

December 2007

SOCIAL SECURITY DISABILITY

Better Planning, Management, and Evaluation Could Help Address Backlogs





Highlights of [GAO-08-40](#), a report to congressional requesters

Why GAO Did This Study

For years, the Social Security Administration (SSA) has experienced processing delays and significant backlogs of disability claims. At the end of fiscal year 2006, some 1.5 million disability claims were awaiting a decision. About 576,000 of these claims were backlogged—exceeding the number of claims that should optimally be pending at year-end. In response to the congressional request, GAO (1) examined trends in disability claims backlogs and the time required for SSA to decide a claim, (2) identified key factors contributing to the backlogs and processing times, and (3) described the steps SSA is taking to reduce them.

To address these issues, GAO analyzed SSA administrative data, conducted an extensive literature review, interviewed SSA officials as well as key program personnel, and conducted site visits in three SSA regions.

What GAO Recommends

GAO recommends that SSA monitor the reconsideration stage for backlogs and better plan, execute, and evaluate initiatives to address backlogs.

SSA agreed in part or with the intent of GAO’s recommendations, but did not fully agree with some of GAO’s conclusions. SSA believed GAO did not sufficiently emphasize the agency’s funding needs. GAO added data on SSA funding levels, but continues to believe that the recommendations are valid.

To view the full product, including the scope and methodology, click on [GAO-08-40](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

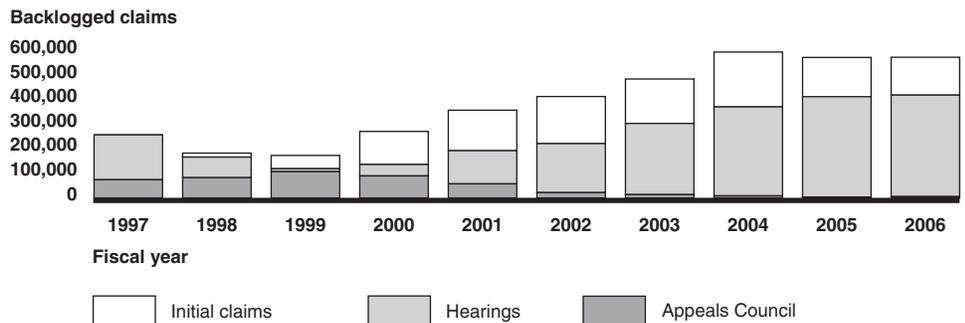
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What GAO Found

From fiscal year 1997 through 2006, backlogged disability claims in the Social Security Administration’s processing system doubled, reaching about 576,000 cases. Backlogs of varying degrees have occurred at most stages of the claims process. The only significant decline occurred at the last stage—the Appeals Council—where fewer cases are processed. At the initial claims level, handled by state Disability Determination Services (DDS), a backlog developed in fiscal year 1998 and grew to about 155,000 claims in fiscal year 2006. At the hearings level, backlogged claims exceeded 415,000 that year and accounted for 72 percent of the total backlog. Insufficient data prevented GAO from identifying trends in backlogs at the reconsideration stage. Processing times, meanwhile, increased with claimants generally waiting significantly longer—for example, an additional 95 days at the hearings level—for a decision.

Total Backlogged Claims, by Level of Adjudication, Fiscal Years 1997 to 2006.



Source: GAO analysis of SSA data.

Substantial growth in the numbers of disability claims, staff losses and turnover, and management weaknesses have contributed to the backlog problem. Initial applications for benefits grew more than 20 percent over the period while SSA experienced losses in key personnel: claims examiners in the state determination offices and administrative law judges and support staff in the hearings offices. In addition, management weaknesses evidenced in a number of initiatives to address the backlogs have failed to remedy and sometimes contributed to the problem.

In 2006, SSA introduced the Disability Service Improvement initiative (DSI), but suspended national rollout of it in order to concentrate on the hearings backlog and full implementation of SSA’s electronic case-processing system. DSI is still underway in the Boston region; though hampered by rushed implementation, poor communication, and a lack of financial planning, DSI has shown mixed results, and SSA has proposed discontinuing certain components because of cost. Thorough evaluations that could help inform decisions about DSI’s future have not yet been conducted.

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Abbreviations

ALJ	administrative law judge
CDR	continuing disability review
DDS	Disability Determination Services
DI	Disability Insurance
DSI	Disability Service Improvement
eCAT	electronic Case Analysis Tool
FedRO	federal reviewing official
FIT	Findings Integrated Template
HOTS	Hearings Office Tracking System
IT	Information Technology
NADE	National Association of Disability Examiners
ODAR	Office of Disability Adjudication and Review
OIG	Office of Inspector General
OMVE	Office of Medical and Vocational Expertise
QDD	Quick Disability Determination
SSA	Social Security Administration
SGA	substantial gainful activity
SSI	Supplemental Security Income

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United States Government Accountability Office
Washington, DC 20548

December 7, 2007

The Honorable Charles B. Rangel
Chairman
The Honorable Jim McCrery
Ranking Member
Committee on Ways and Means
House of Representatives

The Honorable Michael R. McNulty
Chairman
The Honorable Sam Johnson
Ranking Member
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

The Honorable Sander M. Levin
House of Representatives

Each year, millions of Americans who believe that they can no longer work because of severe physical or mental impairments, apply for cash benefits through the Social Security Administration's (SSA) two disability programs—Disability Insurance (DI) and Supplemental Security Income (SSI). For more than 20 years, SSA has faced challenges with processing applications for benefits in a timely manner and overcoming significant backlogs. SSA's data show that there are disability applicants who wait years for their claims to be resolved at the final administrative appeals level, which can be a hardship. By the end of fiscal year 2006, SSA had made about 3.7 million disability claims decisions, and some 1.5 million disability claims were awaiting a determination. Meanwhile, new applications for benefits are expected to increase as the baby boomer generation enters its disability-prone years. Over the years, SSA has implemented many initiatives aimed at reducing the backlog in disability claims as well as the time it takes applicants to obtain a decision on their claims. In light of SSA's claims processing challenges, you asked us to: (1) examine the trends for the last several years in the disability claims backlog and the time required for SSA to decide a claim, (2) identify key factors that have contributed to the disability claims backlogs and processing times, and (3) describe the steps SSA is currently taking to reduce the backlog and claims processing times.

To identify trends in SSI disability and DI claims, we obtained and analyzed data provided by SSA for fiscal years 1997 to 2006 for the four levels of adjudication of SSA's disability claims process—initial claims, reconsiderations, hearings, and final appeals to the Appeals Council. We received information from SSA on the number of claims received, the number of claims pending a decision, and other data. We also obtained data on average processing times. Using these data, we determined annual backlogs for three of the four levels of the claims process.¹ We measured SSA backlogs in terms of the number of cases at year-end that exceeded the number of pending claims that the agency had deemed acceptable.² We also met with knowledgeable SSA officials to document the reliability of SSA's data. We found that limitations exist with respect to hearings data for some years, and we have noted the limitations where these data are used. However, we found the data provided by SSA to be sufficiently reliable for our purposes.

To identify factors that have contributed to SSA's disability claims backlogs and initiatives that SSA is currently undertaking to address them, we conducted an extensive literature review, including prior GAO reports, and position papers and testimonies from national advocacy groups. In addition, we reviewed agency documents, interviewed key SSA officials, and conducted site visits to 3 of the 10 SSA regions.³ During these site visits, we met with management and staff at the regional Office Center for Disability, the Office of Disability Adjudication and Review, hearings offices, and state Disability Determination Services (DDS). For the regions in which we did not conduct site visits, we conducted telephone interviews with key officials. We conducted our work between November 2006 and October 2007 in accordance with generally accepted government

¹We did not calculate backlogs for the reconsideration stage since SSA could not provide data that would allow us to do so.

²For three of the four stages of the disability claims process, SSA establishes targets for the number of claims that the agency considers should optimally be pending a decision or in the pipeline at year-end. The number of claims exceeding the target is considered a backlog.

³The regions we visited were Boston, San Francisco, and Dallas. Several criteria were used to select the regions for our site visits. We chose regions with comparable workloads in order to compare the effects of different initiatives across similar regions. For this comparison we considered recent data on DDS level processing times and claims receipts. On each site visit, we contacted a DDS, SSA's regional office for initial claims, its regional Office of Disability Adjudication and Review (ODAR), as well as a hearings office.

auditing standards. For more information on our scope and methodology, see appendix I.

Results in Brief

Over the last decade, SSA experienced a substantial increase in its backlog of disability claims, with a particularly severe accumulation of claims at the hearing level. From fiscal years 1997 through 2006, the total number of backlogged claims—numbers exceeding the level that should optimally be pending or in the pipeline at year-end—doubled. By the end of fiscal year 2006, the total backlog from various levels of the disability determination process reached about 576,000 claims. Over the period, backlogs of varying degrees have occurred at each stage of the claims process where backlogs are calculated. Only at the Appeals Council, the stage where generally fewer cases are processed, has the backlog been significantly reduced. At the initial claims level with the state Disability Determination Services, a backlog developed in fiscal year 1998 and grew rapidly for a few years before stabilizing. At the hearing level, although the backlog declined to about 12,000 claims in fiscal year 1999, it rose dramatically to over 415,000 claims by the close of fiscal year 2006 and constituted about 72 percent of all SSA backlogged claims that year. With regard to processing times over the last decade, claimants generally waited longer to receive a final decision. Processing times increased at the Disability Determination Services and more significantly for cases at the hearings level. In fiscal year 2006, 30 percent of claims processed at the hearings stage alone, took 600 days or more.

While backlogs in processing disability claims have plagued SSA for many years, several factors have contributed to their increase in the last decade including substantial growth in initial applications, staff losses, and management weaknesses. Initial applications for DI and SSI disability benefits have grown more than 20 percent over the past 10 years, enough to challenge an already complex adjudication process, while staffing at this level increased only 4 percent. This increase in applications has been spurred by, among other factors, the aging of the baby boomer generation, downturns in the economy, increased referrals from other benefit programs, and changes in disability eligibility requirements in prior years. Over the same period, SSA experienced losses of key personnel that included disability examiners and medical or psychological consultants in the DDS offices, and administrative law judges and support staff in the hearings offices. Finally, management weaknesses as evidenced by a number of initiatives that were not successfully implemented have limited SSA's ability to remedy the backlog. Several initiatives introduced by SSA in the last 10 years to improve processing times and eliminate backlogged

claims have, because of their complexity and poor execution, actually added to the problem. For example, the “Hearings Process Improvement” initiative implemented in fiscal year 2000 significantly increased the days it took to adjudicate a hearings claim and exacerbated the backlog after the agency had substantially reduced it.

In 2006, SSA introduced a new set of comprehensive reforms, but recently suspended national rollout to concentrate on the backlog of pending hearing requests and on full implementation of its electronic case processing system. The reforms, known as the Disability Service Improvement (DSI) initiative, were implemented in the Boston region, but with mixed results—hampered by rushed implementation, poor communication, and inadequate financial planning. An automated screening function designed to identify and expedite disability claims with a high probability of approval has shortened processing time for those cases. However, other facets of the initiative have been problematic, such as a new office to handle first level appeals and establishing a specialized office to supply medical expertise. As of June 2007, both offices were only half staffed. In addition, more than 1,800 claims were awaiting a medical review, by either a physician specialist or a nurse case manager for more than 75 days. We also found that rollout of the initiative in the Boston region was rushed over a period of 4 months, with little advance information for those managers responsible for implementing it. Moreover, the initiative has, as of June 2007, incurred \$24 million in additional administrative costs, although the agency had envisioned that the initiative would not increase SSA’s existing budget. SSA recently introduced regulations that will, if finalized, suspend certain portions of the DSI initiative in Boston pending further evaluation. However, it is not clear what evaluations will be conducted and if accuracy of disability determinations will be one of the factors considered when making decisions about which elements of DSI to continue. The Commissioner of SSA also recently announced that the agency will concentrate on clearing out the backlog of pending claims at the hearings level where it is most severe and bringing SSA’s electronic case processing system into full operation, a step that is expected to facilitate the processing of disability claims.

We are making recommendations to the Commissioner of the Social Security Administration to fully monitor backlogs and better execute and evaluate initiatives to address them. In its comments on a draft of this report, SSA agreed either in part, or with the intent of our recommendations, but did not fully agree with a number of our conclusions. SSA agreed that the agency should track claims at the

reconsideration stage, but believed it should use an alternative measure as an indicator of performance rather than the measure we recommended. SSA partially agreed that the agency should conduct a thorough evaluation of DSI before finalizing the agency's decisions on implementation and noted that it will continue to collect data and monitor outcomes to evaluate DSI. SSA agreed that the agency should take necessary steps to improve the likelihood of the success of future initiatives and believed the agency is taking steps toward this end. Finally, SSA expressed concern that the draft report did not sufficiently emphasize SSA's need for additional funding and noted that the success of future efforts to reduce the disability claims backlog will depend on adequate and timely agency funding. We have added additional information on SSA's funding levels for fiscal years 1997 through 2006 and have revised the report as appropriate in response to SSA's comments. However, we continue to believe that our recommendations are valid.

Background

The Social Security Administration (SSA) administers two federal programs under the Social Security Act that provide benefits to people with disabilities who are unable to work: Social Security Disability Insurance (DI) replaces income for those with a Social Security work record and provides benefits related to their prior earnings levels. The Supplemental Security Income (SSI) program provides cash benefits to the elderly and individuals with disabilities who have limited or no work history.⁴ In addition, to be eligible for SSI, disabled individuals must not have income and assets above a certain level.⁵

The process to obtain SSA disability benefits is complex. Several state and federal offices are involved in determining whether a claimant is eligible for benefits. Although SSA is responsible for the program, the law calls for initial determinations of disability to be made by state agencies—Disability Determination Services (DDS).⁶ The work performed at federal and state offices is federally financed and carried out under SSA disability program regulations, policies, and guidelines. The application process, which is the

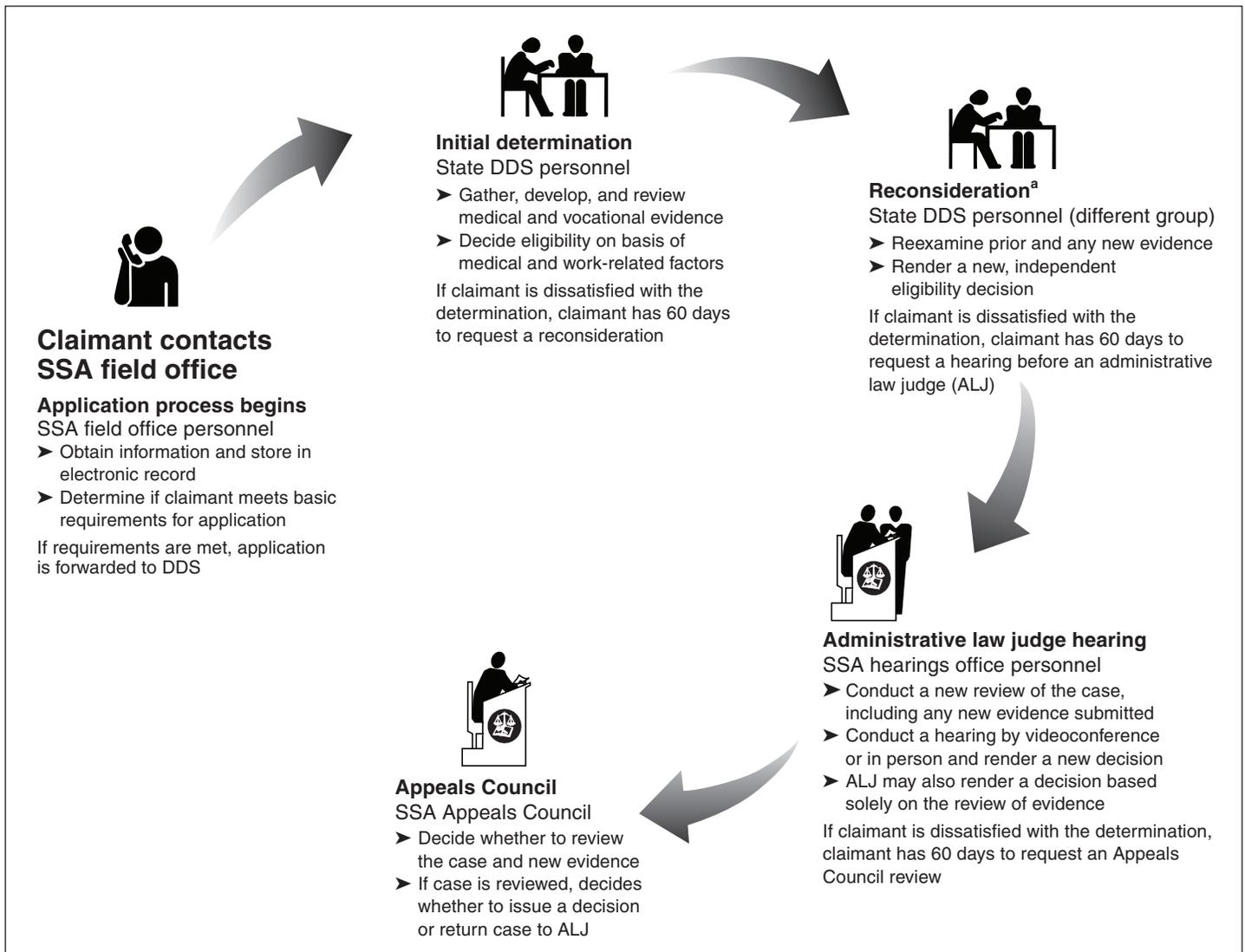
⁴Throughout this report, when we refer to SSA disability claims we are referring to claims filed under the SSI and DI disability programs.

⁵Eligibility for SSI is restricted to individuals who have countable resources, determined monthly, that do not exceed \$2,000 (\$3,000 for a couple).

⁶The District of Columbia and Puerto Rico also have state DDS offices. Guam and the Virgin Islands have federal DDS offices that perform this function.

same for DI and SSI claimants, involves an initial decision and an opportunity for reconsideration at the state level, and up to two levels of administrative appeal within SSA as shown in figure 1.

Figure 1: SSA's Disability Determination Process



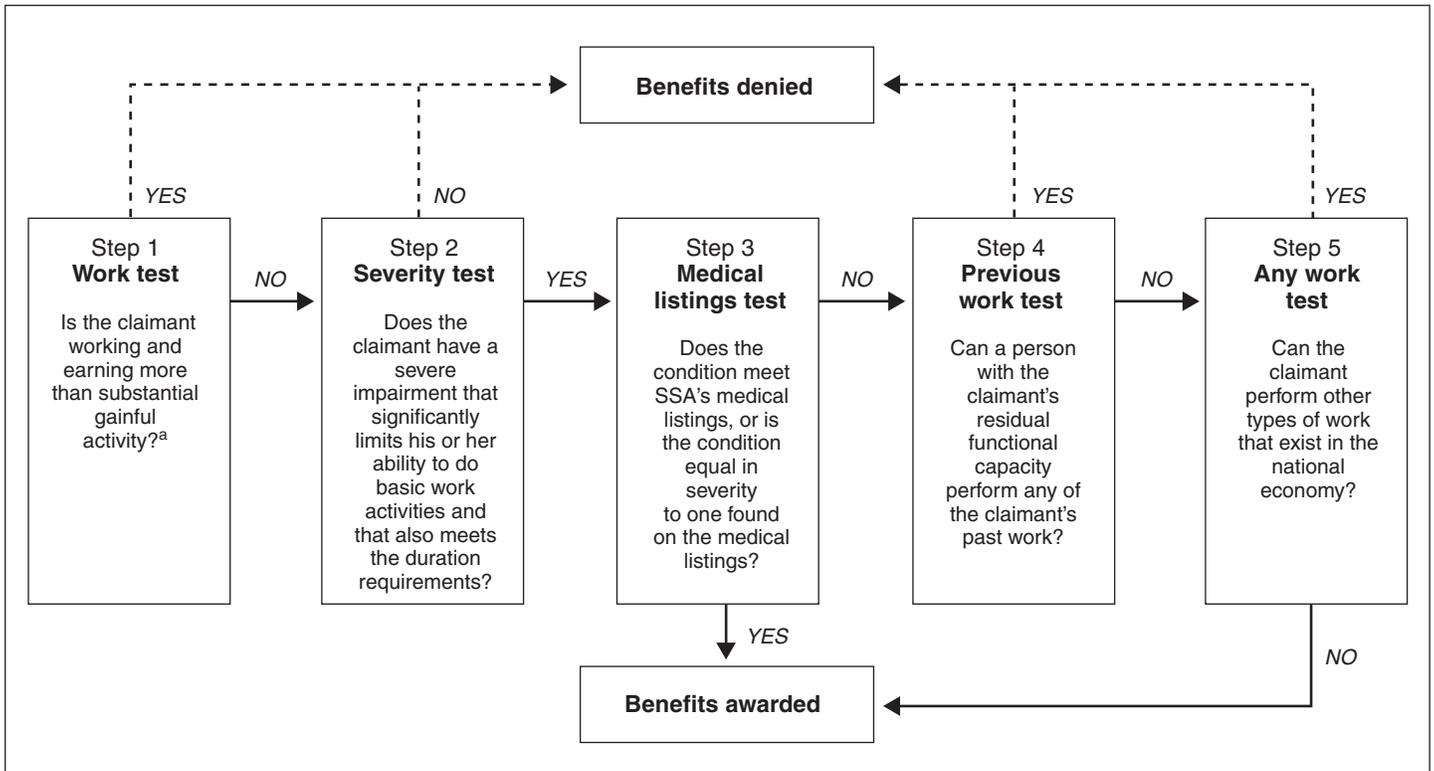
Source: GAO analysis of SSA data; images (Art Explosion).

