

**QUESTIONS FOR THE RECORD**  
**From the Committee on Finance hearing:**  
**“Social Security: A Fresh Look at Workers’ Disability Insurance.”**  
**July 24, 2014**

**Questions from Chairman Wyden**

**1. During the hearing, it appeared there was some common ground around the idea of helping individuals with disabilities, who are able to, remain in the workforce. There was a brief discussion around the idea that services and supports provided before an individual needs to apply for SSDI may improve outcomes for individuals with work-limiting disabilities. Ms. LaCanfora touched on the proposals in the President’s budget. I would like to hear more about those proposals. I would also like to ask each of you to describe where we should focus our resources and what additional research needs to be done around appropriate work supports and services for individuals with disabilities.**

- **How well are the current array of supports and services working?**

Due to our strict definition of disability, very small percentages of the general Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) beneficiary population are able to work at all. Yet, in both the Ticket to Work (Ticket) and State Vocational Rehabilitation (VR) programs, more than 76 percent of beneficiaries perform some level of work after beginning these services, and more than 16 percent do not collect disability benefits for one or more months due to work outcomes achieved through these programs..

In addition, it should be noted that the Department of Labor’s (DOL) American Job Center network continues to provide training and employment services and achieve successful employment outcomes for disability beneficiaries who are participating in the Ticket program. Increasingly, DOL’s Employment and Training Administration has encouraged public workforce entities to become active Employment Networks (ENs) under the Ticket program. We are also collaborating with DOL on its Disability Employment Initiative (DEI). Since the DEI’s inception in 2010, one of its major goals continues to be the improvement of education, training, and employment opportunities and outcomes of adults and youth who are unemployed, underemployed, or receiving SSDI or SSI disability benefits.

- **Are there areas that could be improved?**

Yes. We are collaborating with DOL and other agencies to make beneficiaries, employers, and service providers aware of DOL’s recent Section 503 rule conforming Section 503’s nondiscrimination requirements to those under the ADA and strengthening the affirmative action obligations imposed on Federal contractors to employ and advance in employment workers with disabilities. Additionally, we asked our Work Incentives Planning and Assistance grantees and our Protection and Advocacy for Beneficiaries of

Social Security grantees to target efforts toward transition-age youth based on results from our Youth Transition Demonstration. The VR program, which is funded by the Department of Education, is also undergoing some improvements, in part due to recent changes made to the program by the Workforce Innovation and Opportunity Act.

- **How can we better utilize technology – both for assisting workers to remain on the job and to help identify who can most benefit from early intervention?**

The fiscal year (FY) 2015 President’s Budget includes three proposals to develop early intervention demonstration projects. The first demonstration would test the effect of providing early intervention services to people who are at risk of becoming long-term SSDI or SSI disability beneficiaries. The second demonstration would test the effect of using FICA tax credits to encourage employers to retain workers who are injured or who develop a disability. Under the third demonstration, we would work with existing State programs to provide services for workers who are on path toward Social Security disability benefits. We need to conduct those demonstrations to answer your question properly.

We also use technology to encourage our beneficiaries to return to work. We have an award-winning website dedicated to the Ticket program, [www.choosework.net](http://www.choosework.net), which we advertise on our general website. We also use a comprehensive social media campaign, emphasizing technology to inform, assist, and update beneficiaries about employment support services and issues directly related to finding and sustaining employment. This technology includes the use of social media, email, webinar, and other campaigns, which have received multiple industry awards.

- **Finally, how can early intervention strategies be structured so that employers are not influenced to avoid hiring workers who may be at higher risk of becoming permanently disabled?**

In our [FY 2015 Budget Justification](#), we propose an early intervention project that would offer incentives to employers to encourage them to retain workers who are injured or who develop an injury on the job. The demonstration would allow employers to be reimbursed by an amount equal to the FICA and Medicare taxes paid to returning workers for a period of time that would depend on the number of weeks the worker is off the job. By focusing on financial incentives for retaining workers instead of penalties (such as “risk adjusting” SSDI), employers would not be discouraged from hiring workers who may be at risk of becoming disabled.

2. **In your testimony, you mention partnering with other agencies to test early intervention strategies that will help people with disabilities remain in the workforce instead of seeking SSDI benefits. From what I have learned about the SSDI program, many people spend a lot of time going through the application process. It is not easy to get SSDI benefits. It isn’t until sometime after that process has ended, however, and a person has been awarded benefits that SSA informs them about work incentives in the SSDI program. With this in mind, I see value in trying to implement some “work**

**support” strategies up front. I would like to learn more about how SSA plans to manage this new workload.**

**Please provide a detailed explanation of SSA’s role in these early intervention projects, specifically how these projects might complement or add to SSA’s current mission to administer the SSDI and SSI programs for people who are unable to work.**

We entered in partnerships with the Department of Health and Human Services, the Department of Education, and DOL to develop three early intervention proposals that were included in the FY 2015 President’s Budget. If funded, our role in these projects will be to oversee the research, working with the appropriate agencies to implement the projects. If Congress were to implement new programs based on this research, our role would depend on the actual program created. It is therefore difficult to provide a detailed explanation of SSA’s role in future early intervention projects, since that role has yet to be designed and could take several different forms. For example, one option discussed in our budget proposal would target denied SSDI applicants for employment services. Under such a program, we would clearly have a role in identifying the eligible population and referring them for services from the appropriate program. Our role may be more limited under a different scenario.

