



SOCIAL SECURITY

The Commissioner

October 3, 2012

The Honorable Max Baucus
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your concern regarding adequate fiscal year (FY) 2013 funding for the Social Security Administration (SSA). Below is an illustration of the effects that the House and Senate bill levels would have on our ability to deliver service and maintain critical stewardship of taxpayer dollars.

House Bill

The House Labor, Health and Human Services, Education, and Related Agencies Appropriations Subcommittee bill would provide \$10.684 billion for our Limitation on Administrative Expenses (LAE) in FY 2013, a decrease of \$762 million over the FY 2012 enacted level and a decrease of \$1.076 billion from the President's FY 2013 Budget. This severe cut would force us to curtail our service to the public and our program integrity efforts. Specifically, with a cut of this magnitude, we would lose over 5,000 SSA and disability determination services (DDS) employees in FY 2013 through a combination of attrition and termination of temporary hires.

We would be forced to reduce field and hearings office operating hours equivalent to a month of furlough days. Each day of lost operations prevents us from completing roughly 20,000 retirement claims, over 10,000 disability claims, and 3,000 hearings. Our other workloads would also experience delays and deterioration. The backlog of initial disability claims would continue to increase and our hearings backlog reduction plan would be derailed. There would be long waits in our field offices and on our 800-number because of inadequate staff to address critical public service needs.

We have steadily increased program integrity work over the last five years. However, this bill significantly reduces funding for cost-effective program integrity work (continuing disability reviews (CDR) and SSI redeterminations) from \$756 million in FY 2012 to \$272 million in FY 2013. We estimate that every dollar spent on medical CDRs in FY 2013 will yield \$9 in program savings over 10 years. We estimate that every dollar spent on SSI redeterminations will yield about \$6 in program savings over 10 years. At the House level, the backlog of full medical CDRs would grow from 1.3 million currently to a record high of 1.75 million.

Senate Bill

The Senate Labor, Health and Human Services, Education, and Related Agencies Appropriations Subcommittee bill would provide essentially the same funding level as the President's budget request: \$11.736 billion for our LAE in FY 2013, an increase of \$290 million over FY 2012 and a decrease of \$24 million from the President's budget. The Senate bill would allow us to replace our losses in the DDSs in FY 2013 and to replace some critical losses in SSA. At this level, we could also resume mailing paper Social Security Statements to all eligible Americans.

For program integrity, the bill would provide \$1.024 billion (\$273 million in the base and \$751 million in cap adjustment funding), the same as proposed in the President's budget and authorized in the Budget Control Act. At this level of funding, we would complete 650,000 full medical CDRs and 2,622,000 redeterminations. At the Senate level, the backlog of full medical CDRs would decrease to 1.1 million, the lowest it has been since FY 2007.

Comparison of House to Senate Bill

At the Senate level, we would complete 100,000 more initial disability claims and 100,000 more hearings than at the House level. At the House level, the average wait for an initial disability decision would be about one to two weeks longer in FY 2013 than at the Senate level. In addition, the House level would create even longer average waits for decisions in FY 2014 as cases back up in the DDSs in FY 2013. The average wait for hearing decisions would also be about two weeks greater under the House level relative to the Senate level.

As mentioned above, the House bill would provide \$272 million in program integrity funding for FY 2013, and the Senate bill would provide the amount authorized under the Budget Control Act, \$1.024 billion. Stephen Goss, the agency's Chief Actuary, estimates that the House level of program integrity funding would cost the Social Security programs about \$5 to \$6 billion. Please see the enclosed letter for additional information.

History has shown that our service and stewardship efforts suffer with significant budget cuts, and it often takes multiple years to recover, creating uneven service across the Nation. These cracks will only continue to grow without sustained, adequate funding. None of our work is optional; the longer it takes us to complete it, the more difficult and expensive it is to handle. Moreover, each case represents an action that affects a person's life. Whether it is paying benefits or preventing an overpayment, millions of people depend on us handling their cases timely and accurately.

If you have any questions or if I can be of further assistance, please contact me or have your staff contact Mr. Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,



Michael J. Astrue

Enclosure