COSTS AND TRADEOFFS OF
SOCIAL SECURITY BENEFIT GUARANTEE CERTIFICATES

by Kilolo Kijakazi

Proposals have been introduced in the House that would require the Secretary of Treasury to issue benefit guarantee certificates to individuals who have met the requirements for Social Security coverage and have applied for benefits. The proposals state that these certificates would represent a “legally enforceable guarantee” of full benefits plus an annual cost of living adjustment. The Congressional Research Service reviewed the proposed legislation, however, and concluded that Congress can change or repeal the guarantee in the future. The Social Security Commissioner, Jo Anne Barnhart, in her testimony before Congress, questioned whether these certificates would be legally binding. She also pointed out that “sending out these notices to 46 million beneficiaries would increase administrative costs by millions of dollars, using valuable administrative funds that could be used in other ways.” The costs and tradeoffs of producing and sending out these certificates are worth examining in more detail.

Providing certificates to individuals entitled to Social Security benefits involves printing the certificates, mailing them, and responding to inquiries from the public after the notices are sent out. The cost associated with these functions can vary widely depending on the type of certificate required and the level of customer service needed to respond to inquiries once the certificates are mailed out. The Social Security Administration (SSA) estimates that the cost of providing a basic certificate (that is on plain paper that is not embossed and that includes the individual’s name but not the benefit amount) to about 47.5 million current beneficiaries would run between $14 and $16 million in the first year. (This estimate includes the cost of responding to inquiries. Whenever notices are mailed out by SSA to all beneficiaries, the volume of telephone inquiries rises substantially. SSA estimated that these certificates would generate about 250,000 additional telephone calls.) If certificates were printed on paper of a heavier stock, were embossed, and had each individual’s level of benefits printed on them, the total cost for the certificates could double. If the volume of telephone inquiries exceeds the anticipated level, the cost could rise further.

Administrative funds of this magnitude could be used for other purposes that are a priority to beneficiaries, SSA, and Congress. One priority is to improve the processing of claims for Social Security Disability Insurance and Supplemental Security Income disability programs. Acting SSA Commissioner Larry Massanari testified last year before the House Ways and Means Subcommittee on Social Security that SSA was able to reduce the processing time for disability hearings from nearly 400 days in 1997 to 300 days in 2001. Cases at the Appeals Council level were reduced by 140 days, and pending cases were reduced by 45,000 cases. In addition, between 1996 and 2000, SSA was able to eliminate its backlog of cases being reviewed for continued receipt of disability benefits. Massanari stated that SSA has been able to achieve these
improvements in part because “we have shifted resources to the areas of greatest need.” He also said, “We would not have been able to accomplish this without the help of the Congress, particularly this subcommittee, in providing us with the resources we needed.”

According to SSA estimates, each $1 million that would be needed to produce and mail benefit guarantee certificates would pay for the processing of 1,400 disability benefit claims. Not only are the proposed certificates questionable as legally binding instruments, but the administrative cost of producing and distributing these documents could drain resources from priorities such as further reducing processing times for disability benefits and keeping disability reviews current. Moreover, if resources are shifted away from disability insurance claims processing and reviews, the improvements gained over the last few years may be lost. The time required for processing may rise, and the backlog of cases needing reviews may return.

The additional funding needed for printing and mailing could be appropriated by Congress, but that would not entirely solve the problem. Currently, when additional staff are needed to handle a higher-than-normal volume of telephone calls, new staff are not hired. Existing staff work overtime or are reassigned. To avoid shifting employees from the important work they already are undertaking to answering telephones, the Office of Management and Budget (OMB) would have to give SSA the authority to increase the number of full-time employees the agency is allowed to hire. It is not clear that members of Congress would be willing to provide SSA with the funding and that OMB would provide the authority to hire additional employees to cover the work generated by the certificates. Consequently, the use of resources for certificate-related work would likely cause a slowdown in other important work.