## Questions from Senator Hatch

1. **The Office of the Chief Actuary of SSA identifies many reasons why demographics help explain some of the changes over time in benefits and benefit growth in DI and in the retirement side of Social Security. It also points to some other factors, one of which is changes in policy. Regarding those changes, the nonpartisan Congressional Budget Office identifies that legislation in the early 1980s expanded the ways in which people could qualify for the DI program. According to CBO, that legislation “allowed symptoms of mental illness and pain to be considered in assessing whether a person qualified for admission to the DI program, even in the absence of clear-cut medical diagnosis.” CBO also says that “[t]he easing of the eligibility criteria increased the importance of subjective evaluations in determining whether applicants qualified for benefits.” And, CBO says that “[t]hose changes in policy led to a substantial expansion in the share of DI beneficiaries with mental or musculoskeletal disorders...” In your remarks at the hearing, you said that you wished to clarify something that I had said, and went on to argue that SSA does not award benefits to people solely base on allegations of pain. Of course, what I had said involved quotes from the nonpartisan CBO, and those quotes identify CBO’s assessment of effects of past legislation. I don’t believe that I had stated, as your clarification could be taken to suggest, that SSA awards benefits to people solely based on allegations of pain. That said, do you disagree with the assessment of the nonpartisan Congressional Budget Office?**

We respectfully disagree with the Congressional Budget Office’s characterization of the effects of the Social Security Disability Benefits Reform Act of 1984 (1984 Amendments). Prior to enactment of those amendments, we already had a policy for evaluating pain and other symptoms; the 1984 Amendments codified that existing policy on a temporary basis. Moreover, Section 223(d)(5) of the Social Security Act (Act) prohibits us from approving a disability claim unless there is objective medical evidence establishing the existence of the disability, such as medical signs and findings established by medically acceptable clinical or laboratory techniques. If we receive a disability claim and the evidence does not establish a medically determinable impairment, the statute requires us to deny that claim.

2. **In relation to a hearing on the President’s fiscal year 2015 budget, I asked Treasury Secretary Lew about administration proposals surrounding the Disability Insurance program. With respect to one of the few proposal put forward in the budget, Secretary Lew wrote that: “...the Budget proposes to reduce an individual’s DI benefit in any month in which that person also receives a State or Federal unemployment benefit, generating \$2.6 billion in DI savings over ten years. Overall, the proposal would generate \$3.2 billion in savings over ten years across the DI and UI programs.” Given your expressions of policy that SSA supports, please identify:**
  - a. **whether or not SSA supports the President’s budget proposal to prevent the simultaneous receipt by a worker of DI benefits for a worker receiving unemployment insurance benefits;**

We support the President’s Budget. The budget includes a proposal to offset the receipt of SSDI benefits by the amount of any unemployment insurance (UI) the worker

receives. Specifically, the proposal would impose a dollar-for-dollar reduction of SSDI benefits by the amount of UI compensation.

- b. whether or not SSA supported the President’s prior budget proposal for federal government-wide adoption of the so-called “chained CPI” for things such as cost of living adjustments, along with some carve-outs for vulnerable populations; whether or not SSA now supports withdrawal of the chained CPI proposal, given that the most recent budget of the President does not contain the proposal; and SSA reason for supporting withdrawal of the proposal, if indeed that is the case.**

We support the President’s Budget. In last year’s budget, the President made clear that chained Consumer Price Index (CPI) was a proposal that – among others – the President was willing to accept as part of a balanced compromise to address our long-term deficit challenges, even if it was not a policy he would have preferred to put forward in isolation.

This year’s budget reflects the President’s vision of the best path forward and includes measures like further reforms to health care spending, tax reform, and immigration reform to address our long-term deficit challenges. This year’s budget does not include the chained CPI proposal. While the President remains open to including measures like the chained CPI as part of a balanced compromise, as long as it also includes protections for the vulnerable, and he believes that the measures in this year’s budget are the best path forward for strengthening the economy, protecting the middle-class and seniors, and addressing our long-term deficit challenges.

- 3. You testified that: “I am actually the Assistant Deputy Commissioner, actually the Acting Deputy Commissioner for Policy at Social Security, so I can say that the administration and the Social Security Administration do support reallocation.”**

- a. What, in particular, do you mean in supporting “reallocation,” since that is a vague term which could mean many things, including reallocating resources between a DI trust fund, an OASI trust fund, a HI trust fund, or the general fund of the Treasury?**

To avoid DI trust fund reserve depletion, the Administration believes – and I agree – Congress must take action, as it has in the past, to reallocate the payroll tax rate between the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds. This would prevent a deep and abrupt cut in benefits for vulnerable people with disabilities.

- b. The only specific proposal of reallocation that I am aware of is one put forward by the actuaries at the Social Security Administration (see, under “Proposals Affecting Trust Fund Solvency” at <http://www.ssa.gov/oact/solvency/index.html> , the July 28, 2014 proposal). Therefore, is the administration’s and SSA’s support of reallocation that you provided in your testimony support of that proposal?**

No. I was unaware of the actuaries’ memorandum when I testified.

- c. If not, what, in your testimony, were you providing support of on behalf of the administration and SSA?**

We believe Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds so beneficiaries have certainty regarding the vital benefits provided by the DI program.

