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United States General Accounting Office

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Report to the Ranking Minority Member, Committee on the Budget, U.S. Senate

November 1987

WELFARE

Analysis of Proposals to Control Federal Welfare Administrative Costs

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United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

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November 16, 1987

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate

Dear Senator Domenici:

This report responds to your September 15, 1986, request concerning the federal costs of administering the Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamp programs. To control such administrative costs, the Grace Commission (the President's Private Sector Survey on Cost Control) and the administration's fiscal year 1986, 1987, and 1988 budget requests, respectively, have recommended the following: (1) consolidating the federal share of administrative costs of the three programs into one block grant to each state, (2) establishing a separate block grant for each of the three programs, (3) providing reduced federal sharing in administrative costs that exceed a specified limit in each program, and (4) providing reduced federal sharing in administrative costs that fall within specified ranges for each program but no sharing in costs above the ranges. Specifically, you asked that we focus our analysis on how each proposal would address the following issues:

- Growth in administrative costs.
- Existing state processes whereby administrative costs are separately accounted for and allocated among the three programs.
- Higher-than-normal (enhanced) federal cost sharing rates for certain administrative activities.
- Effects of federal program changes and uncontrollable economic conditions on administrative costs.

Methodology

To do the analysis, we

- obtained administrative cost and other information about the three welfare programs covering fiscal years 1977-85,
- discussed the current federal cost reimbursement arrangements with officials from the Departments of Agriculture and Health and Human Services,
- obtained administrative cost and other information on the proposals in the administration's budget requests and the Grace Commission's recommendations, and

- discussed the details of each proposal with agency officials.

For our analysis of the effects of the four proposals on administrative costs, we used the administration's savings estimates for each of its last three budget requests—all were based on 1985 information. For the Grace Commission's 1983 proposal, we applied the Commission's methodology to 1985 program and cost data—the most complete available at the time of our analysis—to estimate comparable savings. Also, we obtained the views of the National Governors' Association and American Public Welfare Association on the proposals.

Background

The federal government reimburses states for various activities associated with administering federal welfare programs. Some administrative activities for AFDC, Medicaid, and Food Stamps are similar, such as those related to determining and redetermining applicants' program eligibility, including verifying income and resources. Other activities are unique for each program. For example, Food Stamp program administrative activities include issuing coupons. Medicaid activities, on the other hand, include approving such medical service providers as physicians, nursing homes, and home health providers, and establishing systems to ensure that beneficiaries receive only the proper care and other systems for processing and paying claims.

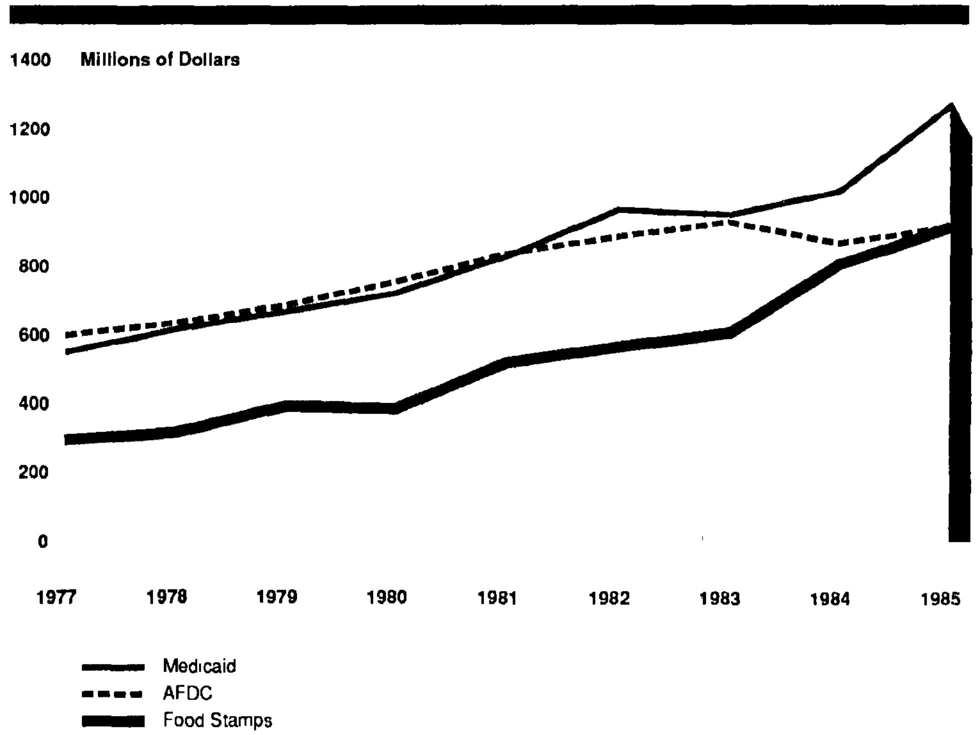
The federal government generally pays 50 percent of states' allowable administrative costs under each program. However, enhanced sharing is provided to encourage administrative activities, such as improving automated information systems to better administer the programs. Through fiscal year 1987, enhanced federal sharing rates were as high as 90 percent.[1]

