

FY 2014 BUDGET OVERVIEW

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A MESSAGE FROM THE COMMISSIONER

Our fiscal year (FY) 2014 administrative budget request of \$12.297 billion is consistent with our commitment to be good stewards of our programs, provide quality services to the public, invest in the technology that will help us continue to work smarter and faster, and support our program integrity efforts. My request includes \$11.070 billion for our Limitation on Administrative Expenses (LAE), along with \$1.227 billion for a special mandatory legislative proposal that would allow us to increase our program integrity work. It is critical that we receive both funding requests, as we cannot operate at the LAE funding level alone without devastating effects on both service and stewardship.

Full funding of our budget will allow us to replace some of the critical losses we have experienced through attrition since FY 2011 and make investments in technology to enhance our efficiency, thereby saving time for both the agency and public. Our full budget request will allow us to continue to meet our performance goals and measures in key areas, such as delivering quality disability decisions and services, and preserving the public's trust in our programs. We pride ourselves on delivering caring, high-quality services for all of our customers, although it has become more challenging to do so over the past several years. A large part of that challenge is due to the increased workloads caused by the aging of the Baby Boomers, the economic downturn, and the growing demand for us to verify information for other programs. Three straight years of appropriations substantially below the President's Budget requests for our operations have reduced our ability to serve members of the public who need our services, resulting in growing backlogs and longer wait times.

Few government agencies touch as many people's lives as we do. If we are to succeed in our mission to serve our beneficiaries and all Americans seeking help through our important programs, we need adequate, sustained, predictable funding to hire and train highly-qualified employees to reach a staffing level that will allow us to continue providing quality service to the public.

We must maintain the public's trust by effective stewardship of program dollars and administrative resources. We are committed to protecting program dollars from waste, fraud, and abuse. Each year, we complete periodic continuing disability reviews (CDRs) to determine if beneficiaries are still disabled. We also perform Supplemental Security Income (SSI) redeterminations to review non-medical factors that affect benefit payment amounts, such as income and other non-home resources. Our budget includes a proposal to provide a dependable stream of mandatory administrative funding for our key program integrity work, which would save billions of program dollars by allowing us to implement an aggressive plan to reduce our CDR backlog while maintaining a high level of SSI redeterminations.

Over the past few years, we have made some very difficult decisions, and we have done so with a focus on balancing our service and stewardship workloads. However, we cannot do it all without sustained, adequate funding. With your support, we will continue to provide quality service to the public.

/s/

Carolyn W. Colvin
Acting Commissioner

OUR PROGRAMS

Whether it is after the loss of a loved one, at the onset of disability, or during the transition from work to retirement, we touch the lives of virtually every person in America, as well as the lives of many people living abroad. We administer three key programs that serve the public:

Old-Age And Survivors Insurance (OASI)

Created in 1935, the OASI program provides retirement and survivors benefits to qualified workers and their families. In FY 2014, we will pay about \$709 billion in OASI benefits to approximately 48 million beneficiaries, including about 89 percent of the population aged 65 and over.

Disability Insurance (DI)

Established in 1956, the DI program provides benefits for disabled workers and their families. In FY 2014, we will pay about \$145 billion in DI benefits to approximately 11 million disabled workers and their family members.

Supplemental Security Income (SSI)

Established in 1972, the SSI program provides financial support to aged, blind, and disabled adults and children who have limited income and resources. In FY 2014, we will pay about \$59 billion in Federal and State Supplementation benefits to almost 8.5 million SSI recipients.

We also increasingly contribute in important ways to furthering other national priorities including activities related to: the Employee Retirement Income Security Act of 1974, the Coal Act, Supplemental Nutrition Assistance Program (formerly Food Stamps), SSN Verifications for a wide-range of non-SSA program purposes, the Help America Vote Act; the State Children's Health Insurance Program, Veterans benefits, and the Affordable Care Act.

Our ongoing workloads include the following:

- Claims: We take claims, evaluate evidence, and determine benefit eligibility. In FY 2014, we will handle over 5.4 million retirement, survivors, and Medicare claims; nearly 2.9 million Social Security and SSI initial disability claims; and 278,000 SSI aged claims.
- Appeals: We have three levels of administrative appeals for claimants who dispute our decisions:

- 1) Reconsideration, which entails a complete review of the claim by an employee who did not take part in the initial determination;
- 2) Hearing before an administrative law judge (ALJ); and
- 3) Request for review to the Appeals Council. If a claimant disagrees with the Appeals Council's decision, or if the Appeals Council decides not to review the case, he or she may file a lawsuit in a Federal district court.

