



**COMMITTEE ON APPROPRIATIONS**

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

**UNITED STATES HOUSE OF REPRESENTATIVES**

**APRIL 14, 2010**

**STATEMENT FOR THE RECORD**

**MICHAEL J. ASTRUE**

**COMMISSIONER**

**SOCIAL SECURITY ADMINISTRATION**

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss our fiscal year (FY) 2011 budget request. For seventy-five years, Americans have depended on Social Security as an economic safety net to avoid indigence in their old age and when they are disabled. For a number of years, however, we have been struggling to maintain the level of service that the American people deserve because the baby-boomer tsunami began to hit us and, until recently, we had not received full funding of the President's Budget requests. More recently, the recession has driven numerous economically distressed persons and families to us looking for help. As a result, the President's Budget request included an eight percent increase in our administrative budget so that we can deal with these challenges. We have been improving our services, but we need sustained and timely funding to ensure that we can continue to deliver the important services that millions of Americans depend upon.

I appreciate your ongoing support of our resource needs. I am happy to report that with these resources, we are delivering on our promises to you and the American people.

We administer 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, we touch nearly all Americans at some point in their lives, typically, when they are most in need.

The Nation's recent economic recession, the worst since the Great Depression, has driven over a million more persons to us for assistance. In addition to handling record levels of our core workloads, we issued the \$250 economic recovery payments to almost 53 million beneficiaries. These economic recovery payments injected more than \$13 billion into the economy. Once again, our dedicated employees stepped up to this challenge and continued to set a high standard for public service.

Each year, we find ways to work smarter through innovation, automation, business process changes, and the strong commitment of our employees. We improved our productivity by an average of three percent in each of the last five years. This combination of resources, improved efficiencies, and hard work has allowed us to make substantial progress, which would have been even better if not for the additional workloads.

Since I last addressed this Committee in 2008, we turned the corner on the hearings backlog despite the unexpected surge in our workloads resulting from the economic downturn. After ending a decade of growth in the hearings backlog, we have reduced the pending cases by almost 10 percent in just over a year. As of March, there were fewer than 700,000 cases pending for the first time since FY 2005. We have cut the time it takes to decide those cases by more than three months, from a monthly high of 532 days in August 2008 to 437 days in March 2010. These accomplishments are even more impressive considering that, at the same time, we continued to focus on the oldest, most complex, and time-consuming cases, and we received 30,000 more hearing requests in FY 2009 than we did in FY 2008.

In FY 2009, we handled more new benefit applications and appeals than ever before. We adjudicated over 200,000 more initial disability claims, over 500,000 more retirement claims, and 86,000 more hearings than we did in FY 2008.

DS productivity and quality improvements allowed us to decide over 175,000 more initial disability claims than we had expected to complete and keep the pending level below 800,000. Using our fast-track disability processes, Quick Disability Determinations and Compassionate Allowances, we decided cases for about 100,000 applicants with the most debilitating impairments within about ten days after the State disability determination services (DDSs) received their applications. We hope to increase that number to 140,000 this year and 250,000 next year if accuracy can be maintained.

In December 2008, we launched a new, improved online application, iClaim, and saw an instant rise in the number of retirement applications filed online. In FY 2009, over 30 percent of all retirement applications were filed online, nearly twice as many as in the prior year. Our internet service has helped us keep up with an enormous growth in retirement claims. Without it, our field offices would be in dire need of even more resources. In addition to providing better and more convenient online options, we reduced waiting times on our 800-number and in our field offices.

Last year's appropriation and Recovery Act funding allowed us to undertake a large hiring effort and to maximize overtime nationwide. In FY 2009, we hired approximately 8,600 employees, most of them in less than six months, which was our largest hiring effort since the creation of the SSI program over thirty-five years ago. Management at every level of the agency responded to this hiring opportunity with the urgency that tough times require. Given the cumbersome federal hiring process and the obstacles erected by some governors and state legislatures in staffing the DDSs, this was a great accomplishment.

