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THE SOCIAL SECURITY ADMINISTRATION'S SERVICE DELIVERY BUDGET PLAN

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

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

ONE HUNDRED EIGHTH CONGRESS

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THE SOCIAL SECURITY ADMINISTRATION'S SERVICE DELIVERY BUDGET PLAN

THURSDAY, FEBRUARY 26, 2004

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:01 a.m., in Room B–318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
February 19, 2004
SS–7

CONTACT: (202) 225–9263

Shaw Announces Hearing on Social Security Service Delivery Plan

Congressman E. Clay Shaw, Jr. (R–FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on the Social Security Administration's Service Delivery Budget Plan. **The hearing will take place on Thursday, February 26, 2004, in room B–318 of the Rayburn House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from an invited Administration witness only. Any individual or organization may submit a written statement for consideration by the Committee or for inclusion in the printed record of the hearing.

BACKGROUND:

Each year, the Social Security Administration (SSA) updates a 5-year Service Delivery Budget Plan first submitted to the Office of Management and Budget with the agency's fiscal year 2004 request. Integrated with the 5-year Strategic Plan, the plan provides a comprehensive framework to address the challenges facing the agency and improve public service. Updates of the Service Delivery Budget Plan are based on current workload experience and available funding.

For fiscal year 2005, the President's budget requests $9 billion for the administrative expenses of the SSA, an increase of 6.6 percent from last year, and less than 2 percent of total outlays. In the Service Delivery Budget Plan, the Commissioner had requested $9.4 billion for the administrative expenses in fiscal year 2005. These funds will be used to deliver $557 billion in retirement, disability, survivor, and Supplemental Security Income (SSI) benefits.

The Service Delivery Budget Plan calls for the SSA's 64,000 employees nationwide to continue to provide a high level of service to Americans by paying benefits to more than 52 million people each month, processing almost 6 million claims for benefits, issuing 18 million new and replacement Social Security cards, posting 267 million earnings items to workers' earnings records, handling 52 million phone calls, and issuing 136 million Social Security Statements that advise workers how much they have contributed to Social Security and estimate future benefits. These core workloads continue to grow each year and will increase significantly with the aging of the baby boom generation.

According to the agency's budget request, the President's budget provides adequate resources for the SSA to: reduce overall disability processing times, implement a new electronic disability process, reduce erroneous payments and collect related debt, continue to improve productivity, and expand online service options via the agency's web site.

In addition to keeping up with growing core workloads, implementing Ticket-to-Work programs, and combating Social Security number misuse, the agency faces several other major challenges including:

- **Implementing the Medicare Prescription Drug Law.** The SSA will play a substantial role in implementing the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108–173). Specifically, the agency will help identify low-income beneficiaries for enrollment in the new prescription drug benefit, make low-income subsidy determinations, calculate Part B premiums for high-income beneficiaries, and withhold premiums appropriate to beneficiaries' selected plans. To process this workload, the agency received $500 million in the Medicare prescription drug law and the President's budget requests an additional $100 million contingency reserve from the Medicare Trust Funds in the event costs exceed the amounts already provided.

- **Improving the Disability Insurance and SSI Disability Claims Process.** While these programs continue to face tremendous backlogs, the Commissioner recently moved forward with two initiatives from the Service Delivery Budget Plan to improve accuracy and reduce processing times in the disability determination process. In January 2004, the SSA began rolling out a new electronic disability claims filing process, called AeDib. Converting from a paper to an electronic folder will eliminate delays caused by the need to locate, mail, and organize paper folders as disability claims move through the system. In September 2003, the Commissioner announced her management reforms to the disability determination process. These reforms, predicated on a successful rollout of AeDib, include the establishment of "quick decision" units, and the restructuring of several steps in the disability determination process.

- **Improving Payment Accuracy.** The Service Delivery Budget Plan reaffirms the SSA's commitment to protecting the integrity of the Trust Funds and the general fund by avoiding erroneous payments, combating fraud, and enhancing efficiency. The President's budget request supports this commitment by earmarking not less than $561 million for continuing disability reviews.

In announcing the hearing, Chairman Shaw stated, "For the Social Security Administration to fulfill their responsibilities to the American people as summarized in the Service Delivery Budget Plan, Congress must invest in the agency at the level requested by the President. Shortchanging this investment breaks our promise to workers who invested a portion of each hard-earned paycheck in exchange for income protection for themselves and their families in the event of retirement, disability, or death."

FOCUS OF THE HEARING:

The Subcommittee will review how the President's fiscal year 2005 budget request for the SSA supports SSA's Service Delivery Budget Plan.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, by the close of business, Thursday, March 11, 2004. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Social Security in room B–316 Rayburn House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings. Please note that 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.

FORMATTING REQUIREMENTS:

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 SHAW. Good morning. Today, our Subcommittee welcomes the Commissioner of Social Security, Joanne Barnhart, to review the agency's updated service delivery budget plan for fiscal year 2005. That agenda may be a little bit expanded this morning due to some comments made before the Committee on the Budget by Mr. Greenspan yesterday.

The 5-year service delivery budget plan was first submitted to the Office of Management and Budget (OMB) with the agency's fiscal year 2004 budget request. Integrated with the 5-year strategic plan, the service delivery budget plan provides a framework to address the challenges facing the agency and to improve public service. Recently, the Commissioner advanced two initiatives from the service delivery budget plan. First, just last month, the agency began rolling out a new electronic disability claims filing process. That is something this Committee has talked endlessly about and I am delighted to hear that it is well underway. Converting from paper to electronic folders will eliminate delays resulting from locating, mailing, and organizing paper folders as a disability claim moves through the system.

Second, this past September, the Commissioner premiered her proposal to improve the disability determination process at a hearing of this Subcommittee. Today, I look forward to hearing the Commissioner's update regarding the progress of both of these important initiatives. In addition to improving the disability determination process, the updated fiscal year 2005 service delivery budget plan calls for the Social Security Administration's (SSA's) 64,000 employees nationwide to process more than 6 million claims for benefits, issue 18 million new and replacement Social Security cards, post 267 million earning items to workers' earning records, and pay monthly benefits to more than 52 million people. These core workloads have grown significantly in the last year, and will increase steadily with the aging of the baby boom generation.

In order to support these and other activities in the service delivery budget plan, the President's fiscal year 2005 budget requests $9 billion for Social Security administrative expenses. That is a 6.6-percent increase over last year, and among the highest increase for all Federal agencies. I want to note that the administrative expenses of the SSA represent less than 2 percent of the agency's

total outlays, an administration-to-benefit ratio that is much better than even the most efficient nonprofit organizations. The President also requested an additional $100 million for a Medicare reform contingency reserve. This reserve, financed by the Medicare Trust Fund, will ensure that all eligible persons seeking benefits under the new Medicare Prescription Drug Improvement and Modernization Act of 2003 (P.L. 108–173) can be served if the original appropriation for implementation is exhausted.

Many people are unaware that the new Medicare prescription drug law requires the SSA to provide substantial administrative support to the Medicare program, including identifying low-income Medicare beneficiaries for enrollment in the new prescription drug benefit, making low-income subsidy determinations, calculating Part B premiums for high-income beneficiaries, and withholding premiums appropriate to beneficiaries' selected prescription drug plans.

Finally, the President's budget reserves not less than $561 million for continuing disability reviews. These essential reviews protect the integrity of the Trust Fund and the General Fund by avoiding erroneous payments and combating fraud. The President has done his part by requesting the budget and will allow the agency to keep its commitment to seniors, individuals with disabilities, and survivors, even in this tight budget environment. Congress must fulfill its responsibility to Social Security beneficiaries.

Chairman SHAW. I have amended my opening statement in this way. We are here today to discuss the Commissioner's service delivery plan for Social Security. However, there has been a great deal of media attention regarding Federal Reserve System Chairman Alan Greenspan's testimony before the House Committee on the Budget yesterday on how to extend the life of Social Security, which I think is quite appropriate to address at this time. In a statement issued yesterday, I made a number of key points. Chairman Greenspan is right to point out the demographic challenges facing Social Security and Medicare. Modern medicine is enabling people to live longer, and families are having fewer children. In the long run, that means fewer workers supporting each retiree, and it is important to keep in mind Social Security right now is a pay-as-you-go program.

Chairman Greenspan is also right that tax increases are not the answer to securing Social Security's future. We cannot risk slowing economic growth. However, I respectfully disagree with the Chairman's recommendation to cut promised benefits by reducing the cost-of-living adjustment and increasing the retirement age. Those proposals are not the right answer. My message to seniors and those nearing retirement, you will receive nothing less than 100 percent of what you have been promised. Your benefits are safe. Your benefits are secure.

There is a viable alternative that doesn't require any tax increases or benefit cuts. Allow workers to save today through voluntary personal accounts that back Social Security with real economic assets. These accounts would help workers build a retirement nest egg, and deliver real retirement security. My Social Security Guarantee Plus Plan, (H.R. 75) illustrates how personal accounts will ensure payment of full promised benefits and even pro-

vide enhanced benefits without tax increases and without individual investment risk. Social Security will, and should, continue as Americans, particularly younger Americans, learn more about Social Security's challenges and options to strengthen the program's future. I now look forward to working with my Subcommittee colleagues and the Commissioner to develop legislation that ensures that the SSA has the funding it needs to efficiently serve the American people's Social Security programs. They deserve no less. Ben?

[The opening statement of Chairman Shaw follows:]

Opening Statement of The Honorable E. Clay Shaw, Jr., Chairman, and a Representative in Congress from the State of Florida

Good morning. Today, our Subcommittee welcomes the Commissioner of Social Security, Joanne Barnhart, to review the Social Security Agency's (SSA) updated Service Delivery Budget Plan for fiscal year 2005.

The five-year Service Delivery Budget Plan was first submitted to the Office of Management and Budget with the agency's fiscal year 2004 budget request. Integrated with the five-year Strategic Plan, the Service Delivery Budget Plan provides a framework to address the challenges facing the agency and to improve public service.

Recently, the Commissioner advanced two initiatives from the Service Delivery Budget Plan. First, just last month, the agency began rolling out a new electronic disability claims filing process. Converting from paper to electronic folders will eliminate delays resulting from locating, mailing, and organizing paper folders as a disability claim moves through the system. Second, this past September the Commissioner premiered her proposals to improve the disability determination process at a hearing of this Subcommittee. Today, I look forward to hearing the Commissioner's update regarding the progress of both of these important initiatives.

In addition to improving the disability determination process, the updated fiscal year 2005 Service Delivery Budget Plan calls for SSA's 64,000 employees nationwide to: process more than 6 million claims for benefits; issue 18 million new and replacement Social Security cards; post 267 million earnings items to workers' earning records; and pay monthly benefits to more than 52 million people. These core workloads have grown significantly in the last year and will increase steadily with the aging of the baby boom generation.

In order to support these and other activities in the Service Delivery Budget Plan, the President's fiscal year 2005 budget requests $9 billion for Social Security's administrative expenses, a 6.6 percent increase over last year and among the highest increase for all Federal agencies. I want to note that the administrative expenses of the SSA represent less than 2 percent of the SSA's total outlays—an administration to benefits ratio that is much better than even the most efficient nonprofit organizations.

The President's Budget also requests an additional $100 million for a Medicare reform contingency reserve. This reserve, financed by the Medicare Trust Funds, will ensure that all eligible persons seeking benefits under the new Medicare Prescription Drug, Improvement, and Modernization Act of 2003 can be served if the original appropriation for implementation is exhausted.

Many people are unaware that the new Medicare prescription drug law requires the SSA to provide substantial administrative support to the Medicare program including: identifying low-income Medicare beneficiaries for enrollment in the new prescription drug benefit, making low-income subsidy determinations, calculating Part B premiums for high-income beneficiaries, and withholding premiums appropriate to beneficiaries' selected prescription drug plans.

Finally, the President's budget reserves not less than $561 million for continuing disability reviews. These essential reviews protect the integrity of the Trust Funds and the general fund by avoiding erroneous payments and combating fraud.

The President has done his part by requesting a budget that will allow the agency to keep its commitment to seniors, individuals with disabilities, and survivors. Even in this tight budget environment, Congress must fulfill its responsibility to Social Security's beneficiaries. To this end I look forward to working with my Subcommittee colleagues, and the Commissioner, to develop legislation that ensures the Social Security Administration has the funding it needs to effectively serve the American people. Social Security programs deserve no less.

Mr. CARDIN. Thank you. Let me first thank Chairman Shaw for holding this hearing, and Commissioner Barnhart, it is always a pleasure to have you before the Committee. We very much appreciate your dedicated leadership at the SSA and it is always a pleasure to have you before the Committee.

If I might first comment on the Chairman's comments about Chairman Greenspan's comments yesterday on the Social Security benefits structure. We are in agreement, Mr. Chairman, in that we would very much join you in opposing any effort to cut the benefits, the cost of living adjustments, or any of the benefits for the Social Security recipients. I can assure you that, speaking for my colleagues on the Democratic side of the aisle, we believe that is a non-starter, and will very much oppose that. I think, though, what Chairman Greenspan mentioned yesterday points out what the Democrats have been saying for a long time, and that is, the budgets that we passed during the last 3 years have put the Social Security system at risk, that when you start using the Social Security surpluses to mask the size of the deficit and to use it for every other purpose imaginable, it put additional strain on the Social Security system.

I thought we had a lockbox that the money was supposed to be squirreled away and used only for Social Security. Well, that hasn't been done during the last 3 years, and now as a result of this reckless budgeting, we are faced with Chairman Greenspan's analysis that now the Social Security is at risk.

So, Mr. Chairman, I hope that we will continue to have hearings so we can figure out a way that we can have a responsible budget that can assure the security of the Social Security system for the future, because it is not just the people who are receiving the checks today. We want to make sure the people are going to be able to receive Social Security checks in the future. We certainly look forward to working with you and figuring out how we can get back to responsible budgeting that will not put the Social Security system at risk. Today's hearing is to talk about the adequate funding of the SSA, the administrative budget, which is extremely important to our constituents. Those who are seriously ill and disabled must wait months and sometimes even years to get their claims adjusted, and obviously the administrative support affects that. Those people who want to get back to work and leave the rolls of disabled, the support within the SSA helps us achieve those objectives. Of course, program integrity is very important.

I guess there is good news and bad news here. I want to compliment the Commissioner. Clearly, her vision and the 5-year service delivery plan that she has carefully crafted must have been very impressive to the OMB, because you did very well compared to other agencies. We applaud you in the budget that has been submitted by the Administration. Despite that, this Committee has gone on record over and over again, it has been bipartisan, that you need to have adequate administrative support in order to accomplish your objectives. In spite of the success, the SSA remains under-funded. Its budget was reduced by $168 million for fiscal year 2004, and the OMB cut $445 million from the Commissioner's

original request for fiscal year 2005. These cuts simply cannot be absorbed by the SSA. The Commissioner has made it clear that these cuts mean fewer continuing disability reviews and fewer Supplemental Security Income (SSI) redeterminations. The SSA needs its full request if it is to reduce the waiting time for disability applicants, and keep ahead of the growing workloads, as the baby boomers reach retirement age.

This is particularly important in several respects, and let me just, if I might, be a little bit parochial, Mr. Chairman, and talk about the State of Maryland, which froze enrollment for 6 months, from January 9 until July 1, in a key program that serves as a lifeline for about 11,000 other residents. I am referring to the Transitional Emergency Medical and Housing Assistance Program, which our State froze based upon the concern that it takes too long for the SSA disability determinations to be processed.

Now, Mr. Chairman, I am not sure my State is correct in its analysis, and I want to make that clear. The information that we have received from the SSA indicates that in some cases, we have improved. In some cases, perhaps we have not improved. I don't think my State action is appropriate, but I do want to make it clear that it is important to our States to be able to get these determinations made as quickly as possible. It is not only to the individuals involved, but to supplemental State programs that complement what we do here at the national level. So, it is not just the Federal programs, it is also the State programs that are impacted. I have had a conversation with Commissioner Barnhart, and I look forward to getting those figures straight and working with our State in order to be able to hopefully correct what has happened in Maryland.

I want to conclude, Mr. Chairman, by indicating that I am pleased that the budget includes an additional 2,000 work years to be divided between new hires, and offering more overtime to the SSA experienced staff. This is sorely needed. We also know, as you pointed out in your opening statement, that the SSA is also taking on a substantial new workload as it helps to implement the Medicare drug bill. We will need to keep a close watch as the implementation plans are developed to make sure that these new tasks do not interfere with the SSA's fundamental job of paying Social Security and SSI benefits. Mr. Chairman, I look forward to hearing the testimony of Commissioner Barnhart about her plans for the coming year, and working to make sure that we can be as supportive as possible in providing the resources necessary for the Commissioner to do her important work.

Chairman SHAW. Thank you, Mr. Cardin. I think I should point out that you and I have cosponsored legislation that would take the administrative cost off budget, and that is something that we should possibly reexamine. I know Mr. Pomeroy, who has joined us here, also is working on legislation that would do the same thing. To comment further as to how Social Security got on budget and how it has been used to hide the size of the deficit, this was done during the Johnson Administration and has been through every Administration since then. We have talked about and have voted, in fact, on taking it off budget, but once you get the total budget, it is in there.

It is important to realize that Social Security is a pay-as-you-go system. It has paid for itself throughout the years. It was designed that way, but it was not designed to continue benefits when you get down to a little over two workers per retiree, and that is the direction we are headed. If nothing else, we ought to take Chairman Greenspan's announcement yesterday, or his statement of his opinion, which you and I both disagree with, but if anything else, it should be a wake-up call that we are headed towards a cliff. That cliff is in 2018 when, for the first time since the creation of the program, there will not be sufficient money coming in by the way of payroll taxes to pay the benefits.

