

Social Security

**Social Security and
Supplemental
Security
Income Disability
Programs:
Managing for Today
Planning for
Tomorrow**



SOCIAL SECURITY

March 11, 1999

The Social Security and Supplemental Security Income (SSI) disability programs are the largest of several Federal programs that provide assistance to people with disabilities. While these two programs are different in many ways, both are administered by the Social Security Administration and only individuals who have severe disabilities and who meet strict medical criteria may qualify for benefits under either program.

The monthly disability benefits provided through these programs form an economic safety net for circumstances that any of us could face in life. The truth is that we all have about a 3 in 10 chance of becoming disabled before reaching retirement age, and few individuals have private or employer-provided long-term disability insurance. Over the last 10 years, the number of individuals receiving Social Security and SSI disability benefits has grown significantly. Today, about 11 million people receive benefits from these disability programs. These numbers will only grow in the future as the nation's 76 million baby boomers age.

It is an enormous challenge to administer these large and complex programs efficiently, effectively and compassionately. Under a comprehensive Federal-State partnership, the Social Security Administration and the State Disability Determination Services are committed to making the Social Security and SSI disability programs both more responsive to our claimants and beneficiaries, and more accountable to the nation's taxpayers.

How can we achieve these goals?

After lengthy study of the issues involved, I believe that no single initiative is the answer. Rather, I believe we need to take concerted action in several areas. We need to improve the management of the disability programs for our beneficiaries. This entails addressing longstanding issues of improved administrative efficiency and greater consistency in our decisionmaking processes. But we also need to provide equal emphasis to safeguarding the integrity of the programs, improving return-to-work opportunities for people with disabilities, and increasing our understanding of disability issues through targeted research.

Over the past few years, the Social Security Administration and the State Disability Determination Services have been engaged in an ambitious series of initiatives to improve quality, integrity and customer service. I appreciate the tremendous amount of effort that went into those initiatives and want to thank the large number of State and Federal employees who have been involved in the effort.

This plan outlines a broad but comprehensive strategy for action in each of these areas. It represents a solid commitment of the Social Security Administration to fairly, effectively and efficiently administer disability programs that protect millions of Americans and their families.

Kenneth S. Apfel
Commissioner
of Social Security

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EXECUTIVE SUMMARY

In managing its two Federal disability programs for individuals with severe disabilities--the Disability Insurance (DI) and Supplemental Security Income (SSI) programs, the Social Security Administration (SSA) has always aimed to provide the public with the quality, integrity, and efficiency of service that they expect and deserve.

Over the last few years, the Agency has embarked on an ambitious series of initiatives to improve the administration of these two important disability programs. In particular, SSA devoted considerable time and energy to its Disability Redesign Plan. The plan outlined a vision of a disability process designed to be more accurate, timely, and "user-friendly." Tests of redesign concepts have shown the potential for improving customer service by focusing more attention at the initial claims level to improve quality, reduce hurdles and increase customer interaction--all concepts that epitomize the principles and goals of the National Partnership for Reinventing Government (NPR). A major strategy of the NPR is to achieve outcomes that balance business results, customer satisfaction and employee satisfaction. SSA is committed to that strategy, and in that spirit, the Disability Redesign project will now move from "proof of concept" tests to the next phase of development to achieve this strategic purpose.

This report sets forth the Agency's next step in disability redesign, as well as new and expanded disability program initiatives. SSA's approach also reflects the priority management objectives in the President's FY 2000 Budget. We anticipate that our initiatives will enable us to meet successfully the following four broad goals:

Improving the Disability Adjudication Process

The current disability process can be confusing and unwieldy with many applicants waiting too long for initial determinations and appellate decisions. SSA proposes changes that will improve the disability decisionmaking process to ensure that decisions are made as accurately as possible, that those who should be paid are paid as early as possible, and that the adjudication process is consistent throughout. The SSA initiatives will:

- Enhance the quality of decisions at all levels. This includes a substantial investment in training, the use of single sources for the presentation of policy and enhancing the documentation and explanation of Disability Determination Service (DDS) determinations.
- Streamline the disability process by applying the lessons of the Disability Process Redesign efforts. These will include prototyping several features--the single decisionmaker concept, the pre-decision interview, and the elimination of the reconsideration step. Additionally, SSA is

committed to improvements in information technology through the development of a reengineered disability system that will be fully automated.

- Update medical and vocational rules used in making disability determinations.

Enhancing Beneficiaries' Opportunities to Work

SSA recognizes that it is better for the individual and the nation to create opportunities for beneficiaries with disabilities to enter the workforce, thereby enabling them to lead more productive, self-sufficient lives. SSA will work to enhance disability beneficiaries' opportunities to work through a combination of incentives and supports. The incentives to work include a proposed rule change which would increase the substantial gainful activity level, permitting some individuals with disabilities who have earnings in excess of the current regulatory limit (\$500) but less than the amount in the proposed rules (\$700), to receive benefits. Additionally, provisions of SSA's "ticket to independence" proposal are now incorporated in the Work Incentives Improvement Act of 1999, pending before Congress.

In addition to giving incentives for third-party providers to serve beneficiaries and get them placed in employment, the proposed legislation provides access to health insurance for beneficiaries who attempt work. The supports that SSA will provide include expanded availability of employment and rehabilitation services, improving the explanation of work incentives, and placing an emphasis on assisting youth with disabilities to enter the workplace.

Safeguarding the Integrity of Disability Programs

While committed to providing timely and compassionate service to claimants, SSA is equally committed to ensuring that only those individuals who meet program eligibility requirements come on to the rolls and that only those who continue to be disabled remain on the rolls.

A key activity in ensuring the integrity of the programs is the periodic performance of continuing disability reviews (CDRs) through which SSA determines whether beneficiaries are no longer entitled to benefits because of medical improvement. SSA has made great progress in this area, completing more than 1 million reviews and substantially eliminating the backlog of CDRs that had been accumulating since the early 1990s while remaining on track to completely eliminate the backlog by 2002. Building on this success, SSA will continue to conduct full medical reviews in some cases while having a more streamlined "mailer" review in others in order to achieve maximum efficiency and impact.

Quality assurance (QA) is a key activity in ensuring the accuracy of disability decisions. SSA will continue the enhancements made last year in the quality assurance system. The QA initiative will develop a more comprehensive quality review system that better assesses the outcomes of SSA policies and provide a more uniform measure of disability adjudication across the country.

SSA in conjunction with its Office of the Inspector General is also committed to combating fraud. SSA and OIG have developed a comprehensive anti-fraud plan--"Zero Tolerance for Fraud"--which will pursue necessary policy and programmatic changes and prosecute fraud vigorously in order to safeguard its programs.

Improving the Knowledge Base for the Next Century

In order to ensure that we continue to meet the goals outlined above, we must also address a fourth goal--anticipating changes in the environment such as economic, medical, policy, and demographic and other changes that will have an impact on the disability programs. To this end, SSA is conducting major research projects to (1) improve the disability decision methodology, (2) estimate the size of the population potentially eligible for disability, and (3) create a Disability Research Institute to ensure a continued infrastructure to provide policymakers with the best information possible.

This report lays out SSA's overall approach to meeting the challenges of administering Social Security disability programs. We are formulating a more detailed blueprint for implementing the programmatic and policy improvements discussed in the current report. These actions will be incorporated in the Agency's strategic and performance plans.

CHAPTER 1

OVERVIEW OF SOCIAL SECURITY'S DISABILITY PROGRAMS

The Social Security Administration (SSA) manages two large Federal programs which pay monthly cash benefits to qualified individuals with severe disabilities--the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. DI was created in 1956 as a social insurance program parallel in purpose and structure to the Old-Age and Survivors Insurance (OASI) program which pays monthly benefits to retirees and survivors.¹

In both OASI and DI, individuals earn income protection for themselves and their families by working in covered employment and paying Social Security taxes. If a worker's earnings stop because of retirement or death (in the case of OASI) or because of a severe physical or mental impairment (in the case of DI), the worker and his or her dependents or survivors may be eligible to receive benefits to replace a portion of those lost wages. These benefits are financed through workers' payroll taxes.

SSI, on the other hand, is a social assistance program which pays monthly cash benefits to persons who are at least age 65, or who are blind or disabled, and who have limited income and resources. Unlike the OASDI programs, eligibility for SSI does not require a work history, and the monthly cash benefits are means-tested. The SSI program was enacted in 1972, replacing the State-administered programs of assistance to the elderly, blind, and disabled.

As of December 1998, roughly 11 million people were receiving Federal monthly cash benefits based on either their own disability or the disability of someone on whom they are dependent. These monthly cash benefits totaled about \$54 billion from the OASDI programs and \$23 billion from the SSI program in 1998.

