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THE SUPPLEMENTAL SECURITY INCOME PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

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CONTENTS

	Page
Advisory of April 22, 2004, announcing the hearing	2

WITNESSES

Social Security Administration, Hon. Jo Anne B. Barnhart, Commissioner	7

SUBMISSIONS FOR THE RECORD

Davis, Hon. Susan A., a Representative in Congress from the State of California, statement	35
National Association of Disability Examiners, Madison, WI, Theresa Klubertanz, statement and attachment	36
Paul, Margaret, Redlands, CA, statement	42
Stannard, John, Santa Barbara, CA, statement	42

THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Thursday, September 29, 2004

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:04 a.m., in room B–318, Rayburn House Office Building, Honorable Wally Herger (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
April 22, 2004
HR–8

CONTACT: 202–225–1025

Herger Announces Hearing on the Supplemental Security Income Program

Congressman Wally Herger (R–CA), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the Supplemental Security Income Program. **The hearing will take place on Thursday, April 29, 2004, in room B–318 Rayburn House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from the Honorable Jo Anne B. Barnhart, Commissioner, Social Security Administration. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Social Security Administration's (SSA) Supplemental Security Income (SSI) program is a means-tested Federal assistance program that provides monthly cash benefits to the Nation's needy blind, disabled, or elderly individuals. In fiscal year 2005, 6.9 million individuals are expected to receive $38.4 billion in SSI payments averaging about $425 per month.

The 1996 Welfare Reform Law (P.L. 104–193), the Foster Care Independence Act of 1999 (P.L. 106–169), and the Social Security Protection Act of 2003 (P.L. 108–203) included provisions designed to improve the SSI program and address concerns about fraud and abuse. These changes included ending disability determinations based on drug addiction or alcoholism, barring fugitive felons and parole violators from receiving benefits, establishing a bounty system to prevent prisoners from illegally receiving benefits, enhancing the ability of SSA to detect and collect overpayments, strengthening penalties for fraud and abuse, and increasing protections for vulnerable SSI recipients. In addition, the Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106–170) contained provisions to help disabled individuals receive assistance to help them return to work.

In spite of these legislative changes and SSA program improvement initiatives, challenges remain in the SSI program. Program improvement issues discussed in the President's fiscal year 2005 budget include disability-decision reviews, overpayment recovery, program administration improvement, and continuing disability reviews. While the U.S. General Accounting Office removed SSI from its list of programs at high-risk for fraud and abuse in January 2003, a new high-risk area encompassing a range of Federal disability programs, including SSI, was added. The Social Security Advisory Board focused on program stewardship and the disability determination process in a statement included in the May 2003 SSI annual report. In the September 2003 semiannual report to Congress, the SSA Inspector General identified improper payments, management of the disability program, and service delivery among significant management issues that continue to confront SSA.

In announcing the hearing, Chairman Herger stated, "Over the past few years, we have taken steps to improve the SSI program so it provides better services for recipients and includes enhanced measures to prevent fraud and abuse. There is more work to be done. This hearing will allow us to review the status of the SSI program, anti-fraud and abuse initiatives, and suggestions for additional program improvement."

FOCUS OF THE HEARING:

The hearing will review the operation of the SSI program, including anti-fraud provisions in law and policy, and consider further measures to improve program performance and better prevent fraud and abuse.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person or organization wishing to submit written comments for the record must send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, by close of business Thursday, May 13, 2004. In the immediate future, the Committee website will allow for electronic submissions to be included in the printed record. Before submitting your comments, check to see if this function is available. **Finally,** due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov,* along with a fax copy to (202) 225–2610, in WordPerfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman HERGER. This morning we are pleased to welcome the Commissioner of the Social Security Administration (SSA), the Honorable Jo Anne Barnhart, to our hearing on the Supplemental Security Income Program (SSI) (P.L. 92–603). I also note that this is her first appearance before the Subcommittee on Human Resources as Commissioner.

The SSI Program, provides $3 billion of benefits monthly to nearly 7 million individuals, providing a safety net to the Nation's neediest elderly and disabled individuals. Today's hearing will cover how the SSI Program is operating and what can be done to continue to improve it. Some issues involve very basic questions, such as how does SSA determine who is eligible for benefits, and can that process be improved?

Most Members have heard from their constituents that it takes years to find out if they are eligible for SSI benefits. The whole process is complicated and frustrating. This is because there is no bright line separating those who can work and those who cannot due to a disability. I know the Commissioner has spent a great deal of time focusing on disability determination issues and how to improve this process. We look forward to her comments on what steps she is taking to improve SSI in this area and what more we can do.

We also should consider other ways to improve how SSI meets the needs of those it serves, along with better supporting our society's need for a more productive work force. For example, Congress recently promoted work by disabled persons through the Ticket to Work law (P.L. 106–170). We want to explore what else we can do to promote more work and less dependence on government benefits. That is in everyone's interest, especially disabled individuals who often want nothing more than to go to work like other Americans.

Another important part of ensuring SSI operates effectively involves protecting beneficiaries and taxpayers from fraudulent payments and wasteful practices. This Subcommittee, working with SSA, the Social Security Inspector General and the U.S. General Accounting Office (GAO), among others, has made numerous changes to better protect the integrity of the SSI Program.

Working together we have made real progress. Prisoners, fugitives, as well as drug addicts and alcoholics, among others, have been removed from the SSI rolls, better targeting benefits to those in need while saving millions of dollars each year. As a result, the GAO removed SSI from its list of programs of high risk of fraud and abuse. Still, disability programs remain vulnerable to waste and misspending, so we must remain vigilant to ensure we are protecting beneficiaries and taxpayers from abuse.

Commissioner Barnhart, we look forward to your testimony and to working with you on the challenges ahead. Unfortunately, Mr. Cardin could not be with us today, but I want to thank Mr. Stark for stepping in for him. We plan to have a follow-up hearing soon featuring other interested groups, so there will be more opportunities for input on this important topic. Without objection, each Member will have the opportunity to submit a written statement and have it included in the record at this point. Mr. Stark, would you like to make an opening statement?

[The opening statement of Chairman Herger follows:]

Opening Statement of The Honorable Wally Herger, Chairman, and a Representative in Congress from the State of California

This morning we are pleased to welcome the Commissioner of Social Security, the Honorable Jo Anne Barnhart, to our hearing on the Supplemental Security Income program. I also note that this is her first appearance before the Human Resources Subcommittee as Commissioner. Again, welcome.

The Supplemental Security Income program, also known as SSI, provides $3 billion of benefits monthly to nearly seven million individuals, providing a safety net to the nation's neediest elderly and disabled individuals. Today's hearing will cover how the SSI program is operating, and what can be done to continue to improve it. Some issues involve very basic questions—how does SSA determine who is eligible for benefits, and can that process be improved?

Most Members have heard from their constituents that it can take years to find out if they're eligible for SSI benefits. The whole process is complicated and frustrating. This has to do with the fact that there is no bright line separating those who can work and those who cannot due to a disability. I know the Commissioner has spent a lot of time focusing on disability determination issues, and how to improve this process. We look forward to her comments on what steps she is taking to improve SSI in this area, and what more we can do.

We also should consider other ways to improve how SSI meets the needs of those it serves, along with better supporting our society's need for a more productive workforce. For example, Congress recently promoted work by disabled persons through the Ticket to Work law. We want to explore what else we can do to promote more work and less dependence on government benefits. That's in everyone's interest, and especially disabled individuals, who often want nothing more than to go to work like other Americans.

Another important part of ensuring SSI operates effectively involves protecting beneficiaries and taxpayers from fraudulent payments and wasteful practices. This Subcommittee, working with SSA, the Social Security Inspector General, and the General Accounting Office, among others, has made numerous changes to better protect the integrity of the SSI program.

Working together, we've made real progress. Prisoners, fugitives, and drug addicts and alcoholics, among others, have been removed from the SSI rolls, better targeting benefits to those in need, while saving millions of dollars each year. As a result, GAO lifted SSI from its list of programs at high risk for fraud and abuse. Still, disability programs remain vulnerable to waste and misspending. So we must remain vigilant to ensure we are protecting beneficiaries and taxpayers from abuse.

Commissioner Barnhart, we look forward to your testimony and to working with you on the challenges ahead.

Unfortunately, Mr. Cardin could not be with us today, but I want to thank Mr. Stark for stepping in for him. We plan to have a follow-up hearing soon featuring other interested groups, so there will be more opportunities for input on this important topic.

Mr. STARK. Thank you, Mr. Chairman. A bit of deja vu. I sat in your chair in the early eighties, when on a bipartisan basis we expanded the benefits for SSI and Aid to Families with Dependent Children (AFDC, P.L. 74–271) and a lot of programs, and I am proud of the work that this Committee has done on the SSI Program.

However, much of our focus in the last 10 years has been in reducing expenditures in the SSI Program. You will recall in 1996 we figured out how to get rid of about 100,000 children by raising eligibility standards, and most legal immigrants were barred from the program. To differentiate, we are going to be talking this morning about basically what I would refer to, I am not sure it is the correct term, but extending benefits for refugees, people who we have given legal asylum from religious or a danger of being killed if they go home. I hope we all can keep in mind that we are not dealing with our problem in my home State of California with a host of illegal entrants to the country or undocumented, but these are people that our government has designated as people that we would give asylum status to.

We have had 10 pieces of legislation to combat perceived fraud and abuse within the program, and you might suspect from this that SSI is an incredibly generous program, when in fact, it is not.

It still leaves individuals and couples, I think, at about 85 percent of poverty for many of them. So, I hope we can consider reforms that will help those who are rightfully entitled to the program.

We have not really increased the income disregards, for instance, in over 30 years, and so in many cases with inflation, we have been reducing benefits in that way, and I would hope we could look at those. The income disregards, if they had kept pace with inflation, such as the general exclusion would be worth $85 a month rather than $20, and for somebody living on a few hundred bucks a month, that is significant. It may not sound like a lot to us, but it really can mean a great deal to the very lowest income people.

I hope as we think through this and discuss this issue with Commissioner Barnhart, if any of us can do this—I cannot remember doing it since I was 10—think about people living on $400 a month or whatever they may be doing, and it is a whole different program. There is legislation to increase these disregards. We have a bipartisan bill that would extend the benefits for 2 years. The Administration I think has suggested they would support a 1-year extension. Maybe this morning we could agree on 18 months, and get that right through and bring it up. Uh-oh, I am sorry if I stole your bill.

[Laughter.]

There are 36,000 refugees who will lose their SSI benefits through 2007, and perhaps we can find a way this morning to increase that. I would also, Mr. Chairman, like to think that when we talk about fraud, there is two edges to that sword. Not only is it people who would desperately try to get on the rolls, which is understandable, but we have quite a few people who are ignoring their obligation to the Social Security program, whether it is employers who employ people off the books, or those of us who may not pay the proper amount for our baby-sitters, and I think we should look at both sides of the coins, the income as well as the expenses. I appreciate you holding this hearing.

[The opening statement of Mr. Stark follows:

Opening Statement of The Honorable Pete Stark, a Representative in Congress from the State of California

Mr. Chairman, I welcome this opportunity to evaluate the operations of a program that provides assistance to nearly 7 million disabled and elderly Americans. I also am glad that Commissioner Barnhart can join us today to share with us her expertise and her vision for the SSI program.

Over the last decade, much of Congress' focus has been on reducing expenditures in the SSI program. For example, over 100,000 children were removed from the SSI rolls under the 1996 welfare law, which made the disability eligibility standard more strict.

Additionally, most legal immigrants were barred from gaining access to the program. And finally, 10 separate pieces of legislation have been enacted to combat perceived fraud and abuse within the SSI program. All of this might lead you to believe that SSI is an incredibly generous program, when in fact the SSI benefit still leaves individuals thousands of dollars below the poverty line.

I hope today we might actually consider reforms that will help those disabled and elderly Americans who depend on the SSI program. For example, the income disregards for SSI have not been increased for 32 years—meaning they have lost more than 75% of their real value.

One of these income exclusions provides a very small reward for past work by allowing up to $20 of Social Security benefits to be added to the SSI benefit without any penalty. The second exclusion allows the first $65 in earnings a month from current employment to be disregarded from SSI eligibility (after that, every $2 of earnings reduces the SSI benefit by $1).

If these income disregards had simply kept pace with inflation over the last three decades, the general exclusion would be worth $85 a month, rather than $20; and the earnings exclusion would be worth $280 a month, rather than $65.

We hear endless rhetoric about promoting and rewarding work, and yet the SSI program rewards work less and less every year. I therefore urge both the Chairman and the Commissioner to consider legislation to increase the income disregards in the SSI program. The Democratic Members of this subcommittee have introduced such a bill, which is supported by a variety of organizations representing senior citizens and individuals with disabilities.

I also encourage the Chairman to allow a vote on legislation to extend SSI assistance to elderly and disabled refugees, all of whom have fled political and religious persecution in their home countries.

A bipartisan group of Members on this committee introduced legislation to provide a two-year extension for these individuals, many of whom have no other source of income. The Bush Administration has proposed a one-year extension.

And yet, we have not seen any action in this subcommittee on the issue, despite a projection from SSA that 36,000 refugees may hit the current time limit through 2007 (some may naturalize before they hit the limit and thereby retain eligibility).

Mr. Chairman, I look forward to the Commissioner's thoughts on these issues, as well as on her ongoing effort to improve processing times for SSI applications. Thank you.

Chairman HERGER. Thank you, Mr. Stark. Without objection, all the written testimony from our witness today will be made a part of the permanent record. Again, Commissioner Barnhart, I would like to welcome you today. Please proceed with your testimony.

STATEMENT OF THE HONORABLE JO ANNE B. BARNHART, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

Ms. BARNHART. Thank you, Mr. Chairman. I would like to thank you and Members of the Committee for inviting me to discuss the SSI Program today. Although this is the first time that I have had the privilege of coming before this Subcommittee as Commissioner, I would like to thank the Subcommittee for your work on this important program over the years to improve program integrity and public confidence in our program, and to protect the millions of low income, aged, blind, and disabled individuals the program was designed to assist.

In March 2004, 6.9 million individuals received federally administered monthly SSI benefits, 5.7 million of these beneficiaries were disabled, 1.2 million received benefits because they are 65 or older, and 95,000 are blind. Their monthly benefit averages $425. In 2003, more than $36 billion in cash benefits were paid under SSI. As this Committee well knows, SSI is an extremely complicated program. Changes in earnings, bank accounts, and living arrangements are only some of the factors that affect eligibility and benefit payments.

My written testimony describes in some detail many of the steps that we are taking to address the tremendous challenges and the opportunities we have for effective administration of SSI, but so there will be ample time for the questions of the Members, I will limit my oral statement to a very brief overview of my approach to the challenges at hand. Everything we at the SSA are striving to accomplish in SSI can be summed up in two words: stewardship and service. As you know, when I became Commissioner, SSI was on the GAO's high risk list. Last year, recognizing our efforts to de-

velop and implement a comprehensive corrective action plan, GAO removed SSI from that list, and quite frankly, we take great pride in the fact that we were able to have that designation removed.