We have to add something to the Social Security program if we are going to make it continue to grow as a stand-alone program that takes care of itself. Workers pay into the program. Workers are entitled to full benefits. You and I do agree that we are not going to cut those benefits, and I assume you agree, and perhaps you might want to comment on it, but it is certainly not my intention to raise taxes on the American workers, nor is it going to be necessary if we act now to divert income taxes or other taxes into the Social Security system. It can be maintained as a stand-alone program, but it is going to require bipartisan action. I think Mr. Greenspan also mentioned yesterday that we should do it sooner, rather than later. So, I would hope that we can start moving forward with this. I know election politics is going to get in our way, which would make it doubtful that we would be able to reach an agreement this year, although I would love to give it a try.

Mr. CARDIN. Would the Chairman yield?

Chairman SHAW. If I get any, and I tell you, if I can get any bipartisan support for doing this, I would be delighted to move a bill forward, and I yield to the gentleman.

Mr. CARDIN. I appreciate the Chairman yielding and I look forward to working with the Chairman. The point I was raising, though, 2 years or 3 years ago when we had the surpluses, before the budgets that we passed basically used them all for tax cuts or for whatever, we had additional options available, including a bill that you had introduced that allowed us ways of shoring up the system for the future, that are now not available, and I think it is putting additional pressure on us. So, I think our budgets that we passed that I really think were reckless, and we said would not have any impact on Social Security. Chairman Greenspan is now telling the American people that, in fact, it does have an impact on Social Security.

The second point I was making is that we do have a Trust Fund. The Trust Fund is required by law, and there is ample moneys in those Trust Funds to pay benefits for a significant period of time, well beyond the dates that we have been using. We run into the revenues not being equal to the benefits. We still have a Trust Fund balance at that time. That would extend the Trust Fund for many decades beyond that. So, we still have—we are not in crisis as far as paying the Social Security benefits, but we will be in crisis if we don't have a responsible budget. The underlying budget affects our ability to continue the Social Security system and I don't think we have been sensitive to that. I very much look for-

ward to working with the Chairman, with a responsible budget. Thank you.

Chairman SHAW. Commissioner Barnhart, we are delighted to have you again before this Committee, and Ben and I will continue this debate after you leave.

[Laughter.]

It is my delight to recognize the Commissioner of Social Security, Joanne Barnhart.

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

Ms. BARNHART. Thank you, Mr. Chairman. It is a pleasure to see you again. I really enjoyed your comments earlier this month at the disability forum in Florida. I have submitted a longer written statement for the record, and what I would like to do, so we can get right to questions as quickly as possible, because I am sure the Members have a lot of questions, is just to do a brief opening statement.

First of all, thank you, Mr. Chairman, and all the Members of the Committee for this opportunity to discuss the Social Security service delivery plan. I also want to say that I really truly appreciate this Committee's interest in, and support of, Social Security in the past. No doubt, without the strong support of Members of this Committee, we would not have fared as well, relatively speaking, as we did in fiscal year 2004 budget deliberations, and so I truly appreciate that. I also look forward to continuing to work with you for the best interests of the agency and the people who depend on our very important programs.

I really want to spend my time right now answering questions, as I said, and so the summary I want to provide explains that the President's fiscal year 2005 budget designated $557 billion for Social Security. This is a figure that includes nearly $9 billion for administrative expenses. It is a 6.8-percent increase for Social Security proper workloads for fiscal year 2004.

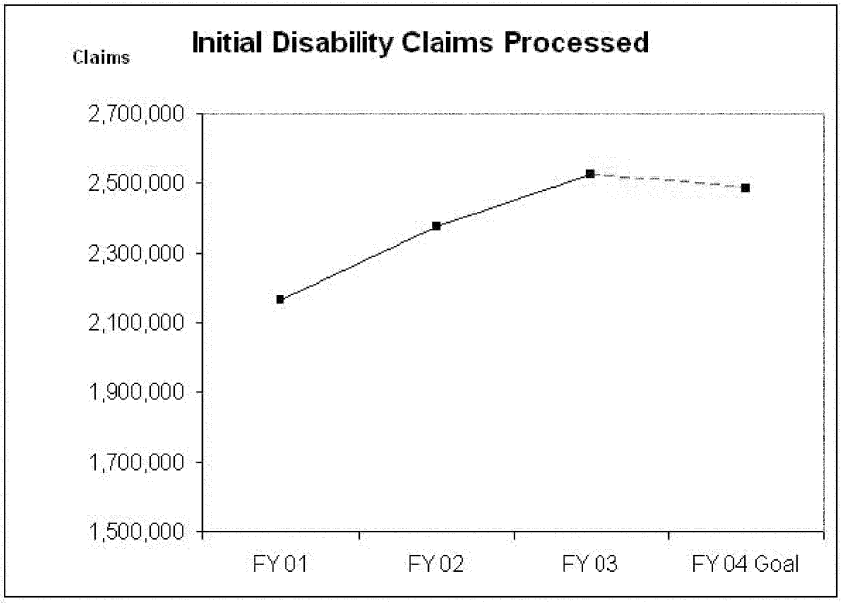
Mr. Chairman, Social Security touches the lives of nearly every American, and our requested increase is needed to supply computer and telecommunications equipment, to support over 1,300 Social Security field offices nationwide, provide salaries, benefits, and the training necessary for us to be able to deliver the kind of quality service to the public that they expect. This budget request, like last year's, I believe demonstrates the President's commitment to Social Security and its programs. I think this is especially true in the context of the many competing priorities that the President and Congress must balance, and though we didn't get our full budget request for fiscal year 2004, I believe that, through the extraordinary efforts of Social Security employees over the past year, and with full funding of our fiscal year 2005 request, we can get our service delivery plan back on track to meet our 2008 service delivery goals.

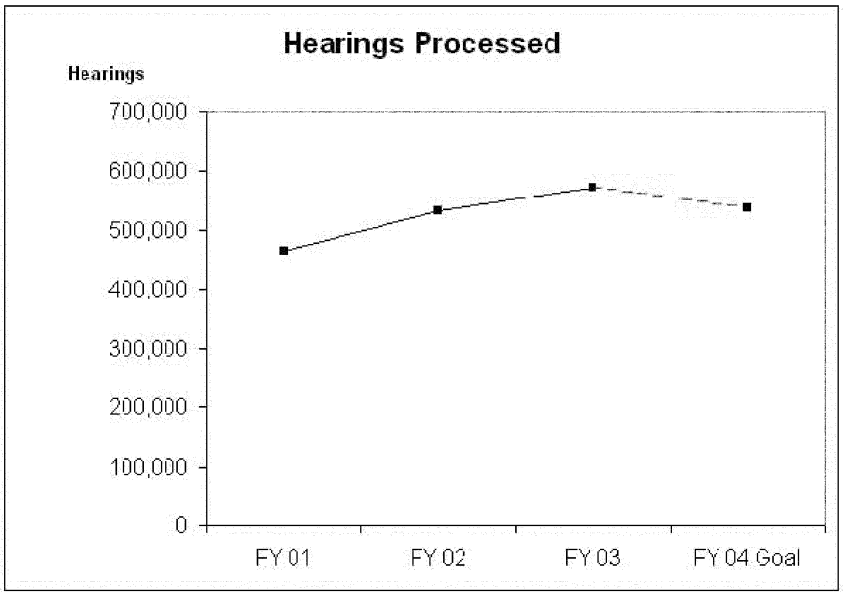
I want to take just a moment to share some of the things that we have accomplished in the last year. We exceeded our agency-wide productivity goal. Social Security offices processed over 2.5 million disability claims. That is an increase of more than 350,000 from fiscal year 2001. The administrative law judge (ALJ) disposition rates are the highest in history, at 2.35 cases per day. In fiscal

year 2002, our Office of Hearings and Appeals (OHA) processed 66,800 more hearing decisions than in fiscal year 2001, and in 2003, 40,000 more than in 2002. In November 2001, the average time to appeal an unfavorable hearing decision was 467 days. This past November, it took 252 days. By incorporating technology at the Office of Appellate Operations, we were able to reduce the time required to code and file a bin of cases from 4.5 hours to 45 minutes. In January of 2003, it took an average of 120 days to prepare a case for a hearing in Federal District Court. This past December, it took 26 days. In 2002, we successfully opened our first Social Security Card Center in Brooklyn, New York, and as promised, and as the Chairman noted earlier in his statement before this Committee, in January, just a few weeks ago, we began to roll out the electronic disability system, which is going to transform the way that we are able to process disability claims at Social Security.

I have provided a set of charts that show the trend lines for all of these accomplishments that I have mentioned as well as some other performance indicators. There is a cover sheet that shows our progress from 2001 through 2003 and what we project for this year and for fiscal year 2005 if we receive the full request that the President has made.

[The charts follow:]

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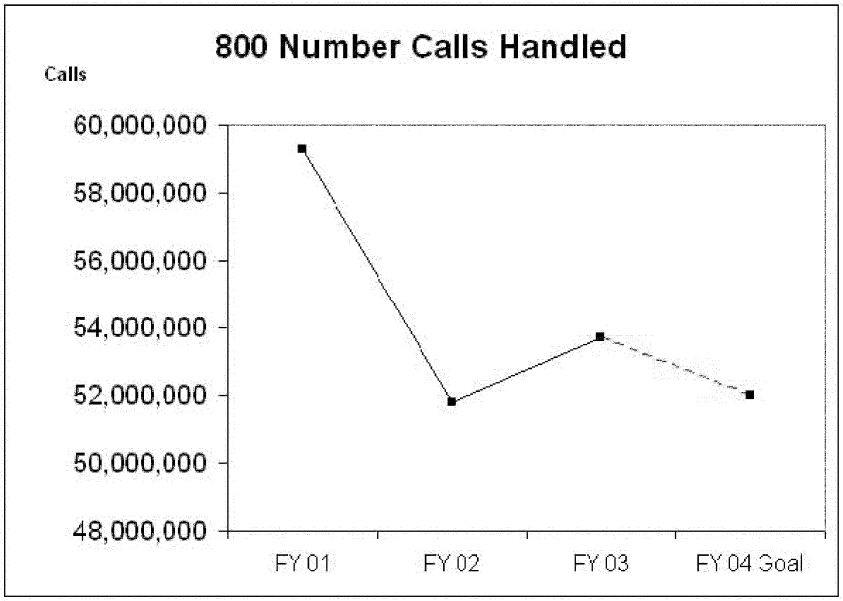
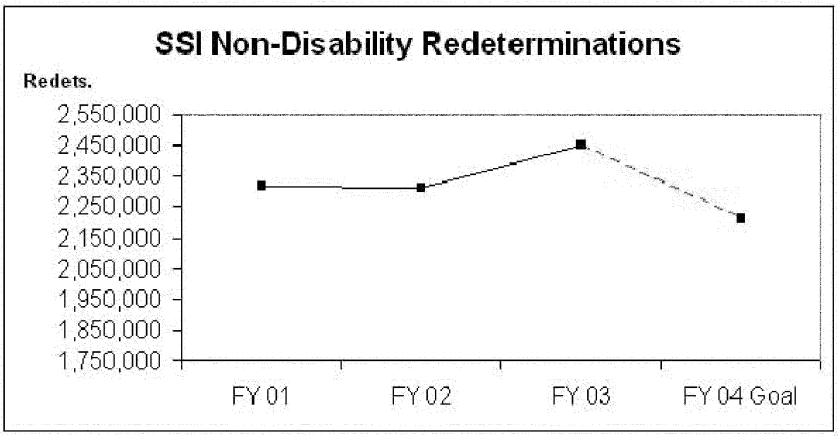
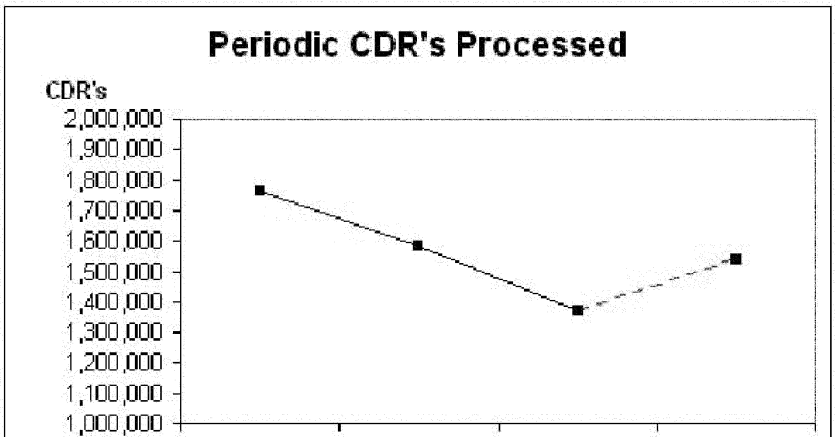
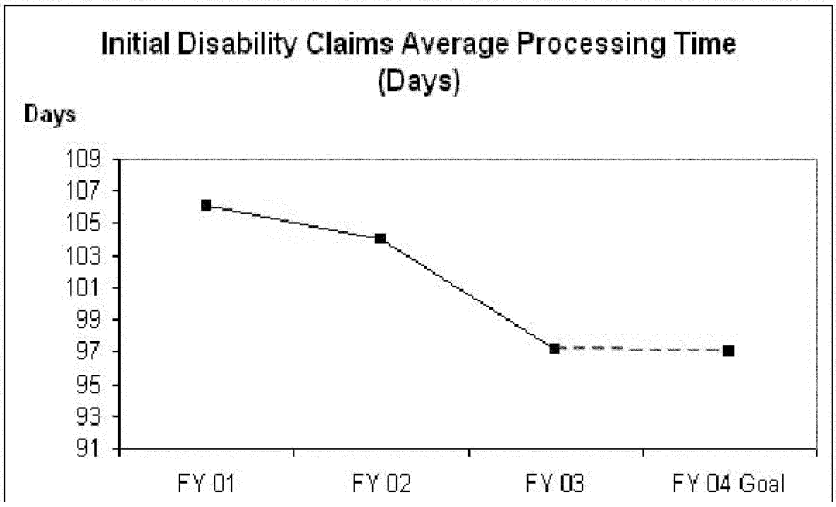
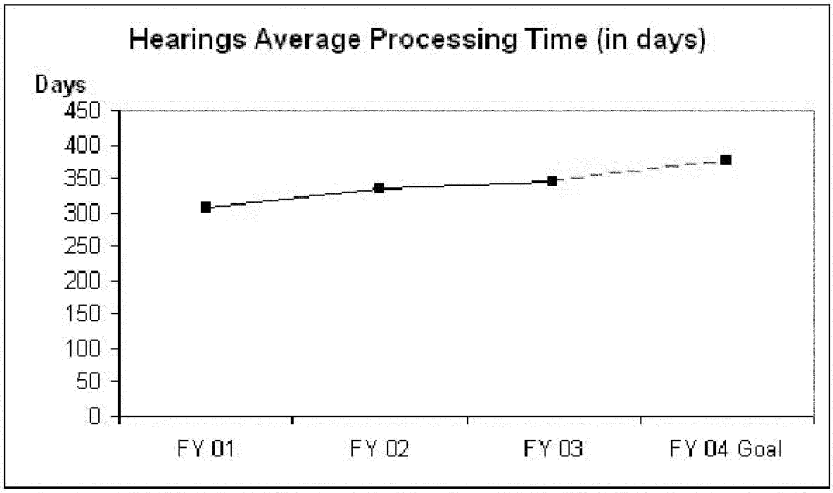
FY 03
FY 04 Goal

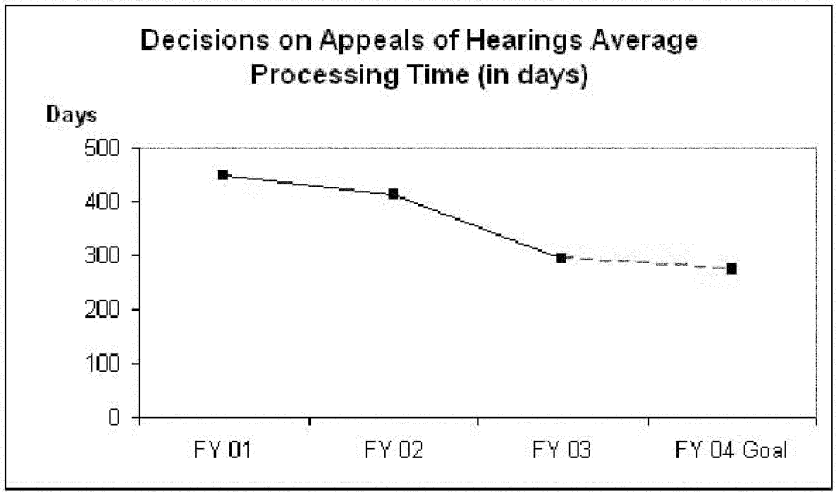

800 Number Calls Handled
Calls
60,000,000
58,000,000
56,000,000
54,000,000
52,000,000
50,000,000
48,000,000
FY 01
FY 02
FY 03
FY 04 Goal

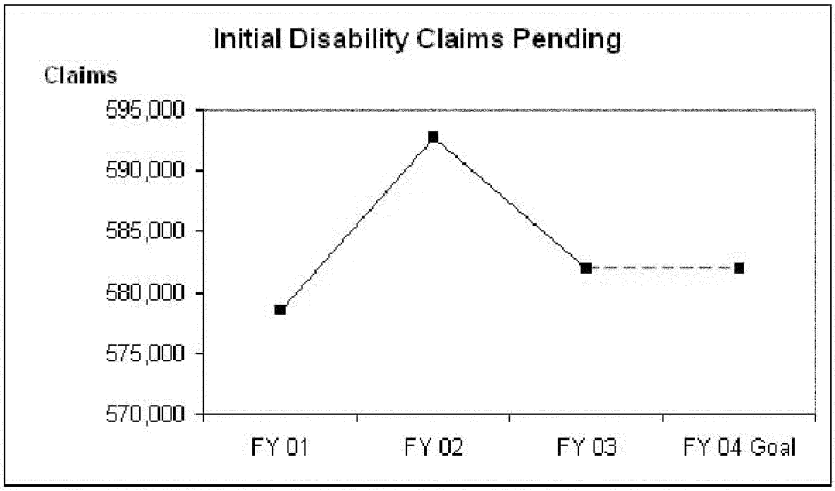

SSI Non-Disability Redeterminations
Redets.
2,550,000
2,450,000
2,350,000
2,250,000
2,150,000
2,050,000
1,950,000
1,850,000
1,750,000
FY 01
FY 02
FY 03
FY 04 Goal