In FY 2014, we will complete approximately 725,000 reconsiderations, 807,000 hearings, and 209,000 Appeals Council reviews.

- Program Integrity: Our stewardship responsibility includes conducting non-medical SSI redeterminations and periodic medical CDRs. The reviews we conduct save significant program dollars by avoiding improper payments to beneficiaries. For FY 2014, we estimate that every dollar spent on CDRs will yield about \$9 in program savings over 10 years, including Medicare and Medicaid program effects, and that every dollar spent on SSI redeterminations will yield about \$5 in program savings over 10 years, including Medicaid program effects. In FY 2014, we will perform 2.6 million SSI redeterminations and work towards 1.047 million periodic medical CDRs.
- Social Security Numbers (SSN): We complete applications for and assign SSNs to all Americans and to qualifying foreign-born workers. In FY 2014, we will complete requests for approximately 16 million new and replacement Social Security cards.
- Earnings Records: We receive regular updates on the earnings of the working population from employers. We post the reported earnings to workers' records. We link these earnings records to the appropriate workers' SSNs and resolve any discrepancies. In FY 2014, we will post 253 million earnings items to workers' records.
- Social Security Statements: We provide information on earnings on which workers have paid Social Security taxes as well as estimates of future benefits workers and their families may receive as a result of those earnings.
- Services After Individuals Become Eligible for Benefits: In FY 2014, we will complete more than 100 million post-entitlement actions for beneficiaries, including issuing emergency payments, recomputing payment amounts, and completing address and other status changes.
- Employment Eligibility Verification (E-Verify): We support the Department of Homeland Security by verifying the employment eligibility of newly hired employees by electronically checking employee names, SSNs, dates of birth, and U.S. citizenship status. In addition, we help resolve discrepancies when information does not match. We expect that through E-Verify we will process more than 28 million queries in FY 2014.

- Medicare and Medicaid Administration Assistance: For over four decades, we have assisted the Centers for Medicare and Medicaid Services in administering the Medicare Hospital Insurance and Supplementary Medical Insurance programs. In addition to determining Medicare eligibility, in FY 2014, we will handle 1.1 million Medicare prescription drug subsidy applications.

WHAT WE HAVE DONE TO REDUCE OUR COSTS

Over the last few years, we have taken actions to minimize the effects on our customers, including the following cost-saving measures:

- significantly limited hiring, with only minimal hiring in critical frontline areas;
- consolidated 41 field offices and closed 490 contact stations since FY 2010, in addition to foregoing plans to open 8 needed new hearings offices and a new TeleService center;
- reduced the hours that our field offices are open to the public to complete late-day interviews without using overtime;
- implemented an acquisitions savings plan that realized over \$620 million in savings from FY 2010 through FY 2012;
- reduced travel in accordance with the President's Executive Order 13589 on Promoting Efficient Spending, which has saved an estimated \$28.6 million since FY 2010;
- eliminated unnecessary spending in areas such as printing, supplies, and relocation, which has saved an estimated \$52.4 million since FY 2010;
- reduced agency-sponsored conferences from 112 in FY 2010 to 13 in FY 2012, saving over \$7 million; and
- suspended our lower priority notices (e.g., recontact and direct deposit notices) and reduced the number of Social Security Statements issued. (We have successfully launched an easy-to-access online Social Security Statement.)

FY 2012 ACCOMPLISHMENTS

We are an efficient organization; our administrative costs are about 1.4 percent of the benefit payments we pay each year. Our fiscal data confirms that we are working smarter than ever. We achieved an average productivity increase of over 4.7 percent a year for the past five years, a remarkable achievement that very few organizations—public or private—can match.

The programs we administer provide a financial safety net for millions of Americans. Many people consider our programs to be the most successful large-scale Federal programs in our Nation's history. The responsibilities with which we have been entrusted are significant. We implement our programs through a nationwide workforce of about 80,000 Federal and State employees. Our employees' number one challenge and priority is to deliver high-quality service to our customers.

