RESEARCH REPORT

Improving the Social Security Disability Determination Process

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Improving the Social Security Disability Determination Process

In 2018, the Social Security Administration (SSA) processed 2.4 million claims for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disability benefits and paid out $197 billion in benefits. Small changes in how SSA decides claims directly affect the lives of millions of disabled workers and their families and billions in taxpayer dollars. Reforming SSA's complex system for determining disability claims while navigating tight budgetary constraints is challenging. Recently, SSA took steps to reverse a policy that eliminated the second stage of review for disability claims in 10 states. SSA sees this as an important step toward standardizing processes across the country. The Social Security actuaries estimate the change would reduce the number of disability applicants who receive benefits in those states, generating $3.4 billion in savings over 10 years. This planned change has raised concerns in several corners of the disability community (e.g., congressional oversight committees and the Social Security Advisory Board) and rekindled the debate over the best way to approach reform.

Learning from SSA’s past attempts to improve the disability determination process could inform today’s debate. This report summarizes and draws lessons from SSA’s past attempts at reform and links them to analysis of current proposals to either eliminate or enhance reconsideration (i.e., a denied applicant can request that another examiner reconsider the initial application). We begin by reviewing how the determination process works and the long-standing concerns with the system. We then provide an overview of past reform efforts and identify challenges to successful reform efforts. Next, we discuss proposals to eliminate or enhance reconsideration and suggest that reforming the reconsideration review to make it more meaningful is the most promising and viable approach to improving the timeliness and accuracy of the claims decision process. This approach could be done in a way that keeps long-term program costs neutral and would not preclude more ambitious and resource-intensive improvements to the initial and hearing levels of review in the future. Finally, we put forward three approaches to support the long-term reform process for policymakers to consider. The options would address the challenges of maintaining funding and commitment to the agreed-upon vision for reform in a way that allows SSA to test strategies and gather evidence to support decisionmaking.
SSA’s Disability Determination and Appeals Process

The Social Security Administration employs roughly 60,000 federal workers and 13,000 state workers and has a $12 billion annual operating budget. The disability determination and appeals process is the most expensive process SSA manages, demanding more than half the operating budget. SSA’s process for deciding whether to grant a worker’s claim for disability benefits entails four levels of administrative review: the initial determination, reconsideration, appeal for a hearing before a Social Security administrative law judge (ALJ), and review by the Appeals Council. Claims can also be appealed beyond SSA to district courts and higher courts, but those processes are not the agency’s responsibility. Below, we describe the eligibility criteria and how claims move through each level of review.

Eligibility Criteria for Disability Benefits

The Social Security Act defines work disability as the “inability to engage in substantial gainful activity” for at least 12 months or until death. SSA defines substantial gainful activity as the ability to earn $1,220 a month in 2019 (for nonblind people). Further, the inability to work at this level must be caused by a “medically determinable physical or mental impairment.” To operationalize the statutory definition, the Social Security Act gives SSA considerable discretion to design the determination process through regulation. SSA uses a five-step process and a listing of medical impairments. The first two steps are designed to disqualify applicants who earn more than the substantial gainful activity threshold or who do not have a severe impairment (or combination of impairments) that is expected to last at least 12 months or result in death. If an applicant makes it past the first two stages, the third stage compares the person’s impairment with a list of impairments, for each major body system, that are considered severe enough to prevent someone from doing any gainful activity. An applicant whose condition meets or equals a listing qualifies for disability benefits.

For applicants who are not found eligible at the third stage, SSA assesses the person’s residual functional capacity. SSA considers whether the applicant cannot do past relevant work given his or her residual functional capacity. Past relevant work relates to work above the substantial gainful activity level performed in the prior 15 years for a long-enough duration to reach at least average performance level. If the applicant is found to be unable to do his or her past relevant work, the applicant moves to the fifth stage, in which SSA considers whether an applicant cannot do other work that exists in the economy. The Social Security Act requires SSA to factor in a worker’s age, education, and skills when considering whether he or she can do work that exists in the national economy. SSA considers “work
that exists in the national economy” to be work that exists in significant numbers either in the region where the claimant lives or in several regions of the country.

We cannot underestimate the difficulty of reliably assessing whether an applicant is too disabled to work. The National Academies recently completed a report for SSA on the methods available to assess a person’s functional abilities (Volberding, Spicer, and Flaubert 2019). The report highlighted the difficulty of integrating information relating to multiple health conditions and impairments to determine whether a person can regularly perform full-time work.

**Initial Claims Determination and Reconsideration Process**

A new claim for Social Security Disability Insurance and Supplemental Security Income benefits is first accepted by SSA staff at field offices, who begin the determination process by screening out claimants who have earnings above the allowable limit. The application is then forwarded to the state Disability Determination Service (DDS) agency to begin the next steps in the eligibility process. If an applicant is denied, he or she has 60 days in most states to appeal the decision and request a reconsideration review by another disability examiner at the same DDS. State governors manage DDS agencies and hire DDS staff, and SSA fully reimburses states for these costs. The DDS stage of the process occurs without the state disability examiner seeing the applicant. The examiners make determinations largely based on the medical evidence the applicant provides, with the DDS offices procuring only a limited amount of additional evidence.

**Appeals Process**

If the applicant is denied a second time, he or she can appeal within 60 days for an administrative hearing before an ALJ. SSA ALJs consider only Social Security cases. The ALJ is the first decisionmaker involved in the medical review who can see the claimant in person. The ALJ must ensure the administrative record is fully and fairly developed; he or she reviews the evidence and can conduct a hearing. The hearing is nonadversarial and informal and can include oral testimony from the applicant, lay witnesses, and medical and vocational experts.

A claimant dissatisfied with the ALJ decision can request an administrative review by SSA’s Appeals Council. The Appeals Council may deny or dismiss the request for review or grant the request and issue a decision or remand the case to the ALJ. A claimant can further appeal an adverse decision to the US District Court, where the ALJ decision can be upheld, reversed, or remanded to SSA for further review.
An applicant can appeal further to the US Court of Appeals. Social Security cases are a significant workload for the district courts, and cases have been occasionally reviewed by the Supreme Court.

