

Of the \$500 million, SSA invested \$251 million in its office of operations, which has now hired 1,531 additional staff. We reviewed SSA's plan for these funds, and found that the plan and the placement of the new hires was appropriate. Most of the other \$249 million was invested in hiring 300 additional staff in the DDSs, and 35 ALJs and 556 support staff in the Office of Disability Adjudication and Review. We are now conducting similar reviews of SSA's use of these funds.

Finally, I would be remiss if I didn't use this opportunity to encourage continued vigilance, with respect to program integrity. In attending to the backlog of initial claims, it is critical that SSA and the DDSs continue to conduct CDRs and refer suspicious claims to the OIG's cooperative disability investigative units and field divisions.

The efforts that Congress, SSA, and the OIG have put forward are important elements in ensuring that the backlog of initial claims is ultimately reduced to an acceptable level. I pledge the OIG's continued support in this effort, and I thank you for the invitation to be here today. I will be happy to answer any questions.

[The prepared statement of Mr. O'Carroll follows:]

**Prepared Statement of The Honorable Patrick O'Carroll, Inspector General,
Social Security Administration**

Good morning, Mr. Chairman, Mr. Johnson, and Members of the Subcommittee. As always, it's a pleasure to appear before you, and I thank you for the invitation to be here today. I've appeared before you several times to discuss the backlog of disability appeals, and the Social Security Administration's (SSA) efforts to reduce that backlog to ensure that appellants eligible for benefits receive them in as timely a fashion as possible. Today, we are looking at SSA's backlog in initial disability claims, a backlog of over three-quarters of a million people currently waiting for sorely needed benefits.

The past two years have been challenging ones for the American people, as the economy struggled. In times such as these, people turn in ever-increasing numbers to the world's largest social insurance program. In Fiscal Year (FY) 2009 alone, SSA received almost 3 million initial disability claims, an increase of 15 percent over FY 2008. These numbers challenge SSA's ability to provide world-class service delivery, creating workloads that exceed resources and causing delays and backlogs. These numbers also create challenges for both SSA and the Office of the Inspector General (OIG) with respect to stewardship, as we strive to ensure that only those eligible for benefits are granted them.

To make the challenges even more daunting, the financial strain on the states caused by the faltering economy have resulted in furloughs that further slow the application process; and the increase in applications has forced the dedication of resources to processing applications, rather than conducting medical continuing disability reviews (CDR) or work CDRs, or taking other steps to ensure integrity.

It is critical that Congress and the American people have reason to be confident that Social Security benefits will be provided to those who need them, and equally confident that their tax dollars are being spent well and wisely. The OIG is at work on both sides of this equation, helping SSA to maintain its high level of service through timely audits and recommendations, while also acting as a watchdog, to ensure that benefits are paid properly, and that appropriated resources are used as intended.

Congress was certainly well aware of the challenges SSA would face in the current economy when it provided SSA with \$500 million under the American Recovery and Reinvestment Act (ARRA) to process disability and retirement workloads, as well as \$500 million to replace the National Computer Center and \$90 million to process one-time economic recovery payments of \$250 to beneficiaries. The OIG received \$2 million to ensure that these funds were used properly, and I'd like to share some of our work in that area today.

The funds provided to SSA to process initial claims were critical. As I mentioned, the current disability backlog stands at over three-quarters of a million applications—some 38 percent higher than a year ago. This resulted from a 15 percent in-

crease in claims filed, against only an 8 percent increase in claims actually processed by the State Disability Determination Services (DDS). These delays are caused not only by the increase in applications, however, but also by State furloughs, staffing problems, and other issues.

The furloughs are particularly troublesome. Federal regulations discourage furloughs of DDS personnel, but this has not stopped furloughs from occurring. To date, nine states are furloughing all their DDS employees and three states are furloughing some DDS employees.

In states that are furloughing all of their DDS employees, this has created a 14 percent shortfall of capacity for processing claims. In our report, *Impact of State Budget Issues on SSA's Disability Programs*, issued earlier this week, we estimate that the furloughs have caused delays in 69,000 claims, and delays in the issuance of \$126 million in benefits to those in need. In addition to the furloughs themselves, other issues are contributing to this impact. Certain states have encountered high attrition rates among DDS employees, others have encountered pay freezes, and still others have hiring practices that are problematic.

