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HUMAN RESOURCES DIVISION

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B-207405



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The Honorable Lloyd Bentsen
United States Senate

Dear Senator Bentsen:

Subject: Federal Efforts to Simplify the Aid to Families with Dependent Children, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures (GAO/HRD-82-72)

This report responds to your October 13, 1981, letter on behalf of one of your constituents, a quality control (QC) supervisor for the Texas Department of Human Resources. The Department administers the Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamp programs. He said that State budget reductions and personnel ceilings led the Department in April 1981 to integrate its QC systems for reviewing the AFDC and Food Stamp programs.

At the Department's direction, your constituent was involved in studying the feasibility of including the Medicaid QC system in the integrated AFDC-Food Stamp system. He wrote you expressing his concerns about problems in integrating the three systems because of the complexities and differences in the three programs (i.e., income, resources, and other eligibility requirements) and in their QC procedures. He asked what the Federal Government is doing to simplify and streamline the programs and the QC procedures.

The problems your constituent cited with the AFDC, Medicaid, and Food Stamp programs are well known. Though the programs were set up to meet essential needs of individuals and families, they overlap and interact to a great extent with one another so that individuals often participate in the three programs simultaneously. By law, AFDC recipients are automatically eligible for Medicaid, and most AFDC families receive food stamps. However, each program is essentially managed as a single entity, with little coordination. As a consequence, except for joint AFDC-Medicaid cases, program design, implementation, and evaluation requirements vary substantially.

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Despite this, Federal efforts to resolve inter-program differences have not been successful. Federal actions to improve program administration generally have been limited to individual programs and have not focused on program interrelationships. However, efforts are underway to eliminate duplicative, overlapping, and conflicting program regulations and burdensome paperwork requirements, and to make more consistent the AFDC, Medicaid, and Food Stamp QC processes and procedures.

SCOPE AND METHODOLOGY

We discussed your letter with your staff and with your constituent. We also discussed your constituent's concerns with the Assistant Commissioner for Coordination, Texas Department of Human Resources. In addition, we interviewed officials of the Departments of Health and Human Services (HHS) and Agriculture (USDA) and the Office of Management and Budget (OMB), nongovernment consultants, and public interest group representatives. Also, we reviewed numerous studies discussing problems with the different eligibility, implementation, and other requirements for the three programs.

BACKGROUND

The AFDC, Medicaid, and Food Stamp programs are jointly administered and financed by Federal, State, and, in some cases, local governments. Federal involvement varies from program to program and from State to State. Within States, management structures and financing arrangements vary.

Federal laws and regulations broadly define AFDC and Medicaid program requirements, allowing the States to structure the programs to meet their specific needs and philosophies. In contrast, Food Stamp program requirements are defined nationally.

At the State level these programs are generally administered through a single welfare department which translates Federal and State laws and regulations into program operating rules, regulations, and procedural processes. In most cases, a program applicant applies for assistance at a local welfare office.

The AFDC program provides cash assistance to needy families with children. States, subject to Federal regulations, establish eligibility criteria and benefit levels. Federal matching grants to States, depending upon the State, are from 50 to 77 percent of the benefit costs and 50 percent of the State's administrative costs. The Office of Family Assistance, HHS, oversees the States' administration of the program.

HHS' Health Care Financing Administration administers the Medicaid program, a matching grant program in which the Federal Government pays from 50 to 77 percent of a State's cost of providing health care to the poor. The Federal Government also pays from 50 to 100 percent of the State administrative costs. By law, AFDC recipients automatically are eligible for Medicaid assistance; others, at the State's option, may be eligible if determined to be "medically needy." ^{1/} Within federally set limits, States select the range of Medicaid services offered and the reimbursement rates for these services. Normally, States make payments directly to the providers who render covered services to eligible individuals. All States except Arizona have Medicaid programs.

Under the Food Stamp program, the Food and Nutrition Service, USDA, establishes uniform national eligibility and benefit payment standards. States are responsible for certifying the eligibility of applicants and issuing the food stamps. Recipients use the stamps to purchase food. The Federal Government funds 100 percent of the program benefits and 50 to 75 percent of State administrative costs.

