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Report to the Honorable William Proxmire, United States Senate

May 1987

SOCIAL SECURITY

Opportunities to Improve Productivity at Program Service Centers

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Human Resources Division
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May 22, 1987

The Honorable William Proxmire
United States Senate

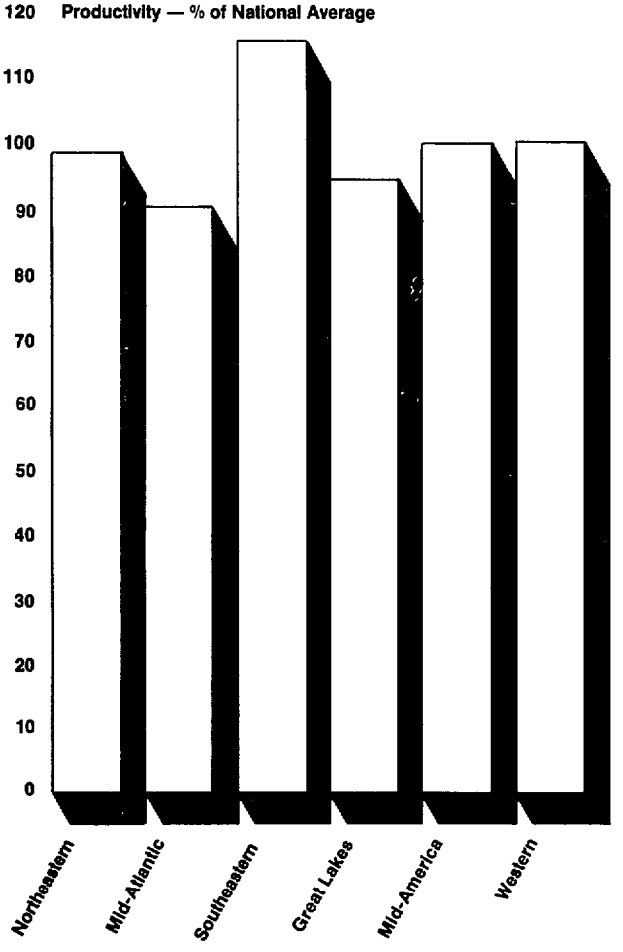
Dear Senator Proxmire:

This report responds to your March 20, 1986, request that we examine the productivity at the Social Security Administration's (SSA) six Program Service Centers (PSC). Productivity in this context means how much work the PSCs produce with available staff. Productivity is generally measured in terms of output (claims and related work processed) per person over a given time period and for a given level of timeliness and quality. The PSCs maintain most of the historical files on 34 million beneficiaries receiving SSA benefits and administer claims for all SSA beneficiaries, except those living abroad and those under age 59 who are disabled. The six PSCs employed about 13,000 full-time equivalent staff by the end of fiscal 1985, or about 16 percent of the total SSA staff. This report points out that SSA has been working to improve productivity, but it also points out that these efforts need strengthening and savings could be realized by doing so.

As you know, in February 1986, the President established a comprehensive program for the improvement of productivity in executive departments and agencies and set a goal of 20 percent productivity improvement in selected government functions by 1992. In addition to being responsible for achieving the goals of the President's program, SSA is faced with major staffing cuts in view of an Office of Management and Budget mandate for an overall staff reduction of about 17,000 full-time equivalent SSA positions over the period from fiscal year 1985 to fiscal year 1990, as well as the budget reductions resulting from the Balanced Budget and Emergency Deficit Control Act of 1985. To operate with a reduced budget and maintain an acceptable level of public service, SSA must take advantage of opportunities to operate more efficiently.

Although all PSCs perform essentially the same type of work, SSA's productivity reporting system indicates that there are variations in productivity among the PSCs. Figure 1 shows that compared to a PSC average of 100 percent, productivity ranged from a high of 116 percent in the Southeastern PSC to a low of 90 percent in the Mid-Atlantic PSC in fiscal year 1985.

Figure 1: 1985 Productivity at PSCs



In commenting on our draft report, the Department of Health and Human Services (DHHS) advised us that in fiscal year 1986, the productivity range narrowed from 102.5 percent to 98.2 percent.

Objectives, Scope, and Methodology

This review was undertaken to identify opportunities for higher productivity and lower costs at SSA's PSCs. We reviewed the PSCs as a follow-up to our study of field offices in SSA's Atlanta region. (Improving Operating and Staffing Practices Can Increase Productivity and Reduce Costs in SSA's Atlanta Region GAO/GGD-85-85, Sept. 11, 1985.) On March 20, 1986, you asked us to expand our review to identify management actions needed to assure continuing productivity improvements.

Our work was performed at the six PSCs—Richmond, California (Western PSC); Chicago, Illinois (Great Lakes PSC); Kansas City, Missouri (Mid-America PSC); Philadelphia, Pennsylvania (Mid-Atlantic PSC); Flushing, New York (Northeastern PSC); and Birmingham, Alabama (Southeastern PSC)—and at SSA headquarters in Baltimore, Maryland.

Our review focused on productivity management practices at the PSCs and involved analyses of SSA productivity data, discussions with PSC managers and staff, and an examination of certain aspects of the PSC work process involving files management and the use of locally developed computer programs. We also analyzed studies on private sector productivity efforts to ascertain emerging trends in systematically identifying opportunities for productivity improvement. We conducted our review between August 1985 and June 1986 in accordance with generally accepted government auditing standards. Further details related to the objectives, scope, and methodology are provided in appendix I.

Strengthening PSC Management for Productivity Can Reduce Costs

The productivity variations shown in figure 1 indicate that there are opportunities for productivity improvement and cost savings. We looked at what management has done to address opportunities for productivity improvement, including seeking out and addressing such opportunities. Although our review has shown that SSA has worked to institutionalize productivity management at the PSCs, we noted certain areas which, if strengthened, would provide greater opportunities for improvement.

Elements Necessary for Effective Productivity Management

In an earlier report, Increased Use of Productivity Management Can Help Control Government Costs (GAO/AFMD-84-11, November 10, 1983), we discuss the results of our examination of productivity management efforts at several companies and local and state governments, our review of the productivity literature, and our meetings with productivity experts. We identified certain common elements that contributed to an effective productivity management effort. While not necessarily all inclusive, these elements included the following:

- A manager serving as a focal point for productivity in the organization.
- Top-level support and commitment.
- Written productivity objectives and goals and an organizationwide productivity plan.
- Productivity measures that are meaningful to the organization.
- Use of the productivity plan and measurement system to hold managers accountable.

- Awareness of productivity's importance throughout the organization and involvement of employees in the productivity effort.
- An ongoing activity to regularly identify productivity problems and opportunities for improvement throughout the organization.

Simply stated, productivity management is an approach that establishes productivity as an ongoing management process that involves developing an organizationwide productivity plan with goals and accountability mechanisms.

PSC Managers Are Interested in Effective Productivity Management

The President's productivity improvement program has established a goal for a 20-percent increase in productivity in selected government functions by 1992 (about 3 percent a year). SSA management has recognized the need to improve productivity across the agency. For example, in fiscal year 1984, the Acting Commissioner established "values and objectives" for SSA that include productivity concerns. These values, which focus on the initiatives most important to the agency, include paying accurate benefits on time and administering the program efficiently and effectively.

In support of the SSA values, PSC management has worked to institutionalize productivity management. For example, SSA's basic values are communicated from the agency head down through the SSA headquarters organization to the Director, Office of Program Service Centers, and to each PSC director in the form of Senior Executive Service (SES) contract performance objectives. The SSA value of "administering the program efficiently and effectively" includes an SES objective to "improve productivity." Each PSC director is required to conduct at least one new project a year to improve productivity in some aspect of operations. The results of such projects must be quantifiable in terms of monetary or work year savings. The directors are not required to meet any specific quantifiable productivity improvement goals, such as annual productivity improvement of 3 percent.

Although SSA managers have demonstrated that they are interested in productivity improvement, the variations which we noted in productivity among the PSCs and the opportunities we noted for productivity improvement and cost savings indicate that certain elements of the PSCs' productivity management efforts need to be strengthened. First, PSC managers should be held accountable for setting and meeting productivity improvement goals. Second, meaningful measures of productivity are needed to assess performance and facilitate needed improvements.

Third, procedures for the routine identification of ways to reduce costs and improve productivity need to be established and used.

