COMMITTEE ON BUDGET
UNITED STATES SENATE

SEPTEMBER 11, 2024
STATEMENT FOR THE RECORD

Martin O'Malley
COMMISSIONER
SOCIAL SECURITY ADMINISTRATION

Chairman Whitehouse, Ranking Member Grassley, and Members of the committee:

My name is Martin O'Malley, your confirmed Commissioner of the Social Security Administration (SSA), and I am deeply honored to be here today on behalf of the agency's thousands of dedicated employees and the millions of Americans they serve.

Thank you for inviting me to discuss Social Security's fiscal year (FY) 2025 budget request. And thank you for allowing me to explain why it is so essential to restore the level of customer service that taxpayers expect,… deserve,… and have already paid for.

I greatly appreciate this Committee's commitment to hold today's hearing. This is Social Security's first budget or appropriations committee hearing regarding our agency funding in nearly 10 years.

SOCIAL SECURITY TODAY

Social Security is the most far-reaching act of social and economic justice that the people of the United States ever enacted. It has been the honor of a lifetime to lead Social Security forward through these especially difficult days.

Since day one of my confirmation, we have been improving customer service by driving transformational change. Even within the brutal constraints of our increasingly inadequate funding, we have been able to make some meaningful progress. But given the ever-climbing levels of beneficiaries, our progress will be short-lived without your immediate help.

Social Security, today, is serving more customers than ever with staffing levels Congress has reduced to nearly 50-year lows. The direct result for the People of the United States is that the customer service Americans have already paid for, has now been reduced to crisis-low levels. While modernization and other efficiencies have helped for some things, there is no way around the fact that the agency cannot keep doing more with less.

But the good news is, this is a solvable problem. The American people have already paid into Social Security for their customer service, just as they paid into Social Security for their benefits. We can and must improve service by reversing severe funding and staffing losses since 2018, when we operated on a mere 1.2 percent of benefits for overhead. We want to work with Congress to secure the increases in the President's 2025 Budget, which is a big step in the right direction to enable SSA to improve service levels and reduce wait times.

SOCIAL SECURITY'S LONG-TERM HEALTH

Before we dive more deeply into solving the immediate customer service crisis, please allow me a few moments to address the fears that crowd our public squares about the long-term financial health of Social Security.

Social Security is not going "bankrupt." Nor is it going "insolvent."

Because Social Security is a pay-as-you-go program, so long as Americans work and pay into Social Security, then Social Security will continue to pay out benefits to those who paid in over their own lifetimes of work.

But according to Social Security's Board of Trustees, the reserves in our combined Social Security Trust Funds will become depleted in 2035. This year's report had a measure of good news for the millions of Americans who depend on Social Security, including the many seniors who would live in poverty without these benefits—any potential benefit reduction event has been pushed off from 2034 to 2035. More people are contributing to Social Security, thanks to strong economic policies that have yielded impressive wage growth, historic job creation, and a steady, low unemployment rate. So long as Americans across our country continue to work, Social Security can—and will—continue to pay benefits.

These policy choices are, of course, your responsibility; not mine. But the Chief Actuary of Social Security and his capable staff stand ready to provide each of you the confidential actuarial projections and cost estimates you need for your deliberations.

The Administration is committed to protecting and strengthening Social Security and opposes any attempt to cut Social Security benefits as well as proposals to privatize Social Security. The Administration believes that protecting Social Security should start with asking the highest-income Americans to pay their fair share. In addition, the Administration supports efforts to improve Social Security benefits, as well as Supplemental Security Income (SSI) payments, for seniors and people with disabilities, especially for those who face the greatest challenges making ends meet.[1]

Now, let's return to the more immediate problem: the customer service crisis.

RECORD HIGH CUSTOMERS, NEARLY 50-YEAR LOW IN STAFF

You and I—regardless of party—would agree that the public deserves the highest level of customer service from their government, especially in the case of Social Security.

Throughout lifetimes of hard work, the American people have paid for and earned their Social Security benefits. And through a lifetime of hard work, they have also paid for and earned the customer service they need to access those benefits.

But the current state of Social Security in the life of our Republic is this: Social Security, today, is serving more customers than ever before with one of the lowest staffing levels in 50 years.

Allow me to repeat this hard but central truth.

