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## United States Senate

SPECIAL COMMITTEE ON AGING

WASHINGTON, DC 20510-6400

(202) 224-5364

February 17, 2006

**VIA FACSIMILE 410-966-1463**

The Honorable Jo Anne Barnhart  
Commissioner  
Social Security Administration  
6401 Security Boulevard  
Baltimore, MD 21235

Dear Commissioner Barnhart:

We are writing regarding the testimony of Linda McMahon, Deputy Commissioner of Operations for Social Security, presented at the February 2, 2006 Senate Special Committee on Aging hearing, *Meeting the Challenges of Medicare Drug Benefit Implementation*.

As Chairman and Ranking Member, we take very seriously all testimony presented to the Committee and expect our witnesses to be accurate and forthright. Therefore, we are deeply troubled by recent reports showing a conflict between Ms. McMahon's February 2 hearing testimony and communications made by her to Social Security Administration (SSA) employees in an email dated January 21, 2006.<sup>1</sup>

We have reviewed the documents and believe there are significant discrepancies between Ms. McMahon's official testimony and her internal agency communications. We are disappointed that SSA failed to provide the Committee with a full and candid assessment of the challenges confronting SSA not only in implementing its Part D responsibilities, but also in managing the spill-over effects in other SSA programs. Such dissemblance severely impedes the critical oversight and investigative functions of this Committee

Therefore, we would like a written explanation addressing the disparities between the January 21 email and the February 2 hearing testimony. Further, we request that Ms.

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<sup>1</sup> As reported in *Drug-Plan Woes Spread Past Medicare; Inquiries have swamped the Social Security Administration, an official's e-mail says*, LA TIMES, Feb. 4, 2006 at A14 [article attached hereto].

McMahon revise her testimony and resubmit it to the Committee so the official record will reflect an accurate assessment of the challenges facing the Social Security Administration as it implements the Medicare Part D drug benefit. This testimony will be distributed to all Committee members. Please provide the Committee with the written explanation and revised testimony by 5:00 p.m. March 3, 2006.

Thank you for your attention to this critical matter. We are committed to working with SSA to fulfill its role in implementing the Medicare Part D drug benefit. Should you have questions regarding this matter, you may contact Chris Hinkle of Senator Smith's staff or Cecil Swamidoss of Senator Kohl's staff at (202) 224-5364.

Sincerely,



Gordon H. Smith  
Chairman



Herb Kohl  
Ranking Member

cc: Hon. Charles E. Grassley, Chairman, United States Senate Committee on Finance  
Hon. Max Baucus, Ranking Member, United States Senate Committee on Finance

The Nation; Drug-Plan Woes Spread Past Medicare; Inquiries have swamped

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Inquiries have swamped the Social Security Administration, an official's e-mail says.

**BYLINE:** Ricardo Alonso-Zaldivar, Times Staff Writer

**DATELINE:** WASHINGTON

**BODY:**

Social Security has been so overwhelmed helping seniors cope with the new Medicare drug program that other services are starting to suffer, a senior government official said in a candid internal e-mail released Friday.

A large backlog of cases is getting worse, and the agency is cutting back on audits that save the government money.

"It's not a rosy picture, and the news doesn't get better," Deputy Commissioner for Operations Linda S. McMahon wrote to operations employees.

The Social Security Administration is scrounging for money to pay overtime, McMahon wrote, and will have to cut back on other priorities, though monthly retirement checks for 48 million Social Security beneficiaries will not be affected.

"I won't try to kid you," McMahon wrote employees. "This is going to be a very difficult year."

On some days, about one in three callers to Social Security's 800 number has been getting a busy signal, she wrote. The agency's 1,300 local offices have been getting as many as 60,000 extra visitors a day -- a 40% increase from the fall.

McMahon's Jan. 21 e-mail was released by Rep. Henry A. Waxman (D-Los Angeles). His office said it verified the authenticity of the message, which is labeled "Difficult Times." Waxman called for immediate congressional action to restore a recently enacted cut of about \$200 million in Social Security's administrative budget.