^aIn 1999, SSA eliminated the reconsideration step in 10 states (Alabama, Alaska, Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, Pennsylvania and in the Los Angeles area of California) as part of the Prototype initiative. In these states, claimants who wish to appeal their initial DDS determination must appeal for review before an administrative law judge. As of August 2006, New Hampshire discontinued participation in the Prototype initiative due to participation in a new initiative in the Boston region.

Under the current structure the process begins at a SSA field office, where an SSA representative determines whether a claimant meets the programs' non-medical eligibility criteria, such as ensuring that an SSI applicant does not have excess assets, or determining if a DI applicant has a sufficient number of work credits. If the applicant meets the non-medical eligibility criteria, field office personnel will help claimants complete their applications and obtain claimants' detailed medical, education, and work histories. The completeness of the information gathered at this time can affect accuracy and speed of the decision.

SSA field office staff then forward the application and the supporting medical evidence to the state Disability Determination Services (DDS) where a disability examiner, working with medical staff, must make every reasonable effort to help the claimant get medical reports from physicians, hospitals, clinics, or other institutions where the claimant has received past medical treatments. The examiner may also ask the claimant to take a special examination called a "consultative examination," where physicians or other medical professionals hired by SSA gather more information on the claimant's condition. After developing the case and assembling all medical and vocational information for the claim, the DDS examiner in consultation with appropriate medical professionals determines whether the claimant meets the requirements of the law for being disabled. In doing so, the DDS examiner conducts up to a five-step, sequential evaluation that includes a review of the claimant's current work activity, severity of impairment, and vocational factors. See figure 2.

Figure 2: SSA's Five-Step Sequential Evaluation Process for Determining Disability



Source: GAO analysis of SSA data.

^aIn 2007 the substantial gainful activity (SGA) threshold was \$1,500 per month for blind recipients and \$900 per month for individuals with other disabilities.

Claimants who are dissatisfied with the initial DDS determination may appeal and request a “reconsideration” of the claim within 60 days of the notice of decision. The reconsideration review is conducted by DDS personnel who were not involved in the original decision. If the reconsideration team concurs with the initial denial of benefits, the claimant then has 60 days from the time of this decision to appeal and request a hearing before an administrative law judge (ALJ). Administrative law judges, who are based in 140 hearing offices located throughout the nation, can consider new evidence and request additional information including medical evidence or medical and vocational expert testimony. A claimant who is dissatisfied with the hearings decision may request, within 60 days of the administrative law judge’s decision, that the Appeals Council review the claim.

The Appeals Council is SSA's final administrative appeals level and is comprised of administrative appeals judges. The Appeals Council may uphold, modify, or reverse the administrative law judge's action, or it may return the claim back to the administrative law judge for another hearing and issuance of a new decision. The decision of the Appeals Council is the Commissioner's final decision. To appeal this decision, the claimant must file an action in Federal Court.

SSA measures its claims processing performance at each level of the process in terms of the number of claims pending each year and the time it takes to issue a decision. Since 1999, the agency has used a relative measure to determine the backlog by considering how many cases should optimally be pending at year-end. This relative measure is referred to as "target pending" and is set for each level of the disability process with the exception of the reconsideration level. SSA's target pending is 400,000 for claims at the initial stage and 300,000 and 40,000 for the hearings and Appeals Council stages, respectively.⁷ The number of pending claims at year-end that exceed these numbers represents the backlog.

⁷According to SSA, the 400,000 target pending was an estimate of an optimal pipeline of claims. However, this target pending level was never communicated to the DDSs nor were they held accountable for reaching this optimum pending level. Also according to SSA, in recent years DDSs have been funded to maintain a pending level of 577,000 and have met this target.

Backlogs and Processing Times for SSA's Disability Claims Have Increased in the Past Decade, with a Particularly Large Backlog at the Hearings Level

Over the last decade, SSA experienced a substantial increase in its backlogs of disability claims with accompanying increases in processing times for initial claims and even greater increases for claims at the hearing level.⁸ From fiscal years 1997 through 2006, the total number of backlogged claims—the number of pending claims that exceed the optimal level that should be pending or in the pipeline—doubled, reaching some 576,000 claims.⁹ The number of backlogged claims grew at both the initial determination and hearings level, though most—about 415,000—were backlogged at the hearings level. Meanwhile, for reconsideration claims, the second stage of review following an initial determination, the number of claims pending a decision increased about 40 percent over fiscal year 1997 levels. Only at the Appeals Council, where fewer claims are processed, did SSA experience significant reductions in both backlogged claims and average processing times.

Since 1997, the Total Backlog in SSA Disability Claims Has Doubled, and Processing Times Have Increased at Most Levels

Over the last decade, the total number of backlogged disability claims in SSA more than doubled, with the greatest accumulation of claims occurring among those that were awaiting a hearing. By the close of fiscal year 2006, a total of about 576,000 claims¹⁰ were considered backlogged by SSA's measure,¹¹ which is the number of pending claims that exceed the number that should be optimally pending in any one year. The 2006

⁸Initial claims processing times presented in our report are the average processing times for Disability Insurance (DI) claims only, not Supplemental Security Income (SSI) claims. SSA provided average processing times separately for the two programs. We are reporting the DI processing times because the number of DI cases is larger than the number of SSI cases, but the differences in processing times between the programs are minimal. See appendix I for more detail.

⁹Backlogged claims include claims that are backlogged at the initial application level, the hearings level and at the Appeals Council level. We could not compute the number of claims backlogged at the reconsideration stage because SSA has not established an optimal level of pending claims that would allow computation of the backlog. As a result, references to the number of "target pending" and backlogged claims throughout the report do not include reconsiderations.

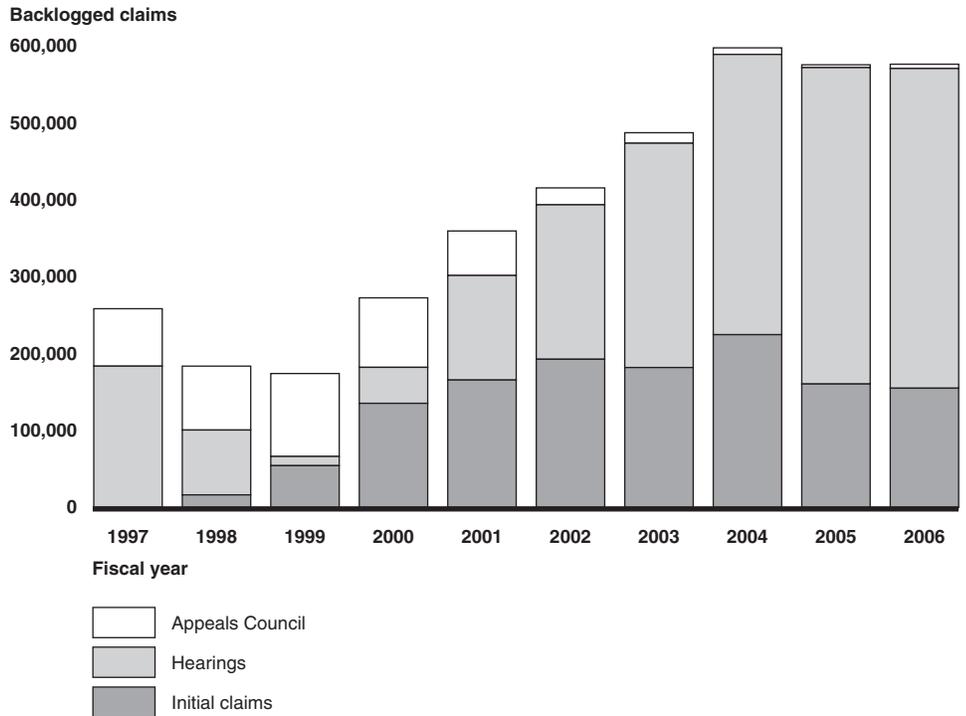
¹⁰Agencywide numbers presented here represent the sum of all three levels of adjudication at SSA for which we computed backlogs: (1) Disability Determination Services' initial claim adjudications, (2) hearings' offices adjudications before an administrative law judge, and (3) Appeals Council reviews.

¹¹SSA's overall optimal level of pending claims was about 740,000 claims per year in fiscal year 2006. See appendix I for further details on how SSA estimates the optimal number of pending cases and how we estimate the backlog.

backlog represented an overall growth rate of over 120 percent from fiscal year 1997.

Over the decade, backlogs of varying degree have occurred at all stages of the claims process where backlogs are calculated. However, since fiscal year 2001, these claims were concentrated most heavily at the hearings stage of the review process, and also at the initial processing level with the DDS offices. The hearings level accounted for the largest share of backlogged claims for 7 of the 10 years of study. In fiscal years 2000 and 2001, the DDS, which handles new claims, accounted for the largest share of the backlog. The Appeals Council, the last stage of appeal within SSA, had the largest backlog in fiscal year 1999, but dramatically reduced these numbers by 2006. See figure 3.

Figure 3: Total Backlogged Claims, by Level of Adjudication, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

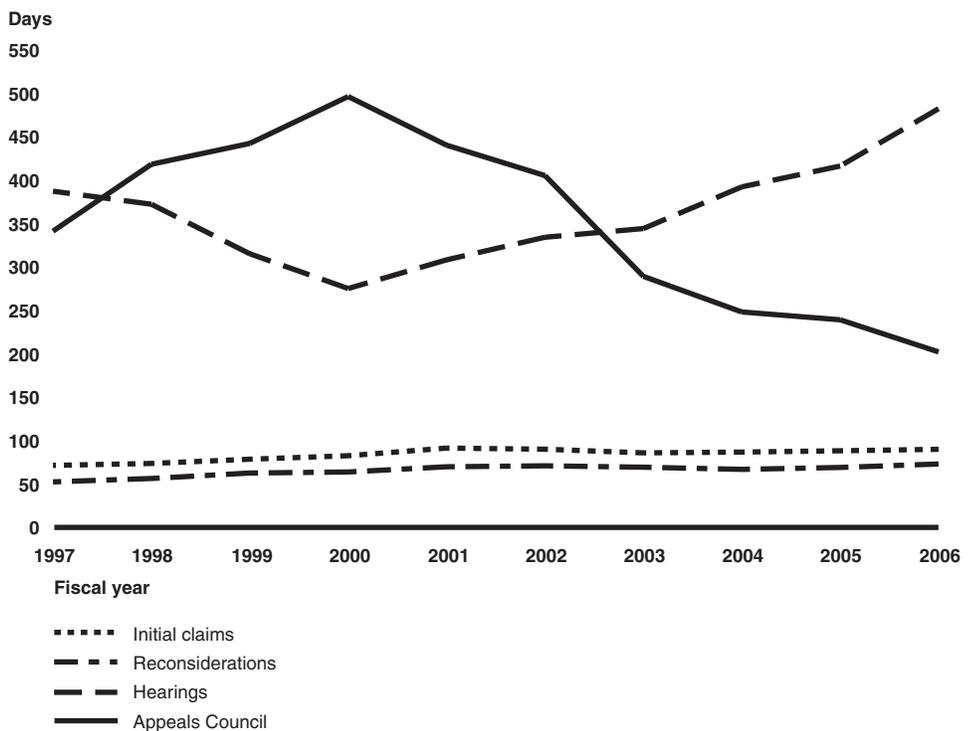
Not surprisingly, the average processing times for claims at the hearings and appeals levels tended to increase or decrease in concert with changes in the backlogs. Processing times for claims have increased significantly over time at the hearings level and somewhat so for initial determinations and reconsiderations at the DDS.¹² For example, processing times increased about 20 days for claims at both the DDS initial and reconsideration levels and about 95 days at the hearings level over this period.¹³ See figure 4. On the other hand, average processing time dramatically decreased at the Appeals Council. In fiscal year 2006, it took

¹²Processing times analyzed in this report for the DDS did not account for any time before a claim reached a DDS office (such as time spent at an SSA field office).

¹³From fiscal year 1997 to fiscal year 2006, processing times at the initial claims level increased from 70 days to 89 days and processing times at the reconsideration level increased from 51 to 72 days. During the same time period, processing times at the hearings level increased from 386 to 481 days.

almost 140 days less to reach a decision at this level than in fiscal year 1997.¹⁴

Figure 4: Average Claims Processing Time for DDS Initial Claims, DDS Reconsiderations, Hearings, and Appeals Council Decisions, in Days, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

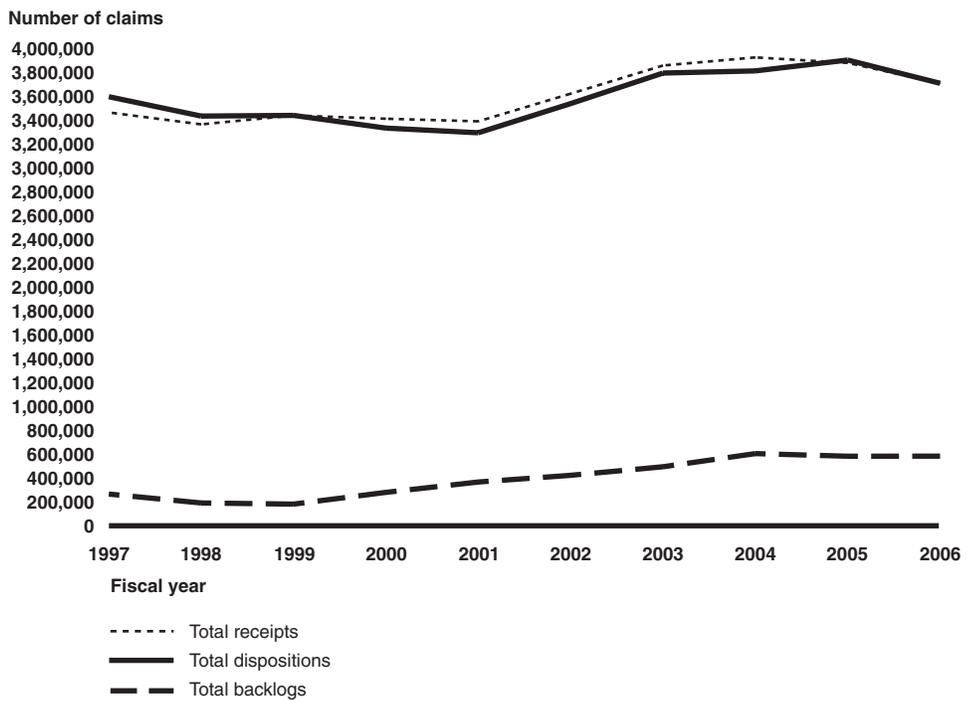
The growth in the disability claims backlog also generally coincides with increases in the total number of disability claims received by the agency.¹⁵ Over the 10-year period, the agency experienced a 21 percent increase in the number of initial claims and a somewhat smaller increase in the number of requests for a hearing. Despite some increases in the number of

¹⁴In fiscal year 1997, the average processing time at the Appeals Council was 340 days; in fiscal year 2006, it decreased to 201 days.

¹⁵Total includes new claims, requests for Reconsideration, Hearing, and Appeals Council review.

dispositions issued annually, the backlog of claims waiting to be adjudicated has continued to grow. See figure 5.

Figure 5: Total SSA Disability Claims Receipts, Dispositions, and Backlogs, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

Backlog at the DDS Level Grew Substantially

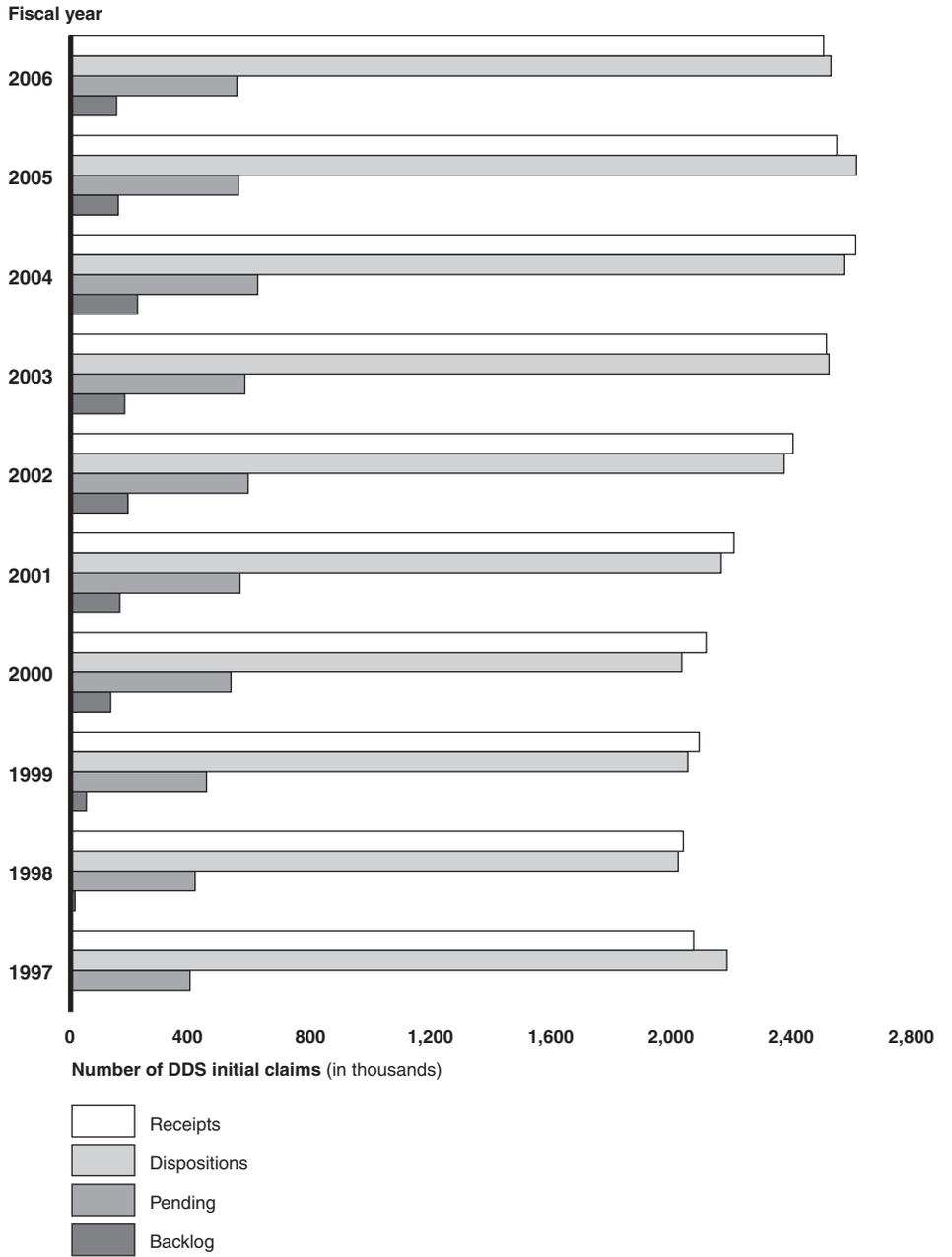
Having begun the 10-year period without a backlog, the DDS offices experienced a rapid growth in backlogs from 1998 through 2004. Subsequently they made some small gains and ended fiscal 2006 with about 155,000 backlogged claims. Also, over the 10-year period, the DDS offices saw an increase almost every year in new initial claims, which constituted an overall increase of 21 percent by fiscal year 2006. DDSs have not been able to keep pace with these rising receipts despite increases in dispositions and some additional staffing.¹⁶ Thus, annual receipts outpaced annual dispositions in 6 of the 10 years we examined.

¹⁶The DDSs received an overall increase of about 4 percent in staff work-years over the 10-year period.

See figure 6. SSA anticipates that the number of new claims requiring DDS processing will continue to grow.