The Commissioner has made significant efforts to limit the impact of furloughs, and was able to make some progress. He contacted all of the State Governors and many State legislators. Vice President Biden wrote to the National Governors' Association, and there was even litigation in California that sought to preclude furloughs.

As a result of these and other efforts, two States exempted their DDSs from State employee furloughs, and three States partially exempted DDS employees, saving another 11,000 cases and \$24.4 million from being delayed. Several more States fully or partially exempted DDSs from hiring restrictions. Additionally, SSA hired 192 new staff for Federal units that process initial claims, and transferred cases facing delays from States to those Federal units to ensure timelier processing.

While SSA should be commended for its efforts to minimize the impact of State furloughs and other hiring and staffing issues, it is indisputable that these State actions have resulted in delays and kept benefits out of the hands of those in need.

Staffing at SSA is another critical factor in timely processing of applications, and the ARRA funds provided for that purpose have been put to use. Of the \$500 million allocated to this purpose, SSA allocated \$251 million to its Office of Operations, which is using the funds to process disability and retirement workloads. Operations hired 1,531 new employees, and authorized the use of overtime pay to keep pace with applications.

The Office of Management and Budget issued guidance on spending and accounting for ARRA funds, and this guidance included the publication of detailed plans for use of the funds. The OIG just issued a report evaluating SSA's plan for the \$251 million allocated to the Office of Operations. Overall, we found that the plan was appropriate, and the placement of new hires was based on appropriate factors.

The remaining \$249 million was primarily directed to the DDSs, which hired 300 additional employees, and the Office of Disability Adjudication and Review, which hired 591 employees, of which 35 were Administrative Law Judges and 556 were new support staff. The OIG is conducting audits of the plans for the DDS' and ODAR's use of ARRA funds, similar to the audit conducted of the Operations plan.

SSA's efforts to minimize the impact of State budget shortfalls, and its initial efforts with ARRA funds, have been important steps in ensuring that initial applications encounter as few delays as possible, but more needs to be done. While additional resources would be of significant immediate benefit, there are long-term issues that can be addressed to prevent future backlogs.

For example, SSA received \$500 million in ARRA funds to replace the National Computer Center (NCC), SSA's aging repository for the data and electronic processes that enable SSA to pay benefits to 50 million Americans. Replacement of the NCC is critical to the future of the Social Security system.

The OIG is monitoring SSA's progress. At present, we continue to await specifications for the project, which we intend to subject to rigorous review. Our reports will ultimately be published on our website, as well as Recovery.gov, and we will remain involved in the process until a new data center is complete and operational.

Infrastructure and hardware, however, are only part of the equation, as SSA's primary data applications require modernization. SSA's attempts to upgrade its software to improve service delivery and stewardship are ongoing, but need to be given a higher priority. It is important that SSA consider all software options carefully and ensure that it is taking the best approach. As we point out in our Financial Statement Audit, consideration must be given to the benefits gained from the administrative funds transferred to SSA's IT budget each year. In addition, the OIG strongly supports giving SSA's Chief Information Officer sufficient delegated authority and resources to fulfill required security responsibilities.

Since I have mentioned two of the three ARRA mandates given to SSA, let me briefly state that the OIG also reviewed SSA's use of the \$90 million provided to process one-time \$250 stimulus payments. We found that SSA implemented a comprehensive process to identify and report these costs, and met OMB's requirements for transparency and accountability. The process was not without its challenges, however, including the issuance of checks to some ineligible prisoners and deceased beneficiaries. While perfection is an unreasonable expectation, improvements can be made legislatively and procedurally to tighten the process for future stimulus payments.

The primary focus of this hearing, however, is the disability application backlog, and in addition to the efforts I described earlier, SSA has made other inroads toward streamlining the initial disability determination process, reducing the backlog and, more importantly, getting benefits into the hands of those who qualify, and need them, as quickly as possible:

- Compassionate Allowances provide expedited approval to disability applicants with confirmed diagnoses of certain severe impairments. These Allowances let SSA quickly target the most obviously disabled individuals for benefits based on objective medical information that SSA can obtain quickly.
- Quick Disability Determinations (QDD) are cases that are electronically identified as having a high potential that the claimant is disabled, when evidence of the claimant's allegations can be easily and quickly obtained, and when the case can be processed quickly in the DDS. These cases are prioritized for fast turnaround. We estimate that the Compassionate Allowances and QDD initiatives will account for approximately 3.7 percent of initial disability claims.
- Additional Administrative Law Judges and hearing office support staff have been hired by SSA, and the recommendations from our draft report, Hearing Office Performance and Staffing, are being considered in ensuring that staffing ratios in SSA hearing offices are optimized to make the most of the new ALJ corps.
- SSA is developing a multi-year plan to reduce the initial claim backlog. According to SSA, the key components of this plan are:
 - increased adjudicatory capacity in the DDSs and Federal processing components;
 - improved efficiency through automation;
 - expedited IT investments to optimize systems performance;
 - expanded use of screening tools to assist in identifying likely allowances; and
 - refined policies and business processes to expedite case processing.

The OIG will review the Agency's plan when it is available, and will monitor its progress closely.

- SSA has instituted a Senior Attorney Adjudicator Initiative, which allows attorney adjudicators to issue fully-favorable on-the-record decisions. The goal is to expedite decisions while preserving ALJ resources for the more complex cases that require a hearing.
- SSA has also instituted an Informal Remand Initiative, in which a hearing office can return a denied claim to the DDS for review of the previous determination when there is a strong likelihood that the denial will be reversed, again saving hearing resources for more complex cases.

Finally, I would be remiss if I did not point out that integrity continues to be a primary focus of the OIG. Our continuing support for increasing the number of CDRs has never wavered. As important as it is to ensure that applicants are eligible for benefits at the time of their initial application, it is equally important to ensure that they remain eligible as time goes by. However, SSA is expecting to have a backlog of 1.5 million medical CDRs by the end of FY 2010. SSA had eliminated the CDR backlog when Congress provided the Agency dedicated funding that could only be used for CDRs. After that funding ran out in FY 2002, the backlog grew again. When SSA performs a full medical CDR, it costs about \$1,000, but provides an estimated return on that investment of \$10 to \$1.

Similarly, the Cooperative Disability Investigative program, or CDI, is an important ingredient in the integrity formula. The CDI Program began in Fiscal Year 1998 as a joint effort by the SSA and the OIG, in conjunction with the DDS and State or local law enforcement agencies, to effectively pool resources for the purpose of preventing fraud in SSA's Title II and Title XVI disability programs and related Federal and State programs. In 1998, the CDI Units became operational in 5 states. The program currently consists of 20 units located in 18 states, with 2 additional

units to become operational in FY 2010. Since its inception, the CDI program has closed 26,448 cases, and generated about \$1.35 billion in SSA program savings and another \$829 million in non-SSA savings.

As more individuals apply for benefits, allegations to these 22 CDI units across the country will increase. These units play a key role in ensuring that, while reducing the backlog of disability claims, SSA and the DDSs have an avenue available to them to further explore claims that may be suspicious or lack sufficient information to make a determination. Thus, the CDI program helps maintain the level of accuracy and integrity in these programs that the American public deserves.

In summation, the OIG is dedicated to working with Congress and SSA to reduce the backlog of disability claims, and to ensuring that this takes place in an environment in which efficiency, integrity, and transparency are paramount. SSA's efforts to date are commendable, and we look forward to continuing to assist in this critical undertaking. I thank you again for the invitation to speak with you today, and I'd be happy to answer any questions.

Chairman TANNER. Thank you very much, Mr. Inspector General.

Ms. Robert, we are delighted you are here, and glad to hear from you in your capacity on the Disability Determination Services. So, welcome. Thank you for being here.

STATEMENT OF ANN P. ROBERT, VICE PRESIDENT, NATIONAL COUNCIL OF DISABILITY DETERMINATION DIRECTORS, SPRINGFIELD, ILLINOIS

Ms. ROBERT. Thank you very much, Mr. Chairman, Mr. Johnson. My name is Ann Robert, and I am honored to be here on behalf of the National Council of Disability Determination Directors. The NCDDD is comprised of managers and directors of the State DDSs.

As you have heard today, the state DDSs process all kinds of claims, including initial applications, reconsiderations, and continuing disability reviews. You have also heard today about the increases in the initial applications. While there have been increases in recent years in funding for SSA—and the NCDDD thanks Congress for the resources that the DDSs have received to assist in giving the good public service that they have—those resource needs are certainly going to continue, in light of the increased applications.

What's complicating the Disability Determination Services' ability to handle those increasing workloads are some of the other things that you've heard about today. For example, the furloughs.