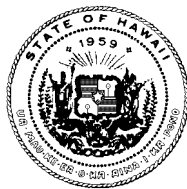


DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

CATHY BETTS
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

LATE

January 31, 2019

TO: The Honorable Senator Russell E. Ruderman, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 492 – RELATING TO THE DEPARTMENT OF HUMAN SERVICES**

Hearing: Friday, February 1, 2019, 2:45 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of the measure and provides comments.

PURPOSE: The bill requires the Auditor to conduct a performance, financial, and procurement audit of the Department of Human Services Disability Determination Branch. Appropriates funds.

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. The 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:

1. Details on the Disability Determination Process can be found here:

<https://www.ssa.gov/planners/disability/qualify.html>.

2. 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, SSA is satisfied with the progress made to date, as well as the business process improvements deployed currently under way.

3. Management policies or directives that may influence staff to make eligibility determinations quickly without thorough evaluation of applications and supporting documentation.

Social Security does require that States meet thresholds for case processing time and 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 Hawaii residents 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.

4. Actual processing times for disability eligibility applications.

See last column for combined Title 2 & Title 16 Mean processing times for Initial and Reconsideration claims.

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	33.4	66.6	100.0	99.1
Nation Reconsideration	160,393	153,792	12.3	87.7	95.9	79.0
Hawaii Reconsideration	533	281	12.1	87.9	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	34.7%	65.3%	98.3%	102.5
Nation Reconsideration	506,269	497,903	12.2%	87.8%	96.1%	73.4
Hawaii Reconsideration	672	798	11.2%	88.8%	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	36.2%	63.8%	97.0%	100.1
Nation Reconsideration	538,957	538,046	12.3%	87.7%	96.1%	71.1
Hawaii Reconsideration	1,404	1,529	15.7%	84.3%	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	31.9%	68.1%	97.5%	103.5
Nation Reconsideration	537,559	549,228	11.9%	88.1%	96.6%	71.9
Hawaii Reconsideration	2,019	2,197	11.9%	88.1%	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	33.3%	66.7%	98.0%	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	13.8%	86.2%	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	34.8	65.2	98.5%	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	13.5%	86.5%	96.8%	Not available

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

5. Funds expended by the DDB and whether those expenditures were in compliance with laws.

Program responsibilities are administered under the regulations, guidelines and quality standards established by SSA. DDB’s yearly operating budget is approximately \$7.9 million dollars, including an annual amount of approximately \$1.2 million dollars for funding of departmental staff and initiatives charged to SSA as indirect costs.

Per CFR §404.1626(d) and (f): The State may not incur or make expenditures for items of cost not approved by us or in excess of the amount we make available to the State. Any monies paid to the State which are used for purposes not within the scope of these regulations will be paid back to the Treasury of the United States.

POSITIVE NEWS:

At the end of Federal Fiscal Year 2018, the SSA and the 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 SSA, 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.



SENATE COMMITTEE ON HUMAN SERVICES
The Honorable Russell E. Ruderman, Chair
The Honorable Karl Rhoads, Vice Chair

S.B. NO. 492, RELATING TO THE DEPARTMENT OF HUMAN SERVICES

Hearing: Friday, February 1, 2019, 2:45 p.m.

The Office of the Auditor has **no position** regarding S.B. No. 492, which requires us to conduct “a performance, financial, and procurement audit” of the disability determination branch of the Department of Human Services. **However, we offer the following comments.**

S.B. No. 492 requires “an examination of the management and operations of the disability determination branch of the department of human services.” More specifically, the required audit must examine, among other things:

1. Methods, procedures, and criteria used by the disability determination branch to make eligibility determinations;
2. Factors contributing to extended processing times for disability eligibility applications and subsequent determinations;
3. Internal operations, specifically with respect to management policies/directives that may influence staff to make eligibility determinations quickly and without thorough evaluation;
4. Actual processing times for disability eligibility applications; and
5. Funds expended by the disability determination branch and whether those expenditures were in compliance with laws.

With respect to the requirement that the audit assess whether all the branch’s expenditures “were in compliance with laws,” we are neither subject matter experts nor able to offer a legal opinion as to whether expenditures may have violated a law. We suggest that the Department of the Attorney General may be better suited to opine on whether the branch’s expenditures may have been unlawful.

We also note that the Department of Human Services’ financial statements are audited annually by an independent CPA firm. That financial audit includes the financial records of the department’s divisions, including the disability determination branch. The department’s most recent financial audit was performed by KMH LLP for the fiscal year ended June 30, 2017 and its financial audit for the fiscal year ended June 30, 2018, will be completed by March 31, 2019. If the committee is interested in having us assess the financial activities of a specific branch fund or account, we suggest that the bill be amended to specifically identify that fund or account.

Thank you for considering our testimony related to S.B. No. 492.