The increase in the numbers of initial claims has also affected the DDS offices' ability to process other workloads such as continuing disability reviews or CDRs. We found, for example, that the DDS offices conducted about one-half the number of CDRs, which are evaluations conducted by SSA to assess beneficiaries' continued eligibility for benefits, in fiscal year 2006 than they did in fiscal year 2004. (See app. II)

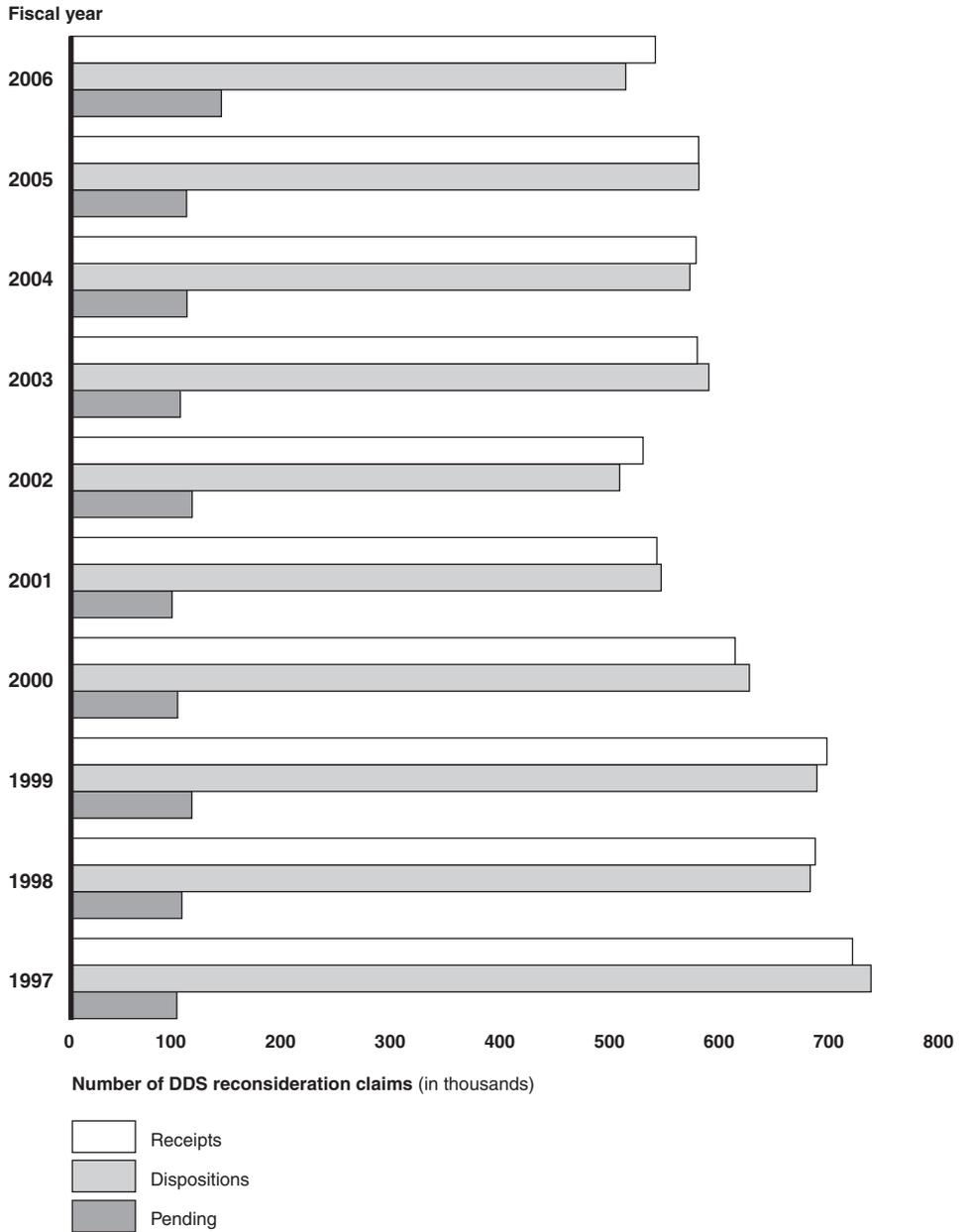
Figure 6: DDS Initial Claims Receipts, Dispositions, Pending, and Backlog, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

We were unable to determine from SSA data whether DDS offices also have a backlog in claims awaiting reconsideration reviews since the agency does not establish criteria that would allow measurement of backlogs at this stage of the process. However, it does track pending claims and by 2006 these numbers had grown by 40 percent over 1997 levels—even though the number of claims received over this period dropped 25 percent. This amounted to some 137,000 reconsideration claims pending at the end of fiscal year 2006. Contributing to this increase in pending claims was a reduction in the number of reconsideration dispositions issued—almost a third fewer than in fiscal year 1997. See figure 7. In fact, fewer dispositions were completed in fiscal year 2006 than in 1990. The decline in reconsideration dispositions are attributed, at least in part to the initial claims workload. For example, a DDS official in one region we visited told us that several DDSs had either slowed or temporarily stopped conducting reconsideration reviews in order to concentrate on reviewing initial claims. In addition, other factors such as participation in the Prototype initiative, which eliminated the reconsideration stage in 10 states, may have also contributed to the reduction in reconsideration dispositions.

Figure 7: DDS Reconsideration Claims Receipts, Dispositions, and Pending, Fiscal Years 1997 to 2006

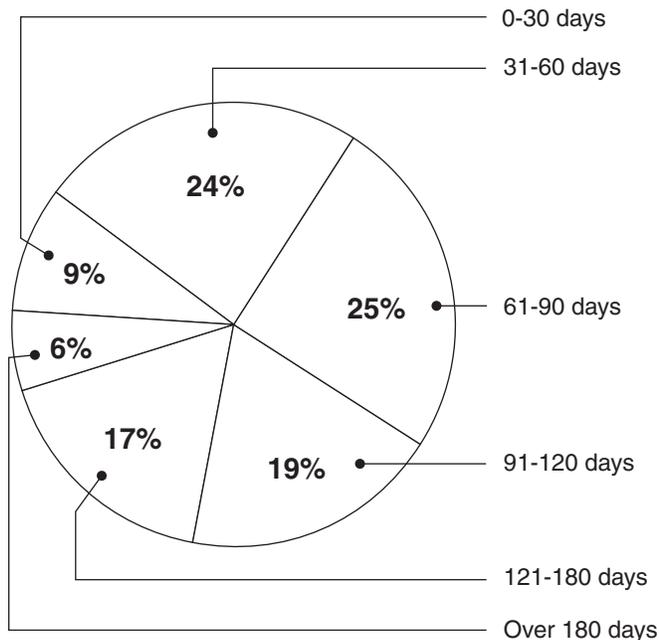


Source: GAO analysis of SSA data.

Note: This graphic does not include backlogs. We were unable to calculate backlogs at the reconsideration stage because SSA has not established an optimal level of pending claims that would allow its computation.

Regarding average processing time, it took longer on average to adjudicate initial and reconsideration disability claims in fiscal year 2006 than in 1997. The average processing time at the initial level was 89 days in fiscal year 2006, compared to 70 days in fiscal year 1997. Moreover, 17 percent of initial DI claims (about 230,000 claims) took between 121 and 180 days to adjudicate; 6 percent (about 78,000 claims) required over 180 days. See figure 8. At the reconsideration stage, the average processing time for all claims increased from 51 to 72 days.

Figure 8: Initial DDS Disability Insurance Claims Processing Time, by Age (in Days), Fiscal Year 2006

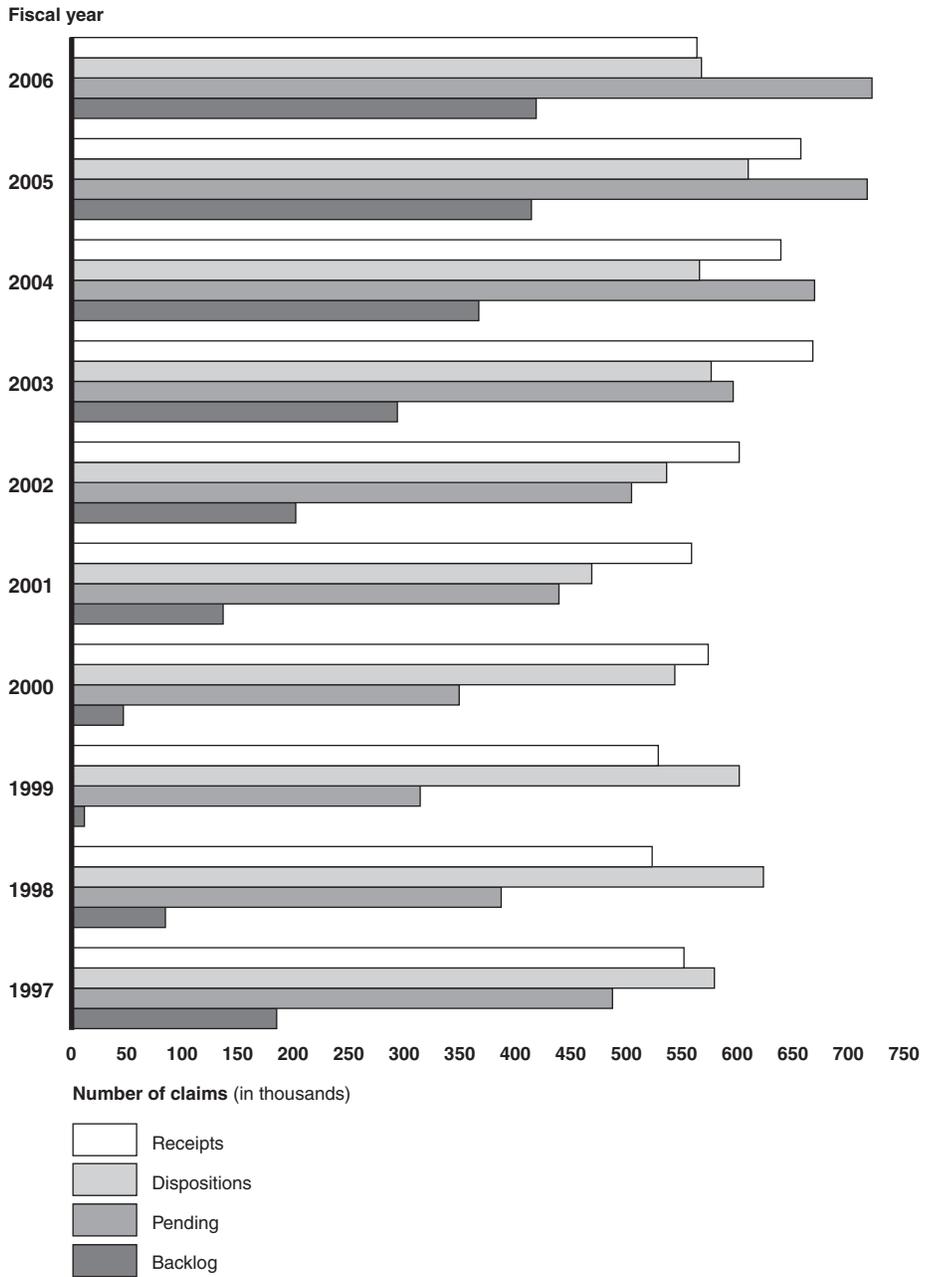


Source: GAO analysis of SSA data.

The Largest Backlog in Disability Claims Has Been among Those Awaiting Hearings

Although backlogged claims were almost eliminated at the hearings level from fiscal 1997 through 1999, they grew unabated and reached over 415,000 cases by fiscal year 2006—accounting for 72 percent of SSA’s total disability backlog. This was more than twice the number of claims backlogged in fiscal year 1997. Meanwhile, the number of requests for hearings fluctuated considerably from year to year, and in one year, exceeded 1997 levels by as much as about 21 percent. On the other hand, the number of dispositions issued over the period declined slightly. See figure 9.

Figure 9: Hearings Office Claims Receipts, Dispositions, Pending, and Backlog, Fiscal Years 1997 to 2006

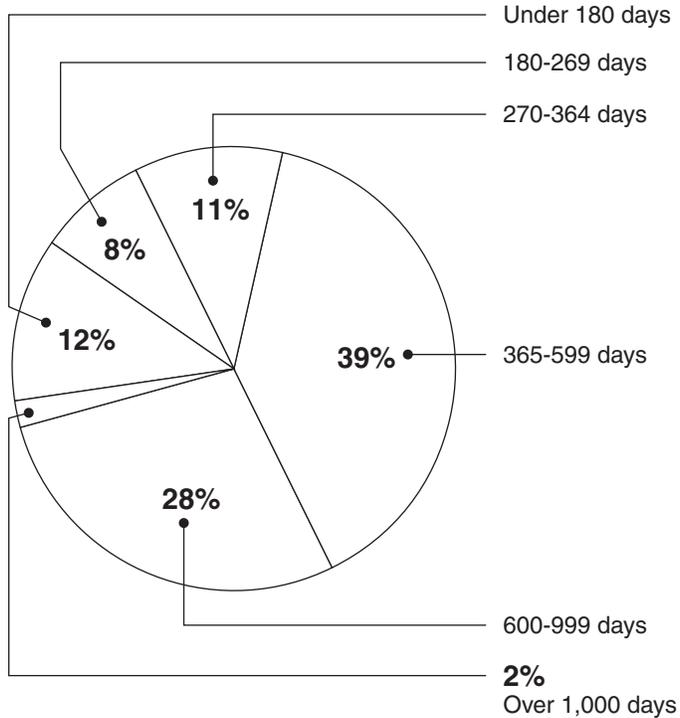


Source: GAO analysis of SSA data.

Although SSA was able to reduce average processing times at the hearings level in some years, by the end of fiscal year 2006, the time required to reach a decision had increased dramatically.¹⁷ In fiscal year 2000, SSA's average processing time was 274 days. However, by fiscal year 2006, this average had increased to 481 days, with many cases taking much longer. For example, 30 percent (about 170,000) of the decisions issued in fiscal year 2006 took 600 days or more; about 2 percent (12,000) took over 1,000 days. See figure 10. Recently, SSA concentrated on reducing the number of cases pending over 1,000 days. From September 2006 to the close of fiscal year 2007, SSA reduced the number of these cases from 63,770 to 108.

¹⁷SSA's Office of Inspector General (OIG) found some problems with the reliability of processing time data stored in the Hearing Office Tracking System (HOTS), which is the source of processing time data we report at the hearings level for fiscal years 1997 to 2004. Specifically, the OIG found problems including incomplete data (requests for hearings were not consistently entered in HOTS); inaccurate data (especially in hearings request dates and hearings held dates, which means data on claims processing are inaccurate); and a lack of consistent management controls (e.g., no or infrequent reviews of the data, lack of training for staff, unauthorized staff had access to the system). For example, when the OIG compared a sample of hearing request dates from HOTS to the dates in the original paper files, they found that about 13 percent of the dates in HOTS were inaccurate. However, in part because SSA has published HOTS data in reports including its *Annual Statistical Supplement*, we judged the data to be sufficiently reliable for our reporting objectives.

Figure 10: Hearings Office Claims Processing Time, by Age (in Days), Fiscal Year 2006



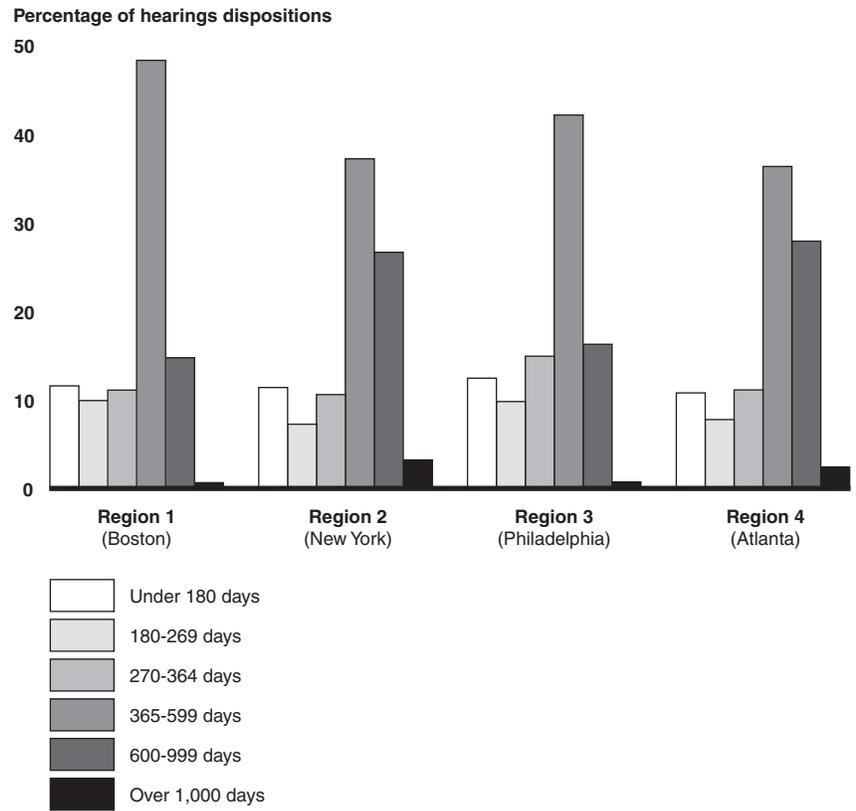
Source: GAO analysis of SSA data.

Lengthy processing times were particularly evident in two regions—namely regions 5 (Chicago) and 10 (Seattle).¹⁸ See figure 11. For these regions, about half of the decisions rendered in fiscal year 2006, took on average between 600 and 999 days.¹⁹

¹⁸The Chicago region includes Minnesota, Wisconsin, Illinois, Indiana, Michigan, and Ohio. The Seattle region includes Washington, Oregon, Idaho, and Alaska.

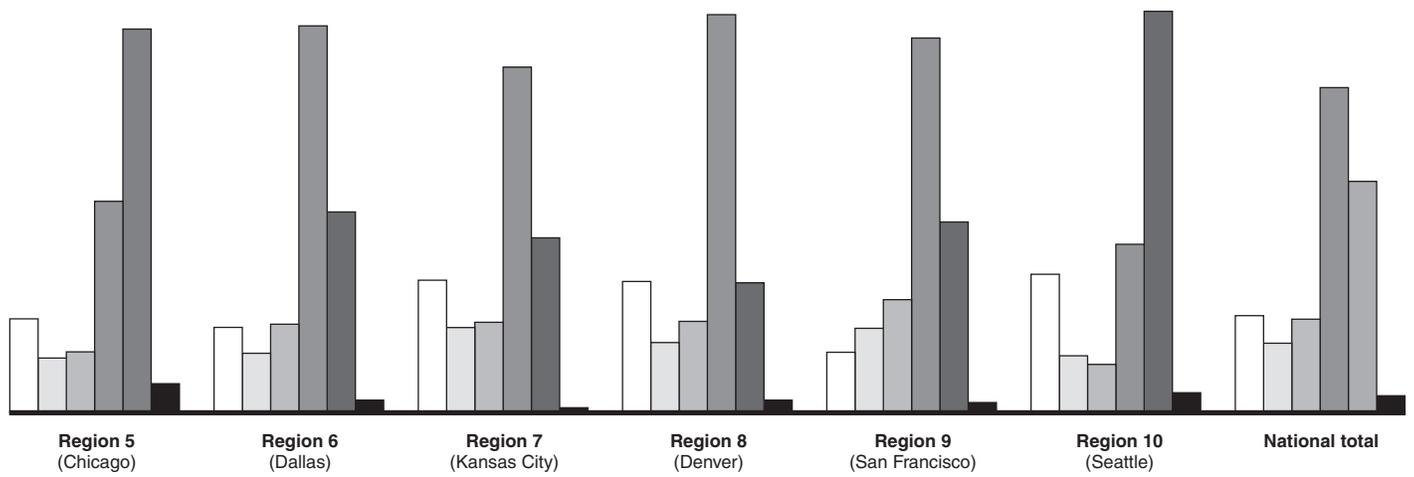
¹⁹SSA told us that insufficient numbers of ALJs and support staff, increased receipts, and low productivity of some ALJs were problematic in these regions and affected processing times.

Figure 11: Hearings Office Claims Processing Time, Age (in Days) as a Percentage within a Region, Fiscal Year 2006



Source: GAO analysis of SSA data.

Note: National totals include processing times for SSA's Central Screening Division.

