

GAO

Report to the Chairman, Subcommittee on
Social Security, Committee on Ways and
Means, House of Representatives

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SOCIAL SECURITY

Effects of Budget Constraints on Disability Program



040355

Human Resources Division

B-224648

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The Honorable Andrew Jacobs, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

On January 20, 1987, noting that many state disability determination services (DDSS) were asserting that they were not receiving enough resources to perform effectively, you requested us to review and analyze several issues surrounding DDS funding and staffing. Specifically, you asked us to (1) evaluate the effects of budget constraints imposed by the Social Security Administration (SSA) on state agencies' operations and (2) determine whether SSA's productivity standards were appropriate.

Results in Brief

We found that:

- The state agencies' work-years for 1987 were reduced 3.7 percent from their 1986 level. Of the 54 agencies, 40 had reductions in their staffing levels. For fiscal year 1988, SSA plans to reduce state agencies' staff resources by 3.5 percent.
- Because of budget reductions, SSA limited the number of continuing disability reviews (CDRS)¹ it required the states to do in fiscal year 1987. In allocating the DDS workloads and resources during fiscal year 1987, SSA reduced its CDR workload for the DDSS by 262,000 cases. This cost the Disability Insurance Trust Fund more than \$200 million in unnecessary benefit payments annually. (See p. 3.) The same problem probably will exist in fiscal year 1988.
- SSA's current measure of productivity, which was used to allocate staff to state agencies, does not allow for accurate or uniform comparisons of productivity. A new measurement system being developed by SSA will correct most of the problems with the current system.

We are recommending that SSA provide the states with additional resources to do more CDRS and modify its new productivity measurement system to further improve SSA's ability to measure and compare productivity. (See p. 9.)

¹Periodic reviews of those on the disability rolls for continuing eligibility.

Background

SSA administers the Social Security Disability Insurance and Supplemental Security Income programs. Disability decisions are made by 54 DDSS—one in each state (except South Carolina, which has a separate agency for the blind), the District of Columbia, Guam, and Puerto Rico. The DDSS are regulated by SSA, which develops program policy, regulations, adjudicative criteria, and instructions. State DDSS' administrative costs are borne entirely by the federal government.

Generally, there are three types of disability workloads processed by DDSS—initial applications for benefits, requests for “reconsideration” reviews,² and CDRs. Initial applications and reconsiderations are considered priority and “nondiscretionary.” CDRs, on the other hand, are considered “discretionary,” despite a provision in the Social Security Disability Amendments of 1980 requiring SSA or the appropriate state agency to review most beneficiaries (those not considered “permanently” disabled) at least every 3 years.

During fiscal year 1987, and continuing at least into fiscal year 1988, most of the state DDSS have been required to reduce staff levels, generally through attrition. SSA officials imposed these reductions after the Congress reduced SSA's fiscal year 1987 administrative budget request by \$171 million.

Objectives, Scope, and Methodology

After discussions with the Subcommittee, we were asked to (1) address the effects of the budget constraints on the DDSS and (2) assess whether SSA's productivity standards are realistic, accurate, and nationally uniform. Our fieldwork was done between January and June 1987 at SSA headquarters and its regional offices in Dallas, Philadelphia, Boston, and Atlanta. We met with SSA staff involved in the budget process and reviewed data on DDS claims workload, staffing, operating costs, and other operational characteristics.

We visited state DDSS in Texas, Pennsylvania, Massachusetts, Louisiana, and Georgia. These states were chosen because of their comparative sizes, differences in productivity, and outspoken support for or opposition to the 1987 production goals set by SSA. We spoke with DDS administrators, examiners, and other DDS employees.

²A person not satisfied with the disability decision can request a review or reconsideration of that decision and has the opportunity to submit new evidence

To obtain information from DDSS on the possible impact of budgetary constraints on their disability determination process, we sent a questionnaire to 53 DDSS (we excluded the South Carolina state agency for the blind) in April 1987. All 53 responded.