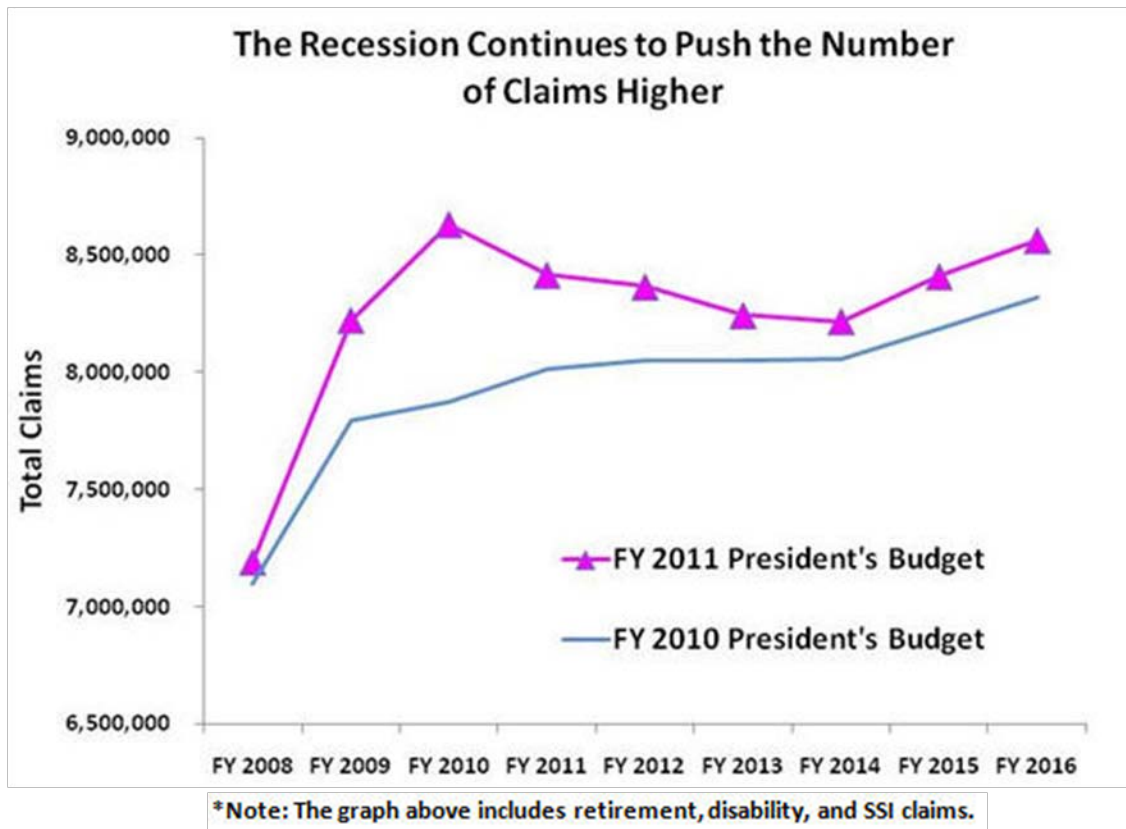
With our FY 2010 appropriation, we are increasing staff levels in hearing offices and in the DDSs. After reassessing our resources and critical needs, we recently decided to add another 900 hires to the front-lines. Nearly all of these new employees will be placed in our most stressed field offices.

### FY 2011 – Sustaining Our Momentum

The President's FY 2011 budget request of \$12.5 billion is essential to our continued progress. As the American people are still struggling through the economic crisis, we cannot afford to allow our services to deteriorate. A reduction in our funding at this time would reverse the progress we have made over the last two years.

While we hope that the worst of the recession is behind us, unemployment is expected to remain high through FY 2011. Since high unemployment rates usually result in more benefit applications, we expect that throughout this year and the next that new claims, particularly for disability, will continue to increase beyond our actuaries' estimates in the FY 2010 President's budget. Even if new claims for retirement benefits stabilize, we will still face higher levels of the more labor-intensive disability work in FY 2011. These additional disability claims will ultimately result in more hearing requests.

In FY 2011, we will pay \$776.5 billion in Federal benefits to 60 million beneficiaries. Social Security trust fund benefit payments are permanently appropriated, and therefore not part of our budget requests before this committee. On the other hand, our appropriations requests include, among other things, the administrative resources that we need to pay benefits. We have four FY 2011 appropriations requests before this Committee, totaling \$66.4 billion: Limitation on Administrative Expenses (LAE), Office of the Inspector General, Supplemental Security Income, and Payments to the Social Security Trust Funds.



The President’s budget includes \$12.379 billion for our LAE, an increase of \$932 million in discretionary budget authority from the FY 2010 appropriation. Our administrative expenses are approximately 1.6 percent of our total estimated outlays of approximately \$792 billion, which include benefit payments.