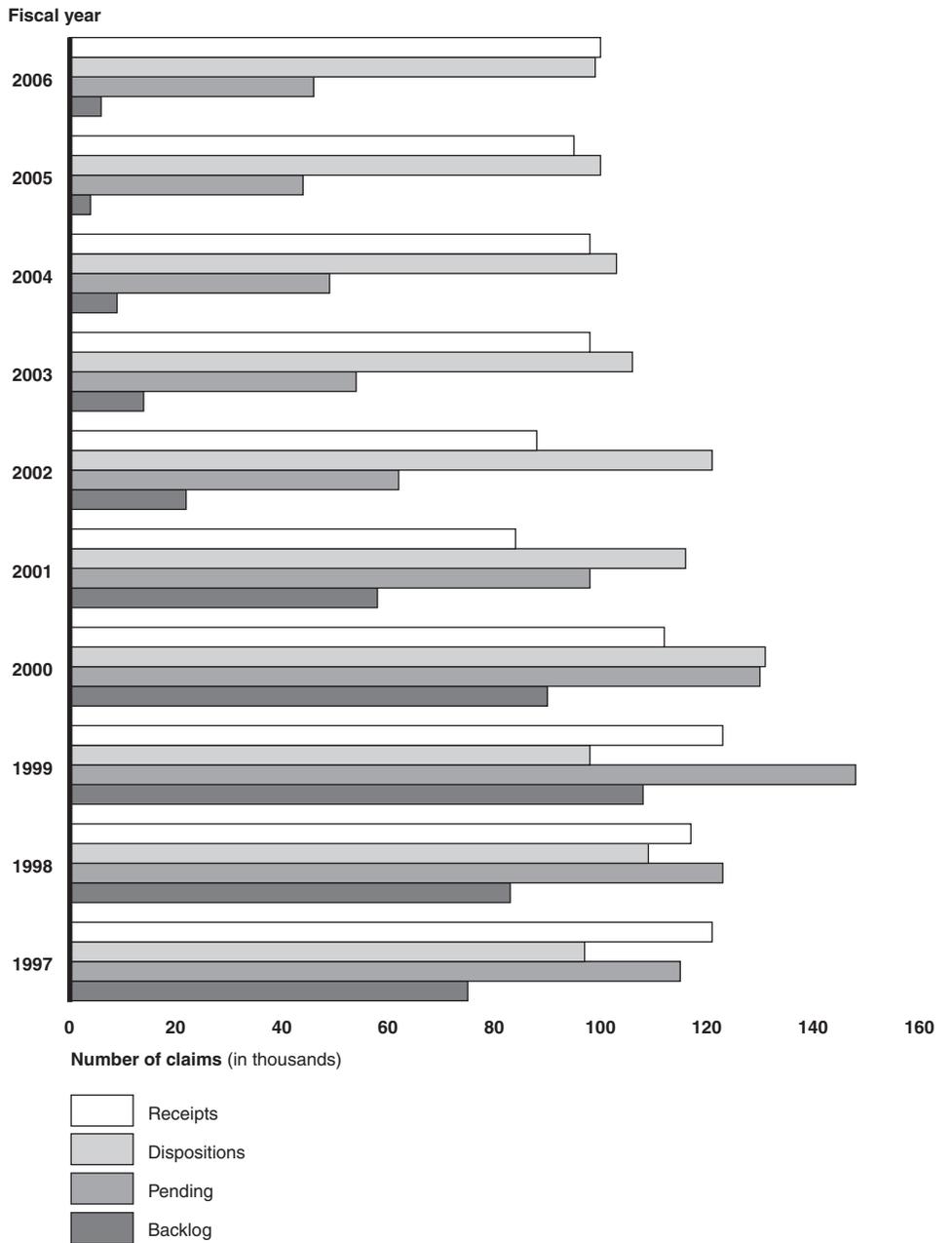


At the Appeals Council, Where Significantly Fewer Claims Are Adjudicated, Backlogged Disability Claims and Processing Times Were Dramatically Reduced

Between 1997 and 2006 the disability claims backlog and average processing time at the Appeals Council, which handles relatively fewer claims (less than 3 percent of all processed claims in 2006), decreased dramatically. By fiscal 2006, the backlog dropped from more than 74,000 claims in 1997 to fewer than 6,000 claims—less than a tenth of the fiscal year 1997 backlog. Also over the period, the number of Appeals Council claims received declined by about 17 percent, and the number of dispositions issued generally increased over the number issued in fiscal year 1997.²⁰ See figure 12.

²⁰ The number of Appeals Council claims received in fiscal 1997 was 120,540; in fiscal year 2006, it received 100,247 claims.

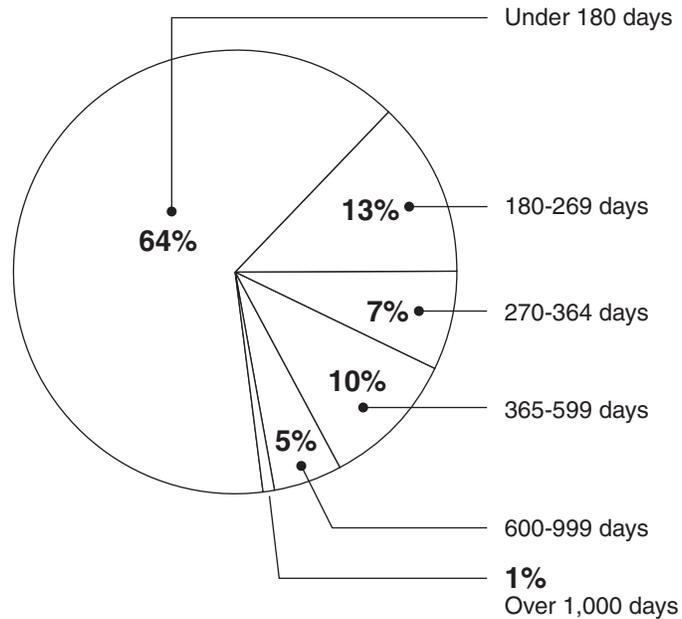
Figure 12: Appeals Council Claims Receipts, Dispositions, Pending, and Backlog, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

Accompanying the reduction in the Appeals Council's backlogged claims over the period was a dramatic 40 percent reduction in the average time that it took to reach a decision on a claim. In fiscal year 2006, the average time for the Appeals Council to process a claim was 201 days, down from 340 days in fiscal year 1997 and the 495 days it took in fiscal year 2000. While on average, it required fewer than 180 days for the Appeals Council to process most of the decisions in fiscal year 2006, 16 percent of these decisions took 365 days or more. See figure 13.

Figure 13: Appeals Council Claims Processing Time, by Age (in Days), Fiscal Year 2006



Source: GAO analysis of SSA data.

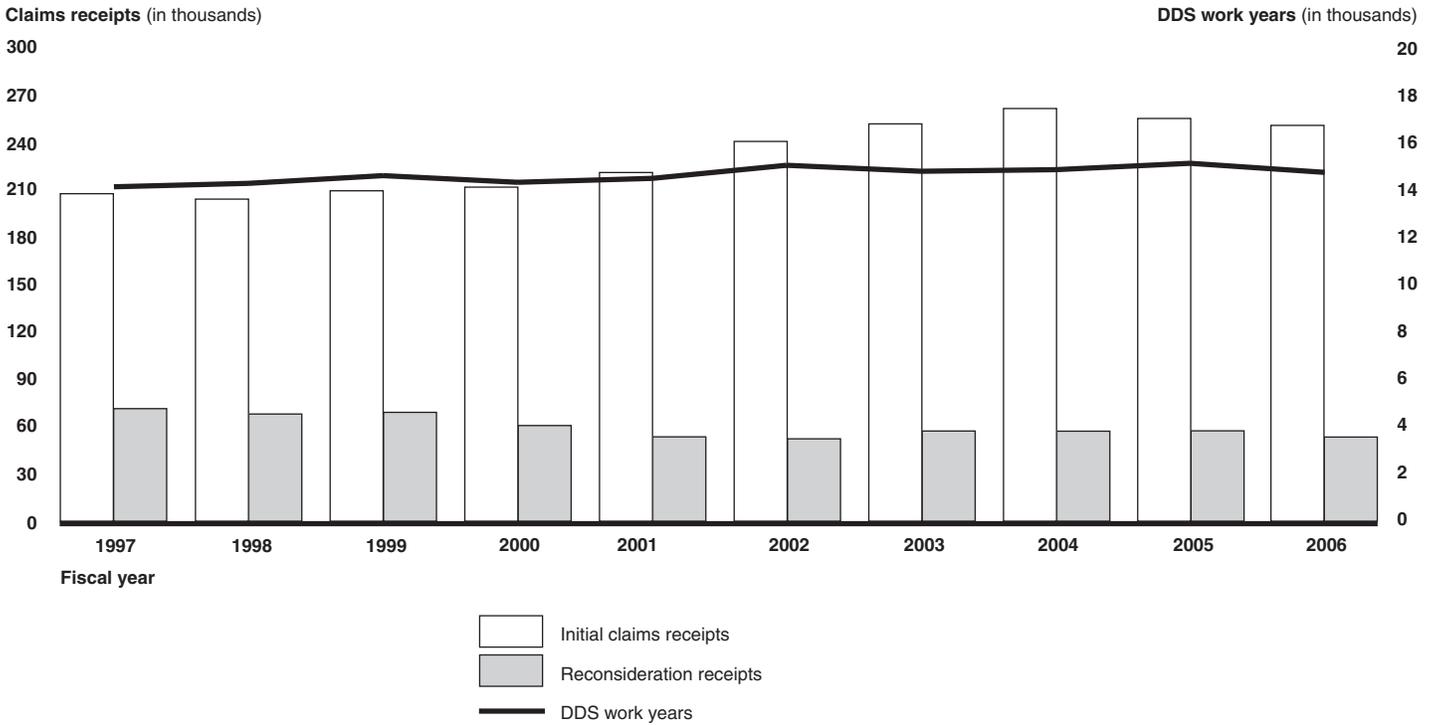
Growth in Applications, Staffing Losses, and Management Weaknesses Have Contributed to Backlogs

While backlogs in processing disability claims have plagued SSA for many years, several factors may have contributed to their increase in the last decade: a substantial growth in initial applications, staff losses, and management weaknesses. Staffing losses and turnover have reduced the number of experienced personnel available to process rising numbers of claims. Management problems have been manifested in a number of initiatives that were not well planned and implemented. That is, several initiatives introduced by SSA in the last 10 years to improve processing times and eliminate backlogged claims have, because of their complexity and poor execution, had mixed results.

In the Past Decade, Disability Applications Increased Over 20 Percent while Staffing Increased 4 Percent at DDSs

As we noted earlier in this report, the number of initial applications for DI and SSI benefits increased by 21 percent overall from fiscal years 1997 to 2006; meanwhile, DDS staffing levels increased about 4 percent. See figure 14. The increase in new applications can be attributable to a number of influences: periodic downturns in the economy, the aging of the baby boomer population, increased referrals from other programs, previous changes in program eligibility requirements and regulations, and increased program outreach. With respect to the economy, SSA officials, DDS senior managers, and prior work by GAO all attest to the fact that economic downturns from a failing industry or natural disaster can precipitate new disability applications.

Figure 14: Initial Claims Receipts, Reconsideration Receipts, and DDS Work Years, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

Many SSA regional officials we spoke with said that increased program referrals from state and federal programs have also increased the volume of applications. Also, SSA officials and DDS senior managers cited a change in prior disability claims regulations that has effectively expanded eligibility for certain cases. Additionally, enhanced outreach efforts over the years have likely increased the filing of applications for benefits, according to senior managers we spoke with in two SSA regions. Officials in one region recounted one initiative that targeted outreach to the homeless, which increased applications and also added to processing times. They also attributed some processing delays to the time required to track homeless candidates and help them document their disabilities.

SSA Has Experienced Substantial Turnover and Losses in Personnel throughout the Disability Claims Process

Over the past decade, the growth in the disability claims backlogs has coincided with a period of staff turnover and losses throughout the disability claims process. At the Disability Determination Services (DDS), where the initial and reconsideration decisions are made, in particular, there has been a high rate of turnover and attrition.

Disability Examiners and Medical Staff for the Disability Determination Services. Attrition rates for DDS disability examiners, who are state employees, are almost double that of SSA federal staff. An interim June 2007 report by SSA officials and DDS senior managers cited an attrition rate of 12.7 percent among disability examiners, which was significantly higher than the attrition rate of 6.8 percent among SSA federal staff for fiscal year 2006.²¹ In the course of our work and in prior reports, DDS officials have attested to the impact of staff losses on work flow.

Many DDS senior managers we recently spoke with said that turnover of experienced disability examiners has affected productivity. In one state office, for example, senior managers told us they have had difficulty retaining experienced disability examiners and said that many leave after their first year of training. These senior managers also noted an overall attrition rate of 22.3 percent for DDS disability examiners who completed their first year of training from September 1998 to January 2006. Further, about 130 of the approximately 600 disability examiners hired during that period left or were terminated within the first year. DDS officials said the loss of experienced staff affects their ability to process disability claims workloads because it generally takes newly hired examiners about 2 years to become proficient in their role.

These accounts of difficulty in retaining key staff are consistent with a 2004 GAO study, where we reported that over half of the DDS directors stated that claims examiner turnover had increased DDS claims processing times and backlogs and that the remaining examiners had to assume higher caseloads.²² Almost all of those directors reported that the

²¹This report was prepared by the DDS Recruitment and Retention Workgroup, which was established in December 2006 to identify the DDSs' staffing needs in the electronic environment for use in recruiting nationally and maintaining a qualified DDS workforce.

²²GAO, *Social Security Administration: Strategic Workforce Planning Needed to Address Human Capital Challenges Facing the Disability Determination Services*. GAO-04-121. (Washington, D.C.: Jan. 27, 2004).

number of examiners in their DDSs had not been sufficient for their workloads in at least one fiscal year between 2000 and 2002. We also reported that many DDS directors believed that their examiners needed additional training.

Finally, DDS managers and staff we spoke with said that not having sufficient medical and vocational experts available to review examiners' work also extended the time it generally takes to process and review an application. For example, at one location, disability examiners told us that it took 2 months to review some claims that involved mental health issues.

Administrative Law Judges and Support Staff for Hearings. For much of the period under study, SSA experienced reductions in administrative law judges (ALJs) and support staff—decision writers, staff that prepare case files for review, attorneys, and claims technicians—who process disability claims.²³

The number of ALJs available to conduct hearings fluctuated annually, ranging from a high of 1,087 in fiscal 1998 to a low of 919 in fiscal year 2001 and rebounding somewhat in 2006, to 1,018.²⁴ Many senior SSA management staff and ALJs with whom we spoke cited the number of administrative law judges available to conduct hearings as a major contributor to backlogged claims.²⁵ In May 2006, the Commissioner of SSA said that the agency would require no fewer than 1,250 administrative law judges along with sufficient numbers of support staff to properly manage the claims currently pending at the hearings level. Even at these staffing levels, the Commissioner said the agency does not expect to immediately reduce the backlog.

Both the number of support staff and the ratio of support staff to ALJ fluctuated considerably in the hearings offices between fiscal years 1997

²³Hearings office support staff generally assist the ALJs with adjudicating claims, developing the claims and getting the actual claims ready for a hearing, and writing the decision once an ALJ adjudicates the claim.

²⁴The actual number of ALJs on board was slightly higher than the number available to conduct hearings. For example, 1,153 were on board in 1998 and 974 were on board in 2001.

²⁵SSA's ability to hire sufficient administrative law judges has been hindered in the past by a number of factors; including the length of time it took the Office of Personnel Management to establish a register of qualified ALJs that the agency could hire to fill vacant positions, budgetary constraints, and stays due to class action litigation.

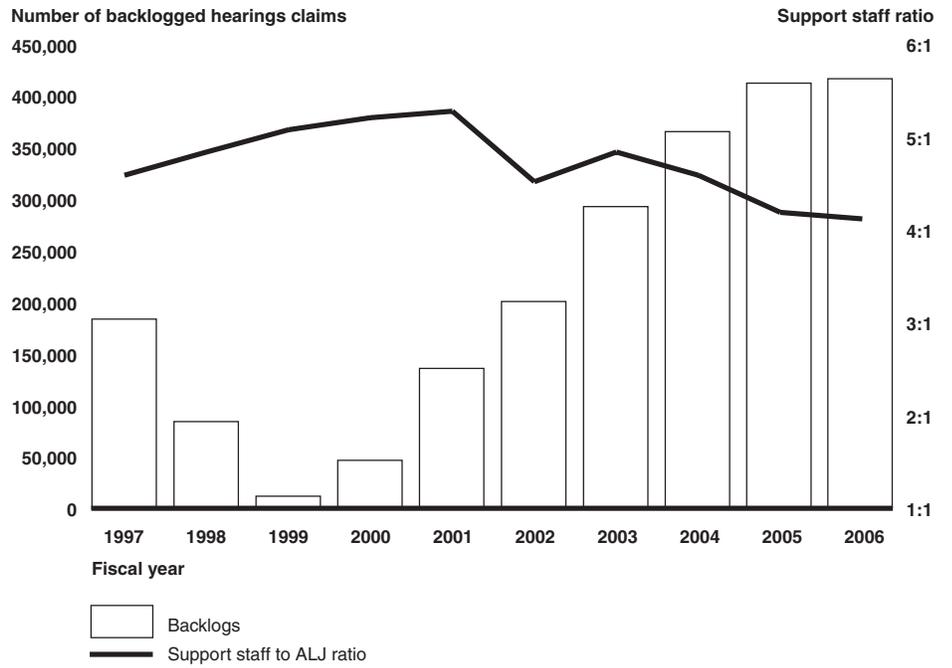
and 2006. Support staff levels peaked at over 5,500 in 1999 and in 2006, bottomed out at about 4,700. While SSA senior managers and ALJs have recommended a staffing ratio of 5.25 support staff to administrative law judge for effective processing of claims, the actual ratio has more often been lower, ranging from a ratio 4.59 in 1997 to 4.12 in 2006.²⁶ Only in fiscal year 2001 did the ratio of support staff to administrative law judge meet the staffing levels recommended by SSA's senior management.

The backlog decreased when the ratio of support staff to ALJs increased in some years, but not in others; perhaps because of other intervening factors such as the implementation of new initiatives and the elimination of others such as the Hearings Process Improvement initiative and the Senior Attorney program, respectively.²⁷ See figure 15. By the close of fiscal year 2006, SSA saw the highest level of backlogged claims and the lowest ratio of support staff to ALJs over this period. As shown in figure 16, the number of pending cases that were older than 270 days decreased significantly when the support staff to ALJ ratio was higher in fiscal years 1999 through 2001.

²⁶The recommended staffing ratio could change as SSA implements planned automation initiatives that are expected to improve the hearing process and increase efficiency.

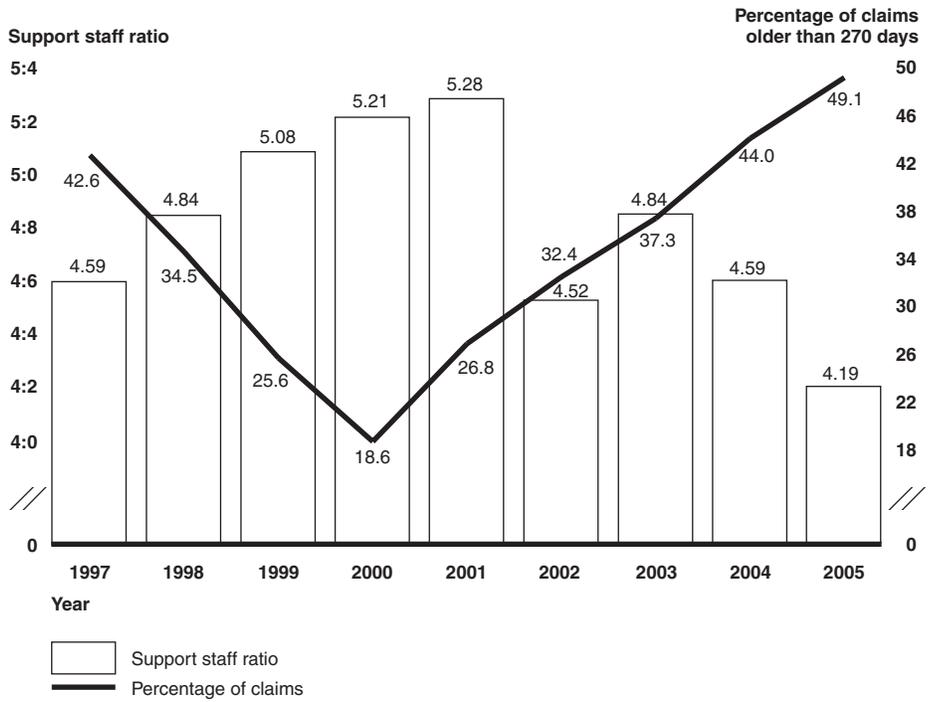
²⁷This program allowed senior attorneys to adjudicate claims that were awaiting a hearing if the evidence indicated the claim should be approved.

Figure 15: Hearings Office Claims Backlog and the Ratio of Hearings Office Support Staff to ALJ, Fiscal Years 1997 to 2006



Source: GAO analysis of SSA data.

Figure 16: Percentage of Hearings Office Claims Pending More Than 270 Days at the End of Year and the Ratio of Hearings Office Support Staff per ALJ, Fiscal Years 1997 to 2005



Source: GAO analysis of SSA data.

SSA experienced staffing challenges agencywide. For example, the agency experienced a reduction of more than 1,700 annual full time equivalent employees from fiscal years 1997 to 2006. See table 1.

Table 1: SSA Annual Full Time Equivalent Employees for Fiscal Years 1997 to 2006

Fiscal Year	Full time equivalent
1997	64,904
1998	63,621
1999	62,544
2000	61,931
2001	62,189
2002	62,563
2003	62,521
2004	63,300
2005	63,949
2006	63,131

Source: Data provide by SSA.

Note: Does not include the Office of the Inspector General.

In addition to staffing levels, senior SSA officials said the overall performance of administrative law judges in adjudicating disability cases at the hearings level has a substantial impact on the time it takes to render a disability decision. For example, they said average productivity would increase if the performance of the bottom 17 percent of their duty ALJs—ALJs whose responsibility is to primarily review cases—improved.²⁸ According to SSA, the average number of hearings processed per duty ALJ is currently around 515 per year, while 17 percent of duty ALJs process fewer than 350 cases per year.

Further, SSA officials told us that in the past several years, the agency has received appropriated amounts below the President’s budget request. (See table 2) As a result, the agency has not had sufficient resources and has encountered challenges balancing its many workloads. In commenting on a draft of this report, SSA indicated that despite budget shortfalls, since 2001, through innovation, automation, and dedicated staff, the agency has improved productivity on average, by 2.5 percent each year. However, according to SSA, the success of future efforts to reduce

²⁸In prior reports, GAO has noted that the productivity of administrative law judges impacts processing times at the hearings level. See GAO, *Social Security Disability: Backlog Reduction Efforts Under Way; Significant Challenges Remain*, GAO/HEHS-96-87 (Washington, D.C.: July 11, 1996) and GAO, *Social Security: Many Administrative Law Judges Oppose Productivity Initiative*, GAO-HRD-90-15 (Washington, D.C.: Dec. 7, 1989).

the disability claims backlog will depend on adequate and timely agency funding.