The administrative cost reimbursement schemes for each of the programs are open-ended—there is no limit on the federal government's liability for its share of state administrative costs. Hence, as states' costs to administer the programs have risen, so have federal reimbursements. The current reimbursement schemes for each program are described in more detail in appendix I.

[1] Beginning on October 1, 1987, the Immigration Reform and Control Act of 1986 requires 100 percent federal reimbursement of certain costs for states' verifying alien applicants' immigration status in selected welfare programs

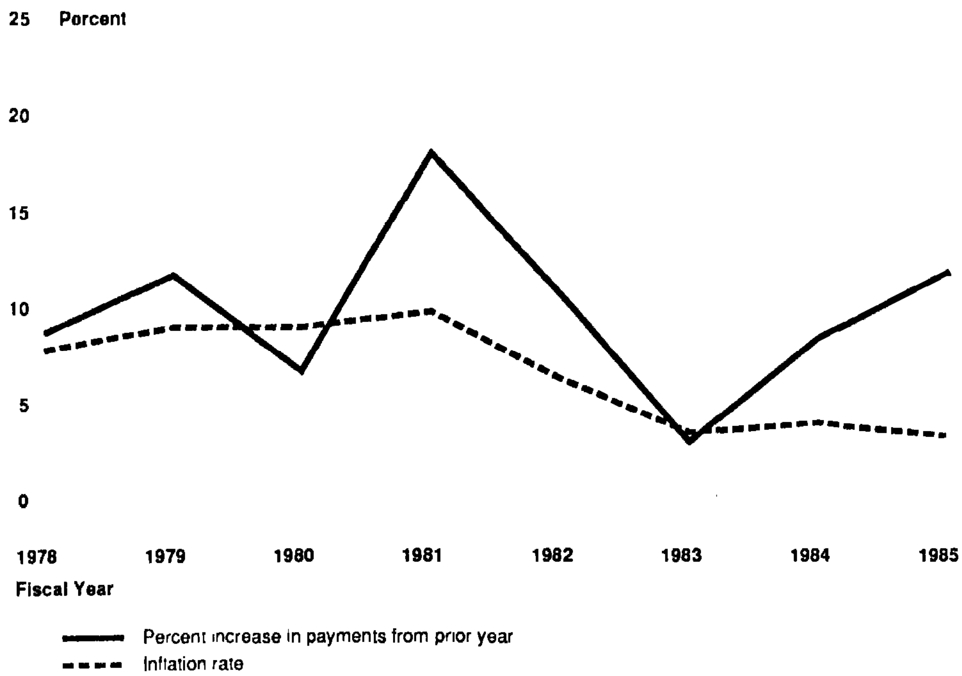
Figure 1 shows the federal administrative payments in AFDC, Medicaid, and Food Stamps for fiscal years 1977-85. During this period, total payments rose from $1.4 billion to $3.0 billion.