Our work was done in accordance with generally accepted government auditing standards. As requested by your office, we gave SSA officials a draft of this report and obtained their views, which we incorporated where appropriate.

Reducing CDR Workloads Will Cost More in Unwarranted Payments Than Would Be Saved in Administrative Expenses

In allocating the DDS workloads and resources during fiscal year 1987, SSA reduced its CDR workload for the DDSS by 262,000 cases. This represents an estimated annual cost to the trust fund of more than \$200 million in unwarranted benefits, or about three times the administrative expenses temporarily saved.

SSA's fiscal year 1987 budget submission to the Congress in March 1986 requested \$760 million for the DDSS. SSA estimated that the DDSS would need 13,750 work-years and have a total disability workload of 2.8 million cases, including about 478,000 CDRs.

After the Congress reduced SSA's total requested administrative budget of about \$4 billion for 1987 by \$171 million, SSA reduced the overall DDS budget by about \$19 million. DDS work-years also were reduced to 329 fewer than the work-years expended in fiscal year 1986, and SSA reduced its planned CDR workload by 255,000 cases.

In December 1986, SSA made further reductions to the DDS budgets. Table 1 shows the revisions to the DDS budget and workload. Funds for purchasing medical evidence from treating sources or independent medical examinations needed to support the disabling physical or mental impairments were also adjusted downward.

Table 1: Disability Determination Service Workloads (Fiscal Years 1986-87)

	Dollars in millions			
	FY 1986 actual	President's revision	FY 1987	
			Aug. 1986 revision	Dec. 1986 revision
Total costs	\$755.7	\$760.0	\$741.2	\$741.2
Total workload	2,229,027	2,829,600	2,545,000	2,464,000
CDR workload	58,505	478,200	223,000	216,000
Work-years ^a	13,379	13,750	13,050	12,880

^aState work-years, not adjusted for a uniform 40-hour workweek among all DDSs

Although the overall fiscal year 1987 budget for the DDSS remained the same as the initial budget for fiscal year 1986, 40 DDSS had reductions in their staffing levels, and 41 had reductions in the funds they could use for procuring medical evidence. In effect, the DDSS experienced a budget cut of \$14 million from 1986 levels because, during 1986, they were allocated \$14 million more than the initial budget.

Because of the moratorium on CDRs from April 1984 to the end of December 1985 and the slow start-up of the CDR process in 1986, there are over 300,000 medical improvement expected cases³ for which scheduled review dates are past due. In addition, new medical improvement expected cases are having their scheduled review dates come "due" at the rate of about 12,500 a month. As of July 31, 1987, the DDSS had averaged adjudication of these cases at the rate of about 6,100 a month.

SSA's Office of the Actuary projects that, for every 10,000 medical improvement expected cases that are not reviewed, the Disability Insurance Trust Fund experiences unnecessary benefit payments of \$8 to \$9 million per year. SSA's projection is based on a cessation rate for medical improvement expected cases of about 20 percent and allows for reversals of some cessation decisions following appeals. These annual payments will continue until such reviews are performed or the individuals otherwise leave the benefit rolls.

With this amount of savings to be achieved by doing CDRs, the 262,000-CDR-case reduction in the 1987 budget represents a potential annual cost to the trust fund of more than \$200 million in benefits. We do not know whether SSA would have been able to do all the CDR cases planned for with the \$760 million.

³Cases where reexamination dates were established for beneficiaries when they became entitled to benefits because the DDS examiners expected their conditions to improve

In commenting on a draft of this report, SSA officials told us that, although the 1987 budget request of \$760 million for the DDSS specifically estimated a CDR workload of 478,200, SSA did not expect to do all of these CDRs without using funds from a contingency reserve. In the approved budget, a contingency reserve of \$160 million was established. The reserve was requested by SSA "primarily to provide flexibility to deal with the many uncertainties associated with implementation of the Disability Benefits Reform Act of 1984" and in case "actual experience indicates that additional resources are required in the disability area." SSA officials told us they expected to use up to \$60 million from this reserve to process all of the estimated CDR workload (478,200) for 1987. However, in view of the resulting reduction to DDS budgets through December 1986, and the corresponding adjustments to planned workloads, it appears SSA officials made decisions early in the fiscal year that they were not going to seek approval to use contingency funds to increase DDS resources.

