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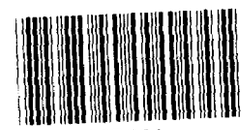
Report to Congressional Requesters

May 1988

SOCIAL SECURITY

Staff Reductions and Service Quality



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Human Resources Division

B-226484

May 13, 1988

The Honorable Lawton Chiles
Chairman, Subcommittee on Labor,
Health and Human Services, Education,
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable William H. Natcher
Chairman, Subcommittee on Labor,
Health and Human Services, Education,
and Related Agencies
Committee on Appropriations
House of Representatives

This report responds to your request that we monitor the quality of service provided to the public by the Social Security Administration (SSA) while the agency continues to reduce staff. It compares SSA's major performance indicators for 1987 with earlier data and provides information from recent surveys of SSA employees and clients. Also, because of your concerns about the integrity of SSA performance indicators, the report also assesses the consistency and reliability of process accuracy data reported to your committees for the Retirement and Survivors Insurance (RSI) program. RSI process accuracy is SSA's assessment of compliance with its own policies and procedures in processing initial claims for benefits (see p. 9).

SSA is in the fourth year of its 6-year plan to reduce staff by about 17,000. Through fiscal year 1988, SSA expects to have reduced its staff by 11,600, or about 68 percent of the target. For fiscal year 1989, SSA has budgeted reductions of about 3,300, leaving a reduction of 2,100 staff to be realized in fiscal year 1990.

Results in Brief

The quality of SSA service for the quarter ending December 1987—as portrayed by SSA's major performance indicators for accuracy, timeliness, and the size of pending workloads— improved in most cases when compared to data for the December 1986 quarter. Two relatively significant exceptions are the processing time for hearings (appeals of SSA claim decisions), which continues to increase over 1986 levels, and RSI process accuracy for initial claims, which declined.

Client satisfaction with SSA service remains high, according to a January 1988 survey by the Office of Inspector General (OIG), Department of Health and Human Services. Also, according to an August 1987 SSA survey of its supervisors and managers, most of those polled believed that SSA was providing the "best possible service." The survey disclosed, however, evidence of continuing morale problems within the agency.

We believe that SSA's quality assurance program for RSI initial claims provides adequate data for measuring compliance with SSA operating policies and procedures.

Objectives, Scope, and Methodology

Our review had two basic objectives. The first was to determine whether SSA's most recent performance is improving, stable, or declining in comparison to earlier periods. The second was to examine the RSI process accuracy program for initial claims to assess (1) the adequacy of the sampling strategy for providing reliable estimates of accuracy and (2) the effect of major design changes on the reliability and consistency of reported process accuracy rates.

To assess SSA's current performance, we analyzed SSA's key performance indicators as reported to your committees for the quarter ending December 1987 (the most current available when we prepared this report) and compared them with data for the December 1986 quarter. Also, we analyzed the recent OIG survey of SSA client satisfaction and compared the results to earlier OIG and GAO surveys. Lastly, we analyzed the August 1987 survey conducted by SSA of its supervisors and managers and compared the results to a 1986 survey we made of SSA mid-level managers. The main points of comparison were responses to questions addressing staff reductions, service quality, and employee morale. While your committees are concerned about the potential effect of staff reductions on service quality, we are able to only compare service quality measures during the period when staff reductions are occurring; we cannot establish what causal relationships, if any, may exist between service quality and staffing trends.

To assess the reliability of process accuracy statistics for initial RSI claims, we reviewed major changes to the process accuracy system, specifically reductions in sample sizes and changes in error definition. Also, we reviewed SSA plans for revamping the process accuracy system starting in fiscal year 1989. The scope and methodology for our assessment of the RSI process accuracy system for initial claims are discussed in more detail in appendix II.

Performance Indicators

Comparing SSA's 22 key performance indicators for the quarter ending December 1987 with those for the December 1986 quarter shows that service levels have improved for 12 of the 20 indicators. The other two indicators—which address RSI and Supplemental Security Income (SSI) payment accuracy—are reported on a fiscal year basis. From 1986 to 1987, the payment accuracy rate for each of these programs increased 0.1 percent. Other examples of improving service are decreasing processing times for initial claims for the RSI, Disability Insurance (DI), and SSI (blind/disabled) programs. Additionally, pending workloads decreased for 6 of the 10 major workloads reported. Appendix I compares SSA's performance indicators from fiscal year 1985—the first year of the staff reduction program—through the quarter ending December 1987.