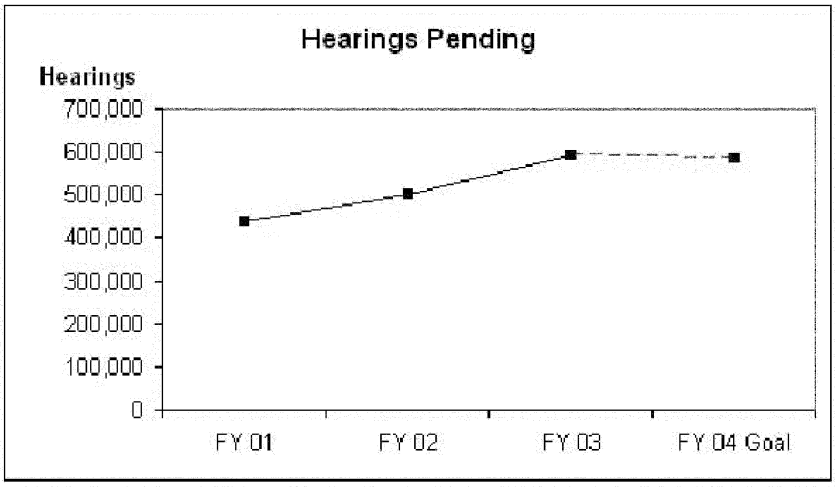

Periodic CDR's Processed
CDR's
2,000,000
1,900,000
1,800,000
1,700,000
1,600,000
1,500,000
1,400,000
1,300,000
1,200,000
1,100,000
1,000,000


Initial Disability Claims Average Processing Time
(Days)
Days
109
107
105
103
101
99
97
95
93
91
FY 01
FY 02
FY 03
FY 04 Goal


Hearings Average Processing Time (in days)
Days
450
400
350
300
250
200
150
100
50
0
FY 01
FY 02
FY 03
FY 04 Goal


Decisions on Appeals of Hearings Average Processing Time (in days)
Days
500
400
300
200
100
0
FY 01
FY 02
FY 03
FY 04 Goal


Initial Disability Claims Pending
Claims
595,000
590,000
585,000
580,000
575,000
570,000
FY 01
FY 02
FY 03
FY 04 Goal



Performance Indicator Comparison 2001–2005

Performance Indicator	FY 2001	FY 2002	FY 2003	FY 2004 Thru Jan	FY 2004 Goal	FY 2005 Goal
Initial disability claims processed	2,166,623	2,376,572	2,526,020	828,684	2,485,000	2,457,000
Hearings processed (All)	465,228	532,106	571,928	173,247	588,000	
SSA Only				156,931	538,000	596,000
RSI claims processed	3,092,743	3,265,473	3,238,871	785,667 thru Dec	3,285,000	3,305,000
800 number calls handled	59,300,000	51,800,000	53,700,000	17,556,431	52,000,000	52,200,000
SSI non-disability redeterminations	2,315,856	2,311,499	2,449,674	802,637	2,210,000	2,210,000
Periodic CDRs processed	1,762,517	1,586,091	1,371,255	467,934	1,537,000	1,569,000
Annual earnings items processed	274,427,394	266,777,009	257,188,087	4,703,507 thru Dec	262,500,000	267,200,000
SSN requests processed	18,179,115	17,679,490	17,523,560	3,983,001 thru Dec	17,500,000	17,500,000
Initial disability claims average processing time (in days)	106.1	104.0	97.1	95.4	97	97
Hearings average processing time (in days)	308	336	344	372	377	344
Decisions on appeals of hearings average processing time (in days)	447	412	294	252 thru Dec	275	250
Initial disability claims pending	578,524	592,692	581,929	586,322	582,000	582,000
Hearings pending (All)	435,904	500,757	591,562	618,528	629,000	
SSA Only				584,634	586,000	550,000

I talk about these accomplishments because I believe that our budget request also reflects the President's confidence in the ability and dedication of the men and women of Social Security to be good stewards of the funds with which we are entrusted. Being good stewards and providing high-quality service also means having a Social Security system the American people can have confidence in. I would like to reiterate something that you, Mr. Chairman, said just a few moments ago, and that President Bush said yesterday. Social Security benefits for current and near-retirees are secure. The SSA stands ready to work with the President and Congress to provide the kind of service the American people expect and deserve, and, through bipartisan efforts, we can ensure that our children and grandchildren can count on Social Security.

I ask the Committee again for your support for the President's budget, and I pledge to you on behalf of the men and women of Social Security, our unceasing commitment to providing quality service to the people of the United States. I thank you for this opportunity and I will be happy to try and answer any questions that you might have.

[The prepared statement of Ms. Barnhart follows:]

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

Mr. Chairman and Members of the Committee, I am pleased to be here today to discuss the President's fiscal year (FY) 2005 budget request for the Social Security Administration (SSA). I appreciate the Committee's interest in and support of SSA in the past, and I look forward to continuing to work with you. I want to thank you for holding this hearing and giving me the opportunity to tell you of our accomplishments and our plans for the future.

Overview of SSA's Programs and Overall Budget

As you know, SSA advances the economic security of the Nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs. These programs include Old-Age and Survivors Insurance, commonly referred to as Social Security, Disability Insurance (DI), and Supplemental Security Income (SSI). SSA also provides service delivery support to the Medicare, Medicaid, Black Lung, Railroad Retirement, and Food Stamp programs. The President's Budget request for the Social Security Administration is driven by our Agency Strategic Plan, which focuses on four strategic goals: service, stewardship, solvency, and staff.

For FY 2005, SSA will spend $557 billion to pay monthly benefits to more than 52 million people. SSA's administrative expenses, driven by the size of the programs we administer—both in terms of the amount of work we do and the number of people we need to do it—are less than 2 percent of total outlays.

Let me give you a sense of the vast number of tasks that our dedicated employees will perform in FY 2005. We will process almost 6 million claims for benefits; issue 18 million new and replacement Social Security number (SSN) cards; process 267 million earnings items for workers' earnings records; handle approximately 52 million phone calls to SSA's 800-number; issue 136 million Social Security Statements; adjudicate appeals of disputed decisions; process millions of actions to keep beneficiary records current and accurate; and conduct continuing eligibility reviews to avoid erroneous payments to Social Security and SSI beneficiaries.

President's Request for SSA's Limitation on Administrative Expenses

The President's budget includes $8.878 billion for the Limitation on Administrative Expenses (LAE), a 6.8 percent increase over our FY 2004 appropriation. Given the very tight fiscal environment for FY 2005, we believe this increase in funding reflects the President's continued support for our programs and confidence in the Agency. And given the severe budget constraints of the last two years, I want to go on the record as thanking you for your support of our Fiscal Year 2004 and 2005 budget requests.

The 6.8 percent increase is needed to provide the salaries and benefits, facilities, computer and telecommunications equipment, and training needed to deliver service to the American public. Mandatory increases in personnel costs occur every year due to annual Federal employee pay raises, career ladder promotions and benefit cost increases, and about 75 percent of our administrative resources are used for personnel expenses.

Our budget places a priority on delivering high-quality, citizen-centered service, and this year our commitment is to achieve at least a two percent improvement in productivity. With the proposed FY 2005 funding levels, SSA will be able to keep up with key service workloads as well as fulfill our responsibilities in implementing the historic Medicare prescription drug law. While I will describe each of the following workloads and initiatives in more detail shortly, let me mention that the budget will allow us to reduce hearings backlogs, increase the number of continuing disability reviews (CDRs), and continue to lower overall disability processing times for the American people. It also allows us to focus on implementation of AeDib, our new electronic disability claims process, which we began to roll out in January.

SSA is a results-oriented organization, driven by our workloads. We recognize that the number of people we have to "do the job" matters significantly. The dedicated men and women of SSA will continue to give the American people the service they expect and deserve. However, the reality is that fewer resources mean less work is completed, and that we must balance those resources against our workloads carefully.

For instance, in FY 2003, we were not able to keep up with our projected CDR workload, and the same will be the case in FY 2004. We know that CDRs are very cost-effective, and that they add significantly to program savings. For every $1 in administrative resources spent to process CDRs, SSA has generated approximately $10 in government-wide savings. However, the alternative to reducing the number of CDRs conducted would be to process fewer disability claims, thus increasing the time disability applicants must wait for a decision, and that is a tradeoff I am not willing to make.

When I began my term as Commissioner of Social Security, I vowed not to manage the status quo. I began a Service Delivery Assessment to determine what our goals for service should be and to plan how we would achieve those goals within five years. The budget increase the President is proposing for SSA in FY 2005 enables the Agency to stay on track to meet my service delivery goals by the end of the original five year period—2008, producing positive results for the millions of Americans who depend on our Agency.

Let me describe some of our recent accomplishments in meeting our service delivery challenges.

SSA's Recent Accomplishments

In FY 2003, SSA paid nearly $499 billion in Federal benefits to 39.3 million OASI beneficiaries, 7.3 million DI beneficiaries, and 6.6 million SSI recipients, including individuals receiving benefits from more than one program. In addition to carrying out these responsibilities, SSA made progress in meeting a wide range of challenges despite tough choices required to operate within appropriated resources.

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 (ALJ) 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. In November 2001, the average time to appeal an unfavorable hearing decision was 467 days. In November 2003, it took 252 days. The number of people doing business with SSA and rating our service as "good," "very good," or "excellent" exceeded 84 percent.

Maintain Service in the Face of Growing Workloads

The President's FY 2005 budget for SSA will allow us to continue to provide this level of service for the American public. In FY 2005, we will be able to add an additional 2,000 work years to our operations. This level will be enough to maintain or improve service and will be used largely to enhance our staff in SSA field offices and the Office of Hearings and Appeals.

As I mentioned earlier, SSA will be able to reduce hearings backlogs while continuing to lower overall disability processing times. In FY 2005, SSA expects to increase the number of hearings it processes to 596,000 from 538,000 in FY 2004—an 11 percent increase. This lowers the number of pending hearings from 586,000 in FY 2004 to 550,000 in FY 2005—a decrease of 36,000. We project our average hearings processing time for FY 2005 to be 344 days. Additionally, we will meet our

commitment to process as many initial disability claims as we receive, keeping up with the pending workload level, while maintaining the accuracy of our decisions.

In FY 2005, SSA expects to issue nearly 18 million new and replacement Social Security cards after obtaining and evaluating evidence of identity. As a way to streamline and improve service, we opened a pilot Social Security Card Center in Brooklyn, New York in 2002. The Brooklyn Card Center exclusively processes requests for new or replacement Social Security cards. While I am waiting to see the final results from the review of the pilot, initial feedback has been extremely positive. After considering the final results, I hope to open at least one additional Card Center in FY 2004.

In FY 2005, SSA will also expand the range of services we offer electronically to the public. We will continue to encourage the public to use SSA's Internet website, and will partner with other Federal, State and local entities to promote consolidated service delivery. SSA has invested substantially in electronic service delivery and will continue to do so as an efficient means of providing service to the burgeoning population of baby boomers who will come to us for service.

SSA now has many of our forms and applications available online at *www.socialsecurity.gov*. SSA is testing the marketing of Social Security online services through the distribution of bookmarks and other promotional materials in libraries, and is publicizing online services among human resource professionals in large businesses and organizations.

Invest in Technology and Implement an Electronic Disability Claims Process

As you can see, Mr. Chairman, SSA places a high priority on information technology investments. Our FY 2005 budget authority for information technology is increasing from $392 million to $420 million, an increase of $28 million, or 7.1 percent. SSA plans to invest in infrastructure and office automation necessary for the support of ongoing operation, including maintenance of SSA's National Computer Center, telephone services, and hardware and software nationwide.

The most notable strategic investment is AeDib, an electronic disability claims filing process, which replaces the paper-driven process with a more efficient electronic system, and is expected to reduce processing times significantly over the long term. As you know, SSA began to roll out AeDib in January of this year. This system is critical to our ability to maintain and improve upon the progress we've made in making our disability process better, and the funds in the President's budget request will allow us to complete the roll out within our 18 month schedule.

As I mentioned earlier, SSA made significant progress in improving overall disability processing times in 2003. In addition to the processing time improvements of SSA's Appeals Council, average processing time for initial claims was 97 days, an improvement from the FY 2002 processing time of 104 days.

However, we recognize that there is still much more to be done. Individuals who initially are denied disability benefits and who appeal have to wait almost an additional year before a final hearing decision is made, and that is simply unacceptable.

AeDib is truly revolutionizing the way we do work and is essential for making changes for the long-term. While we have found that the process does increase the time spent in the field office preparing the claim by approximately 15 to 20 minutes, this additional time will result in more complete case files and thus save many hours in overall processing time. In addition, in the paper-driven process, when a claimant requests a hearing, it often takes more than a month simply to locate the claimant's folder and deliver it to the appropriate hearing office. This will change with the new electronic process as costs related to locating, mailing, and storing paper files will be significantly reduced.

With regard to long-term improvements, the last time I appeared before this Committee, I announced a new approach for improving the disability determination process. The approach I discussed focuses on making the right decision as early in the process as possible and improving the quality of decisions at all levels of the process. The proposal is predicated on the successful implementation of AeDib, which would allow disability claims and quality reviews to be worked at any location. We are continuing to pursue a collaborative approach in developing the new process as we receive input, comments and ideas from Congress, the public, organizations, advocacy groups and employees to refine the new approach.

Increase SSA's Overall Productivity

As SSA deals with significant workload growth and an increased number of employee retirements, improved productivity is essential to meeting the challenges ahead. In FY 2003, we exceeded our Agency-wide productivity goal. We achieved a

2.1 percent increase in productivity, due largely to the dedication of our employees. Considering that we had a 5.1 percent increase in productivity in FY 2002, our achievement in FY 2003 is even more noteworthy. Our goal for FY 2005 is to again increase productivity by at least 2 percent.

In addition to our other systems improvements and automation efforts I have already mentioned, the President's budget includes a legislative proposal to implement an Electronic Death Registry (EDR) where States would report the death of an individual within five days. The budget also includes funding to make improvements to the earnings process, continuing redesign of the Title II system, and modernization of our SSI systems.

Ensure the Integrity of SSA's Programs

SSA's mission demands that we balance our commitment to service with our responsibility to be good stewards of the programs we administer. We fulfill this responsibility through program integrity work such as CDRs, periodic non-disability redeterminations of SSI payments, overpayment collections, and strengthened management of our programs.

As I mentioned, the President's budget proposes $561 million in dedicated funding to ensure continuation of CDRs, which have a very high return in program savings for administrative dollars spent. The President's budget proposes that discretionary spending caps be reinstated in any budget reform legislation that Congress considers. If caps are reinstated, the President proposes to adjust the caps for SSA's funding for CDRs. I know the Committee is familiar with the cap adjustment for CDRs under the previous discretionary spending caps. In FY 2005, SSA will process 1.569 million CDR's, an increase from 1.537 million in FY 2004.

We will continue to strengthen our management of the SSI program by reducing erroneous payments through use of such tools as periodic non-disability redeterminations, and proposing legislative remedies consistent with the Agency's SSI Corrective Action Plan, which was developed in response to GAO's designation of SSI as a high-risk program. As you know, many of the legislative proposals in the Corrective Action Plan are in H.R. 743, and we are continuing to look for ways to improve and simplify the SSI program. We will propose legislative remedies as necessary based on this ongoing analysis. We expect to process 2.21 million redeterminations in both FY 2004 and FY 2005.

We will also continue to reduce SSN fraud through improvements to the enumeration process. The SSN has become the single most widely used identifier for Federal and State government, as well as the private sector. As uses of the SSN increase, so has the potential for misuse. Individuals seeking an SSN must provide proof of identity, age, and U.S. citizenship or legal alien and work authorization status, and SSA must evaluate all of these documents for authenticity. To detect fraudulent documents and to prevent improperly issuing SSNs, we are developing ways to share information with other Federal and State agencies to decrease reliance on documents presented by SSN applicants. We are also developing automated alerts to detect potential fraud.

Finally, Mr. Chairman, we are looking forward to implementing all the provisions in H.R. 743 as they serve to further strengthen the integrity of our programs.

Implement Medicare Reform

SSA is facing new responsibilities as we help to implement the Medicare prescription drug law signed by the President in December 2003. SSA will answer general inquiries and make referrals and send letters this spring to Medicare beneficiaries who may be eligible for the prescription drug discount card and related transitional assistance. We will calculate Part B premiums for high-income beneficiaries and withhold the premiums for this program from beneficiaries' Social Security checks. We will also determine eligibility of low-income seniors for drug benefit subsidies under Medicare Part D.

I have created a team in my office to work with the Department of Health and Human Services and oversee the Agency's implementation efforts. I would like to take this opportunity to express my appreciation for their hard work and efforts to make sure we fulfill our responsibilities under this important legislation. I know the team has made good progress in assessing what we need to do and how we will do it to effectively implement the new law. Their analysis will include plans for efficient use of our available resources to accomplish all that is required of us. As we complete our assessment and proceed with our implementation, we will keep you informed.

Congress provided $500 million for SSA's startup costs in FY 2004 and FY 2005. In addition to these funds, the President's FY 2005 budget includes an additional

$100 million for a Medicare reform contingency reserve, which will remain available through FY 2006. This reserve will ensure that all eligible persons seeking benefits under the new law can be served if the original appropriation for implementation is exhausted. Consistent with the provisions in the original legislation, the reserve funds may be transferred between SSA and the Centers for Medicare and Medicaid Services.

