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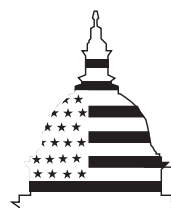
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**SOCIAL SECURITY
DISABILITY**

**SSA Has Had Mixed
Success in Efforts to
Improve Caseload
Management**

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G A O

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Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management

Messrs. Chairmen and Members of the Subcommittees:

Thank you for inviting me here today to discuss the Social Security Administration's (SSA) management of its disability caseload. The nation's two major federal disability programs, Disability Insurance (DI) and Supplemental Security Income (SSI), provide an important economic safety net for individuals and families. Last year, about 11 million people received \$77 billion in benefits from these programs. Yet both programs have long suffered from a set of serious problems. The process of applying for benefits is complex and can confuse or frustrate the applicants. Also, SSA has a backlog of applications and appealed cases, and people often have to wait as long as a year for a final decision on their eligibility. Moreover, there are concerns about the fairness of the decision-making process because of the high percentage of applicants who are initially denied benefits and then, upon appeal, are approved. Finally, once people begin receiving benefits, SSA's reviews to determine whether these beneficiaries continue to be eligible have been inadequate.

SSA, as the agency responsible for administering these disability programs, has recognized and taken action to address these problems. In 1994, the agency embarked on an ambitious plan to fundamentally overhaul the disability claims process. Since then, SSA has tested a number of significant process changes and has taken other steps intended to provide the public with better service, reduce the work backlog, and improve the consistency of decisions. SSA has also taken steps to catch up on overdue reviews to determine whether individuals remain eligible for their benefits over time. Now that several years have elapsed since SSA began these efforts, you asked us to assess its progress. Today I will discuss (1) the status of SSA's efforts to improve its claims process, (2) lessons learned from the agency's efforts to date that can be applied to its current and future claims processing improvement plans, and (3) SSA's efforts to review the continuing eligibility of its beneficiaries. The information I am providing today is based primarily on our published reports (see the list of related GAO products at the end of this statement).

In summary, SSA is only just beginning to make headway on improving its claims process but has been far more successful in catching up on overdue eligibility review of current beneficiaries. It is vital that SSA tackle its claims process problems now, before the agency is hit with another surge in workload as the baby boomers reach their disability-prone years.

The agency's first ambitious plan to redesign its claims process in 1994 yielded little. When the agency scaled back its plan in 1997, progress was slow, in part because even the scaled-back plan proved to be too large to be kept on track. In addition, SSA's proposed changes initially showed disappointing and inconclusive results. We made a number of recommendations designed to improve SSA's prospects for success as it continues its efforts to improve the claims process, and, in March of this year, SSA issued a new disability plan that is consistent with some of our recommendations. For example, it places emphasis on initiatives to improve the quality and consistency of decisions. However, much remains to be done. Moreover, the plan also includes a bold new initiative to revise operations at SSA's hearings offices. For SSA to avoid repeating some of the mistakes of the past, this hearings office initiative, as well as the entire set of steps outlined to improve the disability claims process, will require concerted management oversight and diligence.

SSA's experience with catching up on its overdue disability reviews, on the other hand, has been more successful. The agency has exceeded its goals for the last 3 years and appears on track to complete the goals it laid out in a 7-year plan. However, the state agencies conducting these reviews must balance this large workload with their other work, such as determining eligibility for incoming claims. Unanticipated increases in any of the workloads could strain the agencies' ability to keep up their current pace.

Background

DI and SSI both provide cash benefits to people with long-term disabilities. The DI program, enacted in 1954, provides monthly cash benefits to workers who have become severely disabled and their dependents or survivors. These benefits are financed through payroll taxes paid by workers and their employers and by the self-employed. In 1998, 6.3 million individuals received DI benefits amounting to \$47.7 billion. SSI, on the other hand, was enacted in 1972 as an income assistance program for aged, blind, or disabled individuals whose income and resources have fallen below a certain threshold.¹ SSI payments are financed from general tax revenues, and SSI beneficiaries are usually poorer than DI beneficiaries. In 1998, 6.6 million individuals received SSI benefits of \$27.4 billion.² For both programs, disability for adults is defined as an inability to engage in any substantial gainful activity because of a severe physical or mental impairment. The standards for determining whether the severity of an applicant's impairment qualifies him or her for disability benefits are

¹In 1998, almost 900,000 disabled children received SSI benefits.

²About 14 percent of disabled DI benefit recipients have incomes that also qualify them for SSI.

spelled out in the Social Security Act and extensive SSA regulations and rulings.

