



SOCIAL SECURITY

Office of the Chief Actuary

December 17, 2007

The Honorable Charles B. Rangel
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing in response to your letter of December 13, 2007 in which you requested a preliminary estimate of the approximate savings expected from implementing changes specified in a recent notice of proposed rulemaking (NPRM) compared to an alternative baseline. The NPRM proposes changes regarding Administrative Law Judge, Appeals Council, and Decision Review Board appeals levels in the disability adjudication process.

The Federal Register of October 29, 2007 included this NPRM with our estimate that the changes would result in a net reduction in program benefits (for the OASDI and SSI programs) totaling \$1.53 billion over the fiscal year period 2008-17, compared to the baseline assumed for the President's FY 2008 Budget. In particular, that baseline reflected the assumption that the Disability Service Improvement (DSI) regulation would be implemented across the country by adding one region each year, starting in 2006. The hypothetical alternative baseline you suggest would assume that DSI would be implemented for no further regions beyond the Boston region, where DSI was implemented in August of 2006. Compared to this hypothetical alternative baseline, we estimate the program savings for the NPRM in question would total somewhat in excess of \$2.0 billion over the fiscal year period 2008-17.

Estimated program benefit savings (for OASDI and SSI) for implementation of the NPRM compared to the FY 2008 Budget baseline rise to an annual maximum of \$241 million for FY 2013 and decline thereafter, reaching \$90 million for FY 2017. However, compared to the alternative baseline, program benefit savings would be somewhat higher than \$241 million for FY 2013, and would continue rising thereafter, reaching over \$300 million per year by FY 2017.

The two principal changes proposed in the NPRM that affect program benefit cost are (1) the closure of the disability case record after the first decision rendered by an administrative law judge (ALJ) and (2) replacement of the subsequent appeal level (currently the Appeals Council, but changing to Decision Review Board under DSI) with the Review Board. Both changes would be made for all regions when the NPRM became a final rule.

Closure of the record after the ALJ decision is already provided for under DSI, but is assumed to be implemented only gradually under the FY 2008 Budget baseline. Thus, program benefit savings for this change under the NPRM are indicated only until the DSI regulation would

otherwise have effected closure of the record. Thus, compared to the FY 2008 Budget baseline, with DSI and closure of the record assumed complete for all initial applications in 2015 and later, program savings for closure of the record are substantial initially but decline toward zero after 2013. Compared to the alternative baseline, which does not assume closure of the record after the first ALJ decision, program savings for closure of the record under the NPRM would be substantial and rising throughout the projection period.

The adjudicative effects of the Review Board (RB) proposed in the NPRM are expected to be similar overall to the Appeals Council (AC) currently in place for all regions but Boston. In particular, both the RB and the AC allow claimants to request an appeal if denied by the ALJ. The Decision Review Board (DRB) specified in the current DSI regulation, and assumed to be implemented gradually under the FY 2008 Budget baseline, would not allow claimants to request an appeal, and is thus assumed to result in a small net decrease in disability allowances. Compared to the current FY 2008 Budget baseline with gradual implementation of the cost-saving DRB), implementation of the RB under the NPRM would result in additional program benefit cost that would increase over time. However, compared to the alternative baseline with the AC kept in place, implementation of the RB under the NPRM would have little effect on benefit cost. Thus, comparing the implementation of the RB to the alternative baseline rather than to the FY 2008 Budget baseline tends to increase the overall savings estimated for the NPRM.

The approximate estimates provided above are indeed preliminary in nature. Altering the baseline considered for this NPRM to reflect no further implementation of the DSI regulation raises complex issues such as interaction with the Federal Reviewing Official (FEDRO) and whether certain demonstration initiatives would remain in place during the period. Please let me know if you will require a full, detailed estimate of program cost savings compared to the alternative baseline. We are hopeful that the information provided above will prove helpful.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large, prominent 'S' at the beginning.

Stephen C. Goss
Chief Actuary