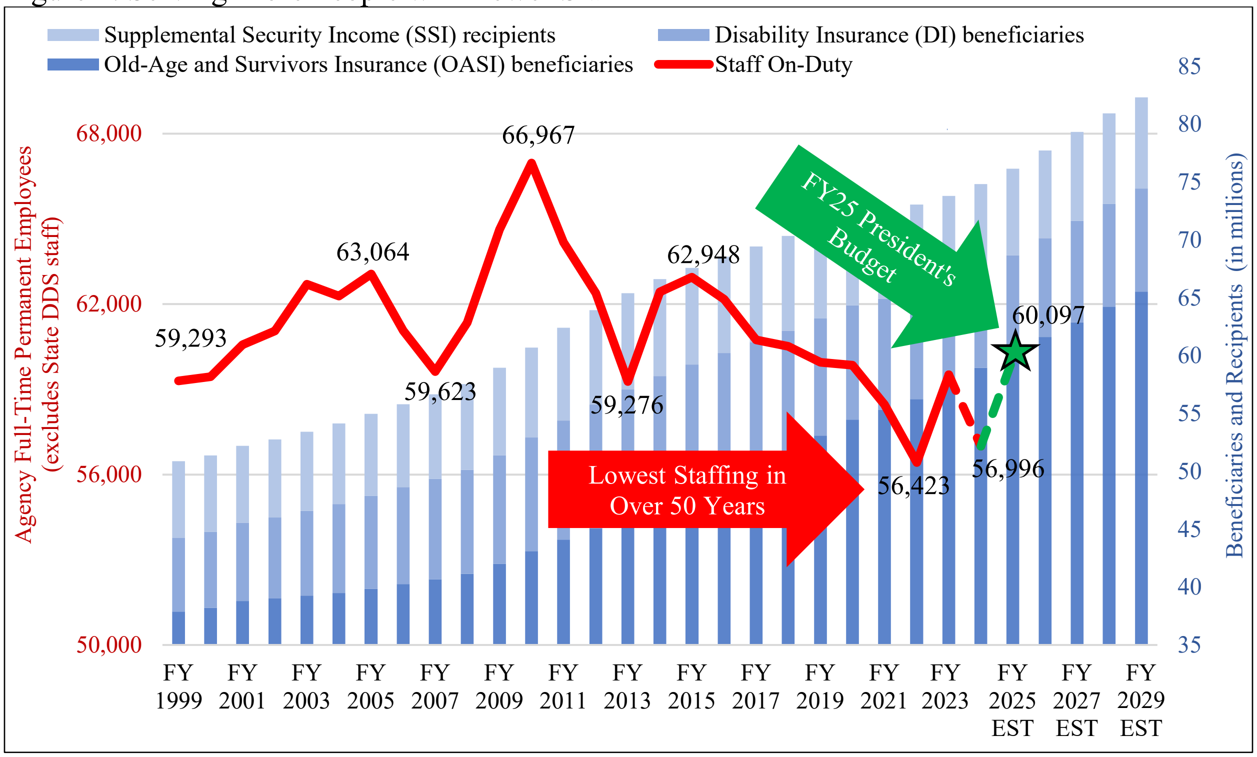
[1] White House, "FACT SHEET: The President's Budget Protects and Strengthens Social Security and Medicare," March 2024.

Social Security, today, is serving more customers than ever before with staffing levels Congress has reduced to nearly 50-year lows.

This is a self-inflicted wound.

And the gap between growing numbers of beneficiaries and dwindling numbers of customer service staff will only get worse unless you act (Figure 1). In fact, SSA's Chief Actuary projects the number of new applicants and total beneficiaries we serve will only continue to rise in the coming years.[2]

Figure 1. Serving More People with Fewer Staff



We are like a school system or a police department—if you have fewer teachers and more students, class sizes will be larger; if you have fewer police officers and more 911 calls, it will take longer to respond to each call. At Social Security, if we have more and more applicants and beneficiaries and fewer and fewer staff to serve them, the result is that people will wait longer for their benefits and for their calls to be answered.

For instance, as our staffing levels dropped from FY 2017 to FY 2023, wait times on our National 800 Number nearly tripled and wait times for initial disability decisions have now doubled— particularly in some hard-hit states like Maryland, Florida, Texas, and Illinois, where the wait times for disabled Americans are close to a year.

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[2] We see an average increase of approximately one million beneficiaries per year, and we expect this trend to continue. By the end of FY 2024, SSA will serve over 7 million more beneficiaries with about 6,000 fewer full-time permanent staff when compared to FY 2015.

And while modernization and other productivity gains have helped Social Security keep its nose above water, we cannot sugar-coat the severe damage that decades of staff reductions have done to Social Security's customers.

Since FY 2018, Social Security's budget has essentially been flatlined even as fixed costs increased like they do for everything else in the real world. Every year your Social Security Administration faces $600 million in fixed cost increases—for things like Federal pay raises, healthcare, postage, printing, phones and rent. Therefore, so-called level funding for an entirely customer service agency such as Social Security amounts to a $600 million cut; a cut which we can only make up in staff reductions—year, after year, after year.

As a result, we ended FY 2022 with our lowest staffing level in over 50 years. We made some progress in FY 2023, but much of that progress was erased when we had to start FY 2024 in a hiring freeze due to the extended continuing resolution. And the $100 million increase we later received for FY 2024 was not nearly enough to cover our increase in fixed costs, much less to rebuild staffing and customer service delivery—meaning we will end the year with staffing well below where we ended FY 2023.[3] And so, the mismatch between rising workloads and declining staffing continues to grow.

Much the same can be said of information technology (IT) funding, where increases in mandatory fixed costs must be absorbed with cuts to modernization. As costs to maintain our legacy systems rise, we are left with less and less to upgrade to the new technologies that would better serve our customers.

CUSTOMER SERVICE CRISIS

The result of the growing gap between record high numbers of customers and close to 50-year lows in staffing is this: the customer service that Americans have already paid for has been allowed to decline to crisis-low levels. And this crisis hits hardworking Americans every day, in every community across our country and in every one of our States.

Consider this:

- Americans calling Social Security's National 800 Number last year routinely experienced wait times of an hour or more. While we have now driven that wait time down from 42.2 minutes last November to 21.1 minutes in August, our attrition rate among our agents in those overwhelmed teleservice centers is 19 percent.

