

United States Congress

Joint Economic Committee



Statement for the Record

**Ensuring Success for the Social Security
Disability Insurance Program and Its Beneficiaries**

**The Honorable Patrick P. O'Carroll, Jr.
Inspector General, Social Security Administration**

November 4, 2015

Good afternoon, Chairman Coats, Ranking Member Maloney, and members of the joint committee. Thank you for the invitation to testify today, to discuss ways to improve the Social Security Administration's (SSA) Disability Insurance (DI) program. My office oversees SSA's management of the DI program, so I appreciate your interest in these issues of critical importance to American workers and taxpayers.

Social Security DI is the nation's primary Federal disability program. According to SSA, in fiscal year (FY) 2015, the Agency provided about \$144 billion in DI payments to more than 10.8 million citizens across the country. That total represents more than 8.9 million disabled workers, and about 1.9 million spouses and children.

Managing such a large and complex program has long been a challenge for SSA, particularly given resource constraints and demographic changes. However, given the importance of this safety net for the millions of Americans who depend on it, SSA must continue to innovate and seek ways to improve upon good service to the American people, and good stewardship over taxpayer funds. Today, I'll discuss our ideas for how we believe SSA can best achieve these goals. These ideas fall into three broad categories: updating the DI program and claims process; making more timely and accurate determinations; and ensuring that current beneficiaries remain eligible.

Update the DI Program and Claims Process

Decrease Complexity and Increase Consistency

We believe reducing the complexity of the DI program, without sacrificing its intent, would help reduce millions of dollars in improper payments that occur each year. For example, because SSA has to evaluate earnings and work incentives before stopping benefits when someone works—and cannot simply stop paying benefits because wages are reported—simplifying these provisions could have a positive impact. Undoubtedly, reforms to simplify SSA's programs would be difficult to implement in the short term, but the long-term benefits to both beneficiaries and taxpayers could outweigh the costs.

Still, regardless of how complex the DI rules are, SSA should strive to apply them consistently across the country. Currently, inconsistencies in claims allowance rates, processing times, and other aspects of the program exist across the country, at both the initial and appeals stages. Various factors affect State Disability Determination Services (DDS) performance—such as local demographics and economic conditions, different business processes, and State hiring freezes or furloughs. For example, in FY2013, DDS average processing times ranged from 45 to 140 days for DI claims.¹

However, SSA could take a significant step to increase consistency by moving forward with its planned modernization of the technology infrastructure that supports initial claims decision-making. The Agency's Disability Case Processing System would replace 54 independently operated systems across the DDS agencies. In our May 2015 limited distribution report, *Observations and Recommendations for the Disability Case Processing System*, we made five recommendations we believe will increase SSA's chances for a successful rollout of this initiative—including emphasizing and incorporating user feedback into the development process. SSA agreed with all of our recommendations.

¹ SSA OIG, *Disability Determination Services Processing Times*, May 2015.

Incorporate Advances in Technology and Society

As the number of beneficiaries and claims grow, and SSA's workforce stays the same, the Agency must turn to technology to improve efficiency with tools that can accelerate the decision-making process.

- SSA has committed to using technology to improve and expand its online services; in FY2014 more than 52 percent of Social Security benefit claims were filed online. SSA has also made many efforts to promote the *my Social Security* account, so that beneficiaries can manage their Social Security information online. More than 21 million people have signed up for a *my Social Security* account with the Agency.
- SSA in recent years has expanded the use of health information technology (IT), the electronic management and secure exchange of medical information. We recently reported that SSA has partnered with 38 health care organizations and exchanged electronic records in 30 States and the District of Columbia. Health IT has shown to help SSA receive electronic health records faster and make disability decisions sooner than with traditional records.
- At the hearings level, SSA should continue to use video conferencing technology, so that claimants can participate in a hearing near their homes. In FY2009, SSA conducted about 18 percent of all hearings by video; that number increased to 28 percent in FY2014.