- d. Your testimony that the administration supports reallocation is taken to mean an expression of the Presidential administration's support of policy. I have not seen a Statement of Administration Policy in anything related to "reallocation," so please provide information about how you have been made aware of the administration's policy support.**

Secretary Lew called for reallocation of the payroll tax rate between the OASI and DI trust funds at the March 6, 2014 House Ways and Means Committee hearing on the President's 2015 Budget, as did Director Burwell at the March 5, 2014 House Budget Committee hearing on the President's 2015 Budget.

- e. Should the Finance Committee expect to learn, in the future, any further information about the administration's support of lack thereof of any other policies related to Social Security programs?**

The Administration will continue to express its views through various sources, such as budget documents, legislative proposals, public statements, and congressional testimony.

- f. In SSA's, and the administration's, support of "reallocation," does SSA and the administration support reallocation as a stand-alone change in the law, or does SSA and the administration also wish to consider additional actions to address DI finances?**

The Administration supports reallocation as a stand-alone change in the law.

The Administration also urges Congress to take action to strengthen the DI program. This includes fully funding continuing disability reviews (CDR) to ensure that only those eligible for benefits continue to receive them. We appreciated the funding provided for that purpose in the FY 2014 Omnibus Appropriations Bill, and we hope to build on that in FY 2015 and future years. We are also seeking demonstration authority for the disability program so that we can identify effective ways to help people with significant disabilities succeed in the workforce.

- g. In SSA's support of reallocation, does it matter whether a policy decision to reallocate resources from one trust fund to another occurs as soon as possible, or would any time between now and the end of 2016 be consistent with whatever is the particular policy that you support?**

As I stated in my answer to Question 3c, we believe Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds so beneficiaries have certainty regarding the vital benefits provided by the DI program.

- h. Does SSA support my proposal, put forward in my opening remarks at the hearing, that we should explore, examine, and study available ideas, including innovative ideas such as social-impact financing models supported by the President, as we approach the impending DI trust fund exhaustion?**

The DI program provides a vital safety net for those Americans who make up the most vulnerable segment of society. Therefore, we believe that any changes to it should be evidence based. We believe conducting demonstration projects is the best way to gather the evidence needed to evaluate policy options.

- i. Do you “support reallocation” that would take place this year?**

As stated in my answer to Question 3c, we believe Congress should take action to reallocate the payroll tax rate between the OASI and DI trust funds so beneficiaries have certainty regarding the vital benefits provided by the DI program.

- 4. Given that you chose to express support for a policy concept, are there other policy concepts that SSA supports, such as whether SSA supports increasing the amount of maximum earnings subject to payroll taxes, or increases in payroll tax rates, or benefit cuts, or other policy concepts?**

The President’s Budget includes proposals aimed at improving the administration of our programs, including the DI program. One proposal would provide mandatory funding for early intervention demonstrations intended to build the evidence base for policy innovation. Another proposal would provide a dedicated, dependable source of mandatory funding for us to conduct CDRs and SSI non-medical redeterminations. The latter proposal includes the creation of a new account, called Program Integrity Administrative Expenses, which will reflect mandatory funding for our program integrity activities beginning in FY 2016. We expect the mandatory funding to enable us to substantially decrease a backlog of 1.3 million medical CDRs. With the requested level of discretionary funding for program integrity in 2015 and the mandatory funding in 2016 through 2024, according to the President’s Budget, we expect a net deficit savings of nearly \$35 billion in the 10-year window and additional savings in the out-years. These savings include Medicare and Medicaid program effects.

**5. You identify, with respect to qualifications for DI benefits under current law, that “[t]his is a very strict standard of disability and most people do not meet it.” You use of the qualifier “very,” when describing the strictness of the standard. According to what metric have you determined that the standard is very strict?**

Compared to other disability programs, our disability definition is very strict. For example, private insurers may pay disability benefits if policyholders cannot perform their current work. By contrast, the inability to perform current work does not qualify people for DI benefits; they must also prove that given their age, education, and work experience, their medical condition prevents them from performing any work that exists in significant numbers in the national economy. Private insurers may also pay disability benefits to policyholders whose medical condition prevents them from working for several weeks. By contrast, a person seeking DI benefits must have a medical condition that has lasted or is expected to last at least 12 months or result in death.

Furthermore, Congress established that the standards for qualifying for DI benefits would be very strict compared to other public disability programs, which have different purposes. For example, the Department of Veterans Affairs provides disability benefits to compensate veterans with a disease or injury incurred or aggravated during active military service. However, a veteran receiving such compensation may not have an impairment that meets SSA’s definition of disability and, therefore, may not receive DI benefits.

I would also note that Congress itself has characterized the definition of disability as strict. For example, the Social Security Amendments of 1956 (1956 amendments) created the SSDI program. The House Ways and Means Committee report that accompanied the 1956 amendments includes the following language:

Your committee has designed a conservative program for disability insurance benefits. . . . [A]n individual who is able to engage in substantial gainful activity will not be entitled to disability insurance even though he is in fact severely disabled.

H.R. Rep. No. 1189, 84th Congress, 1st Sess., at 5.

During a Senate debate on the 1956 amendments, a member of the Finance Committee, Senator Walter George, echoed this view:

A second requirement which the individual must meet [to be eligible for disability benefits] is that he must be so disabled that he is "unable to engage in any substantial gainful activity." I ask you Senators to note this requirement very carefully. . . . This is a very conservative requirement.