**Allowance, Appeal, and Denial Rates**

Most applications for disability benefits are resolved at the initial determination stage. The most recent data from SSA indicates that for claims processed in fiscal year (FY) 2018, 37.5 percent of new claims were allowed at the initial level. Seventy percent of applications are fully resolved at the initial level, through an allowance, a dismissal, or a denial that is not appealed. Of those who appealed, another 12.6 percent were allowed at the reconsideration level and another 63 percent who appealed to the ALJ level were also allowed. Figure 1 shows how these allowance and appeal rates from FY 2018 would apply to 1,000 new claims.
FIGURE 1
Social Security Disability Determination Process

Source: Authors’ estimates using fiscal year 2018 disability decision data for applications processed during fiscal year 2018 from table 3.21 of Social Security Administration, FY 2020 Congressional Justification (Woodlawn, MD: Social Security Administration, 2019).

Notes: ALJ = administrative law judge; DDS = Disability Determination Service. Estimates of the distribution of appeals to the hearing level come from reconsideration or, for states without reconsideration, from the Social Security Administration’s 2008 longitudinal disability claims and appeals data, July 15, 2011. All estimates are rounded, so some totals may not add up to the original 1,000 claims. The long arrow between the initial determination and the hearing process represents the estimated 58 cases that are referred directly for an ALJ hearing because the option for reconsideration is not available in the claimant’s state.

More than half the claims that are appealed are eventually allowed. Only about 9 percent of applications are resolved at the reconsideration level, either through an allowance or a denial that is not appealed. Of the remaining claims, about 22 percent are addressed at the hearing level. Most applicants who are denied at the initial claims stage and appeal their case have to go through both a reconsideration review and an appeals hearing before having their application resolved. Put another
way, of claimants who were ultimately awarded benefits, about 80 percent were allowed by the DDSs at the initial or reconsideration level, and 20 percent were allowed by an ALJ. Because of funding constraints for SSA’s administrative budget and other factors, applicants often face long wait times for a hearing before an ALJ and a decision on their claim.

Concerns about SSA’s Current Process

Social Security experts have raised concerns about the disability determination process. The most frequent concerns include long wait times for decisions and the increased backlog of cases waiting to be heard. Others have raised concerns about the reliability and validity of decisions and the process used to determine whether a claim meets SSA criteria.²

Backlogs and Wait Times

Concerns over wait times and backlogs of cases have shifted back and forth between concern at the initial determination stage and at the hearing level. Currently, there are fewer concerns about wait times and backlogs of cases awaiting decision at the initial level. In 2018, a worker with a disability who filed a new claim for SSDI benefits had to wait an average of 111 days for an initial decision. This wait time has been fairly consistent over the past five years, ranging from 110 to 114 days (SSA 2019a). In addition, there is not a large backlog of cases waiting to be decided at the initial level. Instead, the wait time essentially reflects the amount of time it takes SSA and the DDS to gather evidence and process a new claim. The same holds true for claims decided at the reconsideration level, where it took SSA 103 days to reach a decision on a claim in 2018. But because the reconsideration stage resolves few applications, some have questioned the value of the added wait time introduced by the reconsideration stage.

At the hearing level, however, wait times are longer, and there is a backlog of cases awaiting decision. In 2018, applicants had to wait an average of 595 days, more than a year and a half, for a hearing on their appeal, and 858,000 cases were pending a hearing. The average wait time for an ALJ determination has increased by nearly six months over the past five years, while the number of pending cases has decreased by roughly 250,000 cases from a recent high of 1.1 million in 2016.

The reduction in the number of cases pending at the hearing level has been driven by plummeting receipts of new cases. New claims for SSDI and SSI benefits fell from a record 3.2 million in FY 2010 to 2.4 million in FY 2018 and are forecast to remain flat for the near future. All SSA operations have
benefited from this drop in applications. With fewer claims coming in, SSA has shifted more resources to the hearing offices. This allowed SSA to hire more ALJs and support staff and to begin reducing the backlog of cases at the hearing level in 2017. In FY 2018, SSA resolved 200,000 more cases at the hearing level than the number of cases received at the hearing level. If SSA continues that performance, the hearing backlog should decrease.

The precipitous drop in new claims relieves pressure on SSA’s strained determination process in the near term, but history suggests this will be a temporary reprieve without improvements to SSA’s processes or additional funding when new claims increase again. SSA has a history of fluctuating backlogs and wait times (SSAB 2001). Long wait times can harm both applicants who eventually receive benefits and applicants who are denied. For an applicant who is eventually awarded benefits, having to wait a year or more for a decision creates needless anxiety and financial insecurity. Equally important is the harm done to those who wait for years and are ultimately denied benefits. For an applicant who is eventually denied, the time waiting for a decision and not pursuing employment can cause skills to erode. Autor and colleagues (2017) found that the long SSDI application process can reduce human capital and cause denied applicants to have a more difficult time returning to work. Similarly, Khan (2018) estimates that the application process for SSDI leads to a 36 percent reduction in employment among denied applicants ages 50 to 58. More than 60 percent of claimants who are denied by an ALJ are eventually allowed benefits within 10 years, largely from people successfully reapplying (French and Song 2014).

**Fairness, Reliability, and Validity of Decisions**

In addition to concerns about the impact of long wait times on people applying for benefits and their families, experts and other stakeholders have raised concerns about the accuracy and consistency of SSA’s decisions and the processes used to determine claims. There are concerns at each stage of the determination process.

At the initial level, the share of cases allowed can vary significantly by state. A recent study found that in 2014, Wyoming allowed 58 percent of new cases, while Mississippi allowed only 26 percent. Some of the variation can be explained by differences in state characteristics and application rates. One study found that state-specific health, demographic, and employment variables explained 70 percent of state variation in application rates over the past two decades (Coe et al. 2011).

