

SOCIAL SECURITY ADMINISTRATION

Since 2001, the Administration:

- Decreased average processing time for initial disability claims from 106 to 97 days;
- Developed an electronic disability folder system, to be launched in January 2004, that will reduce delays in creating, locating, and transporting paper files;
- Expanded online service options on *www.socialsecurity.gov* that are secure, citizen-friendly, and available 24 hours a day; and
- Achieved the highest score (green) for the President's Management Agenda initiative on financial management, demonstrating that it is an effective steward of the Social Security trust funds.

The President's Budget:

- Increases SSA administrative funding by 6.8 percent from 2004 to maintain excellent service to the public and decrease hearing backlogs in the face of growing workloads;
- Enables the Social Security Administration to help administer the new Medicare prescription drug benefit;
- Combats identity fraud; and
- Continues to increase productivity by at least two percent.



Commissioner Barnhart reviews information with an employee of the Brooklyn Social Security Card Center.

Social Security Administration

Jo Anne B. Barnhart, Commissioner

www.socialsecurity.gov 800-SSA-1213

Number of Employees: 65,000

2005 Discretionary Budget Authority: \$9.1 billion

Field Offices: 1,336

OVERVIEW

The Social Security Administration (SSA) touches the lives of nearly everyone in America by issuing Social Security numbers, maintaining earnings records used to calculate Social Security benefits, and administering the benefit programs. SSA provides financial support to older Americans, Americans with disabilities, and their dependents. SSA manages the Old-Age, Survivors, and Disability Insurance (DI) programs, universally known as Social Security. SSA also runs the Supplemental Security Income (SSI) program for low-income aged and disabled persons.

SSA promotes fiscal responsibility by assisting beneficiaries who want to work to reduce their reliance on disability benefits, and by ensuring that payments only go to individuals who should get them. For the disability programs in particular, determining initial or continuing eligibility is often a complex task that requires analyzing detailed medical and financial information. The Program Assessment Rating Tool (PART) shows that SSA needs to improve the accuracy of DI decisions. SSA is developing proposals that would redesign the disability claims process and improve accuracy. To address SSI payment accuracy issues as identified by the PART, SSA is pursuing program simplification and other strategies.

As the retirement of the baby boom generation draws near, SSA will face the task of serving record numbers of beneficiaries and maintaining program integrity at the same time that a large portion of SSA's own workforce will be retiring. An important responsibility of SSA is public education about the choices that must be addressed to strengthen Social Security's long-term financial condition. A further long-standing challenge is the time and expense involved in processing claims for disability benefits, and, in particular, appeals of unfavorable decisions. To meet these challenges, SSA is improving service with new business processes and using technology to become more efficient.

Another important task of SSA is to insure the Nation's security by protecting against identity theft and misuse of Social Security numbers. In addition, SSA is facing new responsibilities as it prepares to play an important role in the implementation of the Medicare prescription drug law recently signed by the President. For example, SSA will help determine eligibility for subsidies for the drug benefit for low-income seniors.

The 2005 Budget includes resources to increase productivity in public service areas, detect and prevent erroneous payments, and effectively handle increasing workloads. With this Budget, SSA expects to achieve the performance targets outlined in the accompanying table that will ensure that citizens get decisions on their cases in an accurate and timely manner.

Measures	2003 Actual	Goals	
		2004	2005
Productivity			
SSA Hearing Decisions, Per Worker Per Year ¹	103	105	107
Disability Decisions, Per Worker Per Year	270	272	274
Timeliness (in days)			
Average Processing Time for Initial Disability Claims	97	97	97
Average Processing Time for Hearing Decisions	344	377	344
Accuracy			
Disability Determination Services Accuracy Rate.....	NA	97%	97%
Accuracy Rate for Hearings Decisions	NA	90%	90%

¹ In 2003, an SSA worker on average made 103 hearing decisions. The higher the number in a given year, the greater the productivity.

CITIZEN-CENTERED SERVICE

Enhancing Service Through Technology

In 2005, the disability claims process will become more efficient as the agency replaces its paper-driven process with an electronic one. The electronic disability claims filing process is expected to reduce processing time significantly over the long term. In the paper-driven process, when a claimant requests a hearing, it often takes more than a month simply to locate the claimant's folder and deliver it to the appropriate hearing office. That will change with the new paperless process, and costs related to locating, mailing, and storing paper files will be significantly reduced.



When the electronic disability claims process is fully implemented, SSA will no longer create, mail, and store paper disability folders.

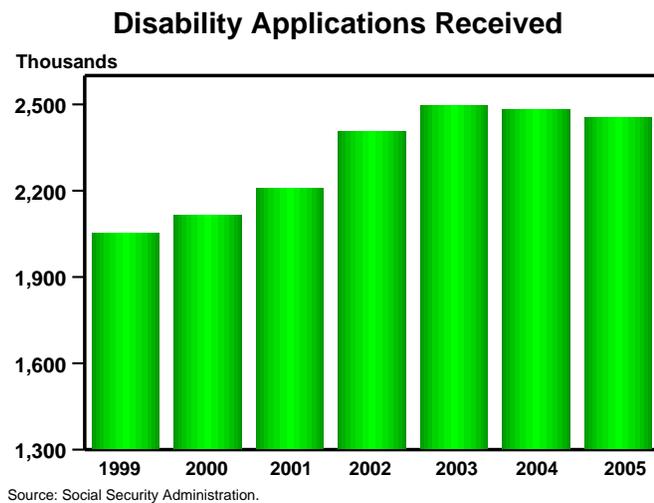
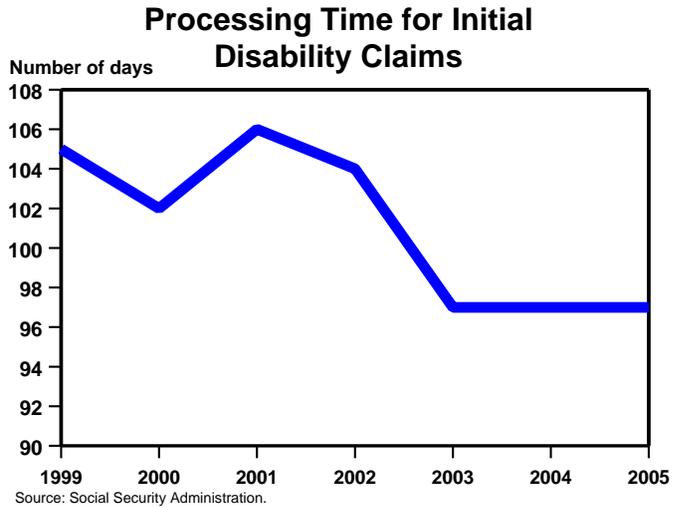
Improving the Disability Claims Process

Processing time for hearings continues to be a concern. In 2003, individuals who initially were denied benefits and who appealed had to wait nearly a year before a final decision was made. To begin addressing this issue, SSA is implementing several initiatives in 2004 and 2005. For example, SSA will allow Administrative Law Judges (ALJs) to make more decisions without a full hearing when additional evidence is not needed. Issuing decisions from the bench immediately following a hearing and using speech recognition technology to write decisions will also speed decision making. Expanding video teleconferencing to more hearings offices will enable ALJs to conduct more timely hearings in remote sites and will reduce the need for individuals appealing their cases to drive long distances.

Beyond 2005, SSA is developing an improved process to significantly reduce processing times and improve decisional accuracy for initial disability claims and hearings. Commissioner Barnhart's proposed changes include making quick decisions about individuals who are determined to be disabled based on their described impairment and creating a central quality control unit to promote consistency. SSA also plans to add an attorney review level prior to ALJ review to improve service delivery. This will enable SSA to prioritize cases and decrease processing time. As part of these management reforms and the President's New Freedom Initiative, SSA will provide support services early in the disability determination process to help individuals with disabilities return to work. For example, SSA administers the Ticket to Work program under which eligible individuals receiving Social Security and/or Supplemental Security Income benefits due to disability or blindness receive a ticket that they may use to obtain vocational rehabilitation services, employment services, or other support services from an employment network or a State vocational agency of their choice.

Increasing Efficiency

SSA consistently focuses on and has made significant progress in improving efficiency within the agency. In particular, SSA has reduced its average processing time for initial disability claims by over eight percent since 2001 (see accompanying chart). These and other results are due to SSA's commitment to improved efficiency gains through technological and procedural changes. More impressively, these successes have occurred at a time when the number of people applying for disability applications has increased by 22 percent from 1999 to 2003 (see Disability Applications Received chart). In 2003, SSA was able to reduce initial disability claim backlogs by 11,000 cases from the prior year. SSA also increased productivity for hearings decisions and initial disability claims by eight percent and two percent, respectively, over the previous year.