Conclusion

The President's FY 2005 administrative budget for SSA, including $8.878 million for LAE, $100 million in a Medicare reform contingency reserve, and $92 million for the Inspector General will provide the resources to help us: maintain service in the face of growing workloads; fully implement an electronic disability claims process; continue to increase overall productivity; ensure the ongoing integrity of our program; and, help administer the Medicare prescription drug plan.

I am proud of our record of accomplishment in management of the Social Security Administration. We earned the highest status score—green—on the President's Management Agenda in Financial Management. We are one of only four Federal agencies to have a green in status in Financial Management. We also scored green in progress on all 5 areas of the President's Management Agenda, specifically: improved financial management; strategic management of human capital; expanded electronic government; budget and performance integration; and competitive sourcing.

We also are proud that we have received a number of awards and good "grades" from independent sources. We have received unqualified opinions on our financial statements since 1994 and the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" for fifth straight year. Our computer security efforts earned a B+ on the House Committee on Government Reform's annual report card, placing SSA among the top three Federal agencies. In addition, SSA executives have received individual awards from the Association of Government Accountants, the Joint Financial Management Improvement Program, the General Services Administration, the American Society for Public Administration, and the National Academy of Public Administration.

We also are pleased that SSA's SSI program has been removed from GAO's high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. To continue to reduce improper payments, we are committed to processing substantial numbers of continuing disability reviews, SSI redeterminations and special workload cases affecting the accuracy of benefit payments; and to continuing to make progress on the SSI Corrective Action Plan.

I want to thank this Committee for all its hard work in the recent passage of H.R. 743. The bill includes many important provisions, but I want to point out two SSI provisions that were in H.R. 743 and also in an Administration bill that SSA submitted to Congress last July. One provision would exclude small amounts of income paid as interest or dividends on an SSI beneficiary's resources and increase from $20 a month to $60 a quarter the amount of infrequent income an individual can receive without it affecting his or her SSI benefit. By eliminating the reporting and recording of these very small amounts of income, SSI overpayments are avoided and the program is simpler and more efficient.

The second provision eliminates the situation in which income received in the first month of eligibility is counted three times even if it were only received once. This triple-counting caused beneficiary confusion and was very difficult for SSA employees to administer and explain. While the budget impact of these provisions is negligible because they do not affect very many individuals, the proposals 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.

Thank you for the opportunity to discuss SSA's budget request with the Committee. I look forward to working with you and appreciate your continued support of our programs and people.

Chairman SHAW. Mr. Pomeroy.

Mr. POMEROY. Mr. Chairman, thank you. I want to begin with the observation that I believe the Federal Reserve Board Chairman's comments yesterday, Alan Greenspan's comments, that the deficits we are dealing with will require Social Security cuts, place squarely before this Congress the consequences of these huge and

unsustainable deficits. As we have passed tax cuts, as we have seen deficits soar to historic levels, there has really been no discussion from the Administration or from the majority about what the consequences of this are. In fact, there has been red-faced denials that this would ever lead to cuts in Social Security.

Alan Greenspan, a pretty well-regarded expert in terms of this Nation's financial matters, assesses the deficit picture and says benefit cuts in the future are inevitable. Now, I don't agree with his conclusion, but I do agree with the reality that he made clear to the American people yesterday, and that is the deficits that we are under. The deficits that have risen to historic highs, and in the end, imperil our ability to deliver the Social Security promise to Americans. One group that has been consistently discussed as being held immune from benefit cuts are those in retirement or near retirement. Commissioner, do you have information in terms of what ages we are talking about as near retirement?

Ms. BARNHART. Let me explain it this way. In terms of near retirement, that age has not been defined in any general sense. There are different plans that have been put forward by different Members of Congress that define it in different ways. So, in terms of a general definition of near retirement, no, I couldn't say.

Mr. POMEROY. I am 51. Some in North Dakota may think I am near political retirement, not of my own volition, but would—this classic baby boomer, right in the middle of the baby boom bulge, would that be an age that you would view as near retirement?

Ms. BARNHART. Well, I think for purposes of near retirement, the way I view it is, an individual who wouldn't be able to adjust to any changes that Congress might make, and let me give an example. In 1983 when the Congress took action on Social Security and increased the retirement age, they did so in 1983 but it didn't go into effect until after the year 2000, and even then, the retirement age goes up 1 month a year until it gets to age 67. So, that allowed people the opportunity to plan for that change, to understand that change, and to make whatever kinds of adjustments they needed to make in their financial planning. So, for my purposes, and what I think is important in this discussion is that, when we talk about near retirement, we are talking about people who would not have the ability to adjust to changes that would be made.

Mr. POMEROY. That is a very interesting analysis, and I like it. On the other hand, what the Chairman is talking about isn't the micro-situation of the individual Social Security beneficiary, and whether or not they have time to adjust. He is talking about whether the Federal budget has time to adjust, and, of course, the hit to the Federal budget is really felt when the baby boomers move into retirement in the next decade. So, I am not sure that if you—my opinion is baby boomers don't have a lot of time to adjust to these changes, and so based on your analysis, you would probably hold them harmless from changes. Based on what the Chairman said yesterday, that is the very group that you need to cut their benefits or you are going to blow the budget sky high in light of these deficits.

Ms. BARNHART. I think if we look at the——

Mr. POMEROY. Do you think that we can keep the full promise of Social Security to the baby boomers?

Ms. BARNHART. Let me explain this way. The Social Security Trustees' Report for the last several years, pointed out that, as we look to the long-term financial stability of the Social Security program, what we see is a situation where, by 2043, the Trust Funds would be exhausted. That means not only would we have been spending the interest on the Trust Funds, but there would actually be nothing left in the Trust Fund, and at that point in 2043, we would be reliant solely on the taxes paid every month to pay the benefits——

Mr. POMEROY. That would cover about two-thirds, three-quarters of the benefit?

Ms. BARNHART. It covers about 73 percent of the benefits initially, and——

Mr. POMEROY. So, 40 years from now, if we don't do something, we will be able to cover three-quarters of the benefit?

Ms. BARNHART. That is about right. Then, of course, as you move on in time, because of life expectancy, and the fact that boomers will probably live longer than senior citizens today simply because of medical advances, lifestyle changes and those kinds of things, then we will actually see another reduction in benefits about 25 years later, which would mean we would only be able to pay 65 percent of benefits, so——

Mr. POMEROY. Sixty years from now?

Ms. BARNHART. Something like that, yes. I can't give you the precise year, but relatively speaking. So, what we are looking at is a scenario that, absent any action, there would be an effect on scheduled benefits for baby boomers who would live beyond 2043.

Mr. POMEROY. Do you believe this level of deficits that our budget is running will require benefit cuts before 2043?

Ms. BARNHART. I am sorry, I——

Mr. POMEROY. In light of the deficits the Chairman was speaking about yesterday, Greenspan noted that this level of deficit, largest in the history of the country, is going to force cuts, and he suggests Social Security cuts. Is it your view that this level of deficits, our budget being so radically out of balance in the very decade before the baby boomers retire, will require benefit cuts prior to the time they otherwise would have been expected or projected actuarially in the year 2043?

Ms. BARNHART. As I look at the situation from my perspective as Commissioner of Social Security, I look at it from the standpoint of the funds that we have in the Trust Fund, and by that obviously the funds that have been posted against the Trust Fund, currently around $1.5 trillion will grow over time until it reaches $2.7 trillion. I think it is up to a couple trillion by 2008, making good on those bonds is going to be required, obviously, in order to pay the benefits for the baby boomers and people who retire once we have to, as the Chairman pointed out, dip into the Trust Funds, and can no longer simply be reliant on the interest on those funds.

My personal experience—I have been in Washington for 30 years. In the past, we have had to do that. We have actually had to make good on those bonds. That is what led to the changes in 1983, and the system has done that, and the people have had faith and con-

fidence that the system would do that. They are Treasury bonds. So, from my perspective as Commissioner, when the bonds come due, we make good on the bonds, and assuming that, absent changes, we are able to pay full scheduled benefits until 2043, and then, as we discussed a moment ago, that amount would drop to 73 percent.

Mr. POMEROY. Just a closing observation, Mr. Chairman. Right now, our budget on the unified basis basically counts the surplus coming in from Social Security, and at that point in time, Social Security won't be contributing funds, it will be drawing funds. So, without a sound fiscal position for the country, meeting the bond requirement is going to be a challenge. This is why we need to start working our fiscal position into better shape right now. In closing, I want to commend the Commissioner, whose job is to run the program under the laws of this country as passed by Congress and signed into law by the President. I believe this Commissioner is doing just a terrific job. It is a delight to work with you on running this important program.

Ms. BARNHART. I appreciate that.

Chairman SHAW. I agree with the last statement made by the gentleman.

[Laughter.]

I would like to address just a couple of things that I think need to be addressed, particularly when we are talking about the budget, and talking about the effect of Social Security. We are going to have a surplus until 2018, but 14 years from now, the payments into Social Security are not going to take care of the benefits, and we are going to have to start sending those Treasury bills, or making the book entries so that we are drawing then from general revenue, in order to pay the benefits, unless we start forward funding Social Security through something extra in addition to Social Security. That is the key, that is what we have got to do, and that is what the President has talked about.

Also, I think it is important, if you read Mr. Greenspan's entire statement made before the Committee on the Budget, he also recommends that we do not raise taxes. So, I think we tend to quote Mr. Greenspan, on both sides of the aisle, quote from him as to what we agree to, and don't comment on what we disagree to. The surplus is there, and it will continue to be there for the next 14 years. However, if we don't do something now, it is like putting your head in the sand and saying the problem is going to go away. Again, we did have a wake-up call from Mr. Greenspan, and it is necessary that the Congress act, and act responsibly, if we are going to continue Social Security as a pay-as-you-go program.

It can be done now. The bill that I have referred to, that I have filed, shows that it can be done, and it can be done actually over 75 years. It will create a surplus of itself instead of the deficit that we are now facing over the next 75 years of over $25 trillion. That would sink our economy. This is one of the biggest dangers that lies in the future of this country, and I might say other countries, because the birth rates are going down in the entire industrial world, and some other countries have even a bigger problem than we have. Ms. Tubbs Jones?

Ms. TUBBS JONES. Thank you, Mr. Chairman, and I want to compliment you on hosting these hearings with regard to Social Security. Madam Commissioner, it is good to see you again. Once again, I want to thank you for coming to Cleveland to host a hearing for my constituents with regard to Social Security disability claims and the backlog of cases. Just for the record, we had more than 300 people there at the hearing, and a staff of about 20 persons from Social Security came to talk individually with my constituents. I am wondering, part of our conversation was that the backlog was due, in part, to the low number of ALJs available to hear cases in Cleveland. How are we coming with hiring ALJs, Madam Commissioner?

Ms. BARNHART. I am very happy to report, Ms. Tubbs Jones, that we are making a lot of progress. We are in the process now of interviewing 57 candidates that we have received from the Office of Personnel Management (OPM) register. The OPM has worked very closely with us to make names available. We anticipate that we will have at least 50 judges on board for training by April 1, and Cleveland is a top priority. Cleveland is one of the "top 10" hearing offices needing additional judges, as we discussed when I was in Cleveland with you, and in times past. We have identified 10 offices that we are going to make a priority for the recruiting effort.

One of the issues we have to consider is the fact that for each judge that we bring on board, it requires approximately 4.5 support staff. Cleveland happens to be in the situation where we have enough support staff to bring on three judges immediately. Certainly, we would be looking at doing that. So, that should help. There is no question Cleveland has been one of the hardest-hit offices in terms of ALJ departures, and an insufficient number of ALJs.

Ms. TUBBS JONES. I am not one to get into the administrative practices of any agency necessarily, but since our hearing, there has been an issue with some of the ALJs putting in place a pre-trial order, in essence, trying to get the parties to have their information in prior to the hearing, because when you have a hearing, it is delayed when people don't have the adequate information. My experience as a judge for 10 years tells me that the need to have pre-trial orders is significant, even though it may not be necessarily implemented in practice in the SSA.

I would only say to you, that, on behalf of those ALJs who are trying to put some order to somewhat disorder because of the large number of cases that they have, that that ought to be taken into consideration as you take a look at what happens with those judges. I would be interested to see where that process is going, not today, but by way of letter at some point.

Ms. BARNHART. I appreciate that, and I have been following it very closely myself. As you say, it is an administrative issue, and I think it would be inappropriate to get into the details at this point in time——

Ms. TUBBS JONES. No problem.

Ms. BARNHART. Because of where it stands. I do want to say that one of the things I attempted to get at with my new approach to disability was, by putting in the reviewing official that we have

discussed in the past, to make sure that we would be in a situation where the case would be prepared—the proper materials would be going before the judges. So, it is something I attempted to address on a system-wide basis, as opposed to how the individual ALJs do it, but I appreciate the point that you are making, absolutely.

Ms. TUBBS JONES. Let me say, I join with my colleagues, and I won't repeat everything that they have said with regard to the Social Security Trust Fund, and the need to secure Social Security for all Americans no matter what age they are at in this juncture. Before Chairman Greenspan spoke yesterday about the situation we find the Social Security fund in, or the fact that there is a lack of funds available to baby boomers going forward, we knew that anyway, though, right? We knew that there was a shortage of funds, and it didn't take Alan Greenspan to get on television to tell us that we knew that, right?

Ms. BARNHART. Absolutely. As I mentioned, the Trustees' Reports have been reporting that for several years. Yes, absolutely.

Ms. TUBBS JONES. It becomes a big deal because, when Alan Greenspan speaks, everybody listens. I suppose that is the reason it becomes great fodder. The reality of all of this is that, and I think that every Member of this Committee is committed to assure to the people of the United States that there will be adequate funds for them to receive their Social Security checks. I ran on—that was my theme. I am going to Washington to save Social Security. So, I am at least telling everybody that I know, at least in the 11th Congressional District of Ohio, I won't sit down and let that happen to them, and I am confident my colleagues across the board are going to work to assure the sanctity of the Social Security fund. Let me just, finally—I guess I asked that question. What else did you learn as a result of—we don't have but maybe 30 seconds to a minute—from your visit to Cleveland and the hearing that we hosted?

Ms. BARNHART. Well, I think it really reinforced something that I felt pretty strongly about before—the human face of the disability program. As you mentioned, you had over 300 people there, and the vast majority of them were individuals who were going through the disability process themselves, so I certainly saw firsthand the effect that a system that takes too long has on people. I also saw how very closely they are monitoring their own situation, how every day of that process that now is 368 days, they are sitting there knowing it is another day in that process. When you suggested that they might want to go meet with the Social Security staff if they were there to find out the status of their case, a sea of people got up and went out the door, because that is really why they were there. So, I think that was very important because it really just emphasized to me the importance of doing everything we can to improve disability processing.

Ms. TUBBS JONES. Mr. Chairman, just one more thing. As I was on my way to Washington on Tuesday, I received a call from a constituent and what she asked me to say to my colleagues, and to you, was she is seeking her disability claim. She said she has taken—had, five operations. She has taken every type of medication that there is, trying to secure her problem, and she just wanted people to know that there are people seeking Social Security dis-

ability claims that have legitimately tried to work through the process, tried to get back to work and have been unable to do so, and that they should not be painted as people who are trying to work their way around the system. I just promised her I would say something about that and to put it on the record.

Ms. BARNHART. I certainly appreciate that, and I think that is very important. That is why I said that the goal of my new approach was to make the right decision as early in the process as possible, the right decision, for someone like that. The disability program exists for individuals who are unable to work, who have tried to work and who can't do it, so that they get the assistance that they need. That is exactly the kind of person we had in mind.

Ms. TUBBS JONES. Mr. Chairman, thank you very much. I want to associate myself with the comments of my colleagues who say that this Commissioner is doing a great job in trying to work her way through this process, and we just want more.

Ms. BARNHART. Thank you.

Ms. TUBBS JONES. That is all I can say. Thank you very much, Mr. Chairman.

Chairman SHAW. Boy, this bipartisanship is getting scary.

[Laughter.]

Mr. Ryan?

Mr. RYAN. I will try and keep in the same vein, Mr. Chairman. I also would like to associate myself with your comments, Mr. Chairman, with respect to Federal Reserve Chairman Alan Greenspan's remarks. We don't believe that it is necessary, or right or proper, to cut benefits for those who are at or near retirement, and you know what? You don't have to do that. We have a problem. Chairman Greenspan was right to point out the demographic problem, but his solution to that problem is not one that I think we will ever pass in this Committee. I think it is important that we make that point clear. Also, I would say, that for those who say that the Trust Fund is there, and we don't have to worry about 2018, that is not true, either. The Trust Fund is there, but it is full of IOUs. It is not full of cash. So, come 2018, we won't have the money to pay the benefits. That is a point that has to be made.

I wanted to actually ask you, Commissioner Barnhart, a couple local questions. I know we seem to have this pattern of talking about this a bit, but I wanted to ask you specifically about Milwaukee and Chicago. In November, the Office of the Inspector General (OIG) issued a report that found that the Milwaukee OHA had addressed most of the problems identified by the review of the Chicago OHA, but the OIG also revealed a few further problems. I wanted to see what the update on that is, including a sharp increase in the number of backlogged disability cases, from 4,247 cases in 2002, to 8,059 backlogged cases in 2003. Could you comment on what the agency is doing to address those backlogs, and then I will just ask my second question, so we can get on about the Chicago office. Can you update us on the situation of the Chicago Regional OHA, where the contractors mishandled approximately 1,200 files? Has everyone been contacted? Has everyone been put back in the front of the line to get new hearings, and to have a chance to adjust their records, and have safeguards been put in place in Chicago and elsewhere to protect these kinds of files?

Ms. BARNHART. Well, why don't I start with Chicago, since you asked a number of specific questions.

Mr. RYAN. Okay. I know that was a lot of—you can go backward.

Ms. BARNHART. First of all, we have dealt with every case, and let me explain to you where each of those stands. It actually ended up being 1,367 cases.

