

Questions for the Record for Andrew G. Biggs

U.S. Senate Committee on Finance

**“A Hearing to Consider the Nominations of Corey Anne Tellez, Andrew G. Biggs,
Kathryn Rose Lang, and Sharon Beth Lewis”**

January 31, 2024

Senator Cassidy

1. SSA Operational Concerns

Thanks to each of you for choosing to serve the American people, and for your willingness to help us better understand what is going on at SSA. You all have deep, distinguished, and unique policy backgrounds that will greatly benefit the Board’s work.

My first question to you, however, is not focused on policy. In fact, what many of us need here in Congress is a better operational understanding of what is going on at SSA. There are many think tanks, research organizations, and other groups that already do a good job informing us on SSA policy matters. In general, what we need from the SSAB is reports and recommendations on important operational matters, including:

- **initial disability claims backlog**
- **field office & 800 number wait times**
- **overpayments**
- **electronic systems modernization**
- **outdated dictionary of occupational titles**
- **poor employee morale – *lowest in the entire federal government***
- **lack of performance metrics provided to Congress by SSA**

***Question: (All)* With this in mind, can each of you describe how your background can help Congress better understand the current serious operational issues facing SSA?**

During my time at the Social Security Administration from 2003 to 2008, I sometimes spoke of a distinction between “Big P policy” and “Small P policy,” where the former refers to the sorts of decisions that Congress must make to ensure solvency – raise taxes, increase the retirement age, reduce benefits and so forth – while the latter refers to operational policies and regulations that ensure that the SSA can provide speedy and accurate service to the public. Most people are, at most, familiar with one or the other: that is, most policy analysts are concerned with “Big P” policy while most employees of the SSA focus on “Small P” policy. Having worked both inside and outside of the agency I am familiar with the agency’s challenges and concerns regarding issues such as reducing disability hearing waiting times and improper benefit payments. While it obviously has been a number of years since I worked at the SSA, I have sufficient

familiarity with these operational challenges to help the Advisory Board in contributing to overcome them.

I am particularly concerned with the lack of performance metrics provided to Congress by SSA. Agency leadership regularly come to the Hill to ask for more funding, justifying this by providing only output data. This reminds me of the signs you used to see in front of a McDonalds: “*Millions and Millions Served*”. Millions may have eaten there, but was the food acceptable?

***Question: (All)* How can the SSAB help Congress access and understand historical performance data from SSA? For example, how can we find out the “cost per retirement claim” over, let’s say, the last 20 years?**

The SSA maintains performance and productivity statistics at the component level to assist in tracking and managing operations. However, these figures are often not easily accessible and, in any case, may not be understandable to policymakers.

It is possible to generate a very rough measure of the cost of processing claims, by dividing administrative costs by function – meaning, either the Old Age and Survivors (OASI) program or the Disability Insurance (DI) program by the number of benefit claims awarded. These figures are, to be very clear, approximate. They look at the number of benefit claims awarded, not the number of claims made. Moreover, they implicitly assume that the SSA does nothing other than process claims, when in fact it does carry out other functions.

Nevertheless, these figures may be helpful. Measured in inflation-adjusted dollars, the per-claim cost for the OASI program declined from \$1,571 in 1975 to \$839 in 2022. While there were small variations from year to year, the decline in per-claim costs was more or less continuous, likely reflecting improvements in technology applied to retirement and survivors claims processing, such as replacing paper-and-pencil processing with computers and, later, online processes.

On the other hand, the per-claim cost for the DI program increased from \$1,132 to \$3,842 between 1975 and 2022. While the DI program has been able to utilize technology, it also has been forced to address the increasing complexity of disability claims, some of which stems from legislation, regulation or judicial decisions regarding the DI program.

Contrasting falling OASI claims costs with rising DI claims costs may be informative to Congress and the executive branch in considering steps that might streamline the DI application and consideration process in ways that reduce costs for the SSA and waiting times for applicants, while maintain the fairness and effectiveness of the agency’s ultimate decisions.