SSA should also continue efforts to modernize disability policy to reflect medical advances and the current occupational environment. The Agency's Listing of Impairments (more than 100 listed impairments covering 15 body systems), for example, is supposed to ensure that disability determinations are medically sound. However, we recently reviewed the listings and found that some have not been updated in many years and do not reflect recent medical and technological advances—for example, the mental and neurological listings were last updated in 1985 and 1986, respectively. We understand it takes time to develop policy and publish regulations, but without regular updates, the listings lose their effectiveness as a screening tool in the disability process. SSA plans to update several listings within the next year and agreed with our recommendation to ensure all of the listings are reviewed and updated no later than FY2020.²

SSA is also working with the Department of Labor to test occupational data collection methods that could lead to the development of a new occupational information system tailored for use in the disability programs. The new system would replace the outdated Dictionary of Occupational Titles; however, SSA acknowledges that many developmental and implementation challenges exist in this complex undertaking. We will begin a review of SSA's progress with this initiative later this year.

Reimagine Return to Work

Many efforts have been made by lawmakers and SSA to develop incentives that effectively encourage disability beneficiaries to return to work; the *Ticket to Work and Work Incentives Improvement Act* authorized SSA to test alternative work rules designed to provide disability beneficiaries an incentive to work and reduce their financial reliance on Social Security. Going forward, we believe SSA should develop clearly defined metrics and conduct cost-benefit analyses to appropriately test and assess the viability of such projects.

² SSA OIG, *The Social Security Administration's Listing of Impairments*, September 2015.

For example, we previously reviewed the Ticket to Work Program and determined that program implementation did not appear to increase the percentage of disabled beneficiaries who returned to work, nor did it realize the outcomes and savings envisioned by previous lawmakers.³

More recently, we reviewed the Benefit Offset National Demonstration (BOND) project, in which SSA is testing and evaluating the treatment of earnings for current DI beneficiaries; the project allows a gradual reduction of benefits (\$1 for each \$2 additional earned over the monthly SGA threshold) and offers some participants enhanced work incentives. We found that less than 3 percent of 85,000 BOND project participants had used the offset for one or more months; as of January 2015, the project's total cost was almost \$87 million.⁴

Make More Timely and Accurate Eligibility Determinations

At the end of FY2015, SSA's level of pending initial claims stood at more than 620,000. The average disability claimant will wait about 114 days for an initial decision on his or her claim. These numbers are troubling to us; they can be devastating to those who will ultimately receive benefits but must wait for months at a time when they may be struggling to meet basic needs.

We have paid close attention to SSA's efforts to reduce the initial claims backlog. Last year, we reviewed the Agency's progress in fulfilling stated objectives to address the backlog, which included:

- increasing staff at DDSs and in Federal disability processing units;
- improving efficiency through automation;
- expanding the use of screening tools to identify claims likely to be allowed; and
- refining policies and business processes to expedite case processing.

Since FY2011, when the number of initial disability claims peaked at about 3.3 million, the number of applications has decreased each year (SSA received more than 2.7 million initial disability claims in FY2015). Still, a large backlog remains, and we have identified actions SSA can take to address it.

SSA also has a large backlog of appealed disability claims. Currently, more than 1 million claimants are awaiting a hearing on their appeal; the average disability appellant will wait 480 days for his or her case to be heard. We have done, and continue to do, significant and wide-ranging work to assist SSA in reducing the hearings backlog.

We recently issued a report on SSA's efforts to eliminate the hearings backlog and found the number of pending hearings has increased due to:

1. an increase in hearing requests from FY2007 to a record-high in FY2011 (hearing requests leveled off in FYs 2012, 2013, and 2014, but remained near the FY2011 high level);
2. a decrease in Administrative Law Judge (ALJ) dispositions since FY2011;
3. a decrease in senior attorney adjudicator decisions, due to quality concerns; and
4. a decrease in the number of available ALJs since FY2013.