These successes are critical to maintaining public satisfaction as the agency continues to face growing workloads. For example, SSA's actuaries estimate that disability applications will remain high in future years due to the baby boomers moving into their disability-prone years. SSA's commitment to annual productivity gains of at least two percent per year will enable the agency to handle more claims while continuing to provide good service. Recognizing these pressures and management goals, the 2005 Budget proposes nearly a seven-percent increase in administrative resources to address these challenges.

Implementing Medicare Reform

The Medicare Prescription Drug Improvement and Modernization Act of 2003, signed by President Bush in December, includes a major role for SSA in administering the new Medicare prescription drug benefit. SSA is committed to the success of the new law and the Budget includes funding for start-up costs to allow the agency to prepare systems for implementation of the drug benefit and other program changes in 2006. SSA will play an instrumental role in identifying and enrolling low-income beneficiaries, calculating premiums for high-income beneficiaries, and withholding premiums appropriate to beneficiaries' selected plans.

Discounted Drugs for Seniors

Starting in late 2005, applicants signing up for their Social Security retirement benefit and Medicare prescription drug benefit will be screened for eligibility for additional low-income prescription drug assistance that is part of the new Medicare drug benefit.

Senior citizens and individuals with disabilities who have income less than 135 percent of the poverty level and who have resources equal to or less than \$6,000 will be eligible for Medicare drug coverage with no premium and limited cost-sharing. Other beneficiaries—those with income below 150 percent of poverty and somewhat higher resources—will also be eligible for assistance with the new Medicare drug benefit. The beneficiary's application will be sent to the Centers for Medicare and Medicaid for final processing and enrollment. This screening will save seniors time and worry, and help ensure that those eligible will receive the benefits that they are entitled to. That's SSA working for you!

Assisting Low-Income Refugees

The Budget would allow refugees and asylees to receive SSI for eight years after entry into the country. Currently, refugees and asylees who have not become citizens can only receive SSI for seven years after entry. The proposal recognizes that some individuals have been unable to obtain citizenship within seven years due to a combination of processing delays, and for asylees, statutory caps on the number who can become permanent residents. The policy would continue through 2007.

PROGRAM STEWARDSHIP***Detecting and Preventing Payment Errors***

A crucial aspect of good management in income support programs is ensuring that only eligible individuals receive benefits, and that they receive their benefits in the correct amount. SSA undertakes a variety of program integrity activities to minimize erroneous payments through means such as verifying beneficiaries' eligibility status, collecting debt, and investigating and deterring fraud. The General Accounting Office (GAO) removed the SSI program from its high-risk list of Government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA's efforts to improve the management of the program.

The Administration proposes \$561 million for conducting continuing disability reviews (CDRs) in 2005. This is a proven, sound investment since SSA generates savings of approximately \$10 for each \$1 spent on such activities. SSA's 2002 CDRs are expected to yield \$6 billion in program savings.

The Budget proposes several additional tools to improve SSA's payment accuracy. One initiative would review at least 50 percent of favorable SSI disability decisions before starting payments. Another would give SSA the ability to independently verify whether beneficiaries have pension income from employment not covered by Social Security. The law requires that Social Security benefits be reduced in such cases, recognizing, in effect, that these pensions are designed as a substitute for Social Security. It is estimated that when phased in, these proposals would save the Federal Government half a billion dollars a year.

A Concrete Case of Fraud

Sometimes Social Security goes undercover to crack down on fraudulent claims of disability.

SSA's Office of Inspector General uses Cooperative Disability Investigations (CDI) units to investigate allegations (often from neighbors or acquaintances) of individuals who claim to be too disabled to work but who in fact are employed. For example, working from unmarked vans, CDI units may videotape someone who claims to be disabled lifting heavy boxes into a truck.

A 57-year old man applying for disability benefits said he had not worked since he had a stroke. During the interview, though, the SSA employee noticed cement dust on the man's shoes and cap. The Nashville CDI unit investigated the case, and observed the man driving a commercial van, using construction tools, lifting equipment, and pouring concrete. His claim was denied.

SSA, Office of the Inspector General
Semiannual Report to Congress
October 1, 2002-March 31, 2003

Preventing Misuse of Social Security Numbers

Use of Social Security numbers (SSNs) as a universal identifier has led to increased incidents of SSN fraud and misuse. Individuals seeking an SSN must provide proof of identity, age, and U.S. citizenship or legal alien and work authorization status. To detect fraudulent documents and to prevent improperly issuing SSNs, SSA is developing ways to share information with other Federal and State agencies to decrease reliance on documents presented by SSN applicants. SSA is also developing additional automated checks to detect potential fraud.

Combating Identity Theft

SSA's Inspector General works together with other agencies, including the U.S. Postal Inspection Service, the FBI, and the Department of Justice, to investigate and prosecute identity theft crimes. This team recently uncovered and stopped the criminal activity of Michael Washington. Washington led a bank fraud and identity theft ring that attempted to obtain \$1.4 million from banks and title companies.

Washington and members of the ring would go to title companies for the purpose of selling homes through that title company to a buyer who was complicit in the scheme and who was using a stolen identity. The sales were then completed with counterfeit checks. The title companies would unknowingly accept the counterfeit checks from the buyer, deposit them into their own bank account, and then write checks drawn on their account payable to the seller. The seller of the property would negotiate the legitimate title company check at the title company's bank and convert it to cash or cashier's checks through a series of transactions, and the seller would later split the proceeds with the others. Through the work of the Federal team, the fraud ring was uncovered and stopped. In December 2003, Washington was sentenced to 12 years in prison and ordered to pay \$512,496.

PERFORMANCE EVALUATION OF SELECT PROGRAMS

The Budget continues to focus on improving program performance. SSA updated two assessments completed for 2004 using the Program Assessment Rating Tool (PART), which evaluated the programs' design and purpose, strategic planning efforts, how well they are managed, and whether they are generating positive results for taxpayers. Below are some highlights and recommendations from the PART evaluations. For further details on SSA's performance assessments, see the White House budget website at www.whitehouse.gov/omb/budget/.

Program	Rating	Explanation	Recommendation
Supplemental Security Income for the Aged	Moderately Effective	The program has a clear purpose and addresses a specific need. Annual processing time goals were met, but payment accuracy goals for the SSI program overall were not. Long-term targets for processing time and efficiency are not ambitious.	SSA will better match resources to performance benchmarks. SSA will aggressively pursue strategies in the SSI Corrective Action Plan.
Disability Insurance	Moderately Effective	The program has a clear purpose and addresses a specific need. Annual goals for initial claims processing time and hearings productivity were met while initial claims productivity improved. However, SSA made insufficient progress toward improving accuracy of denied claims.	SSA will significantly improve the claims process by implementing electronic disability. SSA will also finalize proposals to redesign the claims process and better match resources to performance benchmarks.

UPDATE ON THE PRESIDENT'S MANAGEMENT AGENDA

The table below provides an update on Social Security's implementation of the President's Management Agenda as of December 31, 2003.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

SSA continues to be a leader in financial performance. In 2003, SSA issued its financial statements within 45 days of the end of the year—for the second straight year—and received a clean audit for the tenth consecutive year. SSA also demonstrated that it has integrated financial and performance management systems. After several quarters of steady progress, SSA anticipates an improvement in status for Competitive Sourcing in the fourth quarter of 2004, when their first two full competitions are slated for completion. In the spirit of the President's New Freedom Initiative, SSA has also modified its competition plan to protect employees with disabilities. Further, SSA has contributed to several cross-agency E-Government initiatives aimed at improving public service, including one that will lead to more efficient access to vital records. In 2004, SSA is expected to move to green in status for E-Government. This improvement will reflect that SSA's information technology systems are secure, meet cost, schedule, and performance goals, and fit into a larger blueprint designed to achieve the goals of the agency.