Mr. RYAN. In Chicago?

Ms. BARNHART. Yes. Six-hundred seventy-three of those cases have been decided. Four-hundred fifty-one were favorable, 128 were unfavorable, and——

Mr. RYAN. What was the first number, please?

Ms. BARNHART. One-thousand, three-hundred sixty-seven total is what it ended up being. Six-hundred seventy-three of those have been decided. Four-hundred fifty-one of those were favorable, 128 were unfavorable, and 94 were dismissed. The remaining 591 cases are pending in the hearing offices, and, of those, approximately half are scheduled, and half remain to be scheduled. In terms of the process——

Mr. RYAN. Everyone has been notified?

Ms. BARNHART. That is just to tell you where the cases are. In terms of the process, and I will explain how we dealt with ensuring that there was no harm to the individuals whose files were part of that contractor situation. Let me just say again how very disturbed we were, and I know that you know that, that the whole situation occurred. We acted as quickly as we could to deal with it. A notice was sent to each claimant to advise them of the situation, and to offer them the opportunity to re-examine their file to make sure that it included all relevant evidence and material. By that, I want to say we offered to have staff members sit down with them, and go through the files. So, it wasn't just a matter of putting the whole burden on the claimant. It was a mistake made at the office by a contractor, and so obviously we weren't just simply going to say, if you have got a problem, you let us know. We sat down, and went through it with them. If additional evidence or exhibits were needed, we actually took the action to secure those for the claimants. For those claimants who didn't have representatives, as I said, we had experienced employees who sat down to go through everything with them. Those notices were sent in August-September of last year, and if a claimant didn't respond to the letter, then a closeout letter will be sent before any decision or dismissal is made.

Also, we did this for every case. I want to be clear that even for the cases that moved all the way through the system, we did this, even if they had gotten a favorable decision. So, we really did our best to make sure that no claimant was harmed, and we don't believe they were. We have been monitoring the situation very, very closely.

Mr. RYAN. Prospectively to prevent this from happening again?

Ms. BARNHART. We have put a number of procedures in place, at my request. We were conducting training prior to that for the contractors, but we set up a more rigorous training program. We have monitoring that takes place on a regular basis. We have a protocol that has been established that is used across the country.

Mr. RYAN. Did you investigate whether this was occurring, or had occurred, anywhere else in the country?

Ms. BARNHART. We did. In fact, obviously, one of the things I was interested in making sure of is that. Of the—at that time I think we had somewhere around 100-plus contractors, we had problems with 2 of them, unfortunately——

Mr. RYAN. In Chicago.

Ms. BARNHART. Yes. I was saying, unfortunately, they were in your region, both of them.

Mr. RYAN. Yes, but what about Dallas, and what about other areas?

Ms. BARNHART. We didn't have problems in other areas. Since that time, however, though, we have identified one problem with one individual in Boston. It really only affected a couple of cases, but, because of the monitoring procedures we have put in place, we have been able to ensure it doesn't happen again.

Mr. RYAN. The Milwaukee backlog?

Ms. BARNHART. The Milwaukee backlog. What we are doing there is what we do typically in the offices where we have enormous backlogs like that. Of course, we have backlogs everywhere, they just happen to be particularly bad there. We transfer cases. We have decision writers in other locations that help write the decisions for the ALJs, and obviously we will be looking at the ALJ ratio in Milwaukee to see if it needs to be one of our target offices for putting more ALJs in.

The other thing that I am looking at doing is creating a pre-screening unit to go to some of those offices that have huge backlogs and have our pre-screeners go and identify the cases that might be right for on-the-record decisions. So, we could have a special unit of ALJs.

Mr. RYAN. Which is essentially the reforms you are proposing system-wide. You just want to fast forward and get some of those in Milwaukee?

Ms. BARNHART. That is where we would do some of these things, exactly. What I am looking at there is to see if they can do the screening of the cases in places like Milwaukee, like Cleveland—as Ms. Tubbs Jones mentioned, they have similar issues there—then, I could have a cadre of ALJs in a location that could simply handle those cases coming in from all over the country. So, that is what I am looking at doing for the time being.

Mr. RYAN. Do you have with you the number of the backlog right now? The 8,000 number is a little old. What——

Ms. BARNHART. Let me see if I have——

Mr. RYAN. If you could get it to me later——

Ms. BARNHART. I don't know if I have that number with me right now, but I can certainly get it for you.

Mr. RYAN. Yes, could you——

Ms. BARNHART. We track it on a regular basis, and so the number changes. I wish it changed a little more on the positive side, but the number does change on a fairly regular basis. I was just looking to see if I brought that with me, but I don't believe I do have it, so——

Mr. RYAN. Okay. If somebody could send that to us, I would appreciate that. Thank you. I yield.

[The information follows:]

The number of cases pending in the Milwaukee hearing office at the close of February 2004, was 8,600.

Chairman SHAW. Mr. Becerra?

Mr. BECERRA. Thank you, Mr. Chairman. Commissioner, good to see you again. Thank you very much. I especially thank you for all the work you have been doing, and congratulations on some of the successes that we have seen in the last couple of years. It is a growing caseload, so it is always tough, and so please tell all the folks that work at the SSA that we say thank you.

Ms. BARNHART. I will do that.

Mr. BECERRA. From dealing day-to-day with folks in Los Angeles, with some of the SSA workers, you see the tremendous amount of work that they have to do, and oftentimes for people who are, in some cases, in very desperate straits. So, we thank you, and we look forward to continuing to work with you and your folks locally, as well.

I want to go back for a moment, before I go back into some of the issues of the backlogs and so forth, to what was said more globally about the whole issue of Social Security and Chairman Greenspan's comments. Again, what he said was not new to anyone. Those of us who have had to deal with Social Security, and who have had to try to figure out how to best protect it, have known about this, and so it is not a startling bit of news. It is to the average American who is surviving on the $935 or so, or $938, or whatever the average Social Security benefit that Americans who are retired receive, to hear that Chairman Greenspan is saying we are either going to have to cut benefits, raise payroll taxes, or increase the retirement age for people who are on Social Security. For them, I think this is a startling revelation.

Let me ask you something. You are the Commissioner for the SSA. Chairman Greenspan has spoken. He has said that we can't—we are not going to tolerate this. There will be a break in the system, and it is going to hurt people. Are you planning to advise the President on whether or not he should increase taxes, or cut benefits, or raise the retirement age?

Ms. BARNHART. What I have been trying to do since I became Commissioner, is to make sure that our policy operation can augment the work of our actuary, and we have an independent actuary's office, as I know you are familiar, who does estimates for Congress and other interested parties on the effects of various proposals. What I have been trying to do is make sure that we are in a position where we will be able to provide the appropriate analysis of the effects of the various proposals. For example, the proposal that the Chairman has introduced, and——

Mr. BECERRA. Commissioner, let me stop you for a second. I understand we will have proposals that are out there, but right now we heard Chairman Greenspan say, not 30 years from now, not 3 years from now, but today, we know that there is a crisis building if we don't act. So, my question is, the President—remember in 1993, what was this, I have his quote here somewhere. In

1993 in the State of the Union Address, the President said we will not ignore, we will not pass along our problems to other Congresses, other Presidents, other generations. We will focus on them with clarity and courage.

Mr. POMEROY. In 2003.

Mr. BECERRA. I am sorry, 2003, yes. The 2003 State of the Union Address. That is what he said. If we are going to focus on them with clarity and courage now, and we are not going to pass them on, we have to act today. So, what should the President do? Should he, as Chairman Greenspan said, cut benefits to current retirees or future retirees?

Ms. BARNHART. Obviously, cutting benefits is one of the possibilities. I am certainly not saying that is something I endorse. As you said——

Mr. BECERRA. Okay. I want to just know if you endorse anything, because I want to know what the President will try to say, or how he will respond to Chairman Greenspan.

Ms. BARNHART. Cutting——

Mr. BECERRA. So, if you are not going to endorse cutting benefits, are you going to endorse increasing taxes, payroll taxes?

Ms. BARNHART. Cutting benefits, raising taxes, what I meant by saying that is, that in terms of looking at the options that are there, cutting benefits, raising taxes, raising the retirement age, creating personal accounts, which is obviously something the President has talked about that the Chairman and others have submitted legislation to do, those are all possibilities. I believe we need to look at the tradeoffs between all of those.

Mr. BECERRA. I understand all of that, Commissioner, and I know this is a difficult issue. Is there anything you would propose today of those four options that you mentioned, cutting benefits to Social Security recipients, increasing the payroll tax for people who pay into Social Security, raising the retirement age before people can start to collect on Social Security, or using privatized Social Security where you have private accounts? Are you going to recommend any of those four proposals?

Ms. BARNHART. Let me say, I don't have a proposal to recommend to the President, if that is what you are asking.

Mr. BECERRA. Okay. Then I won't pursue it because——

Ms. BARNHART. No, I——

Mr. BECERRA. I understand that we will have to come up with a solution. Let me ask you more specifically about the budget that you have now. You have done tremendous work to try to reduce the backlogs, which include more than a million people in these backlogs trying to get their benefits, and so forth. My understanding is that you are estimating, your projections are, that you can reduce the initial determination level backlog from—or keep it steady at about 582,000 cases.

Ms. BARNHART. Yes.

Mr. BECERRA. Your projection is that you will be able to drop the backlog at the hearing level from 586,000 cases, to 550,000 cases, which is a whopping number, over a million people backlogged, waiting. If your budget is the President's budget, which is $445 million less than what you had requested, can you keep those projections for this coming fiscal year?

Ms. BARNHART. We believe that we can keep all the projections except for the continuing disability workload.

Mr. BECERRA. So, what loses? What will you not do if you don't get $445 million that you requested?

Ms. BARNHART. We will do a couple hundred thousand less redeterminations, as well as several hundred thousand fewer Continuing Disability Reviews (CDRs). We have actually identified some carryover funds that we have available for information technology that are unexpended, that will help make up for part of that. There are some issues related to our infrastructure in terms of office improvements that we won't do, in sort of the other object category. There are a variety of things like that, but the major effect, the major programmatic effect is the reduction in the number of CDRs and redeterminations.

Mr. BECERRA. The CDRs are—those again are disability beneficiaries who say they are still unable to work? Those determinations, you will probably have to slow down on those, and the redeterminations for SSI, which evaluate whether an SSI recipient is sufficiently poor to qualify for the benefits. Those populations will probably not see the accelerated effort to try to reduce those backlogs as a result of less funding.

Ms. BARNHART. In terms of CDRs and redeterminations.

Mr. BECERRA. Well, hopefully we can work with you to try to help you get the moneys you need so folks who are in need—we are not talking about wealthy folks—have an opportunity to go through the process. Hopefully, we don't expect all the folks who work for you to try to do even more with less resources. So, we hope to work with you.

Mr. Chairman, you have been gracious with the time, and Commissioner, always—I apologize if I asked you some questions which are tough, but we are going to have to answer them, and I just wanted to find out if we had moved along any further within the Administration in trying to resolve those. I thank you very much, and Mr. Chairman, I thank you.

Ms. BARNHART. I appreciate that, and I would like just a moment to clarify, if I may, Mr. Chairman. I want to make it clear that I didn't really come here today to endorse one approach versus another. I really don't think that we are at a point in time where we have explored all the alternatives that we need to explore. I also fully believe, and I say this with great sincerity, that we really need to have a bipartisan solution to this issue.

Mr. BECERRA. I absolutely agree.

Ms. BARNHART. I have been in Washington for 30 years, and one of the things that has impressed me about our form of government, and the way that we work in this country is that when there is a situation of great national import, the Republicans, Democrats, Congresses, Administrations have worked together to solve it for the American people. I believe, as expressed here today, that if we can work in a bipartisan way, we can accomplish that. I don't think we are there, and I think my endorsement of benefit cuts, tax increases, any of the options that are out there would be inappropriate at this stage, because I don't really think we have fully explored the effects of what all these things could mean, and, of

course, like the Chairman's proposal on personal accounts. I just wanted to clarify that point.

Chairman SHAW. Thank you, Mr. Becerra. I would like to point out here, and I think this is important, the only plan that is out there right now that I know of that has bipartisan support as far as sponsors cuts benefits in the out years. I don't believe it is necessary to cut benefits. I also would point out, and I would love to be corrected on this, I don't know of any Democratic plan that is out there, not one single plan. So, we have the once-great party that developed Social Security under Franklin Delano Roosevelt missing in action.

Mr. BECERRA. Mr. Chairman, if you would yield on that——

Chairman SHAW. Yes, sir.

Mr. BECERRA. If you recall, back when President Clinton was still in office, he did propose a solution that took us quite a bit away as it would have extended the solvency for Social Security well beyond 2045.

Chairman SHAW. He talked about private accounts at that time.

Mr. BECERRA. Well, he didn't talk about, so much, private accounts. He talked about supplementing Social Security with individual accounts, which you can call private accounts, but not private accounts that would take the money out of Social Security to put it into private accounts. It would have supplemented what already goes into Social Security with what could be considered private accounts.

Chairman SHAW. I visited with President Clinton with regard to what was then the Archer-Shaw plan, which is very similar, but not identical to the one that we have today. His Administration under Social Security scored it as saving Social Security for all time, as did the Bush Administration under the one that we have done now. So, there are plans out there that protect the solvency in the long run of Social Security, do not raise taxes, and preserve the benefits. As a matter of fact, I would invite the Members of this Committee to closely examine the plan that I have out there because we actually add to the benefit structure. It is a good plan, and it does work, but we are going to have to start working together.

Mr. BECERRA. Mr. Chairman, will you yield?

Chairman SHAW. The President told me that if the leadership here in the House, the Democrat leadership, would go along with me, that he would help us and get it through. President Clinton missed a golden opportunity to leave that as his legacy, but there wasn't the will to do it here in the House among the Democrat leadership, and he wasn't about ready to start down that road without the backing of his own party.

Mr. BECERRA. Mr. Chairman, I would love to respond in such time as you might yield.

Chairman SHAW. Yes, I would be glad to yield to you on that.

Mr. BECERRA. I believe that it was unfortunate. Anytime we have had an opportunity to fix this in a bipartisan manner and missed it, it is unfortunate. The more recent administrative culpability, I believe, falls on this Administration, who took a situation where we had a budget surplus, and drove instead an agenda that included very steep tax cuts, which have now pushed us to historic

deficits. I don't think there is any disagreement by economists evaluating this matter that dealing with our ongoing—meeting our ongoing commitments to Social Security and Medicare, is made much more difficult when our fiscal situation is in tatters with historic deficits, than it was when we had a historic opportunity with surplus. So, basically, when you impose—when you pass tax cuts that drive deficits to historic levels, you put into play a situation where Alan Greenspan says you have to cut Social Security, and that is just——

Chairman SHAW. Let me quote from Mr. Greenspan's testimony, where he said Social Security faces financial challenges because of Democratic—demographic——

[Laughter.]

Mr. BECERRA. Thank you for that correction, Mr. Chairman.

Chairman SHAW. Demographic trends, and not tax relief. Social Security trustees have been warning us of the program's impending cash flow deficit for years, including during the Clinton Administration, and well before President Bush enacted tax relief. I would like to get back on the subject of this hearing, if I might. I think we have got sort of a toss up as to how much time we spend on this. As I mentioned in my opening statements, I plan to develop legislation that ensures the SSA has the funding it needs to effectively serve the American people. What steps would the Administration support to protect the SSA's budget, so that we don't see a repeat of last year's appropriation process, where Congress cut over $200 million from the President's request? Instead of proposing cap adjustments for just continuing disability reviews, would the Administration support a cap adjustment for the agency's entire administrative budget? I know Mr. Pomeroy is also interested in this, as well as Mr. Cardin.

Ms. BARNHART. Obviously, that is an issue for the Director of OMB to decide ultimately, and certainly we were very appreciative of the President's support for outside the cap funding for our CDRs because we think that is a really cost-effective thing to do. For every dollar that we spend there, we save $10 ultimately for the program, and we really support that. In terms of going beyond that, obviously that has broader budget implications than just Social Security. It is my understanding that OMB is now currently working on the language that would incorporate the proposal that is in the President's budget related to CDRs.

Chairman SHAW. I have another question here which is staff generated. You have mentioned that because of the reduced resource levels for fiscal year 2003 and fiscal year 2004, the agency has had to cut back on the number of CDRs that it will conduct. These reviews are important because they ensure only those who continue to be disabled stay on the rolls, and also generate Trust Fund savings, $10 for every $1 invested. How large is the backlog for CDRs? If the agency receives the President's request, will you be able to eliminate this backlog? In the budget request, the President asked for dedicated funds for those reviews. Why is it important to dedicate funds for CDRs? Is there a need for us to address this legislatively, as we have done in the past?

Ms. BARNHART. Last year, we did approximately 200,000 less CDRs than we would have done, and approximately 200,000 fewer

redeterminations are in the budget for 2004 and 2005 than we would have preferred to do. The budget as proposed does not allow us to go back and make up for all that we didn't do, but what it does is it allows us to do more than we did last year, and let me explain. In 2003, we did 1.3 million CDRs. We think we are going to do 1.5 million this year, and the 2005 budget would contemplate doing 1.57 million in that year. For redeterminations, we would do 2.2 million this year, and 2.2 million in 2005.

Chairman SHAW. Two weeks ago, the agency's Deputy Commissioner for Disability and Income Security Policy, Martin Gerry, gave an interview with National Public Radio where he said that he doubted the ability of the Ticket to Work program to get many on the disability rolls back to work, and that the agency is trying to come up with a better approach. Can you share with us what approach the agency is trying to come up with and tell us whether you agree with the comments.

Ms. BARNHART. First, I would like to share with you that those were paraphrased comments of Mr. Gerry. When I saw the article that referenced them, I had a conversation with him immediately and he assured me that, in fact, that is not what he said. What he, in fact, said, Mr. Chairman, was that the Ticket to Work program deals with a certain category of disability beneficiary, and that some of our demonstrations were looking at dealing with the individuals who wouldn't be covered by the Ticket to Work program. For example, individuals who might never be able to work full time in order to earn the substantial gainful activity (SGA) amount. So, certainly, it was not intended as a criticism of the adequacy of the Ticket to Work program.