In FY 2012, we:

- paid over \$800 billion to almost 65 million beneficiaries;
- handled over 56 million transactions on our National 800-Number Network;
- received over 65 million calls to field offices nationwide;
- served about 45 million visitors in over 1,200 field offices nationwide;
- completed over 8 million claims for benefits and 820,000 hearing dispositions;
- handled almost 25 million changes to beneficiary records;
- issued about 17 million new and replacement Social Security cards;
- posted over 245 million wage reports;
- handled over 15,000 disability cases in Federal District Courts;
- completed over 443,000 full medical CDRs; and
- completed over 2.6 million non-medical redeterminations of SSI eligibility.

We accomplished all of this under severe budget constraints by making tough, targeted decisions and by enhancing our information technology. However, we cannot maintain this level of service and stewardship as we continue to lose employees who handle this work. Trained employees are our most critical resource. Even as we vigorously increase the use of automation, the nature of our work remains labor-intensive and, therefore, is dependent on having the necessary number of trained staff. The same employees who maintain our stewardship responsibilities must also handle applications for benefits. Without sufficient resources and trained staff, we cannot keep up with both service improvements and our important program integrity work.

FY 2014 BUDGET REQUEST

Our FY 2014 budget request of \$12.297 billion will help us to balance service, quality, and stewardship by:

- providing a dependable source of mandatory funding for our key program integrity work so that we can process more CDRs and save billions more in taxpayer dollars;
- allowing us to begin replacing critical staffing losses, which will help us to stabilize performance in some key areas, continue to handle high volumes of work, and focus on providing quality service; and
- ensuring that we have funding to make the right investments in technology to be as efficient as possible, saving time for us and the public.

The following charts provide the FY 2014 President's budget request for our administrative expenses, including funding amounts, associated workyears, and key performance goals. The first chart, the FY 2014 Funding Table, provides amounts for our key appropriations and the associated workyears. The second chart, the FY 2014 Performance Table, includes the actual performance for FY 2012 and anticipated targets for FYs 2013 and 2014 for our key performance measures.

The FY 2014 President’s Budget Request - Funding table provides actual dollar numbers and workyears expended for FY 2012, our estimated spending for FY 2013 based upon P.L. 112-175 (if annualized), and our FY 2014 budget request, including mandatory program integrity funding.

FY 2014 PRESIDENT’S BUDGET REQUEST - FUNDING

FY 2014 Funding Table	FY 2012 Actual	FY 2013 Estimate	FY 2014 Request
Budget Authority (in millions)			
Limitation on Administrative Expenses (LAE)	\$11,453	\$11,520	\$11,070
Program Integrity Proposed Mandatory Funding ¹	N/A	\$266	\$1,227
Research and Demonstrations	\$8	\$8	\$54
Office of the Inspector General (OIG) ²	\$102	\$103	\$106
Total Budget Authority³	\$11,563	\$11,897	\$12,457
Workyears			
Full-Time Equivalents	64,062	62,475	56,901
Overtime	2,287	2,020	1,570
Lump Sum	286	303	298
Program Integrity Proposed Mandatory Funding ¹	0	1,242	6,578
Total SSA	66,635	66,040	65,347
Disability Determination Services (DDS)	14,913	14,480	12,875
DDS Program Integrity Proposed Mandatory Funding ¹	0	872	3,295
Total SSA/DDS	81,548	81,392	81,517
OIG	573	576	581
Total SSA/DDS/OIG	82,121	81,968	82,098

¹ Requested as part of a legislative proposal included in the FY 2014 President’s Budget that would create a new Program Integrity Administrative Expenses (PIAE) account and provide mandatory program integrity funding. The FY 2014 PIAE request is \$1,227,000,000. With the addition of \$273,000,000 in discretionary funding requested for program integrity as part of the LAE, the total program integrity request for FY 2014 is \$1,500,000,000. The FY 2013 column reflects a total program integrity assumption of approximately \$1,024,000,000, which includes nearly \$758,000,000 as part of the LAE, and an additional \$266,000,000 as part of the PIAE account.

² Please see the OIG section of the Congressional Justification for additional information.

³ Totals may not add exactly due to rounding.

The FY 2014 President's Budget Request - Performance table reports our actual performance for FY 2012, our estimate for what we can achieve in FY 2013 based upon P.L. 112-175 (if annualized), and what we can achieve with our FY 2014 budget request, including mandatory program integrity funding.