SOCIAL SECURITY ADMINISTRATION

(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Spending				
Discretionary Budget Authority:				
Limitation on Administrative Expenses (LAE) ¹ ...	7,124	7,885	8,313	8,878
Office of the Inspector General	69	82	88	92
Research and Development	23	31	31	20
Subtotal	7,216	7,998	8,432	8,990
Medicare Reform Administrative Expenses ¹	—	—	500	100
Total, Discretionary budget authority	7,216	7,998	8,932	9,090
Total, Discretionary outlays	7,149	8,071	8,750	9,366
Mandatory Outlays:				
Old-age, Survivors, and Disability Insurance	430,284	470,531	492,043	510,550
Supplemental Security Income	27,481	32,579	34,358	38,843
Special Benefits for Certain World War II Veterans	7	9	10	11
Offsetting Collections	-2,525	-2,212	-3,242	-3,492
Undistributed Offsetting Receipts	-7,910	-9,602	-10,654	-11,199
Legislative Proposals	—	—	—	-27
Total, Mandatory outlays	447,337	491,305	512,515	534,686
Total, Outlays	454,486	499,376	521,265	544,052

¹ The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.

SOCIAL SECURITY ADMINISTRATION

AT A GLANCE:

2006 Discretionary Budget Authority: \$9.5 billion
(Increase from 2005: 8 percent)

Major Programs:

- Old-Age and Survivors Insurance
- Disability Insurance
- Supplemental Security Income



MEETING PRESIDENTIAL GOALS

Promoting Economic Opportunity and Ownership

- Helping people with disabilities make the transition to work.

Supporting a Compassionate Society

- Providing Supplemental Security Income payments, Social Security Disability Insurance benefits, and Survivor Insurance benefits to eligible individuals.
- Assisting in the administration of the new Medicare prescription drug benefit by determining eligibility for low-income subsidies.
- Extending eligibility for Supplemental Security Income for roughly 4,000 refugees and asylees who have not yet become U.S. citizens.

Making Government More Effective

- Converting from paper to electronic disability application folders to speed decision-making and reduce administrative costs.
- Providing access to video hearings for some people who live a long distance from a hearing office, allowing them to have hearings scheduled sooner when they appeal decisions made by the Social Security Administration.
- Ensuring that more than 99 percent of benefits are paid correctly.

Agency-specific Goals

- Improving the timeliness and accuracy of the Social Security Administration's disability decision-making process while continuing to improve productivity.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP

Demonstrations to Help Transition from Disability to Work

Individuals with disabilities face many barriers in making the transition to work. The Social Security Administration (SSA) has launched two demonstrations: one to support adults with disabilities who want to enter the workforce and one to support children with disabilities making the transition from school to work.

Under the Ticket to Work and Work Incentives Improvement Act of 1999, SSA is exploring ways to more gradually reduce Disability Insurance (DI) benefits as beneficiaries enter the workforce. Under current law, DI beneficiaries who exhaust their nine-month trial work period and three-month grace period have their DI benefits completely stopped if they earn more than \$830 per month. Under the DI Benefit Offset Demonstration, such beneficiaries would be able to earn more than \$830 per month and still receive a portion of their DI benefits. This change would encourage them to return to work by allowing a more gradual transition.

SSA is also testing approaches to support the successful transition of youth with disabilities from school to post-secondary education and/or employment. Under the Youth Transition Demonstration projects, California, Colorado, Iowa, Maryland, Mississippi, and New York have created service-delivery systems that blend education, rehabilitation, health care, and employment services. Each project is different, but all show how communities can blend services and resources from Federal, State, and local partners to support youth with disabilities as they progress through high school and go on to work or post-secondary education. Services include mentoring, skills training, career planning, and job search and placement services. The Budget includes \$9 million for these demonstration projects.



Patrick has successfully returned to work through SSA's Ticket to Work program.

Patrick's Story

Patrick was an outgoing young man working on his cosmetology license. That was in 1994—the year his life took a drastic turn. Patrick began to feel weak, lost a lot of weight, and had constant headaches. His doctor diagnosed him with end-stage renal disease. For the next seven years, Patrick underwent kidney dialysis. He abandoned his career goals and was approved for Social Security disability benefits. His days were long and unfulfilling. Then, in 2001, he became eligible for a kidney transplant. “After all this time, I couldn’t believe my good fortune,” said Patrick. “Finally, a kidney was available, and all I could think of was going back to living a normal, healthy life.”

After the transplant, Patrick had some problems with his health, but finally began regaining his strength. It was around that time that his Ticket to Work came in the mail from Social Security. He found out that he could use his Ticket to go back to work without risking the loss of his Medicare benefits. Patrick started working as an interim accountant, and now has a permanent position as a buyer for a manufacturer.

The Budget proposes to require full-time school attendance as a condition of entitlement for Social Security child's benefits for children beginning at age 16. Current policy allows eligible children to receive Social Security benefits up to the month they reach age 18, regardless of school attendance. School attendance is required for children ages 18 and 19 to continue receiving benefits. Changing the policy to age 16 will further encourage eligible children to remain in school.

SSA has put a priority on helping people get back to work, as evidenced by the new performance measure it developed for the Supplemental Security Income (SSI) program. SSA is committed to increase the number of SSI and DI beneficiaries with "tickets" who go to work, relative to 2003, by 20 percent in 2004, 40 percent in 2005, and 60 percent in 2006. Tickets allow beneficiaries to choose employment services, whether from a more traditional vocational rehabilitation agency or other participating public and private providers.

SUPPORTING A COMPASSIONATE SOCIETY

SSA will pay nearly \$40 billion in SSI payments to needy elderly and disabled people in 2006 and about \$90 billion in Social Security disability benefits. In addition, SSA will pay \$68 billion in Survivors Insurance benefits to widows and surviving children. In 2006, more than 20 million beneficiaries will receive benefits from the SSI, DI, and Survivors programs.

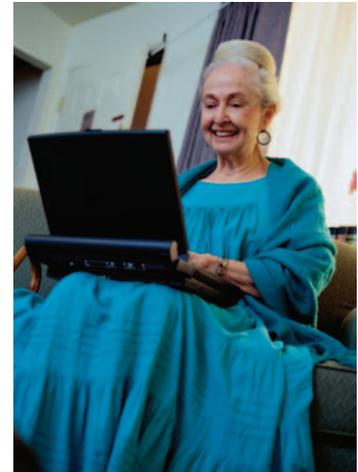
Discounted Drugs for Seniors

The Medicare Prescription Drug Improvement and Modernization Act of 2003 includes a major role for SSA in administering the new Medicare prescription drug benefit. Starting in the summer of 2005, SSA will determine whether Social Security and Medicare beneficiaries are eligible for the additional low-income prescription drug assistance that is part of the drug benefit.

Senior citizens and individuals with disabilities who have income less than 135 percent of the poverty level and who have resources equal to or less than \$6,000 will be eligible in 2006 for Medicare drug coverage with no premium and limited cost-sharing. Other beneficiaries—those with income between 135 and 150 percent of poverty and somewhat higher resources—will be eligible for Medicare drug coverage with a reduced premium and cost-sharing. Individuals will have the option of applying for assistance through the Internet, telephone, mail, or at a local Social Security office. SSA employees will also be on-site at many local community associations to assist individuals with the filing of applications. The Budget continues funding for processing low-income prescription drug assistance applications and related activities.

Online Benefit Application

To meet increasing public demands, SSA allows the public to apply for Social Security retirement, spousal, and disability benefits online in addition to applying in person or by phone. The online services provide opportunities for the public to conduct SSA business electronically in a private and secure environment. In 2004, 217,000 claimants submitted applications for Social Security benefits online, an increase of 47 percent over the previous year. Other online services allow current beneficiaries to check their benefits, enter changes to their address or direct deposit information, and obtain replacement 1099s and proof of income letters. These services can be accessed through SSA's website, www.socialsecurity.gov. SSA's online services provide greater convenience to the public while allowing the Agency to process its workloads more efficiently.



SSA now makes it possible for claimants to apply for benefits online.

Assisting Low-Income Refugees

The Budget would allow refugees and asylees to receive SSI for eight years after entry into the country. Currently, refugees and asylees who have not become citizens can only receive SSI for seven years after entry. Consistent with the President's goals for immigration reform, this measure would provide legal asylees and refugees a greater opportunity to achieve citizenship. Funding for SSI comes from general Government revenues—not from the Social Security trust funds. The policy would continue through 2008. Beginning in 2005, SSA will send letters annually to those refugees and asylees receiving SSI reminding them of the requirement to become a citizen for continued benefits.

MAKING GOVERNMENT MORE EFFECTIVE

Electronic Disability Folder

Starting in January 2004, SSA began implementation of an electronic disability file folder. This increased use of technology will replace a paper-driven process with a more efficient one, resulting in significantly reduced processing times and improved decisional accuracy for initial disability claims and hearings. So far, SSA has implemented the electronic disability folder in 25 States and plans to complete implementation in 2006. Once fully implemented, SSA will have the largest repository of medical records in the world, and will see greater progress in eliminating avoidable delays in the disability claims process.

