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## STATE OF HAWAII DEPARTMENT OF HUMAN SERVICES

P. O. Box 339 Honolulu, Hawaii 96809-0339

March 28, 2019

TO: The Honorable Representative Sylvia Luke, Chair

House Committee on Finance

FROM: Pankaj Bhanot, Director

SUBJECT: SB 492 SD2 HD1 – RELATING TO THE DEPARTMENT OF HUMAN

SERVICES/AUDIT OF THE DISABILITY DETERMINATION BRANCH

Hearing: March 29, 2019, 2:30 p.m.

Conference Room 308, State Capitol

**DEPARTMENT'S POSITION**: The Department of Human Services (DHS) appreciates the intent of the measure and respectfully provides comments. DHS appreciates the amendments and finding of the Senate Committee on Human Services "that the Disability Determination Branch (DDB) is responsible for making timely, accurate, and cost-effective disability determinations in accordance with Social Security Administration rules and regulations."

<u>PURPOSE</u>: The purpose of the bill is to require the Office of the Auditor to conduct a performance audit of the Disability Determination Branch (DDB) of the Department of Human Services (DHS) and present findings and recommendations to the legislature, as appropriate.

The Disability Determination Branch (DDB) is responsible for making timely, accurate and cost-effective disability determinations in accordance with Social Security Administration rules and regulations. The DDB is 100 percent federally funded by the Social Security Administration (SSA).

SSA provides regular oversight of the performance of all State Disability

Determination Branches to ensure the states maintain effective business procedures for processing Social Security disability claims, and has sole authority for evaluating the methods, procedures and criteria used by the DDB for making eligibility determinations.

SSA and the Hawaii's DDB work together to deliver quality service and accurate disability determinations as quickly as possible for the residents of Hawaii.

DDB makes disability determinations for the two disability programs of the SSA: Social Security Disability Insurance (SSDI) program and the Supplemental Security Income (SSI) program. To qualify for SSDI benefits, a person needs to have worked long enough, usually 10 years or 40 quarters. A person must also have a medical condition that meets SSA's definition of disability to be eligible for benefits through the SSDI program.

The SSI program is a needs-based program for disabled individuals who may not have enough work quarters or any income from employment, and this applicant must also meet SSA's definition of disability. Also, for SSI, an individual must meet certain income and resource limits along with other eligibility factors.

The Social Security Act defines disability as the inability to engage in any substantial gainful activity (SGA) because of a physical or mental medical condition, that is expected to last, or has lasted, twelve consecutive months, or is expected to result in death. DDB uses a Sequential Evaluation Process to determine if an individual's circumstances or condition meets the definition of disability.

Regarding items identified in SECTION 2:

- Details on the Disability Determination Process can be found here: <a href="https://www.ssa.gov/planners/disability/qualify.html">https://www.ssa.gov/planners/disability/qualify.html</a>
- 2. Analysis of the rate of denials for Initial applications and the rates of denials and approvals for those appealed applications.

DDB wants to be sure that every decision made about a person's disability or SSI application is correct. If a person does not agree with the decision, they can file an appeal – that is, ask us to look at the case again. Generally, there are four levels of appeal. They are:

- Reconsideration;
- Hearing by an administrative law judge;

- Review by the Appeals Council; and
- Federal Court review.

DDB is responsible for the Reconsideration level of appeal. A reconsideration is a complete review of the claim by someone who did not take part in the first decision. We will look at all the evidence submitted when the original decision was made, plus any new evidence.

Please refer to the tables referenced in item #4 for "Allowance" and "Denial" rates of Initial applications and Reconsideration (appealed) applications. Please note that DDB's allowance and denial rates for Initial and Reconsideration applications have aligned with the national averages since FFY 2015.

# 3. Factors contributing to extended processing times for disability eligibility applications and subsequent determinations;

One of the methods used to evaluate the efficiency of a DDB is the length of time it takes to make a determination on disability claim from beginning to end. SSA refers to this as processing time and establishes performance measurements to process a claim.

There are several factors that affect processing time. While some are beyond the control of the State, some are within their scope of influence.