"The problems faced by the Medicare program in implementing the benefit are spilling over and having significant impacts on the Social Security program," he said in a letter to House Speaker J. Dennis Hastert (R-Ill.).

McMahon testified Thursday before the Senate Special Committee on Aging about her agency's effort to assist Medicare with financial subsidies for low-income seniors, called "extra help." At least 4 million people have applied for the aid, of whom about 1.4 million qualified.

In her testimony, McMahon did not recite the litany of problems detailed in her e-mail. Instead, she thanked Congress for "providing [Social Security] with the resources we have needed to begin this challenging process."

In a statement issued Friday, the agency said: "As the Social Security Administration handles the increased phone calls and office visits associated with the new Medicare prescription drug program, we continue to provide [financial] benefits and assistance with timeliness and professionalism. As always, we remain dedicated to providing the best possible service to the American people."

Although jammed phone lines have been widely reported at Medicare offices and at private insurance plans administering the drug benefit, problems at Social Security have largely gone unnoticed.

In her e-mail, McMahon noted that some employees had warned that the agency would run into trouble trying to juggle its regular duties and the task of helping seniors enroll for the complex prescription program.

"Those of you on the front line have been expressing your deep concern that [Social Security] is not positioned well to help people understand, enroll in and negotiate" the Medicare drug program, she wrote. "Now we are seeing the consequences of that fact. Our national 800-number network has been overwhelmed for weeks.... "

With phone centers and offices swamped, a large backlog of cases at Social Security processing centers will keep growing, she warned.

The backlog "will be exacerbated by the need to put more people on the phone to bring down the busy rate and keep people from needing to visit field offices," McMahon wrote. "Of course, if we aren't careful, we will generate more calls and visits from the folks whose [cases] will have to pend longer" in the processing centers.

Although the law that created the Medicare drug benefit provided extra funding for Social Security in 2004 and 2005, it earmarked no funds for this year, when the agency is facing its largest burdens, Waxman said.

Instead, Congress cut the agency's administrative budget from \$9.3 billion in 2005 to \$9.1 billion in 2006.

The cuts mean "we will not be able to replace all the employees we lose to retirement this year or accomplish all the automation projects we had intended to do to streamline work processes," McMahon wrote.

To free up staff, the agency has received White House permission to cut back on disability reviews, McMahon wrote. The reviews, which determine whether certain beneficiaries still qualify to receive monthly assistance, save the government money.

**LOAD-DATE:** February 4, 2006



## SOCIAL SECURITY

The Commissioner

March 3, 2006

The Honorable Gordon H. Smith  
Chairman, Special Committee on Aging  
United States Senate  
Washington, D.C. 20510-6400.

Dear Mr. Chairman:

This is in response to your February 17, 2006, letter concerning the testimony presented on behalf of the Social Security Administration (SSA) by Linda S. McMahon, Deputy Commissioner for Operations, on February 2, 2006.

As Commissioner of Social Security, I take very seriously my responsibility to provide accurate, responsive, and detailed information to Congress both in the form of testimony given at hearings and any other communications between this Agency and the Congress. I have complete confidence that any SSA official representing the Agency takes this responsibility just as seriously as I do.

As you note in your letter, the February 2 hearing concerned the implementation of the Medicare Drug Benefit, and as our testimony shows, we discussed at length the steps we took to fulfill our responsibilities under the Medicare Modernization Act (MMA). To assist your staff in their preparation for the hearing, we discussed with both majority and minority staffs the details of our implementation efforts, and what our testimony would address.

I deeply regret any misunderstanding concerning the testimony content and the subject of Ms. McMahon's January 21, 2006, communication with her employees. Her e-mail acknowledged not merely the impact of certain Medicare Part D workloads unrelated to SSA's responsibilities under MMA, but also addressed other field office workloads in light of the current budget situation. At the beginning of the year, traditional workloads increased because many people came into our field offices to file retirement claims, to report their earnings from the prior year and to request new or replacement Social Security cards, which starting last December, require more specific identity document verification.