Electronic Disability (eDib) Process Becoming a Reality

Speedier service of disability claims is proving to be a reality. In January 2004, the Mississippi Disability Determination Service (DDS) received a premature baby boy's SSI claim, along with medical evidence from the local children's hospital. This baby weighed less than 1,200 grams and had serious medical complications. The formal SSA application was submitted electronically and the medical evidence was scanned into a document repository. The disability examiner had access to all documents on her computer screen and made an allowance that same day. Social Security expects eDib to be used in all DDSs by June 2005.

Performance Evaluation of Select Programs

SSA assessed for 2006 the SSI program using the Program Assessment Rating Tool (PART). The PART found that SSI has a clear purpose and addresses a specific need. SSA is working to ensure that the correct benefits are paid to the right persons on a timely basis. SSA evaluated the DI program previously and is converting from using a paper folder to an electronic one for the disability claims process, as discussed above. The PART evaluation cited a need to implement an improved claims process.

Stopping Fraud

Another challenge faced by SSA is weeding out fraudulent claims of disability among the applications it gets every year.

The Federal Government filed suit last year against a woman who had received \$190,000 in disability payments. In January 1999, she claimed that even lifting a gallon of milk caused her to suffer migraines that prevented her from reading and writing, and that she was unable to walk more than 10 minutes without experiencing debilitating pain. In March 1999, she competed and won the "Mrs. Minnesota International" pageant in which she engaged in stage walking, a production number, and competed in the aerobic and evening gown competitions.

A Federal jury convicted her in August 2004 on nine counts of defrauding SSA.

Source: U.S. Department of Justice, Office of the U.S. Attorney, District of Minnesota, Press Release.

Stewardship and Program Integrity

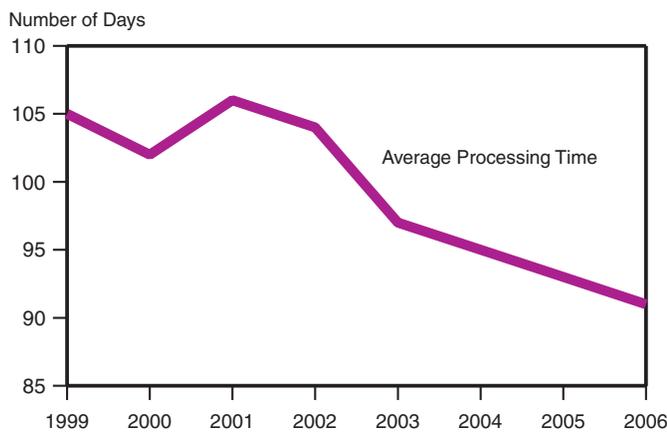
A crucial aspect of good management in income support programs is ensuring that only eligible individuals receive benefits, and that they receive the correct benefits. SSA undertakes a variety of program integrity activities to minimize improper payments by verifying beneficiaries' eligibility status, collecting debt, investigating and deterring fraud, and other methods.

MAKING GOVERNMENT MORE EFFECTIVE—Continued

The Budget proposes to improve payment accuracy by requiring that SSA review at least 50 percent of favorable SSI disability and blindness decisions before starting payments. Further, the Administration will conduct more continuing disability reviews (CDRs) in 2006. This is a proven, sound investment since SSA generates savings of approximately \$10 for each \$1 spent on such activities. SSA's 2003 CDRs are expected to yield over \$5 billion in program savings.

Improved Productivity and Efficiency

Processing Time for Initial Disability Claims



Source: SSA.

increase this number. Using these kinds of measures, SSA has documented that the agency increased productivity by an annual average of nearly three percent from 2000-2004. In addition, SSA has reduced average processing time for initial disability claims by over 10 percent since 2001 (see accompanying chart).

Video Hearings Save Time and Money

In 2004, individuals who were initially denied disability benefits and who appealed to an Administrative Law Judge (ALJ) had to wait over a year before a final decision was made. Wait times can be especially long for individuals living long distances from major cities; ALJs may only visit rural areas a few times per year since they need to schedule enough hearings to justify the expense of their travel. Also, it can be difficult obtaining the appropriate expert witnesses outside major cities.

Video hearings can benefit claimants in two ways. Their hearings may be scheduled sooner than if they choose face-to-face hearings, and there may be a broader range of expert witnesses available. For example, a claimant in Sioux City, Iowa, can go to a video hearing location in his or her local community, rather than traveling nearly 200 miles to the hearing office in West Des Moines or waiting many months before an ALJ could travel to Sioux City. Video hearings

SSA is committed to improve its productivity and efficiency in providing services to citizens. SSA performs a variety of tasks for citizens, such as processing applications for retirement and disability benefits, answering questions through its 1-800 number, and conducting hearings for people who have appealed the decision SSA makes on their application for benefits. SSA measures its productivity in conducting all of these transactions, and pushes for greater efficiencies through increased use of technology and changes in business processes. SSA, for example, measures the number of applications for disability benefits the average worker processes each year, and strives to



A claimant and representative (not shown) watch from a remote hearing site as expert witnesses are sworn in for a video hearing.

save travel expenses and time for both the claimant and the ALJ. In 2006, SSA plans to schedule 30,000 hearings via video.

Update on the President's Management Agenda

The table that follows provides an update on SSA's implementation of the President's Management Agenda as of December 31, 2004.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status	●	●	●	● ↑	●
Progress	●	●	●	●	●

Arrow indicates change in status since evaluation on September 30, 2004.

SSA has achieved some significant milestones in its effort to implement the President's Management Agenda. The agency now has a multi-tiered performance appraisal system for executives and managers that effectively differentiates between different levels of performance. SSA is working to include all employees under such a system. Further, SSA is able to determine full and marginal cost of achieving performance goals and uses that information to make decisions. In the area of Financial Performance, SSA is improving the quality, consistency, and timeliness of data so managers can drive better results such as reducing the administrative costs of SSA's benefit programs. In Competitive Sourcing, SSA completed its first full competition, the Systems Help Desk (covering 68 positions). The estimated savings from this competition is \$35 million over a five-year period. In addition, SSA identified a number of challenges involved in completing small competitions, and proposed an alternate study approach to better address these competitions that was approved as a limited pilot.

Initiative	Status	Progress
Eliminating Improper Payments	●	○

SSA measures improper payments for its three major benefit programs: Old Age and Survivors Insurance (OASI), Disability Insurance, and Supplemental Security Income (SSI). SSA has a corrective action plan and reduction targets in place. The OASI program consistently has a very low improper payment rate. SSA did not meet its target for improper payments for SSI in 2003. SSA is working to meet future targets with initiatives that would allow for quicker and more accurate eligibility determinations. (Because this is the first quarter that agency efforts in the Eliminating Improper Payments Initiative were rated, progress scores were not given.)

AGENCY-SPECIFIC GOALS

SSA sets goals to provide high-quality service, which is reflected in the Agency's commitment to increase productivity, timeliness, and accuracy in processing applications for disability benefits. With this Budget, SSA expects to achieve the performance targets outlined in the table below.

Goal	2004 Actual	Goal	
		2005	2006
Productivity:			
Disability Decisions, Per Worker Per Year ¹	273	278	284
SSA Hearings Decisions, Per Worker Per Year	100	103	105
Timeliness (in days):			
Average Processing Time for Initial Disability Claims	95	93	91
Average Processing Time for Hearing Decisions	391	442	442
Accuracy:			
Disability Determination Services Accuracy Rate	NA	97%	97%
Accuracy Rate for Hearing Decisions	NA	90%	90%

¹ In 2004, an SSA worker on average made 273 disability decisions. A higher number in a given year represents greater productivity.

Social Security Administration

(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority:			
Limitation on Administrative Expenses (LAE) Base ¹	8,313	8,733	9,083
Office of the Inspector General	88	90	93
Research and Development	40	28	20
Subtotal	8,441	8,851	9,196
Medicare Reform Administrative Expenses ¹	500	—	320
Total, Discretionary budget authority	8,941	8,851	9,516
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance	491,623	515,126	540,121
Supplemental Security Income	33,725	39,027	38,314
Special Benefits for Certain World War II Veterans	10	11	10
Offsetting Collections	-2,583	-2,613	-2,727
Undistributed Offsetting Receipts	-10,601	-10,911	-11,357
Legislative proposals	—	—	13
Total, Mandatory outlays	512,174	540,640	564,374

¹ The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.

