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SOCIAL SECURITY ADMINISTRATION

Evaluation Report

The Social Security Administration's
Progress in Reducing the Initial
Disability Claims Backlog

A-07-13-13073 | April 2014

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: April 28, 2014

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Progress in Reducing the Initial Disability Claims Backlog (A-07-13-13073)

The attached final report presents the results of our review. Our objective was to review the Social Security Administration's actions to reduce its initial disability claims backlog.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

The Social Security Administration's Progress in Reducing the Initial Disability Claims Backlog

A-07-13-13073



April 2014

Office of Audit Report Summary

Objective

To review the Social Security Administration's (SSA) actions to reduce its initial disability claims backlog.

Background

In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claims Receipts* (Strategy). The Strategy outlined four objectives to address the increase in initial claims and the growing pending levels. These objectives were to (1) increase staffing at disability determination services (DDS) and Federal disability processing units, (2) improve efficiency through automation, (3) expand the use of screening tools to streamline claims likely to be allowed, and (4) refine policies and business processes to expedite cases.

Our Findings

In Fiscal Year (FY) 2010, SSA expected initial disability claims pending would exceed 1 million. Therefore, SSA established a goal to achieve a pending level of 525,000 initial disability claims by FY 2014. SSA took actions to reduce the initial disability claims backlog. As a result, SSA reduced the backlog from a high of about 842,000 claims at the end of FY 2010 to 698,000 claims by the end of FY 2013.

Based on SSA's most recent projections for initial claims receipts and clearances, the pending level will not reach the levels previously expected. With the FY 2014 funding level and the funding level anticipated for FY 2015, SSA expects to make progress in reducing the initial claims backlog while keeping average processing times consistent. If the anticipated funding and productivity remain unchanged, SSA and OIG's collective estimates indicate the pending level will remain lower than the FY 2013 level through FY 2016. However, the pending level will not be reduced to 525,000 claims.

According to SSA, because of budget uncertainty, it was no longer striving to achieve its previous pending level goal of 525,000 claims, and it had not established a new goal for an ideal pending level. To reduce initial disability claims pending to an ideal level, it is important to have a goal. Further, the goal must be attainable within a timeframe allowed by SSA's resources and take into consideration an acceptable processing time for initial claims and other workloads that need DDS resources.

Our Recommendation

We recommend that SSA establish a goal for an ideal initial disability claims pending level with an acceptable claims processing time and a timeframe to reach the goal.

SSA agreed with our recommendation.

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ABBREVIATIONS

CAL	Compassionate Allowance
CE	Consultative Examination
C.F.R.	Code of Federal Regulations
DCPS	Disability Case Processing System
DDS	Disability Determination Services
DI	Disability Insurance
eCAT	Electronic Claims Analysis Tool
EST	Extended Service Teams
FY	Fiscal Year
HIT	Health Information Technology
NVF	National Vendor File
OIG	Office of the Inspector General
QDD	Quick Disability Determinations
SSA	Social Security Administration
SSI	Supplemental Security Income
Strategy	<i>Strategy to Address Increasing Initial Disability Claims Receipts</i>
U.S.C.	United States Code

OBJECTIVE

Our objective was to review the Social Security Administration's (SSA) actions to reduce its initial disability claims backlog.

BACKGROUND

SSA provides Disability Insurance (DI) benefits and Supplemental Security Income (SSI) payments to eligible individuals under Titles II and XVI of the *Social Security Act*.¹ To receive benefits under either program, an individual must first file an application with SSA. An SSA field office then determines whether the applicant meets the non-disability criteria for benefits.² If the applicant meets the non-disability criteria, the field office generally forwards the claim to the disability determination services (DDS) in the State or other office with jurisdiction to make a disability determination.³ There are DDSs in each of the 50 States, the District of Columbia, and Puerto Rico. In addition to DDSs, SSA has Federal disability processing units that make disability determinations.