As part of prepping for a hearing, like every one of my colleagues here, I asked my staff to speak with SSA policy leaders, researchers, and past senior staff at the Agency. In this case, we asked them their thoughts on how useful the SSAB has been

to the Agency, to Congress and the Administration, and the American people. *The responses we received were decidedly mixed.* Some wonder if the SSAB should even exist in its current structure, or if its structure is even constitutional in light of recent court decisions.

As part of my work on this Committee, my staff and I have interacted extensively with MedPAC, the Medicare Payment Advisory Commission. It is supposed to serve a somewhat similar role to the SSAB, to advise Congress on issues related to the Medicare program, and its work has been very useful to many of us on this Committee and across Congress. The resources given to MedPAC, are similar to that given to the SSAB, yet SSAB does not seem to have been as useful to Congress and the American people.

Question: (All) How can the SSAB better serve its primary customers: Congress, the Administration, SSA, and the American people. Should we look at reforming the structure of the SSAB? If so, what would you recommend?

Prior to serving on the Board, I cannot provide informed comment on whether a restructuring would improve the Board's capabilities. I would note that MedPAC takes on a more assertive role in making policy recommendations than does the Social Security Advisory Board, which has often limited itself to provide information that might guide policymakers' decisions. The Board could take on a more active role similar to MedPAC, but at the cost of at times potentially drawing itself into controversies over policy. If the Board were to adopt such an approach, it is my view that such a change should occur only with a consensus of the Board and with the leadership of the main committees, including the Senate Finance Committee, that the Board's work product is designed to assist.

2. Solvency – SSAB Role

As I noted in my previous question, there are many other outside groups that provide great advice to Congress on issues related to Social Security solvency issues. On top of that, SSA's own research divisions and the SSA Actuary provide great data and research to Congress. So I am wondering where the SSAB fits into this?

Question: (Andrew Biggs) Mr. Biggs, in the testimony that you submitted to this Committee, you stated that:

It is not the Board's mission to promote solutions to either administrative or solvency challenges. Rather, the Board seeks to facilitate a process by which both agency officials and elected policymakers can make informed choices on behalf of the public.

You have provided advice and research to Congress on solvency matters for many years, including to my staff, as part of your work in your day job at AEI. Do you believe the role the SSAB plays here is duplicative or complementary to the work of

these other groups? Is this work more important than helping Congress understand field office wait time problems, or learning about why the disability claims backlog is ballooning?

In general the Advisory Board's work is complementary to my own work as a Senior Fellow at the American Enterprise Institute. In part this is because the Board gives greater focus on operational concerns at the Social Security Administration while my own work tends to focus more on policy changes that Congress might make to structure Social Security to be more effective as social insurance and, of course, to remain solvent for future generations.

And, I would emphasize, in my work at the American Enterprise Institute I speak for no one but myself. AEI holds no institutional views, and it welcomes the fact that AEI scholars often disagree with one another. By contrast, the Advisory Board works as a group and seeks consensus between members who, by design, have a range of viewpoints and expertise. I anticipate that the overlap between my work at AEI and the Advisory Board would be far smaller than one might at first glance suspect.

Senator Grassley

For all nominees to the Social Security Advisory Board:

- 1. One of the responsibilities of the Social Security Advisory Board is to make recommendations to the President and Congress regarding policies that will ensure the solvency of the Social Security trust funds. As you likely know, the Congressional Budget Office estimates that the Social Security trust funds will become insolvent in 2033. It is vital that Congress take action to extend the solvency of Social Security to protect our Seniors hard earned benefits.**

As a member of the Social Security advisory board, how would you help advise Congress as we act to ensure the solvency of Social Security?

The Advisory Board in general assists Congress, the executive branch and other policymakers by providing information that may inform their choices. For instance, the Board has convened panels to analyze the reasonableness of the Trustees' projections for Social Security's finances, as well as other publications that outline various options to restore long-term solvency.

However, the Advisory Board has *not* advocated for specific policies, nor do I anticipate that it would do so in the future. Doing so could undermine the consensus-based bipartisan work that the Board was established to conduct.

Aside from the impending Social Security shortfall, what do you believe to be a major challenge facing Social Security, and what should Congress or the President do to address it?

