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February 3, 2006

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

I am writing regarding an urgent problem that appears to be overwhelming the Social Security Administration.

I have obtained a January 21, 2006, email that the Deputy Commissioner of Operations for Social Security, Linda McMahon, sent to all Social Security Administration Operations employees. The message reads as follows:

> Ordinarily I would be sending you a Happy New Year note at this time, but the circumstances we are facing seem to call for a different message. I didn't want you to think I'm out of touch with reality and don't know about the significant challenges you are experiencing.
>
> Ever since the Medicare Modernization Act passed, those of you on the front line have been expressing your deep concern that SSA is not positioned well to help people understand, enroll in and negotiate the new Medicare Part D Prescription Drug Program. Now we are seeing the consequences of that fact. Our National 800 Number Network has been overwhelmed for weeks, with busy rates running above 35 percent many days. In the last few weeks, those folks who can't get us on the phone have been coming into our field offices in large numbers. In fact, during the first two weeks in January, we had nearly 200,000 visitors a day — as many as 60,000 more than we saw in the fall. We already had large backlogs in our Processing Centers, and those will be exacerbated by the need to put more people on the phone to bring down the busy rate and keep people from needing to visit field offices. Of course, if we aren't careful, we will generate more calls and visits from the folks whose actions will have to pend longer in the PCs.
>
> It's not a rosy picture, and the news doesn't get better. Congress finally passed our FY06 budget in late December, and they gave us $300 million less than the

President requested. That means we will not be able to replace all the employees we lose to retirement this year or accomplish all the automation projects we had intended to do to streamline work processes. At the same time, we have been given new mandates to do more thorough screening before we process Social Security Number applications and to include children under the age of one in that process.

So, where does that leave us? What are we going to do to cope with these problems?

First, we have negotiated some new workload goals with OMB. Specifically, we will do fewer SSI Redeterminations and Limited Issues as well as fewer Continuing Disability Reviews. These workloads only affect the field offices and are heavily weighted to Title 16, so that certainly doesn't solve our problems. We will be working within Operations to provide further guidance on workload priorities to all components so you can concentrate on the things that most need attention rather than trying to do everything. This is certainly not ideal, and I recognize that work delayed becomes more complicated when we tackle it at a later date. However, we don't have a lot of options at this point.

Second, we are working very closely with the Centers for Medicare and Medicaid Services to help them find ways to improve service for the Part D program. For example, at our request, they have set up critical case units to which we can refer problem cases where people can't get answers from the 1-800-Medicare number or their PDP or pharmacy. We have also given CMS detailed information on the types of calls that are being referred to SSA erroneously so they can improve training and guidance for their Teleservice Representatives.

Third, we are looking at all non-personnel-related spending to see what we can curtail in order to free up money for overtime. Unfortunately, I don't expect a lot of payoff from this effort because we have very little wiggle room within that portion of our budget.

Finally, we are speeding up a couple of projects that will reduce the time it takes for 800 Number agents to answer calls and improve the likelihood that callers will opt for automated services. We are also improving our marketing of Internet services in order to get more people to opt for handling their business via the Internet instead of coming to the office or calling us.

I won't try to kid you. This is going to be a very difficult year, and the budget picture for next year doesn't look any better. I commit to you that I will continue to work with the Commissioner to tell our story and enhance our chances of getting a better budget. I will be closely monitoring the impact of our decisions

> and will make adjustments as necessary to ensure that we maximize the use of our resources and minimize the negative fallout from the shortfall. Of course, that means we will probably be changing priorities as the year unfolds, so please prepare yourselves mentally for that possibility.
>
> Someone recently told me that, even though times are tough, we are still blessed to be doing important work and to be pretty well paid for the privilege. Thats something worth remembering when were feeling particularly pressured. Thanks for doing your best to cope with this difficult situation and for continuing to do everything you can to serve the public well despite the challenges.
>
> Best wishes to you and your families for a healthy, happy and fulfilling 2006.

Other emails and communications confirm the chaos that the Medicare prescription drug program has caused for the Social Security Administration, describing "hemorrhaging" at Social Security call centers and the provision of inaccurate information to seniors.

If this information is accurate, the combination of the new prescription drug program and recent budget decisions are crippling the ability of the Social Security Administration to provide basic administrative services. This is a matter of grave concern. As you know, almost 50 million Americans receive benefits they have paid into Social Security and depend on those benefits to meet their everyday expenses. While these benefits are not at risk, the ability of the Social Security Administration to manage the program, respond to beneficiaries' basic inquiries and questions, and prevent fraud and abuse appears to be severely degraded.