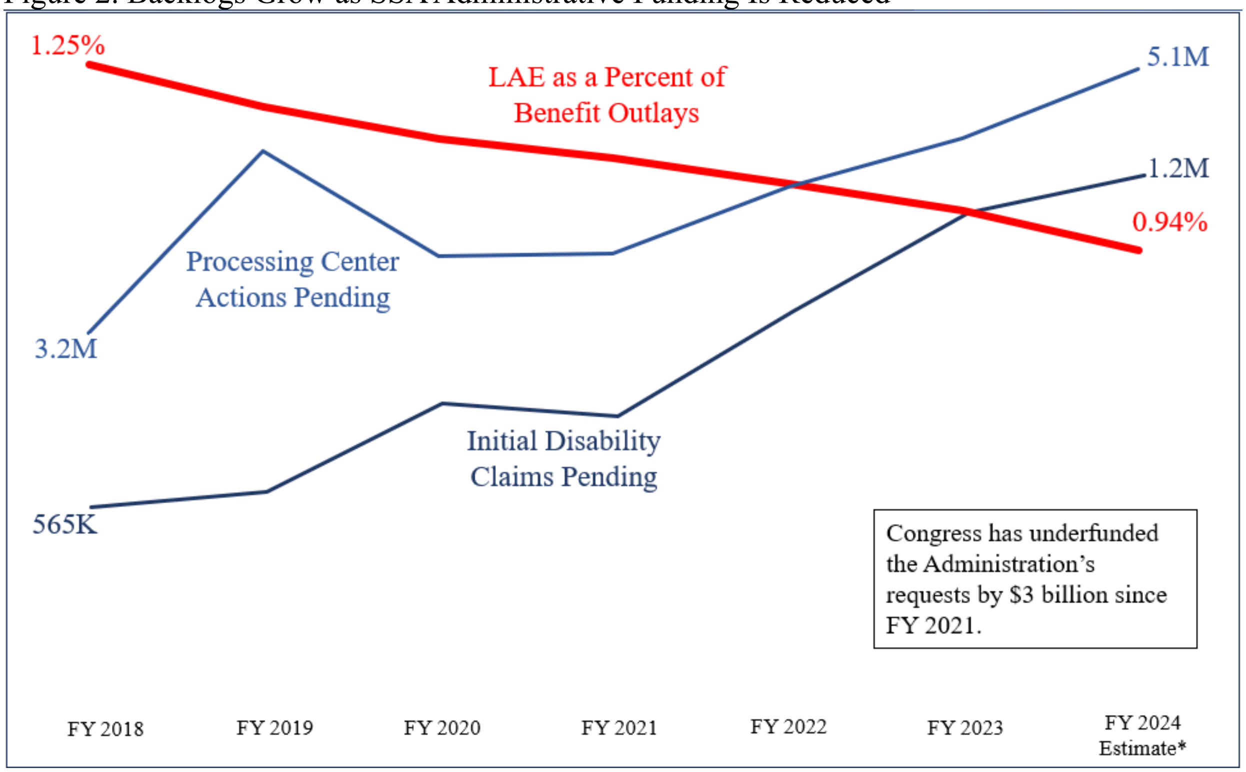
- Too often we inflicted severe financial hardships on elderly people and our poorest families because we struggle with streamlining and communicating our overpayment debt relief and repayment policies and have had delayed efforts in improving our ability to prevent or catch up to erroneous overpayments.

[3] We will lose a net of 2,500 staff in FY 2024, not including DDS staff. From FY 2022 through FY 2024, Congress funded Social Security's administrative expenses at a level almost three billion dollars below the President's Budget requests.

- As processing backlogs grew, the Office of the Chief Actuary estimates that approximately 30,000 people died in 2023 while waiting for their disability decisions, while their application for Social Security or SSI disability benefits, or both, was pending a decision at the initial, reconsideration, or hearing levels. While this is a small percentage of the average number of people waiting for a decision, it remains imperative that we issue decisions faster at every level. Disability applicants now wait on average nearly 8 months (231 days this fiscal year through August) for an initial decision and almost 8 additional months (230 days) for those who request a reconsideration. In some States, these numbers are a year or more.

Consider also the numbers of cases we had pending at the end of August: 1.2 million initial disability claims (nearly the highest level on record, and more than double our typical pending level of almost 600,000 prior to FY 2020); 325,000 disability reconsiderations; 266,000 administrative law judge (ALJ) hearings; and 5.2 million processing center actions (which include issuing and adjusting more complex payments). The trend is clear: as our administrative funding is reduced, our backlogs increase (Figure 2).

Figure 2. Backlogs Grow as SSA Administrative Funding Is Reduced



* The numbers of pending cases and actions shown are the targets for the end of FY 2024.

Social Security touches every American from the moment they are born until after they pass. Every soul. Behind each of these numbers is a real person, many of whom are depending on the benefits we provide. Surely your offices have heard the complaints. Surely you have heard the cries. The American people deserve better.

HOW WE'RE ADDRESSING THE CUSTOMER SERVICE CRISIS

Despite the brutal constraints of our funding, we remain committed to improving customer service from the current state of crisis. We do our very best every day with the limited resources we have to serve the highest number of beneficiaries ever in the face of one of our lowest staffing levels in over 50 years. Here is how we are beginning to drive change.

SecurityStat

In early February, we launched SecurityStat, a cross-cutting performance management regimen based on earlier models I developed like CitiStat and StateStat. SecurityStat provides a systematic and recurring method to work together across the agency in timely, agile, and collaborative ways, by gathering the top leaders in a room together for data-driven performance management and accountability.

