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SOCIAL SECURITY DISABILITY

Efforts to Improve Claims Process Have Fallen Short and Further Action is Needed

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Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here to discuss the challenges the Social Security Administration (SSA) faces in improving the claims process for its two disability programs, Disability Insurance (DI) and Supplemental Security Income (SSI). Managing its disability caseloads and delivering high-quality service to the public in the form of fair, consistent, and timely eligibility decisions in the face of resource constraints has become one of SSA's most pressing management challenges.[1] In the last 7 years, SSA has spent more than $39 million in efforts to test and implement initiatives designed to improve the timeliness, accuracy, and consistency of its disability decisions and to make the process more efficient and easier for claimants to understand.[2] These efforts have included initiatives to improve the initial claims process as well as the process for handling appeals of denied claims. In addition, the agency has spent at least $71 million in an attempt to develop an automated disability claims process intended to provide support for its redesign efforts.

Today, I will discuss the results and status of five initiatives included in SSA's most recent plans to improve the process, SSA's current plans to develop an electronic disability system, and the implications of SSA's efforts to date for future success. The information I am providing is based primarily on recent work we did for this subcommittee.[3] (Also see Related GAO Products at the end of this statement.)

In summary, the results to date from SSA's redesign initiatives have been disappointing. The agency's two tests of initiatives to improve the initial claims process produced some benefits; however, both initiatives as tested would have significantly raised costs, and one would have lengthened the wait for final decisions for many claimants. As a result, SSA is considering additional changes to one of these initiatives and has shelved the other.

[1] U.S. General Accounting Office, *Social Security Administration: Agency Must Position Itself Now to Meet Profound Challenges*, GAO-02-289T (Washington, D.C.: May 2, 2002).

[2] The $39 million includes expenditures for contractor support, travel, transportation, equipment, supplies, services, and rent. It excludes personnel costs, most of which would have been incurred processing workloads regardless of redesign projects. It also excludes the costs incurred for all but one initiative tested or implemented after March 1999, when the commissioner ended disability process redesign as a separate agency project.

[3] U.S. General Accounting Office, *Social Security Disability: Disappointing Results From SSA's Efforts to Improve the Disability Claims Process Warrant Immediate Attention*, GAO-02-322, (Washington, D.C.: Feb. 27, 2002) and GAO-02-289T.

The situation is less favorable at the appeals level. One initiative to change the process for handling appealed claims in SSA's hearing offices has resulted in even slower case processing and larger backlogs of pending claims. A second initiative has reduced the processing times for a separate group of appealed claims, though far less than expected. Moreover, a cross-cutting initiative to update the agency's quality assurance program—a goal the agency has held since 1994—is still in the planning stage. Finally, SSA's plans to improve its disability claims process relied in part upon hoped for technological improvements; however, SSA failed to design and develop a new computer software application to automate the disability claims process after a 7-year effort.

On the basis of our recent work, we have recommended that SSA take immediate steps to reduce the backlog of appealed cases, develop a long-range strategy for a more permanent solution to the problems at its hearings offices, and develop an action plan for implementing a more comprehensive quality assurance program. SSA agreed with our recommendations and is beginning to make some short-term changes. In addition, SSA has recently announced plans to accelerate implementation of needed technological improvements. However, much work remains. The commissioner faces difficult decisions about long-term strategies for problems at the hearings offices and in the disability claims process as a whole. It will be important to both learn from the past and look to the future.

Background

DI and SSI provide cash benefits to people with long-term disabilities. While the definition of disability and the process for determining disability are the same for both programs, the programs were initially designed to serve different populations.[4] The DI program, enacted in 1954, provides monthly cash benefits to disabled workers—and their dependents or survivors—whose employment history qualifies them for disability insurance. These benefits are financed through payroll taxes paid by workers and their employers and by the self-employed. In fiscal year 2001, more than 6 million individuals received more than $59 billion in DI benefits. SSI, on the other hand, was enacted in 1972 as an income assistance program for aged, blind, or disabled individuals whose income