FY 2014 PRESIDENT'S BUDGET REQUEST - PERFORMANCE

FY 2014 Performance Table	FY 2012 Actual	FY 2013 Estimate	FY 2014 Request
Selected Workload Measures			
Retirement and Survivors Claims Completed (thousands)	5,001	5,269	5,402
Initial Disability Claims Completed (thousands)	3,207	2,970	2,851
Reconsiderations Completed (thousands)	809	803	725
Hearings Completed (thousands)	820	836	807
800-Number Transactions Handled (millions)	57	52	51
Average Speed of Answer (ASA) (seconds) ¹	294	455	482
Agent Busy Rate (ABR) (percent) ¹	5	10	10
Social Security Numbers (SSN) Completed (millions)	17	16	16
Annual Earnings Items Completed (millions)	245	250	253
Social Security Statements Issued (millions)	24	9	155
Selected Outcome Measures			
Initial Disability Claims Pending (thousands)	708	796	910
Reconsiderations Pending (thousands)	198	179	208
Hearings Pending (thousands)	817	816	831
Average Processing Time for Initial Disability Claims (days)	102	107	120
Average Processing Time for Initial Reconsiderations (days) ²	N/A	N/A	TBD
September Average Processing Time for Hearings Decisions (days)	362	380	387
Disability Determination Services Production per Workyear	324	318	320
Office of Disability Adjudication and Review Production per Workyear	111	112	114
Other Work/Service in Support of the Public - Annual Growth of Backlog (workyears)	N/A	(2,100)	(2,800)
Selected Program Integrity Performance Measures³			
Periodic Continuing Disability Reviews (CDR) Completed (thousands)	1,404	1,550	1,947
Periodic Medical CDRs (included above, thousands)	443	650	1,047
Supplemental Security Income (SSI) Non-Disability Redeterminations Completed (thousands)	2,624	2,622	2,622

1 Although we have not solidified the date for full implementation of Citizen Access Routing Enterprise (CARE 2020), we anticipate that our new state-of-the-art system will decrease the ABR to 1 percent and increase the ASA to 555 seconds in FY 2014. We computed the ABR and ASA using our current methodology to allow for comparability.

2 Average Processing Time measure for reconsiderations is currently under development.

3 Reflects levels of medical continuing disability reviews and redeterminations of SSI eligibility we project with full, timely, and sustained funding as outlined in the legislative proposal for mandatory PIAE. In FY 2013, this is 228,000 CDRs above the level we could complete with enacted funding.

OUR EXTRAMURAL RESEARCH BUDGET

In FY 2014, we are requesting \$54 million in new budget authority as part of our SSI appropriation to support extramural research projects designed to prevent and reduce beneficiary dependency, improve our coordination with other agencies, and improve the administration and effectiveness of our programs. The broad based SSI and Old-Age, Survivors, and Disability Insurance and projects funded via this budget include projects in the areas of disability policy research, financial literacy and education, retirement policy research, and evaluations of proposed or newly enacted legislation.

Our extramural research budget emphasizes continued support for key congressional and long-standing agency priorities, such as rigorous evaluation of the Promoting Readiness of Minors in SSI pilot, the Retirement Research and Disability Research Consortia, and the development of the Occupational Information System (OIS). Our request also reflects our support of the Administration's and Congress' ongoing goal to provide opportunities for beneficiaries with disabilities to maximize their self-sufficiency through work. We are working collaboratively with other Federal agencies to test methods to improve the postsecondary education and employment outcomes of children who receive SSI.

We must work to ensure that policymakers and the public have the information needed to assess the implications of the proposals under consideration. In support of this effort, we plan to continue funding the Retirement Research Consortium, which will continue to maintain our capability to produce policy-relevant research on retirement, and the Disability Research Consortium, which will continue to address a significant shortage of disability policy research and foster collaborative research with other Federal agencies. With this budget, we plan to maintain and improve the data we use to perform evidence-based studies that inform decision makers and respond to inquiries from within the Administration, the Government Accountability Office, Congress, and other oversight/monitoring authorities.

Our FY 14 budget request includes continued funding for our OIS project, which, when completed, will allow us to make more consistent, better-informed disability adjudication decisions. We completed the first phase of the project, which was to test whether it was feasible for the Bureau of Labor Statistics to collect data relevant to our disability program using the National Compensation Survey platform. We are currently funding the second phase of the project, which involves collecting data samples on the relevant requirements of jobs in the national economy. Upon a successful completion of the data collection pilot, the FY 2014 President's Budget provides funding for a larger scale collection of data beginning in FY 2014.