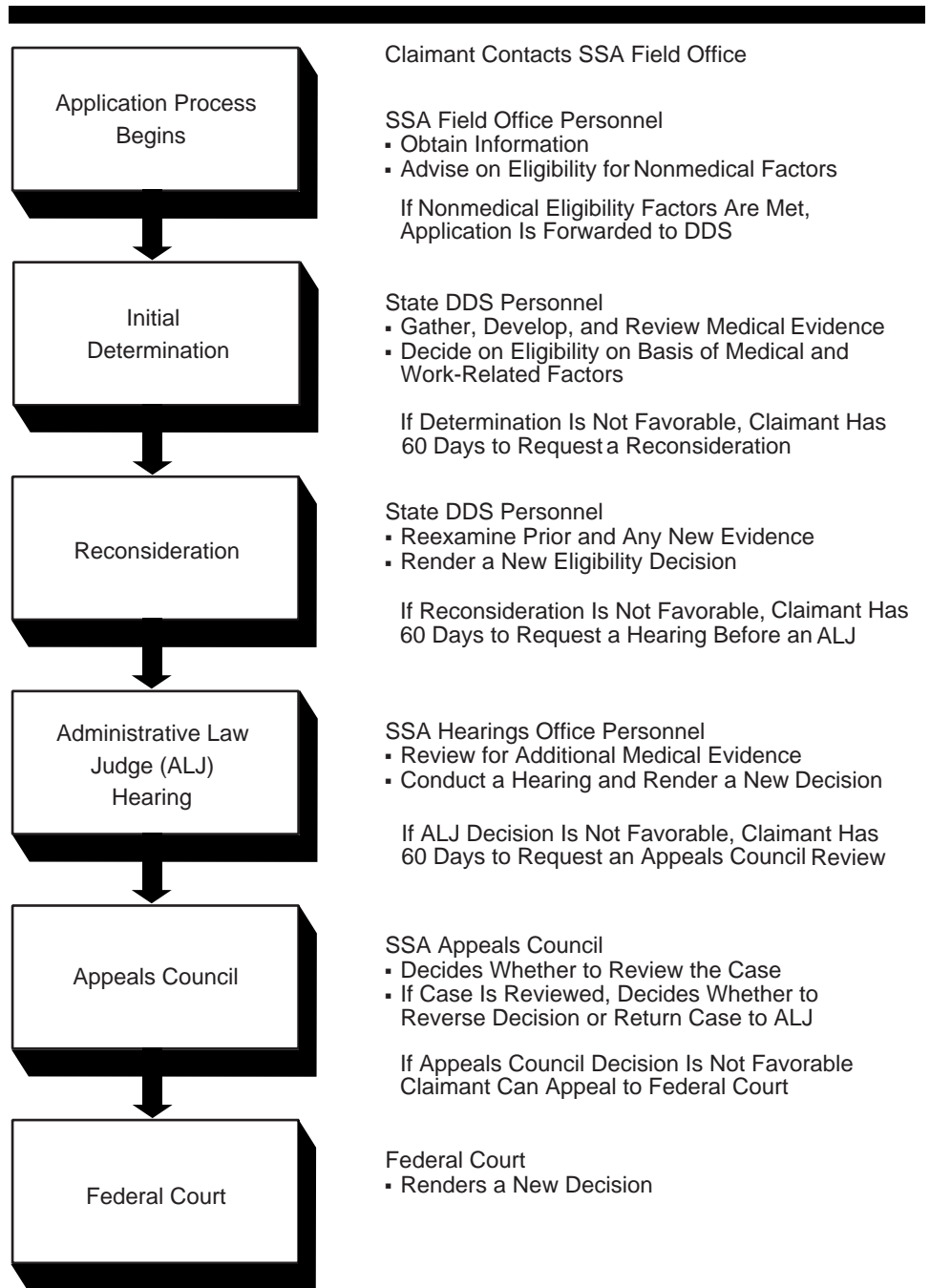
Problems Are Associated With Complex Disability Claims Process

SSA's disability claims process has long suffered from problems associated with its complexity and fragmentation. Figure I shows the complex process, which is in part required by law. The process begins when a claimant contacts one of SSA's almost 1,300 field offices across the country to apply for benefits. Once the application is completed, field office personnel forward the claim to one of 54 state disability determination service (DDS) agencies.³ At the DDS, a team consisting of a specially trained disability examiner and an agency physician or psychologist reviews the available medical evidence and determines whether the claimant is disabled. If the claimant is dissatisfied with the initial determination, the process provides for three levels of administrative review: (1) a reconsideration of the decision by the DDS, (2) a hearing before an administrative law judge at an SSA hearings office, and (3) a review by SSA's Appeals Council. Upon exhausting these administrative remedies, the claimant may file a complaint with a federal court. The cost of administering the disability programs reflects the demanding nature of the process: in fiscal year 1998, SSA spent about \$4.3 billion, or almost 66 percent of its administrative budget, on its disability programs, even though disability beneficiaries are only 21 percent of the agency's total number of beneficiaries.

³Under a federal-state arrangement, SSA funds these DDSs, which are administered by the 50 states and the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

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Figure 1: SSA's Disability Claims Process



The disability claims process has proved to be a lengthy one that can confuse and frustrate applicants. Since the early 1990s, claimants applying for disability benefits have often had to wait over a year for a final decision on their eligibility. Delays can be caused by the need to obtain extensive medical evidence from health care providers to document the basis for disability.⁴ In addition, however, because of the multiple levels and decision points in the process, a great deal of time can pass while a claimant's file is passed from one SSA employee or office to another. Moreover, as a result of these multiple handoffs and the general complexity of the process, SSA believes claimants do not understand the process and have had difficulty obtaining meaningful information about the status of their claims.