Under the corrective action plan we have intensified our program integrity efforts to prevent, detect, and collect debt, and we continue to monitor and improve the effectiveness of these measures. We also continue to refine our criteria for identifying the high error-prone (HEP) cases so that we can maximize the effectiveness of our SSI eligibility redeterminations. In other words, if we are making sure that a larger portion of our redeterminations are being geared toward the so-called HEP cases, then it means that the net cost benefit of those redeterminations is much greater. One important area of program integrity in which we continue to improve is the nonpayment of SSI benefits to prisoners, fugitive felons, and probation and parole violators. These nonpayment provisions are in the law because of your diligence, Chairman Herger, and this Subcommittee working together.

I mentioned earlier the complexity of SSI, and this complexity increases the challenges that we face in providing good stewardship, the kind of stewardship the taxpayers, as the Chairman mentioned in your opening remarks, so rightly expect and deserve, as well as the good service for those who depend on us as was mentioned as well, because we serve an extremely vulnerable population in SSI. I want to thank this Subcommittee for its key role in including several SSI simplification measures in the recently passed and enacted Social Security Protection Act (P.L. 108–203). We are looking at all of the most complex areas of SSI program policy currently within the agency. I have a group working on that, because even small incremental changes that could be made sometimes can make the program simpler and less error prone in terms of administration.

The electronic disability determination process that we have begun to roll out, in fact, roll out started in the State of Mississippi in January, continued to South Carolina in March, and Tennessee in April. I should mention, Mr. Chairman, since there are two Members from California here, we had a pilot that started in California, as well as North Carolina and Illinois. The electronic disability system that we are working on rolling out through those States and the future States that will occur in the next 18 months, is going to really, I believe, revolutionize the way we do business in the disability system in terms of providing more efficient service, keeping track of cases, documents, and so forth.

In addition to reducing processing time, it is going to help us provide service in many, many ways. For example, it is going to help us get reports of earnings in the system faster so that we can make adjustments in benefits payments timely. I know this is something of great interest to this Committee. That helps avoid the large overpayments that affect beneficiaries trying to return to work. We are going to continue to focus on helping beneficiaries become self-sufficient so that they no longer have to rely on SSI. I know that is another matter of great interest for this Subcommittee.

The Ticket to Work Program, along with increased emphasis on the many other SSI work incentives—and I would point out we do have many work incentives already incorporated in the SSI Pro-

gram—are providing real opportunities for individuals to work and for us to provide assistance to help them do that. Another service improvement that will affect many SSI recipients is my new approach to the disability determination process. As you may know, the disability determination process takes far too long. You referred in your opening statement, Mr. Chairman, to sometimes the fact it takes years to receive eligibility notification. I developed a new approach to the process with the goal of making the right decision as early in the process as possible. The approach also includes, I think very importantly, a number of demonstration projects that promote return to work at all stages of the disability process, including entry, or even prior to entry into the system.

As we refine this new approach and prepare to develop regulations, we are seeking input from groups involved in every stage of the process within SSA, with the State disability determination services, from Congress, from advocacy organizations, and professional organizations as well. I want to assure you that I will continue to look for ways to improve service and ensure fiscal stewardship. I look forward to continuing to work with this Subcommittee to improve our ability to administer the SSI Program in a way that increases congressional and public confidence in both the program and the agency as well as service. Thank you, Mr. Chairman. I would be happy to try and answer any questions you or any other Members might have at this time.

[The prepared statement of Ms. Barnhart follows:]

Statement of The Honorable Jo Anne B. Barnhart, Commissioner, Social Security Administration

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to appear today before the Subcommittee to discuss the Supplemental Security Income (SSI) program. Although this is the first time I have had the privilege of coming before this Subcommittee as Commissioner of Social Security, I would like to thank the Subcommittee for its work over the years to improve the integrity and public confidence in the SSI program, while protecting the millions of low-income aged, blind, and disabled individuals the program was designed to assist.

In March 2004, 6.9 million individuals received federally administered monthly SSI benefits. This group is composed of 1.2 million individuals who receive benefits based on their being aged 65 or older, 5.7 million disabled recipients, and 95,000 blind recipients. The monthly benefit paid to these eligible individuals averages $425. In calendar year 2003, more than $36 billion in benefits were paid under SSI—$32.4 billion in Federal expenditures and nearly $4 billion in federally administered State supplementary payments.

SSI is a complex program, which poses tremendous challenges and opportunities for SSA. Today, I would like to touch on several areas:

- the administrative challenges facing the agency, the progress we have made in meeting those challenges and current initiatives;
- progress in simplifying the SSI program;
- my approach to improving the process for determining disability; and,
- opportunities for those disabled SSI recipients who want to begin or return to work.

Before I describe our challenges and accomplishments, I would like to briefly give you some idea of the people the SSI program serves.

Beneficiaries

SSI beneficiaries are among the most vulnerable members of our society. All of them are either blind or disabled, or aged 65 and older. All have very limited incomes and little or no assets. The maximum income an individual can have and still be eligible for SSI represents less than 75 percent of the poverty level for a one-

person household, and the maximum income a couple can have and remain eligible for SSI represents less than 85 percent of the poverty level for a two-person household. Only 35 percent of SSI beneficiaries receive other cash benefits such as Social Security benefits. It is clear that without SSI, the vast majority of beneficiaries would be destitute.

The current maximum Federal SSI benefit rate is $564 per month for an individual and $846 for a couple, when both members are aged, blind, or disabled. Of the 1.2 million individuals who receive SSI benefits based on age, more than half are over age 75 and about 70 percent are women. About half of all SSI elderly beneficiaries live alone. The average age of the nearly 4 million adults receiving SSI benefits based on disability is about 45 years old and 60 percent are women. In addition, there are760,000 SSI beneficiaries who came onto the SSI rolls as blind or disabled individuals who are now aged 65 or older.

By any measure, SSI recipients are among the poorest of the poor. For them, SSI is truly the program of last resort and is the safety net that protects them from complete impoverishment. In administering this program we must recognize both the vulnerability of those served by it as well as our obligation to the American taxpayer to ensure that payments made under the program are consistent with the program's requirements.

Administrative Challenges

As its name indicates, the SSI program is designed to supplement an individual's income up to a minimum floor of income. The definition of income in the SSI program includes cash and in-kind income, and is anything that a person receives that can be used to obtain food, clothing, or shelter. It includes cash income such as wages, Social Security and other pensions, and unemployment compensation. In-kind income includes food, clothing, and shelter. Generally, the amount of the cash income or the value of the in-kind income is deducted from the maximum Federal benefit rate. In computing the SSI benefit, the first $65 of earnings is disregarded and then $1 is deducted from the benefit rate for each $2 of earnings. Unearned income—for example, Social Security—causes the benefit rate to be reduced $1 for $1 after the first $20 is disregarded.

Individuals' SSI benefit amounts also may change if they move into a different living arrangement—whether a person lives alone or with others, or resides in a medical facility or other institution affects benefit levels. For instance, when individuals move into nursing homes, their benefits generally are reduced to not more than $30 per month. If they move from their own household into the household of another person, and that person provides food, clothing, or shelter, their benefits also may be reduced. If their income or resources in a month exceed the limits specified in the law, they may be ineligible. The design of the SSI program requires SSA to take into account the many changes in an individual's financial and personal life and make adjustments in benefit payments to reflect those changes.

SSI eligibility is based on a monthly means test for income and resources. It is a practical impossibility for SSA to obtain information from all recipients about every change in their income, resources, or living arrangements every month. Some overpayments and underpayments are inevitable. Additionally, even if individuals report timely, requirements to notify individuals of how a specific change affects their benefit amounts can create a lag in adjusting the benefit, also causing overpayments and underpayments.

The very design of SSI as a program that provides for current needs, leads to some amount of overpayment. Certain amounts of overpayments are unpreventable because of due process notification requirements or because an individual's income increases during a month after the SSI benefit has already been paid for the month. Overpayments can occur when recipients report benefit-changing events too late or do not report them at all. In addition, some amounts of overpayments occur because SSA is unable to act promptly on reports of changes because of insufficient resources and competing workloads. Regardless of the various causes of improper payments, SSA is committed to preventing such payments where possible, and where not, acting quickly and efficiently to correct such payments.

In 1997, the GAO designated SSI as a high-risk program. At the time, GAO said that SSA lacked an effective plan to address the level of debt created by overpayments. Further, GAO said that SSA had difficulty determining initial medical and non-medical eligibility for the program, as well as continuing eligibility of program participants. GAO also noted what it perceived as SSA's emphasis on adjudicating initial disability and aged claims and providing beneficiary services over program integrity.

Corrective Action

When I became Commissioner I made it a priority to address GAO's concerns about the administration of the SSI program. In fact, Deputy Commissioner James B. Lockhart and I met personally with Comptroller General David Walker to discuss GAO's concerns. In developing a corrective action plan, we focused on four areas: commitment to timely processing of continuing disability reviews (CDRs), improved prevention of overpayments, increased overpayment detection, and increased collection of debt. SSA developed a Corrective Action Plan directed at the issues raised by GAO in its designation of SSI as a high-risk program.

The Corrective Action Plan identified the root causes of problems in the SSI program, provided solutions and provided for substantial additional near-term measures, primarily improved program administration and higher payment accuracy. Our efforts to develop and implement the Corrective Action Plan paid off. In January 2003, the General Accounting Office (GAO) took the SSI program off its high risk list.

Still, much remains to be done. With the enactment of the Improper Payments Information Act (IPIA) of 2002, SSA has increased its focus on reducing payment errors by refining and improving upon the Corrective Action Plan so that it can be an increasingly effective program, integrity planning, and tracking tool. The Plan is reviewed and updated monthly and I hold specific senior agency officials accountable for its results. Major ongoing initiatives under the Plan involve electronic death registrations, electronic bank account verification, and improving debt collection strategies. In addition, to simplify wage reporting for beneficiaries, SSA has conducted a pilot project designed to test beneficiary reporting of income using touch-tone and voice-prompt telephone technology. The Plan has been the impetus for helping SSA meet the improper payment reduction targets that are being established pursuant to the IPIA. Through the Plan, SSA is implementing administrative sanctions, online data matching in the redetermination process, and improved collections of overpayments through netting, credit bureau referrals, administrative offsets, and mandatory cross-program recovery.

When conducting a redetermination, SSA reassesses SSI recipients' incomes, resources, living arrangements, and all non-disability factors of SSI eligibility. While we will continue to refine our redetermination selection process to make it more effective and efficient, the number of redeterminations that we can do in a year are directly related to the resources that are allocated to us by Congress.

Redeterminations and CDRs are the most effective means of preventing erroneous payments. Redeterminations return about $7 for every $1 it costs to administer. CDRs, during which we determine whether an individual continues to be under a disability, have a savings-to-cost ratio of roughly $10 to $1. We expect that the present value of SSI program savings resulting from the CDRs conducted in FY 2003 will be close to $2 billion. And that redeterminations conducted in FY 2003 will produce an estimated $2.7 billion of overpayment prevention and recoveries. While we are considering a number of ways to improve the redetermination process by better targeting the types of cases we select, budget restraints could adversely affect these ongoing important program integrity efforts. Doing fewer CDRs and redeterminations would mean that fewer erroneous payments would be prevented and detected.

However, as you know for FY 2004, SSA's appropriation for administrative expenses was significantly lower than the President's budget request. I found that I had to balance the need for CDRs and redeterminations against the need to process claims filed by aged and disabled citizens—arguably the most vulnerable of our population. And we are not going to be able to do as many CDRs and redeterminations as I had originally planned.

Prisoners and Felons

A very important area of program integrity in which we continue to improve involves non-payment of SSI benefits to prisoners, fugitive felons, and parole and probation violators. These non-payment provisions are in the SSI law because of Chairman Herger's and this Subcommittee's diligence. As you know, the fugitive felon prohibition was recently extended to the Social Security program as well in the *Social Security Protection Act of 2004.*

Since its inception, the SSI program has prohibited the payment of benefits to individuals who reside in public institutions—including prisons, jails, detention centers, and other types of correctional institutions. Social Security recipients in correctional institutions also generally are not eligible for benefits. Even though we conducted matches with correctional institutions, we were not always able to identify all of the individuals who should have their benefits suspended. Under this Commit-

tee's guidance and leadership, legislation was enacted that provided for incentive payments to state and local correctional institutions that furnish information resulting in the suspension of SSI payments. Under the provision, SSA pays up to $400 to state and local correctional institutions for each report that results in the suspension of an individual's benefits.

SSA currently has agreements with jails and prisons under which the Agency is provided lists of inmates to match against our recipient records. These agreements are with institutions that house 99% of all prisoners in the country. Since the incentive payment program began in 1997, SSA has paid 5,196 penal institutions over $113 million in incentive payments. Suspension of benefits to prisoners saves approximately $500 million annually. In fiscal year 2001, there were over 89,000 prisoner suspensions.

Another very important SSI program integrity provision prohibits fugitive felons from receiving benefits. A key to its implementation is having access to records of outstanding felony warrants. We have entered into matching agreements with a number of Federal, state and local law enforcement agencies to facilitate electronic matching of warrant information.

For example, SSA and OIG have matching agreements for obtaining fugitive warrants in place with the FBI; the FBI's National Crime Information Center, the U.S. Marshal's Service, State agencies, and metropolitan police departments. Currently, SSA has access to all Federal warrant information, all felony warrant information from 40 States, the District of Columbia, and three major metropolitan jurisdictions.

When we obtain warrant information from any of these sources, we first verify the social security numbers by matching them against our Enumeration and Verification System. We then match against our SSI beneficiary files to determine if any of the fugitives are receiving SSI benefits. Results of the second match are forwarded to OIG for action.

OIG works with both the FBI Information Technology Center, the ITC, and with the U.S. Marshals Service to verify that the felony probation or parole violation warrant is active. The ITC and U.S. Marshals Service provide the address information in SSA's records about each SSI recipient to the appropriate law enforcement personnel so that they can apprehend the individual. Over the years, these leads to law enforcement have resulted in the apprehension of 19,000 fugitives.

Since the inception of the fugitive felon program in August 1996, SSA has suspended nearly 78,000 SSI payments under this provision, and the number is growing every year. In FY 2003 alone, we processed nearly 24,000 suspensions. For FY 2001 (the most recent year for which an estimate is available), we estimate that the 5-year Federal SSI program savings from suspensions processed in that year amount to over $25 million. Additionally, the suspension of SSI payments to fugitive felons and parole violators also saves both Federal and State Medicaid expenditures.

The provision in the *Social Security Protection Act of 2004* extending the fugitive felon prohibition to OASDI payments is estimated to reduce OASDI program expenditures by $800 million over10 years. We are currently working toward implementing this provision by its January 2005 effective date.

The core of program integrity involves making sure that individuals meet all SSI eligibility factors before benefits are paid and assuring that only correct amount of benefits are paid on an initial and ongoing basis. In those cases in which individuals are overpaid SSI benefits, we pursue recovery. SSA has a number of tools to collect overpayments from deducting amounts from benefits to referring the debts outside of the agency for collection. I would like to give you an idea of some of our more recent successes that have been accomplished in the debt collection area.