That said, we have been looking, and certainly with your and other Members, and their staffs, urging, at ways that we can improve our administration of the Ticket program. There is no question, I think, we can do a better job than we are currently doing. Mathematica Policy Research just completed an evaluation of the Ticket program for us. It is in the final stages of review in the agency now. They pointed out some very real issues. Quite frankly, they reaffirm some of the things that we knew and that, in fact, I had discussed with you and Members of your staff at other times—things like we need to reevaluate the payment points and the timing and the amounts for the employment networks, because the employment networks are finding it hard to provide the services that they need to provide under the Ticket, given the current payment points and so forth. There are a host of things. As soon as that report is in final form, we would be delighted to come up and sit down and talk to your staff about the findings of that report and the steps we are taking to address it.

Chairman SHAW. Are the recipients or the people that are eligible for the Ticket to Work, those that might be most eligible to get into that program, are they being contacted? Are they aware of this legislation?

Ms. BARNHART. Oh, yes, sir. In fact, we are in phase three of a three-phase roll-out of the Ticket to Work program. The first two phases are completed. When phase three is completed in September of this year, approximately 9 million people will have received their ticket. I should let you know that we have about

35,000 people that have assigned their tickets to Employment Networks (ENs), or assigned their tickets. About 10 percent of those are to ENs. The remaining 90 percent are to State vocational rehabilitation agencies (VRs). We have 407 beneficiaries that are actually generating payments to ENs under the ticket and we have, I believe, 360 individuals who have had their benefits suspended because they have been earning above the SGA. The numbers are small, but as this Committee knows better than anyone, the numbers were extremely small when we started in terms of employment among people with disabilities, less than a quarter of 1 percent in some years.

I would point out this is a relatively new program. I know it seems like forever, probably to you all, because you worked for a long time to get it passed, and you passed it in 1999, but really, the first ticket didn't go out until 2 years ago. In fact, I was Commissioner when it went out. State VRs, their experience is, it commonly takes at least 2 years for individuals to receive support and services before they are actually able to make the transition to employment. So, we are really just starting to hit that now, at this point in time.

Chairman SHAW. That was a great bipartisan piece of legislation——

Ms. BARNHART. It truly was.

Chairman SHAW. I really hope it does work to give people a second chance without putting them at risk. Last July, you briefed the Members of the Subcommittee about the agency's preliminary negotiations to establish a totalization agreement that would coordinate Social Security taxes and benefits between the United States and Mexico. What is the status of these negotiations? Do you anticipate finalizing the agreement with Mexico sometime this year?

Ms. BARNHART. Let me start by just saying for Members of the Committee who may not be aware of this that we signed an agreement with Japan just a week ago, and so that will be moving to the U.S. Department of State in the near future. That was an agreement that was 25 years in the making in terms of the negotiations, so we are very pleased that that is moving ahead. As far as Mexico goes, when I did the briefing for Members of this Committee and the staff last fall, one of the concerns that was raised was the viability of the Mexican computer system and its capacity to be able to actually post wages properly for calculation of benefits by the Mexican system. So, I sent a team led by Deputy Commissioner Gerry, and a team of technical experts accompanied him, to visit various locations outside of Mexico City, in the rural areas of Mexico, to validate the system's capacity. That took place last fall. The staff has put together a report for me. We continue to have discussions with the Mexicans, looking at some of the issues that would need to be resolved in considering totalization, but no, we haven't moved toward that yet.

Chairman SHAW. So, you don't anticipate one this year?

Ms. BARNHART. I couldn't really say about the timing, Mr. Chairman. It really depends on the kinds of issues and the resolution of those issues.

Chairman SHAW. Thank you, and thank you again for appearing before this Committee.

Mr. POMEROY. Mr. Chairman, can we go another round?

Chairman SHAW. If you need it, but let us be very brief about it, if you can, please.

Mr. POMEROY. First, just in response to there not being any Democrat plan for Social Security, I would say that I believe there is strong commitment in the minority to try and move out of this historic deficit situation back to a balanced budget. If we are going to do as the Commissioner has said, meet the commitment of those IOUs when they come due, we are going to have to get out of this steep deficit situation back to a balanced budget. The bigger the deficit, the more certain Social Security cuts are, and probably earlier than otherwise.

So, I believe that, first things first. First, you stop digging the hole even deeper. Certainly, the plans of the Administration before us would dig the deficit hole even deeper, and ensure that those deep deficits continue for the next 10 years. That is the worst thing we can do relative to making certain we are going to have a government with the fiscal strength to meet its commitment to Social Security. Moving on to the issues that the Commissioner has spoken to relative to adequacy of resources to run the program, it does concern me that you requested $445 million more than the OMB decided you ought to have for purposes of running this program, and you have told us, that essentially, that is going to mean you have got to take down some of the things you are doing, especially in the disability and SSI areas, in terms of program administration. I would be very interested in working with the Chairman and other Members of the majority and minority alike in making certain that the funding of the administration of Social Security is removed from the annual appropriations fight on discretionary spending of the Federal Government. There is nothing discretionary about the obligations of Social Security. It is an entitlement program. You have to provide what people are eligible for.

On the other hand, Congress determines the resources you are going to have to meet that program commitment, and if we don't give you enough resources, then you can't, in a timely way, deal with people that are applying for disability and getting those determinations made, and the like. Commissioner, do you have any thoughts about the advisability of making the administration of Social Security somehow less subject to this discretionary appropriations fight, a fight that is going to get even worse in the years ahead in light of the deficit situation we are in?

Ms. BARNHART. Let me just say that last year the Administration recommended legislation to put CDRs and redeterminations in, basically, a program integrity fund for us outside of any discretionary cap, and it wasn't adopted. I think, looking at it from a realistic perspective for me, I am very heartened by the fact that we got the support we got last year from the OMB and the President, and got it again this year, particularly when I look to other agencies.

Mr. POMEROY. Could that be described—they want to put in an entitlement status those parts of the SSA that cut benefits, but they want the parts of the SSA that provide benefits——

Ms. BARNHART. Well, they wanted to fund——

Mr. POMEROY. To be subject to the discretionary appropriations process? That doesn't seem fair. It just fundamentally doesn't seem fair. I think we ought to do it all, the whole program administration. We don't want to just have cutting benefits the favored part of this Administration. We want to also do our job at providing benefits to people who qualify.

Ms. BARNHART. Well, we wanted to fund program integrity efforts, and it is not unlike the special CDR fund and redetermination fund that was set up by this Committee and Congress several years ago. It was sort of a continuation of what was a 7-year plan that was originally conceived by the Congress, and so it was really looking at making sure that the effort that started 7 years ago would be able to continue as a program integrity effort. So, I think it is important to make that distinction.

Mr. POMEROY. I just think this is a terrific Commissioner, Mr. Chairman. I am done with my questions.

Chairman SHAW. Do you all want to leave it on that note or do you want to proceed?

[Laughter.]

Ms. Tubbs Jones, do you have——

Ms. TUBBS JONES. I have one question.

Chairman SHAW. Yes, ma'am.

Ms. TUBBS JONES. Thank you, Mr. Chairman. Can you talk, Commissioner, to us about—we have been talking about the backlog. We have been talking about the possibility of running out of funds, but let us talk for a moment about your new responsibility in administering the Medicare drug program. Can you tell me how much money, or rather, can you tell me if the $500 million that was allocated to you is sufficient to do the job that is being proposed? In fact, the $500 million is just a number. There was not a lot of analysis that was done to decide how many people, how much money, how much time would be allocated to this issue. Talk to me a little bit about that, please.

Ms. BARNHART. I appreciate your interest, and obviously I am very interested in meeting our responsibilities there, but also at the same time not affecting our first order of business, which is Social Security. At the time that the allotment was set aside and targeted for our administrative funding, we actually were working with the Centers for Medicare and Medicaid Services actuaries, and developing estimates of anticipated uptake of these various provisions. We estimated that 65 percent of the 41 million Medicare beneficiaries would be eligible for Part D that we would be dealing with initially, and 1.3 million on an ongoing basis each year after that. For the low-income subsidy, we estimated 5 million with an ongoing workload of 244,000 a year in terms of individuals who we determine the subsidy for. So, we actually used those numbers in coming up with our estimates for what we would need in the agency.

The President's budget includes a $100 million contingency fund, which means that the $500 million would be increased by $100 million should we need to tap into that. The schedule basically, in terms of the expenditures, is something like $150 million in fiscal year 2004, $350 million in fiscal year 2005, and if we need the $100 million extra, we can get it. It translates into something for us

around 4,000 staff, we believe at this stage, although obviously how these provisions end up being put into effect will have an effect on how many people it takes to do it, and what the workload is.

Ms. TUBBS JONES. So, because the program does not actually come into play until 2006, you have this year, and next year to gear up and hire people——

Ms. BARNHART. That is correct.

Ms. TUBBS JONES. Figure out how you are going to process them?

Ms. BARNHART. Absolutely, yes.

Ms. TUBBS JONES. I would be interested, as you go through that, to hear how it is going, what kind of problems you are facing, the need for additional money, because these seniors are anticipating a program that will provide them this drug benefit. There are questions on both sides of the aisle with regard to it, but I would be interested in seeing how you are coming into compliance with it, and I would appreciate hearing from you.

Ms. BARNHART. Absolutely. I have a task force led by someone who is working right out of my office to handle that and we would be very happy to keep you apprised as we move ahead, every step of the way.

Ms. TUBBS JONES. Mr. Chairman, thank you.

Chairman SHAW. Thank you. Mr. Becerra?

Mr. BECERRA. Mr. Chairman, I will also keep my questions down to just one, as well. Commissioner, the Social Security actuaries every year in the report that is submitted by the Social Security trustees, give us a sense of what we can expect for Social Security long-term. Traditionally, we look at a 75-year time frame, correct?

Ms. BARNHART. That is correct.

Mr. BECERRA. So, while we can't be certain—no one can be certain what is going to happen tomorrow, but we try to do the best we can to project out over 75 years so we can determine more or less where we are heading with Social Security, whether we will be solvent, what we need to do to make changes. In that report, the trustees have said in the past that what we are looking at over the next 75 years is a bit of a deficit with regard to Social Security in its ability to pay out, given the number of people who will be retired. We are talking well into the future now. According to the reports, if they are still accurate, we are looking at something in the order of about a $3.8, $4 trillion deficit over the next 75 years, if you talk about it in present dollars.

Ms. BARNHART. That is correct.

Mr. BECERRA. You will be able to determine what a dollar is worth today, next year, and in 75 years. Our deficit, if we tried to take care of it right now, if we could plunk down the money and take care of the deficit in benefits versus beneficiaries requirements, we would have to plunk down about $3.8 billion today—trillion dollars, excuse me, trillion dollars today—to make sure that every single beneficiary from today for 75 years will receive the benefits they expect, correct?

Ms. BARNHART. Currently scheduled benefits, and the estimate ranges actually between $3.5 to $3.8 trillion.

Mr. BECERRA. Right. There are a lot of factors involved, how well the economy does in the next 75 years, and so forth. If you translate that in terms of our gross domestic product (GDP), our capacity, economic capacity, it is about 0.73 percent of our GDP. That is sort of the estimate. I am not sure if you are familiar with that translation?

Ms. BARNHART. Yes, I am.

Mr. BECERRA. My understanding is that the President's tax cuts of 2001, 2003, and if you make them permanent, if you project those out over the next 75 years, the cost of those tax cuts, that totals somewhere between $8 to $10 trillion, depending on if you take care of the Alternative Minimum Tax, try to make sure that we don't have too many people fall into the tax brackets—and all these other concerns are sort of factored into this estimate of somewhere between $8 to $10 trillion in costs of the President's 2001 and 2003 tax cuts if you were to extend them permanently, as he is proposing that we do. That, in terms of GDP, if you want to translate it a different way, GDP is about 1.5 to 1.9 percent of GDP. If those estimates are accurate, and I have found no one to tell me that they are not, the Social Security dilemma that we have is one-third the size of the cost over the same period of time of the President's tax cuts. So, if we were looking for a solution, couldn't we take a look at those tax cuts, which, if you take a look at the numbers, were skewed tremendously toward the very wealthy in this country and most of the folks who are receiving Social Security are skewed toward the very low-income populations of our country. Wouldn't it make sense to reexamine those tax cuts that are going to cost us three times as much as the entire solvency problem for Social Security over the next 75 years?

Ms. BARNHART. Mr. Chairman, as you——

Mr. BECERRA. You have given me a title that I hope to have in the future, that I don't have right now.

[Laughter.]

Ms. BARNHART. Mr. Becerra, as you have alluded to, I am not an economist, and I am confident that there are probably factors built into the ongoing look at the actuarial balance of the system to take into account economic growth and what we expect to happen. So, for me to sit here and try and balance out those two things and suggest they are equivalent or not equivalent, or the effect of one on the other, it reminds me, actually, of former Senator Bob Dole, in an interview I saw him in, when he was asked a similar kind of economic analysis question. I am going to give you the same answer he gave, which is, "I think you will have to find an economist to give you a wrong answer to that question."

[Laughter.]

Mr. BECERRA. Thank you very much, Commissioner. I appreciate it. Thank you, Mr. Chairman.

Chairman SHAW. Thank you. Let me get a little clarity on this, Mr. Becerra. Are you saying that the answer to the pending Social Security deficit is to increase taxes?

Mr. BECERRA. No, Mr. Chairman. If you were to not extend the tax cuts which the President and the Republican majority made end after 10 years, you would save yourself over the next 10 years about $2 trillion, and so we could go a long way in keeping Social

Security from going into a real problem by not driving ourselves into a further fiscal problem of extending tax cuts, which all will agree are skewed toward the very wealthy. So, I think we have ways to deal with this. I, for example——

Chairman SHAW. Tell that to people who are saving money on the marriage penalty. This seems to be on the very wealthy. Well, tell them they are wealthy.

Mr. BECERRA. Mr. Chairman, I think that is a very good point.

Chairman SHAW. Tell people making $50,000, $60,000 a year, and struggling to pay a mortgage and raising families, tell them that they should go back and we should sunset all of this stuff and let them start paying more taxes. This is not—Social Security, you have got to view this in many respects. I think the safest answer, the Commissioner just gave, is to look for an economist to give you the wrong answer, but I think we know certain facts that we can look at. Fifty-two percent of the deficit has been caused by the recession. We are working our way out of it. Mr. Greenspan and just about all the economists agree that the tax cuts that we put in place have made this recession shorter and shallower than it would have been without it. It has generated income and now we see the markets are going back up.

We see the unemployment rate is falling, however not fast enough, but 5.6 percent. It used to be, when I first came to Congress, it used to be considered as full employment, but we know we can do better, and we are going to continue to do better, and those figures will continue to go down as we want them to. I think if we all of a sudden take that tax cut away and do not extend it, I think we will see a drop in the market, which is going to be a drop in revenue to the Federal Government, and this is not a good thing. Also, you have to look at Social Security as a stand-alone program, one that was designed to, and has always, held itself up, and as a matter of fact, it has masked the extent of the deficit ever since the inception of—ever since the unified budget, which was created in the 1970s by President Johnson during the Vietnam War to mask the cost of the deficit being caused by the war. I still, and if you take the long view, you can see that we can save Social Security, and we can save it and create a surplus and make it even a better program for our kids and our grandkids, and don't even have to consider raising payroll taxes or dipping into general revenue. It can be done. I just keep reaching out to your side of the aisle. Tax increases are not the answer in saving Social Security.

Mr. BECERRA. Mr. Chairman, if I may respond, if the Chairman would yield.

Chairman SHAW. Certainly.

Mr. BECERRA. There are no Democrats who are suggesting that we increase taxes. As I said, the tax cuts, if you extend them out, will cost us three times as much as it would cost to resolve the solvency question for Social Security. So, you could do enormous good by taking a third of the tax cuts which benefit, for example, probably no more than about 10 percent of the wealthiest Americans, and you could leave the family making $50,000 completely intact with the tax cut that took place. You would have every Social Security beneficiary for the next 75 years, and probably beyond, knowing that he or she would not have to face increased retirement age,

a cut in benefits, or an increase in taxes if we were to do something where I believe we are just trying to share the pain and the gain. Remember that we are asking soldiers day to day in Iraq to sacrifice. I don't know of any time in our history when we have had a President who has proposed going to war, and cutting taxes for the wealthiest at the same time.

So, I think there are ways we can do this, Mr. Chairman, that don't require us to cause pain to middle America, and I think we could get there, and at the same time do for Commissioner Barnhart what she needs to make sure that Social Security beneficiaries, including those who are disabled, including those who are survivors of Social Security recipients, have an opportunity to receive the benefits they were expecting.

Chairman SHAW. Your proposition does not take away the pending cliff that we are facing, even if every bit of the revenue generated by doing away with the tax cut, and it is arguable that there would not be——

Mr. BECERRA. Actually, Mr. Chairman——

Chairman SHAW. Revenue generated because of the effect on the economy. President Kennedy, look back at the tax cut during his Administration. It ignited the economy and made it grow and it actually ended up producing more revenue. So, we have got to have a historical view of this, and we need also to have a long view, and this is what I keep talking about. You have got to view this program with a long view, over 75 years, not just a quick fix by grabbing revenue out of general revenue in order to prop up the payments, because——

Mr. BECERRA. Mr. Chairman, if you would yield——

Chairman SHAW. The pending deficit has been placed at about $25 trillion by two Administrations now, and $25 trillion is not chump change. It is enough to sink this country if we depend upon general revenue to make up that deficit or borrowing to make the payments. It is not necessary. There are plans out there that solve the problem of solvency of Social Security, and we should embrace them.