SOCIAL SECURITY ADMINISTRATION

Since 2001, the Administration:

- Improved productivity by 13 percent, enabling the Social Security Administration to provide more services with fewer resources;
- Increased work opportunities for beneficiaries with disabilities;
- Decreased the average waiting time for decisions on disability applications from 106 to 93 days; and
- Expanded online service options on *www.socialsecurity.gov* and 1-800-772-1213 that are secure, citizen-friendly, and available 24 hours a day.

The President's Budget:

- Is committed to Social Security reform that strengthens the safety net for future generations, protects those who depend on Social Security, and offers every American a chance to experience the opportunity of ownership through voluntary personal retirement accounts. Seniors at or near retirement will see no changes to their benefits;
- Simplifies the administration of the Social Security retirement and disability programs, making the programs clearer and more fair and reducing improper payments;
- Promotes the President's vision for an Ownership Society by providing incentives for low-income disabled individuals to save; and
- Increases operational productivity by two percent while maintaining service to the public.

FOCUSING ON THE NATION'S PRIORITIES

Strengthening Social Security

As the President has emphasized with respect to the Social Security system:

“One of America’s most important institutions—a symbol of trust between generations—is also in need of wise and effective reform...And so we must join together to strengthen and save Social Security...We must make Social Security permanently sound, not leave the task for another day.”

Social Security is sound for today’s seniors and for those nearing retirement, but it needs to be fixed for younger workers. Social Security today operates on what is known as a “pay-as-you-go” basis, in which current worker payroll taxes are used immediately to pay for the benefits of current retirees and other beneficiaries. In 1950, there were about 16 workers for every retiree. Today, there are slightly more than three workers for every beneficiary. By the time today’s 20-year-olds retire, that number will drop to two workers for every beneficiary. Furthermore, people are living longer than when the system was created. As the baby boom generation begins retiring in 2008, there will be a dramatic rise in the number of retirees, putting added strain on the system. In 2017, the Social Security system will collect less in taxes than it pays in benefits and will shift into a permanent cash deficit that will grow every year. In 2041, Social Security will exhaust its Trust Fund assets. If Social Security’s problems are left unresolved, today’s young workers will see their benefits sharply and suddenly cut, their children’s payroll taxes raised, or both.

The President is committed to strengthening the Social Security system and has put forward three goals for any reforms: strengthen the safety net for future generations; protect those who depend on Social Security; and offer every American a chance to experience the opportunity of ownership through voluntary personal retirement accounts.

The President has proposed reforms to address the system’s long-term financial shortfall while making Social Security a better deal for today’s young workers. Under the President’s approach, Social Security would include voluntary personal accounts funded by a portion of workers’ payroll taxes. The 2007 President’s Budget includes the estimated impact from the creation of personal accounts. The accounts will be funded through the Social Security payroll tax. In the first year of the accounts, contributions will be capped at four percent of Social Security taxable earnings, up to a \$1,100 limit in 2010, increasing by \$100 each year through 2016. The President has also embraced the idea of indexing the future benefits of the highest wage workers to inflation while providing for a higher rate of benefit growth for lower-wage workers. This measure would significantly contribute to the solvency of the system. By adjusting the way benefits are calculated, progressive indexing would eliminate nearly 70 percent of annual cash shortfalls by the end of the Social Security Trustees’ long-range (75 year) valuation period, trending towards greater improvement thereafter. Because progressive indexing would index benefits for lower-wage workers to wage growth, which generally grows faster than inflation, benefits would grow faster than the poverty level. This will keep a greater portion of future seniors out of poverty than today.

By adopting progressive indexing and allowing young workers to create voluntary personal retirement accounts within the Social Security system, the President’s recommendations would provide future seniors with real money instead of the current system’s empty promises. Indexing benefits partially to inflation rather than wages allows the Government to save significant sums in future decades, money that would be used to maintain faster benefit growth for low-income seniors. Without Social Security reform, benefits for future seniors will have to be cut about 30 percent across-the-board.

Extra Help with Drug Costs for Seniors and Persons with Disabilities

Under the Medicare Prescription Drug Improvement and Modernization Act of 2003, the Social Security Administration (SSA) is helping eligible Social Security and Medicare beneficiaries obtain extra help paying for prescription drugs.

To be eligible for the additional assistance, Medicare beneficiaries must have limited resources (below \$10,000 for an individual or \$20,000 for a married couple) and limited income (no more than 150 percent of the poverty level). Individuals have the option of applying for the extra help through the Internet, telephone, mail, or at a local Social Security office. SSA is continuing its outreach efforts to ensure that all who are eligible for the extra help know about it and have the opportunity to apply. From May through mid-August 2005, SSA sent 19 million applications to potentially eligible beneficiaries.

Flexibility to Save

The Budget promotes the Administration's Ownership Society agenda among the low-income disabled. In 2007, SSA will launch the Disability Freedom Account demonstration project to help disabled Supplemental Security Income (SSI) beneficiaries save more money to pay for their first home, education, or other services needed to get back to work, or for assistive technologies to make their lives easier. Current SSI asset limits will be waived for these individuals. Certain SSI recipients who also receive Medicaid and self-direct their long-term care support services may also be eligible to participate in this demonstration.

Removing Barriers to Work

Only about a half of one percent of SSA's disability program beneficiaries ever leave the rolls for work. To better connect these beneficiaries with employment opportunities and in response to a Program Assessment Rating Tool (PART) review, SSA is implementing several demonstrations to test various types of assistance to help those who are able to return to work. Among the projects is the National Benefit Offset Demonstration, which will test the effects of allowing Disability Insurance (DI) beneficiaries to work without total loss of their benefits by reducing their monthly benefit one dollar for every two dollars of earnings above \$830 per month. Within the benefit offset demonstration, SSA will also test an early intervention model in which SSA will provide cash and medical benefits to disability applicants with certain impairments presumed disabling who elect to pursue work rather than proceed through the disability determination process.



SSA is involved in reaching out in many ways to seniors who may be eligible for help with prescription drug costs, including conducting more than 60,000 community outreach events.



A disabled beneficiary (left) receiving a Ticket to Work, enabling him to work again without total loss of Social Security benefits.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Under the Ticket to Work and Work Incentives Improvement Act of 1999, SSA provides disability beneficiaries with a “ticket” that can be used to receive vocational rehabilitation and employment support services to go back to work without losing health benefits. SSA has proposed regulatory changes to the Ticket to Work program to improve its overall effectiveness. These changes include offering enriched payments to service providers and allowing disability beneficiaries with medical conditions likely to improve to participate in the program.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Quicker Decisions

SSA has reduced its average processing time for initial disability claims by about two weeks since 2001. While applicants waited on average 106 days for a decision in 2001, SSA improved the wait in 2005 to 93 days. In 2005, SSA was able to reduce initial disability claim backlogs by 64,000 cases, a more than 10-percent reduction from the prior year. Implementing the new approach to disability determinations, as noted in the DI PART evaluation, will further reduce processing time.

Providing Relief to Hurricane Victims

Hurricane Katrina struck the central Gulf Coast on August 29, 2005, and the resulting flooding and wind damage led to the displacement of hundreds of thousands of people, major disruptions in mail delivery, and bank closings. SSA went to great lengths to ensure that all beneficiaries in the area received their Social Security and Supplemental Security Income payments, issuing almost 74,000 immediate payments. SSA staff set up payment centers at the Houston Astrodome and other evacuation centers, manually prepared the payment checks and solved thousands of individual problems. In addition, SSA worked closely with the Department of the Treasury and the United States Postal Service to ensure timely delivery of checks and to provide special handling for undeliverable checks. SSA also worked with financial institutions to facilitate check cashing, including helping verify identity.

Productivity Gains

In 2005, SSA made payments to more than 52 million people each month. Further, SSA served approximately 30 million visitors to its more than 1,300 field offices in communities across America, processed 3.8 million applications for retirement and survivors benefits, processed 2.6 million applications for disability benefits, handled more than 55 million 1-800 number transactions, and processed more than 1.6 million electronic transactions.

The 2007 Budget projects that SSA will improve productivity in 2007 by two percent over the prior year, based on the Agency's proven track record. Increased productivity means that SSA can provide more services to citizens with fewer resources. SSA has an impressive track record in increasing agency-wide productivity. In 2005, productivity climbed 2.7 percent over the previous year—for a total gain of 12.6 percent since 2001. SSA continually evaluates its business processes and invests heavily in its information technology systems to ensure these improvements. For example, eDib, SSA's new electronic folder for disability applications, allows SSA to store disability cases electronically, which reduces staff time spent looking for and reconstructing lost folders.