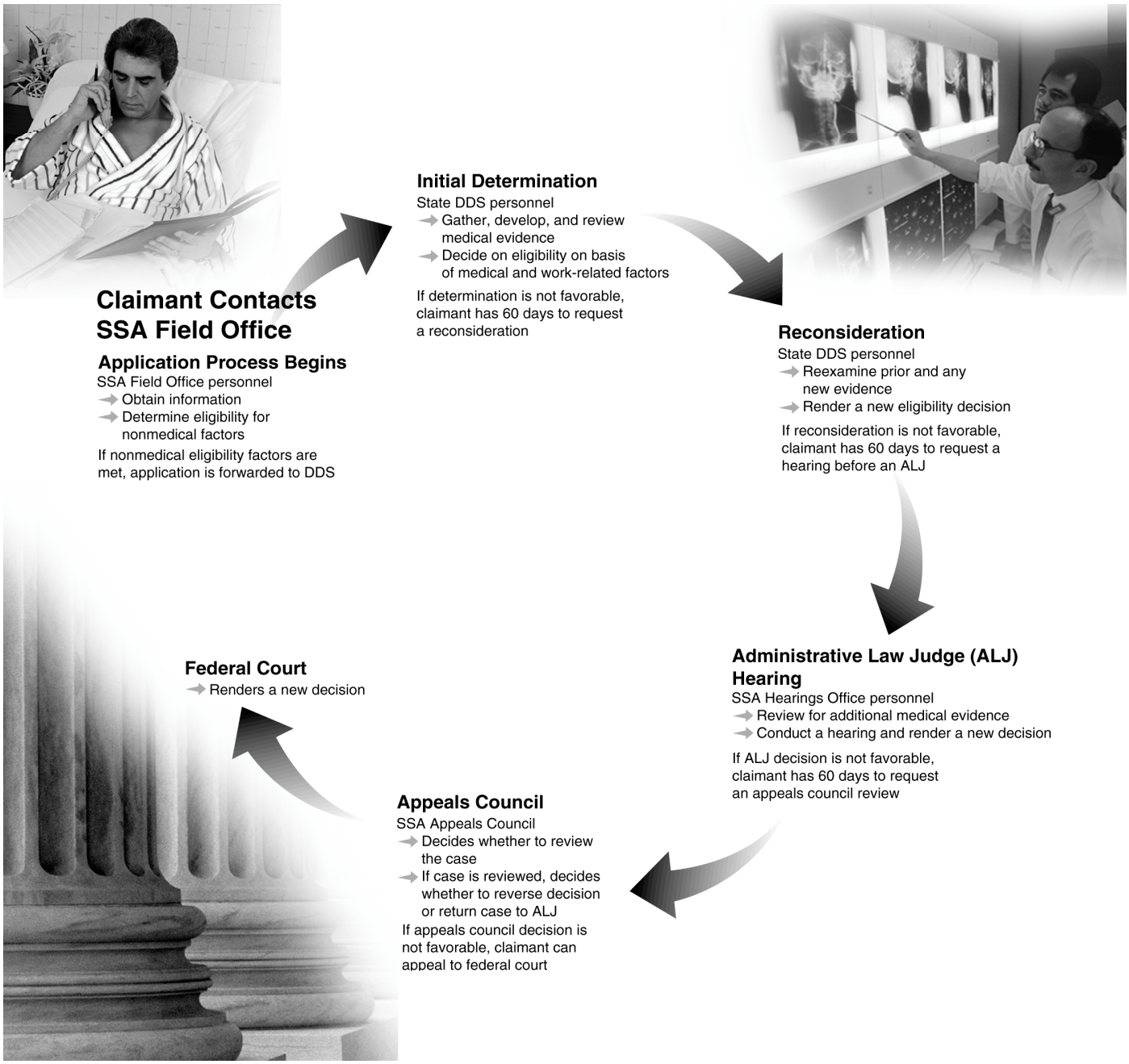
[4] The Social Security Act defines disability for adults as an inability to engage in any substantial gainful activity because of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

and resources fall below a certain threshold. SSI payments are financed from general tax revenues, and SSI beneficiaries are usually poorer than DI beneficiaries. In 2001, more than 6 million individuals received almost $28 billion in SSI benefits.[5]

The process to obtain SSA disability benefits is complex and fragmented; multiple organizations are involved in determining whether a claimant is eligible for benefits. As shown in figure 1, the current process consists of an initial decision and up to three levels of administrative appeals if the claimant is dissatisfied with SSA's decision. Each level of appeal involves multistep procedures for evidence collection, review, and decision-making.

[5] Some DI beneficiaries have incomes low enough to qualify them for SSI; therefore, they receive benefits from both programs.

