



## National Council of Social Security Management Associations Transition White Paper

*"It is with great satisfaction that I have signed into law the Social Security Amendments of 1961. They represent an additional step toward eliminating many of the hardships resulting from old-age, disability, or the death of the family wage earner. . . . A Nation's strength lies in the well being of its people. The social security program plays an important part in providing for families, children, and older persons in time of stress, but it cannot remain static. Changes in our population, in our working habits, and in our standard of living require constant revision." John Fitzgerald Kennedy, June 30, 1961*

As our country transitions from one administration to another, what remains unchanged is that the Social Security Administration (SSA) has a critical mission of helping the American public during a period of economic uncertainty. With rising unemployment numbers, many people losing their homes, and a feeling of general uneasiness regarding the economy, the role of the Social Security Administration has never been more important than it is today.

The National Council of Social Security Management Associations (NCSSMA) is the voice of Social Security's Field Office and Teleservice Center management. Every day NCSSMA members directly serve the American public in over 1,300 Social Security Administration facilities. For decades the Social Security program, with many NCSSMA members at the forefront, has been a beacon of hope, one that provides a sense of security in the minds of millions of Americans. For 38 years, NCSSMA has provided unfiltered views from the front lines of public service to the agency's top administrators. Over 3,400 members of SSA's Field Office and Teleservice Center management team belong to our dues supported organization, representing about three quarters of the employees eligible for membership.

In the fall of 2006 the SSA Advocacy Group was formed. NCSSMA is a founding member of the SSA Advocacy Group and plays a lead role in coordinating its activities. Other members include seniors' organizations and disability support groups from across the country, SSA and Disability Determination Services associations, and Federal management associations and employee unions. This group has been very active in advocating for improved services at all levels in SSA and for the funding necessary to achieve these goals.

NCSSMA and the SSA Advocacy Group firmly believe that this Presidential transition, and all the change that will accompany it, is a very important moment in history. This is a time when we must not lose sight of the core mission of the Social Security Administration and, perhaps even more importantly, the many challenges that SSA faces in fulfilling that mission.

The year 2008 marked the start of some 78.2 million people, the Baby Boomer generation, turning to SSA to file retirement claims. Earlier this decade, this same Baby Boomer generation became prime candidates for disability benefits, contributing to the disability hearings backlog. This demographic bubble has already had serious implications for the Teleservice Centers, Program Service Centers, Disability Determination Services (DDSs), the Office of Disability Operations, and Field Offices. Additionally, the Field Offices, which play a major role in ensuring that events that affect beneficiaries'



eligibility and payments are correctly reflected in their benefits, will be faced with more and more requests for assistance.

The increase in customer walk-in traffic and telephone call volume, coupled with the fact that SSA has faced significant budget constraints in recent years, is making it extremely difficult for the agency to keep up with its ever increasing workloads. The end result is that it is very difficult to maintain the quality of service that individuals have paid for, expect, and deserve.

From FY 2001 to FY 2006, Congress appropriated approximately \$150 million less per year for SSA's administrative funding needs than the President requested. It is also important to note that the level of funding requested by the President was often significantly less than the level of funding recommended by the Commissioner of Social Security. In FY 2006 the final funding level approved by Congress was \$300 million less than the President's Budget Request and almost \$1 billion less than the Commissioner's Budget Request. In FY 2007 the final level approved by Congress was \$200 million less than the President's Budget Request and \$930 million less than the Commissioner's Budget Request. However, in FY 2008, Congress appropriated \$148 million above the President's Budget Request. Although the FY 2008 funding level was certainly an important step in the right direction, it only begins to address the need for increased funding for SSA.

The most visible result of this under funding has been the massive increase in the number of pending disability appeals hearings. The annual number of pending hearings, as compared to earlier in the decade, has increased by over 400,000. Currently there is a near record of over 760,000 hearings pending, and over 80,000 have been filed by veterans. The average wait time for a final hearing decision has also increased from about 300 days to about 500 days. The long wait for many to be heard by an Administrative Law Judge can lead to bankruptcy, homelessness, the breakup of families and loss of friends, lack of critical medical care, **and sadly, some individuals die while waiting for a hearing.**

The effects of the hearings backlog extend throughout the agency. As SSA works to address the crisis, the agency is forced to divert its limited resources away from its day-to-day operations in Field Offices and Program Service Centers in order to try to manage the disability backlog. The impact on day-to-day operations can be seen in the following examples:

- Results of a study focused on SSA's Field Office telephone service indicated that in FY 2007, 45% of the approximately 54 million callers who tried to reach a Field Office by telephone said that they had received a busy signal or a recording that all lines were busy. Because many of these callers may have called more than once and on multiple days, the actual busy rate is likely much higher than the 45% indicated by the study.
- Waiting times in Field Offices are increasing with many customers having to wait hours before they receive service. About 43 million people visited SSA Field Offices for assistance in 2007. In 2008, the number of visitors to SSA Field Offices will increase by more than a million. As the recent major economic downturn has hit America, SSA Field Offices are seeing a record number of customers as more people are coming in to file for benefits or request assistance.
- SSA projects a backlog of workloads that occur after individuals become entitled to benefits (post-entitlement work) of 2,000 to 3,000 work years in FY 2009 if the agency receives the level of funding proposed by the President. Based on current budget projections, the agency also anticipates the work year backlog to increase by 2,000 to 3,000 work years in FY 2010. Included



in this shortfall are important workloads and services that are **in addition** to the processing of new applications, e.g., representative payee accounting, recording earnings and resolving overpayments. These projections do not include the recent surge in initial claims and appeals filings in SSA Field Offices that have occurred since the economic downturn. In the first nine weeks of FY 2009, the state DDSs have received over 5 percent more new disability claims and 13 percent more requests for reconsiderations than the same time last year. If this trend continues, more than 100,000 additional disability claims will be filed in FY 2009 than in FY 2008.

- SSA also has a backlog of about 1.7 million unworked medical Continuing Disability Reviews and has drastically reduced the number of SSI Redeterminations conducted because of budget shortfalls. Continuing Disability Reviews (CDRs) save \$11.70 in program costs for every \$1 spent in administrative dollars. The unworked backlog is costing taxpayers over \$10 billion dollars. In FY 2008 SSA processed about 235,000 CDRs. This is 565,000 fewer CDRs than were processed annually earlier this decade.
- SSI eligibility redeterminations save \$10 for every \$1 spent in administrative dollars above SSA's base level. In FY 2008, 1.2 million SSI redeterminations were performed. This is 1 million fewer annual SSI redeterminations than earlier this decade. This is also a contributing factor in the increase of the SSI overpayment error rate from 6.4 percent to 9.1 percent from FY 2005 to FY 2007. The overpayment error rate is currently at its highest rate in over 30 years. There is a direct correlation between the increasing error rate and the decline in the number of SSI redeterminations completed. In FY 2007 the projected overpayments were \$3.9 billion. Thus the unworked SSI redeterminations are also costing taxpayers billions of dollars.
- SSA Field Offices struggle to keep up with new workloads as Congress continues to add to SSA's list of responsibilities, such as administering new requirements for Medicare Parts B and D, and conducting Social Security Number verifications and other immigration-related activities. However, SSA's administrative funding has not kept pace with the agency's increased responsibilities. With increased focus on the integrity of the Social Security Number, more resources will likely be needed in the future for SSA to ensure proper payment under the right record.

SSA's computer systems also face fundamental challenges. SSA currently manages over one petabyte of data (one million gigabytes). The agency's National Computer Center (NCC) is almost 30 years old and its design is no longer optimal to support the critical systems necessary to SSA's mission. Its mechanical and electrical systems are nearing the end of their useful lives. Other components of the current NCC such as the cabling and fire suppression capabilities are disintegrating. A fire within the NCC would be devastating. Moreover, the NCC's capacity to keep up with increasing volumes of work, new and expanded responsibilities, and new ways of doing business is severely limited. The storage capacity needs of the NCC will nearly quadruple by FY 2014. Much of this is due to the anticipated increase in the number of Internet transactions between the American public and SSA. Performing any type of maintenance or repairs on the current NCC is very difficult as SSA must keep its systems running 24/7. For the reasons stated above, it is imperative that work begin quickly, as the project will take several years to complete. If the NCC is not replaced, SSA's ability to fulfill its responsibilities to the American public could be severely compromised, leading to catastrophic service disruptions. The total cost of replacing the NCC, which includes the facility and IT equipment costs, is approximately \$750 million.



Most of SSA's system is built on COBOL-based code, which is 1950s technology. There are about 36 million lines of COBOL coding that need to be replaced to bring SSA's data processing up to modern standards. SSA also needs to build a new, modernized disability case processing system that is centralized to replace the 54 separate state Disability Determination Services systems that currently exist. These challenges are having a negative effect on SSA's ability to expand its online services, a capability which is expected by an increasing number of our customers, and is essential to SSA's ability to meet the increasing service demands created by the aging of the Baby Boomer generation.