We will use the President’s FY 2011 budget to:

- Adjudicate over 7.9 million claims for benefits;
- Make decisions on 799,000 hearings;
- Issue 19 million new and replacement Social Security cards;
- Process 245 million earnings items for crediting to workers’ earnings records;
- Handle approximately 66 million 800-number transactions;
- Issue 154 million Social Security Statements;

- Process millions of actions to keep beneficiary and recipient records current and accurate; and
- Conduct 360,000 medical continuing disability reviews (CDRs) and nearly 2.422 million non-disability SSI redeterminations.

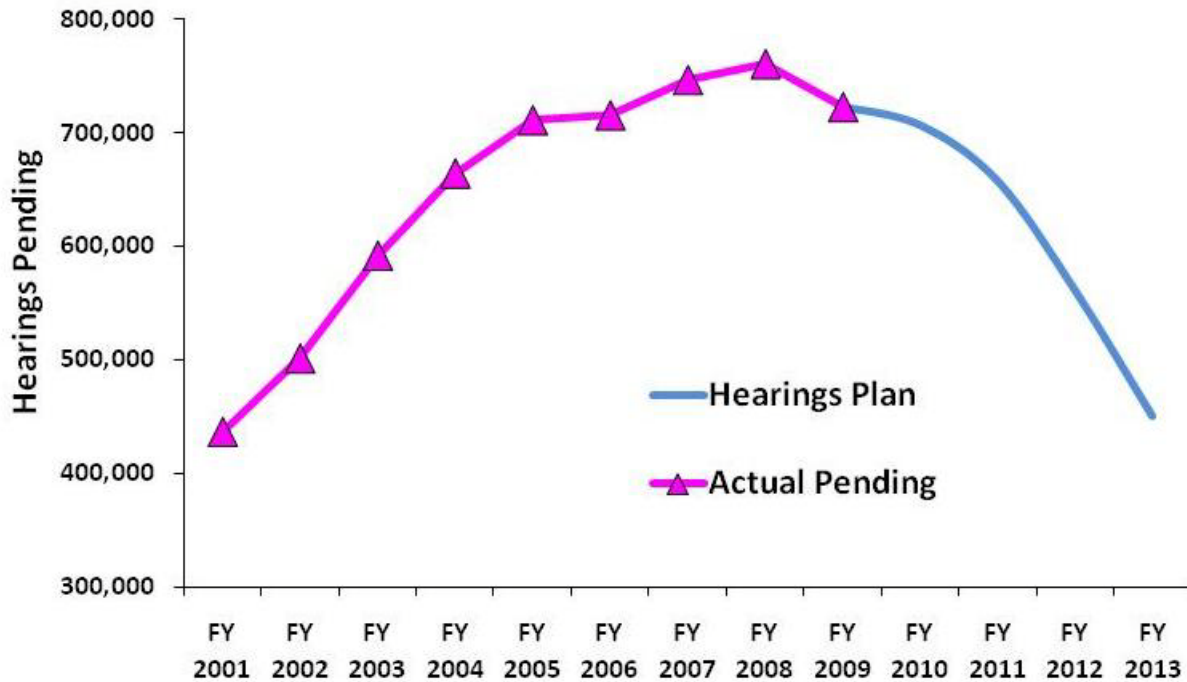
In FY 2011, we will need an administrative budget increase of about \$770 million just to maintain workyears initially funded by the Recovery Act and to cover inflationary costs, including rent, guards, postage, and employee payroll and benefits. The Recovery Act has given us the resources, including additional staff, needed to reduce the disability backlogs. Since this funding is temporary, however, we need the additional funding in the President's budget request to retain those resources. In addition to the \$770 million, we will need another \$162 million to keep up with our growing workloads, reduce existing backlogs, and meet rising customer service expectations.

To emphasize the importance of these efforts and in support of the President's Government-wide initiative to build a high-performance Government capable of addressing the challenges of the 21st century, we have identified four high-priority performance goals that will be a particular focus over the next 2 years. These goals, identified as part of the President's budget, are:

- Issue More Decisions for People Who File for Disability;
- Increase the Number of Online Applications;
- Improve SSA's Customers' Service Experience on the Telephone, in Field Offices, and Online, and
- Ensure Effective Stewardship of Social Security Programs by Increasing Program Integrity Efforts.

In addition to accomplishing these goals and handling our core workloads, we have been given additional responsibilities related to Medicare, immigration, homeland security, and data exchanges, such as subsidy determinations for Medicare Part D, e-verify, and the Help America Vote Act (HAVA) workloads.