For the indicators that suggested a decline in service levels, the most persistent service problem is increased processing time for hearings requests. Since fiscal year 1986, the processing time for hearings has increased to an average of 222 days for hearings completed in February 1988. This represents an increase of 50 days (or 29 percent) over the fiscal year 1986 level.

In its service level report to the Appropriations Committees for the December 1987 quarter, SSA cited a number of initiatives it had undertaken to address processing time for hearings requests, including the hiring of additional administrative law judges. As of May 5, 1988, SSA had hired 23 judges and by June 5 expects to hire 28 more. Additionally, we were told that 30 to 35 more judges would be hired before the end of fiscal year 1988. At the end of the fiscal year, SSA expects to have a total of about 700 judges, which is slightly higher than the 691 on duty at the end of fiscal year 1986.

Another performance indicator that showed a significant decline is initial claims process accuracy for the RSI program. From fiscal year 1986 to fiscal year 1987, the reported accuracy rate (cases having no dollar errors) decreased from 97.1 to 96.7 percent, a statistically significant reduction. Further, the rate for the December 1987 quarter dropped to 96.3 percent. The drop in accuracy from fiscal year 1986 to 1987 represents a 14-percent increase in the incidence of cases with dollar errors.

SSA attributes the drop in RSI accuracy to the full implementation of a procedure authorizing SSA field offices to process claims formerly processed by SSA's program service centers. An August 1987 SSA study showed that the claims processed under the new procedure had a

2.1-percent higher error rate compared to when the same type of claims were processed by the program service centers. SSA officials said they expected a temporary drop in process accuracy from this change but expect the accuracy rate to improve as field offices gain experience under the new operating procedure. Further, SSA officials said that their expectations were confirmed by the RSI process accuracy rate of 96.8 percent reported for the March 1988 quarter, which is 0.5 percent higher than the December quarter.

In addition to cases with dollar errors, SSA also records data on "other errors," which are considered by SSA to be less important because they rarely affect the accuracy of beneficiary payments. From fiscal year 1985 to fiscal year 1987, these errors increased by 37 percent. These errors are discussed in more detail on page 12.

Recent Questionnaire Surveys

The most current indicator of the quality of SSA service is the client satisfaction survey results reported by OIG in April 1988. The survey was conducted in January 1988 and replicates a GAO survey first conducted of a September 1984 sample of SSA clients. The 1988 survey showed that 87 percent of the respondents stated that overall the service SSA had given them was good to very good. This positive rating is 2 percent higher than a similar survey conducted by OIG in the summer of 1987, and 9 percent higher than the original GAO survey in 1984.

Another recent survey providing some insight into service quality is an SSA survey of selected employees. In August 1987, SSA distributed a 39-item opinion poll to its 9,000 supervisors and managers to assist the Commissioner in "gauging the morale and communications needs of SSA's managerial workforce." The response rate for this mailout was 55 percent.

Regarding the quality of SSA service, the supervisors were asked the following question: How well is SSA meeting its goal of providing its recipients and beneficiaries with the best possible service? The respondents answered as follows: extremely well (9.3 percent), moderately well (51.3 percent), unsure (13.9 percent), poorly (21.9 percent), and extremely poorly (3.7 percent).

Concerning morale, responses to a number of questions indicate that there is a problem within the agency. For example, when asked to characterize the morale of the employees reporting directly to them, the responses suggested that those with poor morale outnumbered those

with high morale by almost a 2 to 1 margin. Concerning their own morale, the supervisors and managers were about evenly split—40.4 percent said their morale was high and 42.3 percent said it was poor; the other 17.3 percent were "unsure."

The survey also asked the managers the extent to which they agreed or disagreed with the following statement: "I am comfortable with the way SSA is managing the downsizing process" (staff reductions). About 67 percent said they disagreed or strongly disagreed with the statement. Conversely, only about 14 percent agreed or strongly agreed. To address the problems of its managers and supervisors, SSA is conducting a series of forums to identify their specific areas of concern for consideration by senior management staff.

The above results are similar to those of a survey of SSA mid-level managers we made in June 1986 as part of an overall assessment of SSA's management. Although the results are not directly comparable for a number of methodological reasons, both surveys show that managers tend to (1) be positive about the quality of service they provide, (2) believe that employee morale is low, and (3) be negative about staff reductions.