Table 2: Social Security Administration’s Limitation on Administrative Expenses Account for Fiscal Years 1997 to 2006

Dollars in millions

Fiscal Year	Commissioner’s Request	President’s Budget Request	Final Appropriation
1997	6,239	6,092	6,407
1998	6,654	6,522	6,409
1999	6,640	6,541	6,426
2000	6,908	6,706	6,572
2001	7,356	7,134	7,124
2002	7,982	7,574	7,562
2003	7,974	7,937	7,885
2004	8,895	8,530	8,313
2005	9,310	8,878	8,733
2006	10,106	9,403	9,109

Source: CRS Report for Congress, Social Security Administration: Administrative Budget Issues; Updated October 26, 2007.

Management Weaknesses Also Contributed to Disability Case Backlogs

Management of the disability claims system and particularly of strategies initiated to remedy the backlogs may have also contributed to their growth in some circumstances. In the last decade, a number of initiatives undertaken by SSA to improve the disability process and remedy backlogs have faltered for a variety of reasons, including poor execution. Implementation of these initiatives, therefore, has often slowed case processing. Prior GAO work found that many of the initiatives the agency has undertaken since the late 1990s were poorly planned and implemented and yielded more losses than gains. In some cases, the plans were too large and too complex and fell far short of expectations. In addition, in 2001, the Social Security Advisory Board raised concerns about SSA’s many proposed process changes and about the amount of time and resources the agency had invested in changes that resulted in minimal gains.

Some initiatives had the effect of slowing processing times by reducing staff capacity, increasing the number of appeals, or complicating the decision process. Some improved the process, but were too costly and subsequently abandoned. This was the case for several facets of a major

1997 initiative, known as the “Disability Process Redesign,” which sought to streamline and expedite disability decisions for both initial claims and appeals.²⁹ Various initiatives within this effort became problematic. In addition, implementation of an electronic system enhanced some aspects of the disability claims process, but also caused some delays.

Process Unification. This initiative, which was designed to standardize decisions made both at the initial claims and the hearings level by streamlining existing regulations required disability examiners to more fully develop and document their decisions. Although this would require more time early in the process, this initiative was expected to reduce backlogs by decreasing the number of appeals. This initiative was only partially implemented and portions of it, such as the development of a unified policy guide for adjudicators, were later abandoned by SSA because of high costs and an overly-ambitious scope.

The Prototype. This initiative was designed to ensure that all legitimate claims were awarded as early in the initial claims process as possible by eliminating the second independent review or reconsideration step in the disability adjudication process. Although designed to streamline initial processing of claims by screening for claims with clear eligibility, this process resulted in an increase in the number of appeals for a hearing by an administrative law judge. After introducing the process in ten states, SSA, in 2002, discontinued its expansion based on its high administrative costs and the increased number of appeals.³⁰ SSA also concluded that this initiative would cause claimants to wait significantly longer for a final decision on a hearings claim.

The Disability Claims Manager. SSA implemented this initiative in 1999 to make the claims process more user-friendly and efficient by assigning a disability claims manager as the primary point of contact until initial decisions are made. The disability claims manager altered the process by which numerous employees handled discrete parts of the initial claim. Both SSA and DDS employees served as disability claims managers during

²⁹Much of this major redesign project was undertaken to address GAO’s recommendations to redress problems experienced when the system was revised in 1994, when the agency first attempted to reduce case backlogs.

³⁰The states where the prototype process was introduced include: Alabama, Alaska, California (Los Angeles area), Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania.

the test, performing both claims representative and disability examiner functions. While the test showed greater customer satisfaction and faster processing, SSA, in June 2002, ended the initiative because of significant start-up and maintenance costs, including employee training and insufficient infrastructure to support the new claims process.

The Adjudication Officer. This initiative was designed to expedite decision-making at the hearings level by assigning single points of contact to (1) provide claimants with information about the hearing and their rights to representation, (2) develop the record for a hearing, (3) issue fully favorable on-the-record decisions when supported by evidence, and (4) narrow issues and fully develop cases that are forwarded to the administrative law judge for a decision. Since this initiative did not meet most of its milestones for testing or implementation because of an overly ambitious plan that required the agency to move forward on many fronts simultaneously, SSA discontinued implementation in 1999.

With the Disability Process Redesign Plan of 1997 largely discontinued, in 2000, SSA undertook new efforts to improve processing, but most of these changes have been troubled by protracted implementation and slowed claims processing.

Electronic Disability Process. In 2000, SSA revived a prior plan to transform its paper-based processing system to a national, fully integrated electronic processing system. The initiative has several goals, including (1) reducing delays caused by losing paper folders during transfers to other offices, (2) providing more complete disability information on claimants, and (3) reducing keying errors as well as storage and mailing costs. However, SSA's decision in 2002 to accelerate its rollout of the electronic claims process before conducting end-to-end testing of the systems resulted in systemic instability and shutdowns at the DDS and hearings offices.³¹ For example, DDS managers in one SSA region we visited said as a result they were faced with computer shutdowns as long as a half hour each day, making it difficult to process cases. However, SSA regional officials told us that these problems are now improving.

³¹In prior reviews of the electronic folder, we recommended that SSA conduct end-to-end testing to evaluate the functionality and performance of all electronic disability system components collectively and that the agency not begin rollout without ensuring that all critical problems identified in the pilot tests had been resolved. SSA disagreed with both of these recommendations citing time constraints which it believed made the recommendations unrealistic.

Also, the electronic folder system, a component of the electronic disability process, was implemented at the hearings offices without “e-pulling,” a feature that was part of SSA’s original vision of a mature electronic disability process that would automatically eliminate duplicate documents and organize the remaining documents. While a pilot of the functionality for e-pulling is scheduled for implementation in April 2008, technicians must still perform this activity manually. Staff in one region we visited said that because of system problems and the time required to eliminate duplicate electronic documents, and master the new system, it has been taking up to three times as long to prepare a case. Moreover, administrative law judges we spoke with in two SSA regions said that as a result they had experienced some delays because the support staff could not prepare enough claims files for hearings.

Currently, new claims are generally processed in the electronic folder system at all stages of the process with the exception of the Appeals Council, where an electronic folder system is expected to be installed January 2008. In addition, since June 24, 2007 hearing offices have been able to “reactivate” the most recent closed electronic file, thus allowing cases remanded by the Appeals Council to remain electronic. Prior to June 24, 2007, any disability claim that was sent back to a previous level of the process for adjudication, such as claims that were remanded from the Appeals Council back to a hearings office, had to be converted and processed in paper, which caused some claims processing delays.

Hearings Process Improvement. This initiative, implemented in 2000 to reduce the number of appeals by improving their review at the hearings level, reorganized staff into small groups in the hearing offices to screen and analyze claims before they were scheduled for a hearing with an ALJ. Among other things, this resulted in the promotion—without replacement—of some staffers who had formerly been key to assembling claims documents for hearings. Also, the automated systems that were necessary to support the full implementation of this initiative were never put in place. Many of the senior SSA officials we spoke with expressed the opinion that this initiative was responsible for dramatic increases in delays and processing times at the hearings level. Also, during a May 2002 congressional hearing, the Commissioner of SSA acknowledged that this initiative had created additional bottlenecks at the hearings level.

Appeals Council Process Improvement. This initiative was implemented in 2000 to improve customer service by reducing processing times and pending disability workloads at the Appeals Council level among other strategies, through increased adjudicatory capacity. It was

credited with reducing both disability case processing times and the backlog of pending claims at the Appeals Council level. However, the initiative was hampered by automation problems and policy changes. For example, an inefficient and error-prone case tracking system caused process delays. Additionally, policy changes required that subsequent applications for benefits filed by claimants be kept separate from original ones. This resulted in two cases pending at different levels of the process, which complicated adjudication, requiring more time for resolution.

In 2002, SSA introduced several short-term initiatives to reduce processing times and delays at the hearings level. These short-term initiatives included several approaches such as, bench decisions whereby an ALJ could issue a favorable decision based on the evidence when holding a hearing; use of information technology such as video hearings; early screening analysis to identify claims with a high likelihood of being granted; and use of outside contractor assistance for file assembly. Although many of these strategies are still employed, SSA discontinued the use of contractors for file assembly—in part because of problems with lost folders.

SSA Has Introduced a New Set of Comprehensive Reforms, but Suspended Their Rollout to Concentrate on the Hearings Backlog and on Electronic Processing

In 2006, SSA introduced the Disability Service Improvement initiative (DSI), a comprehensive set of reforms to the disability process, which was initially rolled out in the Boston region with the intention of extending it nationally.³² However, DSI was hampered by rushed implementation, poor communication within the agency, and inadequate financial planning. Thus far, results of the initiative have been mixed. SSA recently published proposed regulations to suspend certain portions of the initiative operating in the Boston region that have cost more than anticipated. SSA has said that it will continue to evaluate these portions of the initiative to determine whether they should be reinstated. However, it is not clear whether accuracy of decisions will be a key consideration in addition to cost and timeliness when conducting these evaluations. In the meantime, SSA will re-focus its efforts on clearing out the hearings backlog, which has reached over 400,000 claims, and on increasing the functionality of the electronic folder system.

³²The Boston region includes the states of Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont.

Rushed Implementation of SSA's "Disability Service Improvement" Initiative as well as Poor Communication and Inadequate Financial Planning Has Produced Mixed Results

In March of 2006, SSA instituted a comprehensive plan to improve all phases of the disability claims process with fundamental changes, expecting to make it operational in the Boston region by August of 2006 and in a second region, at the earliest, a year later.³³ This plan, called the Disability Service Improvement initiative (DSI) was designed to produce correct decisions on disability claims as early in the application process as possible, with the expectation that DSI would reduce both appeals of denied claims and future backlogs. (See app. III for key aspects of DSI).

By regulation, DSI began in the Boston region in August of 2006—just 4 months after publication of the final rule describing the program. According to regional officials, this left insufficient time to get these programs up and running. Also, according to agency and regional officials we spoke with, problems caused by a tight schedule were compounded by limited communication between SSA headquarters and the Boston region prior to the DSI rollout. Officials from the Boston region said that regional staff were not party to DSI planning, which took place in SSA's Baltimore office, and that until the final regulation was published in March, the only information the officials received about DSI was the information that was released publicly. Despite multiple requests for meetings, regional officials said they did not meet with SSA headquarters personnel to discuss implementation until May 2006, less than 3 months before the program's scheduled rollout and they had few details on how the DSI process was intended to work logistically. Further, DSI implementation was complicated by the fact that staff were still becoming familiar with the electronic processing system, which had been recently implemented.

Additionally, SSA did not provide training to offices outside the Boston region on how to handle claims that are filed originally in the Boston region under the DSI system.³⁴ While examiners in non-DSI regions were instructed to use an electronic search system for guidance on DSI cases,

³³This reform, the Disability Service Improvement (DSI) initiative, was instituted by regulation in 2006. However, plans to create DSI had been underway since at least 2003, when the Commissioner of the Social Security Administration announced in a testimony before the House Committee on Ways and Means that SSA would undertake fundamental reform of the disability determination and appeals process.

³⁴A claim is a DSI claim if a person is a permanent resident in the Boston region at the time that he or she files a claim. This means that examiners in non-DSI regions can encounter DSI claims in two ways: (1) claimants may file in another region even if they are permanent residents of one of the states in the Boston region or (2) claimants file for disability while they are a permanent resident of Boston and then move to another region and direct questions about claims to the SSA field office in that region.

they generally found the system to be inadequate. According to these officials, the search engine did not allow a search by words or phrases and was not effective in providing information to examiners on DSI or other topics.

DSI involved several envisioned changes to improve the disability determination process, but several factors, including tight time frames and poor communication, converged to undermine the initiative, producing mixed results in the Boston region, which has resulted in SSA expediting national rollout of some portions of the initiative and proposing indefinite suspension of others.

Quick Disability Determination Process. For initial claims, the DSI initiative added an automated screening function designed to identify disability claims that have a high likelihood of being approved for expedited processing. This process, known as the Quick Disability Determination (QDD) program, has been successful in fully adjudicating 79 percent of targeted claims within 20 days or fewer with an average decision time of 10 days.³⁵ Moreover, SSA's Office of Quality Performance found high accuracy rates when reviewing decisions made under this screening strategy. Nevertheless, Boston regional officials told us that the screening mechanism may not consistently identify claims that appear to fit SSA's established profile for adjudication under this process. For example, an SSA official in one state noted a case in which applications for disability benefits were submitted for two low birth-weight twins, only one of whom was identified as eligible under the QDD screening process, although they both had the same condition. According to SSA, this happened because the application for the twin that was not selected for QDD did not have a weight listed. While SSA headquarters officials have expressed enthusiasm about QDD, and the agency has published regulations to roll it out nationally, regional officials cautioned that achieving rapid resolution of identified claims is highly dependent on hospitals or other medical centers expediting the submission of patient records to SSA. To date, examiners in the Boston region have been successful in convincing doctors and hospitals to expedite evidence for QDD cases, but the examiners still cautioned

³⁵These statistics are for all cases that had been initially selected for QDD processing in the Boston region as of October 31, 2006; a total of 667 cases.

that providers of medical evidence may grow less responsive to requests for expedited information as these requests increase.

Office of the Federal Reviewing Official. While reconsideration adjudications for a denied claim have traditionally been handled by disability examiners at the DDS offices, the DSI initiative transferred such reviews to a new federal office of attorneys. These officials, known as Federal Reviewing Officials (FedRO), provide more extensive documentation of the decision to the claimant for this first level of appeal. Decisions by examiners from this specialized federal office have, as of March 2007, had accuracy rates of 97 percent.³⁶ According to SSA, this is higher than accuracy rates for DDS reconsideration adjudications.³⁷ Data provided by SSA on FedRO decisions to date also showed that these decisions had resulted in fewer appeals compared to standard reconsideration reviews in Boston.³⁸ While the FedRO has only recently begun issuing decisions, SSA officials have noted that they have so far been well documented and legally consistent.

While case documentation and accuracy appear to have improved under FedRO, which is staffed at half of planned capacity, pending claims levels and processing times have begun to increase substantially as more cases are decided under this process. Between November of 2006 and March of 2007, the number of claims pending at the FedRO increased from 209 to over 4,000. Moreover, the average time it took to adjudicate a claim increased from 41 to 80 days and continued to rise to 113 days at the close of June 2007. Meanwhile, receipts coming into the FedRO office are

³⁶ Accuracy rates are based on SSA's Office of Quality Performance review of FedRO decisions.

³⁷ According to internal evaluations which were provided to us by SSA, as of March 31, 2007 SSA's Office of Quality Performance had reviewed decisions on 259 FedRO decisions in the Boston region and found a decisional accuracy rate of 97 percent. According to SSA, for fiscal year 2007, the national accuracy rate for disability reconsiderations performed by the state disability determination offices was 91.9 percent overall, 97.5 percent for allowances, and 91 percent for denials.

³⁸ Appeals rates for the FedRO were calculated based on fewer than 3,000 cases, which were decided by the FedRO between implementation and June of 2007, whereas the appeals rate for reconsideration was based on all reconsiderations for fiscal year 2005 in the Boston region, which consisted of over 26,000 cases. Limited data on FedRO appeals makes it difficult to determine what the average FedRO appeal rate will be.

increasingly outpacing dispositions at a rate that could create a new backlog. (See table 3.)

Table 3: Office of Federal Reviewing Official (FedRO) Claims End of Month Status, October 2006 to March 2007

	October	November	December	January	February	March
Pending	55	209	811	1,584	2,775	4,876
Receipts	50	158	616	827	1,269	2,328
Dispositions	0	4	14	54	78	226
Average age of pending	12	24	32	38	46	55

Source: SSA data.

In August of 2007, SSA published a proposed rule to suspend the FedRO review in the Boston region, citing high administrative costs and lack of data to perform adequate evaluation on the effectiveness of FedRO review as reasons for suspension. If the proposed regulation is finalized, claims appealed after an initial decision will be reviewed at the DDS under the existing reconsideration procedures. The proposed rule states that SSA intends to continue to process claims already received at the FedRO and will continue to evaluate the FedRO through the processing of these claims. SSA says it will make a final determination as to whether to reinstate the processing of claims at the FedRO based on this evaluation.

Office of Medical and Vocational Expertise (OMVE). The DSI initiative established a specialized office to supply medical expertise. The Medical and Vocational Expert System commonly called the Office of Medical and Vocational Expertise (OMVE), is staffed with nurse case managers who support the FedROs. Nurse case managers at the OMVE obtain and collect needed medical evidence, schedule consultative exams for claimants with SSA-contracted physician specialists, and conduct a general review of each claim. The OMVE was not formed until June 2006 and as of June 2007, this office was staffed at about half the capacity required to support the Boston region. This has contributed to over 6,500 claims pending review at the OMVE with about 1,800 claims pending over 75 days as of June of 2007. In addition, the office has failed to establish sufficient numbers of contracts with specialty physicians, a problem that was attributed to the lack of availability and the cost of retaining such specialists. As a result, staff acknowledged that as of June 2007, claims were pending 3 weeks

for psychiatric review and 5 weeks for orthopedic review. Additionally, some agency officials told us they often found the nurse case-manager review unnecessarily duplicative of the work done by the FedRO and noted that the dual review was also expensive since both the FedRO and OMVE involve high level positions with substantial salaries. In August of 2007, SSA proposed using the OMVE in a more limited role to develop and manage a national registry of medical, psychological, and vocational experts.

Deadline for Submission of Evidence at the Hearings Level.

At the hearings level, the DSI initiative generally requires claimants to submit evidence no later than five business days before a hearing.³⁹ In limited circumstances, the ALJ will accept evidence submitted at the hearing or during the five business days before the hearing, or after the hearing and before the hearing decision is issued.⁴⁰ Submission of additional evidence at or immediately prior to a hearing can necessitate rescheduling the hearing in order for ALJs to consider new evidence. Such delays could postpone hearings for several months and require staff resources to prepare for the hearing. The official record closes once the ALJ issues a decision; regardless of whether it becomes the final decision.⁴¹ Officials we spoke with in the Boston region viewed these deadlines as positive improvements and the Commissioner of SSA has recently endorsed these changes. However, since very few DSI cases have made it to a hearing as of this date, it is difficult to say how these regulations will work in practice.

New Templates for Documenting Decisions. Under DSI, initial disability examiners are also required to provide more extensive documentation describing why a claim is awarded or denied. In support of this requirement, SSA planned to institute the electronic Case Analysis Tool, (eCAT), a computer based system that guides examiners through the decision making process and helps them fully document their cases. However, SSA's Office of Systems did

³⁹20 C.F.R. § 405.331(a)

⁴⁰20 C.F.R. § 405.331(b) and (c).

⁴¹20 C.F.R. § 405.360. New evidence will be considered by the ALJ after the issuance of the decision in limited circumstances set forth in 20 C.F.R. § 405.373.

not have adequate time to fully develop and test the tool and, as of August 2006, eCAT was not as functional as SSA had expected. Despite, the fact eCAT was not fully operational, beginning in August, SSA required DDS examiners to either use it or another decision template, which was based on Microsoft Word, to document their cases. Both templates caused considerable delays in processing caseloads. Regional staff told us the templates were time consuming: the eCAT template had technical problems which caused the system to crash and lose information and because the Microsoft Word-based template was designed to address every possible disability claim, it required examiners to sort through an unrealistically long list of choices to document each element of every claim. In March 2007, the Commissioner of SSA discontinued the template requirement. He later noted in a May testimony before Congress that electronic templates developed for the DDSs under DSI had been discontinued because they were “not ready for real world use”.⁴²

Apart from the above operational problems, the Disability Service Improvement (DSI) initiative has also cost more than the agency anticipated. SSA officials told us that they had originally estimated that DSI would draw resources from existing programs within SSA. The expectation was that resources for staffing and new technology would come from the budgets for disability hearings and the electronic folder respectively and that implementation of DSI would not increase SSA’s overall budget. However, according to SSA budget officials, partial rollout of the DSI initiative in the Boston region alone, had by June of 2007, incurred \$24 million in staffing expenses above normal administrative costs for disability programs. Meanwhile, budget officials told us they had not yet estimated the cost of national implementation of DSI. However, they had recently estimated that fully staffing the Boston region—one of the smallest of SSA’s ten regions—will require as much as \$46 million. This estimate did not include the cost of funding new technology associated with DSI, such as eCAT. Recently, SSA acknowledged the costs of DSI, particularly those associated with the FedRO and OMVE, were higher than expected.

⁴²According to SSA, the agency has been working on streamlining and refining eCAT for the past 12 months and began piloting it in two DDSs in September 2007.

SSA Has Suspended National Rollout of the DSI Initiative Pending Further Evaluation

SSA suspended further implementation of the DSI initiative beyond the Boston region and in August 2007, issued a proposed rule that would suspend the FedRO and OMVE portions of DSI. In discussing suspension of the national rollout, several agency officials reported to us that the agency would conduct an evaluation of DSI in Boston before any further decisions were made. According to SSA's proposed regulation, the agency will decide whether to reinstate the FedRO and OMVE based on an analysis of their performance in the processing of claims already received as well as alternative approaches. SSA stated that the evaluation will include an assessment of program and administrative costs and timeliness. However, one criterion not mentioned for evaluation in the regulation is accuracy—which, according to officials involved in the creation of DSI, was one of the primary goals of FedRO and OMVE review.