Debt Collection Efforts

As part of the Corrective Action Plan, we implemented a new system in FY 2003 to measure and report the status of various types of debt. This allows us to identify debt that had been previously determined to be uncollectible but may now be recoverable because the overpaid individual is again eligible for SSI or has become eligible for OASDI benefits from which the debt may be collected. Previous to the Corrective Action Plan, we were unable to track debt in such situations because often the old debt was not carried over onto the newer benefit record. The plan has also been the catalyst for several other changes. These include collecting overpayments using new "netting" software that automatically recovers overpayments when an underpayment is discovered, mandatory cross-program recovery, and new administrative offset and credit bureau referrals.

These debt collection improvements contributed to increased recovery of SSI overpayments at reduced cost. Specifically, SSI overpayment collections in FY 2002 totaled $859.6 million and in FY 2003, they totaled $941.6 million (up nine percent), with almost $100 million of that total being attributed to the automated netting

technique. SSA also worked with Congress to develop new authority for expanded cross-program recovery of SSI overpayments from OASDI benefits, which included lifting the restriction on the amount of offset that can be applied to retroactive checks. An estimated savings of over $200 million over 10 years is expected from the enactment of this provision in the *Social Security Protection Act of 2004.*

SSA refers delinquent debtors to credit bureaus and delinquent debts to the Department of the Treasury for offset of Federal payments being made to the individual. The credit bureau reporting program led to the voluntary repayment of$20.9 million during FY 2003. In FY2003, SSA referred 158,484 debtors to credit bureaus; the total debt owed by these individuals was $525 million. The Treasury Offset Program has also been very successful. For example, SSA collected over $35 million in FY 2003 through this program.

Overpayment prevention, overpayment detection, and overpayment collection are vital parts of our overall program integrity efforts. Many overpayments are the result of SSI beneficiaries not reporting changes or SSA not acting on reported changes in time to correct the benefit payment. Some overpayments are caused by due process requirements that are a matter of law. And, a number of overpayments are caused by complex program policies that can be difficult to administer. In all cases, regardless of the cause of the improper payment, SSA is committed to tracking and reporting these payments, setting aggressive reduction targets, and taking the necessary steps to ensure that reduction targets are achieved.

Program Simplification

I previously mentioned the recent enactment of the *Social Security Protection Act of 2004.* I thank this Subcommittee for including SSI provisions in the bill. While the bill includes many important Social Security program integrity and improvement provisions, I want to point out those SSI provisions that simplify the program.

One provision excludes small amounts of income paid as interest or dividends on an SSI beneficiary's countable resources. Currently, an SSI individual cannot have countable resources of more than $2,000 if he or she is single or $3,000 if married. Thus, an interest bearing bank account with a balance close to the resource limit would yield only a small amount of interest income perhaps no more than $1 to $2 a month. Prior to enactment of the provision in the *Social Security Protection Act of 2004,* SSA field office employees would have to obtain documentation from the individual or the bank about the amount of the interest paid, record it in the SSI file, and make adjustments to the benefit payment, which resulted in a small overpayment. We would then take appropriate action to recover or waive recovery of the small SSI overpayment caused by a small interest payment. All of these actions of identifying, recording, and recomputing are no longer necessary making the program simpler to administer and avoiding overpayments.

Another provision increases from $20 to $60 a quarter the amount of infrequent unearned income an individual can receive in a quarter without it affecting his or her SSI benefit. Again, by eliminating the reporting and recording of these very small amounts of income—cash birthday gifts or small payments for babysitting, for example—administration of the SSI program is simpler, overpayments are avoided and the program is more equitable and easier to understand.

Yet another provision eliminates the unreasonable situation in which income received in the first month of eligibility is counted three times even if it were only received once. The reason for triple counting the first month's income is because in all initial eligibility cases the law required that there be a transition from current month accounting to retrospective accounting without considering income received prior to the first month of eligibility. Although the law recognized exceptions for certain types of income such as Temporary Assistance for Needy Families (TANF), refugee relocation assistance, and Bureau of Indian Affairs payments, it did not include a general exception for other income that ended. For example, a relative provides cash assistance only until the individual begins receiving SSI benefits. This triple-counting of one-month's income caused beneficiary confusion and was difficult for SSA employees to administer and explain.

Two provisions in the *Social Security Protection Act of 2004* helped military families. The first extended the current-law exception for SSI eligibility outside the United States to children of military personnel who were born or became disabled overseas while accompanying their parents on duty assignments. This makes the treatment of disabled children of military personnel consistent whether or not they first received SSI while they were in the United States. The second provision simplifies the program by providing SSA with the authority to count compensation reported on a monthly leave and earnings statement issued by the military reflecting compensation *earned* in the prior month as compensation *received* in the prior month. The provision is a significant administrative simplification in that it elimi-

nates the need to review multiple payment statements from different periods to determine countable compensation for a month.

These provisions are an important first step in simplifying the SSI program. I assure you that we will continue, with the help of Congress, to improve and simplify SSI.

President's Budget SSI Proposals

While the enactment of the SSI provisions in the *Social Security Protection Act of 2004* was very helpful, there may still be many areas in the SSI program that might lend themselves to simplification.

For example, a proposal in the President's FY 2005 budget would provide more help for military families with disabled children while at the same time simplify the administration of the SSI program. Under current law, only basic pay is counted as wages for SSI purposes. But, there are 30 types of military compensation that are not basic pay, and therefore are treated as unearned income. (The distinction between earned and unearned income is important in determining the amounts to be deemed from a parent or spouse in military service. Higher disregard amounts apply to earned income yielding less countable income and, often, higher SSI benefits.) Determining the difference in the types of military pay is time consuming and error prone, and the guidelines for making such determinations covers 14 pages in SSA's operating instructions.

The proposal would treat most cash military compensation as wages and, thus, as earned income. The provision would treat cash military compensation and civilian wages alike, and thus eliminate the present unfair and disadvantageous treatment of cash military compensation other than basic pay under SSI. The proposal would increase SSI benefits for most military families with disabled children, which are currently about 3,000 families. It would be a significant program simplification in these cases and would have a relatively small program cost of only $2 million over 10 years.

Enactment of this proposal would complement SSI policy changes relating to military families that I made a year ago. One of these changes ensures that any additional pay received by military personnel deployed to a combat zone cannot be used to reduce SSI benefits paid to their children or spouse. The other changes the SSI treatment of privatized military housing enabling some military families living in such housing who lost SSI payments and Medicaid coverage to regain those benefits.

The President's budget includes another proposal that would help families with disabled children. Currently, in cases in which relatively large retroactive SSI payments are due disabled children, SSI law requires that those payments be placed in "dedicated" bank accounts and the monies used only for specified purposes related to the children's impairments. The dedicated account provision is viewed negatively by parents and advocates of disabled children due to the conflict between the rigid nature of the uses permitted for the money from the accounts and the unpredictable nature of the needs of disabled children. The proposal would eliminate the requirement to establish a dedicated account if the representative payee is the parent of the disabled child. It recognizes that parents act in the best interests of their children and know best how to address the needs of their children. At the same time, the proposal protects the retroactive benefits of children who have representative payees other than their parents.

Modifying the dedicated account requirement would improve service to SSI beneficiaries and their families and make the program simpler to administer. There are currently about 40,300 dedicated account cases. About three-fourths of these are cases in which the parent is the child's representative payee. The President's proposal would eliminate an estimated 30,000 dedicated account cases. Reducing the number of dedicated accounts that would be required to be established and monitored would not only ease some of the day-to-day burden on parents of disabled children, it would also ease some administrative burden on SSA. We would be able to redirect the estimated $5 million per year in administrative resources to other error reduction and debt collection activities.

We note that this Subcommittee has included the President's proposal for pre-effectuation review of State agency SSI blindness and disability determinations in H.R. 4, the TANF reauthorization bill. Reviewing the cases before benefits are awarded would be a significant program integrity effort and would save an estimated $1.7 billion SSI and Medicaid program dollars over the first 10 years.

One other proposal in the President's FY 2005 budget that I would like to mention would temporarily extend the current 7-year period for SSI eligibility for refugees and asylees to 8 years effective October 2004. This proposal recognizes that some refugees and asylees have been unable to become U.S. citizens within the 7 year time period, and would give them an additional year to naturalize. The extension

would expire after September 2007. The proposal would benefit about 4,000 SSI beneficiaries each of the three years it is in effect."

AeDIB

Up to now, I have discussed program integrity and simplification issues that deal with program policies and, as such, are relatively limited in scope. I would like to turn now to a much larger process simplification that affects many of the nearly 1.5 million Americans who file for SSI disability benefits each year and all of the SSA and the State Disability Determination Service (DDS) employees who work on those disability applications.

I know that everyone is concerned about the length of time the disability determination process takes and, quite frankly, I think that in too many cases the length of time is unacceptable. I have a strategy for reducing these delays.

The linchpin for my strategy is the development and implementation of an electronic disability claims system, the Accelerated Electronic Disability System (AEDIB). AEDIB is a major Agency initiative that is moving all components involved in disability claims adjudication and review to an electronic business process through the use of an electronic disability folder. These components include the field office, regional office, the program service center, State DDSs, the hearings and appeals office, and the quality assurance staff. When the process is fully implemented, each component will be able to work claims by electronically accessing and retrieving information that is collected, produced and stored as part of the electronic disability folder. This will reduce delays that result from mailing, locating, and organizing paper folders.

SSA field offices are currently collecting disability information for initial adult and child cases using the Electronic Disability Collect System (EDCS). Also, claimants can now use the Internet to submit disability information. I am especially proud to announce that we began national roll-out of AeDIB in January 2004 starting in Jackson, Mississippi, and we have estimated it will be complete by June 2005. In fact, the roll-out is going well and we're right on schedule.

Approach for Improving Disability Determination Process

Early in my tenure as Commissioner, I began a comprehensive service delivery assessment to thoroughly examine all of SSA's workloads. We began that assessment with the disability claims process and mapped out each step from the initial claim through a final administrative appeal. Our analysis of the process showed that the length of time required to move through the entire appeals process was 1153 days—525 days due to backlogged cases and 628 days to move through the process.

Based on that analysis, I developed a Service Delivery Plan which now forms the basis of our annual budget submission.

To tackle the management and process issues, we developed both a short-term and long-term strategy.

The short-term strategy is focused on identifying areas where immediate action was possible, while the long-term strategy would focus on improving the overall disability determination process. Over the past two years, we have implemented a number of short-term initiatives. These include:

- The participation of Administrative Law Judges (ALJs) in early screening for on-the-record decisions;
- developing a short form for fully favorable decisions;
- creating a law clerk (attorney intern) position;
- deploying speech recognition technology to hearing offices;
- ending the practice of rotating hearing office technicians among different positions;
- using scanning technology to track and retrieve folders;
- eliminating the tape transcription backlog, and
- eliminating delays in presenting cases to the U.S. District Courts.

We are in the process of implementing two other initiatives:

- allowing ALJs to issue decisions from the bench immediately after a hearing; and
- expanding video teleconference hearings.

And we are preparing to implement an initiative to digitally record hearings.

I am pleased to report that we have made significant progress. In FY 2003, we exceeded our Agency-wide productivity goal. SSA offices processed over 2.5 million disability claims—an increase of more than 350,000 from FY 2001. Administrative Law Judge productivity rates were the highest in history—at 2.35 cases per day.

SSA's Office of Hearings and Appeals processed 40,000 more hearing decisions than FY 2002 and almost 80,000 more decisions than in FY 2001. In November 2001, the average time to appeal an unfavorable hearing decision was 467 days. In November 2003, it took 252 days.

But these short-term efforts, important as they are, do not address the fundamental problems. If we are to see long-term results, we must look at the entire process as a whole, and make systemic changes.

When I introduced my approach for improving the process, it was the first step of what I believe must be—and have worked to make—a collaborative process. I am working within the Administration, with Congress, the State DDSs and interested organizations and advocacy groups. To be successful, perspectives from all parts of the system must be considered.

I believe that if we work together, we will create a disability system that responds to the challenge inherent in the President's questions about why it takes so long to make a disability decision and why can't people who are obviously disabled get a decision quickly. We will look beyond the status quo to the possibility of what can be. We will achieve our ultimate goal of providing accurate, timely service for the American people.

Work Incentives and Opportunities

When the President asked me about the disability determination process he asked why, other than pride, anyone would want to risk going back to work after going through such a long process to receive benefits. With the SSI program, the question could be expanded to include not only those individuals who return to work, but also those disabled individuals who go to work for the first time. Regardless of their reasons for working, a surprising number of individuals who have been determined to have disabling medical conditions do try to work. Nearly 330,000 individuals who receive SSI disability benefits were working in September 2003. This represents nearly 6 percent of all SSI disability recipients.

The SSI program encourages individuals with disabilities to work through a number of program incentives and opportunities. I will briefly describe these provisions, many of which have been an important part of the program for at least 20 years, and then turn to the newest work opportunity provision in the SSI program.

Generally, after the first $20 is excluded, income reduces the SSI benefit $1 for $1, unless the income is from work in which case it is treated more generously. The first $65 of earned income is excluded and then the SSI benefit is reduced only $1 for every $2 earned. These higher exclusions for work recognize the additional costs associated with work, and also assure that SSI beneficiaries who work have higher incomes than those who do not work. In addition, other amounts of earnings may be excluded under specific circumstances. For example, as incentive for working and remaining in school, up to $5,520 a year of a student's income is excluded. Similar to the DI program, an individual's work expenses attributable to his or her impairment are also excluded in SSI. Blind individuals have additional impairment-related work expense exclusions.

A very important work incentive is the plan for achieving self-support or PASS. Under an SSA-approved PASS, an individual is permitted to set aside income and resources for a work goal. The amounts of the set-aside income and resources are not considered in determining an SSI beneficiary's continued eligibility or benefit amount. The income or resources set aside are used to pay for goods and services needed to reach the goal, such as education, vocational training, starting a business or purchasing work-related equipment. A PASS may be approved for the length of time that is determined reasonably needed for the individual to attain his or her goal. Currently, about 1,785 SSI beneficiaries have established a PASS.

A common fear that individuals have expressed about going to work is the potential effects that work may have on their medical coverage under Medicaid. The SSI program addresses this concern by providing continued Medicaid coverage after an individual's earnings cause his or her income to exceed the level at which cash benefits could continue to be paid. Under this section 1619(b) provision, a working individual's Medicaid coverage continues even after SSI stops as long as the individual has earnings, remains disabled, and the earnings are below the individual and state threshold amounts. Currently, about 73,500 beneficiaries continue to qualify for Medicaid through this provision. For individuals whose earnings exceed the threshold and live in one of the participating states, individuals can continue to receive Medicaid through the Medicaid Buy-In programs authorized by the Ticket to Work legislation.

The most recent provision in SSI law that provides an opportunity for beneficiaries to work is the Ticket to Work Program, which was enacted in December 1999.

First, let me briefly describe how the program works. Under current agency regulations, an SSDI or SSI beneficiary with a disability receives a Ticket to Work if he or she is between the ages of 18 and 64 and has a medical condition that is not expected to improve in the near future. Approximately 2.5 million, or 63 percent, of all SSI beneficiaries with disabilities who do not also receive Social Security benefits meet this standard.