Mr. BECERRA. Mr. Chairman, if you would yield for just a moment just to clarify——

Chairman SHAW. Very, very briefly. There has got to be an end to this.

Mr. BECERRA. Hopefully we will get there in a bipartisan way to end this, but what I was proposing, what I suggested to you in taking just a third of the tax cuts tilted toward the wealthy is not a band-aid. It is not a temporary fix. It is a permanent fix. It resolves——

Chairman SHAW. You are suggesting that we do away with the tax cut and——

Mr. BECERRA. No, not do away with it——

Chairman SHAW. Funnel that money into Social Security?

Mr. BECERRA. Not do away with it——

Chairman SHAW. All right. What happens to it when you funnel it into Social Security? Do you put it in a vault somewhere?

Mr. BECERRA. What you are doing is you are reducing the size of the national debt. By reducing the size of the national debt, the government's obligations into the future are more readily payable,

including the debts we have to our retirees. If you have got massive deficits and growing national debt, we are spending more and more money, as we are today spending a quarter of a trillion dollars simply to pay the interest on the national debt that goes to do nothing serviceable for anyone, but if we reduce the size of the national debt, we take care of the size of that interest payment, and we also have moneys available to take care of our greatest obligations to the people who worked so very hard. So, the solution, no one is saying to increase taxes. It is just saying, let us be reasonable in how and where we cut those taxes, and take a portion of what went principally to very wealthy folks, including, for example, the estate tax, which benefits only the top 2 percent wealthiest. Ninety-eight percent of Americans will never benefit from the repeal of the $50 or $60 billion a year estate tax because it goes only to the top 2 wealthiest percent of Americans. So, we can figure out ways to let the average American family, working very hard, trying to figure out a way to send their kids to college, without jeopardizing Social Security, and I think there are ways, bipartisan, for us to get there, but I want to make sure it is clear. What I had proposed in taking only a third of the tax cuts would be a long-term, permanent solution, not a temporary band-aid.

Chairman SHAW. I will say to my friend from California that I do have a great deal of respect for him. One of the advantages of being Chairman is that you get the last word.

[Laughter.]

The last word is that you are wrong——

[Laughter.]

I will be happy to supply you with the figures proving that you are wrong.

Mr. BECERRA. I look forward to receiving those figures.

[Laughter.]

Chairman SHAW. Ms. Barnhart, did you want the last word?

[Laughter.]

Ms. BARNHART. In this case, just for the benefit of the current retirees, specifically. I am confident that, given the controversy that has been generated these last 24 hours, and the attention this has gotten on the national media, our 800-number is probably getting many more phone calls today, from people who are very concerned about whether or not their Social Security benefits are safe. I do want to take this opportunity, following up on the point that Mr. Becerra made earlier, that certainly I join you, and I think all the Members of this Committee in saying I do not endorse benefit cuts for any of our current and near retirees. It is very important for them to understand that their benefits are safe. They are secure. Those checks will be going out for the people who are receiving Social Security and very close to receiving it, because I do think that as we discuss some of these very complicated issues, sometimes we lose sight of the fact that for individual Americans who are sitting there, they hear this and they get worried and nervous and I just want to reassure our beneficiaries on behalf of everyone.

Chairman SHAW. Thank you. Thank you, Commissioner. I think you can see from the comments coming from both sides of the aisle that you have got a great deal of affection and respect from all of us here——

Ms. BARNHART. Thank you.

Chairman SHAW. We appreciate the good job that you are doing. This hearing is adjourned.

[Whereupon, at 11:33 a.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of AARP

AARP appreciates the opportunity to present its views regarding the Social Security Administration's (SSA) Service Delivery Plan for the record of the February 26, 2004 hearing.

With more than 35 million members, AARP is the largest organization representing the interests of Americans age 50 and older and their families. While most of our members are retired, half are working either full-time or part-time, and all have a vital interest in the retirement security offered by Social Security and the economic security that Social Security Disability Insurance (SSDI) provides to workers with disabilities and their families.

The Social Security Old Age Survivors and Disability Insurance (OASDI) program pays monthly benefits to more than 46 million people, including 7 million people of all ages who receive disability benefits; 29.5 million retired workers, and 4.5 million widows and widowers. Social Security benefits are the primary source of retirement income for more than half of people over age 65 and SSDI is the only long-term disability insurance for most workers. AARP is committed to ensuring that people can count on those benefits, not only today, but also for generations to come.

The President's 2005 budget requests $8.878 billion for SSA's administrative expenses. This is a 6.8 percent increase over the 2004 budget appropriation of $8.813 billion. An additional $100 million has been requested to cover the administrative costs associated with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

While SSA's proposed budget request compares favorably to many other agencies, AARP is concerned that the increase may be inadequate to administer the programs under its jurisdiction as well as the added demands resulting from new legislation. The final funding level for 2004 approved by Congress fell short of the Administration's request, and if SSA's budget is reduced below the President's request again in 2005, the high level of service that Social Security has always prided itself on providing to the public could suffer.

Disability Review Process

AARP is pleased that the increase in the FY 2005 request for information technology will allow the Social Security Administration to complete the transition from a paper disability filing system to a more efficient electronic one within the 18 month goal set for its completion. This will allow for faster and more accurate processing of disability claims. An efficient electronic filing system for disability claimants' medical records is an essential part of the Commissioner's proposal to streamline the disability review process.

An electronic filing system for disability claimants' medical records will help streamline the claims process once it is fully implemented, but for the near future SSA will continue to experience a backlog. SSA expects to reduce the backlog by 36,000 from 586,000 in this fiscal year to 550,000 in FY 2005.

Those who apply for disability insurance are less likely to be able to work or to have the monetary resources to support themselves until they begin to receive the benefits to which they are entitled. Thus, SSA should consider short term remedies to reduce the backlog and shorten waiting times for disability claimants.

AARP continues to monitor the development of Commissioner Barnhart's proposal to streamline the disability determination process over the long-term. Some of the announced changes appear to benefit disability claimants, such as the new quick decision step for people whose medical condition, would immediately qualify them for disability benefits. Some of the proposed changes, however, could curtail the rights of claimants whose initial application was turned down. These include elimination of the existing Appeals Council, and closing the medical record after a decision by an administrative law judge, but before final review of a disallowance appeal by a newly created Oversight Panel or a Federal court. AARP will remain an active participant in the discussions about the impact of the proposed changes on disability claimants and will work to ensure that the result is a fair, understandable and speedy disability process that is adequately funded.

Continuing Disability Reviews (CDRs)

SSA must consistently and accurately evaluate initial and ongoing eligibility for beneficiaries with disabilities. The Subcommittee heard Commissioner Barnhart testify that SSA was unable to keep up with the continuing disability review workload in FY 2003. She stated that SSA will process an estimated 1.569 million CDRs in 2004. This is an increase over the 1.537 million CDRs that were processed in 2003, but it will not eliminate the backlog that will carry over into 2005.

As a result of the continuing backlog in the number of CDRs, some beneficiaries will continue to receive Social Security disability benefits although they are no longer qualified. This is unfair to individuals who have been overpaid because they may have difficulty repaying the program and to the Trust Funds, which may lose money.

Supplemental Security Income

AARP is pleased that SSA's actions have resulted in removal of the SSI program from GAO's list of high-risk government programs vulnerable to waste, fraud and abuse.

SSA has a continuing responsibility to verify SSI eligibility both initially and on an ongoing basis. It also has responsibility to recover SSI overpayments, to combat fraud, and to develop and carry out program management policies. Adequate budgetary resources are essential to improve and maintain the integrity of the Supplemental Security Income program.

Staffing

Social Security employees remain dedicated to providing good service, but staff shortages and inadequate resources could have a significant impact on long-term delivery.

SSA experienced a staff reduction of more than 20 percent from 1985 to 1990. Yet, a downsized SSA workforce was given additional responsibilities, such as the widespread distribution of Social Security benefits and earnings statements, limiting benefits for felons and drug addicts, and verifying the status of some individuals receiving Social Security and Supplemental Security Income benefits. SSA will have added responsibility under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and H.R. 743, the Social Security Protection Act. Even though the 2005 budget calls for a modest increase in staffing levels, the substantial increase in responsibilities will continue to strain already limited resources. This could hamper SSA's ability to maintain consistent and good quality service as it is preparing for the retirement of the baby boomers.

By 2010, the first wave of boomers will be in their 60s, and SSA's retirement and survivor beneficiary population will reach about 50 million. As the agency prepares for the influx of retiring boomers, it may have proportionately fewer resources but more work. Congress should consider this trend in determining future funding for SSA.

New Medicare Workloads

SSA has new responsibilities in implementing the new Medicare prescription drug law enacted late last year, including informing Medicare beneficiaries who may be eligible for the prescription drug discount card, calculating the Part B premiums for high-income beneficiaries, withholding the correct amount of Part B premiums for all beneficiaries from Social Security checks, and determining eligibility for drug benefit subsidies under the new Medicare Part D.

For this startup effort, Congress appropriated $500 million for FY 2004 and 2005. The FY 2005 budget request includes an additional $100 million for a Medicare reform contingency reserve to ensure that all eligible persons seeking benefits can be served. Congress should monitor the agency's ability to handle the new caseloads without undermining service to existing beneficiaries.

SSA's Administrative Expenses

SSA's administrative expenses are paid mainly with Trust Fund dollars. However, these funds are appropriated annually and are included in congressionally-mandated discretionary spending caps. As a result, the agency does not always receive sufficient funding to address its service delivery needs. AARP supports removing the administrative costs from the discretionary spending caps to ensure that both current and future service demands are fully funded. Virtually all of the funding to operate the program comes from payroll taxes going into the OASDI Trust Funds, so savings from limiting SSA's expenses cannot be transferred to other uses.

Conclusion

Millions of Americans count on Social Security as a base for their retirement security as well as a safety net if they become disabled and cannot work if the family breadwinner dies. They count on Social Security to be there for them and for the Social Security Administration to provide efficient, accurate and courteous service. Adequate resources are necessary for the Social Security Administration to fulfill its mission to administer the Social Security and SSI programs, provide good quality service, and proper payments. AARP recognizes that Congress should examine agency budgets carefully to ensure appropriate funding levels and the judicious use of resources, but it must also provide sufficient funding to ensure quality service.

Statement of Carlos Hernandez, Frankfort, Kentucky

As Medical Consultants in the Kentucky DDS, we wish to register our objection to the proposed Social Security Administration Disability Evaluation Proposal. We strongly believe that this proposed reorganization of the Social Security Disability evaluation process is unnecessarily complicated and ill defined. If implemented, we fear that this plan will result in more delay in case processing, more expense for the program, and more erroneous decisions.

The use of an electronic folder should theoretically streamline the disability evaluation process. We believe that this is a worthy goal, and that an electronic disability system will in time be of great benefit to the program. We have learned over the years, however, to be highly skeptical of anything in this program that is labeled "accelerated." We are reminded of the recent expenditure of time and resources on Disability Prototype. An accelerated implementation of the electronic folder could well be a prescription for a similar debacle. Adequate time must be given for pilot programs to carefully evaluate the system and to correct the inevitable problems before any national rollout can be seriously considered.

The proposal to replace local DDS Medical Consultants with registered nurses raises serious concerns among all personnel who actually perform the day to day work of DDS. The National Association of Disability Evaluators (NADE) is on record as opposing the elimination of Medical Consultants. The Kentucky DDS is emphasizing in Medical Consultant's contracts the importance of mentoring and training the examiner staff. It takes a considerable amount of time for a new Medical Consultant to become comfortable evaluating impairments according to the complex policies of this program. One must question why it is felt that nurses with less training and expertise could adequately replace physicians in these roles. We would ask the claimants, "Would you rather have your disability claim evaluated by a nurse, or by a doctor?" The success rate of telephone contact with treating physicians can be expected to plummet, should this task be assigned to nurses instead of physicians. So much of the success in phone contacts to medical sources is a function of the collegial relationship among the physicians in Kentucky, membership in the KMA, etc. There is an assumption of shared knowledge and experience base that does not include that of the nursing profession.

So much of the process of reliably determining a Social Security claim is in the interplay between MCS and the Adjudicator Staff (Examiners, Case Consultants, Supervisors, and QA). While the vast POMS provides some structure for addressing the various allegations, the accuracy of the ultimate decision is often a function of the relationship between the MCS, a medical professional trained to listen for relevant facts and clues, and to separate out irrelevant subjective comments and biases. So often, conversations the Adjudicator has with the Claimant and collateral sources are pertinent to development, though such content may not be a part of the record. MCS are involved in decisions about humans with various physical and mental allegations, reviewing evidence gathered by humans of varying ability and experience. To disrupt this chain of human contact through the proposed regionalization, with staff on phones speaking with unknown staff, reduced to the undemonstrated reality of the paperless claim, is to disregard some of the most important aspects of this program of people making decisions affecting people who see themselves as disabled.

In this DDS office, the increased demands on the Adjudicator teams from the pressures of the Single Decision Maker model, the pressure to institute the paperless claim system, and now the pressures from the proposed loss of familiar/local MCS have further stressed and stretched this workforce that is already characterized by high turnover and job burnout. Many Adjudicators are very uncomfortable being forced to make medical decisions with no medical training/degrees. The give-and-take discussions with the MCS whom they have grown to know through

hundreds of shared cases are a means to help them adapt to such pressures. This is lost with the regionalization of the MCS.

Another very real problem with the regionalization of the MCS is the lack of familiarity of the subcultural and geographic contexts of our Claimants. While we in Kentucky would have little awareness of the reality of functioning in the neighborhoods of Harlem, we are familiar with the reality of the medical community and the functional expectations of Harlan, Kentucky. And this is relevant to decisions regarding the ability of Claimant's to perform SGA. And finally in terms of the importance of knowing the local sources, the MCS have read hundreds of CEs from the various Vendors and know how to appreciate their conclusions and opinions in the context of the medical record. This is vital to knowing how to weigh that information and to rationalize such weighting. A regional MCS would lack this important awareness and would make a less informed determination.

Statement of National Education Association

Chairman Shaw and Members of the Subcommittee:

On behalf of the National Education Association's (NEA) 2.7 million members, we would like to thank you for the opportunity to submit comments on the Social Security Administration's Service Delivery Budget Plan.

We will limit our comments to one provision in the Administration's plan—the proposal to increase employer reporting requirements in an effort to identify additional individuals who should be subject to the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). In short, we are deeply disappointed that the Administration has chosen to focus on subjecting more retirees to the GPO and WEP instead of seeking to eliminate these unfair and often devastating offsets.

The Administration's Plan: The Wrong Focus

The Administration proposes allowing the Internal Revenue Service to notify the Social Security system about individuals who should be subject to the GPO and WEP but whose benefits are not currently offset. Specifically, the proposal would require State and local governments paying pensions to indicate on their form 1099R report whether the pension is based in whole or in part on earnings not covered by Social Security.

The proposal would increase the number of employees subject to the GPO and WEP. In addition, and perhaps even more disturbing, the Administration would seek to collect so-called "overpayments" from individuals who should have been subject to the offsets but instead have received full benefits.

The Congressional Budget Office has estimated that the Administration's "enforcement" proposal would generate $2.2 billion over 10 years in additional Federal Government revenue. Unfortunately, this revenue will come at the expense of retired public employees struggling to make ends meet, many of whom will face significant poverty if forced to repay earned benefits. In fact, some retirees living on fixed incomes could be liable for overpayments of as much as $20,000—an amount few, if any, would be able to repay without significant hardship.

In addition, the Administration's proposal would be administratively burdensome, while providing little additional assistance to the Social Security Administration. Information on earnings that have or have not been subject to Social Security taxation is already provided to the Internal Revenue Service by public employers, as is information on whether the employee is covered by an employer pension plan. Pension paying entities, on the other hand, generally do not have payroll tax information on employees working in the many, in some cases thousands, of agencies and jurisdictions covered by the retirement system. Requiring State and local government pension systems to undergo potentially substantial and costly data collection efforts for information that has already been provided to the Federal Government (and may be impossible for a pension plan to retroactively collect on retirees that have been out of the workforce for years) is unreasonable and unnecessary.

Rather than seek to subject additional individuals to the GPO and WEP, Congress and the Administration should focus on alleviating the harsh impacts of these offsets on employees who have dedicated their lives to public service.

The Government Pension Offset: A Devastating Loss of Benefits for Widows and Widowers

The Government Pension Offset reduces Social Security spousal or survivor benefits by two-thirds of the individual's public pension. Thus, a teacher who receives a public pension for a job not covered by Social Security will lose much or all of any spousal survivor benefits she would expect to collect based on her husband's pri-

vate sector earnings. Estimates indicate that 9 out of 10 public employees affected by the GPO lose their *entire* spousal benefit, even though their deceased spouse paid Social Security taxes for many years. The offset has the harshest impact on those who can least afford the loss: lower-income women. Ironically, those impacted have less money to spend in their local economy, and sometimes have to turn to expensive government programs like food stamps to make ends meet.

NEA receives hundreds of phone calls and letters each month from educators impacted by the GPO. Many are struggling to survive on incomes close to poverty, fearing they will be unable to cover their housing, medical, and food expenses on their meager incomes. For example, NEA member Delona from Ohio reports:

On Christmas Eve, 2002, my husband passed away at the age of 66. He had worked for 43 years. After applying for widow's benefits, I was told I would start receiving a check for $1,032 around April 2003. . . . On June 14, 2003, I retired after working 30 years for the Canton City Schools. On September 30, 2003 [I was informed] that my husband's benefits would be reduced from $1,032 to $77 a month, and that I should not spend the $1,032 that had already been deposited by Social Security into my bank account for September because they would be removing that money.

The Windfall Elimination Provision: A Shocking Loss of Earned Benefits

The Windfall Elimination Provision reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. Congress enacted the WEP ostensibly to remove an advantage for short-term, higher-paid workers under the original Social Security formula. Yet, instead of protecting low-earning retirees, the WEP has unfairly impacted lower-paid retirees such as educators.