102 Cong. Rec. 15107 (July 27, 1956).

Since the 1956 amendments, Congress has further tightened the definition of disability for purposes of our programs. The Social Security Amendments of 1967 clarified that the medical condition must prevent a disability claimant from engaging in any substantial gainful



activity existing in significant numbers in the national economy regardless of whether work exists in the immediate area in which a person lives, whether a job vacancy exists for a person, or whether he or she would actually be hired for work. The legislative history indicates that Congress passed this law to overturn judicial interpretations of the Act that effectively made it easier for persons to be eligible for disability benefits. In addition, the Contract with America Advancement Act of 1996 revised the definition to exclude people for whom a substance abuse disorder is a contributing factor material to the finding of disability.

**6. In the hearing, you stated, in regard to DI eligibility awards and criteria: “So I think the criteria is strict. As Rebecca said, in comparison with other nations we know it is very strict.” Given your evident agreement with Ms. Vallas’s selective quote from OECD work leading you to believe that “we know” criteria are very strict, note that the OECD also reports that the U.S. disability benefit recipiency rate is above the OECD; that the U.S. recipiency rate has been on an upward trajectory since the early 1980s; and that U.S. public spending on sickness and disability, at 11 percent of all U.S. public spending, is above the average. Further, for the U.S., the OECD says:**

- **That the share of the working age population between ages 20 and 64 who are enrolled in disability rose from 3.6% in 1980 to 6.6% in 2010;**
- **That much of the increase in recent decades reflects a relaxation of eligibility restrictions and increased replacement rates;**
- **That efforts are needed to reduce the reliance on disability benefits because few of the recipients ever return to the workforce;**
- **And, that “disability program reforms are needed to stem the tide of new enrolments.”**

**a. How can U.S. criteria be very strict in comparison with other nations, while also having had a higher recipiency rate than average?**

According to the Organization for Economic Co-operation and Development (OECD) figures published on page 60 of its 2010 report ([http://ec.europa.eu/health/mental\\_health/eu\\_compass/reports\\_studies/disability\\_synthesis\\_2010\\_en.pdf](http://ec.europa.eu/health/mental_health/eu_compass/reports_studies/disability_synthesis_2010_en.pdf)), the U.S. recipient rate for disability benefits is in the middle range of OECD countries, with several countries having higher rates (e.g. Denmark, Finland, Ireland, Netherlands, Norway, Sweden, United Kingdom) while a few countries have lower rates of recipiency (e.g. Canada, France, Germany, Israel, Switzerland). These rankings however are to be used with considerable caution, as emphasized in the OECD report, because recipiency rates in each country are heavily influenced by the interaction of the disability insurance program with other public programs, notably unemployment, cash sickness insurance, and the early retirement provisions of old-age insurance programs. It is presumed that in countries with relatively low recipiency rates, persons with disabilities may opt to use public programs other than disability insurance to exit the labor market.

**b. Does SSA agree with OECD’s assessment that disability program reforms are needed to stem the tide of new enrollments?**

Program reforms could be crafted to reduce the number of new enrollments, or conversely, revenue could be generated to pay for the existing system. In the United States, the “tide of new enrollments” is due largely to demographic changes that have long been predicted. In November 2013, our researchers published a paper titled [Growth in New Disabled-Worker Entitlements, 1970–2008](#). This research found that three factors: (1) population growth, (2) the growth in the proportion of women insured for disability, and (3) the movement of the large baby boom generation into disability-prone ages—explain 90 percent of the growth in new disabled-worker entitlements over the 36-year sub period (1972–2008). In his testimony before the House Ways and Means Subcommittee on Social Security, our Chief Actuary has made a similar argument ([http://ssa.gov/legislation/testimony\\_120211.html](http://ssa.gov/legislation/testimony_120211.html) and [http://ssa.gov/legislation/testimony\\_031413a.html](http://ssa.gov/legislation/testimony_031413a.html)).

**c. Are you aware of other cross-country assessments of DI eligibility “strictness,” other than reports from the OECD and, if so, please summarize what you feel to be the consensus from the literature.**

We are not aware of other cross-country assessments of DI eligibility “strictness.”

**7. You testified that there are 57 million Americans who report living with disabilities. What is the source of that figure, to whom are reports being made and in response to what prompting, and do you have time series evidence on the number of Americans who report living with disabilities over the past 30 years or so?**

The source of the figure is the U.S. Census Bureau, Survey of Income and Program Participation, June–September 2005 and May–August 2010, figure 1, Prevalence of Disability for Selected Age Groups: 2005 and 2010. This statistic also appears in our hearing testimony at [http://www.ssa.gov/legislation/testimony\\_072414.html](http://www.ssa.gov/legislation/testimony_072414.html).

We also note that how “disability” is defined and thus the questions that are asked makes a big difference on the count. As such, we point you to other Federal surveys, some of which contain longer time series (one example is the National Health Interview Survey, conducted by the National Center for Health Statistics, see <http://www.cdc.gov/nchs/fastats/disability.htm>).

For estimates of the number of Americans living with disabilities, including severe disabilities, see <http://www.census.gov/prod/2012pubs/p70-131.pdf>.

For the estimate of individuals with disabilities receiving Social Security and/or SSI disability benefits, see [http://www.socialsecurity.gov/policy/docs/quickfacts/stat\\_snapshot/2013-12.html](http://www.socialsecurity.gov/policy/docs/quickfacts/stat_snapshot/2013-12.html).