States vary not only in terms of application and allowance rates but in how they make benefit determinations. The ability to make an accurate determination on a claim depends heavily on the
development of a full and complete file of evidence of a claimant’s condition. But state DDS offices do not build files consistently, and the inconsistencies are a long-standing concern (Berkowitz 1987; Bloch, Lubbers, and Verkuil 2007). States vary in how they develop claims and in how often they procure new medical evidence through consultative exams. In 2010, Virginia used consultative exams in 21 percent of cases, while Indiana used them in 64 percent. States also vary in allowances at each step in the five-step determination process. In 2013, Hawaii based 64 percent of its initial disability insurance awards using SSA’s regulations on specific medical conditions, referred to as the medical listings, the third stage of the process. In comparison, Washington State based 29 percent of the initial awards on the medical listings. The depth of medical expertise available in each state also varies and affects the determination process. A review by the Institute of Medicine found that in 2004, half the DDS agencies had no medical consultants specializing in cardiology, neurology, or orthopedics (Stobo, McGeary, and Barnes 2007). In addition, part or all of 10 states do not have a reconsideration level of review.

Despite evidence of variations in allowance rates and processes, SSA’s internal reviews of state DDS decisions, both allowances and denials, consistently find that between 95 and 98 percent of DDS decisions are made accurately (SSA 2019a; SSAB 2001). One explanation for this is that SSA’s internal reviews focus on paper reviews of DDS files. The internal review is therefore a judgement of whether the evidence available in the file justifies the final decision, not whether all potentially relevant evidence was collected and properly analyzed. If state DDS offices make decisions based on incomplete evidence, decisions could be inconsistent and erroneous, but that will not be reflected in SSA’s report on accuracy.

Concerns about the accuracy and consistency of ALJ decisions are also long-standing but intensified noticeably around 2010 when SSA began publishing the performance of individual ALJs. SSA’s increased transparency was in response to Freedom of Information Act requests as well as the broader federal emphasis on open data. Leveraging these data, press reports profiled “outlier” ALJs, judges with exceptionally high and low allowance rates or low productivity rates. One ALJ allowed 99 percent of cases, while another allowed only 13 percent. Congressional committees held hearings on the topic, and the Senate Committee on Homeland Security and Governmental Affairs released a report questioning the quality of many ALJ decisions (Permanent Subcommittee 2012).

In response, SSA contracted with the Administrative Conference of the United States to perform an independent study of the appeals process and intensified its internal review. SSA also expanded the data it collected on ALJ decisions. Using these newly available data, SSA Appeals Council staff used data analysis techniques to identify quality issues (Ray and Lubbers 2015).
The external critiques and advice from the Administrative Conference of the United States caused SSA to change its processes and regulations to improve the consistency of ALJ decisions, such as stronger ALJ training, improved ALJ guidance, and enhanced feedback on decisions (Krent and Morris 2013). Key performance measures have improved significantly. The SSA Office of Inspector General (OIG) found a dramatic decline in the number of ALJs meeting its definition of being an outlier and a similar decrease in the number of cases among outlier ALJ decisions identified as having quality issues (OIG 2014). Similarly, the OIG found a consistent drop in the share of overall ALJ decisions where the hearing office leadership disagreed with an ALJ decision (OIG 2017). This improvement is encouraging, but it is not clear that all concerns have been addressed, and there is room for improvement both at the initial and appeal levels (Krent 2019; Ray and Sklar 2019), especially given the long-standing nature of many of the challenges with the SSA process (Mashaw 1983).

**The Current Debate over Reconsideration**

The debate over how to address the long-standing concerns with SSA’s determination process has recently focused on the reconsideration level. In her February 12, 2018, appropriations request to Congress, Acting Commissioner Nancy Berryhill notified congressional oversight committees that SSA would begin reestablishing the reconsideration stage of review in 10 states that currently do not have it in some or all of the state. Reconsideration reviews were eliminated in 10 states under Commissioner Kenneth Apfel as part of the Disability Process Redesign (DPR), a larger reform effort that concluded in 2001. The effort aimed to improve the initial-level review of claims and eliminate the need for reconsideration, freeing up administrative resources for the first stage of review. The initiative would have eliminated reconsideration in all states once fully implemented, but shortly after it went into effect, the next commissioner suspended full implementation. Reconsideration was not restarted in the affected states. Since that decision, several commissioners have attempted to reestablish the reconsideration level, only to have the efforts suspended because of political or budgetary considerations.

Acting Commissioner Berryhill proposed reinstating reconsideration in the affected states because it would enable SSA to operate a more consistent determination program across the country (SSA 2018). Reestablishing the reconsideration level would save $3.4 billion over 10 years for the SSDI, SSI, Medicare, and Medicaid programs (OMB 2018) because the reconsideration process, as currently conceived, results in fewer cases being forwarded on to the hearing level and allowed by an ALJ. The Social Security actuaries estimate that without a reconsideration level, more applications are considered and ultimately allowed at the ALJ level.
The estimated savings are small relative to the SSDI and SSI programs, and they are not cited as the primary motivation for SSA’s proposal, but it underscored concerns about the potential impact of SSA’s plan. Soon after SSA’s announcement, the Ways and Means Subcommittee on Social Security convened a hearing to discuss SSA’s plan. The FY 2020 House Appropriations Committee markup of the Labor, Health and Human Services, Education, and Related Agencies appropriations bill includes language noting “bipartisan, bicameral concern about the quality of the reconsideration process and the delays it causes.” The Social Security Advisory Board also looked into the issue and, in early 2019, invited experts to speak about their experiences and insights. The plan has generated renewed interest in questions about how best to improve the determination process and reignited old battles over the last two major reform efforts that were cut short before they could be implemented and evaluated.