It is imperative that we ensure the Social Security Administration is able to fulfill its obligations to these American families and function normally. Accordingly, I ask that you give this matter your personal attention and direct the relevant committees to initiate immediate oversight of this problem.

For your convenience, I am providing additional information that puts the demands facing the Social Security Administration in context.

Background

The Social Security Administration was given important new responsibilities under the new Medicare Part D program. Under the new law, low-income Medicare beneficiaries are eligible to receive subsidies to help pay for plan premiums and drug copays. In 2005, the Social Security Administration was responsible for informing individuals that they may be eligible for the subsidy and providing them with application information. The agency is now responsible for reviewing millions of applications for low-income assistance under the plan, handling inquiries about eligibility from Medicare beneficiaries, and making final assistance determinations.

The agency's workload under this new program is staggering. As of January 2006, the Social Security Administration had received 4.4 million applications for low income assistance and had processed 3.4 million of these applications.[1] Yet despite these new responsibilities, the Social Security Administration budget has been cut.

Implementation of the new Medicare drug benefit will cost the Social Security Administration hundreds of millions of dollars. The Medicare Modernization Act provided $500 million in funding for the Social Security Administration for implementations of the drug benefit in FY 2004 and FY 2005.[2] However, the Medicare legislation provides no direct funding for the Social Security Administration for the current year, when the Social Security Administration is facing its largest burdens.[3]

At the present time, transition efforts are funded out of the standard Social Security Administration budget. Despite the new burdens for the Social Security Administration, the overall budget has declined in FY 2006. In FY 2005, the agency's total administrative budget (including the MMA implementation funds) was $9.3 billion.[4] The President's budget proposal called for a FY 2006 funding level of $9.52 billion,[5] which would not even have been enough to keep up with inflation. However, this budget request was cut even more by Congress, which approved a final Social Security Administration budget of $9.1 billion — a cut of almost $200 million.[6]

Corroborating Information

Additional documents that I have obtained bolster the concerns raised by Ms. McMahon, and raise new issues. On Wednesday, January 18, Ms. McMahon conducted a teleconference call with Social Security Administration employees. I understand that on this call Ms. McMahon described the Social Security Administration telephone service centers as "hemorrhaging"; she indicated that the Social Security Administration budget for overtime hours for telephone hotline

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[1] Testimony of Linda McMahon, *Meeting The Challenges of Medicare Drug Benefit Implementation*, Senate Committee on Aging (Feb. 2, 2006).

[2] Public Law 108-173, § 1015.

[3] Social Security Administration did not spend all $500 million of this money in FY 2004 and FY 2005, and was able to roll approximately $100 million over into the FY 2006 budget.

[4] Social Security Administration, *Fiscal Year 2006 Budget* (Feb. 2005).

[5] *Id.*

[6] P.L. 109-148, *Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act*; P.L. 109-149, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act.*

staff will be exceeded by April 1; that visits to Social Security Administration field offices had increased by hundreds of thousands of beneficiaries weekly; and that field offices are so swamped that the Social Security Administration is even considering closing offices for certain periods to allow staff to complete other work.

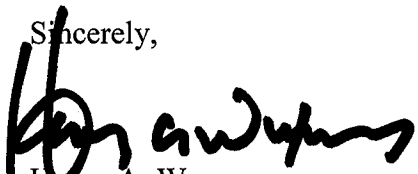
A third document that I have obtained, an internal email from a Social Security employee, indicates that many of the phone calls to the Social Security Administration and the visits to the Social Security Administration offices, are due to the operators at the 1-800-MEDICARE hotline incorrectly referring calls to the Social Security Administration, or to beneficiaries' inability to get through to 1-800-MEDICARE at all. According to this email, the majority of calls to the Social Security Administration hotline involve Part D enrollment and coverage issues. These issues (unlike the low-income subsidy) are not under the purview of the Social Security Administration. The email also notes that although there have been efforts by the Social Security Administration to prevent CMS from incorrectly referring these calls, the problems have continued. It thus appears that the problems faced by the Medicare program in implementing the benefit are spilling over and having significant impacts on the Social Security program.

Conclusion

Mr. Speaker, the Social Security program may be the most successful government program ever adopted. It has worked well for almost 70 years and is fully funded until 2052.[7] It is a lifeline that millions of Americans have earned through hard work and their own financial contributions.

The administrative crisis it is now facing is unacceptable and avoidable. That is why I believe it is so important that the appropriate committees begin work on this immediately and make sure that the Social Security Administration can again meet the needs of American families.

Sincerely,



Henry A. Waxman
Ranking Minority Member

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[7] Congressional Budget Office, *Updated Long-Term Projections for Social Security* (Mar. 2005).