Managers Should Be Held Accountable for Productivity

Each PSC is headed by a director who is a member of the SES. Under the director at each PSC are several layers of management subject to merit pay performance plans. These managers include branch managers responsible for several sections; section managers responsible for several modules, or basic working units; and module managers. Each of the managers is held accountable for quality and timeliness goals. With the exception of the module manager, those managers are also accountable for the creation of one annual productivity project. Directors and managers are not held accountable for establishing and achieving specific productivity improvement goals. Our review of SES contracts and merit pay performance plans for these managers showed that none of the contracts or plans included a quantifiable goal for productivity improvement. Goals at these management levels could enhance the chances of meeting the goals established by the President's productivity improvement program.

Currently, a PSC director's performance is measured primarily in terms of quality and timeliness. With an SES contract requirement to improve processing timeliness, for example, average national age of beneficiaries' folders awaiting action dropped from 18.2 to 13.3 days in fiscal year 1985. This requirement is one of the bases on which SES bonuses are determined. Without productivity goals in their contracts, however, directors and managers have little incentive to improve their units' total productivity.

When given an incentive, we noted that one PSC director made productivity improvements. The director was obliged to find ways to become more productive because of work load increases. Since he had to meet quality and timeliness goals without increasing staff, he found innovative methods to handle some of his work loads. For example, he used a local computer program to automate certain technicians' work loads.

Headquarters PSC management agreed that as management emphasis was placed on productivity, it would receive the type of managerial concern now afforded to quality and timeliness. However, they stated that to establish a system of accountability for productivity, improvements would have to be made in the management information system, as discussed below.

Productivity in Modules Should Be Measured

Module managers cannot be held accountable for achieving productivity goals even if established, because productivity measures are not developed and reported for modules. Although management does not have module level productivity reports, the basic data for determining productivity at higher managerial levels comes from the module. The next level of management is the section, comprised of six modules. The section manager has productivity data to compare and contrast with other sections, but nothing that can permit comparisons between modules. Likewise, PSC directors can compare PSCs and sections, but not the modules.

The management information available to the module manager is concerned with day-to-day timeliness-oriented information, such as backlog or the age of cases that are pending. We identified seven timeliness measurement reports available to module managers. Section and module managers told us that they use these timeliness reports to determine when to shift work and staff between modules in order to assure efficient and expeditious processing. For example, modules with small backlogs are often given work from modules with large backlogs. One of the difficulties in shifting staff or work load on the basis of the timeliness measures alone is that managers may assume that the module with the best timeliness performance also has the best productivity performance. However, without module level productivity data, managers may unknowingly take work from an efficient module and shift it to an inefficient module. This problem was demonstrated in one PSC where we developed productivity measures for three modules based on PSC data.

These modules were selected on the basis of managers' best estimates of which modules had above or below average productivity, basing their selections on timeliness, performance, and backlog levels. However, after developing productivity measures, it was determined that one module thought to have high productivity actually was operating at 91 percent of the PSC average, and another module thought to have low productivity actually was operating at 109 percent of the PSC average. Hence, work shifted from the module that was assumed to be operating poorly to the one assumed to be operating well would be shifted to a module that was 18 percent less efficient than the initial one. This occurs because of managers' present inability to determine relative efficiency in performance among modules. Further details are contained in appendix II.

Headquarters PSC managers agreed with our observations, stating that they need better measures to be applied at the module level if they are

to hold module managers accountable for efficient use of their resources.

Opportunities to Improve Productivity Should Be Identified

Identifying where productivity improvement efforts can be targeted is one of the key elements of the President's productivity improvement program. Through identifying where improvements need to be made, agencies can develop productivity improvement plans and provide the means of achieving goals. PSC management does work to identify ways to improve operations, but more can be done to identify problem areas and to involve employees in the improvement process. For example:

- Productivity improvement projects could result from the requirement in PSC directors' SES contracts for at least one project. Managers at all PSCs contributed to identifying productivity improvement projects, and at one PSC managers involved employees in identifying these projects. Although this requirement results in attention to improving productivity, it is not intended to help meet a specific quantifiable productivity improvement goal such as that required by the President's productivity improvement program.
- On-site reviews by headquarters teams have identified opportunities for improving operations, quality, and administrative procedures. Before the visits, analysts from SSA headquarters prepare special analyses to identify problem areas. Although preparation of special analyses is a step toward an examination of areas of greatest need, these analyses make limited use of existing data that can identify productivity problem areas, such as work load and staffing data for individual modules that can be used to compare relative productivity among modules.
- Employee involvement activities, such as the suggestion awards program, accounted for over 4,500 suggestions throughout SSA in fiscal year 1985 (the number of suggestions originating at the PSCs is not known). Although informal mechanisms such as suggestion boxes or individual PSC awards programs were in place throughout the six PSCs, we found that their use was for the most part not actively encouraged. Other employee involvement activities were likewise limited. For example, one section manager held labor/management sessions, working with a staff psychologist, but this effort was limited to two modules in the PSC.
- Managerial training is limited to such topics as orientation for new managers, basic supervisory concepts, and using people to get things done. Training is not conducted in ways to improve productivity or in the identification of targets of opportunity through the use of existing productivity data.

Although these types of activities aid in the overall institutionalization of productivity management, more could be achieved. There is a need to identify opportunities for improving areas of low productivity. In our examination, we noted that existing productivity data was not generally used to assist in such an effort.

Existing Data Can Be Used to Identify Factors Contributing to Productivity Variations

To achieve the goals established by the federal productivity improvement program, an organized approach which focuses on areas of low performance could enhance PSC management's current efforts. To achieve such an approach, management should make greater use of existing performance data.

To demonstrate the benefits of analysis using performance data, we used PSC data and focused on the issue of variations in productivity among the offices. We found that we could isolate problem areas for examination and that the improvement of productivity in these areas would significantly improve overall PSC productivity. We focused on one PSC (Mid-Atlantic) with below average productivity. We identified areas within the PSC where this organization had lower than average productivity. Such areas constitute targets of opportunity which, if addressed, could assist in raising the productivity of the Mid-Atlantic PSC to the national average. Appendix III describes our analysis and how productivity could be raised.

If productivity at the Mid-Atlantic PSC were raised in fiscal year 1985 to the national average, SSA could have saved $5.5 million. Likewise, raising the productivity of the other below average PSCs to the national average could have raised these savings to $8.7 million; and if all PSCs were as productive as the top performer (Southeastern PSC), about $39.6 million could have been saved. We recognize that such gains through the actions outlined above might be offset somewhat by the costs of staff changes.

We briefed management officials on the analytical techniques we used. As a result of the briefings they have requested, and we have provided, assistance in applying the methodology to SSA operations. This data was sent to SSA on September 8, 1986. SSA advised us that it believes the method is helpful in identifying specific productivity problem areas.

Cost Savings Could Be Realized by SSA Taking Advantage of Targets of Opportunity

Our review of work processes at the PSCs disclosed two ways to improve productivity and save costs by (1) utilizing opportunities for folderless processing and (2) implementing at all PSCs locally developed computer applications already being used at individual PSCs. We believe that SSA would, through improved productivity management, be able to identify other areas of improvement which could yield opportunities for cost savings.

Expanded use of folderless processing—A major responsibility of the PSC is to establish a beneficiary record to control the payment of Social Security funds (the claims process) and, when appropriate, make changes to that record (the post-entitlement process). The six PSCs maintain folders containing original documents and detailed case histories for most of the 34 million beneficiaries on SSA's rolls. These folders are stored at the PSCs, off-site storage facilities, and federal records centers. When an action is required on a beneficiary record, normal procedure is that the folder is located, manually pulled from the file by a records analysis clerk, and delivered to the appropriate claims or benefit authorizer for action. A records analysis clerk is responsible for the file control and movement. A claims authorizer determines whether an applicant is eligible for benefits. A benefit authorizer determines the amount of such benefits. When the action is completed, the folder is returned to the files for retention.

Our examination of SSA documents and discussions with SSA PSC personnel indicated that it may not be necessary in all cases to use the folders to process claims. SSA had conducted limited studies that indicated that certain work load processing could be accomplished without the folders. However, SSA had not evaluated the cost savings potential of widespread use of folderless processing. To the extent that work load can be processed without the folders, we believe that case handling and monitoring cost would be reduced. In order to determine what percentage of processing actions could be completed without using the folders, we visited the six PSCs and conducted a sample of processing actions performed by claims and benefit authorizers. (See app. I for a discussion of our sample methodology.)

Claims and benefit authorizers were asked whether they needed a folder for processing various types of work load. For our sample, we found that on the average, the six PSCs did not need the folders to process the required actions about 40 percent of the time.