The DDB and the State can have an influence on processing time by:

- Maintaining adequate staffing though this is often subject to SSA hiring authority;
- Providing staff program training to increase proficiency;
- Maintaining funding including salaries and equipment;
- Eliminating furloughs and layoffs;
- Maintaining adequate in-house medical and psychological consultant resources;
- Maintaining an adequate Consultative Examination (CE) panel;
- Using overtime as deemed appropriate by SSA and the DDS;
- Adjusting to fluctuating expectations from SSA; and
- Establishing and comparing base periods of time.

The Social Security Administration has sole authority for evaluating the timeliness of eligibility determinations. While SSA has tasked the DDB with improving timeliness of determinations, the Agency is satisfied with the progress made to date, as well as the business process improvements deployed currently under way.

4. Internal operations at the disability determination branch, specifically with respect to any management policies or directives that may influence staff to make eligibility determinations quickly and without thorough evaluation of applications and supporting documentation;

There are no directives or policies that influence staff to make determinations quickly without respect to ensuring the accuracy of the determination. To comply with the policies set forth by the Social Security Administration, the DDB must achieve both timely processing and accurate decisions.

Social Security does require that States meet thresholds for case processing time <u>and</u> decisional accuracy. These requirements are established to ensure that individuals filing claims for disability benefits receive timely and accurate service. DDB is accountable for delivering the best possible service to the residents of Hawaii. DDB has a goal to improve processing times while sustaining our accuracy rates, and are committed to serving our residents in Hawaii timely.

DDB has consistently delivered accurate decisions and the DDB's claims accuracy has consistently met or exceeded the national average.

In contrast, the timeliness of DDB's determinations has historically fallen short of national performance level. However, over the last 4 years, the DDB has narrowed the gap between the timeliness of determinations for residents of Hawaii and the national average. In 2016, residents of Hawaii waited 19.3 days longer than the national average for an initial determination, while in 2019 to date, residents wait just 7.7 days longer than the national average. For appeals of initial determinations, the improvement in customer service is even more dramatic with Hawaiian's waiting 26.6 days longer in 2016, and receiving a decision 12.2 days faster than the national average in 2019 to date.

Through investment in staff training, and business process improvements, the DDB has made great strides in the timeliness of determinations, while maintaining consistently high

accuracy. The dedication of the current managers and staff of the Hawaii DDB, has resulted in a tremendous customer service success story.

### 5. Actual processing times for disability eligibility applications.

See last column for combined Title 2 & Title 16 Mean processing times for Initial and Reconsideration (appeals) claims related to DDB processing times.

2019 through 1/25/19	Receipt	Clearance	Allowance	Denial	Accuracy Rate	T2/T16 Combined MPT
Nation Initial Claims	670,551	690,155	35.5%	64.5%	97.5	91.4
Hawaii Initial Claims	1,855	2,065	<mark>33.4%</mark>	<mark>66.6%</mark>	100.0	<mark>99.1</mark>
Nation Reconsideration	160,393	153,792	12.3%	87.7%	95.9	79.0
Hawaii Reconsideration	533	281	<mark>12.1%</mark>	<mark>87.9%</mark>	96.7	66.9

2018	Receipt	Clearance	Allowance	Denial	Accuracy Rate	T2/T16 Combined MPT
Nation Initial Claims	2,304,611	2,265,999	35.0%	65.0%	96.9%	86.6
Hawaii Initial Claims	6,351	6,758	<mark>34.7%</mark>	<mark>65.3%</mark>	<mark>98.3%</mark>	<mark>102.5</mark>
Nation Reconsideration	506,269	497,903	12.2%	87.8%	96.1%	73.4
Hawaii Reconsideration	672	798	<mark>11.2%</mark>	<mark>88.8%</mark>	98.7%	123.6

2017	Receipt	Clearance	Allowance	Denial	Accuracy Rate	T2/T16 Combined MPT
Nation Initial Claims	2,408,676	2,448,734	34.3%	65.7%	97.3%	85.1
Hawaii Initial Claims	6,456	6,178	<mark>36.2%</mark>	<mark>63.8%</mark>	<mark>97.0%</mark>	<mark>100.1</mark>
Nation Reconsideration	538,957	538,046	12.3%	87.7%	96.1%	71.1
Hawaii Reconsideration	1,404	1,529	<mark>15.7%</mark>	<mark>84.3%</mark>	97.1%	104.4