Even if \$60 million were needed from the contingency reserve, the estimated annual benefit savings from processing the CDRs would have been between \$210 and \$236 million. These savings are about three times the administrative expenses saved by not doing CDRs. In addition, eventually these cases should be reviewed, and the administrative costs to do them would be incurred at that time. In the meantime, each year's delay costs the trust fund the benefits that should not have been paid.

For fiscal year 1988, SSA plans an increase in the overall DDS operating budget of 1.7 percent, or about \$13 million over the fiscal year 1987 level. Associated with this is a small (10,741-case) increase in workload. SSA is currently planning to hold the CDR workload to about 3 percent more than the 1987 level of 216,000. Also, SSA plans to reduce the DDSS' staffs by about 3.5 percent below the 1987 level. The proposed fiscal year 1988 work-years will be at one of the lowest levels during the decade, while the expected workload will be at one of the highest levels.

In view of a legal mandate to process most of the CDR cases every 3 years, and the large potential savings to the trust fund, we believe SSA should do more CDRs and seek sufficient resources, given productivity improvements, in the DDSS to meet this need.

Productivity Measurements and Expectations

SSA's current productivity measurement system does not account for the many variances that exist among the DDSS' operations, particularly such differences as use of contracted labor, type of cases, and level or magnitude of assistance provided by other state agencies. Because of this, the productivity measurement is not accurate, nor does it provide a very good comparative measurement among the DDSS.

To allocate resources among the DDSS, SSA used a productivity measurement system referred to as production per work-year. This means the amount of work produced (measured in cases completed), divided by the number of work-years used to complete that work. Once a national production goal was established for fiscal year 1987, staffing levels and production goals were set by SSA for each DDS, considering a number of factors, including expected workload, existing staffing, and planned attrition. Using these data, SSA headquarters staff made the final judgments on each DDS's staff level.

Some DDS officials raised concerns, during our DDS visits and in response to our questionnaire, over the use of this measure as a means of comparing DDS productivity, and as a means to address DDS staffing levels. When asked whether a different productivity measure would give a better comparison among DDSS, 33 (62 percent) of those responding to this question said yes. Most identified the Cost Effectiveness Measurement System,⁴ a new system being developed by SSA, as a better system for measuring and comparing DDS productivity. Others suggested limiting the current measurement system to production of examiners and medical staff rather than including all DDS staff.

SSA's current measurement system considers all disability workloads the same, and counts only in-house DDS staff. It does not account for the many variances in DDS operations, particularly such differences as use of contracted labor, type of cases, and level or magnitude of assistance provided by other state agencies. For example, 43 of the 53 DDSS responding to our questionnaire were contracting for various services in 1987, including medical services, transcribing services, clerical personnel, computer services, mail services, security, and legal services. The 43 DDSS estimated that the contracted services cost more than \$16 million for the year and would be equivalent to over 450 work-years if done in house.

⁴This system will give SSA the capability of setting DDS cost-effectiveness standards and establishing an overall effectiveness ranking of the DDS's administrative cost. Each DDS's reported cost and productivity data will be adjusted to reflect certain factors beyond the DDS's control.

The relative proportion of certain types of impairments in a DDS's workload can affect productivity. For example, some DDSS estimate that mental impairment cases take at least twice as many examiner and medical staff hours as other cases. In 1986, about 35 percent of the DDSS' initial disability decisions involved mental impairment cases. The proportion of mental cases adjudicated ranged from 22 percent in Nevada to 46 percent in Ohio.

SSA has recognized most of the weaknesses of its current measurement system. Because operating conditions vary from state to state, SSA's new system, the Cost Effectiveness Measurement System, will automatically adjust each DDS's reported cost and productivity data to reflect certain factors beyond the DDS's control, such as case mix by program and adjudication level, and costs of outside services. One factor the new system does not consider is case mix by type of impairment.