We also determined whether some types of actions need folders less frequently than others by analyzing all actions occurring in our sample. For example, notices of the death of a beneficiary or a change in family status such as marriage of a widow could be processed without the folders in about 37 percent of the cases; however, requests for field office assistance to process a claim could be processed without the folders about 15 percent of the time. In addition, we found that the type of authorizer involved in the claims processing activities affected the need for the folders. We found for the sample that actions requiring benefit authorizer processing required folders about 50 percent of the time, whereas actions requiring claims authorizer processing required folders 74 percent of the time.

These observations based on our sample suggest that through more effective screening by claims and benefit authorizers of incoming correspondence from SSA beneficiaries, the use of folders in various situations could be reduced. The authorizers are in the best position to know whether they would need the folders to process certain types of work loads. It is based on their decisions that folders must be located and distributed by records analysis clerks. Although our sample was not designed to permit overall cost projections, we believe that reduction in folder movement would permit salary cost savings for records analysis clerks who spend 2 to 3 hours each day on this function. These clerks also prepare new beneficiary folders and keep all folders current. Headquarters and PSC officials said that this area had significant potential for savings.

Greater use of local computer programming ideas—Each of the six PSCs had developed innovative computer applications (known as "local programs") which streamlined certain processes and often resulted in reducing costs. For example, PSC directors reported savings of over $900,000 attributed to 15 local programs developed and used at individual PSCs during fiscal year 1985. PSC officials told us that over 500 local programs have been developed at the six PSCs. However, these programs are generally not used at other PSCs because the SSA headquarters did not require their use and PSC managers believed that the programs were developed to solve local problems at other PSCs. During our review, we noted that SSA had initiated efforts to devise a local programs catalog and to encourage their voluntary use by each PSC.

We believe that local programs represent a largely untapped reservoir of ideas whose benefits have already been demonstrated through day-to-

day application. These proven local applications could represent significant potential savings if implemented nationally. For example, our analysis of local productivity improvement projects resulting from PSC directors' SES contract requirements permitted us to identify the following four local programs that we believe could have national applicability and result in additional savings. We believe that the opportunities for savings from such programs suggest that this is an area of significant savings potential and SSA headquarters should identify such programs and encourage their use.

- Northeastern PSC reported savings of about 12 work years (approximately $192,000) from a local program that eliminated the need for preparing an input form and keying and verifying the data. (Two other PSCs reported using similar programs but had not estimated the savings.)
- Southeastern PSC reported annual savings of $162,000 from a local program which automated manually prepared follow-up reminders when the PSC had not received data requested from either a field office or the beneficiary. (No other PSC used a similar program.)
- Mid-Atlantic PSC reported savings of $79,000 from a program which streamlined the processing of certain work loads by suppressing unnecessary computer output and automating certain manual work. (Three other PSCs used similar local programs but had not estimated savings.)
- Great Lakes PSC reported savings of over 14 work years (approximately $279,000) from a program which automated certain manual tasks in processing selected cases. (Three other PSCs used similar programs but had not estimated the savings.)

PSC headquarters officials agreed that such programs should have national applicability and said they would study this area for implementation.

Conclusions

PSC management has demonstrated an awareness of the need for productivity improvement and has taken certain steps to enhance productivity. We believe, however, that these efforts can be strengthened and savings can be realized through better productivity management efforts that assure (1) managers are held accountable for achieving specific productivity improvement goals, (2) managers are provided and are taught to use measures of productivity for helping better manage work load and staff, and (3) targets of opportunity for cost savings are identified and pursued in a systematic way and through greater employee involvement

in the productivity effort. The methodology for identifying opportunities for improving productivity described in appendix III is one way to approach such an effort.

We believe that PSCs would be able to raise the level of productivity through improved productivity management. We also believe that cost savings could be achieved in areas such as expanded use of folderless process and greater use of local computer programming ideas.

The recommendations presented below are consistent with the broader recommendations included in chapter 13 of our general management report on SSA entitled Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, March 18, 1987). Both this report and the management report strive to focus greater attention on institutionalizing a more systematic approach to productivity management at SSA as well as taking advantage of specific opportunities to improve productivity.

Recommendations to the Secretary of Health and Human Services

To strengthen productivity management at the PSCs and achieve productivity improvements, we recommend that the Secretary of Health and Human Services direct the Commissioner of Social Security to:

- Hold managers accountable for achieving specific productivity improvement goals through establishing such goals in merit pay plans and SES contracts.
- Develop and apply productivity measures at the module level so that module managers can be held accountable for achieving specific productivity improvement goals.
- Use existing productivity data to identify opportunities for cost savings. This would involve identifying which specific organizational elements are operating inefficiently and which products those organizational elements are inefficiently processing, and expanding employee involvement in the productivity effort by encouraging maximum employee participation and interest.
- Ensure that beneficiary records folders are not retrieved and forwarded to benefit and claims authorizers for actions which do not require the use of folders.
- Require the expanded use of locally developed computer programs where they would result in cost savings.

Agency Comments

In commenting on our draft report, DHHS advised us (see app. IV) that it agreed with our recommendations and has taken action or plans to take action to implement them. We have analyzed DHHS' comments and believe that the actions cited, when fully implemented, should contribute to productivity improvement in the PSCs. (See app. V for our discussion of DHHS' comments.)

We trust this report will be useful to your continuing oversight efforts. As arranged with your office, unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days from the date of this report. At that time, we will send copies to the Secretary of Health and Human Services; the Commissioner of Social Security; the Office of the Inspector General, Department of Health and Human Services; SSA's Office of Assessment; and to others upon request.

Sincerely yours,

Richard L. Fogel
Assistant Comptroller General

Contents

Figures

Abbreviations

DHHS	Department of Health and Human Services
GAO	General Accounting Office
PSC	Program Service Center
SES	Senior Executive Service
SSA	Social Security Administration
TOE	Type of Event

Objectives, Scope, and Methodology

We conducted this review to identify opportunities for higher productivity and lower costs at SSA's PSCs. In response to Senator Proxmire's March 20, 1986, request, we expanded our review to identify management actions needed to assure continuing productivity management.

To achieve these objectives, we discussed and worked with managers at each of the six PSCs to assess their long-term strategy to deal with their productivity management programs. We obtained documentation at PSCs and headquarters and discussed plans and activities with managers at all levels, as well as employees at the working unit (module) level. In addition, we obtained and analyzed SSA productivity data for the six PSCs for fiscal year 1985. We met periodically with PSC headquarters management to keep them apprised of our results and to solicit their comments.

We also reviewed the work process at each of the PSCs to identify targets of opportunity for productivity improvement. We examined such issues as files management and the use of locally developed computer software in order to see whether cost savings in these areas were possible. We conducted a sample of cases processed at each of the PSCs to determine the extent work could be processed without using beneficiary folders. Our sample methodology and results are discussed below. We also obtained and analyzed SSA productivity data for each of the PSCs to determine whether there were variations in productivity among the PSCs. We estimated the benefits of working toward raising the productivity of lower performing offices by calculating potential salary cost savings from raising productivity in these offices. We computed the reduction in staffing that could occur if productivity were raised, and we applied the current average salary costs to the staff reduction in order to estimate the savings. We also conducted an in-depth analysis of module operations at the Mid-Atlantic PSC. (The Mid-Atlantic PSC case study is contained in app. III.) We conducted this review in accordance with generally accepted government auditing standards.

In order to determine what proportion of processing actions could be completed without the use of the folders, we visited the six PSCs and conducted a randomly selected cluster sample (a selection of groups of items) of processing actions performed by claims and benefit authorizers. The sample observations were taken during 3 consecutive work days at each PSC between August 1985 and January 1986. We constructed a cluster design based on the number of modules at each PSC with the 8 hour work day separated into eight equal time increments. We randomly selected specific module/hour/day combinations (clusters) and observed the processing of actions by claims and or benefit

screeners. (Screeners are generally claims or benefit authorizers assigned to review all actions and either (1) process that action if it takes 10 minutes or less to complete, or (2) send the request and folder to a "backlog" location for future processing if it will take longer than 10 minutes to complete.)

We observed the processing of each action by the screeners during the sample time period at the module and, upon completion of the action, asked the screener whether the folder would be needed by claims and benefit authorizers to process the action.

The information was collected on a standardized data collection instrument and included a module identifier number, hour, day, observer, folder number, type of event or action (TOE code), and notation of whether the screener said the folder was needed, not needed, or did not know. Table I.1 shows the cluster sample characteristics.

