

DISABILITY DETERMINATION

Enabling Laws

Act 1836 of 2005

A.C.A. §20-76-301 et seq.

Titles II and XVI of the Social Security Act

History and Organization

The State Department for Social Security Administration Disability Determination was created by Act 14 of the Second Extraordinary Session of the 1961 Arkansas General Assembly and codified in State law under A.C.A. §20-76-301 et seq. Act 177 of the 1965 Arkansas General Assembly changed the agency title to Disability Determination for Social Security Administration.

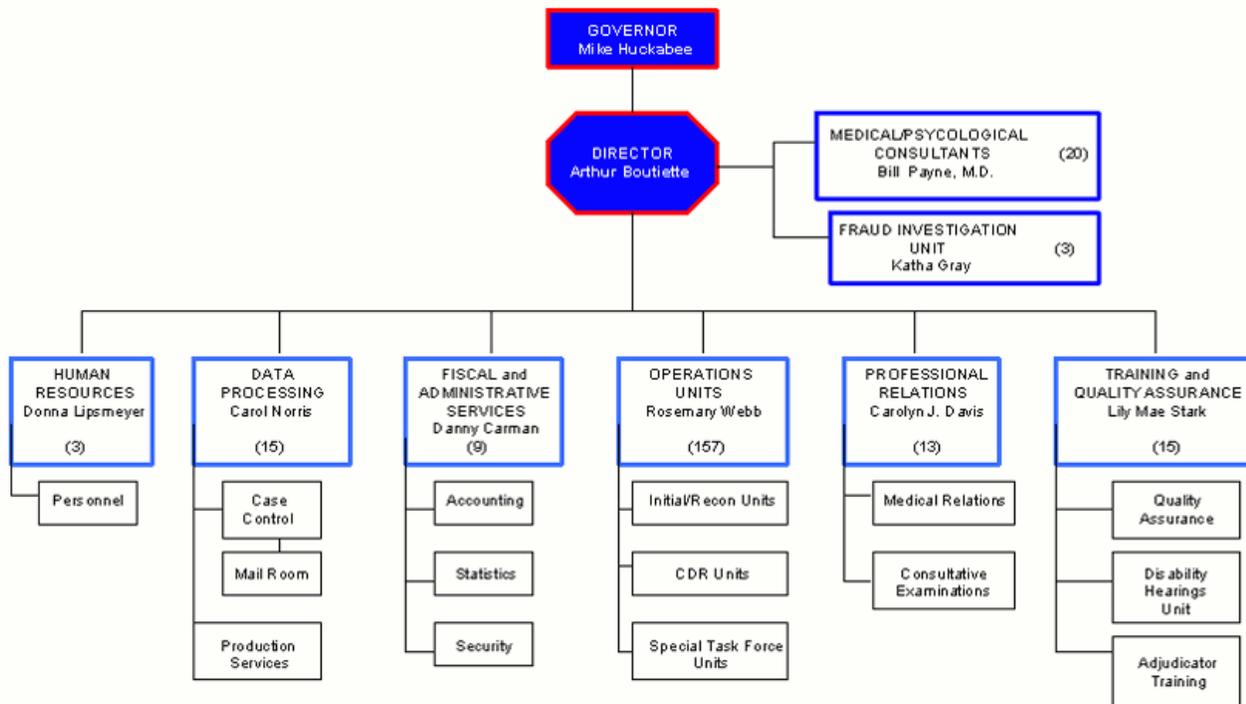
The Agency is a department within the executive branch, and accordingly is under the direction of the Chief Executive of the State of Arkansas. The Social Security Administration provides funds to the State of Arkansas to carry out the disability determination and hearing functions for the federal government.

The basic statutory authorities for the Social Security Disability Program are contained in Titles II (Section 221) and XVI (Section 1633) of the Social Security Act. These sections of the Social Security Act were amended by P.L. 95-265 on June 9, 1980, to provide for administration of this state agency by federal regulations rather than by agreement. On January 1, 1984, P.L. 97-445 gave all disability beneficiaries the opportunity for a face-to-face evidentiary hearing before benefits ceased.