Long-standing problems with this process were exacerbated when the number of claims for disability benefits increased dramatically between fiscal years 1991 and 1993—from about 3 million to 3.9 million, or almost 32 percent.⁵ As a result, SSA's disability workload began to accumulate during this period. Most dramatically, the number of pending hearings almost doubled between 1991 and 1993—from 183,471 to 357,564. Since that time, the number of people applying for disability has fallen to just under 3 million per year; however, the hearings offices in particular have yet to recover. At the end of fiscal year 1998, there were still over 380,000 backlogged hearings. Moreover, SSA expects claims to begin to increase in the near future as the baby boom generation approaches its disability-prone years.

The current process also permits inconsistent decisions between the initial and appeal levels. In 1996, about two-thirds of all those whose claims were denied at the reconsideration level filed an appeal, and, of these, about 65 percent received favorable decisions at the hearing level. SSA has determined that, at the initial level, denial cases are more error-prone than are allowance cases, while at the hearing level, allowance cases are more error-prone. This inconsistency has been attributed to a number of factors. According to SSA, an administrative law judge (ALJ) might arrive at a different decision than a DDS because the claimant's condition has worsened, or because ALJs are more likely than DDS decisionmakers to meet with claimants face-to-face, and thus have access to more or different information. However, SSA studies have also found that DDS and ALJ adjudicators often arrive at different conclusions even when presented

⁴According to SSA, providers often do not understand the requirements, find the forms confusing, or feel burdened by the requests for evidence.

⁵This increase does not include applications for SSI by aged claimants.

with the same evidence.⁶ This is due, in part, to the fact that DDS and ALJ adjudicators use different approaches in evaluating claims and making decisions. This inconsistency of decisions has raised questions about the fairness, integrity, and cost of SSA's disability program. In fiscal year 1998, the cost of making a determination at the DDS level was \$547 per case, while the cost of an ALJ decision was an additional \$1,385.

SSA Was Behind on Required Periodic Reviews

In addition to determining whether a claimant is eligible to receive benefits, SSA is required by law to conduct continuing disability reviews (CDR) for all DI and some SSI disability beneficiaries. These CDRs are conducted by DDS personnel to determine whether beneficiaries continue to meet the disability requirements under the law. If DDS personnel find that a beneficiary's medical condition no longer meets the disability criteria, benefits will be terminated. SSA's regulations call for CDRs to begin anywhere from 6 months to 7 years after benefits are awarded, depending on the beneficiary's potential for medical improvement given impairment and age. If a DDS terminates the benefits of a current beneficiary, the individual may ask the DDS to reconsider the initial decision and, if denied again, appeal to an ALJ and, ultimately, to federal court.

Budget and staff reductions and large increases in initial claims work have hampered DDS efforts to conduct the required CDRs. Previously, budget reductions in the late 1980s had led to DDS staff reductions, which in turn interfered with DDS' ability to complete CDRs on time. By 1991, DDS staffing levels had begun to increase; however, DDS resources were diverted away from CDRs to process the growing number of initial claims. By fiscal year 1996, SSA had about 4.3 million DI and SSI CDRs due or overdue. As a result, hundreds of millions of dollars in unnecessary costs were incurred each year because ineligible beneficiaries were not identified and continued to receive benefits, and program integrity was undermined.

SSA's Progress in Improving the Claims Process Has Been Limited

SSA has been engaged in a concerted effort to streamline or redesign its disability claims process for over 5 years. In 1994, it issued an ambitious plan with a multitude of initiatives, which was followed by a scaled-back plan in early 1997. The agency's progress throughout this period was slow, in part because even the scaled-back plan proved to be too large and cumbersome to be kept on track. In addition, SSA's strategy for testing

⁶SSA, Office of Program and Integrity Reviews, *Findings of the Disability Hearings Quality Review Process* (Washington, D.C.: SSA, Sept. 1994) and Secretary of Health and Human Services, *Implementation of Section 304 (g) of Public Law 96-265, Social Security Disability Amendments of 1980* (the Bellmon report) (Washington, D.C.: Department of Health and Human Services, Jan. 1982).

proposed changes initially led to inconclusive and disappointing results. Moreover, SSA's new information technology effort to support the improved disability claims process ran aground. It is not uncommon for government agencies to experience difficulty in similar attempts to dramatically overhaul their operations, and we have made a number of recommendations to SSA to improve the likelihood of its success. For example, we recommended that SSA further sharpen its focus on those few initiatives with the greatest potential for success and that the agency rethink its testing approach.

SSA Has Made Little Progress Under Initial Redesign Plans

To address long-standing problems and dramatically improve customer service, SSA embarked on a plan in 1994 to radically reengineer, or redesign, its disability claims process. This plan included 83 initiatives to be completed over 6 years, with 38 near-term initiatives. SSA planned to provide an automated and simpler claim intake and appeal process, a simplified method for making disability decisions, more consistent guidance and training for decisionmakers at all levels of the process, and an improved process for reviewing the quality of eligibility decisions.⁷ From the claimant's perspective, the redesigned process was to offer a single point of contact and a more efficient process with fewer decision points. SSA had high expectations for its proposed redesigned process. The agency projected that the combined changes to the process would result, by fiscal year 1997, in a 25-percent improvement in productivity and customer service over projected fiscal year 1994 levels, and a further 25-percent improvement by the end of fiscal year 2000—without a decrease in decisional accuracy. SSA did not expect the overall redesigned process to alter total benefits paid to claimants, but it estimated that the changes would result in administrative cost savings of \$704 million through fiscal year 2001, and an additional \$305 million annually thereafter.