BALANCING SERVICE, QUALITY, AND STEWARDSHIP

Initial Disability Claims

We are trying to keep pace with the elevated level of new disability claims. Over the past five years, the initial disability claims we received increased by about a third. Due to significant increases in employee productivity, technology, and policy improvements, we have kept pace with this workload, while maintaining and even improving quality. However, due to the austere budget environment in FY 2013, we expect that the backlog of initial disability claims and processing times will rise significantly.

In the meantime, we continue to make our disability processes more efficient. For example, our Disability Case Processing System (DCPS) is a national state-of-the-art case processing system that will replace 54 different existing systems that support the State disability determination services (DDS). We are testing the initial version of DCPS, released in September 2012, in the Idaho DDS. We are incrementally increasing functionality and plan to expand to the Illinois DDS in April 2013 and the Missouri DDS in July 2013.

Focusing on the speed of approval is not enough; quality is integral to our disability processes. We developed and implemented the electronic Claims Analysis Tool (eCAT), a web-based application, to help State DDS examiners apply policies correctly throughout the disability decision-making process. eCAT uses “intelligent pathing,” which prompts users to consider the appropriate questions based on the unique characteristics of each case.

We are leveraging the rapid developments of electronic health records and Health Information Technology (Health IT) in the medical community to improve our disability business processes. With the advent of standards-based computer exchanges, we have successfully shown that, with the consent of our claimants, we can nearly instantaneously access medical records. As Health IT becomes the industry standard, we expect that the volume of electronic medical records we receive will rapidly increase, and the speed and accuracy of our disability decisions should improve significantly. We are working very closely with the Department of Health and Human Services’ Office of the National Coordinator for Health IT and with the Centers for Medicare and Medicaid Services to align our work with the national strategy for Health IT. In addition, we are working with the Department of Defense and the Department of Veteran Affairs to implement Health IT exchanges to improve our collection of medical records.

Approving clearly eligible claimants early in the process benefits persons with severe disabilities and, at the same time, allows us focus our attention on the more ambiguous cases. We are successfully using the Compassionate Allowances and Quick Disability Determinations processes to fast-track disability determinations for individuals who are obviously severely disabled. Since October 2009, we have used these processes to expedite claims for over 510,000 disability claimants, while maintaining a very high accuracy rate and processing the

cases in days or weeks rather than months. We continue to research other conditions to identify those we should capture under our Compassionate Allowances or our Quick Disability Determinations processes.

Hearings

We have succeeded in reducing the hearings backlog. We have restructured our training programs, materials, tools, and software to better support our ALJs and hearing offices. Our investments in information technology have helped us to review hearing-level decisions and to analyze these decisions for adjudicative trends, patterns of error, and other anomalies. Our analysis has led us to develop and then refine tools, such as “How MI Doing?” and the electronic Bench Book, which provide detailed information to our adjudicators and help improve their accuracy and policy compliance. Our efforts to improve quality have driven a dramatic decline in programmatic errors, resulting in substantial cost savings and a decrease in overpayments to claimants.

We are currently suffering from a shortage of ALJs. The Office of Personnel Management’s ALJ register is virtually exhausted and we will end FY 2013 far short of our hiring target. Though we have attempted to meet our ALJ hiring needs by doubling our number of senior ALJs, we will not be able to make further progress on reducing our backlog until we get more ALJs and our incoming work decreases. Our results illustrate the success we can achieve with a dedicated commitment of resources to an important agency workload. With more ALJs to decide cases and wider use of video hearings, we reduced average processing time from an all-time high of 532 days in August 2008 to a low of 340 days in October 2011. However, because of constrained budgets and the unavailability of ALJs, average processing time is trending upwards since FY 2012; it is currently at 382 days. Without adequate funding, our gains in this area will soon diminish. With full funding of the FY 2014 President’s Budget, we plan to deliver a stable average processing time.

Online Services

The public embraces our online services because of the convenience, simplicity of design, and ease of use. The American Customer Satisfaction Index recognized our top performing online services. In their report, three of our nine measured services—iClaim, Retirement Estimator, and the Help with Medicare Prescription Drug Plan Costs—out-performed, or tied the best private sector online services. With our online services, we are making it easier for people to do their business with us from the comfort of their home, office, or a library.

