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SOCIAL SECURITY
DISABILITY

Growing Funding and
Administrative Problems

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SUMMARY

The Social Security Administration's (SSA's) Disability Insurance (DI) Program faces growing financial and administrative problems. The DI Trust Fund is projected to be exhausted by 1997, and recent delays by State Disability Determination Services (DDSs) in processing applications for disability benefits are expected to reach 7 months in 1993. Appeals of disability determinations already take 7 months.

Factors increasing trust fund expenditures include:

- Rising disability application rates. As unemployment rates rise, disabled persons have more difficulty finding or keeping jobs and thus are motivated to apply for disability.
- Rising allowance rates at the DDS and Administrative Law Judge (ALJ) level. ALJs now allow benefits in about 66 percent of cases they consider.
- Pending class action lawsuits. Two cases in New York potentially involve over 200,000 claimants.
- Termination rates (the rate people leave the disability rolls). Because the average age of disability applicants is decreasing, their time in payment status generally will run longer.

SSA also is experiencing significant program administration problems, including inordinate delays in processing initial disability applications and indications of deteriorating quality of disability determinations. In addition, because of increasing DDS workloads, too few Continuing Disability Reviews (CDRs) are being performed. CDRs are done to ensure that people receiving disability benefits are still eligible.

Mr. Chairman and Members of the Committee:

Thank you for inviting me to testify today on financial and administrative problems facing the Social Security Administration's (SSA) disability programs.¹

In their April 1992 report, the Trustees of the DI fund projected that the fund will be exhausted in 1997. The Trustees have recommended that unspecified legislative action be taken to strengthen the fund's financing and have asked HHS to study the situation and provide a report in December 1992.

In the first part of my testimony, I will briefly highlight some of the underlying factors that have contributed to the current DI trust fund situation. I will then discuss problems with program administration, which also need attention.

CURRENT FACTORS AFFECTING TRUST FUND EXPENDITURES

To a greater or lesser degree, several factors have led to increases in trust fund expenditures. You asked that we address these factors.

Application Rates

Disability application rates have risen in part as a result of the recent increase in unemployment rates. Hard economic times make it more difficult for severely impaired persons to find or keep jobs. Hard times may also provide an incentive for even less severely impaired persons without work to apply for disability. Many working persons have physical conditions that meet or equal SSA's disability standards, and many of these new applicants will qualify for benefits.

Allowance Rates

Between fiscal years 1988 and 1991, the initial DDS allowance rate for DI applicants rose from 40 to 46 percent. Although these rates are not the highest ever experienced, they are substantially higher than those experienced over the past decade. Unfortunately, reasons for the increases are not fully understood, although changes in program criteria may have played a role.

¹ SSA has two disability programs, the DI program and the Supplemental Security Income (SSI) program. State disability determination services (DDSs) make disability determinations for both DI and SSI cases using the same criteria, personnel, and work methods. DDS's also perform continuing disability reviews (CDRs) of current beneficiaries. DDSs are completely funded by the federal government from SSA's administrative expense budget.

Perhaps the most difficult factor to assess is the general administrative environment. Disability decisions, especially in marginal cases, require difficult judgements. Therefore, changes in examiners' attitudes, as influenced by their work and management environment, may be affecting allowance rates. The extent to which this may occur is difficult to determine.

Trends in the appeals level have also caused increases in the rolls. The Administrative Law Judge (ALJ) allowance rate has been rising: from 50 percent in 1985 to about 66 percent in 1991. In 1990, over 15 percent of the new entrants into SSA's disability programs² came from the appeals process. Reasons for increases in ALJ allowances are not clearly understood.

Length of Stay on the Rolls

The size of the disability rolls is also affected by termination rates--the rate people leave the rolls. These rates are affected by such factors as individual motivation towards rehabilitation, and removal because of medical improvement or death. Movement off the rolls has slowed, as the average age of disability applicants has been going down. One contributing factor has been the virtual cessation of continuing disability reviews (CDRs)³. Absent an increase in termination rates, average time on the rolls will increase and the number of beneficiaries on the rolls at any given time will be correspondingly higher.

Legal Environment - A Future Consideration

Class action lawsuits may become significant sources of new awards. SSA and the DDSs are still working on compliance with the Supreme Court's Zebley decision, which will require an estimated 240,000 SSI re-adjudications. Although Zebley is the largest such case, and is limited to SSI claims, other large cases which involve DI are on the horizon. For example, two cases covering both SSI and DI in New York state have potential class sizes of 200,000 or more. SSA is currently tracking over 45 class action lawsuits at various stages of the legal process.

PROGRAM ADMINISTRATION

SSA's disability programs are also currently experiencing administrative problems including: 1) inordinate delays in processing initial disability applications, 2) indications of deterioration in the quality of disability determinations, and 3)

² Data include both SSI and DI combined.

³ In CDRs, SSA refers cases of existing beneficiaries to DDSs, who re-determine if they continue to meet disability criteria.

insufficient numbers of CDRs to maintain the integrity of the rolls.

Processing Time Increases

The average time needed to process an initial disability determination is growing rapidly. In 1989, an average of less than 64 days were needed. Today, the average is 91 days and SSA estimates overall processing times will increase to about 152 days in fiscal year 1992, then about 213 days in fiscal year 1993.

These processing times are averages and thus do not fully reflect individual claimants' experiences, which depend on the state they live in and the complexity of their case. For example, claimants in California already wait an average of more than 135 days to obtain an initial determination. Figure 1 shows how average processing times vary by state.