Under the Act, SSA enters into agreements with Employment Networks (ENs) and with State Vocational Rehabilitation Agencies ("State VR Agencies"). ENs are qualified State, local, or private organizations that offer employment support services. These organizations include One-Stop Career Centers established under the Workforce Investment Act of 1998; single providers of services; or groups of providers organized to combine their resources into a single entity.

A beneficiary who receives a Ticket to Work can choose to assign it to any EN that provides services within the community or to the State VR Agency. Together, these organizations are referred to as "Ticket Providers." An EN may decide whether or not to accept the assignment of a Ticket. ENs may *only* be paid based on their success in assisting beneficiaries to secure and maintain employment and move beneficiaries off the disability benefit rolls.

Once a Ticket is assigned by a beneficiary to a Ticket Provider, the beneficiary and the Provider jointly develop and implement a plan of employment, vocational, or other support services designed to lead to and maintain employment. Providers may provide these services directly or by entering into agreements with other organizations or individuals to provide the appropriate services at no cost to the beneficiary.

SSA is implementing the Ticket to Work program in three phases. During the first phase of the program, from February through October 2002, about 723,373 SSI beneficiaries in 13 states received Tickets to Work. During the second phase, which ran from November 2002 through September 2003, we mailed Tickets to approximately 718,886 SSI beneficiaries in 20 additional States and the District of Columbia. Then beginning in November 2003, we started releasing Tickets to the more than one million SSI beneficiaries in the remaining 17 States and the U.S. Territories during the third and final implementation phase. By September 2004, nearly 2.5 million eligible SSI beneficiaries will have been mailed a Ticket to Work, and any eligible beneficiary who has yet to receive a Ticket to Work in the mail can obtain one by asking for it. To date, we have certified almost 1,100 ENs to participate in the Ticket program, and about 22,000 SSI beneficiaries have assigned their Tickets to an EN.

The impact of the Ticket to Work program is being evaluated both inside and outside of SSA. Preliminary findings from these reviews are that SSA has made progress in developing such a system to assist individuals with disabilities to find work and remain in the workforce. But, given our experience so far and the comments we have received, we are taking a comprehensive look at the Ticket program. We will be happy to provide the Subcommittee with the results of these reviews, which we expect to be available shortly, and will also be happy to brief you on their findings.

Conclusion

The President's budget for FY 2005 includes $8.878 billion for the Limitation on Administrative Expenses (LAE), a 6.8 percent increase over our FY 2004 appropriation. We believe this increase in funding reflects the President's desire to meet the needs of Americans who apply for and benefit from SSA's program, including beneficiaries of SSI.

I want to assure that we are committed to continuing to improve the administration of the SSI program. Program integrity efforts for debt prevention, debt detection, and debt collection are being monitored and improved through our Corrective Action Plan. We are looking at all of the most complex areas of SSI program policy to see if changes—even small incremental changes—can be made to make the program simpler and less error prone. The disability approach will be a major simplification with regard to the taking and adjudicating of SSI disability applications, and the approach is already yielding improved processing times and decision making accuracy. There has never been more focus on helping beneficiaries become self-sufficient so that they no longer have to rely on SSI. The Ticket to Work program along with increased emphasis on the other SSI work incentives are providing real opportunities for individuals to work.

As for the longer term, we do not anticipate that there will be any early 1990's-like spike in program growth over the next 25 years. Each year, SSA's Office of the Actuary publishes a report on the SSI program and sends it to the President and Congress. This year's draft report projects that the projected growth in the SSI pro-

gram over the 25-year period is largely due to the overall growth in the U.S. population. Program expenditures in constant dollars are estimated to increase from $34.5 billion in 2004 to $43.8 billion in 2028, an increase of 1 percent per year. When compared to the Gross Domestic Product (GDP), SSI expenditures are projected to decline over time, from the current level of 0.30 percent of GDP in 2003 to 0.24 percent by 2028.

I assure you that we will continue to look for ways to improve service and ensure fiscal stewardship. I believe that working together, SSA and the Subcommittee can find common ground for legislation to improve and simplify SSA's ability to administer the SSI program in a way that evokes increased congressional and public confidence in both the program and the Agency.

Again, I appreciate the opportunity to appear before this Subcommittee. I will be glad to answer any questions that you may have. Thank you.

Chairman HERGER. Thank you very much, Commissioner Barnhart, for your testimony. I would like you, if you would, to maybe expand a little bit. You were mentioning briefly in your testimony about the use of electronic folders in the disability determination process. If you could tell us something of that effort to maintain computer files about a case, allowing participants in the process to see data and speeding the process along. For example, what percent of the cases are now handled in this way, and how much time and money does this save?

Ms. BARNHART. Yes, sir. When I began as Commissioner the agency was on a 7-year timeframe to implement electronic disability, and we accelerated that. That is why we call it Accelerated Electronic Disability (AeDIB), and 23 months after I discussed this with my staff and promised to get the resources that were necessary—and I thank Members of Congress who supported providing those resources—we rolled out electronic disability as opposed to 7 years. We will fully implement electronic disability across the Nation approximately 15 months from today. That is 18 months from the January roll-out date. We started in the Atlanta region, and as I mentioned, we had pilots in Illinois, California, and North Carolina prior to the roll-out. Mississippi, South Carolina, and Tennessee have started implementation.

Generally speaking, the way it works, Mr. Chairman, is they start with a few disability examiners, and then every week increase the number of examiners. We have something like 80 cases a week that are now being decided through electronic disability in the State of Mississippi, and it is a growing number all the time. We are very, very excited about this.

I was speaking with one of your staff members prior to the hearing, and he had a great familiarity with the very large case files that we have, these enormous case files. We process 2.5 million disability cases a year. You can imagine what is required in staging, as we call it, or just keeping track of those case files. We estimate that we will be able to eliminate 100 days of the disability determination process, if a person goes all the way through every step of appeal. The average case is lost for 100 days. I do not say that to be glib or flip, but when you are staging 2.5 million folders it is very hard to put your finger on the right one at any given point in time. Now with the push of a button, we will be able to find that case. We will save millions of dollars in postage and 60 days in time mailing folders back and forth from one office to another, so

there are 160 days that, just in terms of pure administration alone, we will save time.

The other thing is we are working very, very closely with the medical community. I have convened several sort of summit type meetings with representatives from all of the medical organizations, and everything from social workers to specific physician and hospital groups, to encourage the submission of medical evidence electronically. In fact, you may have seen the article in the newspaper yesterday about President Bush talking about the need to move toward electronic medical records. In fact, when our electronic disability system is complete, we will be the largest medical record repository electronically in the entire world.

Chairman HERGER. Thank you. Do you know offhand how much this has cost?

Ms. BARNHART. Yes, I can tell you that. It is going to cost a total of $850 million, which sounds like a lot of money, but we are going to save at least $1.3 billion, so we expect a net of at least $500 million, and quite frankly, I believe that understates it. We were very conservative in doing our cost benefit analysis. In fiscal years 2003 and 2004 it is approximately $155 million, and ongoing through 2007, $300 million. The $850 million, by the way, is not actually outlays. That includes, I should point out, it is really about $450, $500 million in outlays. The $850 million really includes all the training and the scanning that is going to be necessary, so it is not just for the system itself because obviously our employees have to be trained. That includes calculating time off the line, doing work, and I think it is very important that we consider all those matters when we look at cost benefit analysis.

Chairman HERGER. Thank you. Can you tell me what further improvements are ahead?

Ms. BARNHART. Yes. In my new approach, as I said, which we are in the process of discussing with, as I mentioned, congressional staff, as well as advocacy organizations and professional organizations and our staff and our administrative law judges, I basically wanted to focus on making the right decision as early in the process as possible, and it was in response to three questions that President Bush posed to me the first time I met with him to discuss disability. He asked me, "Jo Anne, why does it take so long to get disability? Aren't people just obviously disabled and why can't we make immediate decisions on those and then spend our time wrestling with the ones that are more difficult?" Which I believe you referred to as sort of a gray area when you were talking about people with the ability to work in your statement. Then the third question he asked me was, "Why in the world would anyone risk going back to work when they have to wait so long to get disability benefits to begin with?"

I used those questions as the framework for developing my new approach. I had a team of staff do an assessment when I came into the agency of how long it takes to get disability, and, Mr. Chairman, from the point of entry, calling our 800-number until the finding by the Appeals Council—this is for a case that goes through every level of appeal—in fiscal year 2002 it could take 1,165 days. Of that 1,165 days, 525 were due to backlogs, cases simply waiting in the queue somewhere along the line, and 625 days were due to

a variety of other things, things like lost folders, as I described to you, time spent mailing, due process requirements in terms of notice and so forth. Seven days were spent actually processing. I thought that was a rather dramatic analysis of the time going into these cases, and frankly, unacceptable for the American people we are trying to serve and the Congress who created this program and has expectations.

Let me just say one final thing about that. When I talk about the problems that we face in this program, in no way am I criticizing the employees who work at Social Security. Quite frankly, if they were not as dedicated and diligent and cared so much and worked so hard, we would have much greater backlogs and it would probably take even longer.

Chairman HERGER. Thank you. I am very pleased with the progress you are making Commissioner. With that, Mr. Stark, would you like to inquire?

Mr. STARK. Thank you, Mr. Chairman. Commissioner, I am just trying to get into focus here your constituency, which is about 7 million people. As I go down the list—and I know this chart I am looking at may double count some, but I see aged, who I assume are just poor, 1.25 million, and they are not apt to change their circumstances much as compared to others, and we have the blind. Then we get into this disabled category. That is about 5.5 million people, a big chunk of the people getting these benefits. It appears that half of your constituency are disabled between the ages of 22 and 64, and as I presume that 18- to 21-year-olds are eligible for the work force as well, you have got 3.7 or 3.8 million, big chunk, are disabled people who are at least of an age where one might suspect they could go back to work.

Ms. BARNHART. Yes, that is accurate.

Mr. STARK. To the extent that we want to look for abuse of the program—fraud I sort of think of as a police activity and people cheat or lie or do something like that, that there ought to be a way to catch them in time, and I do not know that we can legislate obedience to the law. We can set the speed limits, but I don't know if there is anything we could do to make people drive more slowly.

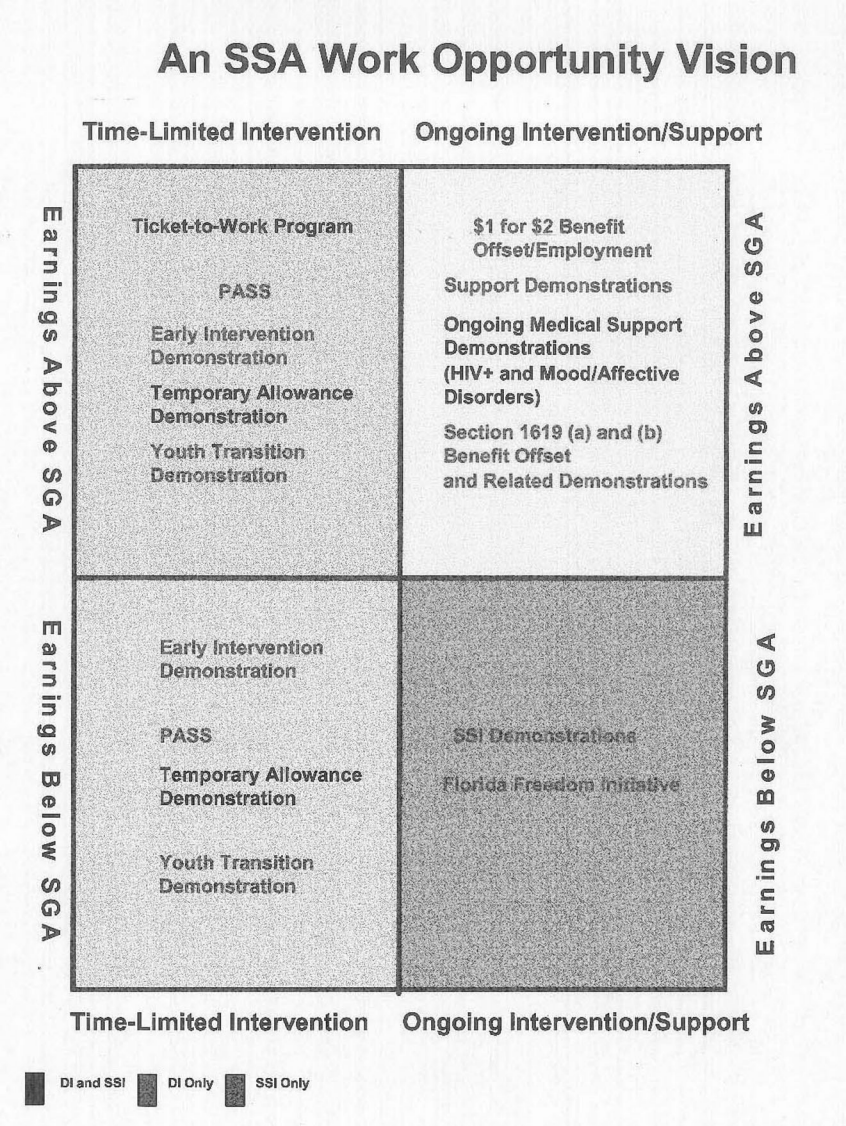
In that group, are there things that you think we could do that would encourage people to go to work? One of the things that I recall, and I don't really know your current rules on this, but with SSI I would presume there is Medicaid eligibility. It always seems to me that there is a risk leaving the security of a government check and having government backed health insurance, the risk to leave that and go to work someplace with a contractor, is horrendously fearsome for the individuals. Are we doing enough, in your opinion, to say, "Look, try it, and if you fail, you can come back, without going through this long process of being vetted again for your disability." In other words, I guess that is my question: are we doing enough to get people to take the risk, and maybe sharing some of that risk with them and saying, "Try a job. If it doesn't work, come on back to the security of SSI and Medicaid."

Ms. BARNHART. You are absolutely correct about the fact that we do have a number of programs that promote return to work for individuals who want to work. There are a number of different things in SSI and in Title II disability, quite frankly. Ticket to

Work of course is one of the most preeminent at this point, a relatively new program began 2 years ago. While we are making progress with the Ticket, we are not where I want it to be, nor where I think the advocates, nor the beneficiaries, nor Members of Congress want it to be, and we are quite aware of that and working very hard to do something about it.

What I would like to do at this time, I did bring—I anticipated there would be some questions about return to work, and I brought a copy of what I consider our SSA Work Opportunity Vision. I believe you have a copy of this. If I could just describe to you the approach that we are taking to address that precise question.

[The chart follows:]



Mr. STARK. Sure.

Ms. BARNHART. One of the things that is very clear is that the SSI rolls are comprised of a variety of individuals, some who are able to work, some who may not be able to work. When you look at this vision, what we tried to do was to identify the different subgroups of people and what their specific needs and situations might be. If you look at this, it runs from left to right, time-limited intervention to ongoing intervention and support. What this shows is our recognition of the fact that there are some people who will be

able to eventually earn above the substantial gainful activity amount of $810 a month, exit from the program if they get a time-limited support or intervention from us. There are other people, however, who are going to require ongoing intervention and support. If you look at the earners on SSI right now, approximately 25 percent of them earn less than $65 a year, roughly 5 percent——

Mr. STARK. A month? A year?