However, SSA did not actually realize these expected benefits. In our 1996 report on SSA's progress in redesigning the claims process, we concluded that, 2 years into the plan, SSA had yet to achieve significant progress.⁸ For example, SSA had not fully completed any of the 38 near-term initiatives it had hoped to accomplish in the first 2 years. As a result, the agency was

⁷SSA has a 25-year-old process for reviewing the quality of disability decisions. Under this process, teams of independent reviewers reexamine a portion of the decisions made by DDS personnel and ALJs. However, the Social Security Advisory Board has reported that the current quality review process is flawed and should be revised.

⁸SSA Disability Redesign: Focus Needed on Initiatives Most Crucial to Reducing Costs and Time (GAO/HEHS-97-20, Dec. 20, 1996).

unable to demonstrate that any of its proposed changes would work. The agency's slow progress was due in part to the overly ambitious nature of the redesign plan, the complexity of the redesign initiatives, and inconsistent stakeholder support and cooperation. In order to increase SSA's chance of success, we recommended in 1996 that SSA reduce the scope of its redesign effort by focusing on those initiatives considered most crucial to improving the process and testing those initiatives together, in an integrated fashion, at a few sites.

As a result of our findings, the overall lack of progress, and stakeholder concerns, SSA reassessed its approach to redesign and issued a revised plan in February 1997. The new plan focused on eight key initiatives, each one intended to effect a major change to the system.⁹ The plan also included updated tasks and milestones for each key initiative and expanded the time frame for the entire redesign project from 6 to 9 years, ending in 2003. Five of the eight initiatives had near-term milestones; that is, they were to be tested, implemented, or both by the close of fiscal year 1998, while the others had longer-term milestones. Table 1 summarizes these initiatives.

⁹Some initiatives in the original implementation plan were deferred. Still others, considered to be good business practices, were "institutionalized"; that is, SSA shifted responsibility for implementing them from the Disability Process Redesign Team to front-line components without further testing or development.

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Table 1: Initiatives in SSA's 1997 Plan to Redesign Its Claims Process

Initiatives	Description
Near-term	
Single Decision Maker	New decisionmaker position that would give DDS examiner authority to determine eligibility without requiring physician input
Adjudication Officer	New decisionmaker position that would help facilitate the process when an initial decision was appealed
Full Process Model	Process change that would combine the two above positions with a new requirement to interview the claimant before a denial and would eliminate the reconsideration and Appeals Council steps
Process Unification	A series of ongoing initiatives that were intended to promote more consistent decisions across all levels of the process
Quality Assurance	New procedures to build in quality as decisions were made and to improve quality reviews after decisions were made
Long-term	
Disability Claims Manager	New decisionmaker position to combine the disability claims responsibilities of SSA field office personnel with DDS staff
Reengineered Disability (Computer) System	Initiative to develop a new computer software application to more fully automate the disability claims process
Simplified Decision Methodology	Research to devise a simpler method for evaluating and deciding who is disabled

The new decisionmaker positions were intended to help make disability decisions faster and more efficiently. Each of these new positions was to be tested in a “stand-alone” fashion—that is, not together with other proposed and related changes. The Full Process Model initiative did, however, combine the two positions and other changes into a single test.

Even under its scaled-back plan, SSA experienced problems and delays. In March 1999, we reported that SSA had made limited progress in redesigning its disability claims process.¹⁰ On the positive side, under its process unification initiative, which contains a number of initiatives to improve the consistency of decisions, SSA had provided uniform training to over 15,000 decisionmakers from all components of the claims process. Agency officials told us they believe this training and other related efforts have contributed to providing benefits to 90,000 eligible individuals 500 days sooner than they might have been provided over the last 3 years. However, overall, SSA had not met most of the milestones for testing or implementing

¹⁰See SSA Disability Redesign: Actions Needed to Enhance Future Progress (GAO/HEHS-99-25, Mar. 12, 1999). We reviewed only SSA's progress on its near-term initiatives in this report.

its five near-term initiatives, including its planned changes to its quality assurance process.

Moreover, the agency had not yet demonstrated that its proposed changes would significantly improve the claims process. SSA's stand-alone tests of the two near-term decisionmaker positions consumed valuable staff time, and the results were marginal or inconclusive, thus not supporting the wider implementation of the positions. For example, in one test, SSA hoped that giving certain DDS staff (the Single Decision Makers) more authority to make decisions without requiring the usual physician approval would significantly reduce the time spent reaching an eligibility decision, but the test results showed an average improvement of only 1 day. As a result, rather than implement the two near-term positions, SSA decided to wait for results of its integrated test. Full and final results of the integrated test are not yet available, but current results show a higher percentage of individuals were appropriately allowed benefits at the initial level, the quality of decisions to deny benefits at the initial level improved, and claimants who appealed their initial decisions had access to the hearing process earlier (primarily because the test included eliminating the reconsideration step).