Table I.1: Cluster Sampling Characteristics

PSC	Southeastern	Northeastern	Mid-Atlantic	Great Lakes	Western	Mid-America
No. Of Modules	36	43	30	42	30	42
No. of clusters available for observation (no. of modules times 8 times 3)	864	1,032	720	1,008	720	1,008
No. of clusters sampled	20	30	30	30	30	30

Sampling Errors

Because only a portion of the universe has been selected for analysis, each estimate developed from a sample has a measurable precision, or sampling error. The particular sample we selected from the population is only one of a large number of samples of equal size and design which could have been selected. Each of these samples would produce a different value for the characteristics being estimated. An estimate's sampling error measures the variability among the estimates obtained from all possible samples. It is a measure of the precision, or reliability, with which an estimate from a particular sample approximates the results of a complete census. For the sample estimate, together with an estimate of its sampling error, interval estimates can be constructed with prescribed confidence that the interval includes the average result of all samples.

For example, we found that in 39.6 percent of the actions in our sample the technicians did not need folders to complete processing. Our sample

procedure was designed so that we had a 95-percent chance of producing a set of limits that encloses the true percentage of actions not needing folders. Using a sampling error formula with a 95 percent confidence level, we found that the percentage of folderless actions for all PSCs had an actual sample error of 2.64 percent. Although we do not know if the true percentage actually falls within the limits (we computed 39.6 percent plus or minus 2.64 percent) we may state that there was a 95-percent chance that our sample is one whose limits will include the true percentage.

Sample Results

We found that for all PSCs combined about 40 percent of the folders were not needed. For each PSC for each 3-day time period covered by our sample, from 35.2 to 46.8 percent of the folders were not needed to process the required actions. We cannot statistically project our findings over the period of our review because we sampled only one 3-day period at each PSC during that time. Because it was impractical to sample folder processing over a 1-year time period at all PSCs, we cannot say what the proportions would be on an annual basis. However, headquarters PSC officials said that this area had significant potential for savings.

Table I.2 shows the results of our sample at each PSC, including our projections for all actions at each PSC for the 3-day time period.

Table I.2: Folderless Processing Sample Results

PSC	Estimated no. of actions processed	Est. no. not needing folders	Percent not needing folders	Sampling error (percent)	Confidence interval (95 percent)	
					Lower limit	Upper limit
Southeastern	24,322	10,541	43.3	5 63	37.7	48.9
Northeastern	13,966	4,988	35.7	6.33	29.4	42.0
Mid-Atlantic	12,072	4,248	35.2	5 93	29.3	41.1
Great Lakes	23,890	8,366	35.0	6.29	28.7	41.3
Western	14,352	6,720	46.8	4.61	42.2	51.4
Mid-America	20,328	8,266	40.7	7.64	33.1	48.3
Total	**108,930**	**43,129**	**39.6**	**2.64**	**37.0**	**42.2**

Productivity Measures Can Be Developed and Used at the Module Level

PSC management does not have productivity reports at the first line operating level—the module—even though the raw data for determining productivity at higher levels comes from the modules.

Currently, PSC reports show productivity by section, but not by module. We believe that module level productivity reporting is essential to the systematic improvement of productivity. The module is the first line management level, and better management of staff and work load can only be implemented at this level. In order to identify which modules may need assistance in better management, current and regular performance information is needed. PSC management has recognized this need for information with regard to timeliness performance, but not for productivity.

In order to demonstrate that module level measures could be developed, using work load and staffing data that currently exist at PSCs, we developed productivity measures for three modules at the Mid-Atlantic PSC. These three modules were selected on the basis of section managers' estimates of which modules had above or below average productivity. The managers based their selection on modules' timeliness performance and backlog levels. However, the module productivity performance we computed showed that work load backlog information gave the section managers incorrect impressions on module productivity. In fact, one module thought to have the highest productivity actually had the lowest of the three. Table III.1 shows the productivity for the three modules.

Table II.1: Fiscal Year 1985 Percent of Productivity in Three Modules Compared to Average Productivity of All Modules

	Module A	Module B	Module C	Average - 30 Modules
Productivity	89	108	105	100

Once productivity measures have been established they can be used as an analytical basis for identifying ways modules could be operated more efficiently. Examples of two possible approaches follow. The first addresses productivity variations between modules, and the second addresses productivity variations over time.

Examination of Causes of Variations in Productivity Between Modules

In addressing the variations in modules' productivity, we reviewed operating practices to determine if there were any obvious "best practices" in modules B and C that could be applied to module A. We examined the work load scheduling and control system and determined that the sections varied somewhat in the approach used to shift work from modules with apparent large work backlogs to modules with small backlogs.

- The section containing module C conducts regular weekly planning meetings between the section manager and all module managers. At that meeting the backlog level reports are summarized and reviewed for each module and for the section as a whole. The age and size of backlogs are evaluated and goals are established for these modules for the week ahead. In order to assure that the goals can be achieved, agreements are made among the managers about shifting of selected work between modules.
- The section containing module A relied on less informal evaluations of backlog size and age of cases within and among modules. Decisions were made by the section manager to shift work. However, the module managers also shifted work between any two modules as the need appeared to them without consulting the section manager on the overall impact of their decisions. This section manager relied on his ability to hold module managers accountable for timeliness performance, rather than a more formal work load scheduling decision process.

Although work load control practices were not shown conclusively to be a cause of higher productivity, it is clear that a more controlled approach was used for the section containing module C. Both sections processed claims in about the same number of days.

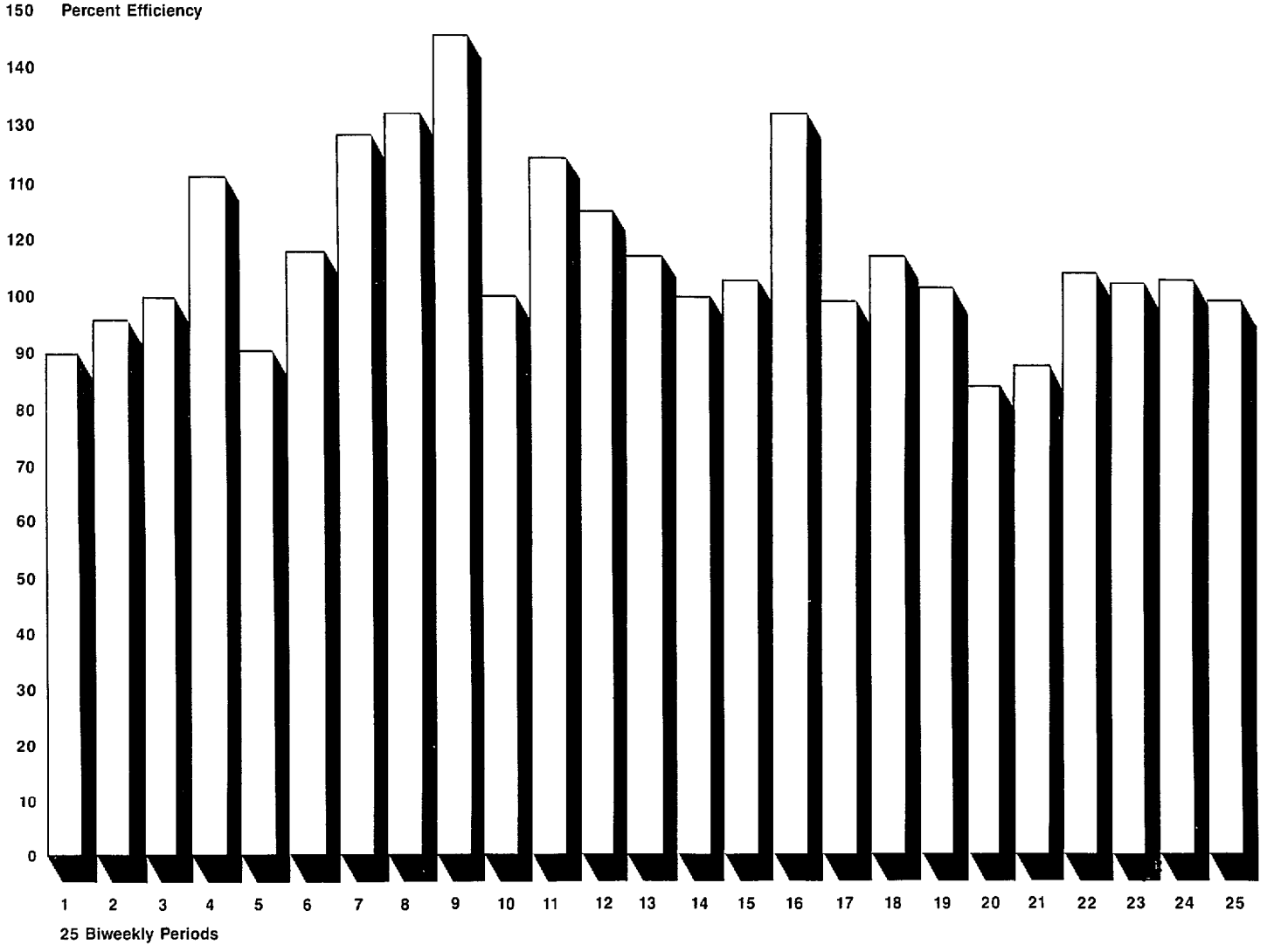
Neither of these sections shifted work load on the basis of the actual amount of staff hours of work in modules' backlogs. Instead, the number of cases in the backlogs were used as a surrogate measure of staff hours of work in the backlogs.