Our improved online services are vital to our ability to deal with the significant increases in our retirement and disability claims. With our easy-to-use online tools, we increased the percentage of online claims to 44 percent in the last quarter of FY 2012, exceeding our goal of 42 percent. In 2013, we will streamline the online process to provide a single point of access to all parts of the disability application process.

We implemented *my Social Security*, a secure website that authenticates the identity of people interested in conducting business with us online. In May 2012, we released the online Social Security Statement using *my Social Security*. In January 2013, we expanded *my Social Security* to allow individuals to request a benefit verification letter online, as well as change their address and direct deposit information.

Defining the delivery of quality service varies as technology and the public's needs change. We must adapt to our customers' needs, including their preferences for doing business with us. When we established our first field office in 1936, we provided only face-to-face service. We processed our claims on paper without computers and housed our ever-growing files across the country, making it difficult, if not impossible, to share work between offices. Now, in the 21st century, many of our business processes are electronic and many of our services are online. We are finding that our customers increasingly embrace and expect the use of online services. In addition to providing better service, our online services save our employees time, allowing them to work on other issues and workloads.

As we change to meet the public's service preferences, and to keep up with the times, we must ensure that we provide excellent service for those who prefer to speak to us on the phone or face-to-face. We are committed to not leaving any of our customers behind in pursuit of new technologies. We must do everything within our power to serve all our customers in an easily accessible way.

Video Service

Video services have helped our customers and us. We continue to expand our use of video service because it has efficiently provided relief to our busy and understaffed offices. Video services help us reach members of the public located in remote sites with minimal access to our field offices, and provide a convenient service to sites where our beneficiaries may be incapable of visiting our field offices, such as local community centers, senior centers, hospitals, and homeless shelters.

In FY 2012, we had video units in 449 sites. We held 97,000 interviews using video service technology. We held 23 percent of our hearings by video—an increase of more than 23,800 video hearings compared to FY 2011.

We initiated the Representative Video Project in 2008 as part of our overall effort to increase the number of video hearings and, therefore, decrease our ALJs' time spent traveling. The Representative Video Project allows attorney representatives to purchase video conferencing equipment and then conduct hearings from their own offices. This service channel provides substantial benefits, particularly for claimants and representatives in less populated areas. In FY 2012, we had 52 approved representatives hold over 3,800 hearings through the Representative Video Project, an increase of 42 percent from FY 2011.

Telephone Service

The progress we made in improving our national 800-number performance over the last few years began reversing in FY 2012 because of budget cuts. Busy signals and the average speed of answer climbed by nearly 5 percent to 300 seconds. Due to a reduction in funding, we simply do not have enough staff in our TeleService centers to handle the demand for agent service. With continued staffing losses expected this year, we project the busy rate will be at least 10 percent and the average time callers spend waiting for an agent to be in excess of 450 seconds in FY 2013. With approval of our full FY 2014 budget request, we will replace some critical staffing losses in our TeleService centers, positioning us to begin to reverse the decline in service by FY 2015.

To combat the decline in performance, we are making improvements to both our 800-number and our field office telephone systems. All field offices have transitioned to the new Field Office Network Enterprise system, which has many helpful features, including a dynamic forward-on-busy service. This feature offers callers who would otherwise get a busy signal, the option to transfer to our 800-number. With the new system's call management capabilities, we have reduced busy rates in field offices. The overall busy rate improved from 34 percent in FY 2010 to 7 percent in FY 2012.

We are replacing our national 800-number infrastructure with a new system, Citizen Access Routing Enterprise through 2020 (CARE 2020). CARE 2020 will initially provide the same services as our current system but will replace our current infrastructure with newer technology such as Voice over Internet Protocol. The new technology will provide enough additional telephone lines to accommodate the volume of calls we receive and nearly eliminate the chance that a caller will receive a busy signal. We expect upgrades to our speech recognition technology and automated menus to improve customer satisfaction by reducing errors, streamlining menus, and improving overall usability.

PROGRAM INTEGRITY EFFORTS

Program Integrity Proposal

The FY 2014 President's Budget includes a special legislative Administration proposal that would provide a dependable source of mandatory funding to significantly ramp up our program integrity work, which ensures that only those eligible for benefits continue to receive them. These mandatory funds would replace the discretionary cap adjustments authorized by BBEDCA, as amended by the Budget Control Act. These funds would be reflected in a new account, the Program Integrity Administrative Expenses account, which would be separate, and in addition to, our LAE account. If approved, the funds would be available for two years,

providing us with the flexibility to aggressively hire and train staff to support the processing of more program integrity work.