As a result of the delays and less positive than expected results, SSA decreased its projected administrative savings and postponed the date for realizing any savings. Projections changed from saving 12,086 staff-years from 1998 to 2002 to saving 7,207 staff-years from 1999 to 2003.

SSA's inability to keep on schedule and disappointing test results were caused, in part, by the agency's overly ambitious plan and the strategy for testing proposed changes. Like its original redesign plan, SSA's revised plan proved too large and unwieldy to be kept on schedule. SSA's approach of moving ahead on many fronts simultaneously—including conducting several large tests—was difficult to manage. For example, in fiscal year 1998, SSA had five tests ongoing at over 100 sites involving over 1,000 test participants.¹¹ Each test included time-consuming activities, such as coordinating the activities of many state and federal offices and building consensus among such stakeholder groups as employee unions and associations, state entities, and advocacy groups. In addition, SSA's decision to conduct stand-alone tests contributed to disappointing and inconclusive results because key supports and related initiatives, such as the improved information technology system, were not in place during the

¹¹These tests included one of the Single Decision Maker, the Adjudication Officer, the Full Process Model, Process Unification, and the Disability Claims Manager.

tests. SSA conducted these stand-alone tests because it wanted to institute the two near-term decisionmaker positions quickly, hoping to achieve speedy process improvement and administrative savings. When tested alone, however, these positions did not demonstrate potential for significantly improving the process. Finally, other limitations in SSA's test design and management made it difficult for SSA to predict how an initiative would operate if actually implemented. For example, in one test of a new decisionmaker position, hearings office staff did not handle the test cases and control cases as instructed; as a result, certain test results were not meaningful.

Progress on Key Information Technology Initiative Has Also Been Limited

At the same time that SSA was working on its five near-term initiatives, the agency was also working on the three longer-term initiatives (see table 1). We did not review two, which were still in the early stages. However, we did assess the agency's progress on its reengineered disability system, which was to develop a new computer software application to automate the disability claims process.

This new software application was expected to automate and integrate the many steps of the process: the initial claims-taking in the field office, the gathering and evaluation of medical evidence in the DDSS, the payment process in the field office or processing center, and the handling of appeals in hearings offices. In the early 1990s, SSA began designing and developing this software, which was expected to increase productivity, decrease disability claims processing times, and provide more consistent and uniform disability decisions. However, since its early stages, the effort was plagued with performance problems and schedule delays. In July 1999, we testified before the Subcommittee on Social Security that after approximately 7 years and more than \$71 million reportedly spent, SSA no longer planned to pursue this software development effort.¹² This decision was based on findings and recommendations reported by the consulting firm Booz-Allen and Hamilton, which contracted in March 1998 to independently evaluate and recommend options for proceeding with the initiative. On the basis of its evaluation, Booz-Allen and Hamilton reported that the reengineered disability software contained defects that would increase, rather than decrease, case processing time at both field office and DDS sites. First, the software had performance problems that would increase field office interview time. Furthermore, implementing this software at the DDS sites would require that the DDS examiners' caseloads

¹²Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives (GAO/T-AIMD-99-259, July 29, 1999).

be reduced from 125 cases to 25 cases. Therefore, if this reengineered disability system had been implemented, DDS would have had to increase their staff to maintain the current processing time.

Redesign Challenges Warrant Sharper Focus

SSA is not the only government agency that has had trouble overhauling or reengineering its operations. According to reengineering experts, many federal, state, and local agencies have failed in their reengineering efforts. One reason for this high degree of failure is the difference between the government and the private sector workplaces. For example, the flexibility to reengineer a process is often constrained by laws or regulations that require that processes follow certain procedures—such as the requirement, in some cases, that a physician participate in disability cases involving children or mental impairments. Also, government agencies, unlike their private sector counterparts, cannot choose their customers and stakeholders. Agencies must serve multiple customers and stakeholders who often have competing interests. For example, as part of its redesign effort, SSA had identified over 100 individual groups with a stake in the process—both internal and external to SSA—whose involvement was, in many cases, critical.

In addition, following government procedures such as drafting and issuing new regulations and complying with civil service rules makes it difficult to implement changes at the quick pace often considered vital for successful reengineering efforts. Finally, public agencies must also cope with frequent leadership turnover and changes in the public policy agenda. For example, SSA faced several policy changes during the last few years, such as the need to redetermine the eligibility of thousands of children receiving SSI benefits, at the same time that the agency was trying to conduct large tests of process changes.¹³

In a March 1999 report, we made a number of recommendations to enhance SSA's prospects for future success.¹⁴ We based our recommendations on best practices from other reengineering efforts and lessons learned from SSA's experiences. We recommended that SSA further sharpen its focus on those initiatives that offer the greatest potential for achieving the most critical redesign objectives. Such initiatives include those that improve consistency in decision-making, such as process

¹³Through the Personal Responsibility and Work Opportunity Reconciliation Act, enacted in 1996 and commonly referred to as welfare reform, the Congress made changes to the SSI program to ensure that only needy children with severe disabilities receive benefits.