The information that is available at the modules can overcome the weakness of not having a report of the actual number of staff hours of work in each module's backlog. PSC productivity data can provide the average hours required for each type of case. By applying the hours per case against the cases of each type, the total backlog, in staff hours required to process, can be determined. Additionally, this information permits developing the productivity for each module on a weekly, biweekly, or longer period.

Examination of Productivity Variation Over Time

On the basis of the indication that work load scheduling and control approaches may cause some of the differences in productivity among the modules, we examined the variation in productivity over time in what we termed a "historical best" analysis. Historical best analysis simply means making a trend analysis over a long period, such as a year, but determining specific productivity performance levels for shorter periods within the year. For example, we developed the productivity performance for biweekly periods for the three modules evaluated at Mid-Atlantic. This analysis shows that although section and module managers worked to control timeliness over the year, the productivity in all three modules varied widely over time. Figure II.1 shows the variation in productivity on a biweekly basis during fiscal year 1985 for one module.

Figure II.1: Fiscal Year 1985 Variation on Productivity at the Mid-Atlantic PSC by Biweekly Periods



The historical best analysis demonstrates that during certain short periods, the work load output was not commensurate with the modules' actual productive capacity. When the productivity is viewed on a quarterly basis, there appears to be a cycle in which the second and third quarters have higher productivity.

We believe such a cyclical variation may be attributable to higher work load during certain periods of the year and indicates the need to consider different approaches, such as whether temporary employees might be better used to help during peak periods only. Following such an approach may enable the individual modules to maintain high levels of productivity during periods when work load is low.

Identifying Opportunities for Improving Productivity

We believe that SSA management can make greater use of existing productivity[1] performance data in order to systematically identify productivity improvement opportunity areas. Currently, SSA does develop and use productivity data to assess operating performance, although the focus is primarily on timeliness and quality. However, we believe that additional systematic analyses of productivity data will enable management to channel its productivity improvement efforts to areas that have potential for savings. In order to demonstrate the value of expanding the analysis of existing productivity data, we used PSC data and addressed the issue of the causes of variations in productivity between PSCs. The basic concept of our systematic analyses is that when similar parts of an organization have widely divergent productivity performances, the best performing parts of the organization can indicate the potential for improvement and identification of low performing units. The identification of low performing units provides a basis for directing management improvement efforts.

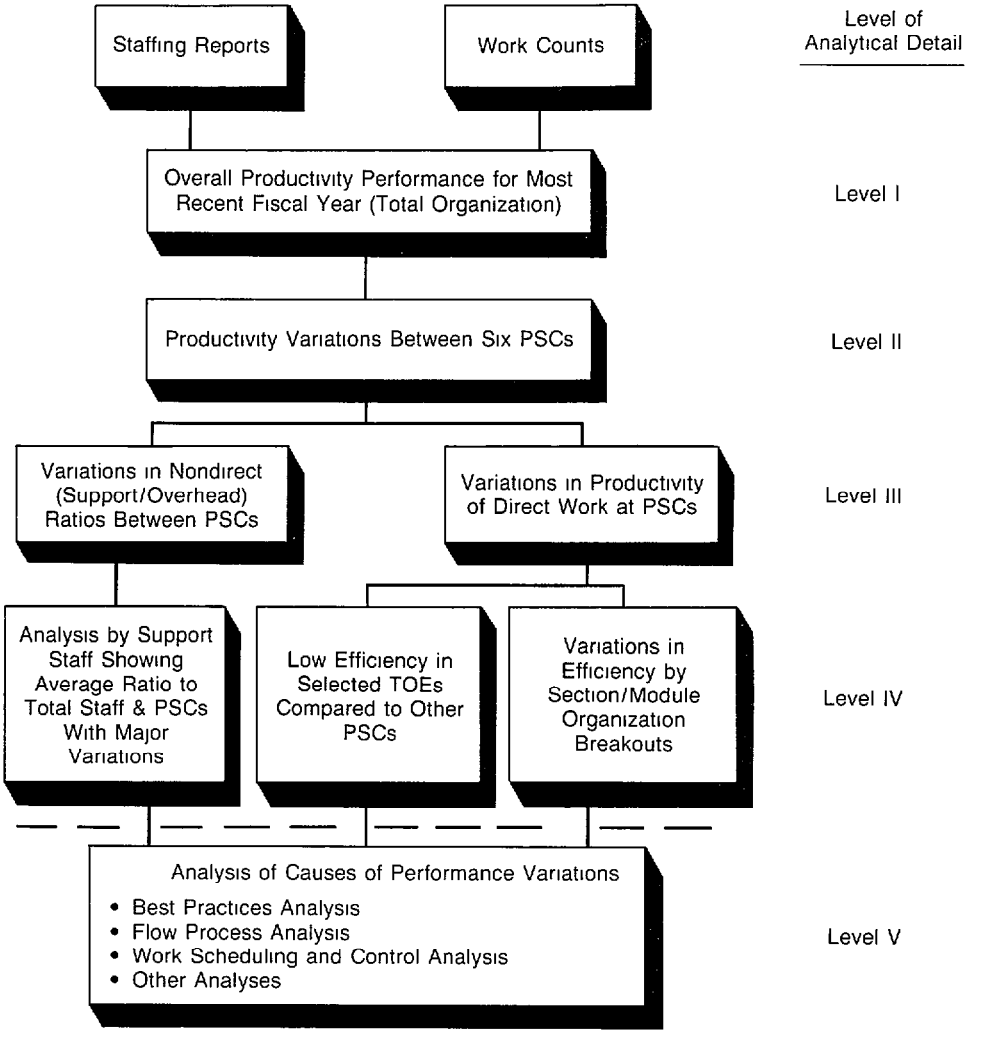
This appendix shows how existing PSC productivity and staffing information could be organized in ways that permitted the identification of high and low

- productivity by PSC;
- productivity by sections and modules within each PSC;
- productivity by any PSC on any output product (identified as a "TOE", or type-of-event);
- ratios of nondirect work staff time to direct work staff time by PSC and by module at each PSC; and
- ratios of nondirect work staff time.

This appendix describes how we arrayed the above information in a manner that identifies which organizational elements and output products should be first examined in any systematic productivity improvement effort. Figure III.1 shows the concept of how this analysis can proceed.

[1]Productivity in this context means how much work is produced with available staff resources. It is generally measured in terms of output per person over a given time period, and for a given level of timeliness and quality.

Figure III.1: Systematic Analysis of Performance



The result of the PSC performance analysis depicted in figure III.1 from level I to level IV is a set of data which identifies where management should concentrate its attention. Basically, this set of data identifies organizations, suborganizations, and output products where there is low productivity and that low productivity is associated with high levels of staff usage. By highlighting lower productivity areas, and examining in detail their staff usage and operating practices, management may be able to identify operating practices causing low productivity and implement improvements to raise productivity.

The analysis outlined for level V is a detailed examination for determining the causes of low productivity. This could take several forms, such as:

- Comparing and contrasting the operating practices used at both the lowest and highest performing offices (referred to as best practices analysis). While this analysis generally identifies best practices in high performing areas that can be transferred to low performing areas, at times it can identify some best practices in even lowest performing areas, which then can be transferred to other areas.
- Flow process analysis—which can be applied to inefficiently produced products to determine if there are duplicate steps, extra routing of the products, or unnecessary steps.
- Examining the production scheduling and control procedures at low performing organizations—this requires determining how supervisors distribute work to employees and how work is shifted between groups in order to maintain a balanced workflow and minimize backlogs.