History and Timeline of Major Reform Efforts

Efforts to reform and improve the disability determination process date back decades. These efforts illustrate how SSA has struggled to improve the accuracy, timeliness, and consistency of claims decisions while operating within budgetary, legal, and bureaucratic constraints. They also provide important lessons for future initiatives. In this section, we review the actions taken under the last three presidential administrations, including two major regulatory initiatives, that have set the landscape for the current debate. We then discuss lessons learned from these experiences and identify key factors that must be considered when weighing options for future reform.

Disability Process Redesign

Beginning during the Clinton administration, Social Security commissioners Shirley Chater and Kenneth Apfel undertook reforms and experiments to reduce processing times and administrative costs while keeping program costs neutral. These efforts culminated in the DPR. The early stages of the reform process considered other approaches and implemented changes aimed at “process unification” to reduce inconsistencies in the guidance used by DDS and hearing offices across the country in preparing and reviewing cases. This effort led to the issuance of nine new Social Security rules in 1996 and other changes.

In addition to the process unification reforms, SSA leadership began to test other large changes to the disability determination process. This period of testing and reform led SSA to propose eliminating reconsideration reviews of initial claims decisions. This change would be combined with face-to-face interviews during the initial determination process. SSA’s leadership believed administrative savings
could be realized by eliminating reconsideration reviews that could then be used to build a more robust initial determination process, thereby allowing the agency to both speed up the review process and keep costs neutral.

The DPR effort culminated with Commissioner Apfel issuing a regulation on January 19, 2001, the last day of the Clinton administration, to eliminate the reconsideration level in all or part of 10 states that were designated “prototype” states (figure 2). But the regulation was suspended within four months by the incoming Bush administration. The new administration raised concerns about higher administrative and program costs generated by the changes (Subcommittee on Social Security 2018). SSA’s actuaries estimated that without a second-stage review, more claims would be allowed at the ALJ level and increase federal and state outlays for SSDI, SSI, Medicare, and Medicaid of more than $42 billion over 10 years.\(^{14}\) Despite the rule being suspended, reconsideration was not restored in the 10 states that had already eliminated it and has not been fully restored.

**FIGURE 2**  
Chronology of Major Reform Efforts

<table>
<thead>
<tr>
<th>Administration</th>
<th>1993</th>
<th>2001</th>
<th>2009</th>
<th>2017</th>
<th>Present</th>
</tr>
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<tbody>
<tr>
<td>Clinton</td>
<td>Chater</td>
<td>Bush</td>
<td>Obama</td>
<td>Trump</td>
<td></td>
</tr>
<tr>
<td>Commissioner</td>
<td>Clinton</td>
<td>Apfel</td>
<td>Barnhart</td>
<td>Astrue</td>
<td>Colvin*</td>
</tr>
</tbody>
</table>

- **August 15, 1994**: SSA Independence Act
- **May 1, 2001**: SSA notifies states DPR is on hold
- **August 15, 2007**: SSA issues regulation to suspend DSI
- **January 19, 2001**: SSA issues regulation to start DPR
- **March 31, 2006**: SSA issues regulation to implement DSI

*Acting commissioner

**Note:** DPR = Disability Process Redesign; DSI = Disability Service Improvement; SSA = Social Security Administration.
Disability Service Improvement

President Bush appointed Commissioner Jo Anne Barnhart following suspension of the DPR regulation. In the wake of that effort, the commissioner conducted an in-depth review of the determination process. After analysis and consultation, SSA piloted a new approach called the Disability Service Improvement (DSI). Under DSI, SSA planned to replace the reconsideration stage with a new type of second-level review led by federal reviewing officials, newly created positions held by federal attorneys. This was notable because normal reconsideration reviews were conducted by state DDS staff. The new attorneys were charged with more fully developing cases with an emphasis on stronger medical and vocational evidence, as well as preparing stronger explanations of denials than DDSs produced during a reconsideration review. SSA expected this would lead to more allowances at the second level of review but make it less likely that denied applicants would appeal for an ALJ hearing. If a case was appealed, the ALJ would also be better prepared because of the work by the federal reviewing official. In this way, DSI was expected to have no significant impact on long-term program spending.

The DSI pilot rolled out in the Boston region, and initial results showed promise. But the effort soon ran into implementation and budgetary challenges. Early implementation was uneven. Changes in the information technology needed to execute the program did not initially perform well. In addition, DSI entailed higher up-front administrative costs to implement changes at a time when SSA’s overall budget was tight and the backlog of disability claims, especially at the hearing offices, was substantial. Finally, although DSI was not expected to significantly change long-term program spending, estimates indicated that program outlays would increase by $1.3 billion over the first 10 years because some allowances would be made earlier. As a condition of approval to proceed with the pilot, the SSA Office of the Chief Actuary and the Office of Management and Budget agreed upon an evaluation plan to monitor allowances, appeals, and denials for comparable applicants. But the regulation beginning the effort in Boston was not issued until March 31, 2006. Commissioner Barnhart’s six-year term concluded in January 2007, so implementation and evaluation of the DSI effort became the responsibility of the next commissioner, Michael Astrue.

Although Commissioner Astrue was also appointed by President Bush, he did not agree with the approach taken under DSI and decided that the resources devoted to DSI should be redirected to working down mounting backlogs of claims waiting for a decision, particularly at the hearing level. The DSI regulation was suspended 1 year and 6 months after it was issued and before a full evaluation could be completed to determine whether DSI made more allowances earlier but kept long-run allowance rates essentially unchanged.
Targeted Reforms

Following suspension of DSI, Commissioner Astrue did not propose major regulatory overhauls of the determination process. Commissioner Astrue’s term ended in 2013, and Acting Commissioner Carolyn Colvin, appointed by President Obama, succeeded him. Both Astrue and Colvin focused on incremental and targeted changes to the system. These changes included improved training, guidance, and oversight of the ALJs; updates to all medical listings used to determine whether a worker has a disabling condition; and new processes to expedite the initial determination of certain claims to reduce the backlog of cases waiting for a decision.