So, in eight meetings every two weeks, in a rotating fashion, we come together and focus intensely on the most important things we do for the American people and for you, their Members of Congress. For one blessed hour every two weeks we focus, together, on each of eight key challenges:

- Field Operations
- Human Resources
- National 800 Number
- Overpayments and Underpayments
- Disability Determinations
- Disability Hearings
- Fraud
- Notices

SecurityStat also offers a new and unprecedented level of transparency for Social Security's customers and stakeholders, including Congress. Many of your staff have observed this new way of doing business at SSA; we appreciate your attention, your interest, and the presence of your staff at our side. Today, on our SecurityStat website, the public can easily view key metrics and track the progress we are making towards achieving our top customer service goals.[4]

Action Plan and Quick Wins

Since day one, I have been listening to and learning from people inside and outside the agency about the most important changes we can make. I have traveled to all 10 of SSA's regions across the country to meet with and learn from the dedicated employees on the front lines of serving the public. I sat side by side with teleservice center representatives taking calls and claims specialists taking claims in the field offices. I heard countless suggestions for improvements both big and small, many of which we are already implementing. In addition, I have met with dozens of Members of Congress and your staff to learn from your perspectives on our customer service crisis and to better understand your solutions and your greatest concerns.

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[4] SSA, "SecurityStat," July 2024.

Based on all the input, we developed our 2024 Social Security Action Plan, which boils down the most impactful things we can accomplish into 27 strategic initiatives.[5] Action on each of the initiatives has already begun; many will take more than just the year to fully accomplish. But these efforts will also require important investments, including enactment of the FY 2025 President's Budget.

Much has been accomplished. More progress is coming. But already, our quick wins to date include:

- The Automated Medicare Processing (AMP) tool: Based on an employee suggestion from Birmingham, we rolled out AMP nationwide in February to improve back-end processing for online Medicare claims. AMP reduces processing time from 7 minutes to 7 seconds, freeing up the equivalent of around 40 work years of people to do other critical pending work. To date we have processed close to 400,000 Medicare claims through this streamlined, automated process.

- In February, we published formal notice of our plans to access and use information from payroll data providers.[6] This long-awaited automated payroll information exchange (PIE) will reduce wage-related overpayments by ensuring we receive timely and accurate wage data. We are currently reviewing the public comments we received.

- We published three final rules to simplify and streamline the consideration of non-cash assistance within the SSI program.[7] These changes will increase the accessibility of this vital needs-based assistance, while also decreasing overall processing time.

- To increase collaboration, engagement, and innovation across the agency, I returned most headquarters employees in Baltimore and Washington, as well as regional office employees, to work onsite at least two or three days a week. We are helping set the bar for telework as a model for the rest of government.[8] (SSA's field offices have been fully open to the public since early 2022 and are not affected by this change.)

- We removed wet signature—or in some cases *any* signature—requirements where possible without compromising program integrity. We now allow an electronic signature for more than 30 forms, which make up 90 percent of the most commonly used forms by SSA customers, representing about 14 million paper documents submitted annually. This year we also removed the signature requirement entirely for 13 of our most commonly used forms, totaling about 1 million submissions annually.

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[5] SSA, "Action Plan: Social Security Administration, 2024," August 2024.
[6] SSA, "Use of Electronic Payroll Data To Improve Program Administration," *Federal Register* 89 FR 11773, February 2024. See also: SSA, "Social Security Publishes Proposed Rule for Payroll Information Exchange to Reduce Improper Payments," February 2024.
[7] SSA, "Omitting Food from In-Kind Support and Maintenance Calculations," *Federal Register* 89 FR 21199, March 2024; SSA, "Expansion of the Rental Subsidy Policy for Supplemental Security Income (SSI) Applicants and Recipients," *Federal Register* 89 FR 25507, April 2024; and SSA, "Expand the Definition of a Public Assistance Household," *Federal Register* 89 FR 28608, April 2024.
[8] Tom Temin, "New Social Security telework policy just might be the blueprint for everybody," *Federal News Network*, February 2024.

Small things done well make bigger things possible. Key customer service metrics are starting to improve. Employee engagement is up. Attrition is slowing, though still high. And most importantly, frontline workers see their voices are being heard, and they see positive changes are happening.

On this year's Federal Employee Viewpoint Survey, we increased our participation or response rate by over 50 percent since last year—the highest year-over-year increase of any agency in the Federal government. So our staff are most definitely reengaging. But we know that morale still has a long way to go in light of the heavy weight of shrinking staff and growing workloads.

THE EARLY RESULTS OF THESE EFFORTS

Through the agile, collaborative process of SecurityStat and relentless follow-up focus, we have made solid measurable progress on two of our three biggest customer service challenges. We are steadily reducing wait times on our National 800 Number, and the policy changes we implemented on overpayments have provided immediate and sometimes life-changing relief for thousands of beneficiaries. But initial disability determinations remain a challenge of crisis proportions, with wait times of still more than a year in far too many States.

National 800 Number Wait Times

This year marks the 35th anniversary of our 800 Number, and it has been a challenging one thanks to a woefully underperforming phone system that fell far short of our expectations, and a 19 percent attrition rate among staff answering the phones in many of our teleservice centers across the country.

The month before my confirmation, the average wait time for customers trying to reach us by phone was 42 long minutes. Around seven million people called our National 800 Number every month, and about 4 million of them hung up in frustration after waiting far too long.