We conducted a partial analysis following the above described systematic approach as a demonstration of the ability to identify in PSCs where management attention can have significant benefits. In performing this analysis, the Mid-Atlantic PSC was selected for the in-depth portion of the analysis because its productivity was relatively low.

Case Study: Mid-Atlantic Program Service Center

This case study describes how we used existing PSC staffing and output production data to develop the series of staffing ratios and productivity measures as outlined in figure III.1.

Although we used current PSC data, we did not use the productivity measures from existing PSC reports on productivity. Current PSC measures use fiscal year 1979 as a base year for weighting different output products. Instead, we developed a new set of productivity measures based on fiscal year 1985 work measurement and production data. This was done to alleviate any concerns that the PSC productivity measures may be out of date because of operating or product changes.

Variations Between PSCs in Overall Productivity

The starting point for this analysis is the 1985 productivity level for all PSCs, shown as level I in figure III.1. Since 1985 was established as a base year, this productivity level was indexed at 100 percent.

The next step was to compare the productivity between PSCs shown as level II in figure III.I. The results of this analysis are shown in table III.1.

Table III.1: Fiscal Year 1985 Productivity

Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western	National
98.7	90.2	116.0	94.5	100.1	100.1	100.0

Although Mid-Atlantic was identified as a candidate for more in-depth analysis, as the analysis proceeds it can be seen that Mid-Atlantic does perform better than average in many operational areas. In addition, many parts of other PSCs merit management improvement attention.

Productivity Variations Expressed as Staff Hours Variations From Average Usage

Table III.1 shows overall productivity performance for fiscal year 1985. The identification of targets of opportunity by using PSC performance expressed as a percentage of the national average productivity can assure that management attention is primarily directed to low productivity areas. These are areas where there appears to be a better than average opportunity for making improvements because similar areas are already demonstrating that higher performance is possible. However, there is a weakness in using only percentage productivity data. Two different suborganizations may have equally low productivity, but because of size differences the biggest overall productivity gain can come from addressing the larger of the two suborganizations.

In order to include organization size in the analysis, we used the approach of expressing productivity variations in terms of input staff hours that would need to be reduced in order to bring a suborganization up to average productivity. Such an analysis is based on the following formula

$$\text{Productivity} = \frac{\text{Output}}{\text{Input (staff hours)}}$$

In other words, if an organization improved its productivity, the current output could be produced with fewer staff hours. The reduction in staff hours represents potential savings. These staff hours have been termed "opportunity-hours" since they represent the targets of opportunity where management should direct its attention. Table III.2 restates the PSCs' productivity variations in terms of opportunity-hours.

Table III.2 Fiscal Year 1985 Opportunity Hours[a]

	Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western	National
Productivity	98 7	92 2	116.0	94.5	100.0	100.1	100 0
Opportunity Hours	47,900	338,200	•	233,800	•	•	•

[a]Only the PSCs with below average productivity are identified as having a net number of staff hours greater than required to achieve average productivity.

The table shows that Mid-Atlantic could increase its total productivity to 100 percent of the national average by reducing its staff input by 338,200 hours.

After the overall comparative productivity is known, the next step is to break down the comparative performance into the (1) effects of productivity performance by direct-work staff only, and (2) effects of nondirect staff, such as overhead and support functions.

Variation Between PSCs in Direct Work

Direct work, as measured at the PSCs, is the work applied directly to output product (claims and other products) by the technical staff. Technical staff is made up of claims authorizers, benefit authorizers, and similar professional employees. Direct work utilizes about 54 percent of the total staff. The direct work productivity (level III in figure III.1) by PSC for this staff is shown in table III.3.

Productivity is expressed in terms of percentage and opportunity hours for those PSCs with below average productivity.

Table III.3: Fiscal Year 1985 Direct Staff Productivity and Opportunity Hours

	Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western	National
Productivity	94.4	96.5	116.5	92.0	97 0	107 0	100.0
Opportunity Hours	116,700	59,700	•	185,200	77,400	•	•

As table III.3 shows, Mid-Atlantic is not the lowest performer in the direct work category.

Direct staff productivity can be further examined two ways. First, it can be examined by organizing the productivity data by organization—evaluating the productivity for each PSC, section, and module. Second, it can be examined by organizing the productivity on a product-by-product

basis and evaluating how efficiently each PSC produces each product. In this discussion, we will address only the product-by-product analysis. That is, we will examine how efficiently the individual output products are produced, on an organization-by-organization basis, as compared to the national average. This is identified as level IV in figure III.1. PSC productivity data is developed in a manner that permits such an analysis, and we developed such measures for fiscal year 1985. The data is available on staff time and output quantities for each of 26 output products. Table III.4 shows the relative productivity in terms of the opportunity hours we developed. In order to focus management attention on the largest opportunity areas, we selected a cutoff point of 40,000 hours.

Table III.4: Fiscal Year 1985 Direct Staff Opportunity Hours by "TOE" Code[a]

TOE[b] CODES	Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western
120	94,700	0	0	0	0	0
720	0	77,600	0	0	61,500	0
310	0	0	0	0	0	0
610	0	0	0	0	0	0
420	0	49,100	0	0	0	0
320	0	0	0	0	0	0
730	47,800	0	41,800	0	0	0
810	0	41,400	0	0	0	0
410	0	0	0	0	48,100	0
540	0	0	0	49,400	0	0
210	0	0	0	0	0	0
140	0	0	0	0	0	0
710	0	0	0	0	0	0
250	0	0	0	0	0	0
530	0	0	0	0	0	0
510	0	0	0	0	0	0
145	0	0	0	43,500	0	0
230	0	0	0	0	0	0
220	0	0	0	0	0	0
930	0	0	0	0	0	0
360	0	0	0	0	0	0
740	0	0	0	0	0	0
155	0	0	0	0	0	0
620	0	0	0	0	0	0
910	0	0	0	0	0	0
920	0	0	0	0	0	0

[a]The opportunity hours in this table do not represent all situations where an output product exceeded the average processing time. In order to focus attention on the biggest out-of-balance areas, only opportunity hours in excess of 40,000 hours are shown.

[b]Type of Event (TOE) codes indicate the output product. For example, a TOE 230 is a change of address, and TOE 720 is an overpayment activity.

These opportunity hours reflect the number of staff hours that were used on each output product in excess of the staff hours used to achieve productivity at the national average. For example, the table identifies 77,600 staff hours on output product 720. This is the quantity of staff hours in excess of the amount Mid-Atlantic would have used to process product 720 if it had used direct staff at the same rate as the national average for that product.

It should also be noted that when broken down by TOE the opportunity hours can exceed the opportunity hours required to raise the total direct work productivity to 100 percent. For example, although only 59,700 hours are required to raise Mid-Atlantic's direct work productivity to 100 percent (table III.3), the potential improvement offered by TOE code 720 alone is 77,600 hours. This occurs because in certain TOE codes Mid-Atlantic performs well above average, thus offsetting to some extent the below average performance on other TOEs.

Variations Between PSCs in Nondirect Staff Ratios

PSC reports on staff time utilization itemize time spent in categories of work that are identified as administrative and nonmeasurable. This is staff time not spent directly on processing claims and other products—it does not include technicians' time, such as claims authorizers' time that is spent working on claims or other direct outputs.

Although nondirect staff, such as overhead staff and nontechnicians, are necessary and important to the smooth functioning of a PSC, their time is often more difficult to measure and associate with particular products. Hence, staffing ratios are frequently used to determine an expected level of nondirect staffing. Consequently, a comparison of existing staffing ratios to expected or average ratios can enable management to identify areas where the organization may not be using nondirect staff in an efficient manner. The overall nondirect staffing ratios across PSCs as indicated in level III, figure III.1, is shown in table III.5.

Table III.5: Fiscal Year 1985 Nondirect Staff as a Percent of Direct Staff and as Opportunity Hours

	Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western	National
Staff Ratio	83.9	104.1	75.8	89.7	84.3	93.8	87.4
Opportunity Hours	•	278,500	•	48,600	•	97,700	•

Table III.5 shows that Mid-Atlantic had a nondirect staff ratio of 104.1 percent,[2] which was higher than the national average of 87.4 percent.

[2]The nondirect staff percentage for each individual PSC is based on first bringing the direct staff of that PSC down to a level that assures at least 100-percent productivity in direct work. The current nondirect staff ratio as the ratio of current nondirect staff levels to the improved direct staff level is then computed. This is based on the assumption that direct staff will be adjusted to achieve at least 100-percent productivity. If such an adjustment does not fully occur, the indirect staff ratio will appropriately be different.