³ SSA OIG, *Ticket to Work and Self-Sufficiency Program Cost Effectiveness*, August 2008.

⁴ SSA OIG, *Oversight of the Benefit Offset National Demonstration Project*, September 2015.

We have reviewed several ongoing initiatives that SSA has to address the hearings backlog, including hiring ALJs to reach a targeted staffing level of 1,800 to 1,900 ALJs by FY2018, transitioning to an electronic business process, expanding video hearings, emphasizing quality decision-making, and prioritizing decisions for claimants who have been waiting the longest.⁵

Additionally, we have reviewed ALJ decision-making and adherence to Agency policy, estimating significant benefit payments to claimants who were approved by ALJs even though their decisions were not supported by medical evidence in the claimants' records. SSA, we believe, should continue its oversight efforts and monitor ALJ decision-making and quality-reviews.⁶

A key tool disability examiners and ALJs have at their disposal in many states to ensure decisional accuracy is our Cooperative Disability Investigations (CDI) program. For 18 years, CDI has been extremely successful in preventing fraud at all levels of the disability claims process. When decision-makers find claims suspicious or questionable, they can refer them to a CDI Unit, which is composed of OIG, SSA, DDS, and state law enforcement personnel. Using the various skills and expertise of the Unit members, CDI Units analyze and investigate claims, gathering evidence that can lead to a more accurate claims decision. CDI currently consists of 37 Units in 31 States, the District of Columbia, and the Commonwealth of Puerto Rico. In FY2015, the CDI program reported \$406 million in projected savings to SSA's disability programs. Since the program was established in FY1998, CDI efforts have prevented a projected \$3.2 billion in disability payments.

Furthering the CDI mission, we and SSA are currently analyzing data from fraudulent disability claims present in large-scale schemes we have previously identified. We are working with SSA personnel to identify trends and patterns, and will apply those findings to existing and future claims to identify and prevent fraud. Based on our and SSA's work thus far, we believe predictive analytics can be an effective fraud-fighting tool.

Ensure that Current Beneficiaries Remain Eligible

Medical Continuing Disability Reviews

Just as it is critical that SSA make efforts to improve how it adjudicates claims, it is equally important that the Agency regularly review beneficiary information to ensure that people remain eligible. For many years, we have identified full medical continuing disability reviews (CDRs) as highly effective guards against paying DI benefits to individuals who have medically improved. If SSA determines the person's medical condition has improved such that he or she is no longer disabled according to its guidelines, it ceases benefits. The Agency estimates that every \$1 spent on medical CDRs yields about \$9 in savings to SSA programs as well as Medicare and Medicaid over 10 years.

Last year, we reported that SSA was performing less program integrity work than it had in the past. For example, SSA completed about half the number of medical CDRs in FY2013 than it did in FY2002, leading to a significant backlog.⁷ According to SSA, in FY2014, the Agency completed 525,000 medical

⁵ SSA OIG, *The Social Security Administration's Efforts to Eliminate the Hearings Backlog*, September 2015.

⁶ SSA OIG, *Administrative Law Judges with Both High Dispositions and Allowance Rates*, November 2014.

⁷ SSA OIG, *The Social Security Administration's Completion of Program Integrity Workloads*, August 2014.

CDRs; about 25 percent result in a cessation of benefits.⁸ The medical CDR backlog stood at 906,000 at the end of FY2014. SSA used dedicated funding to complete 792,000 CDRs in FY2015; we are awaiting an updated backlog figure from SSA for the end of FY2015.