Figure 1: SSA's Disability Claims Process



Source: SSA Documents

Generally, a claimant applies for disability benefits at one of SSA's 1,300 field offices across the country, where a claims representative determines whether the claimant meets financial and other program eligibility criteria. If the claimant meets these eligibility criteria, the claims representative forwards the claim to the state disability determination service (DDS).[6] DDS staff then obtain and review evidence about the claimant's impairment to determine whether the claimant is disabled. Once the claimant is notified of the medical decision, the claim is returned to the field office for payment processing or file retention. This completes the initial claims process.

Claimants who are initially denied benefits can ask to have the DDS reconsider its initial denial. If the decision at this reconsideration level remains unfavorable, the claimant can request a hearing before a federal administrative law judge (ALJ) at an SSA hearings office, and, if still dissatisfied, the claimant can request a review by SSA's Appeals Council. Upon exhausting these administrative remedies, the individual may file a complaint in federal district court.

Given its complexity, the disability claims process can be confusing, frustrating, and lengthy for claimants. Many individuals who appeal SSA's initial decision will wait a year or longer for a final decision on their benefit claims. In fact, the commissioner recently testified that claimants can wait as long as 1,153 days from initial claim through a decision from the Appeals Council. Moreover, the claims process can also result in inconsistent assessments of whether claimants are disabled; specifically, the DDS may deny a claim that is later allowed upon appeal. For example, in fiscal year 2000, about 40 percent of claimants denied at the initial level filed an appeal and about two-thirds were awarded benefits. This inconsistency calls into question the fairness, integrity and cost of SSA's disability decisions. Program rules, such as claimants' ability to submit additional evidence and to allege new impairments upon appeal, as well as the worsening of some claimants' conditions over time can explain only some but not all of the overturned cases. Other overturned cases may be due to inaccurate decisions by the DDSs or ALJs or to other unexplained factors.

[6] DDSs are state agencies that contract with SSA to determine claimants' medical eligibility for DI and SSI disability benefits. Although federally funded and guided by SSA in their decision making, the DDSs hire their own staff and retain a degree of independence in how they manage their offices and conduct disability determinations.

In response to these problems, SSA first announced an ambitious plan to redesign the disability claims process in 1994, after a period of rapid growth in the number of people applying for disability benefits. This plan represented the agency's first effort to significantly revise its procedures for deciding disability claims since the DI program began in the 1950's. The overall purpose of the redesign was to

- ensure that decisions are made quickly,
- ensure that the disability claims process is efficient,
- award legitimate claims as early in the process as possible,
- ensure that the process is user friendly for claimants and those who assist them, and
- provide employees with a satisfying work environment.

The agency's initial plan entailed a massive effort to redesign the way it made disability decisions. SSA had high expectations for its redesign effort. Among other things, SSA planned to develop a streamlined decision-making and appeals process, more consistent guidance and training for decision makers at all levels of the process, and an improved process for reviewing the quality of eligibility decisions. In our reviews of SSA's efforts after 2 and 4 years, we found that the agency had accomplished little. [7] In some cases, the plans were too large and too complex to keep on track. In addition, the results of many of the initiatives that were tested fell far short of expectations. Moreover, the agency was not able to garner consistent stakeholder support and cooperation for its proposed changes.

In 1999, we recommended that SSA focus attention and resources on those initiatives that offer the greatest potential for achieving the most critical redesign objectives, such as quality assurance, computer support systems, and initiatives that improve consistency in decision-making. In addition, because implementing process changes can be even more difficult than testing them, we recommended that SSA develop a comprehensive and meaningful set of performance measures that help the agency assess and monitor the results of changes in the claims process on a timely basis. We have also pointed out the need for effective leadership and sustained

[7] U.S. General Accounting Office, *SSA Disability Redesign: Focus Needed on Initiatives Most Crucial to Reducing Costs and Time*, GAO/HEHS-97-20, (Washington, D.C.: Dec. 20, 1996); and *SSA Disability Redesign: Actions Needed to Enhance Future Progress*, GAO/HEHS-99-25, (Washington, D.C.: Mar. 12, 1999).

management attention to maintain the momentum needed to effect change in such a large and complex system.