¹⁴GAO/HEHS-99-25, Mar. 12, 1999.

unification; those that help ensure accurate results, such as quality assurance; and those that achieve large efficiencies through the use of technology, similar to the goals of the reengineered disability computer system. We also recommended that SSA test promising concepts in an integrated fashion, so that the agency could judge how proposed changes would work in synergy with other changes, and at only a few sites, to more efficiently identify promising concepts. In view of the large investments of time and resources involved in conducting tests, we also recommended that SSA establish key supports and explore feasible alternatives before committing significant resources to testing other specific initiatives.

In addition, implementing process changes can be even more difficult than testing them, and process changes may not operate as expected outside the test environment. Therefore, we recommended that SSA develop a comprehensive set of performance goals and measures to assess and monitor the results of changes in the disability claims process on a timely basis. We also said SSA should take steps to ensure that quality assurance processes are in place to both monitor and promote the quality of disability decisions. SSA agreed with parts of our recommendations, including the need to emphasize process unification and quality assurance.

SSA's New Claims Process Plan Has Positive Features but Faces Continuing Challenges

After 2 years' experience under its scaled-back redesign plan, SSA's Commissioner issued a new, broader disability plan in March 1999 that outlined a comprehensive package of initiatives the agency planned to take to improve its disability programs. Among these initiatives are SSA's planned next steps for improving the disability claims process and the integrity of the disability programs.¹⁵ Consistent with our previous recommendations, SSA's plan places emphasis on certain areas most likely to make a difference, such as process unification efforts to improve the consistency of decisions between the DDS and hearing levels. In addition, SSA is moving to test and assess more changes in an integrated fashion, although the agency still continues large-scale, and in some cases stand-alone, tests. Finally, SSA has laid out a bold plan to overhaul operations at its hearings offices, which is a needed change but is likely to prove challenging to implement.

¹⁵The plan also includes initiatives to enhance beneficiaries' opportunities to work.

New Plan Builds on Past Success, but Much Work Remains

Under its new plan, SSA decided to build on the improvements identified through its 1997 plan and make changes in some areas where the earlier plan did not bear fruit. Table 2 summarizes the new plan’s initiatives to improve the process.¹⁶

Table 2: Initiatives to Improve the Disability Claims Process in the March 1999 Plan

Initiatives	Description
Enhance consistency of decisions	Implement further process unification initiatives, such as more training, unified policy and guidance, and better documentation of the reasons for DDS decisions.
Enhance quality of decisions	Develop a more comprehensive quality review system.
Improve information technology and support	Develop and deploy a fully automated disability claims process, using an electronic folder to transmit data from one location to another.
Streamline the disability claims process	<ul style="list-style-type: none"> — Test final prototype, which includes the successful features of the integrated Full Process Model test and adds a new feature to better document reasons for DDS decisions. — Continue to test the Disability Claims Manager position. — Overhaul hearings office procedures.

SSA’s new plan is consistent with some of our recommendations, but much remains to be done. The plan emphasizes three areas that we agree offer the greatest potential for improving the overall claims process: process unification, quality assurance, and improved efficiencies through the use of technology. The plan commits the agency to further process unification activities, such as more training, continued efforts to increase uniformity in the way policy and guidance for the DDSS and ALJS are written, and added steps to improve how thoroughly decisions are documented. For the remaining two initiatives, SSA is essentially stepping back and adjusting course on the basis of its experience over the last few years. The plan outlines steps the agency plans to take to offer a more comprehensive quality review system, and SSA officials told us they are going to use an outside contractor to review the agency’s approach to quality assurance. Finally, the plan outlines SSA’s next steps to improve information technology and support for the disability claims process. SSA plans to use the lessons learned from the failed computer support pilot to develop and deploy an automated disability claims process for use by SSA’s 1,300 field offices. This strategy includes using an electronic folder to transmit data from one processing location to another, rather than the current process of moving a paper folder from one location to another.

¹⁶This plan also includes provisions to update the medical and vocational guidelines for the disability eligibility process. See SSA, *Social Security and Supplemental Security Income Disability Programs: Managing for Today, Planning for Tomorrow*, Mar. 11, 1999.

SSA's new approach to streamlining the claims process contains some improvements over its prior approach, but it also contains some drawbacks that could block or hinder the agency's success. Consistent in principle with our recommendations, SSA is testing a prototype that incorporates a number of initiatives and process changes in an integrated fashion. In addition to testing most of the features of the earlier integrated test, the prototype also adds one new feature to improve documentation on how decisions are made. This new feature is expected to improve both the accuracy of decisions and customer service, which is consistent with our recommendation to focus on quality. On the other hand, this feature is also likely to add to the time and cost of processing a final decision. Although we support integrated testing, by not adding this new feature until the final test, SSA is again testing a new initiative on a large scale and without a good idea of how the change will affect the entire process. This prototype began on schedule this month, according to SSA officials. However, the agency has not yet completed its evaluation plan for this prototype test, so it is difficult to tell how or when the results will be determined.