The Social Security Administration seeks to pay benefits promptly and accurately. It is sometimes said internally that the agency's credo is "the right benefit to the right person at the right time."

In two specific areas, however, SSA has encountered difficulties. These difficulties may need to be overcome with both internal policy changes undertaken by agency management, including the new Commissioner of Social Security, and potentially may involve regulations enacted by the executive branch and legislation passed by Congress.

The first challenge involves giving Americans the right benefit. For most retirement claims this is less difficult. However, Social Security Disability Insurance benefits and Supplemental Security Income benefits can be reduced or discontinued based upon the outside income or assets to which the beneficiary has access. As we discussed in the hearing, the receipt of additional income can result in overpayments, which the SSA then seeks to recoup. If these overpayments are large or continue undetected for a long period these benefit adjustments can be substantial and may cause hardship to beneficiaries.

Now, much of the problem is not SSA's fault. Beneficiaries are required by law to report additional income to SSA, yet many fail to do so. When that income is later discovered by other means this can result in the conclusion that an overpayment took place. SSA may need to do a better job of educating beneficiaries about their legal responsibilities, but beneficiaries nevertheless should report their income as required.

However, SSA could reduce problems with overpayments by relying more upon administrative data, which flows directly from payroll providers, the Internal Revenue Service, state workers' compensation agencies and other sources. These data can be often be compiled quickly, are more accurate than individual reports and, because they are transmitted electronically, involve less cause and potential for inputting errors than reports compiled manually by SSA staff. This is a pressing issue that has remained unaddressed for too long.

Second, many applicants for Disability Insurance benefits are waiting too long to have their cases decided. It typically takes three to five months to receive an initial decision regarding a DI application. But for rejected applicants who wish to appeal the decision wait times for a reconsideration hearing in 2022 reached an average of 183 days, or over six months. For context, in Canada disability decisions are generally reached within four months. In the United Kingdom, the average time to decision is five months.

The SSA has long sought to streamline the application process while ensuring that each applicant is treated fairly using uniform standards for approval. Efforts to speed up the process are multifaceted. But Congress may wish to consider potential changes to streamline the process.

The Advisory Board has published research and held events on the Social Security Disability Insurance decision-making process in the past and will surely continue that work in the future.

For Andrew Biggs:

- 2. During the hearing, Democrats mischaracterized your past work in an attempt to demonize you as a supporter of slashing Social Security benefits. First, if there are any statements about your work that you did not get the opportunity to respond to during the hearing that you would like to clarify, please do so here. Secondly, please explain why simply taxing the rich is not a real solution to addressing Social Security solvency.**

During the hearing, Sen. Brown read a portion of a transcript of a 2013 hearing, in which I responded to a question from Sen. Isakson. The quoted section of my response is as follows:

“Go back to 1950, when we had a highly industrialized economy. You had coal miners, and farmers, and factory workers. The average age of initial Social Security claiming then was 68. Today, when your biggest on the job risk is, you

know, carpal tunnel syndrome from your mouse or something like that, it's 63. ...[T]he idea that we can't have a higher retirement age, I think it just flies in the face of the fact that people did, in fact, retire later in the past, and today's jobs are less physically demanding than they were in the past," adding that raising the retirement age is "something people should be open to."

However, the *immediate* following line of the transcript read, "In a proposal I did for AEI a few months ago, I did not propose raising the retirement age." I also reiterated in that same paragraph that raising the retirement age "is not something I say has to happen."¹ Since that hearing, over a decade ago, I still have not advocated for increasing the retirement age. It is unfair to my own years of experience on the issue to mischaracterize my views in such a way.

In fact, I have been quoted in the *New York Times* stating that raising the retirement age in response to average increases in longevity ignores the fact that such increases have been uneven.

"'You're essentially punishing low-income people for a problem they didn't cause,' said Andrew Biggs, a retirement policy expert at the conservative American Enterprise Institute."²

The selective quotation of my work, relying upon an edited oral response to a hearing question from more than a decade ago, leaves these facts out.