**8. You testified that: “Our goal is to keep pace with medicine, science, technology, and the world of work.” SSA also represented, in the hearing, that the impending DI trust fund**

**asset exhaustion was foreseen decades ago. Yet, as I understand it, SSA uses, in disability benefit award determinations, 37-year old medical criteria, 35-year old vocational criteria, and 23-year old guidelines to determine what jobs exist for individuals with disabilities.**

**a. Do you feel that SSA has met its goal of keeping pace with medicine, science, technology, and the world of work?**

Keeping pace with medicine, science, technology, and the world of work is a constant and incremental process. We have partnerships with numerous experts on a wide array of policy developments, including the following:

- We contract with the Institute of Medicine (IOM) to help develop our medical policies, and we are currently using IOM to provide expertise on mental disorders in children and psychological testing. Since FY 2007, we have been aggressively updating our medical criteria, and we published eight Final Rules and 15 Social Security Rulings on specific impairments. We are now completing seven additional Final Rules based on the public comments we received. With the completion of these additional rules, we will have made updates in the criteria for each body system. We plan to remain on a three-to-five-year cycle to update all of our criteria.
- We are working to reduce or eliminate our reliance on the Dictionary of Occupational Titles. We are collaborating with the Bureau of Labor Statistics (BLS) to develop new and enhanced vocational data in our Occupational Information System (OIS). We have completed several phases of this project and we are on track to begin a large-scale pre-production test that will involve collecting data from a nationwide sample of 2,500 establishments.
- We are also researching whether changes to our vocational policies may be warranted. We first worked with the Disability Research Consortium to better understand the use of age, education, and work in disability programs. We are now assembling a group of federal partners and medical, aging, and employment experts for further discussion.
- We are working on research with the National Institutes of Health to explore the use of functional assessment tools in our disability program.

**b. Why has it taken so long for SSA to update criteria and guidelines, especially in light of SSA's representation that the agency has foreseen the current demographic challenges facing its programs and had foreseen the 2016 DI trust fund asset exhaustion as early as 20 years ago?**

We update our medical listings on a three to five year cycle. It is not the case that we have allowed 20 years to elapse without changing any of our criteria.

Moreover, according to our Chief Actuary, updating our medical and vocational criteria has not had, and will not have, a significant impact on the date the Disability Insurance Trust Fund reserves are depleted. Rather, these updates are necessary to keep pace with medicine, science, technology, and the world of work. Our programs are very complicated, and any changes have far-reaching implications for millions of beneficiaries; therefore, any changes must be carefully researched and built upon a sound evidence base. We have been aggressively pursuing policy updates for years, as described in the examples under question 8a.

**c. When will SSA have updated its criteria and guidelines to a point where the agency can say that it has met its goal of having kept pace with medicine, science, technology, and the world of work?**

Keeping pace with medicine, science, technology, and the world of work is a constant and incremental process. We are on a three-to-five-year cycle to update each of our medical listings. During that cycle, we are seeking input from medical experts and other stakeholders to gather the most current information necessary. Similarly, when we finalize our OIS (see question 8a), we will need to remain vigilant and retain our partnership with BLS to maintain current, high-quality data.

**9. You testified that SSA is collaborating with the Retirement and Disability Research Consortia to “... build an evidentiary base for potential policy improvements.” Please provide evidence of such collaboration that has taken place over the past two years, and explain how that collaboration has helped build and evidentiary base.**

We established the Retirement Research Consortium (RRC) in 1998 to enhance our research capacity, to build ties with the university-based research community, and to build a strong base of research on Social Security retirement policy issues. We established the Disability Research Consortium (DRC) in 2012 with similar goals in mind, but focused on the Social Security disability programs and related policy issues.

We have funded numerous research studies through the RRC and DRC, creating a body of evidence that can be tapped as policy questions arise. Some major categories of emphasis for RRC research include:

- potential Social Security reforms (individual accounts, equity investment, changes to the full retirement age and the early eligibility age, the earnings test, working longer, claiming later),
- pensions and retirement saving (the decline of traditional pensions, growth of defined contribution retirement accounts, automatic enrollment and default contributions, the annuity puzzle),
- the effects of the Great Recession, and
- the potential effects of the Affordable Care Act.

Some major areas of emphasis for DRC research include:

- demographics (impairment trends and geographic variation in SSDI/SSI),
- work and education (early intervention, VR, and work incentives),
- interactions with other State and federal programs (unemployment insurance, workers compensation, veterans' benefits, Affordable Care Act),
- potential reforms (changes to Substantial Gainful Activity (SGA)),
- vocational factor elements, benefit offset, and
- international comparisons.

Both the RRC and DRC are funded through cooperative agreements. Like grants, cooperative agreements provide considerable independence for researchers to propose and study topics that are relevant and important to the research and policy community, using state-of-the-art data and methods. Unlike grants, cooperative agreements give our agency the opportunity to collaborate with the researchers to shape the research agenda on topics that are of great interest to our agency as well as the broader policy community. In addition, collaboration through these cooperative agreements allows our agency to provide the expertise in policy, program operations, and data that is required to conduct these research projects. We obtain broad input within our agency and from external partners as we develop our research agenda.