Ms. BARNHART. A month. Roughly 5 percent of them, or 350,000, have earnings. As I said, 25 percent have very low earnings. So, those are individuals—and I think it is 14 percent have over $1,000. If you look at this, what you see is we recognize there are people who, if they go to work, may be able to leave the rolls. There are others who may never be able to leave the rolls, but as you mentioned, as the Chairman mentioned, would like to have the opportunity to work and continue to work to the extent that they are able to.

Down the side what you see is earnings above the substantial gainful activity (SGA), you see on the left there, and earnings below the SGA. This is to show, in terms of the dollar amount that they could earn, the point I made earlier about the earnings above SGA. This is a list of all the demonstrations and the current authorities that we have that can be used for individuals who want to go work and are willing to take that risk, and hopefully to minimize and mitigate that risk.

It is coded. The programs in black apply both to SSI and Title II Disability. The programs in red, for purposes of this Committee specifically, address purely SSI. There are some things on here that have been around for a long time. You will see section 1619(a) and (b). That has been in existence for I think over 20 years at this point. You see the Ticket to Work program, the Plan for Achieving Self-Support (PASS) program. There are many things where Congress has taken action, provided opportunities already.

Some of the newer things that you see here are Early Intervention Demonstration, the $1 for $2 Benefit Offset/Employment, which would allow individuals to keep a greater share of the earnings that they make. Our Florida Freedom initiative, which was designed specifically to encourage asset accumulation of SSI. It is largely modeled after individual development account programs which allow people to accumulate assets for education, home ownership, those type of things, so it allows it to go above the current resource level for SSI. In addition, it tests the idea of increasing the earnings disregard, which you spoke about in your opening statement. It increases——

Mr. STARK. Is that something that you all would support, increasing the disregard?

Ms. BARNHART. What we are doing is testing that idea in this Florida Freedom Initiative. It is a program that is just now starting. What we have done in that demonstration, instead of providing for the $65 plus one-half the remainder, we are actually providing, I believe it is $280 plus one-half of the remainder in that demonstration. The reason I thought this was important is based on my experience in welfare work programs in the past, when I was administering the AFDC program prior to Temporary Assistance for

Needy Families (TANF), there is an awful lot of time spent looking at this whole issue of earned income disregards and what was an incentive or disincentive to work. Knowing that, as you mentioned, that amount had not been increased for many years, knowing there was great interest in that, but knowing at the same time that to make a change in that, even a small change, costs hundreds of millions of dollars a year, and the fiscal constraints that we operate under, I thought it would be prudent to undertake a demonstration to see if in fact increasing the disregard has the desired effect of encouraging people to go to work, and enables people who want to go to work, to go to work.

So, it is too early to tell, because we have just started it, but my hope would be in 2 or 3 years we would have some good information. Of course, we are obviously interested in looking at other demonstrations along those lines. So, we would have a body of knowledge that should this Committee or Congress decide to move ahead, they could actually look at what the facts show.

Mr. STARK. I hope you will let us know.

Ms. BARNHART. We will, absolutely.

Mr. STARK. Thank you, Mr. Chairman. I appreciate it.

Chairman HERGER. You are welcome. The gentleman from Louisiana, Mr. McCrery to inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. Ms. Barnhart, you say that only about 5 percent of SSI recipients have earned income. Is that right?

Ms. BARNHART. That is 5 percent report earnings, yes, sir, that is correct.

Mr. MCCRERY. Has that number changed any at all in the last few years since we have implemented some of these incentives, Ticket to Work and so forth?

Ms. BARNHART. I believe it has been fairly flat, Mr. McCrery, and let me just say one point about that. While the Ticket was passed some years ago, we started rolling out the Ticket in three phases, and we are right now in the third phase before all of the Tickets—all the Tickets will not be out until September of this year. This is not to make excuses, but just because I continue to look at it and say, should we be expecting better results than we are getting, which I think is——

Mr. MCCRERY. I think you are getting to my next question.

Ms. BARNHART. That is where you are going with it, yes.

Mr. MCCRERY. Go ahead.

Ms. BARNHART. One of the things that we have learned in working with the vocational and rehabilitation agencies is oftentimes for people with disabilities, and particularly people who qualify for the disability rolls, not just people who are in the private—not dependent on the government program and have had to go through the arduous process, but because of the severity of the disability to become eligible for assistance, it can take an average of 2 years working with those individuals to help them find employment.

So, we have a situation where the first Ticket was rolled out in February of 2002, shortly after I came into this job. We are just hitting the 2 years basically for the first third of States. The next wave I believe started last fall, in September of 2003. So, we won't

really hit 2 years until 2005 and so on. You get where I am going with this. Again, that is not to make an excuse, but I think, again, based on my experience in welfare-to-work programs over the years, and I spent the better part of my career working in that arena, I think that we have to be realistic and understand that even incremental increases are significant with this population.

The people that are on SSI are largely, I believe, reflective of the residual caseload in TANF now, and you know the aggressive efforts that have been undertaken—because you all have been a part of that and you have jurisdiction over that—to move people from welfare to work. In fact, what we see is that for the people who remain on welfare, in many cases the States are trying to qualify those individuals for SSI, which suggests that this is a population that does not have a strong if any attachment to the work force, so there are a whole host of things that—it is sort of like if you characterize your most difficult population to employ, I would daresay that the SSI population would be one of those, again, not making excuses. That is why we think this vision is important because we need to look, we need to separate out and understand everybody is not the same. There are different subgroups of people who may need this kind of help or that kind of help, and we want to make sure that we are offering enough alternatives that everybody who wants to work can find the one that might work for them.

Mr. MCCRERY. The SSI population is probably the most difficult to get into the work force if for no other reason than the just can't. That is why they are on SSI. For those who do, they are marginal and they do have that desire, it is only human nature I think for them to be afraid to seek employment for fear of losing their benefits. So, I think to the extent that we can get the message out to those few probably who are able and want to get in the work force that they do not risk losing their benefits, then we may see that little incremental increase that we desire.

Ms. BARNHART. Let me just say, despite the best efforts of this Committee and the entire Congress in terms of providing those many opportunities and the different exclusions and the return to work provisions that have existed in the program and the Ticket to Work, there is a great deal of skepticism and it stems from things like the risk. If they go off the rolls, will they be able to get back on in an expedited fashion, which is one of the questions that was raised earlier. The Ticket to Work addresses many of those. It doesn't address all of them, but we really are having to do an incredible marketing job to the claimants and their families because if you waited 1,165 days to get on disability, and now someone from the government sends you a piece of paper—and I have personally looked at what we send out as the Ticket, the letter that accompanies and says you can do all these things and use this Ticket to get all these services—you can understand why you don't change those fears overnight, and it is requiring real public education to do that.

For that reason, I personally have participated in a number of press events around the country, as has Deputy Commissioner for Disability Martin Gerry—he is in fact sitting right here—because we were trying to publicize, make it clear to the public. We had Ticket beneficiaries, Ticket recipients there to testify and offer tes-

timony on how they were going to use their Ticket and how excited they were because we are really trying to show this is a positive program, has a positive intent, and could be extremely beneficial to those beneficiaries and their families.

Mr. MCCRERY. Thank you very much.

Chairman HERGER. Thank you, Mr. McCrery. The gentlelady from Connecticut, Mrs. Johnson, to inquire.

Mrs. JOHNSON. Thank you very much, Mr. Chairman. Administrator Barnhart, you have really done a remarkable job. It is very refreshing to see someone who is not afraid to take on technology, and who set out an aggressive plan, worked closely with the employees, because you are absolutely right, the employees are good. We have been derelict in government in supporting the systems they need to make their work manageable in an era in which there is more and more demand for services, and the demand is far more complicated. I am very impressed on your progress on electronic health records, and I am carefully noting it and will hope to work with you on that as we try to build some more stringent requirements, and to Medicare to move in that direction.

Medicare covering prescription drugs is going to be extraordinarily important to this population because they will all fall in the income guidelines. It means they will have no deductible and no premiums, and copayments, if they are under 135 percent of poverty income, which most of your people are—I think all of them are—they will have $1 for generics and $3 for brand name. When I look at your chart here, Human Immunodeficiency Virus (HIV) and Mood Affective Disorders, now, many HIV people are perfectly capable of working, but they cannot afford their expensive drugs. Mood affective disorders, many of our mental health support centers have lots of people in them who actually can work. They can't necessarily work 9 to 5 every single day, but with the right medication, they can contribute at a level that is really terribly important for them and terribly important for us.

Having those people guaranteed access to drugs, and having them able to earn—now, they do eventually earn their way off the stipend, but they can retain, as I understand it, their eligibility for Medicare. So, how are you going to manage this work opportunities component of your program to more aggressively educate and work with our disabled community as they gain now this new benefit? We have about a year and a half before they really will be put in a very different position. Your review processes will have to change too because many of them will become much more stable. This issue that the Ticket to Work poses of their then moving into full-time work, but being able to get back into the program fast, it is going to take a lot of educating to help them see how your systems have changed to speed reentry, but it is also going to take a lot of education to help them see how good their health benefits are, because under the current system they have to stay on disability because they couldn't possibly afford their drugs, and then they get Medicaid, a bridge, or they struggle along at very low income and very high drug cost.

So, the Medicare Modernization Act (P.L. 108–173) has not come a moment too soon. It may not be perfect. It didn't attract universal support, but I think if people had understood it better, it

would have attracted far more support and the environment would have been a little different, because it will make absolutely dramatic changes in the lives of our disabled population. I want to know what you are doing to prepare for that? What are you thinking about? How will it affect your disability review issue? How will it affect your entry process?

Ms. BARNHART. Let me just say first of all, thank you for the nice comments about the agency. We really appreciate that. The HIV/Mood Affective Disorder Demonstration is founded precisely on these situations, an area you laid out, which is many individuals themselves told us they would love to be able to work, and they could work if they could afford their prescriptions to be able to do that or to receive health care. So, that is what that demonstration is all about, and we started working on it actually prior to the passage of the Medicare reform legislation.

In terms of what the prescription drug legislation is going to mean for us, it is going to mean challenge and opportunity at the same time. The challenge being that we are actually going to be the agency that makes the subsidy determination. People are going to bring their applications, submit applications to us. It makes perfect sense because we have the infrastructure across the Nation, which Centers for Medicare and Medicaid Services (CMS) did not have. People are used to coming to Social Security. We take Medicare applications now, and a significant amount of money has been made available for us to have the resources necessary to do that, and obviously, those resource needs will dwindle over time once we get through the current beneficiaries and are just adding on each year with the new people.

Our responsibility for providing information and responding to inquiries is obviously a big, big part of that. One of the things that we have done already, we have been working very, very closely with CMS. I have a prescription drug task force. Actually, I brought in my Regional Commissioner from New York, a very talented long-time SSA professional who has been heading that up. She has a tremendous background, doing a fabulous job, Bea Disman. One of the things that we have done already is actually translate documents into something like 38 different languages for CMS in terms of outreach to population. We are in the process right now of sending out 19 million letters. We are sending out over 500,000 a day between now and May 28th to advise people that they may be eligible for the transitional assistance that takes effect with June 1st.

As part of that ongoing responsibility for responding to inquiries and education, obviously, we are going to be looking for ways to connect the benefits of prescription drugs with the individuals who work in our cadres related to work. I have created a new position, the Work Incentive Coordinator, and we have one of those in each of our area director's offices, and the idea there is that that person is the expert on all of these many, to work provisions that are available, and obviously, we are going to want them to be very conversant on how the benefits of the new Medicare reform legislation can help individuals who are seeking employment.

Similarly, with our Benefit Planning Assistance Organizations that we provide grants to, Congress has given us money to provide

grants to them for helping people apply for assistance. We obviously want to work very closely with them to make sure that they have all the information about the benefits, because if they are advising people on benefit application, this should obviously be a part of it. I think that we have a really wonderful opportunity here to do something to move giant steps ahead in terms of return to work because of the way these two could come together.

Mrs. JOHNSON. Would you see that I get copies of those letters, and I imagine Pete will want copies too as the Ranking Member on the Health Subcommittee.

Ms. BARNHART. Yes.

Mrs. JOHNSON. We need to be much more aggressive in letting Members know and understand how this affects the disabled community, because while I know your communications are broad, many of those who receive your letters do not particularly understand them, and not all of our disabled live where there is a good disabled support organization. So, we need to educate Members about this.

Most of your constituents will qualify for the $600 cash credit program that assures that they have the money to buy the drug at the discount. You can't benefit from the discount if you can't make the purpose. So, this should provide access to antibiotics and a lot of other things that are maintenance or are illness-treatment oriented during the course of a year for a person with a disability, but it also could help them tremendously with that complex of drugs that many of them depend on for the balance in their lives.

Ms. BARNHART. Yes. In fact, when you look at our beneficiaries, approximately a third of them are SSI, a third of them are Title II, and about 40 percent are actually both, eligible for both programs. Of course, the SSI beneficiaries are eligible for Medicaid and Medicaid has prescription drugs. For over 70 percent of the people who don't now have access to that, this Medicare reform legislation, a good number of those would be eligible for that and it would be very important for them.

Mrs. JOHNSON. One of the shocks that I got in working on the Medicare bill was that 38 States only cover people in their Medicaid program up to 75 percent, and that is Federal poverty income. So, a lot of people on disability income who are really living in very, very difficult financial circumstances will benefit tremendously from this, and then Medicaid programs have increasingly refocused coverage on generics, and particularly for people with mental disabilities this is having a very negative impact. So, being eligible for Medicaid and its quote, "drug benefit" is not enough. So, I look forward to working with you on educating. I appreciate your work.

Was there anything more you wanted to tell us about the disability determination process you put in place? I appreciate how much more timely you have made it, but how have you simplified it, and how have you clarified the criteria? This business of deciding who is eligible for permanent disability in today's medical world is very tough. Has it changed also your review process?

Ms. BARNHART. I am still in the process. What I announced last September was what I called an approach, and one of the reasons I called it an approach and not a plan is because it was an

approach. I think looking back over history, I have worked in these programs, as you know—we have worked together for a long time, for almost 30 years now. One of the lessons that I have learned is that we do better when we try to make strides in programs if everybody is working together, and we are in a situation now where I call it a perfect storm, where everyone understands we need to make changes in disability as we are now implementing it and the process that we have. The question is: how do we go about it?

So, by laying out a framework for an approach, I am now engaging in conversations to decide the specifics and talking to all the affected parties. I do not suggest that everyone will be 100 percent happy. You know well that does not happen, but I am hoping everyone won't be 100 percent unhappy either, that we will be able to come up with a final plan and regulation that addresses those needs. So, I would be happy to come up and talk to you or your staff and walk through the specifics of what the approach was, but it is not final and so it has not been implemented yet.

Actually, it is predicated on successful implementation of electronic disability because one of the things I feel we must do with the great number of baby-boomers that are going to be moving into the Disability Insurance (DI) program in the next several years, is we must be able to handle that workload, and we cannot do it in our current situation. So, the process, the new approach, is grounded on having electronic disability implemented, so I am actually looking at sort of the best-case situation for implementing the new approach will be probably after October 2005, maybe even January 2006.