Under the current performance-based budgets, we have determined the amount of work the Agency can do with any given level of funding. In recent years, the Congress has appropriated less funding for SSA than called for in the President's budget requests, and, as a result, we have had to closely scrutinize discretionary workloads and make decisions accordingly. However, using the \$500 million we were appropriated for MMA in FYs 2004 and 2005, we were able to take the actions Ms. McMahon described in her testimony to work toward implementation of all the MMA provisions assigned to SSA.

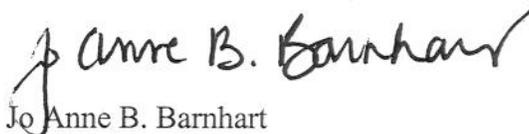
It is true that we experienced a spike in visits to our field offices and in telephone calls received in early and mid-January, which is traditionally the busiest time of the year for SSA. However, that experience proved to be short-term. By the time of the February 2 hearing, we had already seen a reduction in the January levels. Over the last two weeks, visits to our offices averaged about 176,000 per day, down from a high of 200,000 in early January, and our busy rate is well under 10 percent on most days.

I am very proud of the hard work and dedication of all SSA employees. I know firsthand that each of them has long embraced a philosophy of public service, and that they do everything possible to assist the people who come to us. I am enclosing a statement from Ms. McMahon which addresses your question for the record.

Again, I regret any misunderstanding. If there are any specific questions you would like us to address, we would be happy to provide you with answers for the hearing record.

I hope this information is helpful. I am sending an identical letter to Senator Kohl and informational copies to Chairman Grassley and Senator Baucus. If we can be of further assistance, please let me know or have your staff contact Mr. Robert M. Wilson, Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

A handwritten signature in black ink that reads "Jo Anne B. Barnhart". The signature is written in a cursive style with a large initial "J".

Jo Anne B. Barnhart

Enclosure

Statement for the Record of Linda S. McMahon  
Deputy Commissioner for Operations  
Social Security Administration  
Hearing before the Senate Special Committee on Aging  
Meeting the Challenges of Medicare Drug Benefit Implementation  
February 2, 2006

There is no conflict between my testimony on the Medicare Part D Prescription Drug Low-Income Subsidy, or extra help, and my email to Operations employees dated January 21, 2006. My testimony deals specifically and solely with the subsidy, which is the primary aspect of the Part D program for which SSA has responsibility. It is a fact that Congress provided sufficient funds to SSA to “begin [the] challenging process” of implementing the subsidy requirements. On the other hand, my email deals with the overall budget picture for SSA for FY 06, including the negative impact of both the \$300 million reduction in the President’s FY 06 Budget request and the increased traffic in our field offices and on our toll-free 800 number related to the Part D enrollment and plan selection processes.

Unfortunately, my statement in the email that “the Agency is not positioned well to help people understand, enroll in and negotiate the new Part D Medicare Prescription Drug Program” has been misinterpreted. I was not referring to the Low Income Subsidy; I was discussing issues related to choosing and enrolling in the prescription drug plans for which SSA has no authority or funding, and about which our employees have little knowledge. As a trusted source of information in the community, Social Security employees have been concerned since the inception of the program that the public would seek our assistance with those aspects of the Part D program, and I have been telling them that they need to focus on the subsidy and refer callers or visitors who have questions about enrollment in the drug program or selection of a provider to CMS or other community resources. My intent in the email was to acknowledge that the employees’ concerns were legitimate and to let them know what we were doing to mitigate the problem.

As I have stated to Commissioner Barnhart, I see no conflict in my email and my testimony, and I would not have made the statement before your committee if it had not been true. I regret that my internal memo has caused such confusion.

Respectfully submitted,



Linda S. McMahon  
Deputy Commissioner for Operations  
Social Security Administration