Quality control systems

Federal-State QC systems have been established for the AFDC, Food Stamp, and Medicaid programs to identify and measure the amount of erroneous payments and to develop corrective actions needed to reduce them. Each State periodically selects a state-wide sample of each program's caseload which is reviewed by State QC workers to ensure proper documentation and application of policy by eligibility workers for determining recipient eligibility and benefit amount. Results of the State QC reviews are used to compute each program's case and payment error rates both for the sample cases and for the State's universe of cases.

Federal program QC reviewers select and re-review a subsample from each State's QC sample to ensure States are properly conducting their QC reviews and to validate State-determined error rates.

^{1/}Supplemental Security Income recipients are also automatically eligible for Medicaid assistance. "Medically needy" are persons whose income or other resources are too large to qualify for cash assistance but are not sufficient to meet the costs of necessary health care.

MAJOR ISSUES AND PROBLEMS
ARE WELL DOCUMENTED

Throughout the 1970s and into the 1980s, the U.S. welfare system has been the subject of numerous studies. The programs have been criticized as too profuse, complex, fragmented, duplicative, and inefficient and costly to administer. The enclosure lists some of the studies made during the 1970s and 1980s.

This situation exists, in large part, because of the fragmented Federal congressional and executive branch structure. Congressional committees and subcommittees and Federal agencies responsible for planning and managing the numerous programs operate within the limits of their jurisdiction, according to their own priorities and procedures, and largely without regard to others' actions. As a result, each program, for the most part, is managed as a single entity, with little coordination.

The AFDC and Medicaid programs are under the jurisdiction of the Senate Finance Committee and the House Ways and Means (AFDC) and the Energy and Commerce (Medicaid) Committees. The Food Stamp program, which in effect provides income to poor families, is under the jurisdiction of the Senate and House Agricultural Committees.

This fragmentation of authority over policy and administrative matters has resulted in significant inconsistencies in these programs. Although the programs have some similar key technical features (eligibility factors, benefit structures, filing unit definitions), the specifics of these features differ from program to program. In practice, administrative inefficiency and errors are high.

State welfare workers who implement the programs face volumes of different rules and regulations. Moreover, such data as client name, address, Social Security number, age, family composition, earned and unearned income, and resources usually are collected separately for each program, except for Medicaid if the family is eligible for AFDC. (Some States use a combined application form for the three programs.) Some data provided AFDC and Food Stamps are exactly the same; other data, although identical, are provided in different forms; and, in some cases, the same data are used differently by the programs.

According to the Texas Department of Human Resources, the fact that there are separate AFDC and Food Stamp programs (1) requires eligibility workers to know and apply different sets of criteria and definitions; (2) creates the potential for misapplying rules and regulations and making errors; (3) causes duplication of effort and increased paperwork burdens; and (4) contributes to worker

frustration, low morale, and high staff turnover. The Department favors better coordination and consolidation of the programs to improve the efficiency and effectiveness of its operations and the programs. The Department believes that consolidating and streamlining the programs' administrative processes would improve worker efficiency, reduce errors, and improve service to the clients.

FEDERAL EFFORTS TO RESOLVE DIFFERENCES

Past comprehensive congressional and executive branch welfare reform proposals ended in political stalemates or resulted in limited change to individual programs. Other Federal initiatives to improve administration and reduce costs of the welfare programs, for the most part, concerned individual programs and did not address major differences between the programs.

In 1981 the Reagan Administration and the Congress adopted program and budgetary changes intended to substantially reduce Federal and State AFDC, Food Stamp, and Medicaid costs and to eliminate administrative complexity. Numerous technical changes to each program sought to tighten eligibility requirements beginning in fiscal year 1982 in order to limit the number of participants and to reduce benefit amounts.

The Paperwork Reduction Act of 1980 (44 U.S.C.A. 3501-3520), which became effective on April 1, 1981, requires Federal agencies to collect information with a minimum burden on respondents and eliminate unnecessary duplicative reporting requirements. The act established in OMB the Office of Information and Regulatory Affairs (OIRA) to develop and implement Federal information policies, standards, and guidelines. OIRA reviews and approves information collection requests proposed by Federal agencies.