In the meantime, we are working on short-term approaches because obviously people don't want to hear that we are going to have to wait 2 years before you do anything. We have made some strides. We have reduced the amount of time it takes for an appeal of a decision from 452 days when I came into the agency, to now 250 days. I shared that I think with one of you yesterday, and indicated that while 250 days is still too long, it is a lot better than 452.

Chairman HERGER. I thank the gentlelady from Connecticut. I want to thank our Commissioner Barnhart very much for your very informative testimony today. I look forward to working with you to strengthen and improve the SSI Program.

Ms. BARNHART. Thank you, Mr. Chairman.

Chairman HERGER. With that, this hearing stands adjourned.

[Whereupon, at 10:53 a.m., the hearing was adjourned.]

[Questions submitted from Chairman Herger to the Honorable Jo Anne B. Barnhart, and her responses follow:]

Question: What is the projected growth in the number of SSI recipients as the baby boom generation begins to retire? How does that compare with the Social Security disability insurance program?

Answer: Over the next 20 years, with the baby boom cohort in the disability pr1 years, the Supplemental Security Income (SSI) recipient population aged 50 to 64 is projected to grow 25 to 30 percent. The Disability Insurance (DI) beneficiary population for that age group during the same period is projected to grow more than 55 percent.

Question: The Census Bureau reports that in California in 1999 there were nearly four million persons with disabilities, about half of whom worked. More than one-third worked full time, at a median wage of $31,000. What separates disabled individuals on SSI—few of whom work—from

other disabled people, many of whom work? What can we do to help more SSI recipients join other disabled people in the work force?

Answer: The primary difference between the number of SSI recipients who work and the number of disabled persons reported by the Census Bureau as working is the difference in how disability is defined. For the purposes of the Census Bureau's Decennial Census, a person with a disability is someone who responded "yes" to any of the six questions on the long form. Several of the questions ask about limitations in activities in daily living. One might liken the Decennial Census definition to one of the definitions in the Americans with Disabilities Act. That is, a person with a disability is someone with a condition or impairment that substantially limits him or her in a major life activity.

In contrast, the Social Security Administration's (SSA) disability definition is work related and a very strict and narrow definition. SSA defines disability as the inability to engage in any substantial gainful activity due to a physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months.

In addition to requiring applicants for SSI disability benefits to meet SSA's definition of disability, eligibility for SSI is based on strict income and resource limitations, which individuals who are working may exceed.

Current SSI statute includes a number of incentives for recipients to work. SSA is very interested in developing additional work incentive programs. To that end, we have initiated several programs and demonstration research projects to assist all disability beneficiaries to work, including:

- The Ticket to Work program—This provision of the law, enacted in December 1999, expands the options available to DI and SSI beneficiaries to access vocational rehabilitation and other support services.
- The Florida Freedom Initiative—Undertaken with the Florida Department of Children and Families, the project allows participants to save earnings for use toward capitalizing a small business, attending college, and other purposes such as purchasing of assistive technology or transportation.
- The Benefit Offset Project—This demonstration project will test a range of employment support interventions in combination with a $1 reduction in DI benefits for every $2 in earnings. (Individuals who receive DI and SSI benefits concurrently are able to participate.)
- The Disability Program Navigator—This project establishes positions in the Department of Labor's One Stop Career Centers. The Disability Program Navigators (DPNs) or "Navigators" provide an important link to the local employer network as well as other supports and information, including information on SSA's employment support programs, which will improve the chances of successful employment for individuals with disabilities.
- Early Intervention Project—This project will offer early intervention to a sample of DI (and concurrent DI and SSI) applicants that may reasonably be presumed to be disabled and who are likely to engage in substantial gainful activity as a result of their participation in the project. These individuals will have access to a wide range of necessary employment services, a 1 year cash stipend equal to the individual's estimated DI disability benefit, and Medicare for 3 years.
- Mental Health Treatment Study—This project will determine what effect the availability of treatment funding has on the health and healthcare/job-seeking behaviors of DI (and concurrent DI and SSI) beneficiaries for whom a mental health disorder is the primary diagnosis and calls for SSA to pay for the costs of outpatient mental health disorder treatments not covered by other insurance.
- The Youth Transition Project—This project will integrate service delivery systems that improve educational and employment outcomes for youth with disabilities. The project targets youth ages 14 to 25 who receive SSI, DI, or childhood disability benefits, or are at risk of becoming eligible for such benefits.

Additionally, SSA is testing the use of alternative SSI Program rules in several demonstration projects. SSA has waived provisions of current law to determine how relaxing the strict requirements of limits on earnings and work affect eligibility in the SSI Program. Examples include:

- *Three-for-Four*—SSA is testing the effectiveness, as a work incentive, of using modified earned income exclusions in determining a recipient's countable income for SSI program purposes. Normally SSA excludes, from countable income, one dollar for every 2 dollars earned, or "one for two." "Three for four" allows for exclusion of three dollars out of every four earned, thus the SSI recipient can earn more while still retaining eligibility.

- *Unearned Income Related to Work Activity*—SSA is testing, as an additional work incentive, the exclusion of certain types of temporary unearned income related to work activity (such as worker's compensation or unemployment) as earned income for the determination of eligibility and benefit amounts.
- *Independence Account*—SSA is testing the use of an additional resource exclusion as a work incentive. Under this alternative rule, SSA allows a project participant to maintain an "Independence Account" as a resource, beyond the current $2,000 or $3,000 resource limits.

Medical Continuing Disability Reviews (CDR)—SSA is suspending medical CDRs for participants in some demonstration projects who are SSI-only recipients with "medical improvement possible" or "medical improvement not expected" diaries.

Question: A recent report by Mathematica Policy Research *(Peikes and Paxton, December 2003)* found that "disabled SSI recipients who work have a low rate of use of SSA's current work incentive programs. For example, only 27 percent of working SSI recipients with disabilities use the work incentives available under section 1619, and only four percent use a work incentive such as a Plan for Achieving Self-Support (PASS) to shelter some of their income." What accounts for this low take-up rate of SSI programs that promote work, even among the relative handful of SSI recipients who do work? How many recipients are enrolled in these programs? What is the annual cost of the section 1619 and PASS programs?

Answer: It is important to note that nearly three-quarters of the SSI recipients with disabilities who work earn less than $800 a month. Since the 1619 provisions generally apply when an individual earns more than $810 a month (the level of substantial gainful activity in 2004), it follows that relatively few (about 27 percent) working SSI recipients come under the 1619 provisions. It also should be noted that all working SSI disabled recipients have severe disabilities that by definition cause them to be unable to work, and that nearly

58 percent have mental disorders (as opposed to 35 percent for Social Security Disability beneficiaries). Certainly, to some extent, the individual's disability and limited work experience explain why the earnings are relatively low.

Work incentive provisions for excluding blind or impairment related work expenses are dependent on an individual's having both excludable expenses and earned income within a certain range. Very few working SSI recipients meet both criteria—they do not have excludable expenses or they either earn too little (and, thus, do not need the exclusion) or too much (so that excluding the expenses would still not allow payment of cash benefits). Although overall participation in the early stages of the Ticket to Work program remains low, SSI recipients are participating in the program at approximately the same rate as are DI beneficiaries.

Following is information on how many SSI recipients are participating in selected SSI work incentive programs.

Statistics on Work Incentive Use (as of December 2003)

- Total number of SSI recipients—5,740,683
  323,682 individuals with disabilities are working, or 5.6% of all SSI recipients
- Student Earned Income Exclusion
  Used by 1,515 (.4% of working SSI recipients, or.03% of all SSI recipients)
- Earned Income Exclusion
  Used by 323,682 working SSI recipients (5.6% of all SSI recipients)
- Impairment Related Work Expenses
  Used by 7,604 (2.4% of working SSI recipients, or.1% of all SSI recipients)
- Blind Work Expenses
  Used by 3,074 (1.0% of working SSI recipients, or.05% of all SSI recipients)
- Plans for Achieving Self Support
  Used by 1,705 (.5% of working SSI recipients, or.03% of all SSI recipients)
- Property Essential to Self Support
  No statistics available.
- SSI Payments for People who Work (Section 1619(a))
  Used by 17,132 (5.3% of working recipients, or.3% of all SSI recipients)
- Medicaid While Working (Section 1619(b))
  Used by 71,097 (22% of working recipients, or 1.2% of all SSI recipients)
- Continued Payment During Participation in a program of VR Services, Employment Services, or Other Support Services
  No statistics available.
- Ticket to Work and Medical Review Protection
  Ticket assignments: 8,788 SSI/SSDI concurrent; 13,087 SSI-only
  (SSI total: 21,875).

SSA does not have current complete information on the costs and savings from work incentive provisions, such as the section 1619 and PASS provisions. We can say, however, that administration of the PASS program utilizes approximately 50 employees per year. Developing additional estimates will take several months, but we will provide this information to the Subcommittee as soon as the estimates are complete.

Question: Back in 1996, we reformed the children's SSI Program to ensure that only children with serious impairments collected benefits. In addition to improving the eligibility criteria, the 1996 law required reviews every 3 years for children on the rolls, and also when a child turns 18. Are these reviews taking place? What are the results? Do you have any suggestions for improvement in this area?

Answer: Reviews of children with disabilities have risen dramatically since 1996. We perform two types of reviews of children and young adults who are eligible for SSI. P.L. 104–193 (The Personal Responsibility and Work Opportunity Reconciliation Act of 1996) included a requirement that we redetermine the eligibility of all child recipients who reach age 18. These disability redeterminations are based on the adult eligibility criteria that we use for initial claims. Before P.L. 104–193, the requirement that we do age-18 disability redeterminations was included in the statute on a temporary basis, and the provision would otherwise have expired October 1, 1998. P.L. 104–193 also added the requirement that we do a continuing disability review (CDR): (1) at least once every 3 years for SSI recipients under age 18 who are eligible by reason of an impairment which is likely to improve; and (2) not later than 12 months after birth for recipients whose low birth weight is a contributing factor material to a determination of their disability.

Disability reviews of SSI children rose from 7,837 in 1995, to 19,138 in 1996, an increase of about 244 percent. The increase continued with reviews rising to 55,939 in 1997, to approximately 150,000 in 1998. In 2003, there were 188,632 reviews, an increase of over 2,000 percent over the number of reviews performed in 1995.

Of the 188,632 reviews carried out in 2003, 7,283 (or about 4.3 percent) were reviews of low birth weight children and 53,905 (or about 28.5 percent) were redeterminations at age 18. This compares to 19,138 total reviews in 1996, with 5,709 (or about 29.8 percent) being for low birth weight children and 12,640 (or about 66.0 percent) being redeterminations at age 18.

The percentages of cases in which benefits are continued and those in which benefits are terminated have remained relatively constant over the past 5 years, with almost 25 percent being terminated.

For more information, please see the three page table from the 2004 SSI Annual Report attached at the end of these questions and answers that shows the numbers of such reviews undertaken since 1996 and the results of the reviews.

Finally, at this time, we have no suggestions for legislative improvements in the area of children's eligibility for SSI.

Question: Just last month, the SSA Inspector General (IG) released an audit report on SSI overpayments. The IG concludes that while "SSA has made significant efforts to identify, prevent, and recover SSI overpayments over the past several years . . . we recommend that SSA continue to evaluate the recovery tools that have not yet been implemented, but which were authorized through legislation (such as Federal salary offset, charging interest, and using private collection agencies)." Please explain the current SSI overpayment situation for us. How much is owed? How much could reasonably be collected? Have any of the issues identified by the IG been addressed? What plans do you have to improve performance in this area?

Answer: SSI overpayments have been and remain the subject of intense improvement efforts by SSA. To control SSI overpayments, the agency employs a strong and dynamic debt management program. As demonstrated by several noteworthy accomplishments, SSA is succeeding in its management of SSI overpayments. In 2003, the General Accounting Office (GAO) recognized our efforts by removing the SSI Program from the list of government programs considered at high risk for waste, fraud and abuse. Also in 2003, the Office of Management and Budget (OMB) recognized our progress in achieving the goals of the President's Management Agenda. OMB upgraded SSA's status score in financial management to green, the highest category.

The SSI Program is complex, and many factors affect the eligibility for and amount of payments to aged, blind and disabled people. Therefore, we are providing some background about overpayments in the SSI Program and what we do to prevent and detect them. SSA's most recent study of SSI overpayments shows that the major causes were (1) financial accounts such as bank savings accounts, checking accounts, credit union accounts; and (2) wages.

To prevent overpayments related to financial accounts and wages, SSA has undertaken a variety of initiatives. These include testing the feasibility of automated linkages with financial institutions to detect financial accounts. In addition, we are engaging in matching operations with entities such as the Office of Child Support Enforcement to detect wages earned by SSI recipients.

One of the most powerful tools available to SSA for preventing and detecting SSI overpayments is the redetermination/limited issue process. To detect overpayments, SSA regularly reviews cases to ensure that the nondisability factors of eligibility continue to be met and payment amounts are correct. The selection process is based on the likelihood that a case will be in error. The total overpayments detected or prevented by the fiscal year FY 2003 redetermination and limited issue cases were $2.68 billion.

Another key activity in ensuring the integrity of the SSI disability program is periodic CDRs. These reviews enable SSA to determine whether recipients continue to be eligible for SSI payments because of their medical condition. The estimated lifetime savings from the SSI CDRs conducted in FY 2002 (the most recent year for which this statistic is available) amounts to about $2.4 billion.

Those initiatives and many others are closely monitored by SSA's executives, who hold monthly meetings devoted to the improvement of all aspects of the SSI Program. An important outcome of the executive leadership is the agency's SSI Corrective Action Plan, which outlines a multi pronged approach to improving stewardship through increased detection, prevention and collection, as well as new measurement strategies, potential changes in SSI policies and agency accountability.

You asked how much is owed and how much we can reasonably expect to collect. The latest month for which we have collection information is March 2004. At the end of that month, SSA was owed $4.190 billion in SSI debt. In addition, we estimate the agency will identify slightly over $2 billion in new SSI overpayments during FY 2004. The following table presents SSI collection information for the past five fiscal years.

SSI Collections [1] and New Debt

$ in millions

Fiscal Year	New Debt	Collections
1999	1,812.5	639.9
2000	1,460.9	701.7
2001	1,984.5	795.5
2002	2,050.3	859.6
2003	$1,936.3	$941.6

[1] Collections for FY 2003 include the impact of SSA's Netting project which was implemented in September 2002. Netting is an SSA internal adjustment in which SSI excess payments are recovered from additional amounts due via an automated program. The excess payments are never established as overpayments in SSA's accounts receivable. In FY 2003, SSA recovered $99.9 million via netting. When added to the $841.7 million in established overpayments collected during FY 2003, total recoveries equaled $941.6 million.

Based on our most recent collection experience in FY 2003, we project that SSA's collections will be in the range of $900 million to $1 billion during FY 2004 (including recoveries by netting). Through March 2004, collection of SSI overpayments totaled $429 million. In addition, SSA recovered $44.7 million via netting through March 2004, resulting in total recoveries of $473.7 million to date.