Last year SSA processed more than 2 million applications for disability benefits and over 500,000 requests for hearings. Managing these programs accounted for 67 percent of SSA's administrative costs in 1998.

Social Security Disability Program Goals

SSA strives to provide the public with the quality, integrity, and efficiency of service that they expect

and deserve. To that end, the Agency embarked on an ambitious series of initiatives to improve accuracy and customer service and issued the Disability Redesign Plan in 1994. The plan outlined a vision for a disability process designed to be more accurate, timely, and "user-friendly." Social Security and State Disability Determination Service (DDS) staff have worked hard on the development and rigorous testing of a series of initiatives.

While sometimes falling short of hoped for results, the test results nonetheless have shown the potential for improving customer service by focusing more attention at the initial level to improve quality, reduce hurdles, and increase customer interaction--all concepts that epitomize the principles and goals of the National Partnership for Reinventing Government (NPR) laid out by Vice President Gore. With its emphasis on reinventing the current processes to be more customer friendly and eliminating steps that do not add value, redesign achieves efficiencies while improving service to the public. A major strategy of the NPR is to achieve outcomes that balance business results, customer satisfaction, and employee satisfaction. SSA is committed to that strategy, and in that spirit the Disability Redesign project will now move from "proof of concept" tests to the next phase of development.

In addition to its Redesign Plan, SSA has made other measurable progress in managing its disability programs in recent years. For example, we have substantially increased the number of continuing disability reviews conducted each year and have reduced the number of initial claims and hearings that are pending. Now is the time to build on past successes and reach an even higher level of service. Therefore, this report sets forth goals and an approach to meeting those goals, which includes prototype testing of the most effective initiatives from disability redesign, as well as new and expanded initiatives.

SSA's approach reflects priority management objectives in the President's FY 2000 Budget--in particular verifying that the right person is getting the right benefit, and streamlining the disability claims system. Together, we anticipate that these initiatives will enable the Agency to successfully meet four broad goals that it has identified:

- **Improving the Disability Adjudication Process** – The current disability process can be confusing and unwieldy with applicants waiting too long for disability decisions through all levels of the process. SSA seeks to streamline the process and improve the accuracy and consistency of its disability decisions.
- **Enhancing Beneficiaries' Opportunities to Work** – SSA recognizes the need to help beneficiaries with disabilities enter the workforce thereby enabling them to lead more productive, self-sufficient lives.
- **Safeguarding the Integrity of Disability Programs** – While committed to providing timely and compassionate service to claimants, SSA is equally committed to ensuring that only those individuals who continue to meet eligibility requirements remain on the rolls and that we safeguard these programs against fraud.
- **Creating a Knowledge Base for the Next Century** – In order to ensure that we continue to meet the challenges outlined above, we must also address a fourth challenge--anticipating changes in the environment such as economic, policy, demographic and medical changes that will have an impact on the disability programs.

This report lays out SSA's vision for how it will meet these goals as it administers the disability programs.

Background

DI is an essential component of Social Security’s Old Age, Survivors and Disability Insurance (OASDI) program. The public generally views Social Security as a retirement program that provides financial protection for the elderly. However, in addition to survivor’s benefits, Social Security also provides important protection to working families through the DI program. According to the Department of Labor, less than 25 percent of all employees have an employer-provided, long-term disability policy. Moreover, SSA estimates that nearly 1 out of 3 young men, and nearly 1 out of 4 young women, who are age 20 today will become qualified for a disabled workers benefit under DI sometime before reaching age 67.

Without Social Security Disability Insurance, millions of Americans would be without any form of insurance should they become disabled. The DI program provides the average young worker with two children with the equivalent of a disability income insurance policy worth about \$200,000, thus providing a safety net for individuals who lose their ability to work because of a medical impairment.

SSI is a means-tested income assistance program that serves as a safety net for the most needy of our nation. Individuals who receive SSI are too limited by their impairments and resources to provide fully for their own needs.

Scope of the Programs

Currently, one out of every six Social Security beneficiaries is on the rolls based on a disability or is a dependent of a beneficiary with a disability. As indicated in the table below, as of December 1998, these beneficiaries include 4.7 million disabled workers, 0.2 million disabled widows, and 0.7 million adults who have been disabled since childhood. In calendar year (CY) 1998, the OASDI program provided benefits totaling about \$54 billion to 7.2 millions of disabled workers, their families and disabled dependents. Among these beneficiaries, there are about 1 million persons whose income and resources are so limited that they also qualify for SSI benefits.

As of December 1998, slightly over 5.1 million individuals received a Federal SSI payment based on a disability. In CY 1998, the SSI disability program provided \$23 billion in Federal benefits.

Table 1 shows the various categories of beneficiaries, their numbers and the amounts of benefits.

Table 1

Persons receiving OASDI benefits or Federal SSI benefits based on a disability

<u>Beneficiary category</u>	In current-payment status as of 12/98		Federal benefits paid in calendar year 1998
OASI	Number	Average	
	<u>(In thousands)</u>	amount	<u>(In billions)</u>
Disabled adult child	658	\$494	\$4.0
Beneficiaries receiving a benefit solely due to a disabled adult child in			

care:			
Spouse	14	334	.1
Widower	25	591	.2
Disabled widow	194	487	1.2
Age 50-59	99	488	.7
Age 60-64	95	486	.5
Subtotal, OASI	892	---	5.4
DI			
Disabled worker	4,698	733	43.5
Spouse of disabled worker	190	182	.5
Children of disabled worker	1,446	208	4.2
Disabled adult child	54	300	.2
Other	1,392	204	4.0
Subtotal, DI	6,335	---	48.2
Total, OASDI	7,226	---	53.6
SSI			
Disabled adult	4,178	344	18.0
Age 18-64	3,518	360	16.0
Age 65 and over	660	261	2.0
Disabled children	885	430	4.9
Total, SSI	5,063	359	22.9

Note: Among the 7.2 million OASDI beneficiaries in December 1998, there were roughly 1 million who were also receiving a Federal SSI payment.

Source: SSA Office of the Actuary

Characteristics of Beneficiaries

The population receiving Social Security benefits is but a subgroup of America's disabled population. According to a recent estimate, nearly 17 million working-age adults have a disability that would limit their work activity.² In contrast, about 8 million working-age adults received DI or SSI benefits in 1998. While those receiving Social Security disability benefits are a diverse group, they have in common that they are generally the most disabled and, in the case of SSI, the poorest of the disabled.

DI Beneficiaries - Although men currently account for 58 percent of the

4.7 million disabled workers on the rolls, an increasing proportion of women have been entering the disability rolls in recent years. Over the last decade there has been an increase in the number of beneficiaries with mental impairments who come on the rolls at a younger age than those with other

impairments and who tend to stay on longer. Musculoskeletal, cardiovascular, and neurological disorders also constitute significant impairment groups.

DI beneficiaries have higher average benefits than SSI beneficiaries, but the benefits are quite limited. A beneficiary relying on the average DI benefit of \$733 a month would have an income at about the poverty threshold. Women have a lower average monthly benefit than men--\$608--because women's earnings have been lower than men's. Almost 25 percent of beneficiaries' monthly benefit amounts are under \$500. Furthermore, about one-fifth of disabled OASDI beneficiaries have income so limited that they also qualify for the means-tested SSI program.

Benefits for disabled workers are based on the same formula used to determine retirement benefits for persons who retire at normal retirement age, currently 65.³ Workers' benefits are based on their average earnings in covered employment. Generally, the higher an individual's earnings have been the higher the monthly benefit. However, the benefit formula is weighted so that benefits replace a larger proportion of earnings for lower-paid workers than for higher-paid workers.

SSI Beneficiaries - The average age of adults receiving SSI benefits based on a disability is about 45 years old. Among disabled adults receiving SSI, almost three out of five are disabled based on some form of mental impairment, including mental retardation. Of the 3.6 million SSI adults under age 65 with disabilities, 55 percent are women.

The average SSI monthly Federal benefit for disabled adults is \$380. In addition, more than half of SSI adults with disabilities have no income other than their SSI benefit.

In contrast to the DI population, the SSI rolls have a substantial number of disabled children under the age of 18. These nearly 900,000 disabled children who receive SSI are generally living below the Federal poverty line.⁴ Sixty-four percent of SSI children are receiving benefits based on mental impairments, including mental retardation.

Eligibility Criteria

To be eligible for DI benefits an individual must be under 65, since individuals age 65 and older are generally eligible for unreduced retirement benefits. In addition, workers must meet the insured status requirements. Workers must be fully insured, i.e., have at least one quarter of coverage for work in Social Security-covered employment for each year after age 21 and prior to the year they become disabled.