Some notable RRC studies from the last two years that contribute to the evidentiary base for potential policy improvements include the following:

- [Adding Employer Contributions to Health Insurance to Social Security's Earnings and Tax Base](#) – looks across income groups at the effects on payroll tax receipts and OASI and DI benefits of including employer-sponsored health insurance in taxable income.
- [Does Household Debt Influence the Labor Supply and Benefit Claiming Decisions of Older Americans?](#) – finds that not only does the presence of debt influence older adults' behavior, but also the amount and type of debt – particularly outstanding mortgages.
- [How Do the Changing Labor Supply Behavior and Marriage Patterns of Women Affect Social Security Replacement Rates?](#) – examines the interrelationships between increased labor supply of women, changing marital patterns of women, and increases in the Social Security full retirement age on Social Security replacement rates for women.
- [Evaluating Web-Based Saving Interventions: A Preliminary Assessment](#) – examines the effect on savings of the “Boost Your Savings” dial implemented by the Vanguard Group in the context of 401(k) retirement plan websites.
- [Social Security Benefit Claiming and Medicare Utilization](#) – examines Medicare utilization at various ages to assess how the health status of individuals varies with the age at which they claim Social Security benefits.
- [The Social Security Windfall Elimination and Government Pension Offset Provisions for Public Employees in the Health and Retirement Study](#) – estimates the effects of the Windfall Elimination Provision and Government Pension Offset on the Social Security

benefits (including spouse and survivor benefits) and pre-retirement assets accumulated by affected households.

- [Active vs. Passive Decisions and Crowdout in Retirement Savings Accounts: Evidence from Denmark](#) – assesses whether retirement savings policies such as tax subsidies or employer-provided pension plans increase total saving for retirement or cause individuals to shift assets across accounts.
- [Earnings Adjustment Frictions: Evidence from the Social Security Earnings Test](#) – examines earnings adjustments and adjustment costs in response to the Social Security annual earnings test.

Some notable DRC studies from recent years that contribute to the evidentiary base for potential policy improvements include the following:

- [Understanding the Increase in Disability Insurance Spending](#) – identifies the share of the increase in spending attributable to: (1) demographic changes, (2) policy changes, and (3) labor market developments to determine whether the 30-year trend of rising spending on disability benefits is likely to continue or, alternatively, whether disability insurance spending is likely to stabilize.
- [Disability Insurance and Health In Europe and the U.S.](#) – examines the efficiency of such programs in their ability to screen applicants, finding large differences in the efficiency of DI systems across countries, with Switzerland, Italy, Denmark, and the United States ranking above, and Sweden and the Netherlands ranking below, most European countries.
- [How Financial Incentives Induce Disability Insurance Recipients to Return to Work](#) – analyzes a Norwegian program that reduced DI benefits by approximately \$0.6 for every \$1 in earnings that they accumulated above the SGA threshold to help understand work capacity among SSDI enrollees, and how elastic their labor supply is to changes in financial incentives.
- [Youth with Disabilities at the Crossroads: The Intersection of Vocational Rehabilitation and Disability Benefits for Youth with Disabilities](#) – studies state VR agencies' provision of services to youth with disabilities and differences in outcomes based on Social Security benefit receipt status.
- [Exploring the Growth of the Child SSI Caseload in the Context of the Broader Policy and Demographic Landscape](#) – explores the extent to which SSI caseload growth over the past two decades reflects trends in disability diagnoses among children, the incentives implicit in the provisions of the SSI program, and the parameters of other social programs serving overlapping populations, such as special education programs.

- [Assessing the Interaction of Unemployment Insurance and Social Security Disability Insurance](#) – explores the effects of UI benefits on SSDI rolls. This paper adds to an ongoing set of research on unemployment and disability begun under the RRC.

Additional studies and briefs on retirement and disability topics can be found on the RRC and DRC websites at the following links:

- [Boston College Center for Retirement Research](#);
- [University of Michigan Retirement Research Center](#);
- [National Bureau of Economic Research Retirement Research Center](#);
- Mathematica Policy Research, Center for Studying Disability Policy, [Disability Research Consortium](#); and
- [National Bureau of Economic Research Disability Research Center](#).

**10. You testified that: “We lost about 11,000 employees over that three-year period.” That period, according to your testimony, is “the last three years prior to 2014.” I have not been able to verify that number of SSA staff reductions, and find smaller amounts based on publicly available data produce by SSA. Please identify the source of your number.**

The following table includes our end-of-year on-duty employee counts for FY 2010 through FY 2013. The counts include a breakout of both SSA federal employees as well as employees working in the State Disability Determination Services (DDS) offices. Our on-duty counts come from our payroll system. Biweekly, data is fed into the system by the Department of Interior, via an accounting feeder file.

	FY 2010	FY 2011	FY 2011 Change Over FY 2010	FY 2012	FY 2012 Change Over FY 2010	FY 2013	FY 2013 Change Over FY 2010
Federal Staff	70,202	66,873	(3,329)	64,907	(5,295)	62,199	(8,003)
State DDS Staff	18,269	17,066	(1,203)	16,075	(2,194)	15,280	(2,989)
<b>Total On-Duty <sup>1/</sup></b>	<b>88,471</b>	<b>83,939</b>	<b>(4,532)</b>	<b>80,982</b>	<b>(7,489)</b>	<b>77,479</b>	<b>(10,992)</b>

**11. You testified that “for the last three years prior to 2014, our agency received an average of nearly \$1 billion less than the President requested for our administrative budget, including our program integrity work.” And you go on to identify that difference relative to the President’s request in his budget, which has not received a vote in Congress, as: “That level of chronic under-funding...” In what sense is a one year shortfall relative to a Presidential budget request “chronic under-funding?”**

For the three-year period of FY 2011 through FY 2013, our agency received a total of \$2.745 billion less than our President’s budget requests. This averages out to be \$915 million, or nearly \$1 billion less per year. The chart below shows our President’s Budget request and our appropriations for FYs 2011–2013.