SSA's Recent Redesign Initiatives Have Had Limited Success

SSA's five most recent initiatives were designed to improve claims processing at all levels of the service delivery system. These redesign initiatives continue to experience only limited success. A brief summary of the status, results and problems experienced in implementing each of the five initiatives follows.

- The Disability Claim Manager initiative, which began in November 1997 and ended in June 2001, was designed to make the claims process more user friendly and efficient by eliminating steps resulting from numerous employees handling discrete parts of the claim. It did so by having one person—the disability claim manager—serve as the primary point of contact for claimants until initial decisions were made on their claims.[8] The managers assumed responsibilities normally divided between SSA's field office claims representatives and state DDS disability examiners. After an initial training phase, SSA tested the concept in 36 locations in 15 states from November 1999 through November 2000. While the test resulted in several benefits, such as improved customer and employee satisfaction and quicker claims processing, the increased costs of the initiative and other concerns convinced SSA not to implement the initiative.

- The Prototype changed the way state DDSs process initial claims, with the goal of ensuring that legitimate claims are awarded as early in the process as possible. This initiative makes substantial changes to the way the DDS processes initial claims. The Prototype requires disability examiners to more thoroughly document and explain the basis for their decisions and it gives them greater decisional authority for certain claims. The Prototype also eliminates the DDS reconsideration step. It has been operating in 10 states since October 1999 with mixed results. Interim results show that the DDSs operating under the Prototype are awarding a higher percentage of claims at the initial decision level without compromising accuracy, and that claims are reaching hearing offices faster because the Prototype eliminates DDS reconsideration as the first level of appeal. However, interim results also indicate that more denied claimants would appeal to administrative law judges (ALJ) at hearings offices, which would increase both administrative and program costs (benefit payments) and lengthen

[8] The Disability Claim Manager initiative excluded claims for SSI children's benefits.

the wait for final agency decisions for many claimants. As a result, SSA decided that the Prototype would not continue in its current form. In April, the commissioner announced her "short-term" decisions to revise certain features of the Prototype in order to reduce processing time while it continues to develop longer-term improvements. It remains to be seen whether these revisions will retain the positive results from the Prototype while also controlling administrative and program costs.

- The Hearings Process Improvement initiative is an effort to overhaul operations at hearings offices in order to reduce the time it takes to issue decisions on appealed claims. This was to be accomplished by increasing the level of analysis and screening done on a case before it is scheduled for a hearing with an ALJ; by reorganizing hearing office staff into small "processing groups" intended to enhance accountability and control in handling each claim; and by launching automated functions that would facilitate case monitoring. The initiative was implemented in phases without a test beginning in January 2000 and has been operating in all 138 hearings offices since November 2000.

  The initiative has not achieved its goals. In fact, decisions on appealed claims are taking longer to make, fewer decisions are being made, and the backlog of pending claims is growing and approaching crisis levels. The initiative's failure can be attributed primarily to SSA's decision to implement large-scale changes too quickly without resolving known problems. For example, problems with process delays, poorly timed and insufficient staff training, and the absence of the planned automated functions all surfaced during the first phase of implementation and were not resolved before the last two phases were implemented. Instead, the pace of implementation was accelerated when the decision was made to implement the second and third phases at the same time. Additional factors, such as a freeze on hiring ALJs and the ALJs' mixed support for the initiative, may also have contributed to the initiative's failure to achieve its intended results.

  SSA has recently made some decisions to implement changes that can be made relatively quickly in order to help reduce backlogs and to streamline the hearings process, and they are preparing to negotiate some of these changes with union officials before they can be implemented. These changes include creating a law clerk position and allowing ALJs to issue decisions from the bench immediately after a hearing and including them in the early screening of cases for on-the-record decisions. They also include decisions to enhance the use of technology in the hearings process, as well as other refinements.

- The Appeals Council Process Improvement initiative combined temporary staff support with permanent case processing changes in an effort to process cases faster and to reduce the backlog of pending cases. The initiative was implemented in fiscal year 2000 with somewhat positive results. The initiative has slightly reduced both case processing time and the backlog of pending cases, but the results fall significantly short of the initiative's goals. The temporary addition of outside staff to help process cases did not fulfill expectations, and automation problems and changes in policy which made cases with certain characteristics more difficult to resolve hindered the initiative's success. However, SSA officials believe that recent management actions to resolve these problems should enhance future progress.