2016	Receipts	Clearances	Allowance	Denial	Accuracy Rate	T2/T16 Combined
						MPT
Nation Initial Claims	2,541,823	2,580,064	33.2%	66.8%	97.8%	84.2
Hawaii Initial Claims	6,796	7,333	<mark>31.9%</mark>	<mark>68.1%</mark>	<mark>97.5</mark> %	<mark>103.5</mark>
Nation Reconsideration	537,559	549,228	11.9%	88.1%	96.6%	71.9
Hawaii Reconsideration	2,019	2,197	<mark>11.9%</mark>	<mark>88.1%</mark>	95.6%	98.5

2015	Receipts	Clearances	Allowance	Denial	Accuracy Rate	T2/T16 Combined
						MPT
Nation Initial Claims	2,673,505	2,665,845	33.0%	67.0%	97.7%	T2=83.5; T16=87.2
Hawaii Initial Claims	7,272	7,354	<mark>33.3%</mark>	<mark>66.7%</mark>	<mark>98.0</mark> %	T2=109.0; T16=118.4
Nation Reconsideration	609,975	650,829	11.3%	88.7%	97.2%	Not available
Hawaii Reconsideration	1,920	1,894	<mark>13.8%</mark>	<mark>86.2%</mark>	97.9%	Not available

Combined processing time not available prior to 2016 – provided T2 and T16 processing time

2014	Receipts	Clearances	Allowance	Denial	Accuracy Rate	T2/T16 Combined
						MPT
Nation Initial Claims	2,703,030	2,766,706	32.4%	67.6%	97.8%	T2=83.0; T16=85.7
Hawaii Initial Claims	6,608	6,666	<mark>34.8%</mark>	<mark>65.2%</mark>	<mark>98.5%</mark>	T2=118.5; T16=132.4
Nation Reconsideration	715,888	704,404	10.7%	89.3%	96.9%	Not available
Hawaii Reconsideration	1,754	1,393	<mark>13.5%</mark>	<mark>86.5%</mark>	96.8%	Not available

Combined processing time not available prior to 2016 – provided T2 and T16 processing time

#### **OTHER POSITIVE NEWS:**

At the end of Federal Fiscal Year 2018, the Social Security Administration and Office of the Inspector General (OIG) opened a Cooperative Disability Investigations Unit in Hawaii. The unit includes a part-time examiner from the Department of Human Services Disability Determination Branch. This unit will identify, investigate, and prevent Social Security disability fraud throughout the State of Hawaii.

The CDI Program is one of Social Security's most successful anti-fraud initiatives, contributing to the integrity of Federal disability programs. CDI brings together personnel from Social Security, its OIG, DDB, and local law enforcement agencies to analyze and investigate suspicious or questionable Social Security disability claims, to help resolve questions of potential fraud before benefits are ever paid. CDI Unit efforts help DDB disability examiners make informed decisions, ensure payment accuracy, and generate significant taxpayer savings, for both Federal and State programs.

Thank you for the opportunity to provide comments on this measure.



Office of the Regional Commissioner 1221 Nevin Avenue, 6th Floor Richmond, California 94802

March 27, 2019

The Honorable Representative Sylvia Luke, Chair The Honorable Representative Ty J.K. Cullen, Vice Chair House Committee on Finance Hawaii State Capitol Honolulu, Hawaii 96813

Dear Representatives Luke and Cullen:

I am writing to express my concerns about Hawaii State Bill 492 (SB 492), which was referred to the House Committee on Finance on March 22, 2019. SB 492 would require an auditor to conduct a performance audit of the Disability Determination Branch (DDB) of the Hawaii Department of Human Services, and present its findings and recommendations to the legislature.

The audit contemplated in the Bill would include an examination of the management and operations of the DDB, including but not limited to:

- methods, procedures, and criteria used to make eligibility determinations, including an analysis of the rate of denials for initial applications and the rates of denials and approvals for appealed applications;
- (2) factors contributing to the extended processing times for disability eligibility applications and subsequent determinations;
- (3) internal operations at the DDB, specifically with respect to any management policies or directives that may influence staff to make eligibility determinations quickly and without thorough evaluation of applications and supporting documentation; and
- (4) actual processing times for disability eligibility applications.

