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CONGRESS SHOULD APPROPRIATE THE PRESIDENT'S FULL REQUEST FOR THE SOCIAL SECURITY ADMINISTRATION'S COSTS

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In his fiscal year 2005 budget, President Bush has requested \$8.878 billion for the Social Security Administration's administrative expenses. (Technically, this is known as the Limitation on Administrative Expenses, or LAE.) Funding for SSA's administrative costs is provided each year in the Labor, Health and Human Services, and Education appropriations bill and is considered discretionary spending. The level of funding that the Administration has requested is necessary if SSA is to make critical improvements in program operations.

This analysis examines two examples of important work that SSA will not be able to conduct adequately if the funding level is reduced significantly below the President's request. Specifically, without sufficient funding, two key Congressional goals for administration of the Social Security and Supplemental Security Income disability programs will not be able to be met.

- The first such goal is to ensure that only people with disabilities who meet the statutory definition for disability receive Social Security and SSI disability benefits, and that beneficiaries whose conditions have improved and who no longer meet the disability criteria do not continue to receive benefits.
- The second goal is to eliminate disincentives or barriers to work so that recipients with disabilities in both programs can attempt to return to work.

SSA administers large and complex programs. These two examples are illustrative of key areas of work in which SSA cannot perform adequately without sufficient funds.

Helping SSA Maximize Its Potential as an Independent Agency

SSA became an independent agency in the mid-1990s. In its report accompanying the 1994 legislation making SSA an independent agency, the House Ways and Means Committee stated:

“Support for making SSA an independent agency is rooted in a marked decline in the agency's performance over the past 15 years. Several factors have contributed to this decline, including frequent turnover in agency personnel, multiple internal

reorganizations, and increasing political intervention in the administration of the program.

“With respect to personnel, SSA has had 10 commissioners in the past 15 years, 4 of whom served only as acting commissioners and 6 of whom served less than 18 months. During this same period, the agency has undergone a series of reorganizations which have displaced personnel at all levels, creating repeated changes in responsibilities for program administration and policy development.”¹

Congress hoped that making SSA an independent agency would provide SSA with administrative stability and the ability to better anticipate and address current and future systems needs. The current SSA Commissioner, Jo Anne B. Barnhart, began her term in November 2001 and is making significant progress in such areas as instituting technological improvements and changes in systems design to provide higher quality decisions earlier in the disability decision process. An inadequate funding level would undercut these efforts to strengthen SSA systems, improve Social Security and SSI benefit accuracy, and improve SSA’s ability to respond effectively to the growing numbers of claimants it is serving.

Example 1: Without the full administrative request, SSA cannot conduct the number of continuing disability reviews that is needed

Failure to provide SSA with adequate funds to conduct large numbers of continuing disability reviews, would diminish over time the integrity and accuracy of the disability programs. To protect program integrity and avert improper payments, it is essential that SSA conduct ongoing, regular reviews (CDRs) to determine the continuing eligibility of recipients with disabilities.²

The President’s request for fiscal year 2005 includes \$561 million in administrative funding for processing continuing disability reviews under Social Security and SSI. In fiscal year 2004, SSA has had to reduce the number of CDRs performed because it did not receive adequate funds for this purpose. While it continues to conduct CDRs, SSA has indicated that, “because the FY 2004 level is less than the President’s budget, SSA will not be current with its CDR workload for FY 2004 and FY 2005.”³ In other words, backlogs are building. Receipt of the figure requested for fiscal year 2005 would allow SSA to increase the number of CDRs it is able to conduct and enable it to reduce the backlog of CDRs that now exists.

Failing to conduct the full complement of CDRs also has adverse consequences for the federal budget and the deficit. SSA has determined that the CDRs have “generated government-

¹ House Report No. 103-506, Ways and Means Committee, May 12, 1994, pages 44-45.

² Under federal law, SSA is supposed to review the continuing disability of most Social Security disability recipients on a three-year cycle.

³ *Social Security Administration: Fiscal Year 2005, Justification of Estimates for Appropriations Committees*, SSA Pub. No. 22-017, February 2004, page 74.

wide savings of approximately \$10 for each \$1 spent” in conducting the CDRs.⁴ SSA estimates that the CDRs it conducted in 2002 “are expected to yield \$6 billion in lifetime program savings.”⁵ (To put this figure in context, of the one million continuing disability reviews that SSA conducted in fiscal year 2001, SSA continued benefits in 96 percent of the cases reviewed and terminated benefits in four percent of the cases.⁶ Even though the vast majority of CDRs result in continuation of benefits, the overall savings from CDRs that result in terminations are still substantial because of the size of the program and the value of the benefits provided.)

Example 2: Receipt of the full Administration request will enable SSA to eliminate or reduce substantially a key work disincentive for people with disabilities: overpayments resulting from delayed recording of reported earnings

For many years, a key problem for people with disabilities who receive Social Security or SSI benefits and wish to try to go back to work is that they often end up owing SSA substantial sums as a result of overpayments. Typically, this happens when the individual calls SSA and reports work and earnings, or brings the information into an SSA field office, but SSA fails to input the information into its computer system and does not make the adjustments to the person’s benefits that are needed. Then months or years later, after a computer match with earnings records, SSA determines that the person has been overpaid and sends a notice to this effect. Typically, after the receiving the overpayment notice, the beneficiary will tell SSA that s/he reported the income as required and SSA will reply that it has no record of the reports.