The opportunity hours for nondirect staff is shown in the schedule as 278,500 hours.

In order to pursue potential savings in PSCs with high nondirect staff ratios, it is necessary for management to examine more closely these nondirect functions. Using the opportunity hours approach, existing PSC data permits this more in-depth analysis by individual nondirect staff category. This is identified as level IV in figure III.1.

Table III.6 shows the nondirect staff categories that are used least efficiently at each PSC. Again, the table does not show the performance variation as a percentage. Instead, the variation is expressed in number of hours more than the national average that were used at each PSC for each staff category—the opportunity hours.

Table III.6: Fiscal Year 1985 Nondirect Key Staff Opportunity Hours[a]

STAFF[b] TYPES	Northeastern	Mid-Atlantic	Southeastern	Great Lakes	Mid-America	Western
007 Administrative	0	0	0	0	0	0
008 Supervision/ Management	22,600	20,900	0	0	0	0
009 Secretarial	0	21,000	0	0	0	0
010 Special Education	0	0	0	0	0	0
013 Classroom Training	0	54,200	0	0	0	28,300
014 Other Training	22,700	0	0	0	0	0
053 Personal Time	0	0	21,800	0	0	47,500
050 File/Mail	46,200	20,300	0	0	0	0
051 Control	0	73,700	0	0	0	21,700
052 Special Project	0	0	0	0	0	0
054 ADP Related	0	0	0	57,300	0	0
055 Work Related	0	0	0	0	0	0
056 Direct Work	0	68,800	0	0	27,300	0

[a]It should be noted that the opportunity hours for each PSC, when broken down by staff type, can exceed the number of opportunity hours in the table that shows the summary opportunity hours. This occurs because each PSC has lower than average staff ratios for certain types of staff and higher than average for others Table III.5 shows only the net level of opportunity hours

[b]SSA report user guidance refers to codes 050-056 as direct/nonmeasurable hours For this analysis it was deemed appropriate to treat these codes as nondirect, as the time was not charged directly to outputs

Table III.6 shows the areas or functions that are furthest below the average staff ratios in the six PSCs for these nondirect staff categories. To focus management attention on the largest opportunity hour areas, we selected a cut-off point of 20,000 hours. For example, at Mid-Atlantic

the Code 013/class training is used in relatively greater quantity than at the PSC-wide average. If this training were used at the same level at the average PSC, 54,000 staff hours less would have been used. Further, if similar staff adjustments were also made in 050 file/mail, 20,300 staff hours less would have been used. The total opportunity hours for the six key areas at Mid-Atlantic are 258,900 hours.

Detailed Examination of Causes of Variations in Nondirect Work

After identifying where within the organization that management can have the greatest payoff for addressing efficiency, the next step is to examine why efficiency is low in these selected areas. This is identified as level V on figure III.1.

In addressing causes of variations in nondirect staff time we examined the general practices used in different PSCs—a "best practices" approach. We observed that different PSCs use a variety of operating practices for the same processes. Some of these differences were in the nondirect support functions. For example:

- One PSC had developed a system for computerized sorting of computer generated outgoing mail. Since some of the mail had to be reviewed by a technician before it was sent out, a sort had to be made in the mail room. The other PSC mail rooms were performing the sort manually.
- Three of the six PSCs used rotating carousels to sort outgoing mail to district, regional, and other offices. This allowed clerks to sort mail into several hundred locations while standing or sitting in one position. The other PSCs required the clerks to walk up and down a row of sorting bins to locate the appropriate slot.
- Some PSCs used manual and some used automatic date stampers.
- Some PSCs sorted mail by "cluster" teams, and some used assembly lines (which added sorting steps).

Although these are only a few of the variations in the processes at different PSCs, they represent some differences in practices managers could examine as potential explanations of differences in productivity.

Comments From the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES Office of Inspector General

Washington, D C 20201

4 '87

Mr. Richard L. Fogel
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report, "Social Security: Opportunities to Improve Productivity At Program Service Centers." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "SOCIAL SECURITY: OPPORTUNITIES TO IMPROVE PRODUCTIVITY AT PROGRAM SERVICE CENTERS"

General

We agree that the Social Security Administration (SSA) must make maximum use of program service center (PSC) performance and productivity data in order to take advantage of every opportunity to operate more efficiently in the PSCs. We believe the methodology for analyzing productivity data outlined in the report, which is similar to one used recently at SSA to help determine regional and PSC productivity, is useful for identifying specific PSC work processes for which productivity may be subject to improvement. Determinations of opportunity hours through use of this methodology are indicators of where to ask questions. As such, they are of value in spotting variances in performance for the organization, variances which must be analyzed to determine the reasons for such variances. SSA's commitment to increased productivity and cost effectiveness while maintaining standards of quality is strong and continuing.

Based upon analysis of performance and productivity data, SSA has taken steps to improve the productivity of PSC and field office operations and reduce overall resource needs. Such productivity improvement efforts include:

- The Claims Modernization Project (CMP), now underway, which will modernize the process by which SSA receives and adjudicates claims and will result in quicker access to information and more accurate benefit amount computation. Together with related hardware and software improvement initiatives, CMP will enable SSA employees to perform their jobs more efficiently. Fiscal year (FY) '88 savings of about 570 workyears ($16.2 million) will result from CMP.

- Processing of PSC workloads identified as of marginal value has been and will continue to be eliminated. Savings of 240 workyears, or about $7 million in FY '85 and FY '86, and an estimated 390 workyears, or about $12.6 million for FY '87 and FY '88, have and will result from ongoing PSC reviews of workload processing.

- The expansion of District Office Final Authorization (DOFA) procedures so that eligibility determinations are now made almost exclusively in field offices, thus reducing numbers of PSC staff involved in claims processing. DOFA expansion will result in savings of about 361 workyears ($11.4 million) in FY '87.

- Productivity improvement is included as an objective in the SSA Commissioner's Activities Report and Operations Tracking System for FY '87. These objectives contain specific

productivity improvement goals for some managers and serve as the basis for the development of SSA's management performance plans. Also, the level of employee award money in field offices and the PSCs is dependent upon productivity.

Through the above initiatives which are already in effect, together with many other PSC productivity improvement actions that have been taken, SSA has been able to reduce operational workyear requirements in the six PSCs by almost 20 percent (a reduction of 2,930 workyears for savings of $41.8 million) from FY '84 through FY '86. SSA's FY '88 President's Budget projects a further reduction of almost 15 percent (an additional reduction of 1,772 workyears for FY '87 and FY '88, saving $13.7 million).

General Accounting Office (GAO) Recommendation

That the Secretary of Health and Human Services (HHS) direct the Commissioner of Social Security to hold managers accountable for achieving specific productivity improvement goals through establishing such goals in merit pay plans and Senior Executive Service contracts.

HHS Comment

We concur with this concept. As we stated above, we look at productivity data to serve as indicators of performance. Generalized indicators may not apply to specific instances. Much of the remaining variation in PSC productivity upon which productivity improvement goals would be based is not sufficiently available in the PSC management information system data to be rigidly adhered to. Variations in equipment, staffing and the timing of modifications in procedures can legitimately explain much of the variation currently reflected in PSC management system data. Nevertheless, the data can serve as indicators where potential improvements can occur or where changes in prior levels of performance may be gauged. Based on data, as well as the judgment of senior managers, specific productivity improvements could be adopted and form the basis for executive performance evaluation.

GAO Recommendation

That the Secretary of HHS direct the Commissioner of Social Security to develop and apply productivity measures at the module level so that module managers can be held accountable for productivity management.

HHS Comment

We agree that all levels of management should share in the responsibility for productivity improvements, and we need to develop management information that is indicative of performance at the module level. SSA will explore the feasibility of collecting such data in an efficient and costeffective basis.

GAO Recommendation

That the Secretary of HHS direct the Commissioner of Social Security to use existing productivity data to identify opportunities for cost savings. This would involve identifying which specific organizational elements are operating inefficiently and which products those organizational elements are inefficiently processing, and expanding employee involvement in the productivity effort by encouraging maximum employee participation and interest.

HHS Comment

We agree that all available productivity data must be used to identify areas in which productivity may be lagging. SSA is taking actions to improve PSC management information related to productivity management. Productivity variations will be examined to determine causes and, where appropriate, objectives and plans for corrective actions will be developed. For example, SSA identified wide variations in the number of employees per module as a cause of varying rates of nondirect staff productivity, and now has a major initiative underway to reduce the number of modules and, therefore, reduce the variation in supervisory ratios.