Workers must also meet a "recency of work" test that requires the individual to have 20 quarters of covered work out of a 40-quarter period ending with the quarter in which the disability began (generally 5 years of work out of the last 10 years preceding the onset of disability). For younger workers, who necessarily have a shorter work history, there is an alternative way of meeting this requirement. Before benefits are payable, individuals must complete a 5-month waiting period beginning with the first full calendar month throughout which the worker is under a disability.

Individuals must also meet the statutory definition of disability. The Social Security disability program uses a stringent test for determining disability and requires severe limitations in a person's ability to work based on a medically determined impairment. Specifically, section 223(d) of the Social Security Act includes the following requirements:

'Disability' means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

An individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

To meet the statutory definition of blindness, individuals must have central visual acuity of 20/200 or less in the better eye with the use of a correcting lens or must have a limited visual field of 20 degrees or less. Individuals under age 55 disabled by blindness must also be unable to engage in substantial gainful activity.

To be eligible for SSI benefits, an individual must be at least 65, blind or disabled, a United States citizen or an eligible noncitizen and reside in the United States. The SSI program uses the same definition of disability for adults as the DI program to govern eligibility for cash payments to individuals with disabilities. An individual also must meet income and resource limits to ensure that SSI benefits are targeted to the neediest among the aged, blind and disabled.

Currently, an individual cannot be eligible for Federal SSI benefits if he or she has countable income of more than the 1999 Federal benefit rate of \$500 a month. The monthly benefit rate is generally reduced dollar-for-dollar by the amount of the individual's countable income.

Financing

Another distinction between the two disability programs is the way in which they are financed. Social Security is financed by OASDI taxes ^{\$} on earnings up to an annual ceiling, \$72,600 in 1999. Of the OASDI tax rate--6.20 percent [¢] each paid by employees and employers--5.35 percent is allocated to the OASI trust fund and 0.85 percent is allocated to the DI trust fund, and is then used to pay DI benefits and administrative costs. The allocation to DI is scheduled to increase to 0.90 percent in 2000.

SSI payments are financed from general revenues, and most States use their own revenues to supplement the Federal benefit.

Disability Claims Process

SSA's disability claims process consists of an initial determination and up to three levels of appeal if an individual is dissatisfied with the decision.

Initial disability claims are generally taken in 1,300 Social Security offices located throughout the country. Local field office staff request and evaluate information about the non-medical aspects of each person's claim, such as whether or not the individual has worked enough to be eligible for DI benefits or whether the individual meets the income and resource limits for SSI benefits.

Field office staff also obtain information about claimants' impairments, including medical sources. Disability claims are then forwarded to the Federally funded, but State-administered, disability determination services (DDSs), in the State where the person lives. State DDS staffs obtain and review necessary medical and other evidence and make disability determinations based on Social Security regulations using a multi-step sequential evaluation process. An individual who is dissatisfied with the initial determination made on his or her claim may request a reconsideration of the determination that is conducted at the State DDS level. If the reconsideration is unsatisfactory to the individual, he or she may request a hearing before a Federal administrative law judge (ALJ), and, if still dissatisfied, the individual may request an Appeals Council review. Each level of review involves multi-step procedures for evidence collection, review, and decision making. If the Appeals Council affirms the denial, the applicant can begin a civil action in a U.S. district court.

The Disability Program Vision

SSA's objective is to ensure that its disability-related activities are responsive to the needs of applicants and beneficiaries and to be a responsible steward of these programs. To that end, SSA envisions a disability program that accomplishes the following:

- Improves the disability decisionmaking process to ensure that decisions are made as accurately as possible, that those who should be paid are paid as early as possible, and that the adjudication process is consistent throughout.
- Enhances beneficiaries' opportunities to work by providing work incentives and facilitating appropriate support services.
- Safeguards the integrity of the disability programs by ensuring that beneficiaries on the rolls continue to be eligible for benefits and by undertaking initiatives that protect the program from fraud.
- Prepares for the next century by addressing the need for broadened understanding of the dynamics of disability, how decisions are made and what economic and demographic trends affect the program.

SSA is formulating a more detailed blueprint for implementing the programmatic and policy improvements discussed in the current report. These actions will be incorporated in the Agency's strategic and annual performance plans.

CHAPTER 2

IMPROVING THE DISABILITY ADJUDICATION PROCESS

SSA strives to deliver the highest levels of service by making fair, consistent and timely decisions at all adjudicative levels. However, applicants and beneficiaries sometimes find the current process complex, confusing and impersonal. Some also perceive the process as one in which different decisions are reached on similar cases at different levels of the administrative review process, thus requiring applicants to maneuver through multiple appeals steps before they receive benefits. Furthermore, denial cases are more error prone than are allowance cases at the initial claims level while the opposite is true at the hearing level.

To remedy these concerns, SSA plans to make changes to the disability claims process. In 1994 we issued the Disability Redesign Plan and with our State partners tested a series of initiatives. As that effort ends, we are focusing on the most promising approaches. SSA anticipates that these changes will improve the disability adjudication process by creating a decisionmaking process that reduces fragmentation and duplication, produces greater consistency and coordination at all adjudicative levels and takes better advantage of new technology. By taking these steps, SSA is striving to ensure that the correct disability decision is made and that benefits are awarded as early in the process as possible.

To achieve its goals, SSA is implementing a plan that incorporates initiatives to:

- Enhance the quality of decisions by ensuring that Agency policies are presented in a consistent manner to all adjudicators and by improving the development and explanations of disability determinations;
- Begin to streamline the disability process by developing a prototype which integrates features designed to create greater claims process efficiencies at all adjudicative levels and by improving information technology within the claims process; and
- Update medical and vocational rules used in making disability determinations.

Enhancing Quality Decisionmaking

One of the cornerstones of the Agency's commitment to improve the disability adjudication process is to ensure that the quality of SSA's disability decisions is of the highest caliber. However, there have been some different approaches in disability decisionmaking at different levels of the adjudicatory process even though there is only one set of standards for determining disability. The different approaches that the DDSs and ALJs take in evaluating claims can lead to different conclusions in a particular case. Issues such as how pain and related symptoms are evaluated, what weight should be attributed to the treating opinion evidence, or how an individual's residual functional capacity should be assessed are highly complex.

To minimize the differences in approach taken at the different adjudicative levels, SSA is pursuing process unification--an ongoing initiative designed to foster similar results on similar cases at all stages of the administrative review process, from the DDS through hearing and appeals, by the consistent applications of laws, regulations and rulings. To achieve this consistency, process unification activities include training, development of a single presentation of policy and enhancing documentation and explanations at the DDS level.

Training

To further process unification goals, SSA has in recent years provided joint training to its 15,000 decisionmakers at all levels of the Agency's disability determination process and has developed plans for follow-up training. Each training class was comprised of representatives from all levels of SSA's disability decisionmakers, including disability examiners and State agency physicians and psychologists, quality assurance reviewers, ALJs and Appeals Council staff.

The training allowed the participants to benefit from the experience of adjudicators at every level, to hear the same information from the same instructors and to discuss and resolve any differences in interpretation. In addition, the Agency issued nine Social Security Rulings (SSRs)⁷ in 1996 to clarify policy in several complex areas of disability evaluation such as evaluating pain and related symptoms,

evaluating opinion evidence from treating sources and determining a claimant's residual functional capacity.

SSA will expand on the many successful training initiatives currently underway. For example, the approach used to develop and provide process unification training to over 15,000 Agency adjudicators using the interactive video training system provides a model for integrated delivery of disability training. This model is being used to foster closer cooperation and collaboration among all components involved in the disability program including quality assurance personnel.

In addition, SSA will provide organizational support to training efforts by creating a steering committee to consider training issues on an ongoing basis. This disability training steering committee will include representatives of all involved components. Its charge will be to consider all areas of the disability claims process--from the point of first contact in a teleservice center or field office, through the final stage of the appeals process and quality review.

Single Presentation of Policy

The goal of the single presentation of policy is to ensure that all adjudicators are using precisely the same policy instructions and to remove the perception that different policy standards are being applied at different levels in the disability determination process.

Currently, SSA promulgates regulations and issues SSRs, both of which are binding on all adjudicators. ALJs use the law, regulations and SSRs as their source documents. However, DDSs receive both policy and operational guidance in the Program Operations Manual System (POMS). This use of different source documents may create the perception that different policy standards are being used, even though the policy guidance in the POMS is consistent with the law, regulations and the SSRs.

SSA has made significant progress toward a single presentation of policy since 1995, when the Agency began issuing all new adjudicative policy guidelines in the same wording for all adjudicators. For example, in July 1996, SSA published nine new SSRs, which were inserted in the POMS, emphasizing our consistent national policy on the most important areas of the disability evaluation process.

There are other important examples as well. We have published Agency regulations on the evaluation of pain and other symptoms and all of SSA's regulations addressing the evaluation of childhood disability verbatim in the POMS.