To date, the agency has undertaken only limited assessments of other components of DSI even though the strategic plan for the initiative originally included a schedule for a detailed evaluation plan. This evaluation plan was never carried out, and several components of DSI have not yet been assessed. Those evaluations that have been conducted, which we reviewed, were limited in scope and covered only short time periods. For example, we found that SSA's evaluations of QDD cases examined the accuracy of decisions, but not the criteria used for their selection or the speed at which individuals whose claims were approved under the program received their benefits. In addition, SSA's preliminary evaluation to assess FedRO's effectiveness was inherently limited by the number of cases involved, as the FedRO had processed fewer than 350 cases during the initial period of the evaluation.

SSA Is Concentrating on Reducing the Hearings Backlog and Improving the Electronic Processing System

SSA recently outlined a new plan that concentrates on clearing out backlogged cases that includes investing at a minimum, an additional \$25 million to improve the electronic processing system. Officials we spoke with at SSA emphasized that the new plan is not meant to replace the DSI initiative but to complement it until a final decision is made regarding the future of DSI. They noted that a large factor in the decision to suspend national rollout of DSI was the cost of the program, especially since its implementation was diverting resources from addressing the hearings backlog, which they said was at critical levels.

The hearings backlog reduction plan, described in an 18-page document, focuses on reducing the existing hearings backlog through a series of steps that employ some prior innovations and also new initiatives. The plan focuses on updating SSA's medical eligibility criteria, expediting cases for

which eligibility is more clear-cut, improving the electronic processing system, and focusing heavily on clearing out the backlog at the hearings level through a number of targeted actions.⁴³ We highlight several of the proposed activities below:

Update of SSA’s Medical Condition Listings. As part of the effort to expedite cases, the Commissioner said SSA’s existing medical listings would be updated so that disability categories are better defined.

Quick Disability Determination (QDD). Citing that the QDD process was both efficient and compassionate, the Commissioner said the DSI quick decision process for claimants with clear-cut cases would be continued and implemented nationally.

Improvements in Hearings Office Capacity and Performance. The Commissioner announced that the agency will increase the numbers of ALJs as well as support staff and will focus on clearing out cases that are more than 1,000 days old. The Commissioner has also proposed reviving the Senior Attorney Advisor program that was in place from 1995 to 2000 and gave Senior Attorney Adjudicators the ability to approve cases for claimants with clear disabilities that did not require a hearing. To increase the number of ALJs, the Commissioner plans to hire new judges, appoint ALJs from other agencies, and also re-hire some retirees. The backlog reduction plan also calls for remanding more cases back to the DDS, when appropriate, for fully favorable determinations. Finally, the plan calls for tightening performance measures for ALJs to ensure that cases are processed in a timely manner.

Use of a Findings Template for Hearings Decisions. The plan mandates the use of a template to be used by decision writers and ALJs, when documenting hearings decisions. The purpose of the Findings Integrated Template (FIT) is to ensure that all pertinent legal requirements are addressed in the ALJ’s decision, with the hope that this will reduce the number of cases that are remanded from the Appeals Council back to the hearings level. However, the

⁴³In announcing the new plan, the Commissioner stated that the most aggressive timeline for eliminating the backlog is 2012 but that this timeline depends largely on SSA’s budget over the next several years.

template was not designed to analyze or marshal evidence and according to decision writers in one region we visited, FIT does not help them associate evidence with relevant regulations, which often is a primary source of decision writing errors. While officials noted that decisions written using this template had a lower rate of remands, overall, FIT has received mixed reviews from officials and staff at SSA we talked with who have used it for processing cases. They also noted that portions of the template were not always relevant to all decisions, which made it difficult to use. The decision writers said that an open format rather than a template provided more room for associating evidence for a specific case with a pertinent regulation.

Temporary Service Area Realignment. The plan proposes to temporarily realign service areas by assigning additional service areas to hearing offices without backlogs and with low receipts. This is expected to correct caseload imbalances caused by dramatic fluctuations in receipts among the 141 hearing offices across SSA's geographic regions. Requests for hearings are to be routed by the servicing field office to the new hearing office rather than the original office. According to agency officials, this will significantly reduce mailing and computer inputs required under SSA's previous process, freeing valuable staff time for essential case preparation activities. However, agency officials told us that claims that are adjudicated in a region other than where they are filed require substantial investment for judicial travel or video equipment in the case of remote hearings. In addition to video equipment, remote hearings require the use of two rooms for the hearing, although SSA already faces constraints on physical space for hearings. Further, SSA would need to create additional permanent sites where the agency could leave video equipment rather than relying on rental of temporary sites, such as conference centers and hotel rooms, which the agency currently uses to conduct hearings in remote areas. The Commissioner is also proposing to continue with interregional case transfers, which are short-term reassignments of cases to other regions on an as needed basis if temporary service area realignments are not possible.

Improve and Complete Implementation of the Electronic Processing System. The Commissioner has announced that SSA will dedicate \$25 million in resources from its technology reserve fund to update elements of the electronic folder that were not fully functional when the system was rolled out. The agency also plans

the initial rollout of the electronic folder to the Appeals Council in January 2008. It also calls for enhancing the electronic folder by automating file assembly at the hearings level, allowing for electronic signatures on approved cases, facilitating shared access to the folder for SSA staff, and expanding internet support and functionality for claimants or their representatives. An official responsible for the information technology (IT) budget at SSA recounted that in the previous year the agency had budgeted all technology resources to the DSI initiative rather than the electronic folder. Referring to the electronic folder, now, as the “backbone” of the disability processing system, the official said the updates will be needed to make it fully functional and that SSA is now refocusing its priority on the electronic folder system. While electronic improvements are designed to shorten processing times, the National Association of Disability Examiners and staff we spoke with who have used the electronic system—disability examiners, decision writers and judges—described a mixed picture. They noted that transmitting and tracking cases is faster, but file reviews may actually take longer given that they necessitate scrolling through hundreds of pages of medical evidence on a computer screen.⁴⁴

Conclusions

SSA has long been confronted with the difficult challenge of weighing the nature and severity of individual disabilities for people who apply for benefits from two very complex programs. Adding to this challenge has been the substantial increase in disability applications over the past decade, just as the agency was experiencing increased losses in examiners, support staff, and administrative law judges. An overall loss of experienced staff combined with increasing workloads and resource constraints can reduce the success of any initiative aimed at reducing backlogs. Unfortunately, SSA also has a history of implementing initiatives to improve claims processing that have been poorly executed and therefore compounded its problems.

While there is recognition of the severity of the disability claims backlog at the hearings level, it is unclear whether a similar situation exists at the

⁴⁴Disability examiners said hospitals tend to send all information on a claimant to the DDS when the data is in electronic format, regardless of whether it is relevant or has been requested.

first level of appeal—reconsiderations that occur at DDS offices. Without this recognition, SSA may fail to focus, when necessary, on any backlogs that occur at this stage and also understate the total backlog, which in fiscal year 2006, exceeded a half million claims.

SSA's decision to "pause" the national rollout of the Disability Service Improvement initiative of 2006 may be appropriate given the fact that the hearings backlog has reached critical levels and that further rollout would prevent the agency from focusing on relieving the backlog and fully implementing a modern system of electronic processing. However, some features of the suspended Disability Service Improvement initiative could improve the disability process. SSA has noted that FedRO and OMVE are costly and may have to be discontinued. While the agency has stated it will consider cost and timeliness in its evaluations of these components, it is unclear whether the agency will assess accuracy, one of the primary goals of DSI, or attempt to identify aspects of the FedRO and OMVE that worked well and could be incorporated into the disability claims process should they not be reinstated. Any failure to weigh their potential through careful evaluation could risk additional waste in resources. Finally, the latest measures announced by the Commissioner to focus specifically on the hearings backlog also appear promising. Experience has shown, however, that without careful planning, execution, and evaluation even the best strategies can become expensive undertakings that impose unnecessary hardship on both claimants and agency staff.

Recommendations for Executive Action

To ensure that current and future modifications to the disability determination process achieve the desired and optimal outcome, we recommend that the Commissioner of the Social Security Administration take the following three steps:

- establish a "target pending" for cases in the reconsideration stage as the agency does for the other stages, to allow identification and monitoring of backlogs,
- conduct a thorough evaluation of the Disability Service Improvement (DSI) initiative before deciding which elements should be implemented nationwide and which should be discontinued, and
- take needed steps to increase the likelihood that new initiatives will succeed through comprehensive planning to anticipate the challenges of implementation, by including the appropriate staff in the design and implementation stages, by establishing feedback mechanisms to track progress and problems, and by performing periodic evaluations.

Agency Comments and Our Evaluation

We provided a draft of this report to the Commissioner of the Social Security Administration (SSA) for review and comment. In comments on a draft of this report, SSA agreed either in part, or with the intent of our recommendations, but did not fully agree with a number of our conclusions. Also, SSA proposed that GAO recommend that the agency explore ways to improve ALJ performance. Moreover, SSA expressed concern that the draft report did not sufficiently emphasize SSA's need for additional funding. In addition, SSA had specific comments regarding our characterization of DDS target pending levels, the financial impact of DSI, and the agency's efforts to address the backlog at the hearings level.

Regarding our recommendation that SSA establish a "target pending" for the reconsideration stage of the disability process, SSA agreed that tracking claims pending at this stage should be part of the agency's routine and comprehensive monitoring of all DDS workloads. However, SSA did not believe that it should establish an agency target or goal for reconsideration claims. Rather, SSA believed the number of reconsideration cases over a certain age could be used as an alternative indicator of performance, a measure that is consistent with the agency's current direction of focusing on aged claims.

While aged claims might be a useful alternative indicator of performance, we continue to believe that SSA should establish a target pending or goal for the reconsideration stage as it does for the other three stages—initial, hearings, and Appeals Council—of the disability process. Establishing and monitoring a target pending at the reconsideration stage would help SSA to determine when the number of reconsideration claims pending exceeds the optimal level that should be in the pipeline, indicating a backlog exists. Knowing when pending claims have exceeded optimal levels at any stage in the disability claims process will help SSA better determine where the agency needs to focus its attention.

SSA partially agreed with our recommendation that the agency should conduct a thorough review of DSI before deciding which elements should be implemented nationwide and which should be discontinued. SSA noted that it will continue to collect data and monitor outcomes to evaluate DSI and is implementing parts of DSI, such as QDD, that have been shown to enhance the agency's ability to make timely and accurate decisions. SSA stated that it will continue to evaluate the effect of FedRO and OMVE on its administrative functions. SSA added that the agency does not have sufficient resources to reduce the hearings backlog and fully staff FedRO and OMVE and that therefore, SSA's evaluation of these two components will have limited reliability.

The intent of our recommendation is to help ensure that SSA incorporates a strong evaluation component in the DSI initiative. To date, SSA has conducted only limited assessments of DSI, even though the agency had previously developed a detailed evaluation plan and indicated this plan would be used to thoroughly evaluate the initiative. However, the assessments that have been completed were limited in scope and covered short time periods. In conducting a thorough evaluation of DSI, SSA would have more reliable data on which to base its decision on which aspects should be continued, discontinued, or modified. Any failure to weigh the potential of DSI to improve the disability claims process through careful evaluation could risk additional waste in resources.

SSA agreed with the intent of our recommendation to take necessary steps to improve the likelihood of the success of future initiatives and stated it has already taken steps toward this end.

We are pleased that SSA agrees with the intent of our recommendation and is “moving forward with clear accountable leadership, a solid plan, a very inclusive executive steering committee, regular management information data as feedback, ongoing monitoring, and coordinated monthly evaluation mechanisms.” We hope that the agency’s success in implementing this recommendation is evidenced in its future initiatives.

SSA proposed that we recommend that the Commissioner of SSA explore ways that the agency can manage the performance of unproductive ALJs.

Our report acknowledges that variations in ALJ productivity has been a long-standing challenge to addressing the backlog problem. In prior reports, we have also recommended ways to address ALJ performance issues. For example, in December 1989, GAO recommended that the Commissioner of SSA direct the Office of Hearings and Appeals (OHA) (now ODAR) to conduct a study to determine the appropriate number of cases that ALJs should be expected to decide.⁴⁵ In July 1996, we noted that SSA’s disability Redesign Plan did not specifically address how SSA would consistently define and communicate its management authority over ALJs.⁴⁶ Thus, we believe that SSA can pursue ways to manage the

⁴⁵GAO, *Social Security Administration: Many Administrative Law Judges Oppose Productivity Initiatives*, [GAO/HRD-90-15](#) (Washington, D.C.: Dec. 7, 1989).

⁴⁶GAO, *Social Security Disability: Backlog Reduction Efforts Underway; Significant Challenges Remain*, [GAO/HEHS-96-87](#) (Washington, D.C.: July 11, 1996).

performance of unproductive ALJs on its own initiative without another GAO recommendation.

Regarding budget implications, SSA believed that the report should elaborate on the full impact of reduced funding on the disability claims process and highlight this point throughout the report. The agency stated that since 2001, the Congress has appropriated on average \$150 million less each year than the President's budget requested and that the agency employed 19,000 fewer people in fiscal year 2005, than it did 30 years ago. In addition, SSA points out that a minimum increase of over \$300 million each year is required to support its large infrastructure. Further, the agency pointed out that despite budget shortfalls, since 2001, with innovations, automation, and dedicated staff, the agency has improved productivity by on average 2.5 percent annually. However, according to SSA, to compensate for insufficient funding would require an additional 10 percent increase in productivity annually, a feat that the agency believes is not possible.

We have added additional information to our report on SSA's budget requests and the amounts appropriated over the last several years. However, we do not know how the differences in funding requested and appropriations received affected backlogs and processing times since we did not conduct this analysis. To conduct such an analysis would require a separate study that would assess such factors as staffing, workloads, and, as SSA points out, the effects of innovations and automation on case processing, steps that can improve productivity.

Regarding DDS target pending and staffing, SSA expressed concern that the report draft's discussion of the DDS backlog and target pending does not clearly explain that the target pending cited is the optimal pipeline and does not reflect the DDS's annual targets as outlined in SSA's Annual Performance Plan, which are based on available funding and staffing. Further, the agency pointed out that program integrity requirements also limit DDSs' flexibility in determining workload priorities.

We have added additional information to the report to clarify our use of the term, "target pending". Since we did not conduct an analysis of SSA's budget or how the agency used its funding, we do not believe we can comment on how these factors specifically impact DDSs' capacity to process pending claims.

Regarding DSI, SSA provided actuarial cost estimates for the DSI regulation regarding the effect DSI would have on total allowances and

benefit costs. SSA said that the draft report did not acknowledge that the statutory requirement that 50 percent of all DDS allowances under DI programs must be reviewed prior to taking any action to effectuate the determination, represents a major workload and added approximately 2 weeks to average processing times.

Our discussion of DSI costs in this report is confined to administrative costs incurred beyond what SSA had anticipated. While we do not dispute SSA's assertion regarding the effect of pre-effectuation reviews, this factor did not surface as a major contributor to claims backlogs and processing delays during the course of our work.

Regarding the agency's efforts to address the hearings backlog, SSA believed that given the emphasis the report places on the exploration of past initiatives, the report should provide a more thorough exploration of the agency's current initiatives for handling the hearings backlog, and provided additional information on the status of its current initiatives. SSA also pointed out that the success of the agency's initiatives depends on timely and adequate agency funding.

We believe that we have given appropriate attention to both SSA's past and current initiatives to address the backlog and that it would be more appropriate to more thoroughly explore the current initiatives once they are fully implemented.

SSA's comments appear in appendix IV. SSA also provided technical comments, which we have incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to relevant congressional committees, the Commissioner of the Social Security Administration, and other interested parties. We will make copies of this report available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions concerning this report, please contact me at (202) 512-7215. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. See appendix V for a listing of key contributors to this report.

A handwritten signature in cursive script that reads "Daniel Bertoni".

Daniel Bertoni
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

We were asked to examine the backlog in disability claims at the Social Security Administration (SSA). Specifically, we (1) examined the trends in the disability claims backlog and the time SSA required to decide a claim, (2) identified key factors that have contributed to the disability claims backlogs and processing times, and (3) described the steps SSA is currently taking to reduce the backlog and claims processing times. To address these objectives, we analyzed administrative data related to SSA's claims processing between fiscal years 1997 and 2006. We conducted interviews with SSA central office officials, including officials from the Offices of Disability and Income Security Programs, Disability Adjudication and Review, Disability Determinations, Budget, Systems, and Appellate Operations and the Chief Actuary; with a variety of regional SSA and state Disability Determination Services officials, during site visits and over the telephone; and with officials from the National Association of Disability Examiners (NADE). We also reviewed relevant documents from SSA and other organizations. We conducted our work from November 2006 through October 2007 in accordance with generally accepted government auditing standards.

Analysis of Administrative Data

To identify trends in SSA disability claims, we analyzed SSA administrative data for Disability Insurance (DI) and Supplemental Security Income (SSI) disability claims for the four levels of the disability determination process. We analyzed data for the time period of fiscal years 1997 to 2006.¹ The data we analyzed included:

New receipts: The number of new claims receipts during the fiscal year at each level of adjudication. These data include Disability Determination Services (DDS) initial claims (excluding receipts that resulted in non-medical denials and eliminated the need for a DDS determination), DDS reconsideration claims, appeals for a hearing before an administrative law judge (ALJ), and appeals for review by the Appeals Council.²

¹DDS initial and reconsideration claims data were available for the nation, each region, and each state. Hearings data were available for the nation and the regions but not for the states, because the areas of jurisdiction for the hearing offices do not align with state borders. Appeals Council data were only available for the nation, as the Appeals Council process is managed in one central office.

²We also analyzed data on continuing disability reviews—including new receipts as well as dispositions and pending cases—for fiscal years 2004 to July 2007.

Dispositions: The number of cases in which some adjudicative action was taken regarding the claim for disability benefits—including an allowance, a denial, or a dismissal—during the fiscal year, at each level of adjudication.

Pending claims: The number of claims pending a review by SSA at the end of the fiscal year, at each level of adjudication.

Average processing time: The average time it took for SSA to adjudicate a claim and reach a decision for all cases that were decided during the fiscal year, at each level of adjudication.³

Target pending: SSA's estimate of the number of cases that should optimally be pending at year-end. SSA provided estimates of the targeted number of pending cases for fiscal years 1999 to 2006 for each level of adjudication except for the DDS reconsideration level.⁴ For DDS initial claims, SSA estimated the targeted number of pending claims was 400,000. For the hearings level, the targeted number of pending cases was 300,000; and for the Appeals Council level, the targeted number of pending cases was 40,000. SSA used these same estimates for each fiscal year from 1999 to 2006.

To calculate the number of backlogged claims at the end of each fiscal year for each level of adjudication, we compared the targeted number of pending cases at that level of adjudication to the actual number of pending cases. If the actual number of pending cases exceeds the targeted number of pending cases, then the difference is the backlog. The total backlogged cases we present in this report equals the sum of backlogged cases at the DDS initial, the hearings, and the Appeals Council level, as no estimate of target pending cases was available for the reconsideration level. Also, to calculate backlogs for fiscal years 1997 and 1998, we used the same

³The average processing times we analyzed do not include the time it takes for SSA field offices to process claims, although SSA does track these data as well. Also, at the DDS level, the average processing times presented in this report are average processing times for DI cases only, not for DI and SSI cases combined. SSA provided average processing times separately for the two programs. We are reporting the DI processing times because the number of DI cases is larger than the number of SSI cases, but the differences in processing times between the programs are minimal.

⁴SSA did not develop estimates of the targeted number of pending claims for fiscal years prior to 1999. Also, SSA has not developed estimates of the targeted number of pending claims at the DDS reconsideration level.

estimates of targeted pending cases that were provided for fiscal years 1999 to 2006. We judged this approach to be reasonable because these estimates did not change between 1999 and 2006.

The data we analyzed came from several sources within SSA. Data on receipts, dispositions, and pending claims at the initial and reconsideration levels came from SSA's Disability Operations Data Store and the system that preceded it and data on case processing times at the initial and reconsideration levels came from SSA's SUMS Title II and SUMS SSI Processing Time applications and the systems that preceded them. All of these databases contain data submitted by the state DDS agencies. Data on receipts, dispositions, pending claims, and processing times at the hearings level came from the Hearing Office Tracking System (HOTS) and from the Case Processing and Management System (which replaced HOTS in fiscal year 2005). Data on receipts, dispositions, pending claims, and processing times at the Appeals Council level came from the Appeals Council Automated Processing System. To assess the reliability of the SSA data we interviewed SSA officials and reviewed documents regarding the reliability of these data. We determined that the data were sufficiently reliable for the purposes of our review, although we did find some potential limitations with HOTS data on case processing times at the hearings level, that we acknowledge in the report when discussing that data.