Colvin was succeeded in 2017 by Acting Commissioner Berryhill, under whose leadership SSA began to reinstate reconsideration. After more than six years of acting commissioners, Andrew Saul was confirmed as commissioner in June 2019 and his term continues until January 19, 2025. One of his first decisions will be whether to continue reinstituting reconsideration.

Key Challenges to Reforming the Determination Process

Past reform efforts and agency leaders had to navigate complicated factors that could impede change to SSA’s processes. We identify three primary factors that greatly influence SSA’s ability to improve its disability determination process. First, SSA’s commissioner serves a fixed six-year term that can cross presidential terms and parties. Second, SSA operates with a limited administrative budget with constant tension between working down the backlog of pending cases and pursuing new initiatives. Third, states have considerable independence managing the DDS process and need to be consulted on any changes. In these areas, SSA has made significant though incremental progress improving its system. Nevertheless, these factors impede testing and evaluation of more fundamental modifications to its process.

A major obstacle to reforming the disability determination process is the time needed for reform and the ability to commit to one vision for the duration of the process. Properly measuring the impact that changes will have on program costs takes many years. Higher allowance rates early in the process increase program costs but can be offset by fewer appeals and lower allowance rates later in the process. Even after the ALJ decision is made at the hearing level, the ultimate allowance rate will depend on appeals and decisions to the Appeals Council, district courts, and beyond. In addition, many denied applicants whose health conditions worsen reapply and are eventually awarded benefits. French and Song (2014) find that 50 percent of applicants denied benefits by an ALJ are later allowed benefits.
in the next five years, with another 10 percent allowed over the following five years. Measuring the ultimate overall allowance rate for major program change requires many years of observations.

**Timing and Continuity of Leadership**

An agency leader needs long lead times to properly study and diagnose problems, propose new solutions, obtain approvals, test strategies, implement changes, and evaluate impacts. This process takes years, as demonstrated by the DPR and DSI initiatives. In both cases, the major regulations establishing new processes were not issued until the last year of each commissioner’s six-year term. Both reforms were halted before they were fully implemented nationwide and even before full evaluations could be completed.

Sustaining commitment to a reform over a long period is also difficult because of disruptions that arise from new presidents and SSA commissioners. Changes in policy direction resulting from presidential transitions are expected for all agencies. But legislation passed in 1994 was intended to partially insulate SSA from these disruptions. The Social Security Independence and Program Improvement Act (Independence Act) moved SSA out of the US Department of Health and Human Services and made it an independent agency. It also established a fixed, six-year term for the SSA commissioner. At the time, congressional leaders, including Senator Daniel Moynihan, hoped an independent agency would be more effective and the longer commissioner term would promote stability and continuity of policy.

The Independence Act has not prevented major policy disruptions. In the case of DPR, the key policy was reversed within months of being issued and followed a change in the White House and the appointment of a new commissioner. In the case of DSI, the presidential administration did not change, but a new commissioner from the same party suspended the initiative within 16 months of that regulation being issued. The Independence Act may have given agency leadership enough time to develop and begin implementing major reforms, but it has not guaranteed sufficient time for reforms to become fully implemented, evaluated, and institutionalized in a way that could survive leadership changes.

The commissioner’s fixed, six-year term can also lead to difficulties because of the agency’s quasi-independent status. For example, Commissioner Astrue was appointed to a six-year term in 2007 by President Bush, a Republican. In 2009, President Obama, a Democrat, took office. In keeping with the Independence Act, Commissioner Astrue served the remaining four years of his appointment, marking the first and only time the office of the commissioner has fallen out of sync with the party in the White
House. The agency had to navigate tensions between agency leadership and the president’s administration. Although no major overhauls of the determination process were undertaken during this time, the agency and the administration were able to target reforms to several areas of mutual agreement and produce tangible improvements, especially in the training and guidance given to ALJs. Until June 2019, no new commissioner was confirmed, leaving the agency to operate with acting commissioners for more than six years.

**Administrative Funding**

SSA’s administrative budget is funded from an annual appropriation and competes within the discretionary spending limits against other programs in the Labor, Health and Human Services, Education, and Related Agencies appropriations bill. This bill includes other high-priority programs, such as the National Institutes of Health, Head Start, and the Low Income Home Energy Assistance Program.

Most of SSA’s administrative budget is devoted to operating the SSI and SSDI programs. Spending on the two programs totaled 56 percent of SSA’s administrative expenses in FY 2018 (SSA 2019b). SSA charges its administrative costs to the SSDI Trust Fund, other trust funds, and the Treasury General Fund. These operating costs are reported in the Social Security Trustees Report and provide a consistent and audited history of spending to administer the SSDI program.16

Spending per beneficiary has increased only slightly in nominal terms since 1991 and has decreased in real terms (figures 3 and 4). Since the last peak in 2002, spending per SSDI beneficiary has dropped 36 percent when measured in constant dollars.
SSA administrative spending per SSDI beneficiary has declined steadily since 2002, when adjusted for inflation.
Constrained administrative funding is a simple reality of the federal appropriations process. Recently, former commissioners and acting commissioners Apfel, Barnhart, and Colvin called for SSA’s administrative budget to be moved out of the discretionary appropriations caps and onto the mandatory budget, and their proposal has support from key congressional members. But past proposals to move some or all of SSA’s administrative budget into the mandatory budget have not been acted upon (Liebman and Smalligan 2013). Other limited special funding authority has been granted to SSA to work around these constraints to fund program integrity activities. These activities include continuing disability reviews (CDRs) that are used to identify when a beneficiary has medically improved and is no longer eligible for disability benefits. Although the agency is mandated by law to conduct CDRs, tight budgets meant that SSA had to choose between processing more claims or conducting more CDRs. This led to substantial backlogs of CDRs in the 1990s. In response, Congress authorized special funding outside the normal appropriations constraints for CDRs from 1996 through 2002 through a mechanism known as a “cap adjustment.” This approach recognized that spending on CDRs produces more long-term savings in the Social Security disability program and therefore removes it from the caps on appropriations for discretionary spending on administrative expenses.
In what represents as close to a natural experiment as can occur in the congressional appropriations process, this special treatment was not renewed, and beginning in 2003, appropriations for CDRs steadily declined, and CDR backlogs grew substantially, even though SSA’s actuaries estimate mandatory program savings of $9 or $10 for every dollar spent on CDRs. The Budget Control Act of 2011 reestablished the special funding treatment for these reviews, and Congress has gradually increased funding using the special mechanism so SSA has now fully worked down its backlogs in this area.