We are currently designing our own questionnaires to be sent to SSA employees and managers. Once again, the focus will be the quality of SSA service, the impact of staff cuts, and staff morale. We expect to report the results to your committees early in the fall of 1988. Also, at about the same time, we expect to report to your committees the results of our nationwide test of the quality of access to SSA by telephone.

RSI Process Accuracy

The quality assurance system for RSI initial claims process accuracy provides adequate data for measuring SSA's compliance with operating policies and procedures. For example, cases are selected for review on a random sample basis, and appropriate statistical and weighting techniques are used to gather and report basic process accuracy data. The system also appropriately records different types of errors, thus enabling SSA to focus corrective action initiatives on those that are more significant—for example, those that affect the amount of beneficiary payments.

On two occasions SSA has significantly reduced the RSI sample size. These reductions have had little effect on the reliability of process accuracy rates reported for the area, regional, and national levels. Also, SSA made

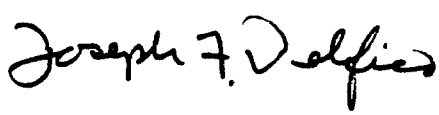
significant changes in its error definitions in 1984, but these changes have not affected the consistency of the process accuracy data reported to your committees because the changes were made before the start of the staff reduction program.

SSA is testing a new RSI quality assurance program, which, if approved, would be implemented starting in October 1988. As currently planned, the new system would retain the capability to generate process accuracy data comparable to that currently being reported to your committees.

The system being tested would provide a new payment accuracy rate to reflect the accuracy of payments currently adjudicated. SSA's present measure of payment accuracy focuses on the universe of beneficiaries in current pay status, many of whose claims were adjudicated years ago. Therefore, the new payment rate would be a better indicator of SSA's current performance. The new system, however, will also involve a reduction in sample size. While this will preclude the generation of reliable accuracy data at the area office level, it will still allow the generation of reliable national and regional estimates.

Appendix II provides additional details on our assessment of SSA's quality assurance program for RSI process accuracy.

As requested by your offices, we did not obtain written agency comments on a draft of this report because to do so would have delayed its issuance; however, we discussed its contents with SSA officials and incorporated their comments where appropriate. As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to other congressional committees and members; the Secretary of Health and Human Services; the Director, Office of Management and Budget; the Commissioner of Social Security; and other interested parties. We will also make copies available to others on request.



Joseph F. Delfico
Senior Associate Director

SSA Performance Indicators

	Fiscal year			Quarter ending		Percent change	
	1985	1986	1987	12/86	12/87	1985-12/87	12/86-12/87
Accuracy rates (percents)							
SSI payment[a]	96.7	96.1	96.2				
RSI payment[a]	99.5	99.6	99.7				
SSI process	96.7	98.0	98.1	98.1	97.9	1.2	−0.2
RSI process	97.1	97.1	96.7	96.6	96.3	−0.8	−0.3
DI process	96.3	96.6	94.3	92.8	95.1	−1.2	2.5
Processing timeliness (days)							
RSI claims	22	21	20	20	19.1	−13.2	−4.5
DI claims	70	81	74	79	72.4	3.4	−8.4
SSI aged claims	12	10	11	11	11.4	−5.0	3.6
SSI-blind/disabled claims	65	78	77	80	76.3	17.4	−4.6
Reconsiderations	53	65	59	61	56.0	5.7	−8.2
Hearings	167	172	198	179	211.0	26.3	17.9
Client wait times (minutes)[b]				7.2	5.4		−25.0
Pending workloads (thousands)							
Field offices:							
RSI claims	155	116	107	108	99	−36.1	−8.3
DI claims	233	277	233	233	206	−11.6	−11.6
SSI-aged claims	6	5	4.5	3	4.1	−31.7	36.7
SSI-blind/disabled claims	218	247	216	218	207	−5.0	−5.0
RSI & SSI overpayments	86	106	107	101	97	12.8	−4.0
Program service centers:							
RSI claims	86	59	67	53	66	−23.3	24.5
RSI & SSI overpayments	31	16	19	15	24	−22.6	60.0
Office of Disability Operations:							
DI claims	36	19	16	18	15	−58.3	−16.7
Office of Central Records Operations:							
Wage records-RSI/DI	58	68	40	47	26	−55.2	−44.7
Office of Hearings & Appeals:							
Hearings	107	117	148	133	150	40.2	12.8

[a]Payment accuracy data reported on a fiscal year basis only.