In addition, on February 17, 1981, President Reagan signed Executive Order 12291 which requires Federal agencies to reduce burdens imposed on the public by Federal regulations and to minimize duplication and conflict in existing and future regulations and paperwork requirements. The Order gives overall responsibility for regulatory reform to the Presidential Task Force on Regulatory Relief, which is staffed by OIRA. Under the Order, OIRA reviews existing and proposed regulations to identify duplicate, overlapping, and conflicting rules.

Separate from its paperwork and regulatory control responsibilities, OMB since 1976 has been coordinating a voluntary effort with AFDC, Medicaid, and Food Stamp officials to develop integrated QC procedures for the three programs. About 24 States now have federally approved integrated QC systems, most of which are limited to the AFDC and Food Stamp programs. Integrated QC reviewers may

count sample cases in which recipients obtain benefits from more than one program as a sample case for each program from which benefits are received, thereby reducing the total number of cases that have to be reviewed for each program.

OMB, HHS, and USDA have developed an integrated QC worksheet, sampling manual, and procedural handbook for the three programs, which States are using on an optional basis. Several States with integrated QC systems are currently testing a recently proposed integrated data reporting form. If the tests are successful, all States will be required to use the integrated data reporting form beginning about October 1982.

At the HHS Secretary's request in January 1982, AFDC, Medicaid, and Food Stamp officials began working to eliminate administrative differences in the programs' rules and regulations in order to simplify eligibility requirements and procedures. This is intended to enhance the States' ability to integrate their administrative processes for the three programs. Work on this project is continuing.

Lastly, as part of its "New Federalism" plan, the Administration has proposed shifting financial and management responsibilities for the AFDC, Medicaid, and Food Stamp programs between the Federal and State governments beginning in fiscal year 1984. Details of the plan have not yet been finalized. Questions about which responsibilities should properly reside with the Federal, State, and local governments and concerns about the capacity and willingness of the various governmental levels to carry out those responsibilities, as well as concerns about adequacy, effectiveness, and efficiency have to be resolved by the Congress.

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We hope this information will be helpful to you. As agreed with your office, we limited this response to an informational overview of the concerns raised by your constituent.

We are sending a similar report to Representative Tom Loeffler, who asked us to respond to the same concerns. As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this letter for 30 days. At that time, we will send copies to interested parties and make copies available to others upon request.

B-207405

We wish to express our appreciation to the Texas Department of Human Resources and your constituent for their cooperation and assistance. The information and insights they provided were helpful to us in preparing this report and will be useful in our continuing reviews of the programs.

Sincerely yours,


Gregory J. Ahart
Director

Enclosure

WELFARE SYSTEMSTUDIES OF THE 1970s and 1980s

Subcommittee on Fiscal Policy, Joint Economic Committee, U.S. Congress, "Studies in Public Welfare," 1972-1974.

Commission on Federal Paperwork, "Administrative Reform in Welfare," 1977.

Congressional Budget Office, "Welfare Reform: Issues, Objectives, and Approaches," 1977.

The Aerospace Corporation, "Feasibility Study of an Integrated Computer-Based System for Eligibility Determination," 1977.

Single Purpose Application with an Automatic Referral Service (SPAARS) Project, Mountain Plains Federal Regional Council, "Legal Constraints Study: A Conceptual Approach to the Simplification of Human Service Programs," 1977.

Salamon, Lester M., "Toward Income Opportunity: Current Thinking on Welfare Reform," 1977.

Eligibility Simplification Project, Office of Management and Budget, "An Interagency Study with Recommendations for Simplifying Client Eligibility Among Major Public Assistance Programs," 1980.

The Intergovernmental Eligibility Simplification Project, Mountain Plains Federal Regional Council, "Uniform Financial Measures for Use in Determining Client Eligibility Among Human Service Programs: An Impact Analysis," 1980.