Figure 1: Federal Administrative Payments in the AFDC, Medicaid, and Food Stamp Programs
(Fiscal Years 1977-85)



As shown in figure 2, between 1977 and 1985 the federal payments for administrative costs for the three programs increased more rapidly than inflation[2] in all but 2 years.

Figure 2: Rate of Increase in Federal Administrative Payments Compared With Inflation (Fiscal Years 1978-85)



Results in Brief

Each of the four proposals would control federal cost growth, although in different ways and to different degrees. Both the Grace Commission's proposal and the administration's 1986 budget proposal would eliminate the need to allocate costs among the three programs; the others would not. Each proposal would eliminate at least some enhanced federal sharing, thereby shifting a greater financial responsibility to the states for the continuation of certain activities. All the proposals would provide—some more so than others—for federal sharing in increased state administrative costs resulting from such uncontrollable influences as mandatory federal program changes and declining economic conditions.

[2] Based on the Gross National Product Implicit Price Deflator—the Department of Commerce's Bureau of Economic Analysis measurement of seasonally adjusted Gross National Product changes over time.

Table 1 shows estimated first-year federal savings for each proposal. As discussed on page 2, we estimated the savings shown for the Grace Commission proposal and used the administration's estimates for the three budget proposals.

Table 1: Estimated First-Year Federal Savings for the Four Proposals

Dollars in Millions

Proposal	Estimated savings
Consolidated block grant (Grace Commission)	$256
Separate program block grants (administration's 1986 budget)	146
Reduced sharing rate (administration's 1987 budget)	281
Reduced and zero sharing rates (administration's 1988 budget)	295

Table 2 provides a synopsis of how each proposal addresses the key issues on which you asked us to focus.

Table 2: Comparison of Current AFDC, Medicaid, and Food Stamp Reimbursement Arrangements With Four Proposals, by Issue

		Proposed schemes			
Cost issues	**Current arrangement**	**Consolidated block grant**	**Separate program block grants**	**Reduced sharing**	**Reduced and zero sharing**
Controls administrative cost growth	No Federal liability is open-ended	Yes. Estimated first-year savings were $256 million	Yes Estimated first-year savings were $146 million	Yes Estimated first-year savings were $281 million.	Yes Estimated first-year savings were $295 million.
Requires cost allocation process	Yes. Each program has an allocation plan, accounting procedures, and reporting requirements	Eliminates need for cost allocation among these programs	Eliminates need for cost allocation among these programs	Retains current requirements	Retains current requirements
Provides for enhanced federal sharing.	Yes Programs provide for enhanced rates ranging from 75 to 90 percent.	Eliminates enhanced sharing for some activities, retains it for others	Eliminates enhanced sharing for all activities	Phases out enhanced sharing for AFDC and Food Stamps, eliminates it for Medicaid	Phases out enhanced sharing for AFDC and Food Stamps, eliminates it for Medicaid
Allows for the effects of program changes and economic conditions on administrative cost.	Yes. Programs allow for uncontrollable changes through open-ended funding approach	Yes, generally, by including adjustments based on number of recipients as well as inflation. Reimbursement for high-cost states would be limited.	Yes, but only through inflation adjustments.	Yes,but states with costs above limits would receive reduced federal sharing	Yes, program secretary has authority to adjust for significant cost effects in a state

In essence, representatives of the National Governors' Association and American Public Welfare Association believed that none of the four proposals is a fully satisfactory and equitable approach to controlling administrative costs. A summary of these views is presented in appendix VI.

Analysis of Proposals by Cost Issue

Growth in Administrative Costs

Each proposal would limit the federal share of administrative cost growth through different means.