[b]Waiting time data reported on a quarterly basis since March 1986.

Quality Assurance System for RSI Process Accuracy for Initial Claims

Background

The Retirement and Survivors Insurance (RSI) program is the largest program administered by the Social Security Administration (SSA). In fiscal year 1988, an estimated $192 billion in benefits will be paid to about 34.6 million beneficiaries. SSA uses two quality control systems to measure how accurately the RSI program is administered. One system measures payment accuracy, while the other measures how accurately SSA follows its policies and procedures when processing transactions (process accuracy).

Payment accuracy, which is estimated annually, measures the overall accuracy of benefit payments made. In fiscal year 1987, for example, SSA estimated that 99.7 percent of total benefit dollars paid were accurate. On October 29, 1987, we reported (GAO/HRD-88-10) that the RSI payment accuracy rate was overstated primarily because SSA excluded underpayments. We made several recommendations to correct this, and SSA has taken partial corrective action. SSA continues to exclude payment errors of $5 or less per month from its payment accuracy error rate, a policy that it also applies to its process accuracy error rate.

SSA's process accuracy system uses two related studies to measure accuracy. One study—awards and disallowances—measures the accuracy of initial claims determinations, while the other—the postadjudicative study—measures the accuracy of certain actions or events that occur after an individual begins receiving benefit payments. Such actions include changes of address and changes in benefit amounts brought on, for example, by death or marriage. For fiscal year 1987, SSA reported an accuracy rate of 96.7 percent for initial claims and 97.1 percent for postadjudicative actions.

Objectives, Scope, and Methodology

In examining the RSI process accuracy system for initial claims, we assessed (1) the adequacy of the sampling strategy for providing reliable estimates of accuracy and (2) the effect of major design changes (actual and planned) to the system on the reliability and consistency of reported process accuracy rates.

We performed work at SSA headquarters in Baltimore and at three of SSA's six program service centers—New York, Philadelphia, and Kansas City. The service centers house the RSI quality branches that are responsible for conducting the process accuracy studies. At these locations, we interviewed, among others, individuals responsible for reviewing the case files and obtained an overview of how each of these units operated.

In reviewing the adequacy of the sampling strategy, we examined SSA's Appraisal Manual and other documentation that described the nature of and rationale for the strategy. We also interviewed SSA officials to supplement our analysis of the available documentation.

Major process accuracy system design changes involve reductions in sample sizes, new error definitions, and a new "integrated sample" for RSI that is currently being tested. In reviewing the sample reduction changes, we essentially followed the procedure noted above that we used to review SSA's sampling strategy. In reviewing error definition changes, we focused on changes made by SSA in 1984, which represent the most significant changes made since that time. To determine the effect of these changes, we obtained a copy of SSA's computerized data base of errors identified by the case file reviewers for fiscal years 1984-87 and compiled and compared totals of errors contained in the data base with those reported by SSA in its internal reports and service quality reports to the Appropriations Committees. For the proposed RSI integrated sample, we reviewed the implementation plans for the test and discussed the proposal with key officials.

Our work was performed from November 1987 through April 1988 in accordance with generally accepted government auditing standards.

Results

Reduction in Sample Sizes

SSA's initial claims sample is a randomly drawn stratified sample that uses specified weighting factors to account for size differences in the strata from which the sample is drawn. From a statistical standpoint, the sample size of the current process accuracy system—although much smaller than earlier sample sizes—provides reliable estimates of the extent of basic process error in the RSI program at the area, regional, and national levels.

Table II.1 shows the effect of actual and planned sample size reductions on the precision of error rate estimates with 95-percent statistical confidence for the various levels within SSA.

Table II.1: Effect of Sample Size Reductions on Precision of Estimates of Basic Dollar Errors for RSI Initial Claims

Fiscal year in effect	Sample size	Precision (percent +/-) District office	Area	Region	National
1979-83	214,000	2.60	0.63	0.23	0.07
1984-85	101,300	3.72	0.90	0.33	0.10
1986-88	56,000	5.34[a]	1.28	0.47	0.15
1989	8,200	13.65[b]	3.20[b]	1.17	0.37

[a]Not designed for district office level precision.