You also asked if SSA addressed any of the issues identified by OIG in their report, "Supplemental Security Income Overpayments." As explained in this response and the SSI Corrective Action Plan, we believe SSA has made and continues to make concerted efforts to address the issues raised by OIG. We have put in place and are working on a wide array of initiatives that fully address debt prevention, detection and collection.

Although OIG's report acknowledged SSA's accomplishments, it also recommended that SSA continue with its plans to develop all of the debt collection tools for which it has been given authority. Those tools include Federal salary offset, interest charging and the use of private collection agencies. We agreed with OIG's recommendation.

The agency has always had a strategy for developing all of the tools. Since 1990, when we were given the authority to use tax refund offset (TRO) to collect delinquent Title II overpayments, SSA has been granted many other debt collection au-

thorities. They include: administrative offset, credit bureau reporting, mandatory cross program recovery (the collection of an SSI overpayment from any Title II benefits due the overpaid person), administrative wage garnishment, Federal salary offset, private collection agencies, and interest charging. SSA's strategy is to develop first those tools that yield direct collections from a revenue source or that can be relatively easily integrated into existing debt collection systems. That strategy led us to implement the following initiatives in the SSI debt collection program:

- Tax Refund Offset (TRO) for delinquent SSI overpayments (implemented in 1998). Since then, SSA has collected $250 million in delinquent SSI overpayments by offsets from the Treasury offset program.
- Mandatory cross program recovery to collect SSI overpayments from Title II benefits (implemented in 2002). Since then, SSA has collected about $110 million via that initiative.
- Administrative offset and credit bureau reporting for SSI overpayments (implemented in 2002). Since then, SSA has collected over $50 million in voluntary payments made by former SSI recipients who do not want to submit to those collection actions.

In addition to developing those tools, SSA continues to use its internal collection methods. When SSI debtors are on the rolls, we collect the overpayments from their monthly payments at the statutorily required rate of the higher of their monthly payments or 10 percent of the sum of their payments plus any income.

When SSI debtors are no longer on the rolls, we attempt collection by our own billing and follow up system called the Recovery and Collection of Overpayments (RECOOP). This system sends a series of follow up letters asking for repayment and notifying the debtors about the consequences of not repaying; e.g., TRO, administrative offset, credit bureau reporting. If the debtor does not respond, then we employ our own employees to call the person and negotiate repayment. If that fails, then SSA uses the debt collection tools previously described.

With regard to our plans for improving debt collection, SSA has a number of efforts underway. For example, we succeeded in expanding our authority to use mandatory cross program recovery (that is, the collection of an SSI debt from any Title II benefits due an individual). As a result of a legislative provision in the recently enacted *Social Security Protection Act of 2004*, SSA can withhold a Title II underpayment up to the amount of the SSI overpayment and can impose cross program recovery regardless of the debtor's SSI payment status. In the past, SSA was limited in the amount it could recover from a monthly or retroactive Title II benefit due while the debtor was not eligible for SSI. The agency is in the process of implementing this expanded collection tool.

In FY 2002, SSA also created a new system for analyzing and monitoring its debt portfolio. The new system will enable SSA to develop more efficient processes to deal with outstanding debt, both Title II and SSI. Our objective is to use it to increase the percent of outstanding debt that is in a collection arrangement and to increase collections.

In addition, SSA is developing a system for conducting administrative wage garnishment (AWG), or the collection of overpayments from the wages of former Title II beneficiaries and SSI recipients. We expect to begin sending the first wave of AWG orders in early calendar year 2005. The AWG initiative is estimated to yield $105 million in collections over a 5 year period, including about $25 million in SSI overpayments. We chose to use our resources on AWG, because it has the greatest potential for debt collection of the remaining debt collection tools.

Once we complete the AWG system, we will focus our attention on Federal salary offset. That debt collection tool can be easily integrated into our existing debt collection system and will give us access to an additional revenue source, Federal salaries. Currently, we are working on the regulations for that tool and will begin systems development as soon as resources permit. After Federal salary offset, SSA will focus on developing the use of private collection agencies and interest charging.

In conclusion, we believe SSA is meeting the challenge of managing debt in the SSI Program. The SSA management team is providing the executive leadership that drives the successes to date and those of the future. The agency understands the causes of overpayments and has taken steps to prevent and detect them. When debt does arise, SSA has a wide array of collection tools to recover the money. We are also committed to developing the new debt collection tools as soon as possible.

Question: SSI benefits are generally payable only to people who live in the U.S. Yet some people fraudulently collect benefits despite not being in the country. A July 2003 GAO report *(GAO–03–724)* identified three weaknesses that affect SSA's ability to detect and deter such residency violations: (1) reliance on self-reported information from recipients, (2) insuffi-

cient use of existing tools to detect violations, and (3) inadequate pursuit of information available from other Federal agencies or private organizations to detect SSI recipients living outside the U.S. What steps have you taken to address these weaknesses or otherwise improve SSA's ability to reduce SSI residency violations?

Answer: SSA has program integrity and verification procedures that are designed to ensure that only eligible individuals receive SSI benefits. The issue of residency violations is not new—SSA and OIG have done much in the past several years including the hiring of private investigators and matching Medicare and Medicaid utilization records as indicators that individuals may be either deceased or outside the United States. We appreciate GAO's investigation in this area and have read its July 2003 report with much interest. We generally agree with GAO's recommendations and are undertaking a number of initiatives to reduce residency violations in the SSI Program. Following are brief descriptions of some of these initiatives.

- As part of our data exchange with the Department of Veterans Affairs and the Railroad Retirement Board, we receive reports when those agencies' records reflect a foreign address for an SSI recipient.
- In three States (California, Texas and New Mexico), we have established a process where State Medicaid fraud investigators make home visits at our request to verify residency in suspect cases. Our regional offices are working with other States to establish similar processes. To date, 27 States and the District of Columbia have expressed interest in the process.
- We expect to implement a new data exchange with the Department of Homeland Security in July to identify individuals who are deported. We are discussing other possible exchanges with DHS.
- We tested the use of credit bureau records to identify individuals who left the United States. However, that effort was unproductive.
- We recently conducted a manual review of a sample of over 6,800 SSI checks to identify any cashed outside the U.S. (None were.) We are developing a study to examine whether Automated Teller Machine transactions could indicate that a person is outside the U.S.
- We are studying the value of modifying our redetermination profiling system to include additional elements that may indicate a person is at risk of being outside the United States (e.g., non-use of Medicaid).

[Submissions for the record follow:]

Statement of The Honorable Susan A. Davis, a Representative in Congress from the State of California

Chairman Herger, Congressman Stark, and other distinguished members of the Subcommittee:

Thank you for your consideration of my written testimony for inclusion in the printed record of the hearing on the Supplemental Security Income (SSI) program. My comments highlight the need to change the current treatment of some types of military compensation under the SSI benefits program.

The men and women who serve in our Armed Forces are everyday heroes. Their unwavering courage in answering the call to serve our country is even more inspiring when one realizes that many of these men and women are leaving families back home. We must remember that many of our service personnel also answer to the title of "mom" or "dad." Just as these brave men and women are working to protect our nation, we must likewise protect them and their loved ones through the laws and policies we enact.

SSI benefits provide valuable assistance to military families who have children with disabilities in meeting the costs of health care, day care, and care for special needs. However, I have heard from military families who are in danger of losing this much-needed benefit because of a restrictive definition of income. Servicemembers face a unique risk of losing their benefits because of the more than 30 types of military compensation that are not considered basic pay and, therefore, jeopardize SSI eligibility.

I truly appreciate Commissioner Barnhart's remarks regarding the challenges encountered by some of our military families under current SSI regulations. As Commissioner Barnhart noted, changes in a person's financial situation affect SSI benefit levels and eligibility. Imagine the frustration this presents for servicemembers

who, after receiving pay for service-related inconveniences or hazards, lose their SSI benefits! Consider what this disruption in benefit eligibility means in terms of health care services for a disabled child.

The dilemma regarding military compensation and SSI eligibility clearly illustrates that Congress must reevaluate and amend current regulations. I have introduced legislation to change how the Social Security Administration calculates income to determine eligibility for SSI. This simple change in the treatment of income will keep families eligible for SSI benefits and resolve an existing disparity between military and non-military families.

With our men and women in harm's way, there is not a worse time for them to be concerned about whether their loved ones are getting the care they need. Updating SSI policy on eligibility requirements ensures that these brave men and women who serve our country will not have to worry about losing the critical services their children need. I look forward to working with the members of the Ways and Means Committee on this issue.

Statement of Theresa Klubertanz, National Association of Disability Examiners, Madison, Wisconsin

Chairman Herger, Ranking Member Cardin, and members of the Subcommittee, thank you for providing this opportunity for the National Association of Disability Examiners (NADE) to present our views on the status of the Supplemental Security Income (SSI) program, anti-fraud and abuse initiatives, and suggestions for additional program improvements.

NADE is a professional association whose purpose is to promote the art and science of disability evaluation. The majority of our members work in the state Disability Determination Service (DDS) agencies and thus are on the "front-line" of the disability evaluation process. However, our membership also includes SSA Field Office and Central Office personnel, attorneys, physicians, and claimant advocates. It is the diversity of our membership, combined with our extensive program knowledge and "hands on" experience, which enables NADE to offer a perspective on disability issues that is both unique and which reflects a programmatic realism.

NADE members, whether in the state DDSs, the SSA Field Office, SSA Headquarters, OHA offices or in the private sector, are deeply concerned about the integrity and efficiency of both the Social Security and the SSI disability programs. Simply stated, we believe that those who are entitled to disability benefits under the law should receive them; those who are not, should not. We also believe decisions should be reached in a timely, efficient and equitable manner. The Commissioners' Strategic Plan, with its emphasis on service, stewardship, solvency and staff, provides an excellent blueprint for achieving those goals.

We agree with Commissioner Barnhart that, "SSI beneficiaries are among the most vulnerable members of our society . . . By any measure, SSI recipients are among the poorest of the poor. For them, SSI is truly the program of last resort and is the safety net that protects them from complete impoverishment". For that reason we are concerned with the Commissioner's proposal and congressional initiatives to require pre-effectuation reviews of fifty percent of State agency (DDS) allowances of SSI adult cases, "in order to correct erroneous SSI disability determinations . . ." We question the rationale for increasing the federal quality review rate for the DDSs, a component that allows approximately forty percent of initial claims, with a current accuracy rate of 96.4%, while there is no such corresponding review of decisions made at the Administrative Law Judge (ALJ) level, a component that allows approximately sixty-five percent of claims, with a decisional accuracy rate in FY 2002 of 90%.

NADE does not believe that the increased review of DDS allowance decisions represents an appropriate use of scarce resources. The decision regarding an individual's eligibility for benefits should be objective and unbiased. We believe that by targeting DDS allowances SSA sends a message to the DDSs to deny more claims, forcing claimants to "pursue their claims to the ALJ level." This "message" only serves to increase the appeal rate and the overall administrative costs of the program. *In addition, if the review concludes the DDS allowance to be correct, the review process itself delays payment to disabled citizens who are frequently in dire financial straits.*

For several reasons the SSI disability program is more labor intensive and difficult to administer than the Title II disability program. Both medical eligibility and exact payment amounts are determined by complex, ever-changing rules. Individuals applying for SSI disability benefits are, by definition, very poor. Most have lit-

tle or no ongoing medical treatment or treating sources able to provide comprehensive records. **While it is our firm belief that the vast majority of applicants are not out to defraud the disability program(s),** SSI applicants are strong candidates for manipulation by others for financial gain. They are often the victims of others whose mission is to defraud the SSI program.

Rather than increased pre-effectuation reviews, we believe a more effective use of resources to promote stewardship and ensure program integrity would be to increase the number of Cooperative Disability Investigation (CDI) units. These units, which first became operational in 1998, have allowed SSA to avoid improper payments of over $159 million. Anti-fraud efforts such as the CDI units effectively utilize the strengths and talents of OIG, disability examiners and local law enforcement, offer a visible and effective front-line defense for Program Integrity, and serve as a visible and effective deterrent to fraud. Our members have a unique opportunity to observe and assist in the process of detecting fraud and abuse within the SSI program. Both the Social Security Advisory Board and SSA's Office of Inspector General have stated in previous reports and congressional testimony that the experienced disability examiner is the most effective weapon SSA has at its disposal to combat fraud. Instead of sending a message to the public that encourages appeals and increases administrative costs, the message sent to the public should be that it is not worth the risk to try to defraud the program. NADE supports the continued expansion of the CDI units to combat fraud and abuse in the disability program.

NADE also supports SSA's plans to increase the number of re-determinations to ensure greater payment accuracy. This would help ensure that claimants receiving SSI benefits are, in fact, eligible to do so. Adequate staffing will be needed to ensure that this effort is a true exercise in combating fraud. In addition, adequate resources are needed to enable SSA and the DDSs to process the Special Title II Disability Workload. These individuals are receiving SSI but have been found to be potentially eligible for some type of Social Security disability benefit.

In her September 25, 2003 testimony before the House Ways and Means Subcommittee on Social Security Commissioner Barnhart presented her approach to improving the disability determination process designed to "shorten decision times, pay benefits to people who are obviously disabled much earlier in the process and test new incentives for those with disabilities who wish to remain in, or return to, the workforce." Both formally and informally, NADE has provided extensive feedback to the Commissioner on the new approach. A flow chart incorporating NADE's suggestions is attached to this Statement. Our comments are summarized below. If this subcommittee is interested in reviewing our complete comments, we will be glad to share them under separate cover.

NADE fully supports all efforts to allow earlier access to health care, treatment and rehabilitation needs of disabled individuals, as well as efforts to assist those individuals who wish to return to work by providing them the needed services to allow them to do so. We believe that early intervention efforts will provide improved service to the American public by providing needed treatment and services earlier in their disease process. This early intervention has the potential to decrease the lifelong disability payments that some individuals receive once they have been determined eligible for benefits. Although few details are available in the Commissioner's approach regarding potential demonstration projects, it appears that individuals chosen for participation in these projects could be screened based upon age, education, work history and claimant allegations. This type of data is currently collected in the initial disability interview; using these types of screening criteria would not require system changes or other modifications to the existing process. Therefore, NADE believes that a trained "technical expert in disability" in a SSA field office could screen applicants for disability into these demonstration projects. Oversight of these projects could be done on a regional basis by regional expert units as proposed by the Commissioner.

NADE agrees with Commissioner Barnhart that successful implementation of AeDIB is a critical feature of any new approach to SSA disability determinations. NADE remains supportive of these new technologies as a means for more efficient service to the public. We believe that SSA's goal of achieving an electronic disability claims process represents an important, positive direction toward more efficient delivery of disability payments. *However, while technology can be expected to reduce hand-offs, eliminate mail time and provide other efficiencies, technology is merely a tool. It cannot replace the highly skilled and trained disability examiner who evaluates the claim and determines an individual's eligibility for disability benefits in accordance with Social Security federal rules and regulations.* In addition, in order for this initiative to be successful, it is critically important and an absolute necessity that adequate infrastructure support and proper equipment to make the process work effectively and efficiently is in place. Without sufficient support, adequate re-

sources and proper equipment, any attempts at an efficient paperless process will meet with failure.