The annual appropriations process is not providing us with the resources necessary to conduct all of our scheduled CDRs and redeterminations. We estimate that each additional dollar spent on CDRs would save the Federal Government \$9, yet we have a backlog of 1.3 million CDRs. We estimate that each additional dollar spent on redeterminations would save the Federal Government \$5. The legislative proposal would yield a net savings of \$38 billion over 10 years.

In FY 2014, the proposal would provide \$1.227 billion, allowing us to handle significantly more CDRs. With this increased level of funding, the associated volume of medical CDRs is 1.047 million, although it may take us some time to reach that level. For comparison, we conducted 443,000 CDRs in FY 2012. (We would continue to maintain the high level of redeterminations—2.622 million in FY 2014.)

Initiatives to Reduce Improper Payments

We strive to further improve our payment accuracy. We developed several cost-effective program initiatives to prevent or minimize overpayments, including the following:

- Access to Financial Institution (AFI): Our AFI initiative verifies alleged bank account balances of SSI applicants and recipients with financial institutions. In FY 2012, we integrated the AFI electronic process into our existing SSI initial claims and redetermination processing system, simplifying how we administer account verification requests and responses from financial institutions. We anticipate performing more rigorous checks of alleged assets if resources allow.
- Telephone Wage Reporting: Use of our telephone wage reporting system continues to increase. In September 2012, SSI recipients reported more than 36,000 wage reports through our telephone wage reporting system that automatically processes the wage information into the SSI system. In December of 2012, we successfully launched a pilot version of our smartphone wage reporting application. The smartphone application will automatically update the SSI record, correct the upcoming payment if necessary, and issue a receipt to the recipient.
- Non-Home Real Property: Undisclosed non-home real property is a growing cause of improper overpayments in the SSI program. We conducted a study in FY 2012 to test the accuracy and efficiency of using Accurant, an online service available through LexisNexis, to search for and identify undisclosed real property owned by SSI recipients. The study determined that the information in Accurant is reliable. We will continue to refine and expand our use of the Accurant data.

- Cooperative Disability Investigations (CDI): Our most successful effort against disability fraud is the CDI program, which links our Office of the Inspector General and local law enforcement with Federal and State workers who handle disability cases. CDI units are highly successful at detecting fraud before we make a disability decision. In FY 2012, CDI efforts nationwide resulted in \$340 million in projected savings to our disability programs and over \$235 million to other programs, such as Medicare and Medicaid.
- Special Assistant United States Attorneys: We have ten attorneys assigned to several United States Attorney Offices as Special Assistants. Our attorneys prosecute possible fraud cases referred by OIG that would not otherwise be prosecuted in Federal court. In FY 2012, our attorneys secured over \$8.6 million in restitution orders and 107 convictions or guilty pleas.

CONCLUSION

Our funding level directly affects our service levels. Steep reductions in our funding below the President's Budget request for the past three years have resulted in backlogs and increased improper payments.

With additional budget cuts, public service will decline and improper payments will rise. Our work is not 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 to handle their cases timely and accurately.

Our employees have responded remarkably by continuing to serve every person who comes through our front door or calls us—even as dwindling resources mean we have far fewer employees available to serve the public. Shrinking resources and rising workloads have resulted in people waiting much longer and becoming increasingly frustrated. On those increasing occasions when frustration spills over into aggression or even violence, our employees and members of the public are at risk. Since FY 2011, our employees have been exposed to a nearly 20 percent increase in threats. We owe it to our employees and the people they serve to do everything we can to protect and support them by providing sufficient funding.

Adequate funding will also enable us to invest in tools and technology, which are vital for delivering quality, efficient service. Technology benefits our customers by providing more options to do business with us through such channels as the Internet or through video services. Technology benefits us by helping us to work smarter and faster.

Our FY 2014 budget request of \$12.297 billion will help us to continue to meet the demands of our ever-increasing workloads. We will be able to replace some of the losses we have experienced over the past three years, helping us to better keep up with public demand. We have proven that we are a good investment and that we continue to work smarter and more efficiently. With adequate funding, we could ramp up our cost-effective program integrity work, provide quality service, and invest in initiatives that will allow us to offer better and more efficient customer service.