According to SSA's *Strategy to Address Increasing Initial Disability Claims Receipts* (Strategy), it experienced a significant increase in initial disability claim applications in Fiscal Year (FY) 2008 due to the economy, a rise in unemployment, and the aging of the baby boomers. The rate of applications continued increasing through FY 2010—with an overall increase of about 24 percent since FY 2008. To address the initial claims increase and growing level of pending claims, in November 2010, SSA released its Strategy, which outlined the following four objectives.

1. Increase staff in the DDSs and in Federal disability processing units, particularly disability examiners and medical consultants.
2. Improve efficiency through automation.
3. Expand the use of screening tools to assist in identifying claims likely to be allowed.
4. Refine policies and business processes to expedite case processing.

¹ *Social Security Act* §§ 201 *et seq.* and 1601 *et seq.*, 42 U.S.C. §§ 401 *et seq.* and 1381 *et seq.*

² For DI benefits, non-disability criteria include sufficient earnings to acquire insured status. 42 U.S.C. § 423(c)(1). For SSI payments, the non-disability criteria include income and resources. 42 U.S.C. § 1382.

³ At the DDS, a disability examiner uses SSA's regulations, policies, and procedures to obtain the relevant medical evidence. The examiner then evaluates the case to determine whether the claimant is disabled under the Agency's criteria. As needed, the disability examiner will consult with a physician and/or psychologist. *Social Security Act* §§ 221(a)(1) and 1633(a), 42 U.S.C. §§ 421(a)(1) and 1383b(a), 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

RESULTS OF REVIEW

In FY 2010, SSA expected initial disability claims pending would exceed 1 million. Therefore, SSA established a goal to achieve a pending level of 525,000 initial disability claims by FY 2014. SSA took actions to reduce the initial disability claims backlog. As a result, SSA reduced the backlog from a high of about 842,000 claims at the end of FY 2010 to 698,000 claims by the end of FY 2013.

Based on SSA's most recent projections for initial claims receipts and clearances, the pending level will not reach the levels previously expected. With the FY 2014 funding level and the funding level anticipated for FY 2015, SSA expects to make progress in reducing the initial claims backlog while keeping average processing times consistent. If the anticipated funding and productivity remain unchanged, SSA and OIG's collective estimates indicate the pending level will remain lower than the FY 2013 level through FY 2016. However, the pending level will not be reduced to 525,000 claims.

According to SSA, because of budget uncertainty, it was no longer striving to achieve its previous pending level goal of 525,000 claims, and it had not established a new goal for an ideal pending level. To reduce initial disability claims pending to an ideal level, it is important to have a goal. Further, the goal must be attainable within a timeframe allowed by SSA's resources and take into consideration an acceptable processing time for initial claims and other workloads that need DDS resources.

SSA's Actions to Reduce the Initial Claims Backlog

In its Strategy, SSA laid out four objectives to address the increases in initial disability claims receipts and pending levels.

Objective 1: Increase Staff at the DDSs and in Federal Disability Processing Units

From FYs 2008 to 2010, the number of DDS employees increased by almost 3,000, with the majority—about 2,000—being disability examiners.⁴ This included 333 new employees to staff the newly established Extended Service Teams (EST) in Arkansas, Mississippi, Virginia, and Oklahoma. SSA established ESTs to assist the DDSs hardest hit with claim receipts and high pending levels. SSA placed ESTs in these four States because they had a history of high quality and productivity. In addition, these States had the capacity to hire and train additional staff to help process claims. Also, by the end of FY 2010, SSA had over 400 additional disability examiners at its Federal disability processing units compared to the end of FY 2008.

⁴ Of the remaining 1,000 employees, more than 300 were medical consultants. The remaining 700 employees were DDS administrative and support staff.

Objective 2: Improve Efficiency Through Automation

SSA implemented several automated efficiency initiatives over the past few years to mitigate some of the effects of dwindling resources on the initial disability claims pending level.

