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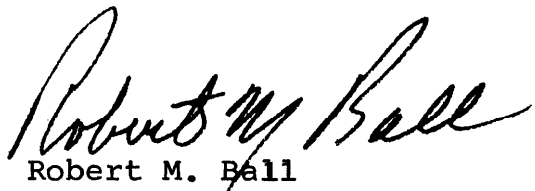
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MANAGING THE SOCIAL SECURITY PROGRAM

Preface

I had occasion recently to put down some of my thoughts about managing the social security program. Some of the members of the Executive Staff who saw that document thought that it would be useful for a wider audience. I am, therefore, making it generally available within the Social Security Administration in aslightly revised form. It is a summation of my personal views on where the Social Security Administration stands today, where it should go, and how to get there.

A handwritten signature in cursive script that reads "Robert M. Ball". The signature is written in black ink and is positioned above the printed name and title.

Robert M. Ball
Commissioner of Social Security

January 29, 1973

I. THE NATURE OF SSA'S ASSIGNMENT

A. The Assignment Generally Defined

The Social Security Administration's assignment is to manage a federally administered contributory social insurance program protecting 9 out of 10 earners against the risk of loss of income to the worker and his family arising from retirement in old-age, total disability, and death; to manage a program of health insurance for some 20 million older people; and under legislation recently enacted, to establish and manage the first federally financed and federally administered assistance program.

Inherent in this assignment is the responsibility to continually define the **programs of** social security through (a) recommendations for changes in the programs themselves, (b) policy interpretation of the existing laws, (c) the setting and modification of standards of service, (d) the interpretation and explanation **to** the public of the philosophy and meaning of the programs, and (e) modifications in the administering institution--its methods, personnel, organizational structure, physical plant, and system of values.

In all of these areas, the process of setting objectives, determining the steps for achieving the objectives, and monitoring results is never complete. The process of public administration is like an alternating current. Out of the administration of the law and the evaluation of operations comes the recognition of the need for change. Evaluation results flow back and lead to legislative and policy modification and to the modification of operating objectives. Then, as the modifications are put into effect, the process begins again.

B. The Operation to Be Managed

As you very well know, the operation is very large. Nearly 100 million people will contribute to social security during the coming year, and the wages and **self-**employment income that they earn in covered employment will be added to the lifetime earnings records on which their benefits will ultimately **be based**. Twenty-eight million people--1 out of every 8 persons in the United States--receive a social security check every month. And the social security rolls are not static of course: several hundred thousand adjustments have to be made every month because of benefit terminations, adjustments in payment amounts, new entitlements, changes of address, and benefit suspensions.

Over 90 percent of all persons 65 and over are either getting social security benefits or would **be eligible** for them if they were to retire. Some 110 million people (95 out of 100 young children and their mothers) are protected for survivors benefits, and about 75 million people are protected for disability benefits. Over 20 million people, just about all of those 65 or older, are protected against the costs of hospitalization, and the Medicare program pays over one-fourth of all **short-**term hospital costs in the country. About 95 percent of all older people are also enrolled under Medicare's voluntary medical insurance plan, which gives protection against the costs of physicians' fees. In addition, under the legislation enacted in October 1972, about **1-3/4** million disabled beneficiaries will soon have the protection of Medicare.

In calendar year 1974, the first year during which the new amendments to the program will be fully in effect, total benefit payments for the cash benefit program and both parts of Medicare will total nearly \$71 billion, and income to the four social security trust funds will be about \$78 billion.

The responsibility we have been given to administer the black lung benefits program entails providing monthly payments for disabled miners, their widows, and other dependents. By the end of fiscal year 1973, over 575,000 beneficiaries will be receiving monthly benefits at the rate of \$70 million.

Under the new assistance program to be administered by the Social Security Administration, it is expected that beginning in January of 1974 some 6.3 million aged, blind and disabled people in need will receive supplemental payments.

Although the law provides for some participation of non-federal workers, the operations necessary for carrying out the programs administered by SSA are in large part performed directly by Federal employees. There are 54,000 social security employees distributed across the country in approximately 1,000 district offices and 6 large payment centers and in a major headquarters and computer center in Baltimore. As has been indicated, certain functions are performed for the Social Security Administration by other organizations under contract. State vocational rehabilitation agencies, for example, make determinations of disability for applicants under the disability insurance program; and in Medicare, certain operations of the program are carried out by Blue Cross and Blue Shield organizations and private insurance companies. Medicare also contracts with State agencies for the inspection of hospitals and nursing homes.

A basic characteristic of the programs administered by the SSA is that the right to benefits is defined in detail in the law: Who is covered, under what conditions one is eligible for benefits, how much the benefits are to be, are all a matter of law. The decisions of the administrator are subject to an administrative appeals process, with final recourse to the courts. Yet, the area of administrative discretion in defining social security in action is very large.

c. The Objective

SSA's objective is to manage the going program and at the same time to contribute to the definition of the optimum role for contributory social insurance in our society, taking into account the complementary roles of private insurance and other private and voluntary methods, on the one hand, and Government-operated assistance programs on the other.

In operating terms, at any given point in time, the overriding objective is to provide, directly and through contract arrangements, protection as defined by the existing statute. In its simplest form the objective in the cash benefit program is to get the right check, in the right amount, to the right person, at the right address, on time, guarding against improper payments, and, within limits of reasonably economical administration, to provide all those entitled with an opportunity to exercise their right to benefits. The objective is similar in the health insurance program, where the benefit provided represents the assumption of a financial obligation owed by the beneficiary. In both parts of the program the objective is to carry out the responsibility at as low a cost, and with as little burden on the public, as is consistent with adequate assurance that the statutory provisions are being carried out and that individuals are informed and able to take advantage of their rights.

Part of the objective is to carry out these basic responsibilities in a way that recognizes that for large numbers of people the contact with the Social Security Administration will be their most meaningful contact with the Government of the United States and that, therefore, to a very considerable extent, what they think of their Government will be determined by their dealings with the Social Security Administration.

Beyond managing the going program, SSA managers are also expected to evaluate the effectiveness of the programs under their jurisdiction, to conduct research on alternative methods of providing economic security, and to advise the Secretary and the President on possible statutory changes. In other words, the objective of their assignment also becomes, in part, the defining and redefining the objective of the program itself.

Contributory social insurance is now the base on which most people build security for themselves and their families. The concept is one of partial replacement of earnings lost for defined reasons, plus health insurance in old age. The program can best be thought of as a national pension system, with group-insurance arrangements for survivorship, disability, and health insurance protection. The rights to protection grow out of the work that people have performed and the contributions that they have made.

Social security is making a very major contribution to the prevention of poverty and economic insecurity, but it cannot and should not do the whole job. Thus, public assistance, paying subsistence amounts to individuals and based directly upon a test of need, is a necessary complement to the social insurance program, and no compulsory system, of course, should pay benefits at a level that can take the place of private and voluntary protection for the average and above-average earner. The objective of the program can thus be generally defined as the prevention of poverty and the provision of economic security through insurance against the loss of earned income and through protection against the unpredictable costs of illness in old age, but it is not to be implied that contributory social insurance should carry out the objective entirely on its own. A significant part of the task of defining the optimum role for Social Security is to harmonize that role with private efforts and direct governmental assistance.