In Millions			
Fiscal Year	Pres Budget	Final Enacted	Difference
2011	\$12,378.9	\$11,423.6	\$955.3
2012	\$12,522.2	\$11,446.2	\$1,076.0
2013	\$11,760.0	\$11,045.6	\$714.4
<b>Total</b>	<b>\$36,661.1</b>	<b>\$33,915.4</b>	<b>\$2,745.7</b>

In each of these three years, we planned and budgeted based on the President’s Budget level, then had to make major mid-year adjustments to accommodate significant reductions, compounding the impact of this chronic underfunding.

**12. You testified that “right now our [DI claim] allowance rate is the lowest that it has been in decades.” Please provide a time series of allowance rates, along with how those rates are measured, for as long past as SSA has available data.**

The tables below provide a time series of allowance rates, at all adjudicative levels (initial, reconsideration, hearing, Appeals Council, and federal court) from FYs 1993–2013.



We calculate the overall allowance rate by dividing the number of allowances by the number of decisions.

Fiscal Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Allowance Rate	36%	32%	31%	31%	31%	33%	35%	35%	37%	37%

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Allowance Rate	36%	36%	35%	35%	35%	35%	37%	35%	33%	31%	30%

**13. In your testimony, you described that “our experience is that people struggle, truly struggle, to find jobs...” You concluded by saying that: “It is very difficult to sustain work and to find work in this country.” Please elaborate on your conclusion.**

Employment rates are lower for persons with disabilities than for those without disabilities. BLS reports that 26.8 percent of persons with a disability between the ages of 16 and 64 worked in 2013 compared to 70.7 percent for persons without a disability. Likewise, the unemployment rate for persons with a disability (age 16 to 64) was 14.7 percent in 2013, which is higher than the rate for persons without a disability (7.2 percent). (Source: <http://www.bls.gov/news.release/disabl.a.htm>)

Our beneficiaries have even lower rates of employment. Following a cohort of individuals who were awarded DI benefits in 1996, 28 percent worked and had earnings of at least \$1,000 as of 2006, but no more than 16 percent worked in any year. Only 10 percent of them worked enough to complete their trial work period, and fewer had benefits suspended (6.5 percent) or terminated (3.7 percent) as a result of work. (Source: [http://www.ssa.gov/disabilityresearch/documents/TTW5\\_Brief\\_2\\_DIcohort\\_REV2.pdf](http://www.ssa.gov/disabilityresearch/documents/TTW5_Brief_2_DIcohort_REV2.pdf))

Our research shows beneficiaries who try to work have difficulties sustaining work over time. Many disabled beneficiaries work for extended periods but work part time at jobs with low wages and few benefits.

**14. In the hearing, you identified that: “At the Disability Determination Services where we make our initial and reconsideration determinations, our quality is consistently above 99 percent...” Please provide data, along with a definition of the measure, showing the above-99 percent “quality,” as well as a time series of those data to corroborate your claim of consistency.**

Our Office of Quality Review (OQR) conducts a robust quality assessment of the initial and reconsideration decisions issued by our State DDS partners. By statute, OQR reviews at least 50 percent of the DDS proposed allowances to ensure accuracy of the decision prior to payment effectuation. We use a predictive model to select the most error-prone cases for review.

In addition, by regulation, OQR conducts a quality assurance (QA) review of a statistically valid sample of DDS initial allowances and denials, as well as a sample of reconsiderations, to evaluate and report on DDS performance accuracy. The Net Accuracy rate to which I referred is the percentage of correct DDS decisions as measured by these QA reviews. The net accuracy rate is derived from the net error rate, which is defined as the number of corrected deficient cases with changed disability decisions plus the number of deficient cases that are not corrected within 90 days from the end of the period covered by the report, divided by the number of cases reviewed. The following chart depicts the DDS initial and reconsideration net accuracy as reported by OQR for the FYs 2010–2013:

**Initial Net Accuracy**

Fiscal Year	2010	2011	2012	2013
Accuracy Rate	98.1%	97.6%	97.9%	98.0%

**Reconsideration Net Accuracy**

Fiscal Year	2010	2011	2012	2013
Accuracy Rate	97.1%	96.8%	96.8%	97.3%

While these figures are not over 99 percent, my underlying point that our DDS determinations are consistently of a high quality still stands.

**15. You testified during the hearing that: “There are three proposals in the President’s fiscal 2015 budget, demonstration projects that we would like to get the funding to run...” Please provide your summary of the successes and failures of SSA in setting objectives and metrics in demonstration projects that SSA has run in the recent past.**

We have substantial experience in conducting demonstrations that yield clear results. For example, our Accelerated Benefits demonstration found that providing health benefits to uninsured SSDI beneficiaries in the 24-month Medicare waiting period sharply improved their health status. Our Youth Transition Demonstration interventions in West Virginia and Miami, Florida found that providing employment supports and benefit counseling substantially increased paid employment among SSI youth. The Mental Health Treatment Study found employment supports and coordinated-care services increased employment and reduced hospitalizations for individuals with schizophrenia and other disorders. Results from our demonstrations are published in top, peer-reviewed journals. We report to Congress annually with updates on demonstration projects conducted under the authority in Section 234 of the Act. For additional information, please see: <http://www.ssa.gov/disabilityresearch/demos.htm>.