Incorporating the pre-1995 program policy into the same "single presentation of policy" wording will be the Agency standard as it updates existing policy guidelines over the next few years. In so doing, SSA will continue to issue these instructions in a single presentation form.

Enhancing Documentation and Explanations

Thorough case development and explanation practices at the initial claims level are crucial to achieving accurate decisionmaking. Fully developed documentation provides the basis for the decisionmaker's findings on the relevant issues in the case, documents the evidence relied upon and establishes that the determination was made in accordance with applicable law and policies. In addition, improved explanations of determinations are valuable to subsequent reviews (e.g., ALJs and quality reviews) in understanding how the DDS arrived at the determination. Better documented cases result in more

accurate determinations and better service to SSA's customers.

The Agency recognizes that assuring more complete development and improved explanations of how the determination was made will require more time spent on each individual case. However, enhanced claims documentation is essential to furthering the overarching goals of improving the quality of decisions and making the correct decision early in the process.

In order to determine the most effective and efficient methods to enhance documentation and explanations, SSA is examining various procedures in several States across the country. For example:

- DDSs in 12 States are currently piloting improved documentation and explanations of determinations.
- Evaluation of the impact of improved documentation and explanations combined with the streamlining initiatives that will be undertaken in up to 10 additional States. (These initiatives are discussed later in this chapter.)

The initiatives to enhance quality decisionmaking have shown promise. Over the last several years, the disability process has experienced some decline in the allowance rates at the hearing level and an increase in the initial allowance rates at the DDS level. For instance, the hearing level allowance rate decreased from 63.9 percent in FY 1995 to 53.3 percent in FY 1998, and the DDS allowance rate increased from 30 percent in FY 1995 to 35 percent in FY 1998.

SSA anticipated that allowance rates would change in these directions as the quality decisions improved. The importance of this trend is that in a time in which yearly disability awards are relatively stable, more awards are being made at the initial level of the disability process. For 1998, this translates into 90,000 people paid 500 days sooner than would have occurred had allowance rates for the two administrative levels remained unchanged. This trend is consistent with our objective to make the correct decision as early in the process as possible.

Streamlining the Disability Process

Another means through which SSA will improve the quality of the disability adjudicative process and customer service is by revitalizing and streamlining the way we deliver disability claim services. The current eligibility process is complex and fragmented with many customers waiting longer than desirable to have a claim or appeal decided. SSA's objective is to allow benefits to individuals who should be allowed as early in the process as possible. The process changes SSA has developed for prototype testing are designed to work in tandem with the process unification initiatives described above. These changes include initial eligibility process improvements, improvements in the hearing process and improved information technology.

Initial Eligibility Process Improvements

Several process changes have been tested over the last few years as part of SSA's Disability Process Redesign efforts. Results from the most significant tests¹ indicate that the initial process can be improved through implementation of the Single Decisionmaker (SDM) concept; Pre-Decision Interview (PDI); and elimination of the reconsideration step from the appeals process. Results² from the testing of these initiatives in the last several years indicated:

- A higher percentage of individuals were allowed benefits at the initial level (36.4 percent versus

- 32.1 percent);
- Enhanced quality of initial denial decisions (38 percent improvement); and
- Earlier access to the hearing process for those who appeal their initial decision (68 days earlier).

Based on these significant results, SSA, in concert with the States, will select up to 10 States to conduct final prototype testing of modifications to the disability process that includes the SDM, the PDI, the elimination of the reconsideration step and enhanced documentation and explanation practices. This prototyping will provide a body of information regarding the effect that these process refinements have on the quality and timeliness of disability decisions prior to national implementation.

Single Decisionmaker (SDM) Concept - In the current initial claims process, a disability examiner and a State agency medical or psychological consultant function as a team of co-adjudicators jointly responsible for making disability determinations. The SDM essentially enhances the roles of the disability examiner/medical consultant team. It permits the DDS disability examiner (DE) to make the initial determination of disability without requiring the certification of a medical consultant (MC) on the disability forms. The SDM, however, will not be used in claims which are denied and in which the evidence indicates the existence of a mental impairment, and childhood disability claims under the SSI program. These claims will continue to be adjudicated by a team consisting of a DE and medical or psychological consultant.

Under the new process, physicians/psychologists will truly function as consultants, providing information and advice on cases referred to them by the SDM. The SDM process maximizes the effectiveness of Agency resources--focusing State agency medical and psychological consultants on duties and responsibilities commensurate with their professional training and experience, such as review of complex disability claims, as well as the training and mentoring of DEs.

Recognizing that MC availability for particular specialties, examiner turnover, expertise, and skill levels vary widely by State, some flexibility in exactly how the SDM process is applied will be given to States participating in the prototyping stage.

Pre-Decision Interview (PDI) - The purpose of the PDI is to provide the claimant with an increased opportunity to interact with the disability decisionmaker earlier in the process and to submit further information when evidence in the initial claim is insufficient to make a fully favorable determination. Before issuing a less than favorable determination at the initial level, the DDS will send a notice asking the claimant to contact the decisionmaker to discuss the case making the process more user-friendly.

The personal contact with the claimant provides an opportunity for the decisionmaker to fully explain the disability process, and for the claimant to provide additional medical evidence and any other information necessary to the decisionmaker. This pre-decision interaction between the claimant and the disability decisionmaker aligns with the Agency's goals of improving customer service by making the process less impersonal and allowing appropriate claims earlier in the process.

Eliminating the Reconsideration Step - Eliminating the reconsideration step from the current four-level adjudicative process addresses SSA's goal for a streamlined, more efficient process by reducing administrative hurdles. With enhancements that invest in quality at the front end, such as PDI and improved documentation, SSA can still protect claimant rights without the need for this additional administrative step. Pilot tests indicate that, in conjunction with more thorough case development and explanations and other initiatives to improve the quality of the initial adjudicative level, eliminating the reconsideration step results in the same number of allowances in one step as currently achieved

through two steps. On average, these allowances were made 68 days earlier in the process.

Results also indicate some slight overall increase in the number of people whose claims are allowed due primarily to serving claimants who currently drop out of the multi-level process. This is an important result and applies particularly to persons filing for SSI benefits. Data indicate that the new process provides an improved safety net for people who would be eligible for benefits but drop out of the current process because they are inappropriately denied at the initial level and do not appeal. In fact, this safety net is also present for those who do appeal. Since less time elapses between the time the claim is denied and the date of hearing, fewer cases are dismissed for failure to appear or because the applicant cannot be located.

Additional Streamlining Initiatives - SSA plans to improve its capacity to shift certain disability workloads (to the processing centers) when necessary and appropriate, to take advantage of staff who have valuable skills and experience in case analysis, development and decision-writing. Strategically located and staffed units of such non-hearing office employees can provide a much needed safety-valve to address spikes and bottlenecks which occur as workloads change.

SSA is testing a new initial claims option for adult disability claims whereby a single interviewer, or disability claims manager, develops both the medical and non-medical aspects of the initial claim. Testing will continue through September 2000 after which time the test data will be evaluated and decisions about implementation will be made.

Hearing Process Improvements

In addition to improving the quality of the initial disability eligibility process, SSA is committed to making improvements in the hearing process that will significantly reduce processing time from request for hearing to final hearing disposition. This improved process will position SSA to provide quality service to all claimants and to do so in a manner that assures that appropriate legal standards are met as well as improving the quality and timeliness of decisions and thus, customer service.

Currently, there are unacceptable delays in the processing of ALJ hearing cases resulting in an average processing time of 326 days at the end of FY 1998 for all cases. SSA's FY 2000 goal is to reduce the average hearings processing time to 268 days. In addition to the currently high level of hearings pending, analysis of the hearing process revealed that current processing times are in part attributable to:

- Numerous hand-offs in the prehearing process and a high degree of office functional specialization. This results in the absence of accountability; and
- Inadequate management information (MI) necessary to monitor and track each case through the process.

SSA is developing a new hearing case process with several key components that create the foundation for significant efficiencies. The process envisions determining the necessary actions early in the case process, ensuring that case development or expedited review occurs, and that cases move to the hearing fully developed and ready for decisionmaking. Moreover, the process establishes the concept of case assignment to new processing groups in the prehearing stage, rather than solely to the ALJ as current practice dictates, resulting in case ownership, further accountability and ultimately improved case efficiency. SSA is also planning to develop a new management information and case tracking system that will assist employees in maintaining timely processing.

This new process will identify, early in the process, the development needs of each case and will initiate development from the time of receipt with the maximum participation of the claimant. Early development of unrepresented claimants' cases will be facilitated by efforts to inform claimants of the development needs of their cases, provide them with information about the opportunity for and availability of representation and how they can assist in achieving a speedier disposition of their claim. The process will, when applicable, offer the opportunity for a fast track hearing as an incentive for claimants and their representatives to be active and cooperative in early completion of development.