- Improving or revamping its quality assurance system has been an agency goal since 1994, yet it has made very little progress in this area, in part because of disagreement among stakeholders on how to accomplish this difficult objective. In March 2001, a contractor issued a report assessing SSA's existing quality assurance practices and recommended a significant overhaul to encompass a more comprehensive view of quality management. We agreed with this assessment and in our recent report to this subcommittee recommended that SSA develop an action plan for implementing a more comprehensive and sophisticated quality assurance program.[9] Since then, the commissioner has signaled the high priority she attaches to this effort by appointing to her staff a senior manager for quality who reports directly to her. The senior manager, in place since mid-April, is responsible for developing a proposal to establish a quality-oriented approach to all SSA business processes. The manager is currently assembling a team to carry out this challenging undertaking.

[9] GAO-02-322.

Problems Implementing Technological Improvements Have Long Undermined SSA's Redesign Efforts

SSA's slow progress in achieving technological improvements has contributed, at least in part, to SSA's lack of progress in achieving results from its redesign initiatives. As originally envisioned, SSA's plan to redesign its disability determination process was heavily dependent upon these improvements. The agency spent a number of years designing and developing a new computer software application to automate the disability claims process. However, SSA decided to discontinue the initiative in July 1999, after about 7 years, citing software performance problems and delays in developing the software.[10]

In August 2000, SSA issued a new management plan for the development of the agency's electronic disability system. SSA expects this effort to move the agency toward a totally paperless disability claims process. The strategy consists of several key components, including (1) an electronic claims intake process for the field offices, (2) enhanced state DDS claims processing systems, and (3) technology to support the Office of Hearing and Appeals' business processes. The components are to be linked to one another through the use of an electronic folder that is being designed to transmit data from one processing location to another and to serve as a data repository, storing documents that are keyed in, scanned, or faxed. SSA began piloting certain components of its electronic disability system in one state in May 2000 and has expanded this pilot test to one more state since then. According to agency officials, SSA has taken various steps to increase the functionality of the system; however, the agency still has a number of remaining issues to address. For example, SSA's system must comply with privacy and data protection standards required under the Health Information Portability and Accountability Act, and the agency will need to effectively integrate its existing legacy information systems with new technologies, including interactive Web-based applications.

SSA is optimistic that it will achieve a paperless disability claims process. The agency has taken several actions to ensure that its efforts support the agency's mission. For example, to better ensure that its business processes drive its information technology strategy, SSA has transferred management of the electronic disability strategy from the Office of Systems to the Office of Disability and Income Security Programs. In addition, SSA hired a contractor to independently evaluate the electronic

[10] U.S. General Accounting Office, *Social Security Administration: Update on Year 2000 and Other Key Information Technology Initiatives*, GAO/T-AIMD-99-259, (Washington, D.C.: July 29, 1999).

disability strategy and recommend options for ensuring that the effort addresses all of the business and technical issues required to meet the agency's mission. More recently, the commissioner announced plans to accelerate implementation of the electronic folder.

Implications for Future Progress

In spite of the significant resources SSA has dedicated to improving the disability claims process since 1994, the overall results have been disappointing. We recognize that implementing sweeping changes such as those envisioned by these initiatives can be difficult to accomplish successfully, given the complexity of the decision-making process, the agency's fragmented service delivery structure, and the challenge of overcoming an organization's natural resistance to change. But the factors that led SSA to attempt the redesign—increasing disability workloads in the face of resource constraints—continue to exist today and will likely worsen when SSA experiences a surge in applications as more baby boomers reach their disability-prone years.

Today, SSA management continues to face crucial decisions on its initiatives. We agree that SSA should not implement the Disability Claim Manager at this time, given its high costs and the other practical barriers to implementation at this time. We also agree that the Appeals Council Process Improvement initiative should continue, but with increased management focus and commitment to achieve the initiative's performance goals. Deciding the future course of action on each of the remaining three initiatives presents a challenge to SSA. For example, SSA continues to face decisions on how to proceed with the Prototype initiative. Although SSA has recently decided to revise some features of the Prototype in the near term, it also is considering long-term improvements. As such, SSA continues to face the challenge of ensuring that the revisions it makes retain the Prototype's most positive elements while also reducing its impact on costs.