The program redesign efforts under the Clinton and Bush administrations, as well as earlier efforts, also struggled with administrative funding constraints. These efforts demonstrated how challenging it is to devise a determination process that is less costly to administer and that provides more reliable decisions. Stapleton and Pugh (2001, 17) studied SSA’s process and made this observation: “For many years, adjudicators at all levels have been working under the pressure of large backlogs of pending cases, reflecting both high growth in the number of applications and staff cutbacks. During our interviews, we heard many anecdotes about how pressure to clear cases resulted in diminished accuracy. There is a widespread belief in a trade-off between accuracy and productivity and that SSA’s emphasis on improving productivity has resulted in reduced accuracy.” This point is particularly striking for having been written in 2001, when the overall budget pressures and SSA claims volumes were considerably less than they are today.

**Independence of State Disability Determination Service Offices**

The Social Security Act gives each state the right to process applications for benefits within the state. A state can voluntarily relinquish this right, and states sometimes do so when their backlogs of claims become excessive. Although states have lead responsibility for managing their determination process, SSA is responsible for establishing the eligibility criteria, such as updating regulations or guidance documents. This balance of power between SSA and the states is another challenge to improving practices throughout the country. It reflects a system that several generations ago was a state-based program.

State independence is evident in decisions regarding the level of education expected in the hiring of state disability examiners, the number of consultative exams a state purchases, and the staff resources expended to collect a claimant’s medical evidence. One vivid illustration of state independence occurred during the Great Recession, when several states issued hiring freezes for state employees. Some states imposed hiring freezes for their disability examiners, even though SSA paid for the full cost
of these workers, SSA had the funds to pay the states, and the states had serious backlogs of applications for disability benefits. After requests from the SSA commissioner could not reverse the states’ policies, White House staff even became involved to persuade states to modify their policies.

The implications of state independence have been understood for many years. Stapleton and Pugh (2001, 19) reviewed SSA’s determination process and had these observations regarding the relationship between SSA and the DDSs that are still relevant today: “The fact that state DDSs are responsible for initial determinations has substantial implications for quality and quality management.... While in some respects the states resemble contractors to SSA, in one overriding respect they do not. They are political entities and can individually or collectively influence SSA’s management of the disability determination process through the political process. The reverse is also true. Currently, the DDSs have wide latitude with respect to the management of their processes.... Federal efforts to improve quality assurance processes within the DDSs will be constrained by SSA’s ability to influence DDS management via regulation or funding incentives.”

One example of the independence of state offices can be illustrated in the computer systems states have maintained. For decades, states chose the information system programs they used to conduct determinations, resulting in SSA funding 52 information technology systems across all DDS offices. SSA developed the Disability Case Processing System to unify the processes across all DDS offices. One risk factor in the Office of Management and Budget’s assessment of the system was the potential that the states would not adopt the new system. Fortunately, SSA has overcome initial development challenges and rolled out the system across all DDS offices. This undertaking goes back more than a decade, and most DDS staff are satisfied with the new system (OIG 2018). SSA’s ability to unify systems, in spite of initial mistakes, is a promising indication that progress to improve the consistency of practices across states can be achieved if the federal-state relationship is properly managed.

State control of DDS offices is not necessarily an obstacle to implementing improved processes. In a federalist system, variation in state practices can help identify improved processes if the variations between practices are rigorously evaluated. At the same time, the public needs to have confidence that similar claims will be treated similarly across states.

Options to Improve the Disability Determination Process

Understanding the history of prior reform efforts and the challenges and constraints involved in implementing changes to the disability determination process is important for evaluating future
options. In this section, we discuss two approaches to reforming the initial determination and reconsideration stages of review where almost 80 percent of cases are decided. This report does not focus on reforms to the appeals process but does discuss important interactions between reforms at the first two stages and the appeals process that would affect program and administrative costs. Reforms to the appeals process are important, would be complimentary to the changes made at the initial and reconsideration levels, and have been thoroughly analyzed in other papers (Krent 2019; Krent and Morris 2013; Ray and Sklar 2019). Our review suggests that investing in a stronger reconsideration review process would provide the best avenue for achieving better decisions earlier while keeping long-term program costs neutral and keeping administrative expenses modest. We also propose a way to test the approach and ensure continuity and commitment to the proposed strategy.

Proposals to Enhance the Initial Determination Stage and Eliminate Reconsideration Reviews

Some experts have proposed eliminating reconsideration reviews and using the funds to enhance the initial determination review process (Dubin 2016; Ekman 2018; Greszler, Gonshorowski, and Boccia 2019). These proposals suggest that investing more in the initial determination stage would shorten the time it takes for an applicant to receive a decision. The proposals view the existing reconsideration process as essentially a “rubber stamp” on the initial determination.

For a shift in resources from the reconsideration stage to the initial stage to be neutral on SSA’s administrative and program budgets, the initial determinations would need to be more accurate and of a higher quality. Consistency must be improved for the initial review to allow the cases that are currently denied at the first step and later allowed at the reconsideration or hearing or appeal steps. Higher-quality case development and explanation of denials would also be needed so that (1) at least as many appeals are avoided as with reconsideration in place and (2) cases are as well developed as they are after reconsideration to support ALJ reviews at the hearing level and to avoid an increase in allowances.