Program Integrity

Program integrity efforts ensure that only eligible individuals receive benefits, and that they receive the correct benefits. As part of these efforts, SSA re-verifies beneficiaries' eligibility status, collects overpayments, and uses other methods to investigate and deter fraud.

The Budget increases funding for continuing disability reviews (CDRs), assessments of whether the beneficiary still meets the medical requirements of the program. SSA generates savings of \$10 for each \$1 spent on CDRs. SSA's 2004 CDRs are expected to yield more than \$5 billion in program savings.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

SSA is engaged in many other activities to improve payment accuracy, including SSI redeterminations—checks of whether the benefit amount is correct—that yield savings of \$7 for every \$1 spent on them. SSA is refining its redetermination process to produce an even greater return on investment.

SSA is also fine tuning electronic matches with financial institutions to make sure that people who have assets exceeding the allowed limits do not receive SSI. SSA is working with States to develop speedier, electronic systems for reporting deaths, so that benefits can be terminated on a timely basis. Additionally, the Agency is exploring approaches to make it easier to update earnings records, including telephone technology and a centralized unit to process wage reports.

Simplifying Program Administration

Telephone Wage Reporting Helps SSI Beneficiaries Keep in Touch

SSI recipients can supplement their monthly benefit checks by working. Because the amount they earn can affect their benefit payments, they must periodically update SSA on their earnings.

Starting in 2006, SSA's new telephone wage reporting pilot will enable SSI recipients to report wages more quickly and will reduce incorrect payments. Participants in the pilot will call a special 1-800 number and report their monthly wages, send in pay stubs to verify wages, and SSA will then adjust benefits accordingly. In addition to making it easier for the participants, the pilot will reduce SSA's administrative costs by cutting down on contacts with employers. Speedier reporting via the telephone wage reporting pilot promises to allow SSA to improve SSI payment accuracy.

The Budget includes several proposals that would simplify the administration of SSA's benefit programs. These proposals would make the program rules clearer and easier to understand, reduce improper payments, and reduce the costs to SSA of administering the programs.

One proposal would replace the current, complicated reduction to DI benefits for beneficiaries in some States who also receive Workers Compensation benefits with a uniform offset that would affect all such beneficiaries for not more than five years. This simplified offset will reduce erroneous DI payments and the burden on claimants in making large repayments, and will save SSA \$7 million a year in administrative costs.

A second proposal will give SSA the ability to independently verify whether beneficiaries have pension income from employment not covered by Social Security. The law requires that Social Security benefits be reduced in such cases, recognizing, in effect, that these pensions are designed as a substitute for Social Security. This proposal would eliminate the current self-reporting burden on individuals and will improve payment accuracy.

A third proposal will eliminate the lump sum death benefit that currently goes to surviving spouses and children who receive benefits under a deceased worker's Social Security record. This one time payment of \$255 no longer provides meaningful monetary benefit for survivors and is normally less than one month's widow/widower benefits and children's benefits. This small payment costs SSA \$15 million to administer annually, which will be redirected to higher priority activities beginning in 2007.

Finally, SSA remains committed to restructuring and simplifying the SSI program, including the complicated in-kind support and maintenance rules. It is exploring ways to do this in a fair and equitable manner and at the same time, be budget neutral in regard to program costs.

New Approach to Processing Disability Claims

Despite recent improvements in reducing waiting times, timely and accurate processing of disability claims has been a longstanding challenge for SSA. In recent years, the rapidly rising volume and complexity of these cases has greatly increased the challenge. In 2005, those who were denied benefits initially and again upon appeal had to wait on average 14 months for a decision from an Administrative Law Judge (ALJ).

To address these issues and ensure decisional accuracy, SSA is implementing several changes to the disability determination process. An integral part of the new approach is implementation of eDib, which enables SSA to use technology to replace a paper-driven process. SSA has initiated the electronic folder process in all SSA field offices and in all State Disability Determination Services sites except New York, where it will be implemented shortly. Under the new approach, quick decision units will make

disability determinations within 20 days or less for individuals who clearly have disabilities, thereby reducing waiting times. A national network will be established to consistently make available medical, psychological, and vocational experts to assist all adjudicators. The new approach also introduces a Federal attorney review level prior to the ALJ hearing. Decisions made at all levels of review will be well-documented and evaluated by a centralized unit for quality. Together, these changes are expected to reduce processing time by at least 25 percent over the current process and result in making the right decision earlier in the process.

Hurricane Katrina Highlights the Importance of Electronic Files

Over the past several years, SSA has been moving to electronic disability file folders (eDib) and away from paper folders. The benefits of this initiative were particularly evident in the aftermath of Hurricane Katrina. Of the 5,000 cases in the New Orleans, Louisiana, Disability Determination Services office, 1,500 had been stored electronically since the State began implementation of eDib. None of these records were lost or damaged and SSA was able to immediately transfer the electronic cases to other offices where they remained active.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Update on the President's Management Agenda

The table below provides an update on SSA's implementation of the President's Management Agenda as of December 31, 2005.

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

SSA is a well-managed agency that uses technological and program design changes to improve productivity annually. Most recently, it implemented an electronic disability claims folder and is streamlining its appeals process. In Budget and Performance Integration, SSA is able to determine the full and marginal costs of processing applications for benefits and uses that information to reallocate work among offices to process applications more quickly. In the area of Financial Performance, SSA produces accurate and timely financial information so managers can drive better results, thus reducing the administrative costs of SSA's benefit programs. In Human Capital, the Agency now has a multi-tiered performance appraisal system for executives and senior managers that effectively differentiates between different levels of performance. SSA is working to include all employees under such a system. Using its Human Capital Plan and the Future Workforce Transition Plan as roadmaps for its workforce planning initiatives, SSA has recruited a talented and dedicated workforce with the bilingual skills and cultural diversity to serve the American public. In achieving its recruitment needs, SSA is one of the few Federal agencies that has equaled or surpassed the civilian labor force in all under-represented groups, including employees with disabilities. In E-Government, SSA increased its processing of electronic transactions, which includes Internet applications and applications received through the 1-800 number voice recognition system, to 1.6 million in 2005, a 470-percent increase. SSA also implemented the largest electronic disability claims process in the world in 2005. In addition, through the Presidential E-Gov initiative E-Vital, SSA has reduced the frequency and amount of erroneous payments as a result of untimely and inaccurate vital records. Finally, SSA completed nine competitive sourcing studies in 2005, including competitions of mailroom functions and occupational health nurses. The Agency estimates savings of \$37 million from 12 competitions since 2003 that have increased operational efficiency and improved services.

Initiative	Status	Progress
Eliminating Improper Payments		

SSA has established measures of improper payments for its three major benefit programs: Old-Age and Survivors Insurance (OASI), DI, and SSI. It uses established business practices for analyzing and reporting improper payments in all three programs, and has completed a risk assessment of administrative payments as well. The OASDI programs had an accuracy rate of 99.5 percent in 2004. SSA did not meet its target for improper payments for SSI in 2004 and has implemented a corrective action plan with specific reduction targets. SSA is working to meet its improper payment reduction goals, with targeted efforts to determine program eligibility more quickly and accurately.

AGENCY-SPECIFIC GOALS

SSA sets goals to provide high-quality service, which is reflected in the Agency's commitment to increase productivity, timeliness, and accuracy in processing applications for disability benefits. With this Budget, SSA expects to achieve the performance targets outlined in the accompanying table.

Goal	2005 Actual	Goal	
		2006	2007
Productivity:			
Disability Decisions, Per Worker Per Year ¹	260	262	276
SSA Hearings Decisions, Per Worker Per Year	102	104	106
Timeliness (in days):			
Average Processing Time for Initial Disability Claims	93	93	93
Average Processing Time for Hearing Decisions	443	467	467
Accuracy:			
Disability Determination Services Accuracy Rate	NA	97%	97%
Accuracy Rate for Hearing Decisions	NA	90%	90%

¹ In 2005, an SSA worker on average made 260 disability decisions in that year. The higher number in a given year, the greater the productivity.