NADE strongly supports the Commissioner's emphasis on quality as described in the new approach. By including both in-line and end-of-line review, accountability can be built into every step. We believe that this will promote national consistency that, in turn, will build credibility into the process.

Although the Commissioner's approach envisions that "quick decisions" for those who are obviously disabled would be adjudicated in Regional Expert Review Units, NADE believes that the DDSs are better equipped in terms of adjudicative expertise, medical community outreach, and systems support to fast track claims and gather evidence to make a decision timely, accurately, and cost effectively. DDSs already process at least twenty percent of allowance decisions in less than twenty-five days. In addition, DDS disability examiners are well versed in the evaluation of disability onset issues, unsuccessful work attempts and work despite a severe impairment provisions to quickly and efficiently determine the correct onset for quick decision conditions.

Establishing a regional expert unit to handle this workload constitutes an additional hand-off of a claim with no value added to the process. We see no need to add another layer of bureaucracy to process quick decisions when such cases are already "triaged" and handled expeditiously by the DDS disability examiners. In order to implement a regional expert unit for quick decisions, SSA would need to change its existing infrastructure to make these decisions and provide for hiring, training and housing staff. In addition, business processes would have to be developed to secure and pay for medical evidence of record.

Likewise, NADE does not support assigning the responsibility for Quick Decisions to the SSA Field Office. Even with additional training, we do not believe that SSA Claims Representatives will have the knowledge and skills necessary *on an ongoing basis* to adjudicate these cases. We are also concerned that assigning this responsibility to the SSA Field Offices will invite jurisdictional disputes between the DDSs and the SSA Field Offices as to what types of cases or alleged impairments actually constitute potential for "Quick Decisions." In addition, we would point out that some Field Offices already struggle with the concept of recognizing presumptive disability claims and TERI (terminal illness) cases. Adding additional conditions or expanding their responsibilities in this area will require extensive time-consuming and expensive training to an already lengthy claims representative training period. **Experience with the Disability Claims Manager pilot demonstrated that there is too much complexity in both the claims representative and disability examiner positions to "merge" them into one.**

NADE would not oppose SSA Claims Representatives recommending cases for potential quick decisions but we do suggest that more extensive in-line quality assurance and end-of-line quality control be applied to this new process to ensure that those claims that deserve to be identified as having potential for "Quick Decisions" are so identified and that those that do not, are not so identified.

NADE is strongly opposed to the Commissioner's proposal to remove onsite Medical Consultants from the DDS. As an integral part of the DDS adjudicative team, DDS medical consultants play a vital role in the disability evaluation process, not only in reviewing medical evidence and providing advice on interpretation, but also in training and mentoring disability examiners, as well as performing necessary public outreach in the community. The DDS medical consultant interacts with disability examiners on a daily basis and offers advice on complex case development or decision-making issues. He/she maintains liaison with the local medical community and has knowledge of local care patterns and the availability of diagnostic studies and state regulations to facilitate the adjudication process within the complex Social Security system.

Most disability applicants have multiple impairments involving more than one body system and require a comprehensive view of the combined limitations and resultant impact on function. Specialty consultants with limited scope and experience cannot fully assess the combined effects of multiple impairments on an applicant's functioning. The SSA programmatically trained DDS medical consultant has the education, clinical experience and decision-making skills, along with expertise in evaluating medical records and disease conditions and making prognosis predictions regarding a claimant's function and future condition, to more accurately assess the case as a whole.

DDS medical consultants are not only medical specialists—physicians, psychologists or speech/language pathologists—they are also SSA program specialists. *There is a very real difference between clinical and regulatory medicine and it takes at least a year to become proficient in Social Security disability rules and regulations.* The DDS medical consultant's unique knowledge of SSA's complex rules and regulations

and regional variants of those regulations, their medical expertise in many fields and knowledge of local medical sources, and their familiarity with DDS examiner staff, quality specialists and supervisors, make them an invaluable asset to the DDS's and the SSA Disability Program as a whole. It is critical that this expertise be on-site in the DDSs and readily available to the disability examiner for case consultation and questions.

The SSI disability program is unique among disability programs. The disability examiners who evaluate claims for SSI disability benefits must possess unique knowledge, skills and abilities. Those who adjudicate SSI disability claims are required, as a matter of routine, to deal with the interplay of abstract medical, legal, functional and vocational concepts. Disability examiners are required by law to follow a complex sequential evaluation process, performing at each step, an analysis of the evidence and a determination of eligibility or continuing eligibility for benefits before proceeding to the next step. Adjudication of claims for SSI disability benefits requires that disability examiners be conversant (reading, writing and speaking) in the principles of medicine, law and vocational rehabilitation. The disability examiner is neither a physician, an attorney or a vocational rehabilitation counselor. Nevertheless, he or she must extract and employ major concepts that are fundamental to each of these professions. The disability examiner must appropriately and interchangeably, during the course of adjudication, apply the "logic" of a doctor, a lawyer and a rehabilitation counselor. *It takes years before an individual becomes adept at this complex task.*

The U.S. General Accounting Office declared in one of their reports to Congress that: "The critical task of making disability decisions is complex, requiring strong analytical skills and considerable expertise, and it will become even more demanding with the implementation of the Commissioner's new long-term improvement strategy and the projected growth in workload.". NADE concurs with this assessment. A disability examiner must have knowledge of the total disability program as well as proficiency in adult and child physical and mental impairment evaluation, knowledge of vocational and job bank information and the legal issues which impact on case development and adjudication.

NADE has long supported an enhanced role for the disability examiner and increased autonomy in decision-making for experienced disability examiners on certain cases. We were pleased, therefore, that in NADE's discussions with Commissioner Barnhart we were told that it was her intent in the new approach to enhance the disability examiner's role in the disability process. In order to achieve that, we believe that the Single Decision Maker (SDM) from the highly successful Full Process Model project and currently operating in the prototype and ten other states should be fully integrated into the new approach. (Under the SDM model, medical sign-off is not required unless mandated by statute.)

Decisions regarding disability eligibility can be considered to be on a continuum from the obvious allowances on one end, through the mid-range of the continuum where only careful analysis of the evidence by both adjudicator and physician can lead to the right decision, and finally to the other end of the continuum where claims are obvious denials. It is at both ends of the continuum where the disability adjudicator can effectively function as an independent decision-maker. Use of the SDM to make the disability determination, and retaining the availability of medical consultant expertise for consulting on cases without requiring doctor sign off on every case, promotes effective and economical use of resources. It is prudent to expend our medical and other resources where they can most positively impact the quality of the disability claim.

Of all the "reengineered" disability processes proposed or piloted in the past, the SDM process has been the most successful. It has had a more positive impact on cost-effective, timely and accurate case processing than any other disability claims initiative in many years. Statistical results have shown that disability examiners operating under the SDM model in the twenty states where this concept was tested have the same or better quality than disability examiners operating under the traditional disability adjudication model. Studies of the SDM have demonstrated its value as an integral part of the Social Security Administration's disability claim adjudication process. ***NADE strongly believes that the SDM model should be integrated fully in any new initial claims process, expanded to Continuing Disability Reviews and adopted as standard procedure in all DDSs.***

The Commissioner, in her approach, has proposed establishment of a federal Reviewing Official (RO) as an interim step between the DDS decision and the Office of Hearing and Appeals (OHA). NADE agrees that an interim step is necessary to reduce the number of cases going to the OHA as much as possible. An interim step laying out the facts and issues of the case and requiring resolution of those issues could help improve the quality and consistency of decisions between DDS and OHA

components. NADE supports an interim step because of the structure it imposes, the potential for improving the accuracy of DDS decisions and processing time on appeals, and the correction of obvious decisional errors at the initial level before a hearing. The establishment of uniform minimum qualifications, uniform training and uniform structured decision-writing procedures and formats will enhance the consistency and quality of the disability decisions. *NADE is not convinced, however, that customer service is improved from the current process if this remains a paper review at this interim step.*

NADE believes that this interim step should include sufficient personal contact to satisfy the need for due process. We do not believe that it needs to be handled by an attorney as proposed by the Commissioner. There is little, if any, data that supports a conclusion that this interim step needs to be handled by an attorney. In fact, a 2003 report commissioned by the Social Security Advisory Board to study this issue recommended that this position ***NOT*** be an attorney.

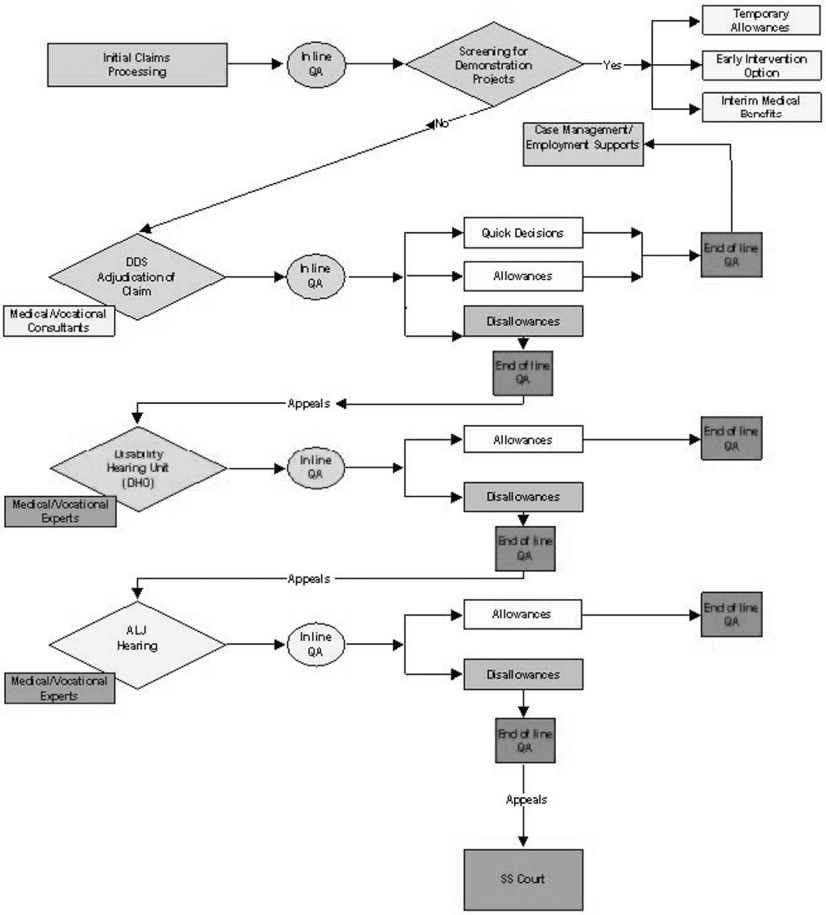
Decisions made at all levels of adjudication in the disability process are medical-legal ones. NADE believes that Disability Hearing Officers (DHOs) can handle the first step of appeal between the DDS initial decision and the ALJ hearing. DHOs are programmatically trained in disability adjudication as well as in conducting evidentiary hearings. Using trained Disability Hearing Officers instead of attorneys will be substantially less costly. In addition, there is currently an infrastructure in place to support DHOs and using such a structure will prevent creation of a new costly and less claimant friendly federal bureaucracy. Since this infrastructure is already in place, national implementation of the DHO alternative can occur very quickly.

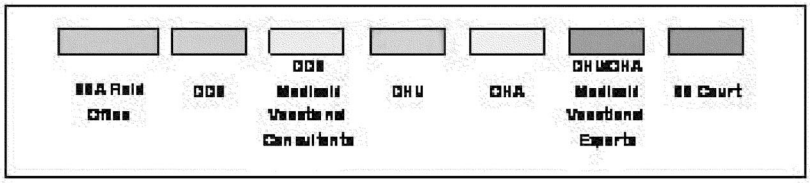
NADE supports closing the record after the Administrative Law Judge's decision since this decision will, under the Commissioner's proposed approach, represent the final decision of the Commissioner of Social Security before any subsequent appeal to the federal courts. We support providing the assistance of programmatically trained medical and vocational experts to the Administrative Law Judges.

NADE supports elimination of the Appeals Council review step. We have long advocated establishment of a Social Security Court. As long as judicial review of disability appeals continues to occur in multiple district courts across the country, a bifurcated disability process will continue to exist as different DDSs operate under different court rulings and regulations depending upon what part of the country the claimant lives in.

Both the Social Security and SSI disability programs provide a vital safety net for an extremely vulnerable population. It is essential that these programs operate effectively while protecting beneficiaries and taxpayers alike from fraudulent payment and wasteful practices. NADE appreciates this opportunity to present our views on the SSI program, problems and solutions, and we look forward to working with the Social Security Administration and the Congress as the Commissioner continues to refine her approach to improve the disability process.

A New Approach to SSA Disability Determinations - The NADE View





Statement of Margaret Paul, Redlands, California

I am a school psychologist in San Bernardino who has observed rampant abuse of SSI for children with disabilities. We have had to hire a full time clerk to deal with the requests for records and have been inundated with requests from parents to assess their children. I do not have any problem with payments to a severely handicapped child. It is the children who are considered learning disabled that is a problem. It is ironic that many of these lower income families are getting what they see is a check because their child can not read. What is the incentive for helping their child read when they see a monetary benefit in them not reading? I have personally dealt with many cases where it is guaranteed that the parent never uses the money for tutoring. I also work at the high school level, and was most concerned to hear an 18 year old student call his mother a "bitch" because she was angry that he was now getting the checks instead of her. He stated that she just spent it on CDs. I asked him what he was going to do with his check; he was planning on going to a Rave party. Honestly, they do not even try to hide the fact that the money is not spent appropriately. My suggestion? Abolish SSI dollars for mild speech and learning disabilities. These children get services within the public school system. Replace the dollars with vouchers for tutoring that can not be used as cash. Establish learning centers funded with some of the money you save where the parents can bring their children for tutoring (think of how much money would be saved if the vouchers were not even used). But better still, think of the possibility of some of these children actually getting more help and progressing in reading and other subject areas because their learning problems are no longer considered a cash cow.

Statement of John Stannard, Santa Barbara, California

Any natural process lacking a feedback mechanism will have no stable point of operation. This is true whether we are talking about natural biological processes or governmental processes like S.S.I. If taxpayers were unable to express their unwillingness to pay additional taxes there would be no limit to the taxes levied. As benefits are spread more widely more people will vote for the benefits, the responsible governmental agency will handle more money and so will have a larger budget, and legislators will vote for even more benefits as it will further their career. Health professionals will support claims for benefits as it is their self-interest to do so.

If there would be one and only one S.S.I. reform it should be to incorporate taxpayer involvement directly in agency operation. If I worked in the agency and it was my job to determine whether an applicant is legally entitled to benefits, I would find it difficult to rule strictly. My supervisor wants more people receiving aid. The applicants separately and collectively are not reluctant to express their opinion, self-interested though it may be. If I were a health professional what reason would I have to say my client does not qualify for benefits? Without negative feedback systems like S.S.I and Social Security for that matter, are certain to fail even when we assume pyramiding population growth.

The system is broken not because one or more laws are inadequate. It is broken and will remain broken because of it's structure. People are very intelligent and adaptable. A law or regulation that cannot be got round has never and will never be written. I am sure systemic changes have been proposed in the past. The entire system and the government's promises to boot are in now doubt. Please revisit those systemic changes.

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