GAO Recommendation

That the Secretary of HHS direct the Commissioner of Social Security to ensure that beneficiary records folders are not retrieved and forwarded to benefit and claims authorizers for actions which do not require the use of folders.

HHS Comment

We agree that folderless processing presents an important productivity improvement opportunity. SSA has already begun a major initiative to implement folderless processing. This project encompasses a variety of initiatives involving: (1) reducing the number of documents retained in claims files; (2) reducing inactive folder storage; and (3) reducing folder access and movement.

As part of this initiative, SSA is currently evaluating the use of folderless processing in the Western PSC. Beginning in December 1986, a group of technicians began processing work using available beneficiary records systems data, and then requesting the folder only when insufficient systems data are available. The experiment will soon be expanded to a full processing module to run for a 6-month period. In addition to determining which cases can be worked currently without the folder, SSA will identify systems enhancements necessary for increasing the percentage of actions processed without a folder, and for measuring folderless processing.

The postentitlement portion of the Program Benefits Project should reap further benefits in folderless processing. This effort could be piloted as early as the beginning of 1988.

GAO Recommendation

That the Secretary of HHS direct the Commissioner of Social Security to require the expanded use of locally developed computer programs where they would result in cost savings.

HHS Comment

We agree and have already taken steps to implement this proposal. In December 1986, the PSCs were asked to compile a complete listing of local programs for operational and administrative use. These lists are being compiled into a single narrative index and will be updated periodically and distributed to all PSCs. Monthly reports will be used to monitor local programming activity and to standardize use among the PSCs.

Other Matters

Page 1 of the draft report states that the six PSCs employed about 17,000 full-time equivalent (FTE) staff in FY '85. This is incorrect. The PSCs used 12,834 FTEs in FY '85 and ended the year with 12,907 FTE staff on duty. Including nonceiling and overtime workyears, the PSCs used a total of 14,032 workyears in FY '85. The PSCs employed approximately 16 percent rather than 20 percent of total SSA staff.

Deleted from report.

Page 7 of the draft report mentions an SSA trend report indicating that PSC productivity fell 3 percent in FY '85. This analysis was based on data which were not weighted for changes in the difficulty of individual workloads. Official, fully-weighted SSA data indicate that PSC productivity increased by more than 3 percent in FY '85.

Page 2 of the draft report notes the variation in the productivity among the PSCs for FY '85. Compared to a PSC average of 100 percent, it is reported that individual PSC productivity ranged from a low of 90 percent to a high of 116 percent. SSA has recently completed an analysis of FY '86 data using the GAO methodology for analyzing productivity. The variation among PSCs has been significantly reduced. In FY '86, the variation ranged from a low of 98.2 percent to a high of 102.5 percent for an overall range of less than 5 percent.

Discussion of Department of Health and Human Services Comments

In responding to our draft report (see app. IV), the Department of Health and Human Services (DHHS) agreed with our recommendations and made the following comments.

DHHS concurred in the concept of holding managers accountable for achieving specific productivity goals by establishing such goals in merit pay plans and SES contracts. DHHS said it looks at productivity data to serve as indicators of performance. DHHS noted that there are presently limitations in the PSC management information system that preclude the data from being rigidly adhered to for purposes of holding managers accountable. DHHS said, however, that the data can serve as indicators of where potential improvements can occur or where changes in prior levels of performance may be gauged. DHHS said that based on the data, as well as the judgment of senior managers, specific productivity improvements could be adopted and form the basis for executive performance evaluation. We encourage SSA to evaluate executive performance on the basis of productivity improvements.

DHHS agreed that SSA needs to develop management information at the module level. DHHS said SSA will explore the feasibility of collecting such data in an efficient and cost-effective manner.

DHHS agreed that existing productivity data should be used to identify areas in which productivity could be improved. DHHS also agreed that SSA should make maximum use of PSC productivity and performance data in order to operate more efficiently in the PSCs. DHHS said SSA is taking action to improve PSC information related to productivity management. Productivity variations will be examined to determine causes and, where appropriate, objectives and plans for corrective action will be developed. DHHS said, for example, that SSA identified wide variations in the number of employees per module as a cause of varying rates of nondirect staff productivity. SSA now has a major initiative underway to reduce the number of modules and, therefore, reduce the variation in supervisory ratios.

DHHS said that our methodology for analyzing productivity outlined in this report (see app. III) is useful for identifying specific PSC work processes for which productivity may be subject to improvement. According to DHHS, this methodology is similar to the one used recently at SSA to help determine regional and PSC productivity. DHHS said that determinations of opportunity hours through use of this methodology are indicators of where to ask questions and, as such, are of value in spotting variations in performance for the organization.

DHHS advised us that based upon an analysis of performance and productivity data, SSA has taken steps to improve the productivity of PSC and field office operations and reduce overall resource needs. These improvements include:

- The Claims Modernization Project, which will modernize the process by which SSA receives and adjudicates claims, will result in quicker access to information and more accurate benefit computations. SSA estimates fiscal year 1988 savings of about 570 work years ($16.2 million) as a result of this project.
- Processing of PSC work loads identified as having marginal value has been and will continue to be eliminated. Savings of 240 work years, or about $7 million, have been achieved in fiscal years 1985 and 1986. SSA estimates additional savings of 390 work years, or about $12.6 million, will be achieved in fiscal years 1987 and 1988 through ongoing PSC reviews of work load processing.
- The expansion of SSA district office final authority for determining SSA benefit eligibility will reduce the numbers of PSC staff involved in claims processing. This will result in savings of about 361 work years ($11.4 million) in fiscal year 1987.
- Productivity improvement has been included as an objective in the SSA Commissioner's Activities Report and Operations Tracking System for fiscal year 1987. These objectives include specific productivity improvement goals for some managers and serve as the basis for developing SSA's management performance plans. Also, employee award money in field offices and PSCs is now dependent upon productivity.

DHHS said that these initiatives, together with many other PSC productivity improvement actions, have enabled SSA to reduce operational work year requirements in the six PSCs by almost 20 percent (a reduction of 2,930 work years for savings of $41.8 million from fiscal years 1984 to 1986.) SSA projects an additional reduction of 1,772 work years for fiscal years 1987 and 1988.

DHHS agreed that folderless processing of SSA claims presents an important productivity improvement opportunity. According to DHHS, SSA has already begun a major initiative to implement folderless processing. This project also involves (1) reducing the number of documents in claims files, (2) reducing inactive folder storage, and (3) reducing folder access and movement. SSA is currently evaluating the use of folderless processing in the Western PSC. In December 1986, a group of technicians began processing work using available beneficiary data and then requesting the folders only when insufficient systems data are available.

The experiment will soon be expanded to a full module for a 6-month period.

DHHS also agreed that the expanded use of locally developed computer programs should be required where they would result in cost savings. DHHS said that steps have already been taken to implement this proposal. In December 1986, PSCs were asked to compile a complete listing of local programs for operational and administrative use. These lists are being compiled and will be updated periodically and distributed in all PSCs. Monthly reports will be used to monitor local programming activity and to standardize use among the PSCs.

DHHS suggested certain revisions to our draft report to more accurately describe PSC operations. DHHS said the six PSCs employed about 13,000 rather than 17,000 full-time equivalent staff during fiscal year 1985, representing about 16 percent rather than 22 percent of total SSA staff. We revised this information on page 1 of our report. In our draft report, we cited an SSA trend report which indicated that PSC productivity fell 3 percent in fiscal year 1985. DHHS said our analysis was based on data which were not weighted for changes in the difficulty of individual work loads. DHHS said that fully weighted SSA data indicate that PSC productivity increased by more than 3 percent in fiscal year 1985. We have deleted this analysis from the report. DHHS also advised us that the variation in productivity for fiscal year 1985 cited in our report has been significantly reduced. For fiscal year 1985, we noted on page 1 that compared to a PSC average of 100 percent, individual PSC productivity ranged from a low of 90 percent to a high of 116 percent. DHHS said an SSA analysis of fiscal year 1986 data showed the variation ranged from a low of 98.2 percent to a high of 102.5 percent, for an overall range of less than 5 percent. We agree that this is a favorable indicator, and we have noted this improvement on page 2 of our report. We believe that the key to tangible productivity improvement is not to simply narrow the range between high and low producers, but to bring the performance of the poorer performers up to the level of the better performers.

We recognize SSA's present emphasis on PSC productivity and believe that the actions cited, when fully implemented on a continuing basis, should further enhance productivity in the PSCs. We believe that productivity improvements that SSA reported are indicative of the progress that is being made. We did not verify these improvements.

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