I have several concerns about SB 492. As you know, the DDB makes disability determinations pursuant to the Social Security Act (Act), the Social Security Administration's (SSA) regulations, and other written guidelines. The Act requires the Commissioner of Social Security to promulgate regulations specifying performance standards and administrative requirements that States must follow in performing the disability determination function. Consistent with that statutory requirement, our rules and written guidelines include audit requirements for the DDB and other State agencies that make disability determinations. 20 C.F.R. §§ 404.1627, 416.1027; Program Operations Manual System (POMS) DI 39554.000. At this time, it is unclear whether SB 492 would comport with those audit requirements. Without assurances that the

State plans to comply with SSA's audit requirements, we are concerned the pending legislation may conflict with the Act.

Furthermore, SSA has sole authority to evaluate the methods, procedures, and criteria used by State agencies to make disability determinations. SSA provides regular oversight of the performance of all State agencies that make disability determinations to ensure that States maintain effective business processes for adjudicating disability claims.

In addition, our rules establish performance standards that we use to determine whether a State agency is substantially complying with our regulations and other written guidelines. 20 C.F.R. §§ 404.1640, 416.1040. These performance standards help us administer our disability programs in an effective and uniform manner, help measure whether the performance of the disability determination function by each State agency is acceptable, and help ensure that benefits are made available to all eligible persons in an accurate and efficient manner.

To ensure that disability claimants receive timely and accurate service, we require States to meet thresholds for case processing time and decisional accuracy. The Hawaii DDB's accuracy rate has consistently met or exceeded the national average, and while its disability determinations have historically been less timely than the national average, over the last four years the Hawaii DDB has significantly narrowed the gap. Historically, the Hawaii DDB has faced challenges in gaining access to consultative examinations, which has contributed to longer processing time. However, we worked with the Hawaii DDB to increase the reimbursement rate for consultative examination providers, and recently began to offer examinations via video for residents in more remote locations. While we have seen significant improvement in the timeliness of service to Hawaii's residents, we will continue to work with the Hawaii DDB on this aspect of service.

In addition to the concerns discussed above, it is also worth noting that the audit contemplated by SB 492 would be subject to SSA's rules regarding the confidentiality of information, including the security of systems and records requirements. 20 C.F.R. §§ 404.1631, 416.1031. As such, it would be important to ensure that the State's auditor does not disclose any personally identifiable information obtained from the DDB to the legislature as part of its report.

Finally, SB 492 would require the auditor to submit to the State legislature a report of its findings and recommendations, including any proposed legislation. However, as mentioned above, State agencies that make disability determinations under the Act must do so in accordance with SSA's regulations and other written guidelines. Thus, States have limited authority to legislate disability determination functions under the Act.

We will continue to monitor the status of SB 492; however, I wanted to bring these concerns to your attention. We would be happy to discuss the Bill further. Please let me know if you have any questions or wish to discuss. Staff-to-staff questions may be

directed to Florina Docena, Center Director for Disability and Programs Support, at (510) 970-8304.

Sincerely,

Steve Breen

**Acting Regional Commissioner** 

#### SB-492-HD-1

Submitted on: 3/28/2019 4:14:08 PM

Testimony for FIN on 3/29/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Wayne Itomitsu	Individual	Support	No

Comments:

SUPPORT FOR AND AMENDMENT TO SB 492

03/28/19

I am writing in support of SB 492 and requesting an amendment to SB 492. Additionally, I want to provide the committee members a disability claims examiner's perspective of the written testimony, submitted by the Social Security Administration (SSA) acting regional commissioner. I worked in Disability Determination Branch (DDB) for 10 years as a disability claims examiner.

The SSA acting regional commissioner submitted written testimony emphasizing regulations in 20 CFR Part 404 and CFR Part 416. The disability claims examiners are also guided by the SSA Program Operations Manual System (POMS), which is defined as, "(The POMS) is a primary source of information used by Social Security employees to process claims for Social Security benefits." (https://policy.ssa.gov/) The CFRs and POMs are the jurisdiction of SSA and are followed by every state's disability determination branch.