## The Hearings Backlog Reduction Plan Will Eliminate the Backlog by 2013, Despite the Economic Downturn



The President's budget will allow us to continue driving down the hearings backlog, something we were able to do in FY 2009 for the first time in over a decade. Through the first six months of FY 2010, we have reduced the pending level of hearings, for a total of fifteen straight months of progress on our top priority. By the end of FY 2010, we will experience the full effect of the recession on our hearings receipts as the increased initial disability claims work their way through the administrative process. Despite a much higher volume of hearings receipts than we anticipated a year ago, we are still on track to eliminate the hearings backlog by 2013.

In order to accomplish that goal, we hired 147 administrative law judges (ALJ) and over 1,000 support staff in FY 2009 and plan to hire 226 ALJs this year. We now have four National Hearing Centers to hear cases by video conference for the most hard-hit areas of the country. As a result of these efforts as well as improvements to the hearings process, we have decreased the number of hearings pending by almost 10 percent over the last 15 months and cut the time it takes to make a decision by over three months. The greatest improvements are occurring in the most backlogged offices. For example, processing time in the Atlanta North hearing office has dropped nearly 45 percent since February 2007, and it will drop again when the Covington office opens in the fall.

In FY 2011, with full funding of the President's Budget, we will be able to hire 70 ALJs and the support staff necessary to maintain at least a 4.5 to 1 support staff to ALJ ratio nationally. With these hires, we will increase our ALJ corps to 1,450. To accommodate this additional staff, we plan to open 25 new hearing offices and our fifth National Hearing Center over the next eighteen months. We opened the first of these offices in Anchorage, Alaska on February 19. With these

changes, we expect to reduce processing times by nearly a month and to hold an all-time high of nearly 800,000 hearings, which will reduce the backlog by another 50,000 cases.

We know that the rising level of pending initial disability claims is unacceptable, and we are committed to returning to our pre-recession pending level. In FY 2011, we plan to decide over 3.3 million initial disability claims, over 200,000 more than we expect to complete in FY 2010, and to reduce the pending level by 42,000 claims. Our strategy to reduce the initial disability claims pending level includes hiring and providing overtime to the DDSs, increasing Federal disability units that assist the DDSs, and simplifying policy.

We escalated our hiring efforts. By the end of FY 2010, we expect to have 2,800 more DDS employees on board than we did at the end of FY 2008, and we will hire additional DDS staff in FY 2011. However, state furloughs of DDS employees have already begun to derail some of our progress in reducing the backlog. We need the full complement of DDS employees to successfully carry out this strategy, and state furloughs of these employees only undermine our efforts. We fund 100 percent of DDS employees' salaries as well as overhead costs – about \$2 billion nationwide this year. These funds cannot be used by the states for any other purpose, so states do not save a single penny by furloughing employees in the DDSs – they only slow paying benefits to the disabled, unduly harm their state employees, and cost the state needed tax revenue.

In order to help states with mounting disability claims, we have created Extended Service Teams (ESTs) modeled on the National Hearing Centers. The ESTs are located in states that have a history of good quality and high productivity, as well as the capacity to hire and train significant numbers of additional employees. These centralized DDS teams will help reduce the initial claims backlog as we electronically shift claims to them from the hardest hit DDSs. In March, we opened our first EST in Little Rock, Arkansas. Last week, we opened our second EST in Madison, Mississippi. We plan to open additional ESTs in Roanoke, Virginia and Oklahoma City, Oklahoma by the end of the fiscal year.

We are increasing the number of cases that we put through our fast-track processes to speed benefits to tens of thousands of applicants who are obviously disabled. In February, we added 38 more conditions to our list of Compassionate Allowances. The list allows us to quickly identify diseases and other medical conditions that are clearly disabling. It is the first expansion since the original list of 50 conditions was announced in October 2008. We will continue to hold public hearings on other diseases and conditions that might be added to our list of Compassionate Allowances. These public hearings are providing valuable information, not only on potential Compassionate Allowances, but also on our current disability process. For example, as of March, our disability notices now provide website links to helpful health care information. These links will take disability applicants to two U.S. Department of Health and Human Services websites for more information on their conditions, and on where they may find help to pay for prescription drugs.

We continue to refine our Quick Disability Determination predictive computer model, which screens initial applications to identify cases where a favorable disability determination is highly likely. This year we expect the DDSs to approve claims in two weeks or less for about 140,000 applicants with the most severe disabilities.