But through the agile SecurityStat process, we sprang into action and identified quick wins to reduce unnecessary calls on the front end, and improve first call resolution on the back end. Among those quick wins on the 800 Number:

- We secured approval from the Internal Revenue Service (IRS) to accept phone attestations—instead of having to mail a paper copy for wet signature—from beneficiaries wanting to change their voluntary tax withholding from their benefits. This lets us process and resolve the action on the first phone call.

- We enhanced our online system to automatically provide more detailed claim status updates to the people representing disability applicants, eliminating their need to call us for frequent status updates.

- We transitioned to a better-performing phone system and re-implemented call-back assist, so customers can receive a call back when an agent is available instead of waiting on hold. These data-driven decisions have yielded immediate benefits for both callers and employees, including reduced wait times and more self-service options.

- We revamped the training for new hires at our teleservice centers to improve employee engagement and reduce attrition of new hires.

As a result of these quick actions and many more, we have begun to turn the tide in the right direction. In August, we answered calls in an average of 21 minutes—still nothing to write home about, but significantly improved from 42 minutes last November.

Having transitioned on August 22nd to a more modern and higher-performing phone system, we believe we can further reduce that wait time to 12 minutes (on a rolling thirty-day basis) by the end of October 2024.

Overpayments and Underpayments

For 89 years, the hard-working employees of the Social Security Administration have strived to pay the right amount, to the right person, at the right time. And the agency has done this with a high degree of accuracy over a massive scale of beneficiaries; our overall accuracy rates are 99.34 percent for Social Security and 90.80 percent for SSI based on our stewardship reviews.[9]

But despite our best efforts, we sometimes pay beneficiaries more than they are due, creating an overpayment.

Sometimes we learn too late of work activity or other information that would have affected the payment amounts, although we are making strides to reduce customer reporting burdens through implementing more data exchanges. Sometimes, under the pressure of serving more and more customers with fewer and fewer staff, it takes us longer and longer to catch up to mistakes. And as it takes us longer and longer, the amount our individual beneficiaries are required to repay becomes greater and greater.

Congress understandably requires that we make every effort to recover overpaid benefits, and we also take seriously our role as good stewards of taxpayer dollars. But doing so without regard to the larger purpose of the program was resulting in very real financial hardship for individuals. No one should lose their home because Social Security made a mistake and then intercepted 100 percent of their monthly benefit to recover the debt.

Starting last year, we embarked on a deep dive review of our overpayment policies and procedures, to identify the root causes of these overpayments and to take proactive steps to address these injustices. Our deeper understanding of the complexities of this problem has set us on the following course of actions accomplished over the past nine months:

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[9] See PaymentAccuracy.gov. These overall accuracy numbers consider both overpayments and underpayments for FY 2022, the most recent data available.

- *Lower Withholding Rate:* In March, we ceased the heavy-handed practice of intercepting 100 percent of an overpaid beneficiary's monthly Social Security benefit by default if they fail to respond to our demand for repayment.[10] Instead, we now use a much more reasonable default withholding rate of 10 percent of monthly benefits (but not less than $10 per month)—similar to the current rate in the SSI program.

  We notified individuals who are currently repaying an overpayment at a rate greater than 10 percent, to give them the option to request a lower rate of recovery. These one-time outreach notices were released in weekly batches, prioritizing individuals with the highest withholding. So far about 13,000 people have contacted us and gotten a lower rate.

- *Less Burdensome Repayment Process:* We now approve repayment plans of up to 60 months without requesting proof of income and assets for the vast majority of beneficiaries who request to work out a repayment plan. This change extended this easier repayment option by an additional two years (from 36 to 60 months).

- *Waiver Process Simplifications:* We are making it much easier for overpaid beneficiaries to request a waiver of repayment, when they believe they are without any fault and cannot repay. To do this, we are streamlining forms and simplifying processes, as well as shifting the burden of proof away from the beneficiary in determining whether there is any evidence that the beneficiary was at fault in causing the overpayment.

- *Administrative Waiver Tolerance:* Anyone who requests a waiver and is not at fault for the overpayment will see their debt waived where, on average, we would spend more on recovery activities than the amount we would recover. We updated this threshold from $1,000 to $2,000 in service of efficiency.

- *Notice Improvements:* As we develop solutions to the systemic issues that plague SSA notices, where our customer satisfaction is under 20 percent, we are particularly focusing on how we can clarify and simplify our overpayment notices. We are taking a comprehensive look at what we can do to reduce the confusion our customers have in understanding the complexities in the 362 million notices that we send every year.

We have heard from countless beneficiaries how appreciative they are of these changes; for many, they are life changing. One beneficiary in Pittsburgh called us after receiving our outreach notice about the ability to request a lower withholding rate. He said he currently had no running water; now that he will no longer have his entire check withheld, he can pay his water bill and restore this basic necessity. Another beneficiary told us that under the new withholding policy she will no longer worry about potentially losing her home. These are just a few examples of how our overpayment policy changes are helping to restore the promise of Social Security.

[10] SSA, "Social Security Eliminates Overpayment Burden for Social Security Beneficiaries," March 2024.

There are some additional changes that can only be effectuated by the will and good judgment of Congress. I look forward to working with Members to discuss ideas that could address the root causes of overpayments.