SSA is also continuing some tests that run contrary to our recommendation that it conduct more integrated tests at only a few sites. For example, SSA is testing the feature designed to improve decisional documentation alone, outside the prototype, as well as integrated within it. SSA is also continuing to conduct a large stand-alone test of the proposed Disability Claims Manager, the decisionmaker position that would combine the disability claims responsibilities of SSA field office personnel and DDS personnel.¹⁷ This stand-alone test involves nearly 300 people at more than 30 sites. This test is also inconsistent with our recommendation to establish key supports and explore feasible alternatives before committing significant resources to testing specific initiatives. SSA has not systematically explored alternatives to the Disability Claims Manager—an initiative that would require significant change from the current system.

New Initiative to Reform Hearings Offices Will Be Challenging to Implement

Finally, the 1999 March plan introduces a new initiative to improve the hearing process in order to significantly reduce processing time from the request for a hearing to final disposition. SSA issued a more detailed description of this initiative, called the Hearing Process Improvement Initiative, in August 1999. To develop this initiative, an SSA team worked with a consultant group to, among other things, analyze current processing and workload data and identify root causes for delays. The team found

¹⁷SSA is incorporating the Disability Claims Manager position with its final prototype test at three sites.

that processing delays were caused by multiple handoffs and a high degree of functional specialization, by the fact that no manager had overall responsibility for ensuring effective work flow in hearings offices, and by inadequate automation and management information. This initiative commits SSA to reduce hearing processing time from a projected level of 313 days in fiscal year 1999 to less than 200 days in fiscal year 2002 through a set of bold and significant changes in how the hearings offices do business.

For example, SSA plans both to implement a new work flow model that will result in fewer handoffs and speedier case handling and to set processing time benchmarks for the overall hearing process and for certain tasks within the process. SSA also plans to make significant changes in the hearings office organizational structure by creating processing groups or teams that will be held accountable for improved work flow. Finally, SSA plans to improve the automation of data collection and management information to better manage appealed case processing. Rather than formally testing these changes, SSA plans to begin a phased implementation at 37 of its 140 hearings offices located in 10 states in January 2000 and then to assess the results to fine-tune the process before further implementation.

We have not yet fully assessed this new initiative, but the appeals level of the process is an area that deserves attention. Most of the previous initiatives focused on improving the process at the initial determination level, leaving problems at the hearing level largely unresolved. SSA's bold plan for hearings office change contains some positive features but will no doubt be a challenge to implement. On the positive side, most of the 37 sites scheduled for the initial implementation of the new hearing process will be associated with the initial claims processing prototype sites, so that SSA can see how these changes work together. However, this new initiative involves a large-scale rollout of an untested concept. Rather than pilot test this change over a number of years, SSA has decided to use a more speedy approach to wholesale change. Organizations naturally resist change, and some key stakeholders oppose this initiative. A lack of stakeholder support could hinder SSA's ability to effect change. SSA's plan contains specific and concrete steps to help promote change, such as establishing accountability for benchmarked processing times. However, the large number of sites involved, combined with the significant changes in hearings office operations required to make this work, require top management attention at each stage of implementation.

SSA Is Making Good Progress in Conducting Continuing Disability Reviews

While SSA has experienced problems making changes to its claims process, it has made good progress in catching up on conducting required CDRs to determine whether beneficiaries remain eligible for benefits. In fiscal year 1996, to reduce the unnecessary program costs that result from not performing CDRs, SSA and the Congress focused on providing funding to conduct overdue CDRs and keep up with new CDRs as they become due. SSA developed a plan for a 7-year initiative to conduct about 8.2 million CDRs during fiscal years 1996 through 2002. To fund this 7-year initiative, the Congress authorized a total of about \$4.1 billion. On the basis of the Congress' commitment to fund increased CDR workloads, SSA negotiated with the DDSS to increase their efforts to hire new staff. During fiscal years 1996 and 1997, the first 2 years of SSA's CDR initiative, a total of 1.2 million CDRs were processed.

In March 1998, SSA prepared a revised CDR plan because, among other reasons, the DDSS had completed more CDRs than expected under the original plan. Also, SSA revised the plan to include new requirements contained in the 1996 welfare reform law. Among other changes, this law tightened the criteria to be used to determine whether a child is disabled and required SSA to make a one-time redetermination of the eligibility of children already on the rolls who may not have met the new criteria. Under the new CDR plan, SSA set a goal of 8.1 million CDRs for fiscal years 1998 through 2002. Including, the 1.2 million CDRs already processed during fiscal years 1996 and 1997, SSA planned to process a total of 9.3 million CDRs for the full 7-year period.

Now in the fifth year of the 7-year CDR plan, SSA is processing a rapidly growing volume of CDRs. For the last 3 fiscal years (1997-99), SSA has conducted slightly more CDRs than planned. According to SSA officials, DDSS have been able to complete these additional CDRs because they have received fewer initial claims applications than expected and because of improvements made by SSA to its process. In fiscal year 2000, SSA plans to complete an additional 1.8 million CDRs. Table 3 summarizes the number of CDRs planned and actually completed.

Table 3: CDR Workloads Under SSA's 7-Year Plan, Fiscal Years 1996-2002

CDRs (in thousands)	1996	1997	1998	1999	2000	2001	2002
Planned	500	603	1,245	1,637	1,804	1,729	1,721
Actual	498	690	1,392	1,664			

Source: SSA reports and officials.