Social Security Administration

(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Limitation on Administrative Expenses (LAE) Base ¹	8,733	9,109	9,496
Office of the Inspector General	90	91	96
Research and Development	28	20	20
Subtotal, Discretionary budget authority	8,851	9,220	9,612
All other	8	-1	-1
Total, Discretionary budget authority	8,859	9,219	9,611
Total, Discretionary outlays	9,023	9,265	9,541
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance	518,772	550,594	581,428
Supplemental Security Income	38,258	38,011	36,915
Special Benefits for Certain World War II Veterans	11	12	11
Offsetting Collections	-3,034	-3,508	-3,275
Legislative proposals	—	—	-162
Total, Mandatory outlays	554,007	585,109	614,917
Total, Outlays	563,030	594,374	624,458

¹ The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.



SOCIAL SECURITY ADMINISTRATION

Since 2001, the Administration:

- Improved productivity by 13.1 percent, enabling the agency to provide more accurate and a wider variety of services with fewer resources than would otherwise be required;
- Increased work opportunities for individuals with disabilities;
- Began to implement a new disability determination process that will increase accuracy and consistency, shorten decision times, and pay benefits to eligible beneficiaries much earlier in the process; and
- Launched new initiatives to help employers identify unauthorized workers.

The President's 2008 Budget:

- Supports the President's previously submitted framework for Social Security reform that strengthens the safety net for future generations, protects those who depend on Social Security the most, and offers workers the chance to experience the opportunity of ownership through voluntary personal retirement accounts;
- Protects American taxpayers—preventing nearly \$2 billion of waste, fraud, and abuse by making sure benefits are provided to the right beneficiaries through increased program integrity efforts;
- Highlights the escalating and persistent fiscal problems facing the Disability Insurance program; and
- Assumes operational productivity will increase by two percent in 2008 while maintaining service to the public.

FOCUSING ON THE NATION'S PRIORITIES

Strengthening Social Security

As the President emphasized on the program's anniversary: "For 70 years, Social Security has been a vital program and helped millions of America's seniors in retirement. The Social Security system is sound for today's seniors, but there is a hole in the safety net for younger workers. On this 70th anniversary, we renew our commitment to save and strengthen Social Security for our children and grandchildren, and keep the promise of Social Security for future generations."

Social Security needs to be strengthened so that younger workers paying into the system can continue to rely on Social Security. The program also needs to be reformed so that future scheduled benefit promises are aligned with the program's available resources. Today, those promises in present value terms exceed the expected resources that will be available to pay for them under current law over the indefinite future by \$13.4 trillion, according to the latest estimates by the Social Security actuaries.

Social Security today operates on what is known as a "pay-as-you-go" basis, in which current worker payroll taxes are used immediately to pay for the benefits of current retirees and other beneficiaries. In 1950, there were about 16 workers for every retiree. Today, there are just more than three workers for every beneficiary, and by the time today's 20-year-olds retire, that number will fall to two workers for every beneficiary. Furthermore, Social Security is paying greater benefits for longer periods of time as life expectancy increases, and the imminent retirement of the baby boom generation will result in added strain on the system. By 2017, the Social Security system will collect less in taxes than it pays in benefits and will shift into a permanent cash deficit that will grow every year. In 2040, Social Security will exhaust its Trust Fund assets and lack the resources to pay the benefits that have been promised and that seniors will be expecting. If Social Security's finances are left unresolved, future changes would require today's young workers to see their benefits sharply cut, their payroll taxes raised, or both.

The President is committed to strengthening the Social Security system and has reiterated his commitment to a bipartisan reform process in which participants are encouraged to bring different options for strengthening Social Security to the table. The Budget supports the proposals the President has put forward to date. Under these proposals, Social Security would include voluntary personal accounts funded by a portion of the worker's Social Security payroll taxes. The Budget includes the estimated impact from the creation of such personal accounts. In 2012, the first year of the accounts, contributions will be capped at four percent of Social Security taxable earnings up to a \$1,300 limit, increasing by \$100 each year through 2017.

As part of a solution to restore the system to sustainable solvency, the President has also embraced the idea of indexing the future benefits of the highest wage workers to inflation while providing for a higher rate of benefit growth for lower-wage workers. Benefits for lower-wage workers would be tied to wage growth as under current law, ensuring that their benefits would grow faster than the poverty line. Progressive indexing coupled with voluntary personal retirement accounts will provide future seniors with real money and real security instead of the current system's unfunded promises.

Preventing Waste, Fraud, and Abuse by Improving Program Integrity

Program integrity efforts are designed to ensure that only eligible individuals receive benefits, and that they receive the correct benefit. As part of these efforts, the Social Security Administration (SSA) reviews the eligibility status of Disability Insurance (DI) and Supplemental Security Income

(SSI) recipients. Progress has been made on reducing waste, fraud, and abuse in these programs. However, it is estimated that in 2005, improper payments, representing both overpayments and underpayments, in the Old-Age and Survivors Insurance, DI, and SSI programs totaled \$6.3 billion. The Budget increases funding for Continuing Disability Reviews (CDRs) and SSI redeterminations, which assess whether the beneficiary still meets the requirements of the DI and SSI programs. The President's budgets have requested this funding since 2002, the last year SSA had dedicated funding for this program integrity effort. Without this funding, SSA was unable to fight waste, fraud, and abuse as aggressively as possible. It is estimated that SSA's increased funding to fight fraud and abuse will save an additional \$2 billion across multiple programs. SSA generates savings of \$10 for each \$1 spent on CDRs. SSA expects CDRs conducted in 2005 to yield more than \$5 billion in program savings, including \$4.2 billion in the first 10 years, as shown in the chart, and \$1.3 billion after the 10-year window.

SSA is engaged in many other activities to improve payment accuracy. SSI redeterminations help ensure the SSI benefit amount is correct and yield savings of \$7 for every \$1 spent administering them. SSA is modifying its screening process for SSI redeterminations to more efficiently identify cases requiring a full review. SSA is also expanding a pilot study to conduct electronic matches with financial institutions to make sure that applicants for SSI do not have assets exceeding the SSI limits. In addition, SSA is developing easier ways for SSI recipients to report their wages, including expanded telephone wage reporting.

Improving Disability Insurance

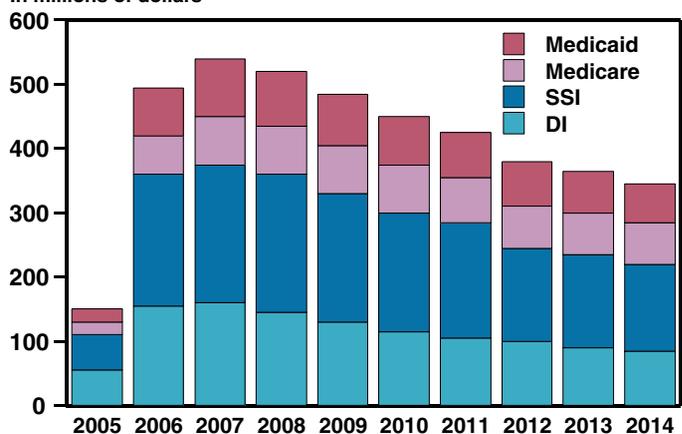
Since its inception in 1956, the Social Security DI program has provided vital disability insurance coverage and benefits to America's workers. Over the past 50 years, DI has helped roughly 20 million disabled workers, as well as their dependents, cope with the loss of income due to severe disability.

In 2006, SSA significantly revised the disability determination process to increase accuracy, consistency, and timeliness. The new process was rolled out in the Boston region in August 2006, and builds upon SSA's electronic disability claims tool. Changes to the disability determination process will greatly improve the quality of service SSA provides to millions of disabled workers and their families. While the disability determination process has been placed on a sound course, the program's fiscal health is a growing concern. DI outlays have grown as a percentage of all Federal budget outlays from about 2.1 percent in 1989 to an estimated 3.6 percent in 2007. The Budget projects DI outlays will continue to increase as a percentage of the Federal budget, along with escalating annual cash deficits.

The 2008 Budget includes a proposal to highlight with a "funding warning" the escalating and persistent fiscal problems facing DI. If SSA's actuaries project a negative DI cash flow that is more than 10 percent of program cost for four consecutive years in the upcoming 10 years, the Board of Trustees will issue the warning in the annual Trustees Report. Issuance of a DI funding warning would require the President to transmit to the Congress proposed legislation to respond to the warning

Continuing Disability Reviews Initiated in 2005 Deliver Program Savings

In millions of dollars



Source: Annual Report of Continuing Disability Reviews, Social Security Administration, 2005.

within 15 days after the date of the next Budget submission; the Congress would then consider this legislation. The analysis of DI's budgetary impact will safeguard an important source of disability insurance while promoting sound fiscal policy.