Work Continuing Disability Reviews

SSA also performs integrity reviews related to beneficiaries' earnings, called work CDRs. Although disabled beneficiaries are required to report work activity, they do not always do so. Therefore, SSA compares Internal Revenue Service data to the DI benefit rolls. However, even when earnings indicate a beneficiary has returned to work at the substantial gainful activity (SGA) level, SSA cannot simply stop payments, but reviewing work activity and earnings is a complex process that requires staff to consider all of the return-to-work provisions of the *Social Security Act*. Therefore, SSA must perform a work-related CDR.⁹

We have found that SSA has made improvements to this process in recent years, and we have consistently recommended that SSA prioritize the use of available resources toward CDR workloads so it does not miss opportunities to realize potential savings.¹⁰ We support a previous legislative proposal to change the Federal wage reporting process from annual to quarterly reporting. A change of this nature would increase the frequency that employers report wages to SSA, improving the timeliness of the work CDR process. Currently, work alerts are not generated until the year after the earnings are posted to SSA records. This change would permit many alerts to be generated and processed in the same year as the work is performed, provided the Agency has the resources to process the work—thereby reducing the number of overpayments made that result when beneficiaries fail to report their work activity timely.

Ensure Payment Amount Accuracy

Finally, even when beneficiaries continue to be eligible, SSA can improve its efforts to calculate the right benefit amount by verifying self-reported information about wages or other benefits, such as worker's compensation or another government pension. We have recommended that, to improve payment accuracy, SSA should pursue data-matching agreements with other government agencies to obtain claimant data. For example, we previously worked with the Department of Labor to compare workers' compensation data to SSA records. We identified Federal employees who received DI the same year they received Federal Employees' Compensation Act (FECA) payments; SSA in some situations did not consider the beneficiaries' FECA payments when calculating their DI payments. This data match identified about \$43 million in overpayments.¹¹

Legislative Proposals

⁸ The initial cessation rate on medical CDRs ranged from 26 percent to 27 percent from FY2011 to FY2013. The ultimate cessation rate—after all appeals—would be lower than this.

⁹ The monthly SGA amount for statutorily blind individuals for 2015 is \$1,820. For non-blind individuals, the monthly SGA amount for 2015 is \$1,090.

¹⁰ SSA OIG, *Work Continuing Disability Reviews for Disabled Title II Beneficiaries with Earnings*, May 2014.

¹¹ SSA OIG, *Federal Employee Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments*, October 2010.

I've reviewed several of our recommendations to improve the DI program, and to further this discussion, I'd like to mention several DI-related legislative proposals for your consideration.

- The Social Security Subcommittee this year introduced the *Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act*. Currently an individual can receive unemployment insurance, which requires that a person be willing and able to work, while also receiving DI (for which they must claim they are unable to work due to disability). The legislation would end the ability to receive both benefits concurrently.
- The Subcommittee this year also introduced the *Social Security Fraud and Error Prevention Act*. The legislation requires Social Security to conduct pre-payment quality reviews of hearing decisions, excludes medical evidence in disability cases from physicians or health care providers barred from practice in any State or assessed a penalty for Social Security fraud, and implements new and stricter criminal and civil penalties for fraud. These last two provisions are included in the *Bipartisan Budget Act of 2015*.
- The *Improving the Quality of Disability Decisions Act*, also introduced this year by the Subcommittee, would require SSA to review ALJ decisions to ensure that judges are following the law and Social Security regulations and policy. SSA would have to report its findings to the Committee on Ways and Means annually.

Conclusion

Improving the DI program is a multi-faceted challenge for SSA. We are encouraged that pending legislation would avert the projected depletion of the DI Trust Fund reserves, but it is critical that Congress and SSA now turn to the program's management and long-term sustainability. My office has long held that SSA must find that important balance between customer service and stewardship over limited funds. This will continue to be SSA's primary challenge into the future, but based on extensive audit and investigative work, my office has recommended concrete steps the Agency can take to overcome this challenge and improve the program for both claimants and taxpayers.

I appreciate your ongoing interest in these issues. The OIG will continue to work with SSA and our oversight committees in Congress to ensure the effectiveness and integrity of the DI program. Thank you again for the invitation to testify, and I am happy to answer any questions.