The challenges that SSA faces related to limited resources and ever-increasing workloads have been documented in countless media articles and broadcasts throughout the country. In 2006 there were fewer than ten media articles or broadcasts. In contrast, there were over 360 articles and broadcasts representing all parts of the country that appeared in 2007 and 2008. (A list of the articles and broadcasts in chronological order is attached.)

One of the most significant challenges facing SSA has been to convince the Administration and Congress to agree on a common funding solution. SSA must receive a consistent and appropriate level of funding to ensure that the agency can avoid severe degradation of its services in the coming decade. Furthermore, SSA needs to have funding commitments that cover more than one year at a time. This will allow the agency to engage in strategic planning that can modernize its antiquated computer infrastructure and allow for hiring that will ensure the knowledge of SSA staff who are about to retire will be shared with the new staff before that knowledge is lost forever. NCSSMA believes that a solution will probably not be found unless the Obama Administration explores funding mechanisms for SSA that will provide the necessary resources. We recommend that the following concepts be explored:

- Provide \$750 million in funding in the anticipated economic stimulus legislation for replacement of the National Computer Center facility and IT equipment. This would provide Congress with the ability to provide resources for these essential infrastructure needs without shortchanging SSA's other administrative expenses.
- Provide adequate funding levels in the FY 2010 Budget Request to address SSA's administrative needs. Careful attention must be paid to providing the resources necessary to address the following: disability hearings backlog, increased workloads due to the Baby Boomers and the economic downturn, increased staffing costs, increased fixed expenses such as office space, guards and employee benefits. Resources must also be provided to ensure that SSA can complete program integrity workloads such as Continuing Disability Reviews and SSI redeterminations. **NCSSMA estimates that funding of at least \$11.5 billion would be required to adequately address SSA's administrative needs.** It is important to note that nearly \$500 million will be necessary just to keep pace with inflationary costs at SSA.
- Explore mechanisms for creating a more robust and more predictable funding stream for SSA's administrative expenses. This would ensure a long-term solution to the out year crisis of providing sufficient funding for SSA's administrative expenses, given the current and future challenges faced by the agency. Most notable of the challenges is the demographic shift in the Baby Boomer population. Possible concepts that should be considered:



- Exclude SSA's administrative funding from any cap that sets an arbitrary ceiling on discretionary spending. NCSSMA has previously recommended and continues to endorse this exclusion of SSA's funding. This recommendation has been reiterated in reports issued by the Social Security Advisory Board. The Social Security program from which SSA's administrative funding, the Limitation on Administrative Expenses (LAE) account, is funded is a self-financed trust fund that is already off budget.
- Remove SSA's administrative funding from the discretionary budget caps and provide a separate limit in the Budget Resolution. Congressional appropriators could provide funds for SSA up to this limit. SSA would have the authority to draw resources from the trust funds up to the amount appropriated and these resources would not count against the 302(b) allocations for the Labor, Health and Human Services, Education, and Related Agencies Appropriations Subcommittees. SSA would then be able to address staffing needs and program integrity workloads. We are not suggesting that SSA be given a "blank check," as the agency's administrative funding would still be subject to the annual budget and appropriations processes and oversight from the Administration and Congress.
- Establish multi-year funding for critical systems investments and expenditures. This would ensure that adequate planning could be completed for these types of projects.

In summary, SSA has suffered from a vicious cycle of under funding for many years. Consistent and adequate funding is absolutely essential to ensure the American public receives the services for which they have paid for, expect and deserve. If SSA receives adequate funding to meet its responsibilities, the hearings backlog will be reduced, customers will receive improved phone service, long waiting times in Field Offices will be minimized, and the agency will be able to address additional workloads and responsibilities. SSA will also save taxpayers billions of dollars by completing more CDRs and conducting more SSI redeterminations. It is absolutely imperative that the workers and taxpayers who have paid trillions of dollars in FICA taxes to the trust funds receive timely benefits and access to all of the necessary services that they have paid for.

Increased investment in SSA is money well spent. SSA has a proven record of effectiveness and efficiency. In fact from FY 2002 to FY 2008, SSA's productivity has increased by about 18.7 percent, which is an average of 2.7 percent per year. SSA's mission to assist the American public results in the agency's resources being utilized to address workloads and programs generated by requests for assistance rather than grant making or contracting activities.

NCSSMA and its members look forward to working with the Obama Administration to ensure that SSA fulfills its responsibilities to the American public and maintains the integrity of the programs the agency administers. A stable Social Security Administration that delivers quality, community-based service is our primary goal.

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