- SSA rolled out the Electronic Claims Analysis Tool (eCAT) in all DDSs. This tool is a Web-based application designed to assist DDS staff with documenting, analyzing, and adjudicating the disability claim in accordance with SSA regulations.⁵
- SSA increased the use of consultative examination (CE) video teleconferencing. A CE is a physical or mental examination or test purchased from a medical source, at SSA's request and expense, to provide evidence for a claimant's disability or blindness claim.⁶ Video teleconferencing is an innovative and cost-effective way of providing Social Security services to the public.
- SSA expanded the use of Health Information Technology (HIT), the electronic management and secure exchange of medical information between health care consumers and medical providers.⁷

Objective 3: Expand the Use of Screening Tools

SSA expanded its screening tools through Quick Disability Determinations (QDD) and Compassionate Allowances (CAL) to expedite favorable rulings to more severely disabled claimants. These screening tools use technology to identify claimants with the most severe disabilities and allow SSA to expedite decisions while maintaining accuracy. In FY 2014, SSA expects to identify 6.1 percent of all initial disability cases as QDD or CAL, up from 4.6 percent in FY 2010.

⁵ In a prior audit, we assessed the eCAT application as it was rolled out nationally to sites that made initial disability determinations. We found eCAT was a useful tool in documenting analysis of initial disability claims. SSA OIG, *The Social Security Administration's Electronic Claims Analysis Tool* (A-01-10-11010), January 5, 2011, p. 3.

⁶ SSA, POMS, DI 22510.001 A.1 (April 8, 2013). In FY 2013, 1,460 CEs had been performed through video teleconferencing, compared to 1,201 in FY 2012 and 894 in FY 2011.

⁷ In a prior audit, we reviewed SSA's plans for the funds earmarked for HIT. We found SSA had been proactive in planning for HIT initiatives, including setting a timeline for awarding contracts for HIT spending and planned oversight of those contracts. SSA OIG, *Funding for Health Information Technology Under the American Recovery and Reinvestment Act of 2009* (A-01-09-29155), July 31, 2009, p. 3. In a separate report, we reviewed four of the contracts awarded for HIT. We found SSA properly accounted for the funds, and the contractors completed their objectives, in three of the four contracts. SSA terminated the remaining contract. SSA OIG, *American Recovery and Reinvestment Act of 2009 Funds Used for Health Information Technology Contracts* (A-15-11-11199), July 19, 2012, p. 2.

Objective 4: Refine Policies and Business Processes to Expedite Case Processing

To allow disability examiners to process cases more efficiently, SSA revised its policy to judge individuals based on their ability to work.⁸ SSA also formed the Training Advisory Committee to discuss future training topics and needs, provide input on newly effectuated policies and procedures, and share training materials and ideas. Through the Training Advisory Committee, SSA created a central repository for locally created training materials to share with other trainers.

Other Actions SSA Had Taken to Reduce the Initial Claims Backlog

SSA is implementing the Disability Case Processing System (DCPS), which can be used by all State and Federal disability processing units. Creating the new and universal DCPS will provide common functionality and consistent support for the business processes of all components that make disability determinations. SSA is implementing DCPS in the first five sites and originally planned to have it fully implemented by the end of FY 2016.⁹ However, based on additional time requirements identified at the first implementation sites, SSA is revising its timeline.¹⁰

SSA is also developing a National Vendor File (NVF) to help reduce the initial disability claims backlog. As of the date of our review, each DDS was maintaining its own data file of vendors that provided medical records and CEs. When a physician changes their contact information, each DDS must update its vendor file. The NVF will eliminate the duplication caused when each DDS adds or removes vendor names and other information. The NVF combines vendor information from each State and Federal determination component in a single database that will be accessible to all components. The creation of the NVF will also make it easier to shift work between DDSs, ESTs, or Federal determination components. The NVF rollout will be implemented concurrently with the DCPS rollout. NVF needs to be in place for DCPS to be fully functional.

⁸ SSA, POMS, DI 25005.015 A (September 19, 2011).

⁹ The first five sites are Idaho, Illinois, Missouri, Nebraska, and New York.

¹⁰ SSA expects to have the timeline revised by the end of April 2014.