In March 2010, we proposed a regulation to expand the single decision maker (SDM) authority to cases that are identified as Quick Disability Determinations or Compassionate Allowances. The single decision maker approach will allow disability examiners to adjudicate certain cases without a mandatory concurrence by a doctor.

We also are continuing our successful Wounded Warriors program, which expedites the disability claims of wounded service members who became disabled while on active military service. To assist and reach out to Wounded Warriors, we maintain an on-site presence at several major military treatment facilities throughout the Nation and work closely with advocacy groups and governmental agencies such as the Department of Veterans Affairs and the Department of Defense. We believe this service is a way to show military personnel the thanks they deserve for serving our country.

We are developing a new Occupational Information System to replace the Dictionary of Occupational Titles. The Dictionary of Occupational Titles is outdated because it does not reflect current job requirements. In FY 2009, we convened a panel of experts to guide us in the development of the Occupational Information System. In FY 2011, we will begin to design the Occupational Information System, laying the groundwork for pilot testing scheduled to begin in FY 2012.

The Listing of Impairments describes for each major body system the impairments considered severe enough to prevent an adult from working, or for children, impairments that cause marked and severe functional limitations. We are regularly updating the listings and have a schedule to ensure we update all of them at least every five years, which will improve our ability to decide whether a claimant meets our criteria for disability benefits. Further, as we update entire body systems we are implementing a process that will allow us to make targeted changes to specific rules as necessary, instead of the entire body system. In the last five years, we have revised approximately half of our listings.

In addition to policy improvements, we also are making our process more efficient. We will finish developing the requirements for the DDS Disability Case Processing System, which will serve as a new common system for processing claims in all 54 DDSs. In FY 2011, we expect to begin beta testing this new system.

We are rolling out the electronic claims analysis tool (eCat) nationwide. eCAT improves the quality and consistency of our decisions by aiding examiners in documenting, analyzing, and completing the disability claim in accordance with regulations. We expect that the use of eCAT will produce well-reasoned determinations with easy-to-understand explanations of how we reached our decision. This documentation is particularly useful for future case review if an appeal is filed.

In addition to enhancing the documentation and consistency of our disability decisions, eCAT has been an extremely useful training tool for the many new examiners we are hiring in the DDSs. All states have the training version of eCAT. Training through eCAT is helping new examiners more quickly gain proficiency.



Health Information Technology (Health IT) will revolutionize our disability determination process. We need medical records to decide disability claims. We rely upon doctors, hospitals, and others in the healthcare field to provide medical records in a timely fashion. Today, we are taking the first steps towards a totally electronic system of requesting and receiving medical records. With the consent of our claimants, we will have instantaneous access to their medical records.

In January 2010, we used over \$17 million in Recovery Act funding to expand Health IT to 15 additional providers across 12 States. Our Health IT pilots in Massachusetts and Virginia demonstrated that electronic medical records can reduce disability processing. Some disability decisions are now made in days, instead of weeks or months.

We are also improving our online services. We need faster and easier online services to meet the baby boomer's expectations and to help us keep up with increasing claims. Our new, easy-to-use online application, iClaim, has been a huge success. In FY 2009, we rolled out the first phase of iClaims, and we have seen a significant increase in internet claims as a result. In fact, in FY 2009, online claims represented 83 percent of our total retirement claims growth. Without this online filing, our field offices would be seeing an even greater number of visits and increased wait times.

We continue to expand our online offerings. Beginning in March, the public can now file for Medicare benefits online. In addition, our Multilanguage Gateway provides access to information in fifteen different languages, and we are on track to implement our first non-English interactive application, the Retirement Estimator, in Spanish later this year.

Our FY 2011 budget depends on continued growth of online filing of retirement and disability applications. We expect to reach 50 percent of retirement applications filed online by FY 2012. We also are modernizing one of our key data collection forms in the disability process, the Adult Disability Report to streamline data collection and make the form more user-friendly.

We now have the top three online services (Retirement Estimator, online retirement application, online Medicare Extra Help application) in the private and public sector as rated by the American Customer Satisfaction Index.

Telephone service is more convenient for the public than many in-person visits and more efficient for our agency. In 2009, we reduced our 800-number wait times by 25 percent with the help of additional staff. In FY 2011, we will open our first new teleservice center in more than a decade. This center will serve the entire country and will allow us to provide more timely telephone service to the millions of Americans who call our toll-free number. We plan to replace our national 800-number infrastructure, which will provide state-of-the-art tools to improve service delivery and increase efficiencies by giving citizens additional ways to communicate with us such as web chat and web callback.