Improved Information Technology and Support

Another way SSA is supporting the goal of a streamlined eligibility process is through the development of a fully automated reengineered disability system (RDS). A key element of this system will be the use of an electronic folder to transmit data from one processing location to another. This will replace the current process of moving a paper folder from one location to another and entering data into a new, separate system.

SSA's strategy will:

- Focus on designing and implementing an electronic folder that will collect relevant data, in one place, and allow the existing systems to use that data to process the disability claim.

SSA will use the lessons learned from the RDS pilot to develop and deploy an automated disability claims process for use by SSA's 1,300 field offices. This will support SSA's objective of trying to collect and verify as much claims related information as early in the process as possible.

Currently, 50 DDSs are automated. Of these, 45 use one of three automated systems. To take advantage of this common software, SSA will develop a prototype system that uses the electronic folder to process disability claims in the DDS, rather than the current method of moving paper folders from one processing location to another. This prototype will be completed in August 1999. Existing hardware and software systems in the automated DDSs will be improved and linked to the electronic folder system. DDSs that are not fully automated will be upgraded to one of the automation options and linked to the electronic folder system.

- Expand the electronic folder system to include OHA

OHA will focus on improving its processes and developing an information technology strategic plan. SSA will address OHA's short-term needs for its more than 160 locations by improving the current scheduling capability and enhancing the folder tracking process. Longer term, OHA's information technology plan will address the steps necessary to accomplish the full integration of the electronic folder system into the appeals process.

- Future capabilities of the electronic folder

The electronic folder will be used as the vehicle to standardize claims processing procedures across all components involved in the disability process. This would include, for example, capabilities for the collection and exchange of electronic medical evidence, by incorporating emerging health care and medical information exchange standards. This would also provide easy

access to medical information, based on the use of electronic signature as an accepted practice for verifying identity. In addition, other types of information could be collected over the Internet, or through various new technologies and be housed in the electronic folder.

Some experimentation in electronic medical evidence is already underway in the Wisconsin DDS. Based on the outcome in Wisconsin, this may be expanded to field offices and OHA locations. Given the complexity of the disability claims process, the involvement of all 50 States, over 1,300 SSA field offices, OHA and the medical community, we need to ensure that we continue to operate within current and future industry data processing standards. To do so, SSA will establish a hardware and software infrastructure that will meet these standards.

Updating the Medical and Vocational guidelines to the Disability Eligibility Process

SSA uses a multi-step sequential evaluation process to determine whether applicants are disabled and whether beneficiaries medically improve. At one step, SSA uses a Listing of Impairments (the listings), which quickly identifies many individuals who should be found disabled. At another step, SSA employs a set of medical-vocational guidelines to help determine whether individuals with severe impairments are able to do work other than the work they may have done in the past.

SSA faces challenges in keeping pace with the rapid changes in medical technology and the job market, and consequently, faces challenges in reflecting those changes in revised rules.

Medical Impairments - The listings contain examples of medical conditions and medical findings that are so severe that disability can be presumed for anyone who is not performing substantial gainful activity and who has an impairment that "meets" the criteria of a listing. Since the listings cannot include every possible impairment or combination of impairments a person could have, SSA's rules also provide that a person's impairment(s) can "equal" the severity of a listing. The listings are included in an appendix in SSA's regulations.

SSA is in the process of updating a number of the listings to reflect the latest developments in medicine and disability evaluation. SSA is reviewing listings by body system, although in some cases the Agency expects to address only particular listings and impairments when practical.

SSA plans to make technical corrections to outdated language as it completes the review of each body system. For example, SSA plans to provide a listing for organ transplants that have become more common and revise the term "x-ray" to more appropriately acknowledge current imaging techniques such as MRIs.

Updating different listings will involve different activities requiring expert advice, research and public participation. For example, SSA has initiated research through the Administration for Developmental Disabilities and the American Association of University-Affiliated Programs to involve experts in analytical efforts related to specific childhood cognitive impairments. This effort will assist the Agency in refining the listings and assessing ways to improve adjudicative rules. (See Chapter 5 for a description of SSA's research activity involving the development of a model to validate the listings criteria.)

SSA plans in the next several years to issue final regulations for selected body systems and impairments and will issue notices of proposed rulemaking for additional body systems and impairments.

Vocational Improvements - SSA's vocational evaluation guidelines are based, in part, on the Department of Labor's (DOL) Dictionary of Occupational Titles (DOT) which describes jobs and job requirements in work-related terms. In addition, the DOT provides evidentiary support for conclusions about whether jobs exist that an individual can do given his or her functional limitations, age, education, and work experience.

Since 1993, DOL has been developing a new database of occupational information, now called the Occupational Information Network, or O*NET, to replace the DOT. SSA needs to develop timely modifications to our vocational policies that address changes in DOL's occupational data systems in time for implementation of the completed O*NET expected with the next few years. SSA is actively involved in working with the O*NET Consortium, the group that is building the O*NET database, to gain first-hand knowledge of the new system in advance of full implementation. This knowledge will allow the Agency to develop and investigate policy options in a timely manner prior to implementation of O*NET.

CHAPTER 3

ENHANCING BENEFICIARIES' OPPORTUNITIES TO WORK

Many beneficiaries with disabilities indicate that they want to work and become independent, and many can work despite their impairments if they receive the supports they need. Currently, however, less than 1/2 of 1 percent of DI and about

1 percent of SSI beneficiaries actually leave the Social Security rolls because of work activity. The severity of individuals' impairments may make significant work activity impossible for many beneficiaries. For others, the fear of losing health and cash benefits, and the inability to obtain rehabilitation and employment services may prevent work efforts.

The complexion of Social Security's disability programs is increasingly one in which beneficiaries are coming on the rolls at younger ages, qualifying on the basis of mental impairments and tending to stay on the rolls for the remainder of their lives. SSA recognizes the importance of helping these individuals into the workforce. Currently, State DDS examiners screen disability applications to identify persons who may benefit from vocational rehabilitation (VR) services and make referrals to State VR agencies. The State VR agency generally does further screening before deciding which individuals will be contacted for further evaluation and possibly offered VR services. A small percentage of applicants and beneficiaries are referred to State VR agencies, and even smaller percentage actually receive VR services.

SSA reimburses State VR agencies for reasonable and necessary costs of VR services when such services result in an individual performing work at the substantial gainful activity (SGA) level for a continuous period of 9 months. In 1998, SSA reimbursed State VR agencies for 9,950 individuals in this category. Few beneficiaries receive VR services and fewer still come off the rolls because of sustained work activity.

Based on these facts, SSA recognizes the need to do more to help beneficiaries with disabilities enter the workforce, thus enabling them to lead more productive, self-sufficient lives. SSA's FY 2000

performance goal is to increase the number of DI and SSI beneficiaries who are working, but still receiving benefits, by 10 percent. This increase would result in 17,600 DI beneficiaries entering a trial work period ¹⁰ in FY 2000 compared to 16,000 beneficiaries in FY 1997, and 33,000 SSI beneficiaries participating in the section 1619(a) ¹¹ program in FY 2000 compared to the 30,000 beneficiaries in FY 1997.

SSA's strategy to enhance beneficiaries' opportunities to work include a set of initiatives to provide them with greater incentives to attempt work as well as a set of activities to provide the necessary supports to do so.

Improving Incentives to Work

Assisting disabled beneficiaries into the workforce is a vitally important part of SSA's job in administering its disability programs. Tailoring services and incentives to the needs of each disabled individual is key to success in this endeavor. To strengthen its ability to assist the disabled to return to work, the Administration and SSA have developed a number of important initiatives.

These include a proposed increase in the SGA amount disabled individuals can earn without jeopardizing their continued eligibility to benefits; a "Ticket to Independence" legislative proposal that was transmitted to the Congress for their consideration; a legislative proposal advanced by the Administration to serve as a work incentive by simplifying the process by which disabled workers can re-qualify for disability benefits if a work attempt proves unsuccessful; and a number of other initiatives that support disabled beneficiaries' efforts to work.

Proposed Rule Change to Increase the Substantial Gainful Activity Level

Substantial gainful activity is part of the definition of disability in the Social Security Act. In essence, SGA is a measure to indicate whether an individual is able to perform a significant level of work. Generally, one of the measures SSA uses in determining whether an applicant or beneficiary is engaged in SGA is the amount of pay that the individual has actually earned. For initial eligibility to DI and SSI program benefits, an individual must be unable to engage in any SGA. Once a person is on the DI rolls, the SGA amount is used as a measure in determining ongoing entitlement to DI benefits although not for SSI payments.