Budget Limitations Could Affect the Quality of Disability Determinations

In addition to the impact on doing CDRS, the budget limitations could also affect the quality of disability determinations. While the 1984 disability amendments called for more extensive case development, the increasing pressures of doing more cases with fewer examiner and physician staff could lead examiners to take shortcuts. This could have an adverse effect on the quality of decisions, although we found no empirical evidence that was occurring.

As can be seen in table 2, the overall production per DDS work-year has declined since fiscal years 1980 and 1981. Some of this decline can be attributed to reduced workloads caused by the CDR moratorium. However, DDS administrators and examiners we spoke with said that the primary cause was the increased demand for more complete case development and more complex decision issues (e.g., mental impairments, multiple impairments, pain).

Table 2: National Production

Fiscal year	Workloads (cases)	Work-years	Production per work-year
1980	2,326,600	9,701	240
1981	2,376,700	10,747	221
1982	2,480,068	12,399	200
1983	2,615,973	12,775	205
1984	2,264,723	12,776	177
1985	2,001,062	12,807	156
1986	2,229,718	13,379	167
1987 ^a	2,463,727	12,880	191

^aBudgeted as of December 1986 and not adjusted for a uniform workweek among all DDSs. During 1987, SSA adjusted work-years for the DDSs based on a standard workweek. We are showing unadjusted work-years here to keep 1987 on the same scale as prior years.

SSA's production goal of 191 cases per work-year is similar to overall DDS production in the 2 years before the 1984 disability amendments. During 1982 and 1983 the DDSs' workloads were very high, and the adjudication system was under constant criticism for inadequate case development practices and resultant poor quality decisions, particularly in mental impairment cases. The 1984 amendments prescribed standards of case review to improve the quality of decisions. The standards included more comprehensive development of evidence and more careful consideration of individual cases. We are concerned that actions taken to meet high production levels may result in declining service to beneficiaries and poor quality decisions.

From our visits to five DDSs and responses to our questionnaire, we learned of various concerns regarding states' disability operations because of the resource cuts in 1987, some of which could affect the quality of the disability determinations, although we found no evidence during our visits that quality had deteriorated. They said that hearings had been postponed, there were delays in assigning cases to examiners, examiner caseloads had increased, physician reviews had been delayed, and other staff, such as quality assurance staff, were used to process cases.

We examined data on the last 6 years of DDSs' performance. In many elements of performance, there are wide variances among the DDSs, including variances in production, timeliness, staffing, and claim allowance rates. How these differences affect quality, and at what point quality may deteriorate, are major questions for which we do not have

answers at this time. We plan to study these issues further beginning in early fiscal year 1988.

Conclusions

Each year of delay from processing the legally mandated CDR cases costs the trust fund large amounts. SSA initially planned for about 478,000 CDRs to be processed in fiscal year 1987; however, it cut the planned CDR workload by about 55 percent. We estimate this reduction will cost the trust fund over \$200 million a year in unnecessary benefit payments.

SSA's current productivity measurement is not accurate, nor does it provide a very good comparative measurement among the DDSs. SSA's development of the Cost Effectiveness Measurement System will correct most of the weaknesses of its current measurement system. However, the new system does not consider each DDS's case mix by type of impairment, which we believe is important.

Recommendations to the Secretary of Health and Human Services

We recommend that the Secretary direct SSA to:

- Eliminate the backlog of medical improvement expected cases. SSA should determine whether it has sufficient funds in its fiscal year 1988 budget (including the contingency fund) to process these cases. If sufficient funds are not available, the Secretary should seek legislative authority to expend additional trust funds to process the medical improvement expected cases.
- Recognize in its Cost Effectiveness Measurement System the particular case mix by type of impairment for each DDS when developing productivity measurements and comparisons.

We are sending copies of this report to the Secretary of Health and Human Services and the Director, Office of Management and Budget. A similar report is being issued to Congressman Albert G. Bustamante.

Sincerely yours,



Richard L. Fogel
Assistant Comptroller General

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