 800-number menu options. We are reengineering the messages people hear when they call our 800-number to make it easier to navigate our menu.

We will complete the replacement of our outdated telephone systems in our field and hearing offices with a modern, centrally managed Voice over Internet Protocol system. The new telephone system reduces administrative costs, routes calls faster, decreases wait times, and offers more options to callers when they cannot reach a representative, such as providing self-help automated services and the ability to forward their call to the 800-number.

## **Going Green**

In FY 2011, we improved and expanded our various green initiatives. Our electronics recycling programs and increased use of renewable fuels helped us reduce waste and conserve energy. We recycled 100 percent of our excess electronics and ensured that all new contracts adhered to sustainable acquisition requirements. In FYs 2012 and 2013, we will continue to expand our "green" programs and improve our property recycling programs.

## **IMPORTANCE OF INFORMATION TECHNOLOGY**

Our Information Technology (IT) investments have been critical to achieving average annual employee productivity increases of nearly 4 percent each of the last five years. Much of our IT funding is necessary to maintain current services, such as ongoing operational costs for our 800-number service and our online services, and to maintain sufficient computing and data storage capacity. Therefore, it is essential that we have sufficient IT resources to develop applications that help make us more efficient. IT investments have allowed us to create a fully electronic disability process and develop robust and user-friendly online services. Without these IT investments, we would not have been able to keep pace with the recent increases in claims.

## **CONCLUSION**

Understanding the Nation's economic challenges, our FY 2013 budget provides only a modest increase. Even so, after factoring in more than a \$300 million increase in fixed costs, it will effectively provide level funding. As a result, our staffing will contract for the third straight year at the same time that disability claims will have increased nearly 25 percent and retirement and survivors claims will have increased over 30 percent since 2007.

Each year, our dedicated and innovative employees have accomplished impressive productivity gains that have helped us improve our performance. We will continue to pursue technological advancements and simplify our business processes to better support our employees and become more efficient.

We have reduced, postponed, or suspended many lower priority activities so that we can focus on our highest priorities. We will continue to look for ways to reduce costs. However, we cannot sustain our success without sufficient resources. As history has shown, our funding level directly affects our service levels. Over the last couple of decades, when our funding was cut, we were forced to cut back on service and stewardship work — hearings, initial claims, and program integrity. These cuts developed into backlogs and increased improper payments in subsequent years.

Our employees are doing their best to help the people who turn to us for assistance - despite receiving an increasing number of threats of violence in this fiscal climate, but we need adequate and sustained resources to meet the demand. This budget will allow us to meet our hearings plan commitment in 2013 and complete significantly more program integrity work. Nevertheless, we will not be able to handle all of the work we receive.

With your support, we will do our best to serve the public and to reduce billions of dollars in improper payments.

## APPENDIX A

### OUR RESEARCH BUDGET

In FY 2013, we are requesting \$48 million in new budget authority for research projects designed to explore potential improvements to our programs. While our request represents a significant increase in new budget authority compared to our FY 2012 appropriation, our plan to obligate \$57.3 million in FY 2013 is an increase of only about \$5.9 million over planned FY 2012 obligations. Please see the SSI section of our Congressional Justification for a more complete explanation of our research budget request. The budget request supports projects such as:

Occupational Information System —We need information about work to make a determination of disability under our disability programs. We currently use the Dictionary of Occupational Titles (DOT) and its companion volume, the Selected Characteristics of Occupations, as the primary sources of information about jobs and job requirements. However, the Department of Labor last updated the DOT in 1991 and has no plans to conduct further updates. Since no other classification system exists that provides all the current information we need for our disability programs, we continue to develop strategies to obtain updated and reliable occupational information to evaluate disabilities. In FY 2013, we will design the methodology and data management system for obtaining the occupational information we need: \$13.4 million.

Compassionate Allowances (CAL) —This funding will allow us to continue identifying additional diseases as Compassionate Allowances, which helps us quickly identify claimants who will be eligible for disability benefits due to certain diseases or medical conditions: \$2.2 million.

Listing of Impairments —We will continue to update the Listing of Impairments, which describes disabling impairments for each of the major body systems. These updates improve our ability to decide whether a claimant meets our criteria for disability benefits: \$1.0 million.

Retirement Research Consortium (RRC) —This funding will enable the RRC to conduct research, develop data, disseminate information on retirement and SSA-related social policy, and train scholars and practitioners: \$5.0 million.

Disability Research Consortium (DRC) — We will establish a DRC in FY 2012, which will function like the RRC. Funding for this effort will help address the significant shortage of disability policy research across federal programs and increase our collaboration with outside researchers: \$5.0 million.

Promoting Readiness of Minors in SSI (PROMISE) —The objective of this multi-agency pilot is to improve the health, education, and post-school outcomes of children who receive SSI and to provide improved services and support for their families, helping youths with disabilities transition into working adults. This funding will support outcome-based incentive payments and rigorous evaluation of the pilot: \$7.2 million.

SSI Childhood Disability Study — This study will provide an independent assessment of the SSI program for children with disabilities. The National Academy of Sciences, Institute of Medicine will conduct the study to provide us with an expert assessment of the program. We will consult with a broad range of stakeholders in developing the parameters for the study to ensure the right set of questions are asked and answered: \$5.0 million.

## **APPENDIX B**

### **OFFICE OF THE INSPECTOR GENERAL (OIG)**

The FY 2013 request for OIG is \$107.6 million, an increase of about \$5.3 million above the FY 2012 Enacted Level. OIG's mission is to promote economy, efficiency, and effectiveness in the administration of the Social Security programs and operations and to prevent and detect fraud, waste, abuse, and mismanagement in such programs and operations. To that end, OIG provides an invaluable service by conducting a comprehensive program of audits, evaluations, and investigations, and then recommending changes to improve our programs and operations.