**16. In your testimony for this hearing to take a “fresh look” at the disability insurance program, you chose to spend a significant amount of time discussing SSA’s desires for more funding. Based on SSA data, SSA’s administrative budget has increased by 34%, well above the 24% growth in the number of disabled and retired beneficiaries. Over the past 10 years, Social Security’s Limitation on Administrative Expenses (LAE, which is akin to administrative budget) has cumulated to nearly \$105 billion. As Acting Deputy Commissioner of the Office of Retirement and Disability Policy at Social Security, it appears that a proportionately large share of what you wish to share with Congress in a hearing to take a fresh look at the disability insurance program involves SSA budget matters. Therefore, it must be that one of the dominate concern in the Office of Retirement and Disability Policy at Social Security is budget matters. Given that, please identify what the Office of Retirement and Disability Policy would consider, given available work-load and beneficiary and claimant projections internal to SSA, to be an amount of LAE funding for the next 10 years that would be sufficient to provide what your Office would view to be an amount that would allow you to adequately serve the needs of your agency.**

As I testified, administering the Social Security disability program is a uniquely complex and challenging task. The Office of Retirement and Disability Policy’s (ORDP) goal is to keep pace with medicine, science, technology, and the world of work. However, recent years of budgetary cuts have made administering the disability program more difficult. One of the barriers we have faced in achieving that goal is the administrative budget of the agency. Without adequate and timely funding, we cannot ensure that we can keep pace with medicine, science, technology, and the world of work.

Our agency’s administrative budget has increased over the past 10 years and the statement regarding the 34 percent increase is accurate – the FY 2014 enacted funding level is 34 percent higher than the FY 2005 enacted level. But while the number of our disabled and retired beneficiaries has increased by 24 percent, we have seen even more substantial increases in many of our workloads, which continue to be at historical highs. For example, compared to FY 2005 our hearings workload is 42 percent higher and our retirement and survivors claims have increased by 36 percent.

While ORDP is not responsible for securing and managing the financial resources needed by SSA and its employees, our office and the rest of our agency relies on timely and adequate resources to fulfill our responsibilities.

**17. The analytical perspectives of the President’s fiscal year 2015 budget contains the following:**

**“As stated above, the return on investment (ROI) for CDRs is approximately 9 to 1 in lifetime program savings. The ROI for redeterminations is approximately 4 to 1. As in prior years, the ROI for CDRs is calculated based on the direct marginal costs of processing additional CDRs. In 2014, the ROI for CDRs is temporarily lower because the funding provided through the appropriations act was directed at covering additional overhead costs as well as the direct CDR activities. The Budget**

**proposes to return to funding only the direct marginal costs of CDRs in 2015 and beyond.”**

**The budget, which I understand SSA supports, identifies that the return on investment on Social Security’s Continuing Disability Reviews (CDRs) is calculated based on the “direct marginal costs of processing additional CDRs.”**

- a. Given SSAs support of the budget, SSA must understand what they are supporting and therefore what is in the budget and accompanying explanations. Therefore, please identify what “direct marginal costs of processing additional CDRs” means, since it seems inconsistent with what I have been led to understand are the calculations that give rise to the 9:1 and 4:1 numbers referred to in the text.**

By “direct marginal costs of processing additional CDRs,” we are referring simply to the costs of processing CDRs that will increase or decrease based upon the volume of CDRs processed. These costs do not include various fixed costs, such as agency overhead, rent, or information technology (IT) spending, that do not vary based upon the level of work processed.

- b. Please also explain what is meant by 2014 ROIs begin temporarily lower “because the funding provided through the appropriations act was directed at covering additional overhead costs as well as the direct CDR activities.” What does additional overhead costs mean? And what, in the ensuing sentence, is meant by “The Budget proposes to return to funding only the direct marginal costs of CDFs in 2015 and beyond?” What does funding direct marginal costs mean, and what would other, indirect costs, be; overhead costs?**

Unlike in previous years, when we supplemented discretionary program integrity funding with other LAE funds to cover the full costs of processing program integrity workloads, including overhead such as IT costs, rent, and other support for those performing program integrity work, etc.), the dedicated program integrity funding source in FY 2014 is designed to cover all of the costs of processing program integrity work during the fiscal year. As stated in the budget, our agency anticipates returning to the historical approach in future years. The adjustment in 2014 was important because a large increase in program integrity funding was provided late in the year. This approach enabled us to ramp up the staffing resources needed to process significantly higher program integrity levels in upcoming fiscal years while using our LAE funding for all other critical agency workloads in FY 2014.

As I stated in my answer to Question 17a, “direct marginal costs of processing additional CDRs” refers simply to the costs of processing CDRs that will increase or decrease based upon the volume of CDRs processed. These costs do not include various fixed costs, such as agency overhead, rent, or IT spending, that do not vary based upon the level of work processed.

I agree that we must have a clarity of ideas and language on proposals relating to important issues, including the proposal relating to program integrity funding. I want to ensure that the agency and your staff come to a common understanding about the intent of the program integrity proposal in the President's Budget. Consequently, the agency will work with you, Senate staff, and others in developing a common understanding of key terms and proposals.