The Disability Insurance Program includes two groups of claimants: Title II and Title XVI. Title II claimants are those who have contributed F.I.C.A. taxes on wages for five of the past ten years prior to the date of alleged disability. Title XVI (Supplemental Security Income) claimants are those who have low income and resources, and who are alleging disability. Title II Funds come from the Social Security Trust Fund. Title XVI Funds come from federal revenues.

The Social Security Administration continues to move the disability determination process toward a totally electronic environment. The paper disability folder has been replaced with an electronic file. During the past year the Agency's disability process for initial and reconsideration claims has transitioned from a paper process to an electronic process. The Social Security Administration documents the disability application and interview through the Electronic Disability Collection System (EDCS), and the Agency downloads this data into its legacy case processing system. This enables the Agency to access all disability documentation via an interface with EDCS. By July 2006, 95% of all initial and reconsideration disability claims filed in Arkansas will be processed electronically without a paper file. The electronic business process has been expanded through the use of the electronic disability folder and electronic medical evidence. New units such as the scanning unit for imaging documents into the electronic file have been created to accommodate the electronic process. Social Security continues to expand this process and will eventually include continuing disability reviews and hearings adjudicated by the Agency. In 2006, new Social Security regulations provide for the Commissioner's Disability Service Improvements (DSI) which will be implemented over the next two

to four years. These new procedures will significantly impact disability adjudication in the Agency, and more time and personnel to satisfy the regulatory requirements is anticipated.



Agency Commentary

The Social Security Administration (SSA) has created an infrastructure to support a totally paperless disability process. New technologies are constantly being incorporated into the electronic system, and the entire business process for disability adjudication by this Agency is being revised. New tools, equipment, and software have been required. The process for requesting and receiving medical evidence now integrates fax and imaging capability. Secure transmission standards are required for receiving medical records. Paper medical reports must be scanned into an electronic file. Employees have been added to the staff to perform and monitor the scanning operations. Medical sources are encouraged to send more medical evidence electronically. This requires extensive activity in the medical community by Agency professional relations staff. There must be staffing for user training for the Agency and time allowed for adjudicators, medical consultants, systems and other support staff to participate in required training. As the electronic process is implemented in this Agency, many job duties must change and additional staff is needed in key areas. Ergonomic issues must be addressed by providing employees with appropriate furniture and equipment needed for constant computer use.

In addition to the implementation of an electronic disability process, the Social Security Commissioner has introduced a revision of the disability process at all levels of adjudication. Regulations published in 2006 mandate new procedures which will require additional staff, training, and time. In the past two years, the number of people receiving disability benefits in Arkansas has increased from 185,352 to 204,643, which represents an increase of 10.41%. During the same period, the cost of benefits paid has increased from \$103,566,000 to \$127,326,000 per month,

which represents an increase of 22.94%.

The 2007 - 2009 biennial budget request has been designed to allow the Agency to continue to pursue the expansion of electronic health records and electronic transmissions. Accordingly, the request for each year of the biennium includes the 283 Regular positions currently authorized plus two (2) additional grade 66 Medical Consultant positions, for a total request of 285 positions. The budget request also retains and provides for the 20 Extra Help positions currently authorized. Special Language that accompanies these Extra Help positions authorizes a maximum number of workable hours of 1800 hours. The total Agency Request is \$25,567,668 for fiscal year 2007-2008 and \$25,572,718 for fiscal year 2008-2009. These amounts include the wages for 285 regular positions, 20 Extra Help positions, overtime, the costs of 11 professional services contractors, the costs of medical services purchased in the open market, travel related and capital outlay expenses, and overhead.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DISABILITY DETERMINATION FOR SOCIAL SECURITY ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2004

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	55	122	177	78 %
Black Employees	6	44	50	22 %
Other Racial Minorities	1	0	1	0 %
Total Minorities			51	22 %
Total Employees			228	100 %

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
None	N/A	N	N	0	N/A

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
283	230	20	250	33	18.73%	283	231	19	250	33	18.37%	283	228	22	250	33	19.43%