The Grace Commission proposal would provide each state one block grant for the federal share of its administrative costs for all three programs. Federal reimbursement for each program would be calculated separately—considering the state's average federal share of administrative costs on a per-recipient basis and the numbers of recipients in each program—and then combined. Each state's initial grant would be the combined sums of the product of the number of recipients multiplied by the lesser of the state's actual average federal reimbursement or the average federal reimbursement for the state(s) that rests at a prescribed percentile of cumulative nationwide recipients—when the states are arrayed from lowest to highest by average federal reimbursement on a per-recipient basis for each program the year the proposal was adopted. Subsequent year grant increases would be limited to inflation adjustments applied to the previous year's averages, and increases (or decreases) in numbers of recipients.

The administration's 1986 budget proposal would provide each state a separate block grant for each program. The initial grant would be fixed at the amount received the year the proposal was adopted. Subsequent grants would be adjusted only for inflation.

The administration's 1987 budget proposal would provide reduced federal sharing in state average per-recipient administrative costs that exceed a prescribed nationwide limit—a multiple of the median of arrayed state averages—in each program.

The administration's 1988 budget proposal would provide reduced federal sharing in state average per-recipient costs that fall within prescribed nationwide ranges—multiples of the median of arrayed state averages—in each program, and no federal sharing in averages that exceed the upper range limits in each program. The 1988 proposal also provides that differences between each state's average employee wage and the national average state employee wage as well as estimated core administrative costs (minimum amount needed to operate a program) would be used each year to adjust state average per-recipient costs.

These proposals are described in more detail in appendixes II-V.

Cost Allocation Processes

Currently, each state welfare agency must submit for federal approval a plan describing the process followed to account for and allocate among the AFDC, Medicaid, and Food Stamp programs the direct, joint, and indirect costs incurred in administering the programs. Costs must be identified by program. Additionally, costs often must be broken down by categories within programs, either for informational purposes or because of different federal sharing rates for certain activities. For example, AFDC costs are reported in the categories of automated data processing design and development (90 percent federal share), state and local training (50 percent share), and all other state and local administration (50 percent federal share). (See p. 22 for a list of GAO reports issued since 1981 related to cost allocation problems in AFDC, Medicaid, and Food Stamps.)

The Grace Commission's consolidated block grant and the administration's 1986 separate program block grant proposals would eliminate the need for the administrative cost allocation process among these programs because states' block grants are anchored to federal administrative cost reimbursements in the year either proposal is adopted. Future changes—inflation (for both proposals) and recipient numbers (Grace Commission)—do not require cost allocation. The administration's 1987 and 1988 reduced sharing proposals would retain the cost allocation process because program-by-program average per-recipient costs must be calculated in each state to establish national medians to determine when reduced federal sharing would begin.

We note that should any of these proposals be adopted for fewer than all three programs, the possibility exists that administrative costs might be allocated to programs that remained open-ended, thus jeopardizing the federal cost savings objectives of the adopted proposal.

Enhanced Sharing Rates

Currently, enhanced sharing rates are used to encourage states to undertake certain administrative activities. For example, automated information system design, development, and installation costs are subject to 90 percent federal sharing in AFDC and Medicaid and 75 percent in Food Stamps.

All four proposals would eliminate at implementation some of the enhanced sharing rates, thus shifting costs to the states. The administration's 1986 separate program block grants proposal would eliminate all three programs' enhanced sharing rates at implementation, and thus have the most significant long-term cost-control effect on federal reimbursement. The Grace Commission proposal would eliminate some enhanced rates at implementation but retain others. The administration's 1987 and 1988 proposals eliminate all enhanced Medicaid rates at implementation, but reduce the AFDC rate from 90 to 75 percent for 3 years and then to 50 percent, and gradually phase down the Food Stamp 75 percent rates to 50 percent. Elimination of enhanced sharing would have the greatest effect on federal Medicaid cost reimbursements because, based on 1985 data, states claimed about $694 million for enhanced sharing in Medicaid compared with about $115 million for AFDC and Food Stamps combined.

Allowance for Effects on Administrative Costs From Program Changes and Economic Conditions

Currently, through open-ended reimbursement, the federal government shares in administrative cost increases that result from mandatory federal program changes and caseload increases due to unfavorable economic conditions over which states have little control.