Nevertheless, I stated that increasing the retirement is not an unreasonable component to include as part of a Social Security reform package.

For one thing, an increase in the retirement age would be just one component of a larger Social Security reform. For instance, Social Security's actuaries project that raising the retirement age by two years, from 67 to 69, would address just 18% – less than one-fifth – of Social Security's long-term funding gap.³ Other steps must necessarily be taken and these steps can be structured in such a way that the package as a whole is progressive and protects low-income retirees.

For instance, a reform might increase the normal retirement age by, say, two years, while raising benefits for low earners by 13 percent. This reform would still present incentives to delay retirement, in that the "target retirement age" would be seen to increase. But low earners would be protected even if they did not retire later.

3. You have worked on Social Security from a variety of positions, ranging from time in the White House, to serving as the Principal Deputy Commissioner of the Social

¹ See <https://www.congress.gov/event/113th-congress/senate-event/LC23308/text>

² See Barro, Josh. "We're Living Longer. That's Great, Except for Social Security." *The New York Times*. Nov. 17, 2015. https://www.nytimes.com/2015/11/17/upshot/were-living-longer-thats-great-except-for-social-security.html?_r=0

³ See https://www.ssa.gov/OACT/solvency/provisions/charts/chart_run136.html

Security Administration, and now studying Social Security reform at the American Enterprise Institute. Based on your experience in these positions, please explain how you think Social Security can best be improved.

I would note explicitly that the Social Security Advisory Board *does not* advocate for specific policy reforms and that I would not do so in my role as a Board member were I to be confirmed.

However, I have elsewhere argued for gradually transitioning Social Security, over the course of decades, to more closely reflect the retirement systems in the United Kingdom, Australia, Canada and New Zealand.⁴ While these countries' retirement systems are not identical, they tend to focus resources more closely on preventing poverty in old age and less upon paying high benefits to middle and upper income workers. The maximum Social Security benefits, which for a couple retiring at age 67 in 2024 will exceed \$96,000 per year, is two to three times higher than the maximum benefits paid in these countries that otherwise are similar to our own. For instance, were that same high-income couple to retire this year in the United Kingdom, they would receive just \$30,000 in annual benefits. High earners respond by saving more on their own.

Focusing resources more tightly on the lowest-income seniors can provide better poverty protections than Social Security offers. Australia, for instance, guarantees against poverty in old age – which the combination of Social Security and Supplemental Security Income does not – while spending roughly half as much on their Old Age program as does the United States.

Focusing benefits more closely on the poor may provide fiscal breathing room to address other, larger challenges such as Medicare, which are significantly more complex.

⁴ Andrew G. Biggs, "Rethinking Social Security In The Face Of Economic Threats," in *American Renewal: A Conservative Plan to Strengthen the Social Contract and Save the Country's Finances*, ed. Paul Ryan and Angela Rachidi (Washington, D.C.: American Enterprise Institute, 2022).

Senator Scott

For Biggs, Lang, and Lewis:

1. **One area I'm hoping you can commit to focusing on is the Social Security Administration's (SSA) electronic consent based SSN verification system, also known as the "eCBSV." By enacting my Preventing Children From Identity Theft Act, Congress directed the SSA to build this system so synthetic identity fraud could be detected and prevented in real time. Criminals create a synthetic identity by combining SSNs, names, and dates of birth of multiple people (or fabricating some of that information). A criminal uses this identity to apply for credit, slowly building a credit profile over time, and finally, obtaining a large amount of credit, with no intent to repay. Victims are usually children, as most parents are not checking their child's credit report and their SSNs are rarely used until their late teens. We understand synthetic identity fraud is the fastest growing type of financial crime in the U.S. As the only true owner of SSN information, SSA is integral to stopping this fraud. The eCBSV system allows financial institutions and their service providers to submit a name, SSN, and date of birth to the SSA to see if it is a match or no match to SSA's records. A no match may be a case of synthetic identity fraud. While the system is now up and running, I am concerned about reported cost overruns and SSA's overly aggressive timeline to recover these costs.**
 - a. **Will you commit to working with your fellow Board members to help ensure that the SSA's eCBSV is as successful and as cost efficient as possible?**

Synthetic identity theft involves creating a false identity using names, Social Security Numbers and birthdates from various different people. Synthetic identity theft is particularly difficult to detect because it typically afflicts children, who otherwise do not interact with financial markets or their credit reports. In the process, it can potentially damage their ability to access credit as they enter adulthood, hurting their ability to use educational, auto or home loans. eCBSV allows permitted entities to verify if an individual's SSN, name, and date of birth combination matches Social Security records. As a member of the Board I would be happy to use the Board's resources to assist in this important mission.