As part of the Administration's ongoing efforts to help individuals with disabilities enter the workforce, SSA recently proposed a regulatory change to increase the

SGA level for non-blind individuals from \$500 to \$700 per month. The SGA level has been increased only once since 1980 and that increase occurred in 1990. The proposed increase to \$700 would raise the level of earnings at which SSA presumes that an individual's work is SGA to approximate the level of the growth in average wages since 1990.

Raising the SGA level to \$700 provides a more realistic threshold to determine earnings capacity at the time of the initial disability determination, and provides a more realistic test of a beneficiary's earnings capacity before losing DI benefits due to work activity. The higher SGA level is expected to prompt additional beneficiaries to venture into the workforce.

The Ticket to Independence Proposal

SSA has developed a major proposal as an alternative to the current VR program. Under the Ticket to Independence proposal, beneficiaries would be issued a "ticket" that will provide choice in accessing a broad range of employment and VR services. Private and public providers of those services who receive a ticket from a beneficiary would be compensated if they are successful in placing the beneficiary in sustained employment.

For each month that SSA realizes a cash benefit savings due to a beneficiary's work activity, the provider would be paid a portion of the savings. The payment formula would be designed to provide financial incentives sufficient to attract an expanded number of providers who are interested in serving beneficiaries. Since many more persons would be served by providers under a ticket system, SSA anticipates a significant number of beneficiaries gaining employment opportunities and minimizing reliance on disability programs.

In June 1998, the House of Representatives passed a bi-partisan bill, the *Ticket to Work and Self-Sufficiency Act of 1998* (H.R. 3433), which incorporates many of SSA's ticket features.

In January 1999, the *Work Incentives Improvement Act of 1999* (S. 331) was introduced and it also contains many of SSA's ticket provisions. This bill, produced through the bipartisan efforts of Senators Jeffords, Kennedy, Roth and Moynihan in collaboration with leaders in the disability community and the Clinton Administration, is the centerpiece of a unified initiative to remove some of the most significant barriers to the employment of people with disabilities by:

- Improving access to health care through an expansion of States' ability to provide a Medicaid buy-in to people with disabilities who return to work;
- Extending premium-free Medicare coverage for a 10-year period for DI beneficiaries who return to work and would otherwise lose their Medicare coverage.
- Creating a Medicaid buy-in demonstration to help those with specific physical or mental impairments not yet severe enough to qualify for Social Security disability benefits but who would have become severely disabled in the absence of medical treatment. Specifically, this project could help those living with muscular dystrophy, Parkinson's Disease, HIV or diabetes.
- Establishing a ticket program that would allow consumers a choice of public or private employment service providers. Under this provision, both public or private vocational rehabilitation, training and employment service providers would be paid a portion of the cash benefit savings attributed to a beneficiary's work activity.
- Creating a work incentives outreach program to provide accurate information on work incentives programs to individuals with disabilities.
- Reauthorizing SSA's demonstration authority that expired in June 1996. This provision allows SSA to conduct a demonstration project of a sliding scale benefit offset. Another provision in the bill directs SSA to conduct a demonstration that reduces DI benefits by \$1 for each \$2 earned above a certain level.

SSA's actuaries have estimated that the ticket provisions in S. 331 would result in approximately 40,000 beneficiaries leaving the disability rolls because of work activity.

Simplifying the Reestablishment of Eligibility

Additionally the proposed legislation contains an important recent initiative developed by the Administration to simplify the process by which disabled individuals can reestablish eligibility to

disability benefits if an attempt to return to work proves to be unsuccessful. Many advocates have stated that the lengthy and complex process currently required to reestablish eligibility itself serves as a disincentive to work. The Administration's proposal strives to eliminate this disincentive by vastly simplifying that process.

This is accomplished by a number of changes to current statutory provisions. For example, the proposal provides an assurance to all disabled individuals that cash and health benefits can be restored quickly and easily if an individual must stop working because of his or her disability.

If an individual's benefits were terminated because of work, the proposal would allow the individual to request reinstatement of benefits without having to file a new application. Instead of a new medical decision, SSA would look to see whether the individual's previous disability had improved. If it remained at least as severe as it was initially, based on a CDR, benefits would be reinstated.

Under this proposal, reinstatement of benefits can be granted for up to 5 years after the termination of the individual's prior period of disability. And, while SSA is deciding whether benefits can be reinstated, the proposal would allow for the individual to receive provisional benefit payments for up to 6 months. These benefits generally would not be considered an overpayment even if SSA were to determine that benefits could not be reinstated.

This proposal addresses an important disincentive to return to work, and the Administration plans to work with the Congress to see that it becomes part of SSA's disability programs.

Supporting Work Activities

In addition to providing incentives, it is also necessary to support more directly the efforts of those who are able to join the work force. To that end, SSA is expanding the availability of employment and rehabilitation services, creating a model service delivery system, and helping youth with disabilities enter the workforce.

Extending SSA's Work Support Programs

In the last 15 years, a significant number of new vocational and employment support programs have been established. SSA is expanding opportunities to include these innovative programs in its efforts to ensure that beneficiaries receive the services they need and ultimately enter the workforce.

To expand the pool of services to beneficiaries, SSA has initiated the Alternate Participant (AP) program that enables beneficiaries to obtain services from community-based providers in addition to State VR agencies. Under the AP process, the law requires that SSA continue to make the first referral for rehabilitation services to the appropriate State VR agency. If the State VR agency does not provide services to the referred individual within a prescribed timeframe, then SSA can refer the beneficiary to an alternate provider of rehabilitation and employment services.

Over 400 providers have met the qualifying requirements and have entered into contracts with SSA. Although some providers have begun serving beneficiaries and placing them in competitive employment, the program is relatively new. SSA anticipates that over the next few years the number of beneficiaries served and placed in employment by the AP program will increase. Moreover, SSA's expectation is that private providers will bring greater choice for its beneficiaries who seek to enter the workforce by enabling them to design their own rehabilitation services to meet their unique needs.

Improving Work Incentive Information to Beneficiaries

Work Incentive Expertise - Because field office employees have a broad range of initial claims and post-entitlement responsibilities covering OASDI and SSI programs, it is understandable that the dissemination of work incentive information may not always be consistent. Furthermore, some field offices may have developed expertise in SSA's work incentives because of higher volumes of work incentive questions and workloads than others.

Recognizing the importance of disseminating accurate and accessible information to beneficiaries on all facets of DI and SSI work incentives, SSA is improving its expertise in all DI and SSI work incentive provisions. SSA is in the process of determining how best to create Agency expertise to effectively assist beneficiaries, their families, employers, and others in the community who are interested in the employment of persons with disabilities.

Work Incentive Software - SSA recognizes that its work incentives are sometimes difficult to understand and administer. The Agency is developing and testing a software product to explain the impact of work on an individual's SSA benefits and on the benefits from other public sources (e.g., housing supplements, food stamps, etc.).

Other Service Improvements - SSA will also examine its public information materials and beneficiary notices for accuracy and simplicity and ensure that they contain messages that encourage beneficiaries with disabilities to work. In addition, SSA is striving to make wider use of the Internet and such media as interactive kiosks, special toll-free phone lines and customer help desks. Information materials will be accessible to the sensory and cognitively impaired, and available in alternate format on request.

State Partnership Agreements

In July 1998, SSA announced the availability of funding for State Partnership Agreements to assist States in developing integrated service delivery systems that increase the successful employment of persons with disabilities who are receiving SSI or DI benefits. In September 1998, SSA awarded funding under Cooperative Agreements to 12 States so that we may learn which alternative avenues of service provision and changes in benefit structures are most effective in attaining successful employment for this population.

Data collection activities began in March 1999 and will continue throughout the duration of the State Partnership demonstrations. The process evaluation will conclude at the end of the demonstration--October 2003--and the final demonstration outcome report is expected in spring 2004.

Increased Emphasis on Youth

Among beneficiaries with disabilities, SSA is particularly concerned about young people with disabilities who are leaving high school or college. Helping young people find sustainable employment is critical to SSA's vision of its disability programs. Many beneficiaries have mental impairments, begin to receive benefits at an early age, and receive little or no assistance in developing job skills and gaining economic independence. This pattern results in a lifetime of benefits with little support in attempting to enter the workforce.

SSA is developing options to help young people with disabilities make the transition from school to

work. A portion of SSA's interagency activities, research and policy analysis will continue to focus on this population.

CHAPTER 4

INTEGRITY OF THE DISABILITY PROGRAMS

Ensuring the integrity of the disability programs is another SSA priority. The public has a right to expect that the Agency will be stewards of their tax dollars. Vigilant stewardship includes an aggressive plan to review the continuing eligibility of disabled beneficiaries in a timely manner, a comprehensive quality assurance program and an effective anti-fraud program. SSA's current stewardship initiatives include a plan to increase the number of continuing disability reviews that the Agency performs each year, quality assurance improvements and anti-fraud and integrity activities.