To meet its homeland security responsibilities, OIG will continue to conduct audits and investigations that focus on strengthening the enumeration process and combating SSN misuse.

## APPENDIX C

### FISCAL YEAR 2013 PRESIDENT'S BUDGET LEGISLATIVE PROPOSALS

**Extension of the Payroll Tax Holiday:** The FY 2013 President's Budget includes a proposal to prevent tax increases on working families by extending the temporary 2.0-percentage point reduction in the employee Social Security payroll tax rate through the end of calendar year 2012. The reduction would apply to the first \$110,100 of taxable wages. For self-employed individuals, the Social Security payroll tax rate would be reduced from 12.4 percent to 10.4 percent of the first \$110,100 of net taxable self-employment income received. The Social Security Trust Funds would be held harmless and receive transfers from the General Fund of the Treasury equal to any reduction in payroll taxes.

**Work Incentives Simplification Pilot (WISP):** The FY 2013 President's Budget proposes a five-year reauthorization of our section 234 demonstration authority for the DI program, which would allow us to test program innovations including WISP. WISP would provide beneficiaries with a simple set of work rules that would no longer terminate benefits based solely on earnings. As a result, beneficiaries would have more flexibility to try working, without fear of losing their benefits. WISP also has the potential to reduce improper payments related to work earnings, which is one of our most common causes of overpayments. We will work with Congress on a fully offset package.

**Windfall Elimination Provision (WEP) and Government Pension Offset (GPO):** The FY 2013 President's Budget includes a proposal to develop automated data exchanges for States and localities to submit useful and timely information on pensions that are based on work not covered by Social Security. This information would reduce improper payments that occur when we are unable to determine that a beneficiary should have been subject to WEP or GPO. The proposal includes mandatory funding for developing and implementing data exchanges and allows for grants to State and local entities for this purpose. The proposal assumes enforcement will begin in FY 2016.

**Workers' Compensation Information Reporting:** The FY 2013 President's Budget includes a legislative proposal to develop and implement a system to collect information on workers' compensation recipients from States and private insurers. We would use the information to improve the integrity of the workers' compensation reporting process, improve the accuracy of Social Security disability and SSI payments, reduce improper payments, and lessen our reliance on the beneficiary to report this information in a timely manner. We would also provide pertinent collected information to the Secretary of Health and Human Services for child support

enforcement purposes. This proposal includes mandatory funding for developing and implementing a system, with expected use by 2015.

**Extend SSI Eligibility for Refugees and other Humanitarian Immigrants:** The FY 2013 President's Budget includes a proposal to increase the SSI eligibility period for refugees, asylees, and other noncitizens in refugee-like immigration statuses (i.e., humanitarian immigrants) from a maximum of seven years to a maximum of nine years during FYs 2013 and 2014. Individuals whose benefits expired solely due to the 7-year time limit would be eligible for up to 24 months of extended benefits paid prospectively until the conclusion of the 9-year period or the end of FY 2014, if earlier.

The time-limited SSI eligibility period was temporarily extended to nine years for FYs 2009-2011. However, effective October 2011, the SSI eligibility period for refugees and other humanitarian immigrants reverted to seven years.

**Conform Treatment of State and Local Government Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) for SSI:** The FY 2013 Budget proposes to conform the treatment of state and local EITC and CTCs to be consistent with the treatment of the Federal EITC and CTC for purposes of determining eligibility for SSI. Currently, the Federal EITC and CTCs are excluded from the SSI income and resource tests. However, state and local versions of these credits are not excluded, resulting in the reduction of loss of SSI benefits for those receiving the credits. This proposal would simplify SSI policy and would eliminate the administrative costs of determining whether such credits are excluded Federal payments or countable state or local payments.

**Terminate Stepchild Benefits in the Same Month as Stepparents:** The FY 2013 President's Budget proposes a technical correction relating to when Social Security benefits stop due to divorce. A parent and stepchild may receive benefits on the record of a worker, but, if the marriage terminates, they are no longer eligible for benefits. Currently when a stepchild's parent is divorced and no longer eligible for benefits from a former spouse, benefits for the parent terminate in the month before the month in which the divorce becomes final. However, benefits for the stepchild terminate one month later, in the month the divorce becomes final. This proposal would provide equal treatment for the stepchild and his or her parent; both benefits would end in the month before the month in which the divorce becomes final.

**Allow SSA To Certify Electronically Additional Railroad Retirement Board (RRB) Benefits:** The FY 2013 President's Budget proposes to add the category of divorced spouses of railroad workers to the list of people for whom we would certify the amount of Social Security benefits to the RRB for payment electronically. This change would improve administration and result in fewer errors. In addition, it would ensure consistency with other Social Security benefits to railroad workers and their dependents.

**Lower the Electronic Wage Reporting Threshold:** Currently the Department of Treasury requires businesses that file 250 or more tax returns per calendar year to file electronically. The FY 2013 President's Budget proposes to modify the Internal Revenue Code so that the Department of Treasury can require more businesses to file electronically. The Budget would lower the electronic wage reporting threshold from 250 to 100 employees. In 2011, the vast majority of employers this size reported electronically. This proposal would reduce the number of paper returns we must process. This change would increase the efficiency and accuracy of this process because electronic returns are generally more accurate than scanned or keyed returns.

**Federal Wage Reporting:** The FY 2013 President's Budget includes a legislative proposal to revert to quarterly wage reporting. The proposal would not affect reporting on self-employment. Increasing the timeliness of wage reporting would enhance tax administration and improve program integrity for a range of programs.