Analysis of Budget Request

Appropriation: 2QQ - DDSSA-Operations

Funding Sources: FSD-Federal

Disability Determination for Social Security Administration (DDSSA) is the State Agency responsible for determining the eligibility of Arkansans for disability and other payments in accordance with federal Social Security laws, regulations and instructions. The Agency makes determinations for disability benefits under Titles II and XVI of the Social Security Act and investigates suspected cases of fraud or abuse. Title II claimants are those who have contributed FICA taxes on wages for five of the past ten years prior to the date of alleged disability. Title XVI (Supplemental Security Income) claimants are those who have established the fact that they have low income and resources and are alleging disability.

DDSSA is responsible for the adjudicative process to make disability decisions in accordance with precise federal regulations. The Federal Social Security Administration is responsible for establishing criteria, approving the agency budget, issuing national instructions and developing policies and procedures. Applications for disability benefits are filed with Social Security district offices, who then forward the application to the State Agency to determine eligibility. Funding for the DDSSA is derived from federal reimbursements received from the Social Security Administration.

The Agency's Base Level request is federal appropriation in the amount of \$23,523,629 in FY08 and \$23,528,005 in FY09 with 250 regular positions and 20 Extra Help positions. A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. The Base Level request for Regular Salaries is \$10,586,801 each year. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching reflects increases in the Base Level due to the Social Security Tax minimum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350/month.

The Agency Change Level Request includes additional federal appropriation in the amount of \$2,044,039 in FY08 and \$2,044,713 in FY09 and is comprised of the following:

- Regular Salaries - Increase in the amount of \$753,601 in each year for the restoration of thirty-three (33) positions not budgeted during FY07. The Agency is requesting these restorations in order to provide sufficient staffing levels to accommodate new Social Security Administration regulations published in 2006 that mandate revised procedures at all levels of adjudication.
- Regular Salaries - Increase in the amount of \$246,814 in each year for two (2) new unclassified Medical Consultant Positions. This would increase the total number of Medical Consultant Positions authorized for DDSSA from 10 to 12. These positions are necessary due to the increasing number of Arkansans receiving benefits.
- Extra Help - Increase in the amount of \$100,000 each year to restore appropriation authorized

by a Miscellaneous Federal Grant in FY06. The Social Security Administration will continue to provide funding to support this appropriation, which is necessary to support and maintain the Agency's conversion to a paperless processing system.

- Overtime - Increase in the amount of \$100,000 each year to restore appropriation authorized by a Miscellaneous Federal Grant in FY06. The Social Security Administration will continue to provide funding to support this appropriation. This appropriation is necessary to support and maintain the Agency's conversion to a paperless processing system.
- Personal Services Matching - Increase in the amount of \$374,329 in FY08 and \$375,003 in FY09 for the position related matching expenses associated with the 35 total change level positions and the requested increase in Extra Help and Overtime appropriation.
- Operating Expenses - Increase in the amount of \$350,000 to provide for the Agency's Indirect Cost Expenses, which are charged to the Agency by the State of Arkansas for support services provided by the State including Accounting, Budgeting, Purchasing, Payroll, Information Technology, etc. In the past, this expense has been incorrectly budgeted in the Professional Fees and Services Line Item instead of in the Operating Expense Line Item. However, rather than reallocating this appropriation from the Professional Fees and Services Line Item to the Operating Expense Line Item, the Agency is instead requesting to simply increase the authorized Operating Expense appropriation. This will enable the current level of Professional Fees and Services appropriation to be available for anticipated increases in the number of professional consultants on contract and for increased expenses for consultative examinations.
- Operating Expenses - Increase in the amount of \$10,295 in each year for software maintenance expenses associated with the new paperless Electronic Disability Collection System.
- Conference Fees and Travel - Increase in the amount of \$9,000 in each year to provide for increased mileage expenses experienced by the Agency.
- Capital Outlay - Increase in the amount of \$100,000 each year to restore the appropriation level authorized in the 2005-2007 biennium. This appropriation is necessary for anticipated equipment expenses.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2QQ DDSSA-Operations
Funding Sources: FSD-Federal