2. **Social Security is a vital pillar of the American retirement system. Retirement and disability benefits represent approximately 30% of total income for the median beneficiary household headed by someone age 65 or over; for more than one in ten of such households, Social Security provides at least 90% of income. But the program faces a major financial challenge. Benefits paid out by Social Security are set to far exceed its income from the payroll tax and other sources. Without action by Congress, beneficiaries will face a 23% benefit cut in 2033—just 10 years from now—as the program's primary trust fund runs dry. Such an outcome would have severe consequences. Addressing this issue is within our realm, but we require an advisory board that is ready to collaborate with us in Congress to develop and improve solutions.**

a. Can you share your view on this issue and what are some solutions that you think Congress should look at in addressing this issue?

I will start by focusing on the statistics, produced by the SSA, that Social Security benefits constitute 30% of the total incomes of Americans 65 and over, with one-in-ten households receiving 90% or more of their income from the program. In 2003, the year I began work at the SSA, the agency published a figure stating that Social Security benefits made up 39% of incomes of Americans 65 and over, and that one-third of seniors received 90% or more of their income from Social Security.⁵ These figures have changed dramatically over time. What happened?

During the time I worked in SSA's Office of Policy, SSA career staff produced research demonstrating that the household survey data used to produce datapoints such as the 30% figure published in 2003 were faulty, as those data failed to fully account for the income that seniors received from private retirement plans such as pensions and retirement accounts. In 2012 I published an article in the *Wall Street Journal* showing that the data used by the SSA ignored fully 60% of the benefits seniors receive from private retirement plans, thereby overstating those seniors' dependence on Social Security.⁶ Subsequent work by the SSA, the Census Bureau and others confirmed those claims, and today the SSA is using more accurate data. Understanding the strengths and weaknesses of data is essential in presenting figures that are informative to policymakers who must make important decisions regarding the Social Security program. I believe I can be helpful in that regard.

The Advisory Board does not advocate for specific Social Security reforms or even a general direction of reform. However, simply providing policymakers and the public with accurate data can be useful. For instance, just as SSA's previous data overstated seniors' dependence on Social Security benefits, accurate data show that middle- and higher-income retirees are better off than ever. According to the OECD, for instance, the median U.S. senior has the second highest disposable income in the world, behind only Luxembourg. High-income U.S. seniors are better off yet. While Social Security's insolvency would trigger a 23% across-the-board benefit reduction, to new and existing beneficiaries alike, policymakers have available to them many other options that can tailor the Social Security program to be both more financially sustainable and more effective in achieving its goals. A first step, however, is accessing the best and most accurate data available.

b. Given the critical role of Social Security and the imminent financial challenge it faces, could you share your perspective on the potential impact of a 23% benefit cut in 2033?

I have written in many places that I do not believe that the United States faces a "retirement crisis" of inadequate incomes and savings in old age. More Americans are

⁵ See https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2003/fast_facts03.html#agedpop

⁶ See Sylvester J Schieber and Andrew G Biggs, "Retirees Aren't Headed for the Poor House," *Wall Street Journal* (2014).

saving more for retirement than ever before, and seniors' incomes are at record highs while poverty in old age has declined significantly even over recent years.⁷ While not perfect, the U.S. retirement system that combines Social Security with personal savings is working well for most Americans.

However, a 23% across-the-board benefit reduction triggered by Social Security's insolvency would change all that, and truly would result in a retirement crisis for many seniors. While certain higher-income retirees could survive such a cut to their benefits, even for middle-class seniors a sudden 23% reduction to their benefits, with further reductions to follow in subsequent years, would be crippling.