On the flip side of overpayments are underpayments. We are working to increase our processing of SSI underpayments, particularly for the oldest and highest-priority cases. Through August, we have processed 93,000 underpayments and released approximately $245 million this fiscal year to our customers with these aged and priority underpayments. And we are on track to complete our goal of 98 percent of these underpayments by the end of FY 2025. Like with overpayments, our focus on underpayments has a very tangible and often heart-warming effect on our beneficiaries, with countless individuals reporting to us that they were able to avoid eviction or purchase necessary medical supplies after finally receiving a long-delayed payment.

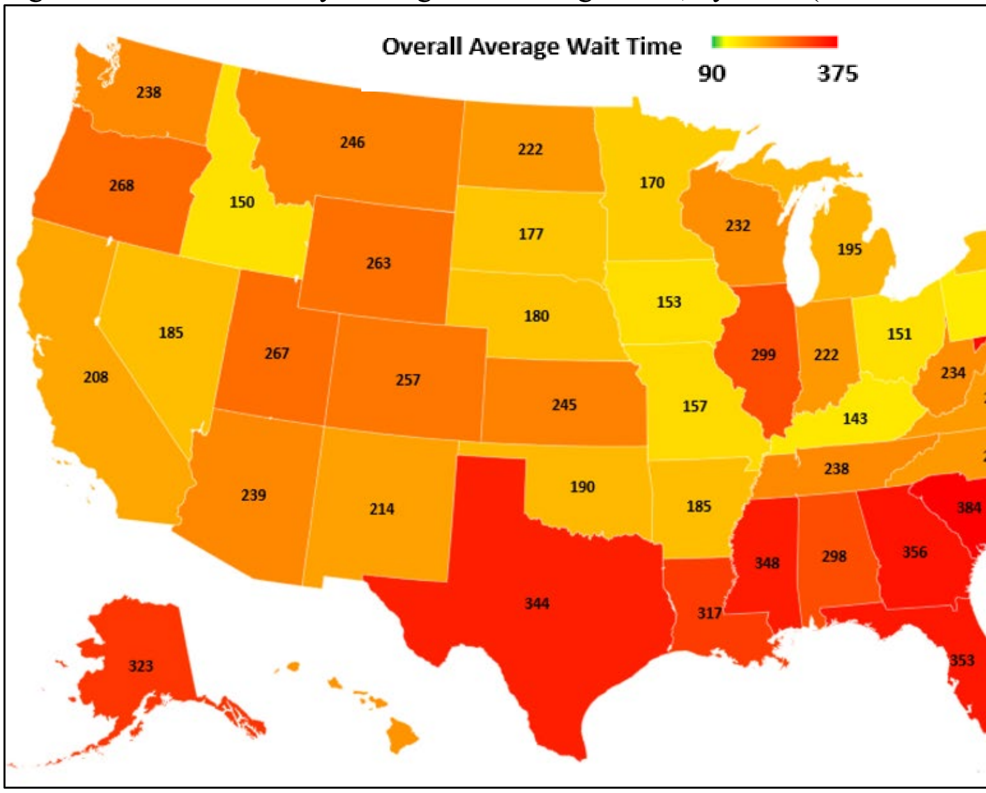
Disability Wait Times

Now we come to the biggest and most stubborn challenge of the big three—the unacceptably long wait times for an initial disability determination by the 52 State and territorial disability determination services (DDS) offices we are no longer allowed to adequately fund.

It now takes a shockingly long time for DDSs to make initial disability determinations. Ten years ago, when our appropriations represented a larger share of our annual outlays and we could hire and retain staff, we were able to make these determinations in 110 days. But today, operating with the staff we can afford on inadequate budgets, it takes an average of 231 days this fiscal year through August to make the same initial determinations (Figure 3).

That means disability applicants are waiting on average nearly 8 months (231 days) for an initial decision and almost 8 additional months (230 days) for those who request a reconsideration. In some States, the wait times are a year or more. We must do better, and our long-term goal is to reduce those waits to 4 months (120 days) each.

Figure 3. Initial Disability Average Processing Times, by State (FY 2024 to date through August)



State/Territory	Overall Average Wait Time
NH	209
VT	132
MA	288
CT	170
RI	136
NJ	141
PR	132
DE	214
MD	365
DC	225
HI	227

Actions we are taking to reduce disability processing times at both the initial and hearings levels include:

- Earlier this year, we published a final rule reducing the amount of past work history we consider when making disability decisions, from 15 years to 5 years.[11] This change reduces processing times and lessens the burden and time when applicants fill out application forms.

- We are increasing use of our Intelligent Medical Language Analysis Generation (IMAGEN) tool, which helps employees complete disability determinations by identifying and organizing medical evidence. Since I started, the share of DDS cases that use IMAGEN has nearly doubled from 28 percent to over 50 percent. We are now training all new employees to use IMAGEN. We also expanded the types of cases in which DDS employees can use IMAGEN, and we expanded IMAGEN for use at the hearing level.

- We are improving service for those waiting the longest by tackling our *oldest* hearing requests. As of August 2024, we completed over 154,000, or 94 percent of our oldest cases, exceeding our fiscal year goal of 85 percent. Completing these older cases has significantly cut the average age of all pending hearing requests to 191 days and has put

[11] SSA, "Intermediate Improvement to the Disability Adjudication Process, Including How We Consider Past Work," *Federal Register* 89 FR 27653, April 2024.

us on track to cut the average wait time for a hearing decision to 270 days. With adequate resources, we can sustain our pace for FY 2025 and beyond.