Depending on which program the person is participating in — Social Security or SSI — discovery that the person is working may result in complete loss of cash benefits (Social Security) or a reduction in cash assistance (SSI). It also can affect the person’s health care coverage. To collect the overpayment, SSA may decide to withhold all or a portion of any current benefits owed, or SSA may demand repayment from the beneficiary if the person is not currently eligible for benefits.

The result of this process is that some individuals with disabilities are wary of returning to work, out of fear that this may give rise to the overpayment scenario and eventually result in a loss of economic stability and potentially of the health care coverage upon which they rely. As a result of this long-term administrative problem, anecdotal evidence indicates there is a widespread belief among people with disabilities that it is too risky to attempt to return to work, as it is likely that the beneficiary will end up in a frightening bureaucratic morass of overpayment notices, demands for repayment, and benefit termination.

This earnings reporting and recording problem may be the single most significant barrier that discourages many SSI recipients from attempting to work. In addition, it appears to be one

⁴ Id., page 87.

⁵ Id.

⁶ *2004 Green Book*, Committee on Ways and Means, U. S. House of Representatives, Table I-44, page I-70.

of the most significant such barriers to work among Social Security disability beneficiaries. At a 2003 hearing of the Social Security Subcommittee of the House Ways and Means Committee, Rep. J.D. Hayworth (R-AZ) pointed this out, and the Social Security Commissioner acknowledged that it is a significant problem and that SSA's ability to remedy it is hindered by lack of adequate resources:

Mr. Hayworth: ...One concern of many beneficiaries about returning to work is that if they report their earnings to SSA, the agency may not accurately keep track of them, thus leading to overpayments. This fear of having to repay potentially hundreds or thousands of dollars in overpayments is a real concern that prevents many individuals with disabilities from taking that step to return to work. Again, I would be interested, Commissioner — what steps is the agency taking to improve how it tracks earning reports and to reduce incidents of overpayments?

[Commissioner] Barnhart: That has been a huge issue in the agency. Quite frankly, the lag time between individuals willingly reporting income that they are earning and it getting posted into their accounts so we know we need to make adjustments in benefits — and it does result in these erroneous overpayments, sometimes after a year or 2, and the individual is required to pay that back through overpayment collection efforts unless we grant a waiver. I would say that the major factor contributing to that delay has been a need for additional resources, because that workload that you have just described is on that list. This is one of those 282 items that is competing with 281 other things to get done...I think it has been a workload issue for the agency. We are making it a priority. We are starting to make strides in that area. I have to tell you, if we do not get the President's budget request [for fiscal year 2004] and we are not able to hire 1,300 more people and have 1,000 more hours in overtime beyond that, it is going to be difficult to get current...⁷

SSA's ability to address this workload effectively is essential to Congress's strong interest in eliminating work disincentives in the Social Security and SSI disability programs and encouraging more recipients to try to return to work. As reflected in the colloquy above, SSA acknowledges that the problem exists. Without additional resources, however, SSA is not going to be able to resolve this problem effectively.

Conclusion

It is important that the Social Security Administration receive the full amount of administrative expenses funding that the President has requested for fiscal year 2005. SSA is making significant administrative and technological improvements. Implementing such improvements will better enable SSA to address significant backlogs in its workloads and put it

⁷ Colloquy between Representative J.D. Hayworth and Commissioner Jo Anne Barnhart, *Social Security Administration Service Delivery Budget Plan*, Hearing before the Social Security Subcommittee of the Committee on Ways and Means, Serial 108-37, July 24, 2003, pages 24-25 on internet, <http://waysandmeans.house.gov/hearings.asp?formmode=printfriendly&id=1606>.

on better footing to be able to address the increasingly large workloads that can be anticipated in coming years. This should result in the more expeditious termination of payments to people who no longer have disabilities sufficient to qualify for benefits and in the reduction of a significant disincentive for people with disabilities to try to return to work.

Moreover, past experience suggests that failure to include adequate funds for SSA's administrative expenses results not only both in hardships for and inaccurate payments to people who are aged or disabled, but also in added burdens for the constituent services staffs of Members of Congress. Workloads of the staffs of Senators and Representatives tend to increase when SSA struggles without sufficient resources to do its work on an accurate and timely basis.⁸

⁸ For example, at a hearing of the Social Security Subcommittee of the Ways and Means Committee on July 24, 2003, at which the Commissioner testified about SSA's budget for fiscal year 2004, Representative Benjamin Cardin noted, "...[I]f you increase the disability determinations number of cases pending by two-thirds, Mr. Chairman, I think that we should let the Committee on Appropriations know they should increase our budget so we can put additional case workers on in our offices, because we are going to get a lot more complaints. That is one impact if we do not restore those funds." *Id.*, page 23 on the internet.