The WEP penalizes individuals who move into teaching from private sector employment, or who seek to supplement their often insufficient public wages by working part-time or in the summer months in jobs covered by Social Security. Educators enter the profession often at considerable financial sacrifice because of their commitment to our nation's children and their belief in the importance of ensuring every child the opportunity to excel. Yet, many of these dedicated individuals are unaware that their choice to educate America's children comes at a price—the loss of benefits they earned in other jobs.

Like the GPO, the WEP can have a devastating impact on educators' retirement security. For example:

An NEA member in Texas writes:

As a single teacher, I have had to work second jobs just to afford a home and make ends meet. My pension will never be enough to retire. . . . If I have been willing to work 15–18 hour days to make ends meet, I should get the same Social Security benefits that those who worked beside me will be getting. It seems that the harder I work, the more I am penalized for it.

Another NEA member writes:

It seems only fair to me that if I have enough gumption to work multiple jobs I should receive the benefits from that hard work. The sacrifices in time, energy and effort should not be punished. If I choose to work 24/7 no one has the right to say I cannot receive the pay and benefits from that work. I have raised 3 children by myself. . . . At one time I taught school, drove a school bus, worked in a greenhouse and had a small truck farm . . . I have qualified for welfare several times but never took any. I just got another job or worked harder. Please don't punish me.

The GPO/WEP Solution: Total Repeal

NEA is pleased that the Chair has committed to moving legislation this year addressing the GPO and WEP. We urge the Chair to move quickly on this important issue and look forward to working with the Subcommittee.

NEA strongly supports the Social Security Fairness Act, sponsored by Representatives McKeon (R–CA) and Berman (D–CA). This bipartisan legislation, which would completely repeal both the GPO and WEP, boasts the support of 287 Members of the House of Representatives. This broad support reflects the deep concern on both sides of the aisle about the impacts of the GPO and WEP on vulnerable retirees and recognition of the need to act quickly to address the situation.

Conclusion

NEA strongly urges the Subcommittee to reject Administration efforts to subject more individuals to the GPO and WEP and, instead, to fix the underlying issue by moving legislation addressing these unfair offsets.

We thank you for your consideration of these comments.

Statement of Union of American Physicians and Dentists, Oakland, California

The Union of American Physicians and Dentists (UAPD), the bargaining representative for the Social Security Evaluation Medical Consultants who are contracted by the State of California, strongly objects to the recently promulgated Social Security Administration disability evaluation plan. Within this murky, complicated proposal, is the plan to replace thousands of medical consultants in local Disability Determination Services with registered nurse liaisons.

Eliminating Medical Consultants from local branches would result in a significant decrease in efficiency and quality of decisions, while providing no decrease in costs or processing time. The proposal appears to be an extension of the failed and well-documented single decision maker experiment of the past several years.

Speed of Decision

Medical Consultants case review comprises a relatively small portion of the total mean processing time of a case—typically a week or less. The bigger delays are in the evidence gathering and appeals stages.

Replacing generalist Medical Consultants from local offices with twice the number of RNs plus Medical Specialists in Regional Centers will slow down and complicate the decision process. RNs do not have the training, medical breadth of knowledge, familiarity with medical evidence, nor specific knowledge of disability medicine to match medical doctors.

One needs only to analyze the Social Security Administration's failed single decision maker experiment of the past several years to understand why registered nurses will not be successful. According to the Social Security Administration's own report #A–07–00–10055, published by the Office of Inspector General, claimant processing time, appeal rates, pending cases and backlogs all increased in the 10 single decision maker protocol states. Overworked and undertrained non-physician analysts had to use sophisticated medicolegal analysis on an ever increasing workload. The OIG report revealed striking statistics. Of every 10 case clearances Single Decision Makers were deciding 2 cases on their own, used Medical Consultants as consultants in 3 cases, received MC input on 4 cases and one clearance did not involve the single decision maker at all. In other words, 7 of 9 Single Decision Makers cases required some form of MC input.

According to the OIG report, the prototype Single Decision Makers states initial processing time of cases increased by 23% in contrast to comparison state increases of 10%. Prototype production per work years fell in Single Decision Makers states from 253 cases to 219, while in non-Single Decision Makers states production per work year **increased** in the same period from 262 to 282. Backlog work pending rose from 10 to 15.7 weeks in prototype states, but only 11.3 to 12 weeks in non-prototype states. Twenty-five percent of all prototype initial claims were appealed in contrast to 19% in comparison states. This appeal process further slowed decisionmaking.

In the Commissioner's proposal, RNs would be stationed in Disability Determination Service facilities and act as intermediaries. They would add additional time to case development if they consulted with Regional specialists and then relayed the information back. The same would be true if the RNs had to call community treating physicians for medical evidence of record. This part of the process would be slower still as community physicians would be less willing to give their time to an RN than to a colleague Medical Consultant. Currently working in teams, Disability Evaluation Analysts have great camaraderie and respect for Medical Consultants. The National Association of Disability Evaluators (NADE) opposed the elimination of Medical Consultants. NADE said, "Medical Consultants play a vital role in the disability evaluation process, not only for reviewing medical evidence and providing advice on interpretation, but in training and monitoring disability examiners, as well as public outreach in the community."

The question of an immediate decision for the obviously disabled person already has an answer in the current, but underused, "Presumptive Disability" step. Obvious allowances cases—dialysis, amputation, cancer—are supposed to have immediate priority. Improved triage of these cases can solve this problem in the current system. Only 10% of the caseload fits this criteria.

Quality of Decisions

Medical Consultants have superior medical education, clinical experience and decision making. The Medical Consultants have great expertise in reading medical records and making prognosis regarding claimant's future condition. RNs do not have the same qualifications.

With the Social Security Administration projecting a 63.6% increase in beneficiaries by 2010, the continued presence of local Medical Consultants in the branch teams will be necessary and cost effective to work with the overworked and underpaid analysts.

One of the major reasons the single decision maker prototype was abandoned was the high turnover and attrition rates of the vital disability evaluation adjudicators. Nationally, the attrition rate increased from 10% in the 1997 prototype inception year to 13% in 2001. Clearly, dealing with a large medical workload is stressful to the nonprofessionally trained person. Easy and direct access to medical consultants is the best model to reduce Disability Evaluation Analysts stress and attrition, providing Disability Evaluation Analysts have reasonable workloads.

The in-line quality review proposed by the Commissioner is best served by the presence of a local Medical Consultant. Since most cases are currently reviewed by Medical Consultants, we already have a review of the file. On the other hand, a physically distant regional specialist Medical Consultant will likely only have an edited small portion of a record to evaluate, as presented by the liaison RN. A total quality review will not be possible.

Local disability determination services Medical Consultants are more familiar with the local medical culture, vendors, and treating physicians than would be RNs or Regional Medical Consultants. Local Medical Consultants provide a level of training, feedback, and credibility to consultative examiner vendors which RNs would not have. RNs could not do in-house training for other staff as effectively as local medical consultants. Also, phone calls and faxes to local treating physicians for medical records would be more effective from colleague physicians rather than from RNs.

The proposed "Quick Decision" allowance steps using coding and nonphysicians may lead to erroneous decisions which may not be reversible at a later date. One erroneous allowance could cost at least $10,000 per year.

Cost/Benefits

The UAPD believes that with a questionable software and computer system, a complicated staff communication paradigm and less local expertise under the Commissioner's proposal, there will be less accuracy and more appeals to the legal levels. The OIG reports prototype single decision maker states had a 1.5% increase in allowance rate since 1999, higher than in comparison states. Each allowance costs the SSA and taxpayers at least $10,000 a year. The client is usually on the rolls for several years. The presence of Medical Consultants locally will pay for his/her self in a short time by more accurately and rightfully denying nondisabled claimants.

Social Security Administration is proposing nearly twice the number of RNs to replace Medical Consultants. Regional medical specialist will command a higher salary than the Disability Determination Services generalist Medical Consultant, and the generalist is still better suited to adjudicate cases with multiple areas of disability in the same person than the specialist.

An underlying pillar to the assumption that the new proposal will improve decision speed and save money is that the accelerated electronic disability system (AEDIB) will be operational and cost effective. Social Security Administration has a poor track record with electronic data systems. In a 9/5/03 letter to the House Ways and Means Committee, the General Accounting Office (GAO) noted ". . . SSA has not consistently followed sound practices in developing systems designed to automate its disability claims processing. Thus, it has experienced numerous software development problems over the past 11 years. . . . we are also concerned that the corresponding benefits cited in SSAs cost/benefit analysis may be overstated." For instance, SSA optimistically states 30% of claims will be processed electronically by 2004. GAO estimates this figure to be 11%. The first fledging pilot branch in California recently began to receive electronic records. The electronic records are outsourced and scanned in another state. There are many problems with the new software. It is taking much longer to complete cases than with the traditional paper records. Comprehensive end to end testing must occur before any national rollout of the new process.

Legal Pitfalls

The Medical Practice Acts of most states allow only physicians licensed in that state to order labs, EKGs, and imaging studies. Many disability claimants require such testing. RNs could not order such testing without contacting a Regional Specialist Medical Consultant. Time and effort would be wasted. Worse yet, a Regional Specialist in a different state may not have the correct state license to order the tests.

When cases are appealed to an ALJ or a Federal court, a Medical Consultant's opinion will carry more weight against a contradictory treating physician than will a nurse or non-physician adjudicator's.

The substitution of the Reviewing Official for the reconsideration step may not save time and may lead to more appeals. The Reviewing Officer would not have the medical expertise to properly evaluate appeals. Claimant attorneys may file more appeals.

Because of the role of nonphysician decisionmakers in this proposal, including registered nurses and attorneys, questions of procedural due process may arise. A claimant may state a vested right to disability benefits if he meets the criteria of the program but is denied. Thus, additional hearings may be required and with more delay for clients and additional hearing costs. If cases continue to be signed off by Disability Evaluation Analysts alone or aided by RNs, they will be harder to defend on the appeal level.

In summary, while there are problems with the current system of disability evaluation, removing local Medical Consultants from the system, hiring twice the number of registered nurses to replace them, and hiring new Region Medical Specialists will slow down and destabilize the current system. This new proposal will not save time or money.

Statement of Peter J.H. Walker, Las Vegas, Nevada

Mr. Chairman and Distinguished Members of the Subcommittee:

My comments will be short and to the point.

In response to Advisory SS–6 I filed a written statement. In a couple of paragraphs included in that written statement I specifically accused the Social Security Administration in being a "behemoth dinosaur" that uses methods developed in the 19th century, and steadfastly refuses to join the 21st century. *I am repeating those accusations now*!

I am also requesting this Honorable Subcommittee to hold hostage the SSA's budget and do NOT report it out of this Subcommittee, until the Commissioner of Social Security personally certifies that certain corrective actions have been taken by the SSA. As shameful as it is, *we, American Citizen Social Security Beneficiaries who are domiciled abroad, NEED this kind of help from you*! All we ask for is that the SSA STOP DISCRIMINATING AGAINST US, and provide us with EQUAL TREATMENT! **Please, HELP!**

It would take but only a day or less for the SSA to make its online services available to ALL Social Security Beneficiaries, regardless where we domiciled. Nevertheless, the SSA steadfastly refuses to make available to us, beneficiaries who domicile outside the United States, the means to use the Internet for reporting our address changes, etc. *Yet it is us who need it the most, due to the unreliability of postal services in many foreign countries*. THERE IS NO GOOD AND VALID REASON FOR THIS, OTHER THAN CREATING UNNECESSARY PAPERWORK TO JUSTIFY THE EXISTENCE OF OTHERWISE USELESS BUREAUCRATS WHO SHUFFLE IT!

This unreasonable, unjustifiable, idiotic behavior of the SSA is the direct cause of the system failures that time to time knock the food from my table and threaten to tear the roof from over my head! I am not alone: there is a whole list of us, similarly situated, just here in the Philippines, and most likely hundreds of thousands, if not millions, more World wide.

Actual example:

I receive my Social Security benefits in the form of *direct deposit* into my bank account. My home address is on record BOTH with the Social Security Administration and with the *United States Embassy's American Services Section*. (As a matter of fact, I am an official warden, under the Embassy's Warden Organization System). *However, to that address the SSA DOES NOT MAIL ANYTHING OF VALUE*: *it mails ONLY various forms that I need to fill in and get back to the SSA in Baltimore, MD,* ***within 60 days after THEY mailed it from Baltimore,*** *or the SSA cuts off the payment of benefits to me!!!!*

To start with: What difference does it make to the SSA where I "lay me down to sleep"???? All they do is mail some forms there time to time!

Add to this the following: In order to change the address where I sleep, I need to FILL IN AND SIGN A PAPER FORM that can be gotten only from the U.S. Embassy in Manila. To get to the Embassy from where I reside in one of the NEARBY

provinces, takes about 5 hours, using public transportation. (Sorry, on my little more than $600 per month Social Security Benefits I cannot afford to keep a car.)

Then, when one gets to the Embassy, one needs to wait OUTSIDE under the hot tropical sun, or in the downpour of heavy tropical rain, for several hours. This is so, because for security reasons only 50 people are allowed inside at a time. Due to the hundreds of Filipino visa applicants in line, plus people waiting for other consular services, this is quite understandable. And I am one of the lucky people: Some other American Citizen Social Security beneficiaries live 2 or 3 DAYS of travel time away from Manila!!!!

Well, of course, it is possible to call the Social Security Office at the Embassy by telephone, or even e-mail them to request that they mail the necessary form. I did just that in October last year (2003). The Embassy's Social Security Office did mail me the form, I did get it *weeks later*, filled it in, signed it where indicated, and mailed it back. *That was the last I heard from anyone, until on February 3, 2004, I found out that my direct deposit was NOT credited to my bank account*.

It took several expensive long distance telephone calls to find out that the SSA Baltimore headquarters withheld the payment of my benefit due for January, because they did not receive back from me the SSA 7162 form, *which they mailed from Baltimore to my previous address*!!!! TO THIS DAY I STILL DON'T HAVE THE MONEY, which is the ONLY income I have, and which provides my livelihood!!!! Today is February 23, 2004.

Subsequent investigation by Mr. Thomas Ashley, the head of the SSA's Manila office, disclosed that the address change report form that mailed back to the SSA office in Manila, was never received, thus, DESPITE THE FACT THAT THE EMBASSY's AMERICAN SERVICES SECTION just down the hall has my correct address on file, and DESPITE THE FACT that I have reported my new address to the Manila SSA office by e-mail (their record shows that they mailed the paper form there) I am left to starve in a foreign country. I would have starved, if it would not have been the charity of some Filipino friends.

I need to add here that the Manila SSA office was most helpful in expediting the getting to me and the filing of the replacement SSA 7162 form. NEVERTHELESS, the SSA Baltimore has taken the leisurely position of continuing to withhold my benefits; They notified Manila that on March 3, 2004, they will pay double benefits to me. Apparently they don't care if I last that long without money. IS THAT HOW THE SOCIAL SECURITY ADMINISTRATION IS SUPPOSED TO ADMINISTER THE PAYMENT OF BENEFITS???? IS THAT THE RIGHT THING TO DO????

Mr. Chairman and Distinguished Members of the Subcommittee: the above ACTUAL EXAMPLE shows just how badly the Social Security Administration needs to modernize its ancient ways of doing business. The above detailed atrocity was committed by the SSA because it refuses to allow us, Americans who domicile abroad, to use the same Internet facilities that Americans who domiciled in the United States are allowed to use. THERE IS NO GOOD REASON, THERE CAN BE NO JUSTIFICATION FOR THIS!!!!

IN CONCLUSION:

This Subcommittee has now the opportunity to force the behemoth dinosaur, the Social Security Administration, to take one small step toward embracing 21st century technology. If the SSA takes this small step, it will result in reducing paper work, file space, eliminate unnecessary and unjustifiable archaic bureaucratic procedures, save money, and will deliver better services. Unfortunately, the SSA has to be forced to improve.

Please, help us! Please refuse to report out the budget of the SSA until it corrects this inequity that can (and in my above detailed case almost did) have fatal consequences!

It should take no more than a few hours of programming work by a capable computer programmer to make the online system available to all American Social Security Beneficiaries, from any place on Earth!!!! It can be done, IF MOTIVATED TO DO SO, in one day!!!!

Please, provide the motivation by holding the SSA budget back until the Commissioner certifies that it HAS BEEN DONE!

Statement of Harry L. Williams, Jr., The Woodlands, Texas

I am a sitting Administrative Law Judge. My comments here are limited to 3 suggestions for improving the viability of the Trust Fund and fairness of the adjudication process. There are three immediate changes that need to be made to the law:

1. The grid rules that mandate payment at age 50 and younger are out of date and not reflective of the health of today's population. Moreover, with the rolling increase in the eligibility age for retirement, it is simply not equitable.

Recommendation:

Eliminate all grid rules that pertain to people under the age of 55. This only means that those claimants must establish disability and will not automatically qualify based on age.

2. Many claims are filed by criminals who have no eligibility for payment. Judges are forced to travel to their locations (the prisons) to have the hearings. Additionally, prisoners with long sentences are actually somewhat favored under the law as they have no work history.

Recommendation:

Dismiss all claims filed by persons imprisoned for felonies. They can refile after release.

Count all time imprisoned over 6 months as dead time for considering past relevant work—we now go back 15 years by law to look for past relevant work. Any time in jail for over 6 months would be added to the 15 years that we go back to look at past work. E.g., if in prison for 5 years we would then look back 20 years for past relevant work.

3. Claimants are favored under the law for not speaking English.

Recommendation:

Eliminate any references to mandatory favoring of claimants for not speaking English. Vocational experts available at almost every hearing can establish factually the problems of language at the hearing. For example, speaking Spanish in Houston, Texas is not a barrier to many jobs, yet Spanish only speakers are given a preference. This is probably unconstitutional.

I am ready to explain these changes in more detail as necessary. I have conducted over 3,000 hearings.

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