Continuing Disability Reviews

SSA ensures the integrity of the DI and SSI programs by periodically reviewing the continuing eligibility of individuals receiving disability benefits. These continuing disability reviews (CDRs) permit SSA to determine whether beneficiaries are no longer entitled to benefits because they have medically improved.

SSA's achievements in processing CDRs over the last 2 years demonstrate the Agency's commitment in addressing this crucial workload. During FY 1997, SSA processed over 690,000 CDRs, a 38 percent increase over FY 1996. In FY 1998, the Agency processed nearly 1.4 million periodic CDRs, more than twice the number of CDRs processed in 1996.

Several years ago, SSA developed an aggressive 7-year plan to review overdue and maturing CDRs from FY 1996 through FY 2002. This plan was implemented in July 1996 and updated in March 1998. The revised plan calls for approximately 9.3 million CDRs to be conducted during that 7-year period. To carry out that plan, Congress provided authority for an increase in discretionary spending caps for FYs 1996 through 2002 to fund the cost of processing CDRs. Total authorized funding for conducting CDRs and disability redeterminations totals about \$4.3 billion for FYs 1996 through 2002.

The following table, based on SSA's 7-year plan, shows the number of CDRs to be processed in FYs 1996 through 2002. SSA estimates benefit savings for the OASDI and SSI programs in FYs 1996 through 2002 resulting from CDRs processed in those years to be approximately \$7.7 billion. This includes an estimated program savings of \$3.8 billion for OASDI and \$3.9 billion for SSI.

Continuing Disability Reviews

	Revised 7-year plan		Progress to-date
Fiscal year	Estimated number ¹ of CDRs processed during year (In thousands)	Estimated percent of 7-year plan total	Actual number of CDR'S processed FY 1996 to-date Actual percent of 7-year plan total

1996	498	5.3%	498,445	5.3%
1997	690	12.7	690,478	12.7
1998	1,245	26.1	1,391,889	27.7
1999	1,637	43.7		
2000	1,804	63.0		
2001	1,729	81.5		
2002	1,721	100.0		
Total				
1996-2002	9,324			

¹The figures above are based on the current 7-year CDR plan, revised in March 1998.

Recent Legislative Changes - Recent legislative mandates supported by the Administration have enabled SSA to develop and implement its 7-year CDR plan. These mandates include:

- *The Social Security Independence and Program Improvements Act of 1994,*

P.L. 103-296. This law required SSA to review cases of 100,000 SSI disabled beneficiaries and at least one-third of SSI beneficiaries reaching age 18 annually in FYs 1996 through 1998.

- *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996,* P.L. 104-193, and later modified by *The Balanced Budget Act of 1997,* P.L. 105-33. These laws mandated additional reviews for certain SSI disabled children's cases and medical redeterminations (using the adult disability standard) on all SSI childhood beneficiaries after they reach age 18. *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996,* added a total of \$250 million to previously authorized funds for FY 1997 and FY 1998.
- *The Contract with America Advancement Act of 1996,* P.L. 104-121, authorized a total of about \$4.1 billion for OASDI and SSI CDRs for FYs 1996 through 2002.

Improvements to the CDR Process – Under the 7-year CDR plan, SSA will continue to conduct full medical reviews in some cases and a streamlined "profile/mailer" review in others. The full medical CDR is labor-intensive and costly, generally involving (1) a face-to-face interview with the beneficiary in a field office; and (2) a determination under the medical improvement review standard by a State DDS, after it develops a complete medical history and obtains any needed special examinations.

The streamlined CDR profiling and mailer process is much more cost-effective and customer-friendly than the full medical review. Under the streamlined process, SSA identifies individuals with a low probability of medical improvement through statistical profiling and sends them mailers containing questions designed to raise medical improvement issues. If the responses, when combined with data in the statistical profiles indicate that medical improvement may have occurred, a full medical CDR is

initiated. If the mailer response confirms a low probability of medical improvement, the case is scheduled for a future CDR. Both the full medical review and streamlined process have proved effective in maintaining disability program integrity.

As a result of improvements to its CDR process, SSA has processed approximately 2.6 million CDRs during the first 3 years of its 7-year plan, or 27.7 percent of the 9.3 million reviews projected by the end of FY 2002. In FY 1996 and 1997, the SSI CDRs processed exceeded the 100,000 case review mandate for those years. SSA is also up to date in processing required CDRs for low-birth-weight SSI disabled children cases and age 18 SSI disability redeterminations.

CDR Savings – After all appeals, CDRs conducted in FY 1997 are expected to result in cessation of benefits for approximately 50,000 beneficiaries--7 percent of the CDRs conducted. The cessations for FY 1997 alone are anticipated to reduce Federal OASDI and SSI program expenditures by \$2.3 billion from FY 1997 through FY 2006.

Future Activity – SSA has several initiatives underway to improve the CDR process. These initiatives include: special study and analysis of CDR data to improve the statistical profiling process; review of the medical diary process to ensure CDRs are scheduled timely; and evaluation of the CDR mailer to make sure it accurately identifies medical improvement issues.

SSA will seek additional funding each year to process projected CDRs. With additional funding provided by the Congress, SSA is on track to be up to date in processing all overdue and newly maturing CDRs by the end of FY 2002. SSA's performance goal for FY 2000 is to have 63 percent of SSA's 7-year CDR plan completed.

Quality Assurance of the Disability Program

A major part of the Agency strategy to protect the integrity of the two disability programs that SSA administers is the utilization of a comprehensive quality assurance (QA) system. The system now employed has been in place for over

25 years. The QA system's primary purpose is to measure compliance with policies and procedures in adjudicative decisionmaking.

The current system provides the Agency with data to monitor the level of decisional accuracy. Samples of most of the major disability workloads are included in the current system, from initial claims to CDRs to hearing decisions. The system also:

- Provides some insight into adjudicative performance for special populations such as SSI children;
- Provides data used to profile certain workloads for special attention in the adjudicative process; and
- Helps monitor the impact of process changes such as those tested in the disability process redesign.

In addition, as required by law, SSA conducts a Federal preeffecuation review of proposed DI allowances which helps protect the integrity of the DI Trust Fund. In FY 1997, this effort produced a \$330 million savings at a cost of less than \$22 million.

Improvements in Quality Review - SSA recognizes that there are concerns with the current system that need to be addressed. These concerns include the need to:

- Assess beyond compliance with rules, regulations and procedures how decisions made under our adjudicative process meet the intent of the law;
- Collect and analyze data to assure uniformity in the decisionmaking process across the country;
- Develop a comprehensive and uniform review process across all levels of disability case processing, including field offices, DDSs and hearings and appeals offices; and
- Use internal DDS and OHA quality reviews along with the overall quality review process.

SSA intends to address these needs by developing a more comprehensive quality review system that better assesses the outcomes of its policies and provides a more uniform measure of disability adjudication across the country.

QA Enhancements at the Hearings Level - The QA system was enhanced last year with a publication of final rules under which SSA's Office of Quality Assurance and Performance Assessment (OQA) will examine certain allowance decisions at the hearing level that have been selected through statistical sampling techniques. OQA will refer to the Appeals Council for possible review the decisions it believes meet the criteria for review by the Council. This effort stemmed from the Agency's process unification initiative. It is designed to better balance the feedback provided to hearings level adjudicators and improve the accuracy of those decisions.

Previously, the primary source of feedback from the Appeals Council provided to hearings adjudicators came from claimant requests for review of hearings denials or further appeals of those denials to district courts. As part of the QA system, peer reviewing judges also assess whether a random sample of ALJ decisions are supportable. Results from this peer review have indicated the need for improved allowance accuracy. Therefore, SSA has begun an annual screening of approximately 10,000 favorable hearing decisions in addition to ongoing quality reviews of ALJ denial decisions. This review will provide feedback on individual cases, but more importantly, will permit analysis of the adjudicative issues associated with unsubstantiated decisions and target training and policy clarifications to address these issues systematically.

Integrity Issues

SSA is engaged in an aggressive program to deter, detect, investigate and prosecute fraud. To carry out this effort, SSA and its Office of the Inspector General have developed a comprehensive anti-fraud plan entitled "Zero Tolerance for Fraud." The plan has three goals:

- To change programs, systems and operations to reduce instances of fraud;
- To identify and eliminate wasteful practices that erode public confidence; and
- To prosecute vigorously, individuals or groups whose actions undermine the integrity of SSA's programs.

Anti-Fraud Strategies and Efforts - SSA and OIG have developed several initiatives that contribute to the overall goal of addressing the integrity of SSA programs including the disability programs. The OIG and SSA have, over the past few years, identified an area of fraud involving health and other professionals who provide fraudulent documentation and statements regarding the physical or mental health of individuals to assist them in obtaining disability benefits.