- We are training and redeploying staff from the Office of Hearings Operations (OHO) to attack the initial disability determination backlog.[12]

So that is how we fight to serve an all-time high number of customers with some of the lowest staffing levels in 50 years. Our mission at Social Security, today, is the same mission FDR laid out for us 89 years ago: "We seek the security of the men, women, and children of the Nation."

I remain encouraged that the hard-working people on the frontlines of this agency—those who haven't quit to find less stressful or higher paying jobs elsewhere in the Federal Government or beyond—still wake up every day to serve their country by serving their neighbors.

SOLVING THE CUSTOMER SERVICE CRISIS TAKES ADEQUATE FUNDING

But we cannot do this growing body of work with less and less support, and fewer and fewer staff. We need your help. We need Congress to allow us the funding necessary to restore our customer service levels—the customer service for which the people of the United States have already paid.[13]

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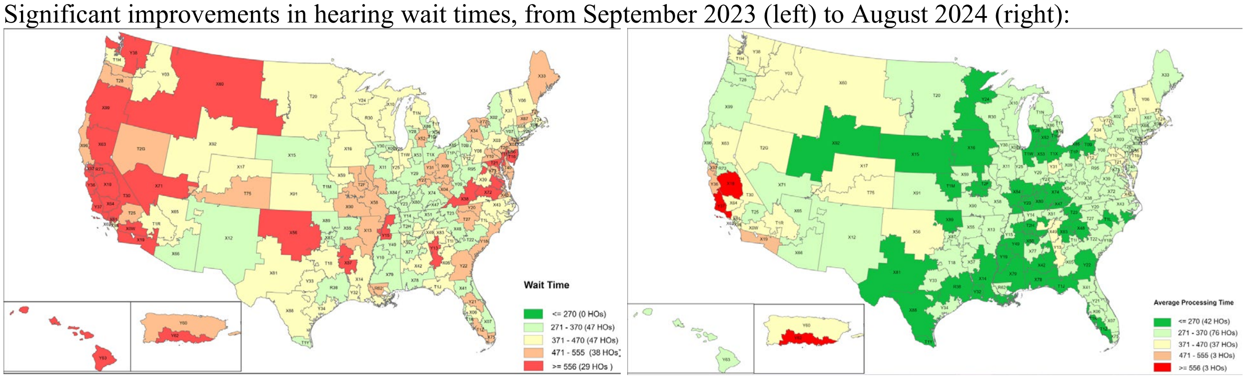
[12] People appealing at the next level for an ALJ hearing—run by OHO—currently face an average wait time of 345 days this fiscal year through August to get a decision. This is hard-won progress from the 450 days it took last fiscal year (see figures). Hearing offices across the country have also reduced the number of people who have a hearing request pending with us to about 266,000 people as of August—the lowest number in 30 years. We were able to achieve this progress thanks to the dedicated funding we received from Congress in 2017. Even with the staffing reductions of more recent years, we are on track to eliminate the hearings backlog and issue hearings decisions within 9 months (270 days) on average by the end of this fiscal year.

Significant improvements in hearing wait times, from September 2023 (left) to August 2024 (right):



* Alaska is not shown separately as it is a satellite of the Seattle hearing office.

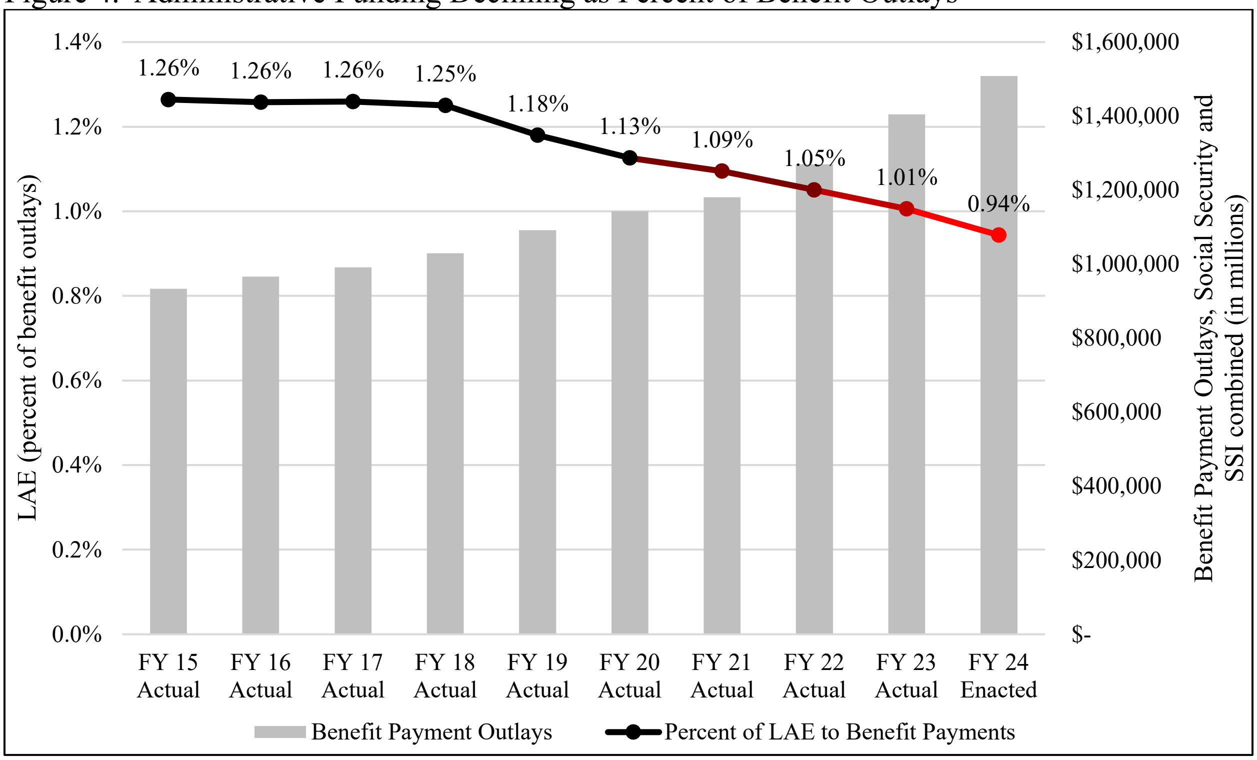
[13] Funding can quickly lead to restored levels of customer service. The U.S. Department of Veterans Affairs (VA) received an infusion of funding and increased its satisfaction and trust among Veterans from 50 percent to nearly 80 percent. The IRS used additional funding to reduce its call wait times from 30 minutes to 4 minutes. SSA was able to dig out of the initial disability claims backlog during the Great Recession with significant funding provided through the American Recovery and Reinvestment Act of 2009. I am confident we can do it again, but it will take sufficient funding, just as it did for IRS and VA.