The best time to address Social Security's long-term funding gap would have been in 1984, when the current funding shortfall first began to emerge. The next best time to address Social Security solvency would have been in any of the forty years since then. But the next best time to fix Social Security's \$20 trillion-plus funding shortfall is today. The Social Security Advisory Board published a guide to reform options titled "Social Security: Why Action Should Be Taken Soon."⁸ That report was published in 1998. Had Congress acted then, seniors and other Social Security beneficiaries would face less uncertainty today.

- 3. Separate from Social Security's old-age and disability insurance programs, SSA also administers the Supplemental Security Income (SSI) program, which provides crucial monthly assistance to nearly 8 million older adults, and people with disabilities who have little or no earnings. SSI beneficiaries—40% of whom live in poverty with these benefits—are allowed to have assets of up to \$2,000, or \$3,000 for a couple. These asset limits penalize marriage, work, and saving.**
 - a. In light of the issues related to asset limits affecting marriage, work, and savings for SSI beneficiaries, could you provide insights for potential reforms or enhancements that might alleviate these challenges and improve the program's effectiveness in assisting individuals with limited or no earnings?**

Unlike Social Security's Old Age or Disability Insurance benefits, which are "earned benefits" based upon work and contributions, the Supplemental Security Income (SSI) program is a means-tested need-based program that pays benefits to the disabled, the blind and to elderly individuals with low resources, meaning both low levels of income and assets.

Any means-tested program imposes an "implicit tax" on the means which are tested. If a means-tested program tests against income, then rising income reduces benefits; if it tests against assets, then savings similarly reduce benefits. There is no way around that fact.

⁷ See Adam Bee and Joshua Mitchell, "Do older Americans have more income than we think?" (paper presented at the Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association, 2017).

⁸ See <https://www.ssab.gov/research/social-security-why-action-should-be-taken-soon-2/>

However, income and asset tests also should be set at reasonable thresholds. As I wrote in a 2020 Forbes article, I support efforts spearheaded by Sen. Sherrod Brown, a member of the Finance Committee, to increase the SSI asset limits.⁹ These limits have been adjusted just once since the introduction of the SSI program in 1972, and even that adjustment in 1989 did not fully account for the effects of inflation.

Even such adjustments would not change the fact the SSI beneficiaries will remain quite poor. But they would provide some breathing space so that beneficiaries need not worry so much that an addition of savings would disqualify them for benefits.

⁹ See Biggs, Andrew G. “Bipartisan Cooperation to Battle Poverty.” Forbes. June 10, 2022. <https://www.forbes.com/sites/andrewbiggs/2022/06/10/bipartisan-cooperation-to-battle-poverty/?sh=11dafbc84a4e>

Senator Young

Questions for Andrew Biggs:

- 1. Mr. Biggs, can you please discuss what you understand the role of the Social Security Advisory Board to be in regards to the ongoing congressional conversation surrounding the solvency of the Old-Age and Survivors Insurance Trust Fund?**

The Board does not advocate for particular steps to restore Social Security's long-term solvency. Indeed, because the Board explicitly must be bipartisan, one can assume that in general the Board will by design contain a diversity of views. And so, the Board tends to confine itself to providing broad information that would be useful to any policymaker, but is careful not to be seen as taking sides in what is an important but often contentious debate.

- 2. In the advisory role the SSAB plays, how do you intend to engage with members of Congress and their staff regarding solvency discussions?**

I am not aware that SSAB members have engaged in discussions with Congress regarding solvency matters. In general, it appears that the Board produces written material and public events designed to inform policymakers regarding all areas of Social Security policy, including solvency, but that this is generally the limit of such interactions.

- 3. Understanding that if confirmed, part of your role as a member of the SSAB would be making recommendations to Congress and the President on policies related to Social Security, what are your views on raising the retirement age?**

I have not advocated for increasing the retirement age, because I believe that other reforms could restore Social Security's solvency without such a step.¹⁰

¹⁰ See Biggs, "Rethinking Social Security In The Face Of Economic Threats."

References

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