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	9,503,572	10,586,801	11,326,867	10,586,801	11,587,216	11,587,216	10,586,801	11,587,216	11,587,216
#Positions		250	250	283	250	285	285	250	285	285
Extra Help	5010001	219,187	140,000	140,000	140,000	240,000	240,000	140,000	240,000	240,000
#Extra Help		20								
Personal Services Matching	5010003	2,687,351	2,889,329	3,212,994	3,202,125	3,576,454	3,576,454	3,206,501	3,581,504	3,581,504
Overtime	5010006	112,080	110,000	110,000	110,000	210,000	210,000	110,000	210,000	210,000
Operating Expenses	5020002	2,079,659	2,081,703	2,081,703	2,081,703	2,441,998	2,441,998	2,081,703	2,441,998	2,441,998
Conference & Travel Expenses	5050009	32,808	33,000	33,000	33,000	42,000	42,000	33,000	42,000	42,000
Professional Fees	5060010	6,005,250	7,370,000	7,370,000	7,370,000	7,370,000	7,370,000	7,370,000	7,370,000	7,370,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	9,399	100,001	100,001	0	100,000	100,000	0	100,000	100,000
Total		20,649,306	23,310,834	24,374,565	23,523,629	25,567,668	25,567,668	23,528,005	25,572,718	25,572,718
Funding Sources										
Federal Revenue	4000020	20,649,306	23,310,834		23,523,629	25,567,668	25,567,668	23,528,005	25,572,718	25,572,718
Total Funding		20,649,306	23,310,834		23,523,629	25,567,668	25,567,668	23,528,005	25,572,718	25,572,718
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		20,649,306	23,310,834		23,523,629	25,567,668	25,567,668	23,528,005	25,572,718	25,572,718

Actual exceeds Authorized Appropriation in Extra Help and Overtime due to a transfer from the Miscellaneous Federal Grant Holding Account.

Change Level by Appropriation

Appropriation: 2QQ-DDSSA-Operations

Funding Sources: FSD-Federal

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	23,523,629	250	23,523,629	100.0	23,528,005	250	23,528,005	100.0
C01	Existing Program	2,044,039	35	25,567,668	108.6	2,044,713	35	25,572,718	108.6

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	23,523,629	250	23,523,629	100.0	23,528,005	250	23,528,005	100.0
C01	Existing Program	2,044,039	35	25,567,668	108.6	2,044,713	35	25,572,718	108.6

Justification

C01 The Agency is requesting to restore 33 positions that were authorized in the previous biennium but were not budgeted during FY07. The Agency is also requesting two (2) new unclassified Medical Consultant positions, which are necessary due to a recent revision of the disability process at all levels of adjudication that will require additional staff, training and time, and will lead to an increase in the number of Arkansans who receive disability benefits. These position related requests total \$1,374,744 in FY08 and \$1,375,418 in FY09. The Agency is also requesting to restore appropriation in the amount of \$100,000 in both Overtime and Extra Help that was authorized in FY06 through a Miscellaneous Federal Grant. The Federal Granting Agency will continue to support this additional appropriation. The Agency is also requesting to increase appropriation in the amount of \$10,295 in Operating Expenses for software maintenance expenses associated with the new paperless Electronic Disability Collection System. Additionally, the Agency is requesting to increase appropriation in the amount of \$350,000 for Indirect Cost expenses that are charged to the Agency by the State of Arkansas for providing support services. This appropriation has been incorrectly budgeted in Professional Fees and Services in the past. However, the Agency is not requesting to reduce Professional Fees and Services appropriation because the current level of appropriation will be necessary to provide for increases in the number of professional consultants on contract and for increases in the fees charged for consultative examinations. The Agency is also requesting an increase in the amount of \$9,000 in Conference Fees and Travel for increased travel costs experienced by the Agency. Finally, the Agency is requesting to restore Capital Outlay appropriation in the amount of \$100,000 for anticipated equipment expenses.