The administration's 1986 proposal provides only for future year inflation adjustments to states' block grants, and not for such other uncontrollable cost increases that exceed the inflation adjustment. The Grace Commission proposal provides adjustments for inflation and increases (or decreases) in program recipients. However, such adjustments would be limited to the reimbursement rate for the state(s) at the prescribed percentile for each additional recipient in a state whose average federal reimbursement (on a per-recipient basis) exceeds the limit—at the time or in the future. The administration's 1987 proposal provides for some future year federal sharing in uncontrollable cost increases by using as a reference the nationwide median of states' average per-recipient administrative costs in each program for setting the reduced sharing threshold. However, states with average per-recipient costs above the reduced sharing threshold—at the time or in the future—would be penalized for high costs, even if caused by circumstances beyond their control.

Similarly, the administration's 1988 proposal uses as a reference the national median of states' average per-recipient costs in each program for setting the reduced and zero sharing thresholds, and states whose averages—at the time or in the future—would exceed the thresholds would be penalized. However, as discussed earlier, this proposal provides adjustments for core administrative costs and state wage differentials in establishing these thresholds. Moreover, it authorizes the cognizant program secretaries to adjust a state's costs to make them more equivalent with other states. For example, such adjustments might be made when caseload increases due to economic declines or federally required program changes—that were beyond the state's ability to control—which affect an individual state's costs more than all states generally. Depending upon the criteria established and decisions made in particular situations, use of this authority could help such states minimize or avoid federal reimbursement reductions that may result from uncontrollable influences.

Over the years, the design of the administration's cost-control proposals has shown an increasing sensitivity to their potential adverse effect on states' costs. Of the four proposals, the administration's 1986 budget proposal for separate program block grants is the least sensitive to possible adverse effects on states—it would provide only inflation adjustments and eliminate all enhanced sharing rates upon implementation. The administration's 1988 budget proposal appears to be the most sensitive toward the states—it would allow adjustments that would be of particular benefit to small states and states with low wages; and allows for heads of the cognizant federal program agencies to adjust states' reimbursement levels.

As requested by your office, we did not obtain agency comments on this report. Unless you publicly announce its contents earlier, we plan no further distribution of this report until 14 days from its issue date. At that time, we will send copies to other interested congressional committees and the Secretaries of Agriculture and Health and Human Services, and make copies available to others on request. For additional information, please contact me at 275-6193.

Sincerely yours,

Daniel M Meier

Franklin Frazier
Associate Director

Contents

Abbreviations

AFDC	Aid to Families with Dependent Children
GAO	General Accounting Office

Current Federal Administrative Cost Reimbursement Arrangements for the AFDC, Medicaid, and Food Stamp Programs

Cost Issues	Description
Control administrative cost growth	Federal funding is open-ended—there is no limit on federal liability for sharing in allowable state costs incurred for administering the AFDC, Medicaid, and Food Stamp programs. Most costs are shared at 50 percent
Cost allocation process	States have federally approved and monitored plans allocating and accounting for direct, joint, and indirect costs among these programs, and to exclude costs for other programs such as the Social Services and Low-Income Home Energy Assistance block grants and state-funded general assistance Costs must be reported by specific categories—10 categories for Food Stamps; 7 for Medicaid; 3 for AFDC.
Enhanced federal sharing rates	The following enhanced rates are available if program requirements and performance standards are met: AFDC — planning, design, development, and installation of automated information systems (90 percent) Medicaid — design, development, and installation of automated information systems (90 percent) — operating automated systems (75 percent) — employing and supporting skilled medical professionals for claims review (75 percent) — processing family planning services claims (90 percent) — qualified antifraud and antiabuse activities (90 percent for the first 3 years, 75 percent thereafter) Food Stamps — planning, design, development, and installation of automated information systems (75 percent) — fraud investigations, prosecutions, and hearings (75 percent)
Uncontrollable cost effects of program changes and economic conditions	Under the open-ended arrangement, the federal government generally shares in increased state costs due to federal program changes or the management of larger caseloads resulting from unfavorable state economic conditions as well as other factors that increase administrative costs nationwide, such as inflation