SSA Has Extremely Low Operating Expenses.

Members may be surprised to learn that your Social Security Administration operates on a ratio of *less than one percent* of annual benefits paid. This is extremely low for an insurance agency of any size—in fact, much lower than private insurance companies. For instance, Allstate operates on a ratio of 19 percent of its annual benefits paid, and Liberty Mutual operates on a ratio of nearly 24 percent of annual benefits paid.

The history of how we got here would I think be news to many Members, as it was to me after I was put in place by your gracious and humbling confirmation.

Figure 4. Administrative Funding Declining as Percent of Benefit Outlays



Social Security's operating overhead, as a share of combined (Social Security and SSI) benefit outlays, has shrunk by 20 percent over the last 10 years. Just 10 years ago, Congress routinely allowed a customer service funding level that represented just 1.26 percent of benefit outlays for essential operating expenses. But that has now been steadily reduced by Congress to less than 1 percent (Figure 4).

The predictable result is the customer service crisis that I described above, with Americans suffering from the long wait times, larger overpayments, and deadly backlogs in disability determinations.

I am not suggesting that this chronic funding shortage was done intentionally by Members of Congress. However, without dedicated budget hearings addressing the inadequacy of our administrative funding, our agency and the critical work we do have been out of sight, out of mind.

We can and must do better.

The good news is that this is a solvable problem. We want to work with Congress to build on the funding increases in the FY 2025 President's Budget to enable SSA to improve service levels and reduce wait times.

Our FY 2025 Budget

The FY 2025 President's Budget request of $15.4 billion for SSA would allow us to restore staffing to FY 2023 levels (see Figure 1). With additional staff in our teleservice centers, field offices, and State DDSs, we would be able to reduce National 800 Number wait times to 12 minutes, process 185,000 more initial disability claims, work down the initial claims backlog, and prevent the recurrence of the hearings backlog.

The FY 2025 President's Budget (PB) funding level of $15.4 billion for Social Security will allow us to:

- Restore our staffing levels to FY 2023 levels after dropping to one of the lowest levels in over 50 years in FY 2024;
- Reduce wait times on our 800 Number by over 20 minutes to 12 minutes;
- Reduce initial disability claims wait times to an average of 215 days;
- Reduce the claims backlog by 15 percent;
- Improve the timeliness of retirement and Medicare applications for over 200,000 seniors.
- Continue to address overpayment and underpayment injustices; and
- Increase our information technology (IT) budget to help us modernize and provide more efficient and customer-focused service.

To do that, the President's Budget funding level includes:

- $8.7 billion for personnel costs to increase our frontline staff—in field offices, teleservice centers, processing centers, and hearings offices—providing direct service to the public;
- $2.8 billion for State DDSs to reduce the initial disability claims backlog by allowing the DDSs to hire about 2,900 people;
- $1.7 billion to modernize the agency's IT services and infrastructure for the future; and

- Over $2 billion to support other mission-critical costs such as office leases, guard services to protect those facilities and the customers who visit us in-person, postage for notices, and other necessary costs.

FY 2025 is a critical year for our agency's recovery after years of chronic underfunding at the same time beneficiaries continue to grow. We cannot prevent further service degradation without an increase to our funding. I am grateful for your support of the FY 2025 President's Budget, which would allow us to begin rebuilding the staffing and investing in modernized IT that we need to serve the American people.

IN CONCLUSION

The American people work their whole lives to earn the benefits of Social Security—and those benefits include the right to an appropriate level of customer service. I have every confidence that a restoration of service levels at Social Security will produce a dividend of trust for generations to come.

We *can* restore the excellent customer service that you and your constituents expect and demand from Social Security—but only if you in Congress do your part. The FY 2025 President's Budget funding level would be a huge step in the right direction towards providing the American people with a level of customer service for which they've already paid, but have in recent years consistently been denied.

It remains my great honor to serve the people of our republic in my capacity as their Commissioner of Social Security.

I look forward to answering your questions.

— Martin O'Malley