In FY 1998, an initiative known as Cooperative Disability Investigation (CDI) units composed of OIG, SSA, State DDS staff, and State law enforcement authorities was established in California, Illinois, New York, Louisiana, and Georgia. These units are designed to improve the DDSs' capability to detect fraud and abuse at the earliest point in the disability determination process, thereby preventing erroneous eligibility. Due to the success of the CDI units, two new sites (Missouri and Oregon) have been funded for FY 1999 and SSA is considering unit expansion to other States.

By the end of 1998, the CDI units processed 756 case referrals and developed evidence to support 101 denials for benefits for projected program savings of over \$6 million. In addition, over \$100,000 will be recovered through repayment agreements, restitution orders, offsets to continuing benefits and return of uncashed checks. This effort is expected to save \$15 million in FY 2002.

Administrative Sanctions - SSA has submitted a legislative proposal to Congress that would authorize suspension of payments to an individual when SSA determines that he or she knowingly makes, or causes to be made, a false statement, or omits, conceals or misrepresents a material fact for use in gaining benefits. The duration of the penalty would be 6 months for the first violation, 12 months for the second, and 24 months for the third violation.

Administrative sanctions would provide SSA employees with a tool to apply immediate penalties to individuals who knowingly furnish inaccurate information, while maintaining due process protections for those individuals. In addition, these sanctions would be a deterrent for others who might consider misleading SSA in their attempt to inappropriately obtain or increase their benefit amount.

The SSA Office of the Inspector General - Since Congress established SSA as an independent Agency effective March 1995, with its own Inspector General (IG), SSA's ongoing efforts to fight program fraud and abuse have been greatly enhanced through ongoing support of the Administration and Congress to improve anti-fraud efforts at SSA. SSA and the IG's office have forged a strong relationship that has rendered significant results; through joint efforts, in

FY 1999, 252 individuals were convicted of defrauding the disability programs. Also, during the same time there has been more than \$45 million in fines, judgments, restitution, recoveries and savings identified relative to the DI and SSI disability fraud.

To help identify cases of potential fraud, the OIG has established a national fraud hotline (1-800-269-0271). Using this hotline, the OIG has received leads on potential fraud from SSA employees, as well as from the public. Moreover, the number of field personnel investigating reports of fraud has more than doubled in the past 3 years.

CHAPTER 5

CREATING A KNOWLEDGE BASE FOR THE NEXT CENTURY

One of the most valuable services SSA can provide the Administration, the Congress, and other policymakers is the information they need to ensure the economic security and social well being of the American public upon retirement, upon death of a worker, or upon disability. In the last 2 years, SSA has placed a higher priority on strengthening the Agency's policy and research capacity. Outlined

below are a number of research projects that SSA has underway that will provide information necessary to strengthen the Agency's disability programs.

Disability Decision Methodology

The proposed disability decisionmaking process is intended to assess disability without a change to the statutory definition, but rather by means of a more objective evaluation process by developing measures of functioning and the requirements of work.

SSA has completed the first stage of its research with the following projects:

- Functional Assessment Instruments: Researched systems, methods, and instruments for measuring functional capacity, and development of a systematic method for describing, categorizing, comparing, and evaluating such functional capacity measures.
- Occupational Classification Systems: Researched and reviewed literature pertaining to systems and methods of classifying occupations in terms of the physical and mental capabilities required. Research results determined that the Department of Labor's O*NET, currently under development, is the best option for a database for identifying occupational demands.
- Vocational Factors: Obtained information that would assist SSA in deciding an appropriate means of incorporating into a new decisionmaking process the specific statutory requirement to consider an individual's age, education, and work experience.
- Survey of Other Disability Programs: Surveyed other public and private disability programs/systems and identified methods, instrumentation, criteria or other features that may be appropriate to incorporate into, or otherwise use in developing new disability decision methodology.

The second stage of the research plan is to coordinate, integrate and supplement the knowledge acquired in the preliminary research, develop models for the decision processes, and develop a testing strategy. SSA will consider options for prototypes that generally match an individual's functional abilities with the requirements of work, as well as others that retain the current five-step sequential evaluation process for disability decisionmaking.

We expect that this phase of the research will be completed in early

FY 2001. SSA anticipates that additional work may be required to fully test and validate the prototypes developed in the earlier stages of the research.

Disability Evaluation Study (DES)

SSA is undertaking research that seeks to estimate the size of the population potentially eligible for disability under the current definition of disability, now and in the near future. SSA also expects that the DES will be used to test portions of the proposed decision methodology that are available when the DES is fielded and how it will affect applicants, decisions and program costs. The DES will also provide information with respect to interventions, accommodations and treatments that permit disabled individuals to remain in the labor force, enhancing SSA's ability to promote return to work.

A pilot study will begin in January 2000 with results available in December of that year. The main study data collection will take 1 year, beginning in September 2000, and the final report, including estimates of the pool size of potential eligibles and other analysis, is due in early September 2002.

Ongoing Research and Development

Developing a Prototype Process to Validate and Update the Medical Listings – SSA plans to develop a model that will update the listings criteria to reflect current medical knowledge, practices, and procedures; establish a validity prototype of the listings and any proposed revisions; establish consistency throughout the listings in both structure and content; and involve the public in the process whenever appropriate. The Agency plans to award a contract in September 2000 with a final report due 1 year later.

Disability Research Institute (DRI) - It is essential that SSA conduct the research necessary to ensure that its programs meet the needs of the disabled population, develop an understanding of the relationship between current labor force requirements and the capabilities of those with a disability and provide disabled persons with the assistance they need to resume working. The mission of the DRI will be to plan and conduct a broad research program that will develop information required by disability policymakers. It is planned that the DRI will be housed at a research institution and will utilize a network of scholars from a variety of institutions.

The Institute will serve the following purposes:

- Provide research in critical disability policy areas, such as assessing work ability in the disability decisionmaking process, and focus on return-to-work strategies;
- Disseminate important findings to those who have an interest in disability policy;
- Provide a mechanism for training scholars in disability policy analysis and research; and
- Assist in finding methods of sharing disability administrative data with researchers while assuring the privacy of SSA data.

Plans for the development of the Institute are in the early stages. It is expected that this initiative will be implemented early in the year 2000.

¹ Under the OASI program, certain categories of dependents and survivors (e.g. disabled widows aged 50-59 and dependent children who have been disabled since before age 22) may also receive benefits solely because of their own disability.

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² Current Population Survey data reported in National Academy of Social Insurance, *Balancing Security and Opportunity: The Challenge of Disability Income Policy* (Washington, D.C: NASI, 1996). The CPS uses a less severe standard of disability than that constituting the eligibility requirements under Social Security.

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³ Under current law, the normal retirement age is scheduled to gradually increase from 65 to 67 over a 22-year period beginning with workers who attain age 62 in 2000 and ending with workers who attain age 62 in 2022.

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⁴ In 1998, the annual Federal poverty line for a family of three, for example, was \$13,650.

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⁵ Taxes to finance Social Security are authorized under the Internal Revenue Code provisions originally included in the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA).

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⁶ Self-employed individuals pay a 12.4 percent tax rate.

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⁷ SSRs are published under the authority of the Commissioner of Social Security and by regulation are binding on all components of SSA. SSRs are precedential court decisions and policy statements or interpretations that SSA has adopted as binding policy. SSRs may be based on case decisions made at any administrative level of adjudication, Federal court decisions, Commissioner's decisions, opinions of the Office of the General Counsel, and other policy interpretations of the law and regulations.

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⁸ The results were derived from the Full Process Model (FPM) test that combined several proposed changes in a single test, to investigate their interactive effects toward creating a more efficient process and better customer service. The five tested changes were: (1) the Adjudication Officer concept; (2) the Single Decisionmaker position, (3) a predecision interview, (4) elimination of the reconsideration step, and (5) elimination of the Appeals Council step from the administrative review process. SSA is continuing to test the elimination of the Appeals Council step; however, we have decided to eliminate the Adjudication Officer concept from the final prototype.

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⁹ Results provided by SSA's Office of Quality Assurance and Performance Assessment.

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¹⁰ The trial work period is a 9-month period during which a DI beneficiary can earn any amount of wages and continue to receive benefits. A trial work period ends when the DI beneficiary has worked nine months during a 60-month rolling period.

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¹¹ Under section 1619(a) of the Social Security Act, SSI beneficiaries who would cease to be eligible because of earnings over the substantial gainful activity level can receive SSI cash benefits as long as they continue: (1) to have the disabling condition; (2) to meet the income and resource limits; and (3) to meet all other non-disability requirements for SSI. This goal will need to be adjusted based on revisions to the SGA level.

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