

**Social Security Advisory Board**  
**Minutes**  
**Board Meeting**  
**July 13, 2011**

**Location:** 400 Virginia Avenue, S.W., Suite 625  
Washington, D.C. 20024

**Time:** 8:45 a.m. – 4:00 p.m.

**SSAB Members:** Barbara Kennelly, Acting Chair  
Jagadeesh Gokhale  
Dorcas Hardy  
Marsha Katz  
Mark Warshawsky

**Presenters:** Scott Frey, Deputy Commissioner for Legislation and  
Congressional Affairs, SSA  
Michael Gallagher, Deputy Commissioner for Budget,  
Finance and Management, SSA  
Bonnie Kind, Associate Commissioner for Budget, SSA  
Richard Foster, Chief Actuary for the Centers for Medicare  
and Medicaid Services, CMS  
Clare McFarland, Deputy Director for the Medicare  
and Medicaid Cost Estimates Group, CMS

**SSAB\_Staff:** Katherine Thornton, Staff Director  
Debi Sullivan, Deputy Staff Director  
Jeremy Elder, Intern  
Joel Feinleib  
Peter Flynn, Intern  
Beverly Rollins  
George Schuette  
David Warner

The Board met in executive session, held two fact-finding meetings, and hosted a working lunch with SSA's Deputy Commissioner for Budget, Finance and Management and the Associate Commissioner for Budget.

In the morning the Board members met with Scott Frey to discuss SSA's legislative agenda. Mr. Frey reported that 2011 has been a busy year on Capitol Hill for the agency, with nine SSA-related hearings in seven months, including hearings regarding ALJs and the new computer center. There is an intense amount of oversight of SSA activities by Congress this year, including an interest in program integrity. He noted that one of the

President's legislative proposals that the Commissioner is very excited about is the Work Incentives Simplification Pilot. This proposal would not only simplify SSA's work incentives programs, it would also lower the volume of overpayments and will allow individuals to work above the substantial gainful activity level without losing Medicare entitlement. The pilot is slated to last four-to-five years.

Mr. Frey also noted there is growing interest on Capitol Hill on the impact of SSA's hiring freeze and the effects that reduced administrative budgets will have on the agency's ability to serve the public. He discussed the *Social Security Statement* and the agency's decision to stop mass mailing it. He noted the Government Accountability Office's recent report that described a number of concerns regarding SSA's decision, and explained that SSA has an opinion from the Office of General Counsel stating that if the agency does not have the resources to implement a statutory requirement, it has the authority not to do it. Hopefully, however, SSA will have an online option soon of the *Statement*.

During lunch the Board discussed SSA's 2012 and 2013 budgets with Michael Gallagher and Bonnie Kind. The members were told that SSA's operations will suffer if it receives further budget cuts, or even remains at level funding. The number of pending disability claims will soar, and there may be geographic disparities in service due to overburdened field offices and disability determination services. The agency's stewardship activities will suffer, and employees may be furloughed.

In the afternoon, the Board met with Richard Foster and Clare McFarland to discuss the Medicare Trustees Report. The actuaries described the changes in the status of the Trust Funds since 2010, and noted that there is a \$32 billion deficit in the Hospital Insurance (HI) program going forward, the largest HI deficit in history despite the fact that *Affordable Care Act* is projected to lower expenditures in the future.

Under the intermediate assumptions, the HI Trust Fund will be depleted in 2024; under the high cost assumptions it will be depleted in 2016; and using the low cost assumptions the Trust Fund is not projected to be depleted. In all cases, however, HI fails the test of short range solvency. The main reason for the difference in the projections made in 2010 and in 2011 of the HI Trust Fund balances is that actual payroll taxes were lower than estimated in 2010 due to lower employment and the economic recovery has been slower than expected.

I certify that the minutes written for the July 13, 2011 meeting of the Social Security Advisory Board are correct.



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Barbara Kennelly

Date

Acting Chair

Social Security Advisory Board