Site Visits and Phone Interviews with Field Staff

We conducted site visits to 3 of 10 SSA regions—Massachusetts (region 1), Texas (region 6), and California (region 9)—to obtain information on claims processing trends, factors that have contributed to the backlogs, and strategies SSA uses to address backlogs. During these site visits, we interviewed a variety of staff from several offices: the regional office Center for Disability, the regional Office of Disability Adjudication and Review (ODAR) office, a hearing office, and a state DDS office. For example, at the hearings offices, we met with the Hearing Office Director, administrative law judges, support staff, and decision writers. At the DDS offices, we met with the DDS director, managers, disability examiners, line staff, and medical consultants responsible for initial disability adjudications.

We used several criteria to select the regions for our site visits. We selected region 1 because it was the only region that had implemented the Disability Service Improvement (DSI) initiative. We selected the other two regions because one has had below average processing times for initial claims in recent years, while the other has had above average processing

times, even though the two have had similar numbers of initial claims receipts. For example, in fiscal year 2006, the national average processing time for initial DI claims was 88.9 days. The processing time for initial DI claims in region 6 was 76.6 days, and the processing time for initial DI claims in region 9 was 104.5 days. Also in fiscal year 2006, region 6 received about 342,000 initial claims and region 9 received about 297,000 initial claims. (See table 4 for national and regional data on initial claims processing times and initial claims receipts.) Within each region, we selected a hearing office and a DDS office that were reasonably close to the regional offices, so we could visit all four offices within our time frames.

Table 4: Fiscal Year 2006 Regional Data on Average Processing Times and Receipts

	<i>Initial DI claims average processing time (days)</i>	<i>Initial DI and SSI claims receipts</i>
<i>Nation</i>	<i>88.9</i>	<i>2,507,958</i>
<i>Region 1 (Boston)</i>	<i>91.9</i>	<i>108,072</i>
<i>Region 2 (New York)</i>	<i>98.4</i>	<i>213,780</i>
<i>Region 3 (Philadelphia)</i>	<i>87.9</i>	<i>250,602</i>
<i>Region 4 (Atlanta)</i>	<i>91.5</i>	<i>588,960</i>
<i>Region 5 (Chicago)</i>	<i>84.9</i>	<i>449,104</i>
<i>Region 6 (Dallas)</i>	<i>76.6</i>	<i>341,670</i>
<i>Region 7 (Kansas City)</i>	<i>73.6</i>	<i>114,269</i>
<i>Region 8 (Denver)</i>	<i>106.0</i>	<i>54,710</i>
<i>Region 9 (San Francisco)</i>	<i>104.5</i>	<i>297,144</i>
<i>Region 10 (Seattle)</i>	<i>78.3</i>	<i>89,647</i>

Source: SSA data.

In the regions where we did not conduct site visits, we conducted semistructured telephone interviews with officials at the regional office Center for Disability and the regional ODAR office. We asked all of the regional managers and executives we interviewed the same questions.

Document Review

We reviewed prior reports and testimonies from GAO, SSA, and SSA's Inspector General on the backlog in disability claims. We also reviewed position papers and testimonies from a number of national disability-related organizations, including NADE, the Association of Administrative Law Judges, the National Organization of Social Security Claimants' Representatives, the National Council of Social Security Management

Associations, Inc., and the Social Security Advisory Board. We reviewed these documents to gather information on the trends in claims backlogs, the factors that contribute to the backlog, and the effectiveness of prior strategies used by SSA to reduce the backlogs.

Appendix II: Continuing Disability Reviews, Fiscal Years 2004 to July 2007

	Continuing disability reviews			Continuing disability reviews		
	FY2004			FY2005		
	Receipts	Clearances ^a	Pending	Receipts	Clearances ^a	Pending
National	667,020	700,457	162,631	534,919	542,347	150,779
Region I	34,759	35,965	7,357	21,228	24,366	4,133
CT	7,040	7,366	1,262	3,022	3,520	733
ME	4,482	4,113	1,207	1,848	2,782	280
MA	15,276	16,813	2,730	11,930	12,416	2,231
NH	2,562	2,511	688	2,074	2,279	476
RI	3,232	3,236	915	1,550	2,104	322
VT	2,167	1,926	555	804	1,265	91
Region II	70,293	86,683	33,764	58,702	59,770	32,343
NJ	14,330	12,610	5,567	11,685	12,226	5,073
NY	50,677	69,079	26,421	41,733	43,104	24,645
PR	5,286	4,994	1,776	5,284	4,440	2,625
Region III	65,600	68,618	13,880	60,097	54,746	18,891
DE	1,450	1,512	370	1,306	1,238	451
DC	947	1,056	114	1,528	1,023	618
MD	6,583	7,253	1,116	7,386	6,396	2,123
PA	36,660	38,160	8,107	32,746	30,109	10,430
VA	10,618	11,322	1,721	10,471	10,006	2,186
WV	9,342	9,315	2,452	6,660	5,974	3,083
Region IV	170,419	168,364	38,608	137,471	142,439	32,959
AL	19,911	19,853	4,545	13,666	16,143	2,077
FL	42,163	41,346	10,365	39,412	40,298	9,298
GA	19,291	19,359	3,441	15,303	15,704	3,015
KY	22,878	23,955	3,787	14,140	15,081	2,798
MS	13,784	14,154	3,262	11,728	10,829	4,165
NC	23,965	22,041	5,101	19,273	20,090	4,274
SC	12,552	11,495	4,254	10,108	12,046	1,981
TN	15,875	16,161	3,853	13,841	12,248	5,351
Region V	111,068	118,210	23,480	84,518	88,948	18,684
IL	32,675	31,734	5,397	18,304	18,651	4,994
IN	10,440	13,713	1,874	12,339	12,177	2,038
MI	21,736	21,664	7,725	18,247	22,227	3,583
MN	8,851	10,052	949	7,652	7,152	1,431

**Appendix II: Continuing Disability Reviews,
Fiscal Years 2004 to July 2007**

Continuing disability reviews			Continuing disability reviews		
FY2006			FY2007 (Current through July 20, 2007)		
Receipts	Clearances ^a	Pending	Receipts	Clearances ^a	Pending
260,152	343,650	71,247	208,078	173,841	93,217
10,674	10,238	4,526	3,936	5,831	2,516
1,541	2,003	248	1,009	658	611
1,698	1,362	620	889	1,069	444
4,994	4,133	3,112	749	3,171	573
603	1,005	52	414	199	266
1,260	1,214	355	631	507	467
578	521	139	244	227	155
31,169	48,118	14,108	21,602	18,286	17,055
6,205	5,966	5,433	4,996	4,451	5,769
23,718	39,732	7,257	14,880	12,136	9,854
1,246	2,420	1,418	1,726	1,699	1,432
21,513	32,877	7,623	20,264	19,066	6,871
553	861	159	556	533	188
525	1,047	99	660	481	272
3,151	4,808	410	3,052	2,394	1,054
9,152	14,532	4,938	8,926	9,391	2,530
5,843	6,588	1,668	4,953	4,461	2,170
2,289	5,041	349	2,117	1,806	657
62,409	92,292	8,420	55,217	43,515	19,762
5,435	9,905	1,451	3,640	4,193	684
15,316	24,173	1,007	14,399	10,024	5,417
5,407	8,450	261	8,127	5,463	2,934
9,537	11,721	899	5,106	4,721	1,269
3,936	7,504	408	6,571	3,958	3,036
8,953	12,347	583	8,707	6,193	3,044
5,575	7,589	316	5,190	3,572	1,939
8,250	10,603	3,495	3,477	5,391	1,439
48,128	62,568	3,306	42,842	29,160	16,986
10,346	14,720	509	8,420	5,982	2,954
5,968	7,788	394	4,972	3,236	2,132
12,533	15,446	570	11,599	7,559	4,613
2,978	4,019	352	2,333	2,209	469

**Appendix II: Continuing Disability Reviews,
Fiscal Years 2004 to July 2007**

	Continuing disability reviews			Continuing disability reviews		
	FY2004			FY2005		
	Receipts	Clearances ^a	Pending	Receipts	Clearances ^a	Pending
OH	29,190	30,268	6,027	18,936	19,875	4,965
WI	8,176	10,779	1,508	9,040	8,866	1,673
Region VI	66,554	68,417	10,541	53,391	55,421	8,335
AR	10,816	11,694	1,994	6,729	7,217	1,501
LA	19,455	17,828	3,501	12,748	13,924	2,329
NM	4,463	5,274	662	4,641	4,146	1,127
OK	8,599	8,705	1,209	4,841	5,101	896
TX	23,221	24,916	3,175	24,432	25,033	2,482
Region VII	29,891	31,034	5,457	20,577	23,361	2,384
IA	4,497	4,934	519	3,678	3,847	329
KS	3,954	3,261	1,277	3,667	4,205	426
MO	17,560	18,897	3,143	9,889	11,687	1,386
NE	3,880	3,942	518	3,343	3,622	243
Region VIII	15,136	15,313	4,351	12,064	12,980	3,228
CO	7,343	7,412	2,104	5,706	6,255	1,425
MT	1,979	1,999	317	1,595	1,568	339
ND	1,284	1,367	262	909	818	344
SD	1,378	1,520	529	1,277	1,457	349
UT	2,219	2,225	666	2,072	2,060	677
WY	933	790	473	505	822	94
Region IX	79,154	82,844	20,198	69,936	62,492	25,978
AZ	7,526	7,312	2,998	8,027	5,975	3,875
CA	65,460	69,862	15,227	56,847	51,692	20,287
HI	1,646	2,038	416	1,213	956	672
NV	4,522	3,632	1,557	3,849	3,869	1,144
Region X	24,146	25,009	4,995	16,935	17,824	3,844
AK	1,350	1,234	349	835	1,019	165
ID	4,015	4,034	520	2,308	1,949	652
OR	7,723	8,469	1,781	5,382	6,123	1,014
WA	11,058	11,272	2,345	8,410	8,733	2,013

**Appendix II: Continuing Disability Reviews,
Fiscal Years 2004 to July 2007**

Continuing disability reviews			Continuing disability reviews		
FY2006			FY2007 (Current through July 20, 2007)		
Receipts	Clearances ^a	Pending	Receipts	Clearances ^a	Pending
11,370	14,288	1,231	10,236	6,568	4,895
4,933	6,307	250	5,282	3,606	1,923
28,218	33,596	3,310	28,482	22,361	9,322
3,543	4,776	329	1,831	1,361	801
3,439	5,155	581	6,110	5,280	1,396
2,522	3,428	328	1,951	1,614	675
3,594	3,420	1,013	1,886	1,854	968
15,120	16,817	1,059	16,704	12,252	5,482
14,460	16,528	838	9,645	8,130	2,329
2,502	2,607	308	1,574	1,427	453
3,173	3,521	156	1,696	1,474	342
6,662	8,113	243	5,369	4,305	1,320
2,123	2,287	131	1,006	924	214
5,039	7,478	990	4,287	3,298	1,945
2,045	3,569	65	1,699	1,041	727
454	670	120	679	430	338
354	513	179	349	371	156
596	765	176	624	562	238
963	1,277	402	727	735	394
627	684	48	209	159	92
28,305	27,060	26,731	14,189	17,732	13,894
4,086	2,212	5,780	1,940	1,938	2,153
21,518	22,899	18,331	11,150	13,089	10,868
379	713	363	541	613	291
2,322	1,236	2,257	558	2,092	582
10,237	12,895	1,395	7,614	6,462	2,537
599	656	115	348	343	119
1,430	1,823	308	1,099	961	445
3,061	3,800	364	2,252	1,925	683
5,147	6,616	608	3,915	3,233	1,290

Source: Data provided by SSA.

^aA final decision on whether the claimant will continue to receive Disability Insurance (DI) and Supplemental Security Income (SSI) disability benefits.

Appendix III: Key Aspects of DSI as of August 2006

New feature	Associated elements
Quick Disability Determinations	<ul style="list-style-type: none"> • Expedited processing for certain clear-cut cases. • Use of a predictive model to screen for cases that have a greater likelihood of allowance and to act on those claims within 20 days. • Nationally standardized training for DDS examiners on this process. • Medical or psychological experts must verify that the medical evidence is sufficient to determine that the impairment meets the standards.
Medical and Vocational Expert System	<ul style="list-style-type: none"> • A national network of medical, psychological, and vocational experts who will be available to assist adjudicators throughout the agency. • The national network will be overseen by a new Medical and Vocational Expert Unit. • All experts affiliated with the network must meet qualifications, which are still under development.
Federal Reviewing Officials	<ul style="list-style-type: none"> • A cadre of federal reviewing officials—all attorneys—can affirm, reverse, or modify appealed DDS decisions. • Federal reviewing officials cannot remand cases to the DDSs for further review, but they can ask that the DDSs provide clarification or additional information for the basis of their determinations. • Reviewing officials may obtain new evidence and claimants can submit additional evidence at this stage. If necessary, the reviewing official may issue subpoenas for documents. • If a reviewing official disagrees with the DDS decision or if new evidence is submitted, he or she must consult with an expert in the expert system.
Decision Review Board	<ul style="list-style-type: none"> • The Decision Review Board will replace the Appeals Council. It will be composed of individuals selected by SSA's Commissioner, and each member will serve a designated term. • The board will review both allowances and denials, and the board has the ability to affirm, modify, reverse, or remand ALJ decisions. • The board has 90 days from the date the claimant receives notice of board review to make its final decision. If it fails to act within that period, the ALJ decision remains SSA's final decision. • A claimant may submit a written statement to the board within 10 days of receiving notice that the board will review his or her case, explaining why he or she agrees or disagrees with the ALJ's decision. This statement may be no longer than 2,000 words.

Source: GAO analysis.

Note: While DSI does not change the structure or scope of ALJ reviews, the new process has several elements that affect hearings at the ALJ level. Namely, SSA will notify claimants at least 75 days prior to the hearing of the date and time for which the hearing has been scheduled. Additionally, claimants have to submit evidence at least 5 business days before the hearing date itself.

Appendix IV: Comments from the Social Security Administration



SOCIAL SECURITY

The Commissioner

October 31, 2007

Dan Bertoni
Director, Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Bertoni:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report, "Social Security Disability: Claims Processing Initiatives Require Better Planning, Management, and Evaluation" (GAO-08-40). The attached comments provide specific responses to the recommendations and identify technical corrections that should be made to enhance the accuracy of the report.

If you have any questions, please contact Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Astrue".

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "SOCIAL SECURITY DISABILITY – CLAIMS PROCESSING INITIATIVES REQUIRE BETTER PLANNING, MANAGEMENT, AND EVALUATION" (GAO-08-40)

Thank you for the opportunity to review and comment on the draft report. We appreciate the report's acknowledgement that the growth in the hearings workloads coupled with declines in funding, staffing, and resources were contributors to the disability claims processing delays. We have put a great deal of effort in establishing specific initiatives designed to eliminate the backlogs, and are committed to achieving them. One of the primary lessons learned from all of our ambitious plans over the past ten years is that adequate resources are critical to the success of any new initiative. No major new initiative, no matter how well its implementation is managed, can achieve expected results without the accompanying resources.

Regarding the report's contents, we have a number of concerns as they relate to the discussion on: 1) budget implications, 2) the State Disability Determination Services, 3) the Disability Service Improvement initiative, and 4) Hearing Office capacity and performance. They are included in the "General Comments" section of this response.

For the recommendations, we appreciate your efforts to identify areas needing attention as we work to manage this workload, however we do not fully agree with a number of the conclusions or proposed remedies. Our response to the specific recommendations provides additional information as to the reasons for the findings and describes alternative actions/measures that we have already taken or plan to take to effectively manage the disability claims process.

GENERAL COMMENTS

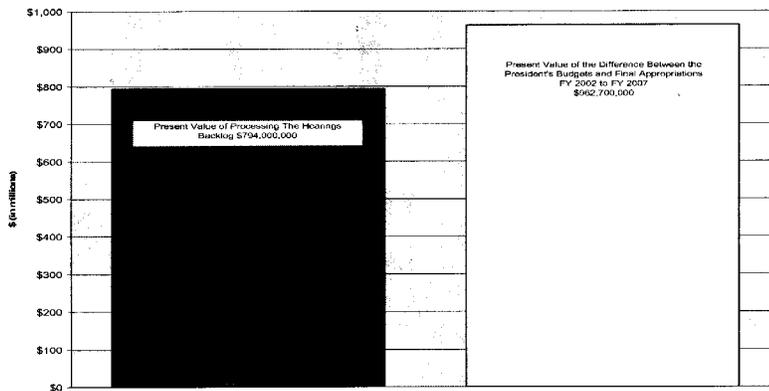
Budget Implications

In recognizing the difficulty caused by funding shortfalls, the report states "As a result, the agency has not had sufficient resources and has encountered challenges balancing its many workloads." We believe the report should elaborate on the full impact of the reduced funding, and this resource issue should be acknowledged and highlighted throughout the report. We believe the report should acknowledge—up front—the impact the Federal budget process and SSA's level of funding and resources have had on the disability backlogs. The lack of resources has played a significant role in the reasons for the pending workloads.

Specifically, since 2001, Congress has appropriated on average about \$150 million less each year than the President requested. As a result, fewer employees are available to process SSA's growing workloads. In fiscal year (FY) 2005, SSA had 66,000 employees—down from more than 85,000 employees about 30 years ago—and in a few months we will drop below 60,000. Yet, our workloads have become more complex and the volume of work continues to grow every year with the aging of the baby boom generation. In addition, Congress has mandated new workloads outside of our core responsibilities, such as activities related to the Medicare Prescription Drug Program and verification of employee work eligibility for immigration purposes.

The following chart illustrates that if SSA had received the full President's budget for FY 2002 through FY 2007, it would have had available more than the cost of processing SSA's hearings backlog.

SSA Has Not Received the Resources Needed to Address the Growing Hearings Backlog



We have an effective, comprehensive plan to reduce the hearings backlog by 2013, but it will require that Congress provide adequate funding in FY 2008 and the future. Under any funding scenario currently being contemplated by Congress, FY 2008 will be a very difficult budget year for SSA and this follows FY 2007, a year in which we narrowly avoided employee furloughs. In FY 2008, despite the increases provided in both the House and the Senate bills, we expect to have less discretionary money to spend than in FY 2007. We will remain under a hiring freeze throughout FY 2008 unless we receive additional funding to drive down the hearings backlog. Funding below the House mark will likely delay the implementation of the hearings backlog reduction plan.

We have a large infrastructure, including over 1,400 field and hearing offices in cities and towns across America and increases to mandatory costs, such as rent and employee pay and benefits, require a minimum administrative budget increase every year of over \$300 million. With these mandatory cost increases and the requirement in the current House and Senate appropriations bills to spend \$477 million on program integrity work in FY 2008 (\$264 million in the base and \$213 million additional funding in the program integrity cap), the amount of money available to the Agency to deliver service to the public and invest in workload processing is very limited. We believe the report should note that we must spend \$477 million on continuing disability reviews (CDRs) and supplemental security income (SSI) redeterminations in FY 2008 in order to receive the full program integrity funding. If, for example, we only spend \$457 million

(or \$20 million less) on program integrity work, our budget will be reduced by \$20 million. Additionally, program integrity funding cannot be used to do other important work, such as reducing the disability hearings backlogs.

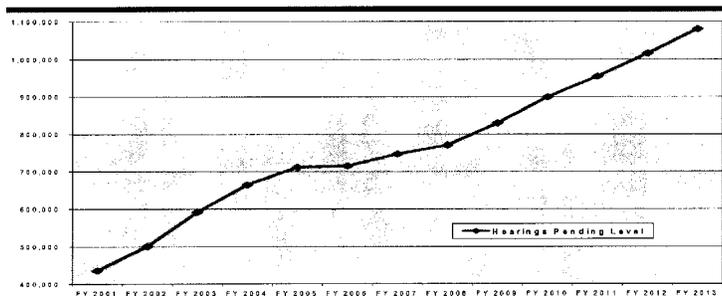
We see no indication of improvement in our budget outlook for the immediate future. We are currently operating under a continuing resolution which keeps us at the FY 2007 funding level. If we have to operate at the FY 2007 level of funding for all of FY 2008, we will again be looking at potential furloughs and other unattractive options.

We believe the report should highlight the fact that despite the budget shortfall, since 2001, our efforts to innovate and automate, coupled with the dedication of our staff, have improved productivity on average by 2.5 percent per year for a cumulative improvement of 13.1 percent through FY 2006. Given sufficient funding, we can commit to Agency-wide productivity improvements and achieve them. We believe that, given the array of services that we provide and the major workload processing initiatives implemented each year, incremental productivity improvements are sustainable with full funding.

Despite our efforts, the productivity improvement has not been able to compensate for insufficient funding increases approved by Congress. As a result, we face significant resource challenges. If we tried to address the challenge of processing all our incoming work with productivity improvements alone, we would need to achieve approximately 10 percent productivity improvement in addition to the 2 percent already planned in FY 2008, which is not possible. Additional resources are needed to overcome this productivity gap.