SSA sets fiscal year performance goals for each State's DDB. As noted in the written testimony of the acting regional commissioner, Hawaii's DDB disability determinations has historically performed below the national average during the last four years. He stated one of the challenges Hawaii DDB involves scheduling of consultative examinations to supplement the claim adjudication. What is not mentioned is that consultative examinations are only needed if the claimant's medical records are either nonexistent, insufficient, or borderline in reaching a fair determination.

The acting regional commissioner's comments could be interrupted to question the necessity for SB 492. It is puzzling where, on one hand, the acting regional commissioner states that, "SSA provides regular oversight of the performance of all State agency to ensure that States maintain and effective business processes for adjudicating claims", yet on the other hand the acting regional commissioner comments how the Hawaii's DDB disability determinations is historically less timely than the national average over the last four years. The question which should be asked is how effective was the SSA oversight?

The internal DDB management assessment audit, which was conducted in 2014 and was submitted as written testimony by attorney Diane Haar, was slightly more than four years ago. Four years ago, when the DHS management ignored the 2014 DDB assessment report; Four years of DHS knowing of DDB's underperformance in meeting the SSA yearly goals; Four years of oversight by SSA to "...ensure that States maintain effective business processes for adjudicating claims"; Four years that the public had to endure under-performing DDB management, with no adverse consequences, via oversite by the Department of Vocational Rehabilitation, who DDB organizational reports to; Four years that claimant's, some who were homeless, had their lives significantly impacted by a prolonged wait time for their claims to be adjudicated, due to a lack of oversite and a substandard DDB management.

How a Disability Determination Branch (DDB) is managed, i.e., business procedures and practices, is the general purview of the individual State DDB. Some examples of Hawaii's DDB business procedures are— (1) how many claims are assigned to an examiner; (2) the retention of examiners; (3) claims examiner work performance workplans; (4) change in staff responsibility, e.g. "assistant supervisor"; (5) expected claim closure quota for examiners.

To provide more specificity, the following describes actual work situations as of 2017:

Example 1: Supervisors, who are classified as Level 5 claims examiners, are not assigned any claims to adjudicate. As of 2017, their State of Hawaii job position description (PD), did not preclude Level 5 claims examiner from adjudicating disability claims. As a Level 5 claims examiner, they are very highly qualified with years of adjudication experience who, in my opinion, should be assigned claims to help the department achieve the SSA performance metrics. Historically, past DDB supervisors were assigned claims to adjudicate.

Example 2: Some of the requirements to be a disability claims examiner is to master medical and psychological knowledge, such as diagnosis, outcomes, signs, symptoms, findings, applying SSA policy and procedures, analyzing medical records, and write a cogent and coherent rationale to support a determination. It takes at least 2 years for a claims examiner to acquire the basic job competency to adjudicate all categories of disability claims. Complete mastery is not achieved in 2 years, and acquiring job knowledge will continue for years. Since the current DDB Branch Administrator was hired, at least 15 claim examiners have left the department. Because it takes so long to adequately prepare a claims examiner to adjudicate claims, it is unknown if there is a documented business strategy to retain examiners, such as an exit interview. When an examiner leaves, it impacts the public who filed for disability and the remaining examiners who must absorb the exiting examiner's claim caseload. In the 11/28/18 Star-Advertiser article, the administrator of the Department of Vocational Rehabilitation commented that SSA provided four additional staff to help "evaluate" benefit claims applications. The administrator did not clarify if these positions were for claims examiners or for clerical staff, who also "evaluate", but not adjudicate, disability claims. The administrator did not clarify if these positions were to fill claims examiner's position that were vacated due to the promotion of a claim examiner to a higher position within DDB.

Example 3: Disability claim examiner are annually evaluated for their work performance. Those who are under-performing may be placed on a "work plan" to improve their performance. On the surface, this appears like a standard management action to improve performance. However, with no written business procedure regarding the implementation of a work plan, it gives a supervisor the discretion to initiate or not initiate a workplan for a claim's examiner. Since the initiation of a work plan is an arbitrary decision, one claims examiner may be placed on a workplan, while another claims examiner, with the same performance problem, is spared. DDB management has been requested to develop a written procedure to establish fairness and transparency in initiating a work plan. As of 2017, management did not have a written business procedure to address this issue.