Helping Identify Unauthorized Workers

SSA helps employers verify that employees have provided accurate Social Security Numbers and are authorized to work in the United States through several voluntary programs. SSA participated in 78 million employee verifications in calendar year 2006, up from 67 million in calendar year 2005.

Employers in all 50 States may participate in the Basic Pilot program, an ongoing voluntary program in which SSA assists the Department of Homeland Security (DHS) in enabling employers to verify the employment eligibility of new hires. As of December 2006, DHS and SSA had signed agreements with over 12,000 employers, representing approximately 47,000 employer sites. Since October 2006, SSA has received an average of 200,000 Basic Pilot verification requests a month.

Enhancing Service to the Public through Productivity Gains

In 2006, SSA made payments to more than 53 million people each month. Further, SSA served approximately 42 million visitors to its more than 1,300 field offices in communities across America, processed 3.8 million applications for retirement and survivors benefits, and processed 2.5 million applications for disability benefits. In addition, SSA handled more than 59 million 800-number transactions and processed more than 2.1 million electronic transactions, such as applying for benefits, changing direct deposit or address information, requesting replacement Medicare cards, and requesting proof of income letters.

Based on the agency's proven track record, the expected rate of improvement in productivity assumed for 2008 in the Budget is two percent. Increased productivity enables SSA to provide a wider variety of services with fewer resources than would otherwise be required. SSA has an impressive track record in increasing agency-wide productivity. From 2001 to 2006, productivity climbed an average of 2.5 percent per year, for a total gain of 13.1 percent since 2001. SSA continually evaluates its business processes and invests heavily in its information technology systems to ensure that these improvements continue.

Social Security Administration
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budgetary Resources:			
Limitation on Administrative Expenses (LAE) base ^{1, 2}	9,109	9,176	9,597
Office of the Inspector General	91	91	95
Research and Development	20	20	20
Total, Discretionary budgetary resources	9,220	9,287	9,712
<i>Memorandum: Budget authority from enacted supplementals</i>	38	—	—
Total, Discretionary outlays	9,286	9,284	9,609
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance ³	549,974	581,961	607,768
Supplemental Security Income.....	37,384	36,939	41,789
Special Benefits for Certain World War II Veterans	10	10	10
Offsetting Collections	-3,442	-3,173	-2,902
Legislative proposal	—	—	8
Total, Mandatory outlays	583,926	615,737	646,673
Total, Outlays	593,212	625,021	656,282

¹ The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.

² For 2006, the LAE base does not include a \$10 million cash refund, which increased SSA's budgetary resources, but did not increase SSA's new budget authority.

³ In 2006, Treasury refunded the OASI and DI trust funds by \$5,651 million due to overpayment of voluntary income tax withholding. This did not impact beneficiary payments. The mandatory outlay total does not include this refund.



SOCIAL SECURITY ADMINISTRATION

The President's 2009 Budget will:

- Support the President's framework for Social Security reform that strengthens the safety net for future generations, protects those most dependent on Social Security, and offers workers the opportunity of ownership through voluntary personal retirement accounts;
- Reduce wait times and cut backlogs in the disability hearings process;
- Increase program integrity efforts to ensure benefits are provided to the right beneficiaries—preventing improper payments; and
- Increase productivity by two percent while enhancing service to the public.

Strengthening Social Security

- *Encourages a bipartisan approach to strengthening Social Security.*
 - Highlights the coming financial challenge facing the Social Security program and outlines the President's approach to reform.
 - Proposes voluntary personal accounts funded by a portion of the worker's Social Security payroll taxes. Account contributions will be capped at four percent of Social Security taxable earnings up to a \$1,400 limit in 2013, increasing by \$100 more than the average-wage growth each year through 2018.
 - The President has also embraced the idea of progressive indexing as part of a solution to restore the system to sustainable solvency. Progressive indexing would tie the future benefits of the highest wage workers to inflation while providing a higher rate of benefit growth for lower-wage workers.
 - Promotes consideration of long-term reforms to entitlement programs that are essential to strengthen them for younger generations and maintain fiscal responsibility.

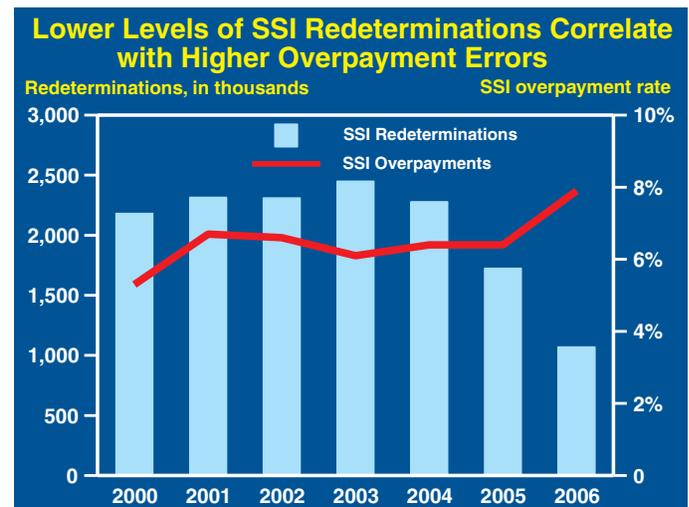
Enhancing Customer Service

- *Reduces wait times.* Improves processing times and works to reduce the number of applicants waiting for a decision in the Disability Insurance (DI) and Supplemental Security Income (SSI) programs.
 - Continues ambitious initiatives to reduce the number of disability appeals that are awaiting a decision from an Administrative Law Judge.
 - Provides funding for projects that identify those cases most likely to be allowed so that severely ill applicants can begin receiving benefits on an expedited basis.

- Increases the capacity to process disability appeals by hiring additional Administrative Law Judges and support staff.
- Boosts the overall productivity of hearings and targets overtime to critical areas.
- *Improves service to the public.* Assists more than 40 million visitors to nearly 1,300 Agency field offices in communities across America.
- Prepares for the coming retirement wave by modernizing applications and service delivery, processing approximately 67 million 800-number transactions.

Major Savings and Reforms

- Provides \$504 million for important program integrity activities that ensure benefits are paid to eligible people in the correct amounts.
 - Funds two cost-effective program integrity activities that have a clear impact on improper payments: continuing disability reviews and SSI redeterminations.
 - Expands efforts to improve the disability process and SSI asset verification to reduce improper payments.



Source: Social Security Administration Performance and Accountability Reports

- Highlights the fiscal problems facing DI with a “funding warning” to draw attention to the growing fiscal pressure that the program will exert on the Federal budget.
- Proposes legislation to synchronize the treatment of retroactive DI payments with Old-Age and Survivors Insurance payments, and to make additional modifications to the distribution of other retroactive payments.
- Proposes legislation to encourage children to stay in school by lowering to 16 the age at which full-time school attendance is a condition of entitlement for Social Security child’s benefits.
- Eliminates the current self-reporting burden on individuals and improves payment accuracy by proposing a mandatory system for collecting data on pension income from non-covered State and local employment.
- Proposes to replace the existing complicated offset with a uniform offset for DI beneficiaries also receiving workers’ compensation. The proposal would limit the length of the offset to not more than five years.

Since 2001, the Social Security Administration has:

- Improved productivity by 15 percent, enabling the Agency to provide more effective and timely services with fewer resources than would otherwise be required.
- Increased work opportunities for individuals with disabilities.
- Continued to work with other agencies to expand processes that help employers verify work authorization of employees.

SOCIAL SECURITY ADMINISTRATION
(In millions of dollars)

	2007 Actual	Estimate	
		2008	2009
Spending			
Discretionary Budgetary Resources:			
Limitation on Administrative Expenses (LAE) Base ¹	9,298	9,745	10,327
Office of the Inspector General	92	92	98
Research and Development	20	20	28
Total, Discretionary budgetary resources	9,410	9,857	10,453
Total, Discretionary outlays	9,220	9,783	10,386
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance ²	581,518	610,426	645,136
Supplemental Security Income ³	36,021	41,338	43,302
Special Benefits for Certain World War II Veterans	8	10	10
Offsetting collections	-2,957	-3,149	-3,116
Legislative proposals	—	—	-914
Total, Mandatory outlays	614,590	648,625	684,418
Total, Outlays	623,810	658,408	694,804

¹ The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.

² In 2007, Treasury refunded the OASI and DI Trust funds \$1,297 million due to the overpayment of voluntary income tax withholding. This did not impact beneficiary payments. The mandatory total does not include the refund.

³ Does not include the effect of State supplementation offsetting collections.