SSA's burgeoning workload also has implications for future delays in the appeals process. At current appeal rates, ALJs, who hear disability appeals, will also experience growing workloads. As a consequence, we expect that waiting time for an ALJ decision should grow; such appeals already took 227 days in fiscal year 1991. Thus, many denied applicants who appeal will have to wait 14 months or longer for a final decision.

Decisional Quality

SSA's quality assurance data point to another problem. Error rates, as reported by SSA's quality assurance review process, have increased. In fiscal year 1985, 3.7 percent of cases contained errors. By the end of fiscal year 1991, this had risen to 5.6 percent of all cases. However, almost all of this increase came from errors on denied cases. Thus, while accuracy on initially allowed cases (where the applicant receives benefits) has remained relatively steady, denied cases are more likely to contain errors.

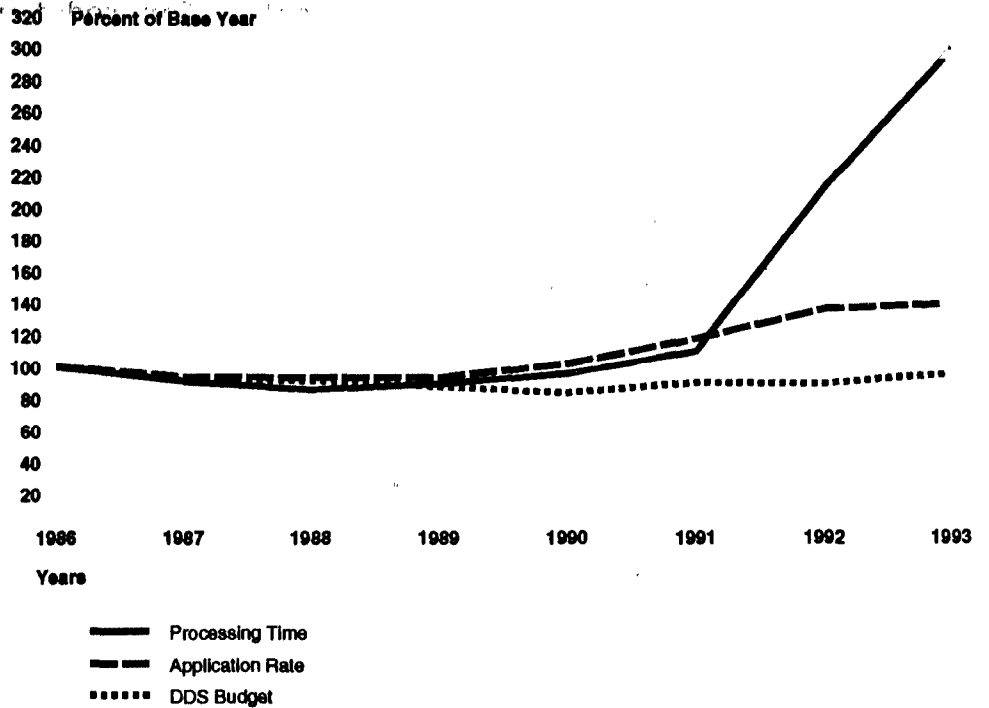
Our work to date has not progressed far enough for us to fully analyze these developments. We do not know what connection, if any, they have with overall allowance rates. But we think it noteworthy that this increase in error rates is occurring at the same time that DDSs are experiencing increased workloads and constrained resources.

Origins of the Workload Problem

A major cause of the increased processing time is the increase in applications. As shown in Figure 2, disability application rates (DI and SSI combined)³ began to grow in 1989, but DDS administrative budgets did not increase at the same rate. Application rates increased by 36 percent between 1986 and 1992 while DDSs' budgets fell 11 percent in the same period. In 1986 dollars, the DDSs' budgets fell from \$756 million in 1986 to an estimated \$673 million in 1992. Subsequently, the time needed to process applications began to rise.

³ SSI applications have also increased, causing the SSI budget to grow 57 percent in two years, from \$11.6 billion in fiscal year 1990 to \$18.2 billion in fiscal year 1992.

Figure 2: Relation of Processing Time, Application Rate, and DDS Budgets



Assuming no change in the resources required to complete each action, perhaps as much as half a billion dollars⁴ would be required to 1) handle projected new applications and stop backlogs from increasing in 1993, 2) reduce the fiscal year 1993 starting backlog to an acceptable level⁵, and 3) process overdue CDRs.

Some of this may be offset by reductions in future benefit costs. For example, SSA's Office of the Actuary recently projected a return of \$4.00 from every \$1.00 spent doing CDRs where medical improvement is expected.

⁴ Caution should be used in applying this estimate. Our purpose in making it was to demonstrate that SSA's recent budget request is insufficient to achieve timeliness goals and its legal mandates.

⁵ SSA does not have an official goal for case processing times. We based our estimate on a 60 day time frame.

Continuing Disability Reviews

SSA's efforts to cope with increasing workloads within existing budgetary constraints has led to deemphasizing CDRs. As part of its strategy to cope with the volume of new applications, SSA has ceased referring CDR cases to states for redetermination, except in very limited circumstances. Current law mandates CDRs at least once every three years for cases where medical improvement is either possible or expected.

SSA staff now estimate that over a million such cases are backlogged at present. We estimate that about 6 percent of these cases will receive a CDR in fiscal year 1992.⁶

CDRs are important beyond dollars involved. The failure to do CDRs means that increasing numbers of ineligible remain on the rolls and may erode public support for the program.

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Mr. Chairman, that concludes my statement. I will be pleased to answer any questions you or members of the Committee may have.

⁶ We have noted SSA's continued failure to achieve the full cost-saving potential of CDRs since we testified on the subject in 1987. Again, in 1991, we testified that overdue CDRs were piling up at the rate of 250,000 per year.

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