Example 4: The DDB Branch Administrator, has authorized two Level 4 claims examiners to be "assistant supervisors". These assistant supervisors are given "other duties", thus are assigned less claims that the Level 3 examiners. In the 2014 DDB management assessment, DDB management's justification for an assistant supervisor, was dubious. What is not questionable is a highly skilled Level 4 claims examiner is assigned "less" claims than a lower Level 3 claims examiner. When you consider this fact, in conjunction with the written testimony of the SSA acting regional commissioner, you being to understand why his statement about the Hawaii DDB, whose "...disability determinations have been historically less timely than the national average" is substantiated by how DDB management assigns claims to these examiners. Historically, DDB did not have a full-time "assistant supervisors" position. Why would a supervisor need an assistant supervisor? Why would a claims examiner be promoted to a supervisory position if they need an assistant supervisor to delegate some of their duties, such as mentoring other examiners?

Example 5: The claim's examiners have two key quantitative metrics-- production and quality. Of these two, the claim examiner encounters more management pressure in achieving a production quota. Each fiscal year, SSA sets performance standards for the Hawaii DDB. Understandably, the Hawaii DDB management strives to reach or exceed these metrics. Obviously, the staff, whose duties are to adjudicate disability claims, will play a decisive role in the SSA performance metrics. When DDB management decides not to assign any claims to a supervisor; when management creates an "assistant supervisor" position, who are assigned less claims; when management decides to assign less claims to other Level 4 claims examiners because they have other duties, the remaining claims examiner, especially the Level 3 examiners, are assigned more claims to compensate for the decrease in assigned claims to the Level 4 and 5 examiners. Since the Level 3 claim examiners are assigned the most claims, unless they meet a weekly claim closure amount, Hawaii DDB will not achieve the SSA performance metrics. This leads to management pressuring the Level 3 examiners to meet a weekly claim determination quota. When a Level 3 claims examiner falls short, management's pressure increases. As pressure increases, quicker determinations are

made. Whether these claims have been fairly and thoroughly adjudicated is questionable. This issue was reported in the Star-Advertiser article, of 11/25/18 (Hawaii's disability benefit denials reversed at highest rate in nation)

Referring again to the SSA acting regional commissioner's remarks, the Hawaii's DDB's disability determinations has been less timely for four years, it seems reasonable to assert that if more highly experienced claim examiners are assigned more claims to adjudicate, the probability of achieving the SSA performance metrics would greatly increase and, more importantly, service to the public would improve.

The SSA's scope of responsibility and the Hawaii DDB's responsibility is described as follows:

§ 404.1603. Basic responsibilities for us and the State.

General. We will work with the State to provide and maintain an effective system for processing claims of those who apply for and who are receiving benefits under the disability program. We will provide program standards, leadership, and oversight. We do not intend to become involved in the State's ongoing management of the program except as is necessary and in accordance with these regulations. The State will comply with our regulations and other written guidelines.

(20 CFR § 404.1603 - Basic responsibilities for us and the State.)

This scope was further discussed in the 2014 Management Assessment of the Disability Determination Branch, Division of Vocational Rehab (Part 1, Background):

"Pursuant to CFR Section 404-1603-Basic responsibility for SSA and the State, the SSA will provide program standards, leadership, and oversight. The SSA does not intend to get involve with the State's ongoing management of the program, except as is necessary and in accordance with 404.1603. To this end, internal operations and program implementations including the appropriate provisions of management, organizational structures, program supports not expressly regulated by the SSA or other Federal authority remains the responsibility of the original DDS, designated parent agency (e.g. DHS) and local governing body, to be administered in such a manner as to insure accurate and prompt disability determinations for claimants. The Branch Administrator (BA) provides the management, overall direction, continuing appraisal and necessary revisions of branch operations in terms of policy and procedures in order to carry out the program objectives. The BA acts as sole liaison with the SSA Regional Office in California, the region under which Hawaii branch reports."

As currently written, SB 492 states:

"A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF HUMAN SERVICES,"

begs leave to report as follows:

The purpose of this measure is to require the Office of the Auditor to conduct a performance audit of the Department of Human Services Disability Determination Branch.

I am advocating that SB 492 be amended to require the Office of the Auditor to conduct a "management audit" and performance audit of the Department of Human Services Disability Determination Branch.

Respectfully,

Wayne Itomitsu