We maintain benefit, earnings, and demographic information on virtually every American. Over the last decade, we have moved from a paper-based system to electronic processing of our core workloads. In light of the new electronic environment, part of our plan to secure our data network is to strengthen our data center operations, both by bringing online the Second Support

Center (SSC) and by replacing our aging National Computer Center (NCC). Our SSC is up and running. It handles part of our workloads and will provide backup service in the event of a failure at the NCC. Thanks to the Recovery Act funding, we are proceeding in the construction of our new National Support Center, which is scheduled to be completed in 2013.

In addition to the important services we provide to the public, we must also continue to increase our cost-saving program integrity efforts. The Administration is committed to implementing a multi-year plan to enhance government-wide program integrity efforts. Program integrity reviews ensure that Americans' tax dollars are spent properly and that beneficiaries continue to be eligible for benefits and are being paid the right amount. Program integrity reviews help to avoid improper payments, which have continued to grow in total dollar amounts as our programs have grown.

The FY 2011 budget includes resources for two types of program integrity efforts: continuing disability reviews (CDRs), which are periodic reevaluations to determine if beneficiaries are still disabled, and SSI redeterminations, which are periodic reviews of non-medical factors of eligibility, such as income and resources. In FY 2011, we plan to conduct 360,000 full medical CDRs and 2,422,000 redeterminations. Both CDRs and redeterminations are extremely cost-effective. Our FY 2011 budgeted levels continue our efforts to increase program integrity levels from their low point a few years ago.

Program integrity activities save the Government money. We estimate that every dollar spent on CDRs yields at least \$10 in lifetime program savings. Similarly, we estimate that every dollar spent on SSI redeterminations yields \$8 in program savings over 10 years, including savings accruing to Medicaid. In addition, in FY 2011, we will continue nationwide rollout of our Access to Financial Institutions (AFI) project, which automates verification of SSI applicants and recipients' assets held in banks.

In conclusion, FY 2011 is going to be a year full of challenges for us. Our workloads will continue to grow beyond our earlier expectations while we work to fulfill our commitments to reduce the hearings and initial disability claims backlogs and to lay the foundation for the future of the agency.

We are making a real difference in the service we deliver to the American people. Without the additional funding Congress provided to us since FY 2008, Americans would now be facing significantly longer waits to receive decisions on their claim, to speak to a representative in our field offices or on the phone, and to have their case heard by an ALJ. Sustained, timely, and adequate funding, along with innovation, automation, improved business processes, and the hard work and dedication of our employees has made this progress possible.

The FY 2011 President's budget represents the next step in service improvement throughout the agency. The President's budget will allow us to fulfill our commitments to keep up with all retirement claims, work towards our goal of eliminating the hearings backlog, reduce the initial disability claims backlog, address other critical workloads, and maintain our aging infrastructure. A reduction in our funding at this time would reverse the progress we have made over the last two years. Millions of Americans count on us, and we need your continued support to provide the service they need and deserve.

I would like to turn now to a brief summary of the other appropriation requests for FY 2011.

Office of the Inspector General (OIG)

\$106.122 million for the OIG – The request for FY 2011 represents a \$3.44 million increase in resources from the FY 2010 appropriation. The 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, the OIG provides an invaluable service by conducting a comprehensive program of audits, evaluations, and investigations, and 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. The OIG will also audit and evaluate our use of funds for carrying out Recovery Act initiatives.

Supplemental Security Income

\$56.5 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 \$52.6 billion for Federal benefit payments to approximately 7.8 million aged, blind, and disabled beneficiaries: \$3.775 billion for SSI administrative expenses; \$60 million for beneficiary services; and \$43 million to fund extramural research and demonstration projects for FY 2011. The budget also includes \$13.4 billion for Federal benefit payments for the first quarter of FY 2012.

Estimates of current benefits are driven by the number of recipients eligible for monthly payments and the amount of the monthly payments. The FY 2011 request represents a \$6 billion increase over the FY 2010 enacted level. The majority of this increase results from mandatory increases in Federal benefit payments. Along with an increase in SSI recipients, FY 2011 also includes 13 monthly benefit payments, instead of the usual 12. This is because October 1, 2011 falls on a weekend, and so the October check will be paid on September 30, 2011.

Payments to the Social Security Trust Funds

\$21.4 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.