[b]Not designed for district office or area level precision.

The table shows that actual and planned sample reductions eliminate or diminish the usefulness of accuracy data at the district office and area level because of the wide range of the precision of the resulting estimate. The precision of accuracy estimates at the regional and national levels also declined; however, the reduction in precision is not significant enough to preclude comparisons to prior periods.

SSA believed that the large sample sizes represented a significant use of RSI quality assurance resources and that by reducing them, efficiencies could be realized without greatly sacrificing the agency's information needs. Further, SSA believed that these resources could be better used on special studies to reduce dollar errors and increase efficiency in SSA operations. In addition, SSA believed historical data indicated that causes of errors, sources of errors, and accuracy rates did not change significantly over time to warrant the same commitment of resources to reviewing such large numbers of sampled cases.

Error Definition Changes

In fiscal year 1985, SSA implemented new error definitions and reporting procedures for the RSI process accuracy review. Before then, SSA classified errors into three principal categories—payment, documentation, and notice. Adding all categories together, SSA reported the percentage of cases free of all errors, which, for example, was 75.7 percent for the first half of fiscal year 1984. Starting with fiscal year 1985, the new definitions divided reportable errors into the more important, or "basic," errors and less significant, or "other," errors. The fiscal year 1985 annual report included only accuracy rates for the new basic error definitions—cases free of basic dollar errors (97.1 percent), basic evidentiary errors (96.8 percent), and all basic errors (94.1 percent), which is essentially a summation of the dollar and evidentiary errors.

Basic dollar errors—which are the errors reported by SSA to the Appropriations Committees in its quarterly service reports—are those that affect beneficiary payments by $5 or more per month. Basic evidentiary errors are cases in which important evidence affecting eligibility or benefit amount is incomplete, conflicting, or missing from the file. According to SSA, the change to the basic error concept was made to focus attention on the most important errors. The error categories under the old system and the policy of reporting the percentage of cases free of all error did not provide the focus that SSA desired. Although SSA currently reports only on basic errors detected during its quality reviews, the "other" errors are still recorded in the quality assurance data base. Table II.2 shows all the types of process accuracy errors recorded in the data base and the error rates for the last 3 fiscal years.

Table II.2: Awards and Disallowances Study Error Rates

Error type	Fiscal year 1985	1986	1987	Percent change 1985-87
Basic dollar	2.9	2.9	3.3	+14
Basic evidentiary	3.2	3.4	4.8	+50
Total basic[a]	**5.9**	**6.1**	**8.1**	**+37**
Other errors:				
Under $5	0.6	0.5	0.6	0
Potential[b]	1.4	1.8	2.2	+57
Other evidentiary	4.4	6.1	8.7	+98
Notice[c]	7.4	6.8	5.8	−22
Technical[d]	3.3	4.2	6.1	+85
Total other	**17.1**	**19.4**	**23.4**	**+37**
Grand total	**23.0**	**25.5**	**31.5**	**+37**

[a]Total basic may not equal the sum of basic dollar and basic evidentiary because, where cases have both types of error, only a basic dollar error is counted when computing the all-basic error rate.

[b]Errors that do not result in a current dollar error but could cause an erroneous payment in the future. An example is a situation in which an applicant was properly denied benefits in the current year. During the case review, the reviewer noted that earnings were not accurately recorded to the individual's account, which could affect the accuracy of future benefits.

[c]Errors that could result in an incorrect notice or a notice not being sent. The decline in notice errors is attributed to a definitional change made in mid-1986 that provided for minor notice errors being recategorized as technical errors.

[d]Errors that generally involve failure to comply with a minor procedural requirement. These errors are considered the least important of all errors recorded.

The table shows generally that error rates are increasing. Also, the rate of increase for all basic errors equals the rate of increase for all other errors. The lowest rate of increase for the various types of errors is the basic dollar rate, which went up by 14 percent. As noted earlier, the basic dollar rate is the rate reported by SSA to the Appropriations Committees in its quarterly reports on the quality of SSA service, the first of which reported RSI process accuracy for calendar year 1985. The rate is expressed by SSA in terms of accuracy rather than error. As a result, it reflected a change from 97.1 percent in fiscal year 1985 to 96.7 percent in fiscal year 1987, an accuracy reduction of 0.4 percent, which does not readily make apparent the 14-percent increase in the incidence of errors.

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