If these conditions are not met, eliminating reconsideration would simply increase the number of cases heard at the hearing level. If allowance and appeal rates remain unchanged, this would increase the number of cases appealed to the hearing level and result in higher allowance rates and higher long-term program and administrative costs.

If the quality of the reviews improves dramatically, the additional resources might be justified. But the sheer magnitude of the costs involved to improve all initial reviews and the lack of evidence about
how to sufficiently increase quality and accuracy make this approach difficult to consider, particularly in light of tight administrative budgets. The narrow margin for error can be illustrated using SSA data on unit cost and claims data from FY 2018.

Figure 5 shows how many cases were processed at each level of review in FY 2018, the associated unit cost per claim, and the total administrative cost. SSA spends only a modest amount at the reconsideration level, roughly 8 percent of spending on the disability case processing. If all the spending on reconsideration reviews were shifted to the initial review stage, it would represent only a 17 percent increase in funding for initial reviews. This is because reconsideration reviews are less costly and there are fewer cases.
Conversely, the cost of a hearing before an ALJ is significantly higher than either initial determinations or reconsideration reviews. It would take only a 16 percent increase in the number of appeals to the hearing offices to eliminate the savings from removal of the reconsideration stage.\textsuperscript{19} In a worst-case scenario, an attempt to improve the initial determination process and eliminate reconsideration could increase SSA’s administrative and program costs, the waiting time for a decision,
and the backlog of cases waiting for a decision. In addition, from the individual claimant perspective, the time saved from avoiding the reconsideration stage (100 days) could be more than offset by a longer wait for an ALJ hearing.

Proposals for a Reimagined Second-Level Review

An alternative to eliminating reconsideration is to strengthen and improve it. This approach would recognize that the initial claims review process already resolves 70 percent of claims without an appeal. This substantially winnows the volume of claims requiring further review, allowing for a more targeted and cost-effective investment of resources to better develop the medical and vocational evidence used to decide claims. This approach would be similar to what was attempted under the Disability Service Improvement initiative.

Under an enhanced reconsideration review process, more time and resources would be spent developing the medical evidence with applicants who are denied at the initial level and appeal their case. This would address the difficulty DDS staff have obtaining evidence from treating source physicians in the time they have available (Government Accountability Office 2008), which can lead to denials of claims that should have been awarded. It could also enable the DDS to request and obtain more consultative examinations to better understand the claimant’s condition. Consultative exams are helpful when an applicant has no health insurance and limited medical records.

Other changes could be included in a reformed reconsideration process, such as using federal employees to review cases at reconsideration, similar to what was tried under the DSI initiative, and adding a “nonadversarial counselor” to the process, as recommended by Bloch, Lubbers, and Verkuil (2007). Many proposals to improve the determination process focused on conducting face-to-face meetings. Technological developments might have made face-to-face meetings at the reconsideration stage less necessary. SSA could test the usefulness of videoconference reviews. SSA could also consider employing a new tool developed for the agency by the National Institutes of Health that uses item response theory and computer adaptive testing to systematically describe self-reported functioning (Meterko et al., forthcoming). SSA could explore different ways to employ the tool. It might be possible to use the feedback from the assessment during reconsideration to determine whether the most relevant and appropriate evidence needed to make a determination has been collected. It could also be used to provide feedback to the DDS during the quality review process.

Collecting more medical and vocational evidence at the reconsideration stage could provide the evidence and documentation that would, in the case of a denial, better inform the applicant of the
reason for the decision. This could prevent appeals for a hearing in cases that will ultimately be denied anyway. It would also provide an evidence-supported rationale for the denial to the ALJ, as well as a full baseline medical record against which to compare new evidence submitted by the claimant when he or she appeals. In cases where a claim is appealed and then allowed at the hearing level, the ALJ's written decision could be required to indicate the reasons the earlier judgment was not accepted, and this feedback could be shared with the DDS. In this manner, an enhanced second level of review would also improve the ALJ review process. The additional time spent developing a case at the DDS level might be particularly important for applicants with low incomes and no health insurance. These claimants might have little or no medical evidence of record and a more difficult time presenting their case during an initial review.

One important caveat is that how much these changes would accelerate ALJ reviews depends in part on how much time elapses between the reconsideration review and the ALJ review. Long wait times for a hearing can make the collected evidence less relevant as the applicant’s condition and functional ability erode. Older cases often take longer because of the need to collect new medical and vocational evidence. The longer wait time for a claimant who is approved means a longer period of financial uncertainty and higher attorney fees if they were represented. For claimants who are ultimately denied upon appeal, additional harm is done because the applicant spends more time out of the labor force, which can erode employment prospects.

The goal of the enhanced second-level review is to achieve the best decision earlier than is achieved today. We do not know whether doing so would change long-run allowance rates. Under DSI, ultimate long-term allowance rates were expected to remain roughly the same. But the evidence is incomplete on what the DSI’s impact would have been. The data collected before the initiative was suspended showed that more claims were allowed by the new federal reviewing official at the second level of review, as expected and desired. But the effort was suspended before enough data on the long-term impact could be collected, and a full and rigorous evaluation of DSI has not been possible.

One concern about enhancing the reconsideration review instead of the initial review is that some applicants who are initially denied and do not appeal have valid applications that would have been allowed with a more in-depth review. These applicants might have less understanding of the process and less access to professional advice. One option would be to authorize the DDS to identify vulnerable applicants who do not have enough evidence to have their claim allowed. In these cases, the DDS could inform the applicant that his or her claim has not been approved but has been forwarded to a more senior examiner for reconsideration—that is, automatically appeal high-risk cases, provided the DDS maintained its normal initial level of review.
Reconsideration reviews had a larger impact on allowances in the past. In the 1950s and 1960s, the reconsideration stage had a 30 to 45 percent allowance rate. Allowance rates steadily declined during the 1970s and were a mere 13 percent of cases allowed in FY 2018 (SSA 2019b). The reasons for the decline are unclear. In the earlier years of the program, claimants had more time to appeal an initial denial and, according to SSA, more evidence was submitted at the reconsideration level. Other aspects of program administration also differed. The low allowance rate today means that few reconsideration reviews have a meaningful impact on the claims review process.