In its most recent published Annual Report on CDRs, SSA stated that of the approximately 690,000 CDRs processed in fiscal year 1997, over 89,000 resulted in termination of benefit eligibility because of medical improvement and the renewed ability to work. SSA's Office of the Chief Actuary estimates that after all appeal steps are completed about 50,000 individuals will no longer receive benefits. By the end of fiscal year 2002, the CDRs processed in fiscal year 1997 are expected to result in \$2.1 billion in reduced program outlays. Overall, SSA expects to realize, on average, lifetime program savings of about \$6 for every \$1 in administrative costs.

DDSS must balance their CDR workloads with their other work, and unanticipated increases in any of these workloads could create competition for DDS resources. For example, in our September 1998 report to the Subcommittee on Social Security, we noted that SSA's then-new CDR plan made important assumptions about the numbers of initial disability applications and requests for reconsideration.¹⁸ The plan assumes the current pattern of economic strength and low unemployment will continue. If SSA's assumptions do not hold true, increases in the number of initial disability applications above the currently estimated levels could result. The plan also assumes that there will be no reconsideration request workload during fiscal years 2000 to 2002 because, at the time the plan was written, SSA's plan for redesigning the disability process called for eliminating the reconsideration step after fiscal year 1999. Because the concept of eliminating the reconsideration step is still being tested in the redesign prototype, it is not clear how SSA plans to make adjustments for coping with this workload.

One remaining workload uncertainty involves the way that CDRs are conducted. When a beneficiary's medical condition is not expected to improve, SSA sends the beneficiary a brief questionnaire, called a mailer. These mailer CDRs cost about \$50 each. The other CDRs involve full medical reviews, in which the DDS obtains a new and updated medical assessment of the beneficiary's condition. These reviews are more costly (about \$800 each in fiscal year 1996) because they are labor-intensive and involve work by staff in headquarters and field offices as well as DDS personnel. Prior to 1993, all CDRs conducted by DDSS were full medical reviews. To streamline the process, SSA began using mailers as a screening device. When using the mailer, SSA takes an additional step to determine whether the responses, when combined with other predictive data, indicate that medical improvement may have occurred. If so, the beneficiary then receives a full

¹⁸Social Security Disability: SSA Making Progress in Conducting Continuing Disability Reviews (GAO/HEHS-98-198, Sept. 18, 1998).

medical CDR. About 2.5 percent of mailer cases are referred for the more extensive full medical review.

When we completed our 1998 report, SSA's ability to use the mailers to the full extent planned was not yet certain. The decision to conduct a CDR through a mailer is based on statistical profiles for estimating the likelihood of medical improvement derived from beneficiary information such as age, impairment, and length of time on the disability rolls. For several beneficiary groups, SSA was still working to develop statistical formulas for selecting appropriate mailer recipients. Officials told us recently that the agency is still working to perfect its mailer profiles but that they expected the ratio of mailers to medical reviews to be about 50-50 in fiscal year 2000. If SSA found that it had to conduct more full medical reviews than expected, this, too, would increase the DDS workload.

Observations

Despite SSA's good progress in catching up on its required CDRs, the agency is still challenged to improve its disability claims process, which remains essentially unchanged outside the test environments. Today, SSA has a window of opportunity within which to improve its processes before claims again start to rise significantly. An economic downturn could increase unemployment, which in turn could result in more applications for disability benefits. Moreover, the aging baby boom generation is nearing its disability-prone years. Taken together, present and future workloads highlight the continuing pressure on SSA to move expeditiously to improve its disability claims process.

Perhaps the single most important element of successful management improvement initiatives is the demonstrated commitment of top leaders to change. Top leadership involvement and clear lines of accountability for making management improvements are critical to overcoming organizations' natural resistance to change and building and maintaining the organizationwide commitment to new ways of doing business. In addition, as SSA moves to complete testing of its prototype and implement changes at its hearings offices, it is vital that the agency take steps to enable it to closely monitor the results of changes and to watch for early warnings of problems. These steps include maintaining its momentum to improve the consistency in decisions, proceeding with plans to improve its quality assurance measures, and developing a more comprehensive and meaningful set of performance measures. Finally, SSA's track record on developing and implementing its disability claims processing computer

**Social Security Disability: SSA Has Had
Mixed Success in Efforts to Improve
Caseload Management**

system has not been good, and it will be important for the agency to follow industry best practices and apply lessons learned from past efforts to increase its chances of successfully deploying a system that can support its new process.

Messrs. Chairmen, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittees may have.

**GAO Contacts and
Acknowledgments**

For future contacts regarding this testimony, please call Cynthia M. Fagnoni at (202) 512-7215. Individuals making key contributions to this testimony included Kay Brown, Yvette Banks, Julie DeVault, and William Hutchinson.

Related GAO Products

Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives ([GAO/T-AIMD-99-259](#), July 29, 1999).

Supplemental Security Income: Progress Made in Implementing Welfare Reform Changes: More Action Needed ([GAO/HEHS-99-103](#), June 28, 1999).

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