1983 Grace Commission Proposal: Consolidated Federal Block Grant

Cost Issues	Description
Control administrative cost growth	This proposal consolidates into one block grant to each state the federal share of AFDC, Medicaid, and Food Stamp administrative costs, calculated on a federal reimbursement per-recipient basis for each program. States are arrayed for each program in ascending order by average federal reimbursement per recipient, and the numbers of recipients are accumulated. Federal reimbursement for each program is limited to the lesser of a state's actual average federal reimbursement per recipient or the average federal reimbursement per recipient of the state(s) that rests at the 70th percentile of cumulative nationwide recipients in each program States with higher averages are limited to this maximum federal reimbursement per recipient. States pay the difference between the federal grant and total cost to administer the programs. Applying the proposal's methodology to fiscal year 1985 cost and recipient data, GAO calculated estimated federal savings of $256 million, if the proposal had been in effect for that year
Cost allocation process	Eliminates the cost allocation process. The first-year block grant is based on estimated numbers of recipients and federal administrative payments to the state in each program the year the proposal is adopted Future adjustments to the block are based on separate program recipient count changes in each state and inflation increases. The administering agency has the responsibility to develop a methodology to make the adjustments.
Enhanced federal sharing rates	Enhanced sharing is eliminated for automated information system activities in all three programs, but is retained for antifraud and antiabuse activities in Medicaid and Food Stamps. This proposal does not specify retention or elimination of enhanced rates for other Medicaid activities (75 and 90 percent).
Uncontrollable cost effects of program changes and economic conditions	Future inflation-based block grant adjustments may compensate states for nationwide cost increases. However, adjustments for increases due to federal program changes or the management of larger caseloads resulting from unfavorable state economic conditions would be limited to the maximum federal reimbursement for each additional recipient for those states whose average federal reimbursement per recipient at that time or in the future may equal or exceed a program's maximum per-recipient federal reimbursement level

The Administration's Fiscal Year 1986 Budget Proposal: Separate Program Federal Block Grants

Cost Issues	Description
Control administrative cost growth	This proposal establishes a separate block grant for the federal share of administrative costs for each program, namely AFDC, Medicaid, and Food Stamps First-year grants are set at the level of estimated spending in each program during the year in which the proposal is adopted Each state's grant allocation for each program is based on the proportion of federal administrative payments to all states (reduced by the amount of any enhanced sharing) it received in the year before the year the proposal is adopted That is, the proposed block grants for fiscal year 1986 (the first year) would be set at the estimated spending levels of fiscal year 1985 (the year of adoption), and states' allocations would be based on fiscal year 1984 reimbursements The administration estimated first-year savings to have been $146 million Future year grant increases are limited to amounts based on annual changes (between fiscal year mid-points) in the Gross National Product Implicit Price Deflator (See p 4) For example, the incremental grant increase for the first subsequent year, fiscal year 1987, would have been based on the price deflator change from March 31, 1985 to March 31, 1986
Cost allocation process	Eliminates the cost allocation process States pay the difference between the federal block grants and total program administrative costs Detailed cost reporting becomes unnecessary
Enhanced federal sharing rates	All normal and enhanced sharing rates are eliminated at the start of the base year, as are the related qualifying standards and requirements, thereby reducing federal influence over state welfare administration. States can spend block grants for any program-related administrative activity they wish to pursue in a manner they deem necessary and desirable
Uncontrollable cost effects of program changes and economic conditions	Future inflation adjustments to the block grants may compensate states for nationwide cost increases The proposal contains no other adjustment factors to compensate affected states for federal program changes or the management of larger caseloads resulting from unfavorable state economic conditions, nor to provide added funds to all states if a general recession occurs