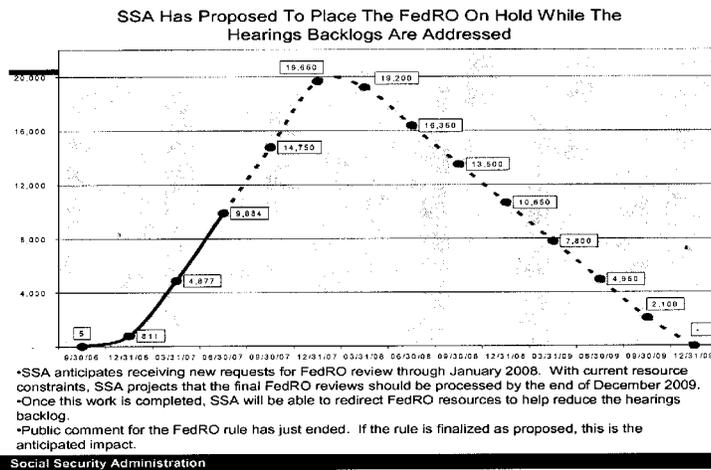
The following charts show the disability hearings backlog if we maintained the status quo and information about the Federal Reviewing Official (FedRO).

If We Maintain The Status Quo, The Disability Hearings Backlog Will Top 1 Million In FY 2013



- This projection assumes FY 2008 President's Budget resource levels and hearings productivity in all years.
- Resources needed for the Federal Reviewing Official organization would reduce the number of workyears available to process pending hearings.
- The projection also assumes that hearings receipt rates would decline under DSI consistent with estimates prepared by SSA's Office of the Chief Actuary.
- The hearings receipt levels are based on the 2007 workload projections.

Social Security Administration



Disability Determination Services (DDS)

We are very concerned that all conclusions relating to the DDS backlog are predicated on the assumption that 400,000 is the target pending level for initial claims. The 400,000 number was generated as part of a Service Delivery Budget in an effort to estimate an optimum pipeline based on available funding, staffing/workload levels, and business processes at a particular point in time (1997). It was never intended to be a targeted pending.

The report should also emphasize that we have never communicated an expectation or held the DDSs accountable for reaching a targeted pending of 400,000. Our Annual Performance Plan, which is based on budgeted funding and staffing shows 2006 and 2007 pending targets of 577,000 initial disability claims for the DDSs. If 400,000 is the baseline number that will be used to determine backlogs, the report needs to make a better distinction between that and the "targeted pending."

In recent years, DDSs have been funded to maintain a pending level of 577,000 and have met that target. In addition, almost all of these pending claims have been assigned to an examiner and have had some development done on them. Initial claims are not backlogged in the sense that no work has been done on them. The DDSs do an outstanding job of serving the public. In FY 2006, 77 percent of the initial claims processed were completed within 120 days and 94 percent were processed within 180 days. The DDSs also have done an outstanding job over the years of balancing workloads and processing disability claims timely despite the Federal budget process.

On page 14, the report states that--over a 10-year period--the DDSs saw an increase almost every year in initial claims, which constituted an overall increase of 21 percent by FY 2006. It further states that the DDSs have not been able to keep pace with these rising receipts despite increases

in dispositions and some additional staffing. Note the footnote at the bottom of the page—"the DDSs received an overall increase of about 4 percent in staff workyears over the 10-year period." We have two points to make regarding these statements. First, the fact that DDS staffing only increased by 4 percent should be highlighted on this page, not merely footnoted.¹ The DDSs have not been sufficiently funded over this 10-year period to process the increase in receipts or to hire staff over their funding levels. Second, our appropriations over most of this 10-year period had discrete funding allocated to processing Continuing Disability Reviews (CDR). Because of this mandated work we had limited flexibility in determining workload priorities.

Disability Service Improvement (DSI)

To provide additional background information regarding the DSI initiative, we are providing three memoranda regarding actuarial cost estimates for the DSI regulations. The first two memoranda, dated July 21 and July 13, 2005 (enclosures 1 and 2) provide the initial estimates for DSI on the basis of a 5-year implementation. The memorandum dated January 10, 2007 (enclosure 3) provides updated estimates assuming that DSI would be implemented over a 10-year period, with one new region being implemented each year. The slower implementation is the basis for estimates included in the current Trustees Report and the current budget estimates.

The estimates in both 2005 and 2007 show that the expectation was that DSI would accelerate allowances for disability somewhat without having a significant impact on the total number of allowances from those who apply for benefits each month. The acceleration of allowances resulted in estimated cash-flow increases in program cost during the first 10 years for the initially assumed 5-year implementation, and somewhat longer for the later prescribed 10-year implementation. In each case, the annual net effect on program cash-flow cost was estimated to reach essentially zero after 10 to 15 years from initial implementation.

There is another significant disability claims workload that the report does not address. There is a statutory requirement that 50 percent of all DDS allowances under the SSDI programs must be reviewed prior to taking any action to effectuate the determination (section 221(c) (2) of the Social Security Act). This review is a major Agency workload. In FY 2006, we conducted pre-effectuation reviews on almost 350,000 DDS allowances. These reviews added approximately 2 weeks to average processing times.

Improvements in Hearings Office Capacity and Performance

We have already taken a number of important steps to better manage our workloads and place resources where they can best meet the desired outcomes. We have formulated a plan to eliminate the backlog of cases at the hearing level and prevent reoccurrence. On May 23, 2007, we detailed this plan in testimony to the Senate Finance Committee.

Although we recognize that the report only "highlights" the provisions of the backlog plan, we believe that given the emphasis the report places on the exploration of past initiatives a more

¹ We note that you make the same point on page 28 of the draft, and there you do include the 4-percent workyear increase in the text. Therefore, this change would also make page 14 consistent with later text in the document.

thorough exploration of the current management plans for handling backlog issues at the hearing level is called for. The success of these initiatives depends on a timely and adequate Agency funding. Properly funded, these initiatives will reduce the amount of time members of the public wait for a hearing decision and will lead to a reduction in the number of cases pending in our hearing offices. We offer the following information regarding the status of those initiatives, all of which are designed to improve hearing procedures, increase adjudicatory capacity, and increase efficiency through automation and improved business processes.

We began by attacking the problem of aged cases, starting with a plan to provide decisions to claimants who had been waiting the longest. We made a commitment to work down the inventory of 63,770 cases which would be 1,000 days old or more by the end of FY 2007. Through extensive oversight and improved management, only 108 of these cases remained on September 28, 2007. During FY 2008, we will be focusing on disposing of those cases which will be over 900 days old by the end of the fiscal year. This initiative should provide decisions to those claimants waiting the longest.

To free our Administrative Law Judge (ALJ) resources for the most difficult and complex cases, we established a plan to shift a portion of our fully favorable on-the-record workload to Attorney Advisors. The interim final rule for the Attorney Advisors was published in the Federal Register on August 9, 2007. Amended position descriptions have been written, and systems functionality to support this initiative will be ready November 1, 2007. These additional adjudication resources should be helpful in disposing of additional cases without the need for a hearing in FY 08 and FY 09.

Hiring additional ALJs is an essential element in a successful plan for reducing the backlog. We have worked with the Office of Personnel Management to expedite the selection of 150 ALJs in FY 2008. Pending receipt of the Office of Personnel Management register expected in November 2007, and budget permitting, we plan to hire 150 ALJs in the Spring of 2008. In FY 2007, four ALJs were hired from other Agencies. All had prior SSA experience which mitigates the learning curve. Twelve intermittent (part time) Senior ALJs and four rehired annuitant (full time) ALJs were hired at the end of FY 2007. Seven current ALJs will likely be placed in the National Hearing Center (NHC).

We have already begun to focus on the productivity of both decision writers and ALJs. The Chief ALJ has communicated expectations for ALJs to produce 500-700 decisions a year. In FY 2007, 498 ALJs produced 500 or more decisions during the year. In 2006 that number was 488 and in 2005 that number was 387. We are developing productivity information indicators that will assist in measuring improvement. Currently the Office of Adjudication and Review (ODAR) is utilizing the Decision Writer Statistical Index Report to compute and assess decision writer productivity. Increased monitoring of performance and productivity should result in additional efficiency and the adjudication of a higher number of cases.

In FY 2007, we took a proactive stance in dealing with ALJ misconduct. Two reprimands and two suspension actions occurred in FY 2007. Currently, three termination actions and one suspension action are ready to be filed with the Merit System Protection Board (MSPB). Two additional reprimands are in the process of being drafted. At the MSPB level, one termination and four suspension actions are pending.

During FY 2007, ODAR implemented a major change in its business process which involved transition from processing hearings using paper folders to processing hearings using electronic folders. Transition to the electronic folder not only involved training for hearing office employees, representatives, vocational and medical experts and hearing reporters, but also a learning curve associated with mastering a new process. It involved working in a dual environment with paper and electronic folders and a labor intensive certification process which impacted all positions in the hearing office. During FY 2008, ODAR will continue to focus on eliminating the backlog of paper files as well as continuing to streamline processes within the electronic folder environment.

Over \$9,000,000 was spent in FY 2007 on installations and upgrades of servers, video conferencing equipment and telecommunications equipment in the hearing offices and for the set up of the NHC in Falls Church, Virginia. These updates support electronic folder processing by increasing the capacity of the infrastructure underlying the electronic folder and other electronic services and will continue throughout FY 2008.

We established the NHC in October 2007 in Falls Church, Virginia, part of the Agency's strategy to address the backlog by increasing adjudicatory capacity and efficiency with a focus on an electronic hearings process. With electronic folder receipts becoming the largest part of our pending, we now have the flexibility to transfer workload to the NHC easily, where a centralized cadre of ALJs using video hearing technology will hear electronic cases from the most backlogged offices in the country. Support staff reported for duty on October 15, 2007 and a solicitation for ALJs was released October 5th to all Federal ALJs.

Video technology is an important part of our method for conducting hearings. Additional video hearing units will decrease ALJ travel, allowing for increased ALJ productivity. Currently there are 394 hearing rooms with video hearing equipment. Video hearings expanded from 41,457 held in FY 2006 to 45,449 held in FY 2007. An award to purchase an additional 158 video units was released on September 21, 2007 and shipping of new units will begin in the November/December timeframe. The addition of these units will increase the ability to more effectively balance workloads on a national level by using ALJ resources from one geographic area to assist with hearings in another geographic area without incurring travel time.

As part of the plan to increase adjudicatory capacity and reduce the paper case backlog, we developed the Informal Remand initiative. SSA's Office of Quality Performance (OQP) developed profiles to identify cases for which a favorable decision appears likely. Those cases are remanded back to the DDS for review. In FY 2007 about 20,000 cases were remanded to the State DDSs, resulting in 8,714 fully favorable decisions for claimants without a hearing. In FY 2008, we will be front loading cases from New York, Georgia, North Carolina, Indiana, Florida, Michigan, Kansas and Ohio to the DDSs since these six States have the highest number of unworked profiled paper cases. Plans are to send 51,000 cases to the DDSs in FY 2008.

Another method of increasing adjudicatory capacity has come through the Appeals Council (AC). Some cases that come before the AC contain relatively minor technical deficiencies which could compromise the support of the decision in court, but which do not ultimately affect the correctness of the ultimate conclusion on entitlement to benefits. If the case does not require a hearing or additional development, the AC will consider granting the request for review to issue a new decision with the technical issue corrected. Doing so, where appropriate, should reduce

overall processing time for the claimant and reduce the number of cases remanded to the hearing level.

We have initiated a number of automation initiatives that will increase efficiency, although many will not be ready for full implementation until later in FY 2008. One of the most important provides for the completion of the electronic process through the AC. The new Appeals Review Processing System (ARPS) will allow the AC to process electronic folder cases, with first release scheduled for January 2008.

Many of the automation improvements will enhance efficiency in the processes that prepare cases for hearing by the ALJ. These are critical given that the support staff ratios are lower than they should be. We have had to provide for interim measures to prepare paper cases for hearing, such as using volunteers from Field Offices and Teleservice Centers across the nation to work on folders during overtime hours and adopting a streamlined folder assembly process for pending paper cases that gets the cases to the judges more quickly. When these cases are finally adjudicated, they will be replaced by the electronic files which will require less time and effort to prepare.

Some of the automation initiatives pending that will improve the hearing process are:

- ePulling – This functionality involves development of customized software which has the potential to identify, classify, and sort page level data, re-organize the images after classification, and identify duplicates. A contract was awarded to eComplex in September 2007 to develop this software. This automation initiative will enable hearing offices to prepare cases for hearing in about half the time it takes now. Implementation is scheduled to begin in the first quarter of FY 2009.
- eScheduling – The eScheduling initiative envisions an automated calendaring function that will incorporate scheduling of experts, hearing sites and hearing rooms, equipment, and ALJ availability. ODAR is working with the Office of Systems to develop this software which should decrease the time it currently takes to schedule a hearing. This initiative is still in the planning and analysis phase.
- Electronic Records Express (ERE) - This initiative will expand access to the ERE website to allow outside end-users (representative and expert witness community) the ability to view the electronic folder online and to receive notices electronically. The target date to begin a pilot to test functionality to allow select outside user representatives to view the electronic folder via the website is June 2008. We are currently working on additional functionality to allow hearing offices to send notices to representatives via the website. Currently hearing offices currently spend much time burning CDs for expert witnesses, claimants and representatives at various stages of our process. The time spent doing this will be available for other tasks.
- Electronic signature - The electronic signature will give ALJs the ability to sign decisions electronically and provide the HOCALJ the ability to sign on behalf of another ALJ in the hearing office. This functionality will rollout out in January 2008 and will allow ALJ

decisions to be sent into the electronic folder and to be centrally printed and mailed with no hearing office support staff involvement.

- Centralized Printing and Mailing – This initiative will provide for centralized, high speed, high volume printing and mailing of notices. A pilot in four hearing offices will begin in January 2008.
- Shared Access to the Electronic Folder – this provides the ability to temporarily transfer cases for workload assistance while affording full electronic functionality to both the receiving and owning offices. Enhancements for January 2008 will include the ability to provide shared jurisdiction allowing temporary transfer of cases for pulling and decision writing, thus providing the ability to move work to where there are resources to perform these tasks.
- Findings Integrated Templates (FIT) for decision writing – The Findings Integrated Templates (FIT) system was designed as a roadmap of our regulations to ensure that all pertinent legal requirements are addressed in the ALJ's decision. FIT was intentionally never designed to analyze or marshal evidence. Use of the FIT template by ALJs (already familiar with the case) to draft fully favorable decisions allows for use of decision writer resources for other more complex decisions. For the month of September 2007, 95 percent of all written decisions were written in FIT and use of FIT continues to rise. Use of the FIT decision writing tool should provide decisions which are legally sufficient and result in fewer remanded cases from the AC.

Part of our objective to manage workloads more effectively is a plan to balance workloads among the regions across the nation. We are assisting the most heavily impacted hearing offices and preventing cases from aging by transferring cases electronically to sites where we have greater capacity. We are also working to standardize our hearing business process, by visiting offices to identify best practices and problem areas. OQP and ODAR are working together to develop an improved inline quality review procedure. Results of these quality assurance reviews will provide information for training purposes and should result in the production of a better quality product for our claimants.

Our responses to the specific recommendations are provided below.

Recommendation 1

The Commissioner of Social Security should establish a “target pending” for reconsideration stage as the agency does for the other stages, to allow identification and monitoring of backlogs.

Comment

We agree that tracking reconsideration pendings should be a part of the Agency's routine and comprehensive monitoring of all DDS workloads. However, we do not believe this should be an Agency target/goal. As an alternative to a reconsideration pending goal, we could use a number or percentage of reconsideration cases over a certain number of days old as an indicator

of performance. This would be consistent with the Agency's current direction of focusing on aged claims.

Recommendation 2

The Commissioner of Social Security should conduct a thorough evaluation of the Disability Service Improvement (DSI) initiative before deciding which elements should be implemented nationwide and which should be discontinued.

Comment

We partially agree. Although we do not concur with your specific recommendation as written, we agree that we should continually evaluate data to help guide us when implementing any nationwide initiative. We will continue to collect data and monitor outcomes to evaluate DSI in line with our commitment to outstanding service and continuous improvement. We are implementing the parts of DSI that data have shown to enhance our ability to make timely and accurate disability determinations. For example, based on our careful evaluation, we issued a final rule on September 5, 2007, extending the Quick Disability Determination (QDD) process nationwide. Arizona, New Jersey and North Dakota have started using QDD as part of a staged national roll out that will be completed early next year. We are conducting special reviews on QDD accuracy in each State as it rolls-out, and management information (MI) data on case selection, timeliness, and allowance rates will be tracked.

Regarding the FedRO/Office of Medical and Vocational Expertise (OMVE) specifically, we continue to evaluate their effect on our program administrative functions. Our experience over the last year in the Boston region demonstrates that the administrative costs associated with FedRO and its use of OMVE to develop medical and vocational evidence is greater over the foreseeable future than we originally anticipated.

Although we plan to suspend sending new claims to FedRO, we expect to have over 17,000 claims pending when the regulation goes into effect. This volume of pending claims will allow us to continue to collect and evaluate data while targeting scarce resources to the hearings process where hundreds of thousands of cases are now backlogged. We do not have sufficient resources to continue to work down the hearings backlog and to fully staff FedRO and OMVE. Therefore, our evaluation of these components will have limited reliability.

Recommendation 3

The Commissioner of Social Security should take needed steps to increase the likelihood that new initiatives will succeed through comprehensive planning to anticipate the challenges of implementation, by including the appropriate staff in the design and implementation stages, establishing feedback mechanisms to track progress and problems, and by performing periodic evaluations.

Comment

We agree with the intent of this recommendation and have already taken steps towards comprehensive planning in the design and implementation stages. Having learned from the past,

we are moving forward with clear accountable leadership, a solid plan, a very inclusive executive steering committee, regular MI data as feedback, ongoing monitoring, and coordinated monthly evaluation mechanisms.

For example, the NHC is a critical element of the Commissioner's plan to eliminate the hearings backlogs. The NHC, established in October 2007 in Falls Church, Virginia, is designed to help address the backlog by increasing adjudicatory capacity and efficiency with a focus on an electronic hearings process. A centralized cadre of ALJs will use video hearing technology to hear electronic cases from the most backlogged offices in the country. As stated before, instead of going to full implementation, the Commissioner is following the recommendation of staff and using a staged roll-out for the NHC.

We are suggesting that the following recommendation be added to the report:

Recommendation 4

The Commissioner of Social Security should explore ways that the Agency can manage the performance of ALJs who are unproductive.

Comment

GAO noted on page 46 of the report that part of the Commissioner's plan for improving hearing office capacity and performance includes tightening performance measures for ALJs to ensure cases are processed in a timely manner. We appreciate your comments in this regard. Although most SSA ALJs are dedicated, hard-working employees, data show that a significant number of ALJs fail to work at an acceptable level. While not all cases are of the same level of complexity, ALJs hear and decide the same mix of cases throughout the country. Yet, there is a cohort of ALJs whose productivity year after year is below an acceptable range achieved by their peers. For example, for FY 2007 twenty-six percent of ALJs had dispositions below 400 cases per year while seventy-four percent of judges decided more than 400 cases. As the number of new applications rises, and with budget and staffing resources stretched to the limit, SSA must have the tools needed to manage the performance of ALJs just as it does with any other group of employees. It is unacceptable for ALJs to be free from management of their performance when they do not hear and decide cases within an acceptable range of performance.

Limitations on the Agency's ability to manage ALJ productivity are not confined to issues of timeliness and quantity of dispositions. ALJs hold hearings pursuant to a delegation from the Commissioner, yet some ALJs refuse to follow properly promulgated Agency policy in deciding cases, often leading to legally insufficient decisions requiring remand by the Appeals Council or a district court. This results in further delays for the claimant and a further increase in backlogs. Some ALJs refuse to hold video hearings. Some do not schedule cases in sufficient numbers, and some cancel scheduled hearings for insubstantial, personal reasons. Yet these same ALJs assert that the qualified decisional independence which is the right of claimants at the de novo hearing somehow entitles the ALJ to exercise discretion in adhering to Agency policy and procedures in these unrelated areas.

We also encounter difficulties in hiring and assigning ALJs, who are appointed from a register of eligibles developed by OPM pursuant to the Administrative Procedures Act and its own

regulations. SSA employs the largest number of ALJs in government, and yet its need for individuals with experience in non-adversarial, high volume, highly automated, videoconference and in-person adjudications is often frustrated by OPM criteria better suited for employment of ALJs in regulatory agencies whose proceedings are small in number, involve highly complex issues of law and fact, and are adversarial in nature. Once hired, ALJs often do not want to remain in the location for which they were originally selected despite promises to do so. Yet current collective bargaining language requires ALJs the opportunity to transfer before a new ALJ can be assigned.

We need the flexibility to hire ALJs with Agency-specific experience, to hire them quickly, to assign and transfer them to address workloads, and to hire them on a term basis to address peaks in workloads.

Given the increased receipts at the hearing level, it is clear that a cornerstone of any plan to reduce the backlog is to increase adjudicatory capacity. Although hiring of additional ALJs must be part of this plan, the Agency believes that it would be fiscally irresponsible to allow some of its current ALJs to continue to perform at unacceptable levels. Indeed, the Agency believes that its obligation to serve the public in a timely manner requires that we approach the issues of ALJ productivity, including the performance issues discussed above, in the same way that we would approach similar problems with any other employee. SSA will continue its efforts to manage ALJ productivity with the limited tools available to do so, while at the same time developing plans to strengthen performance measures. Some improvements will likely involve legislative and regulatory changes. To this end, we request that you move quickly on the request by Congress to examine this matter in greater detail.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Bertoni, Director, (202) 512-7215.

Staff Acknowledgments

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