SSA Obstacles in Reducing the Initial Claims Backlog

According to SSA, the two main obstacles it faced in reducing initial claims pending to an ideal level were increased initial claims receipts and reduced staffing at the DDSs. In FY 2013, SSA received approximately 3 million initial disability claims, for the fifth consecutive year, peaking at more than 3.3 million claims in FY 2011. In FYs 2009 and 2010, SSA received funding to increase DDS staffing (see Table 1). The increase in DDS staffing allowed SSA to implement actions to make progress in reducing the initial disability claims backlog. As a result, initial disability claims pending decreased for 3 consecutive years, from a high of 842,000 in FY 2010 to 698,000 in FY 2013.

Table 1: DDS Staffing and Initial Disability Claims, FYs 2008 Through 2013¹¹

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
DDS Staff	15,361	16,814	18,268	17,064	16,075	15,285
Initial Claims Receipts	2,605,362	3,024,415	3,224,668	3,318,228	3,158,421	2,985,877
Initial Claims Clearances	2,630,312	2,812,915	3,161,314	3,390,936	3,206,869	2,987,628
Initial Claims Pending	565,284	779,854	842,192	759,023	707,700	698,127

According to SSA, reduced funding since FY 2010 prevented it from replacing staff losses at DDSs. As a result, DDS staffing in FY 2013 was about the same as it was in FY 2008 (see Table 1). However, in FY 2013, initial claims receipts were almost 15 percent higher than they were in FY 2008.

Estimated Initial Disability Claims Pending Level

With the FY 2014 funding level and the funding level anticipated for FY 2015, SSA expects to make progress in reducing the initial claims backlog while keeping average processing times consistent. If the anticipated funding and productivity remain unchanged, SSA and OIG's collective estimates indicate the pending level will remain lower than the FY 2013 level through FY 2016 (see Table 2).

¹¹ DDS staff as of the end of FYs 2008 through 2013, as provided by SSA's Offices of Operations and Budget, Finance, Quality, and Management. Initial claims receipts, clearances, and pending obtained from SSA's Office of Disability Determinations management information reports.

Table 2: Initial Disability Claims Pending and Processing Times for FYs 2013 Through 2016

Category	FY 2013 (Actual)	FY 2014 (SSA Estimate)	FY 2015 (SSA Estimate)	FY 2016 (OIG Estimate)
Open Pending Level¹²	707,700	698,127	642,127	655,127
Initial Receipts¹³	2,985,877	2,891,000	2,860,000	2,860,000
Initial Clearances¹⁴	2,987,628	2,947,000	2,847,000	2,847,000
Ending Pending Level¹⁵	698,127	642,127	655,127	668,127
Processing Time (Days)¹⁶	107	109	107	107

In FY 2010, SSA expected initial disability claims pending would exceed 1 million. Therefore, SSA established a goal to achieve a pending level of 525,000 initial disability claims by FY 2014. This goal was based on processing each claim in 70 days. Despite progress in reducing the backlog, SSA does not expect to achieve a pending level of 525,000 by the end of FY 2014. According to SSA, it was no longer striving to achieve this pending level because of budget uncertainty, and it had not established a new goal for an ideal pending level. Since SSA had not established a new goal for an ideal pending level, it had not established an ideal processing time or a timeframe for reducing the initial claims pending level. To reduce initial disability claims pending to a specific level, it is important to have a goal with objectives that can be achieved in a fixed timeframe. Therefore, we recommend that SSA establish a goal for an ideal initial disability claims pending level with an acceptable claims processing time and a timeframe to reach the goal.

¹² The open pending levels in FYs 2013 and 2014 are the FY 2012 and 2013 year-end pending levels, respectively, as reported on SSA’s Office of Disability Determinations’ Initial Workload Trend report. The FY 2015 and 2016 open pending levels equal the closing pending levels of the prior FYs.