If reforms to reconsideration produced allowance rates similar to those experienced in the 1950s and 1960s, 180,000 people would have received a decision 600 days earlier in 2018. This improved system would also save roughly $680 million in administrative costs at the hearing level, funding that is substantially more than SSA spent in 2018 on all reconsideration reviews.

SSA is focused on reestablishing the reconsideration level in the 10 states where it was removed. The approach we discuss in this section of the paper would go further and direct SSA to work with states to rethink the second level of review. The reconsideration level in its current form accomplishes little, but it provides a structure upon which a stronger process can be developed. In that context, having these states’ processes conform to the rest of the country can be a first step toward building a stronger process.

SSA could test several approaches in different parts of the country for a limited period. The cases reviewed during these tests need to be given accelerated review at the ALJ level. Minimizing the wait for an ALJ hearing is essential for the evidence collected at the second level of review to fairly characterize an applicant’s current condition.

Strategies to Initiate and Empower SSA to Reinvent Its Processes

An enhanced and reformed reconsideration review process could improve the timeliness and accuracy of decisions without requiring large, unsustainable increases in administrative funding. Designing, implementing, evaluating, and expanding such reforms will require navigating the challenges prior initiatives faced. These challenges include sustained commitment to the vision for reform over a long period, potentially across presidential and commissioner terms in office, and adequate transition funding to implement new reforms nationally.
To navigate these challenges, SSA needs broad bipartisan support from Congress to improve the chance that testing and reforms would withstand commissioner turnover and persist long enough for the efforts to be rigorously evaluated. SSA must also be equipped with the funding and authority needed to carry out this process. Three options could be pursued:

**Mandatory funding and authority.** A straightforward approach would be to provide SSA mandatory funding and authority to conduct pilots and fund additional administrative costs associated with implementing new processes so the transition costs do not undermine funding for SSA’s other work. This approach could provide a simple and clear path forward for reform but would require new language and authority, as opposed to renewal or repurposing of existing authorities, as proposed below. In addition, as noted earlier, interest in shifting all of SSA’s administrative budget out of the discretionary caps has recently increased. Previous and more expansive proposals to move funding for the state DDS offices to the mandatory side of the budget—as is done with the federal share of state administrative costs for Medicaid, the Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families—have not gained traction (Liebman and Smalligan 2013).

**Expanded SSDI demonstration authority.** Another approach would be for Congress to provide SSA seed money to test and evaluate alternative approaches to reform through the SSDI demonstration authority. The demonstration authority expires in 2022, and Congress would need to authorize the use of funds for SSA administrative expenses associated with this research and experimentation, as well as authority to test alternative processes for all disability claims, including for SSI benefits. The authorization could reflect an agreed-upon reform plan at a high level but should provide SSA flexibility to determine the elements that should be tested within the broader framework (Hart, Fichtner, and Smalligan 2019). Reauthorizing the SSDI demonstration authority also provides an opportunity for Congress to authorize other experiments beyond the scope of this report (Fichtner and Seligman 2019; Stapleton, Ben-Shalom, and Mann 2019).

**Cap adjustment funding.** Alternatively, Congress could provide for a discretionary cap adjustment for testing improvements in the disability determination process. SSA funding for continuing disability reviews are already provided through this mechanism. Although the SSDI demonstration authority option would temporarily tap mandatory funding for this research, a cap adjustment would keep the funding within the discretionary appropriations process. But we do not know whether an enhanced determination process would increase, decrease, or have a neutral effect on overall program spending. This could make funding through a cap adjustment less likely because this mechanism has typically been reserved by Congress for activities for which evidence shows that increased discretionary spending would reduce mandatory costs.
Of these options, expanded SSDI demonstration authority may provide the most viable path forward because it would build upon an existing SSA-specific statutory framework. In addition, by providing special, dedicated funding and authorities to test and rigorously evaluate alternative approaches to reconsideration reviews, SSA leadership and members of Congress would have evidence-based options for ensuring that people applying for disability benefits receive timely and accurate decisions. It would also provide a means for sustaining commitment to reform and addressing the other challenges that plagued past efforts. Together, these changes could facilitate meaningful reform to SSA’s disability determination process, leading to improvements in the process for all workers who apply for benefits and increased overall public confidence in this vital program.
Notes

1 Few cases are considered by the Appeals Council, and it has a lower allowance rate than any of the earlier stages. Consequently, we do not focus on the council for this brief. For more information on the Appeals Council, see Ray and Lubbers (2015).

2 A separate set of concerns relates to fundamental issues regarding how SSA defines and measures disability, but these concerns are beyond the scope of this report.


5 “Disability Chartbook Chapter 7,” Social Security Advisory Board.

6 “Disability Chartbook Chapter 7,” Social Security Advisory Board.


13 Morton, “The Reconsideration Level.”

14 Morton, “The Reconsideration Level.”


16 Comparable historical data are not available for the SSI program.


Figure 5 uses actual processing volumes for FY 2018 when the number of ALJ hearings was especially large given the hearing backlogs. The relative total cost of each stage of review will be different when SSA no longer has a hearing backlog from applications in prior years. Similarly, the most recent publicly available unit cost estimates are from 2016, and relative costs might be somewhat different today.


Morton, “The Reconsideration Level.”

Authors’ estimates assuming reconsideration is reinstated in the 10 states that do not have this stage in all or part of the state and assuming an improved reconsideration review allowed 40 percent of applications.

Apfel, Barnhart, and Colvin, letter to Richard Neal.
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