We are most concerned about the failure of the Hearings Process Improvement initiative to achieve its goals. Hearing office backlogs are fast approaching the crisis levels of the mid-1990's. We have recommended that the new commissioner act quickly to implement short-term strategies to reduce the backlog and develop a long-term strategy for a more permanent solution to the backlog and efficiency problems at the Office of Hearings and Appeals. The new commissioner responded by announcing her decisions on short-term actions intended to reduce the backlogs, and the agency is preparing to negotiate with union officials on some of these planned changes. It is too early to tell if these decisions will have their

intended effect, and the challenge to identify and implement a long-term strategy for a more permanent solution remains. It is especially crucial that the Office of Hearings and Appeals make significant headway in reducing its backlog quickly, as it faces in the next several months a potentially significant increase in Medicare appeals due to recent legislative changes in that program.

In addition to the changes the agency is currently considering, it may be time for the agency to step back and reassess the nature and scope of its basic approach. SSA has focused significant energy and resources over the past 7 years on changing the steps and procedures of the process and adjusting the duties of its decision makers, yet this approach has not been effective to date. A new analysis of the fundamental issues impeding progress may help SSA identify areas for future action. Experts, such as members of the Social Security Advisory Board, have raised concerns about certain systemic problems that can undermine the overall effectiveness of SSA's claims process, which in turn can also undermine the effectiveness of SSA's redesign efforts.[11] The Board found that SSA's fragmented disability administrative structure, created nearly 50 years ago, is ill-equipped to handle today's workload. Among other problems, it identified the lack of clarity in SSA's relationship with the states and an outdated hearing process fraught with tension and poor communication. As the new commissioner charts the agency's future course, she may need to consider measures to address these systemic problems as well.

Regardless of the choices the agency makes about which particular reform initiatives to pursue, SSA's experience over the past 7 years offers some important lessons. For example, sustained management oversight is critical, particularly in such a large agency and with such a complex process. We have found that perhaps the single most important element of successful management improvement initiatives is the demonstrated commitment of top leaders to change. In addition, some initiatives have not enjoyed stakeholder support or have contributed to poor morale in certain offices, both of which may undermine the chances for success.

[11] See Social Security Advisory Board, *How SSA's Disability Programs Can Be Improved* (Washington, D.C.: SSAB, Aug. 1998); *Selected Aspects of Disability Decision Making* (Washington, D.C.: SSAB, Sept. 2001); and C*harting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (Washington, D.C.: SSAB, Jan. 2001). The Board is an independent, bipartisan Board created by the Congress and approved by the President and the Congress. Its purpose is to advise the President, the Congress, and the Commissioner of Social Security on matters related to SSA's programs.

While it is probably not possible for the agency to fully please all of its stakeholders, it will be important for the agency to involve stakeholders in planning for change, where appropriate, and to communicate openly and often the need for change and the rationale for agency decisions. Moreover, because SSA has experienced problems implementing its process changes, the agency will need to continue to closely monitor the results of its decisions and watch for early signs of problems. An improved quality assurance process and a more comprehensive set of performance goals and measures can help the agency monitor its progress and hold different entities accountable for their part in implementing change and meeting agency goals. Thus, we are concerned about SSA's lack of progress in revamping its quality assurance system. Without such as system, it is difficult for SSA to ensure the integrity of its disability claims process.

Finally, because SSA has had mixed success in implementing information technology initiatives in the past, it is vital that the agency look back at its past problems and take the necessary steps to make sure its electronic disability system provides the needed supports to the disability claims process. It is imperative that the agency effectively identify, track, and manage the costs, benefits, schedule, and risks associated with the system's full development and implementation. Moreover, SSA must ensure that it has the right mix of skills and capabilities to support this initiative and that desired end results are achieved.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions that you or other members of the subcommittee may have.

Contacts and Acknowledgments

For further information regarding this testimony, please contact Robert E. Robertson, Director, or Kay E. Brown, Assistant Director, Education, Workforce, and Income Security at (202) 512-7215. Ellen Habenicht and Angela Miles made key contributions to this testimony on the status of the five initiatives, and Valerie Melvin was the key contributor to the section on information technology.

Related GAO Products

Social Security Administration: Agency Must Position Itself Now to Meet Profound Challenges. GAO-02-289T. Washington, D.C.: May 2, 2002.

Social Security Disability: Disappointing Results From SSA's Efforts to Improve the Disability Claims Process Warrant Immediate Attention. GAO-02-322. Washington, D.C.: February 27, 2002.

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