¹³ We obtained FY 2013 initial receipts and clearances from SSA’s Office of Disability Determinations’ Initial Workload Trend report. We obtained the FY 2014 and 2015 projected receipts and clearances from the President’s FY 2015 Budget Request. We assumed the FY 2015 projections will be consistent in FY 2016.

¹⁴ Id.

¹⁵ We obtained the FY 2013 ending pending level from SSA’s Office of Disability Determinations’ Initial Workload Trend report. We calculated the estimated ending pending levels for FYs 2014 through 2016 by adding receipts to opening pending then subtracting clearances.

¹⁶ We obtained the FY 2013 processing time and the FY 2014 and 2015 projected processing times from the FY 2015 Budget Request. We assumed the FY 2015 projection would be consistent in FY 2016.

CONCLUSIONS

In FY 2010, SSA expected initial disability claims pending would exceed 1 million. Therefore, SSA established a goal to achieve a pending level of 525,000 initial disability claims by FY 2014. SSA took actions to reduce the initial disability claims backlog. As a result, SSA reduced the backlog from a high of about 842,000 claims at the end of FY 2010 to 698,000 claims by the end of FY 2013.

Based on SSA's most recent projections for initial claims receipts and clearances, the pending level will not reach the levels previously expected. With the FY 2014 funding level and the funding level anticipated for FY 2015, SSA expects to make progress in reducing the initial claims backlog while keeping average processing times consistent. If the anticipated funding and productivity remain unchanged, SSA and OIG's collective estimates indicate the pending level will remain lower than the FY 2013 level through FY 2016. However, the pending level will not be reduced to 525,000 claims.

According to SSA, because of budget uncertainty, it was no longer striving to achieve its previous pending level goal of 525,000 claims and it had not established a new goal for an ideal pending level. To reduce initial disability claims pending to an ideal level, it is important to have a goal with objectives to achieve in a fixed timeframe. Further, the goal must be attainable within a timeframe allowed by SSA's resources and take into consideration an acceptable processing time for initial claims and other workloads that need DDS resources, such as continuing disability reviews.

RECOMMENDATION

We recommend that SSA establish a goal for an ideal initial disability claims pending level with an acceptable claims processing time and a timeframe to reach the goal.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix B.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, policies, and procedures.
- Researched prior reports by the Office of the Inspector General and the Government Accountability Office.
- Reviewed SSA's November 2010 *Strategy to Address Increasing Initial Disability Claims Receipts*.
- Interviewed SSA officials from the Offices of Operations and Budget, Finance, Quality, and Management.
- Gathered and reviewed data related to the projected disability workloads in Fiscal Years (FY) 2014 through 2016.
- Analyzed SSA's projections to estimate the initial disability pending levels for FYs 2014 through 2016.

We conducted our review between April and November 2013 in Kansas City, Missouri. The entity reviewed was the Office of Disability Determinations under the Office of Operations. We determined the data used in this report were sufficiently reliable given our review objective and intended use of the data. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 18, 2014

Refer To: SIJ-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: OIG Draft Report, "The Social Security Administration's Progress in Reducing the Initial Disability Claims Backlog" (A-07-13-13073) -- INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
"THE SOCIAL SECURITY ADMINISTRATION'S PROGRESS IN REDUCING THE
INITIAL DISABILITY CLAIMS BACKLOG" (A-07-13-13073)**

Recommendation 1

Establish a goal for an ideal initial disability claims pending level with an acceptable claims processing time and a timeframe to reach the goal.

Response

We agree. We will continue to establish annual initial claims goals in proportion to our allocated resources.

In our Annual Performance Report, we establish annual goals for initial disability claims pending with an acceptable claims processing time. For fiscal year (FY) 2014, our target number of initial disability claims pending is 642,000. Our FY 2014 target for average processing time for initial disability claims is 109 days.

The disability determination services pending and processing time goals are budgeted performance measures because they are dependent upon the annual appropriation received and the resources the appropriation will provide.

Appendix C – MAJOR CONTRIBUTORS

Mark Bailey, Director, Kansas City Audit Division

Tonya Eickman, Audit Manager

Nick Moore, Auditor

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