The Administration's Fiscal Year 1987 Budget Proposal: Reduced Federal Sharing

Cost Issues	Description
Control administrative cost growth	This proposal reduces the normal federal sharing rate in each program from 50 to 25 percent for the portion of a state's average per-recipient administrative costs that exceeds 175 percent of the nationwide median of all states' averages, arrayed in descending order. State averages are derived from annual costs subject to 50 percent federal sharing divided by the average monthly number of recipients receiving benefits in the same year for each program. The nationwide median is based on the latest four-quarter period for which cost and recipient data are available preceding the subject fiscal year. The administration estimated savings of $21 million if the reduced sharing proposal had been implemented in fiscal year 1987.
Cost allocation process	Retains the cost allocation process. Separate state cost-per-recipient averages are required for each program.
Enhanced federal sharing rates	Eliminates all enhanced sharing in Medicaid at the start of fiscal year 1987. Reduces the enhanced AFDC rate from 90 to 75 percent for fiscal years 1987, 1988, and 1989 and to 50 percent for fiscal year 1990 and future years. Reduces Food Stamp enhanced rates of 75 percent in 5-percentage point increments for each half fiscal year, beginning with the last half of fiscal year 1987, achieving a 50-percent rate by the last half of fiscal year 1989. The administration estimated that elimination/phase out of enhanced sharing for fiscal year 1987 would have resulted in savings of $260 million—of which $247 million would have come from Medicaid—in addition to the $21 million savings associated with reduced sharing; total estimated savings would have been $281 million. These special activity costs would eventually be subject to no more than 50 percent sharing and at that point become part of the costs used to determine state per-recipient averages to which reduced sharing applies.
Uncontrollable cost effects of program changes and economic conditions	Future administrative cost increases across the states should result in some increases in federal sharing for all states. However, states with average per-recipient costs above the reduced sharing threshold—at that time or in the future—would be penalized for high costs even if caused by circumstances beyond their control, such as federal program changes or the management of larger caseloads resulting from unfavorable state economic conditions.

The Administration's Fiscal Year 1988 Budget Proposal: Reduced and Zero Federal Sharing

Cost Issues	Description
Control administrative cost growth	This proposal reduces the normal federal sharing rate in each program from 50 to 25 percent for the portion of a state's adjusted average per-recipient administrative costs that fall between 125 and 150 percent of the nationwide median of all states' averages in AFDC and Food Stamps, and between 135 and 160 percent of such median in Medicaid The portion of state averages exceeding the upper range limits are not subject to federal sharing. Each state's averages are adjusted on a per-recipient basis in each program by (1) the proportion its average annual employee wage bears to the nationwide average annual state employee wage and (2) estimated core administrative costs (minimum costs needed to operate a program—$750,000 each for AFDC and Food Stamps and $1 million for Medicaid) Core costs and nationwide medians are adjusted annually for inflation. States are also allowed to offset "excess" averages (subject to reduced or zero sharing) in one or more programs against "efficiency" averages (under the limits) in the other program(s) to minimize the loss of reimbursement. The administration estimated savings of $29 million by implementing reduced and zero sharing in fiscal year 1988
Cost allocation process	Retains the cost allocation process. Separate averages and adjustments are required for each program
Enhanced federal sharing rates	Eliminates all enhanced sharing in Medicaid at the start of fiscal year 1988 Reduces the enhanced AFDC rate from 90 to 75 percent for fiscal years 1988, 1989, and 1990 and to 50 percent for fiscal year 1991 and future years. Reduces the enhanced Food Stamp rates from 75 percent in 5-percentage point increments for each half fiscal year, beginning with the last half of fiscal year 1988, achieving a 50-percent rate by the last half of fiscal year 1990 The administration estimated that savings in fiscal year 1988 from elimination/phase out of enhanced sharing would have been $266 million—of which $255 million would have come from Medicaid—in addition to the $29 million savings associated with reduced and zero sharing, total estimated savings would have been $295 million. These special activity costs would eventually be subject to no more than 50 percent sharing and at that point become part of costs used to determine per-recipient averages to which reduced and zero sharing apply
Uncontrollable cost effects of program changes and economic conditions	This proposal gives the cognizant program secretary the authority to adjust a state's costs, if necessary, to improve its equivalence with other states for particular costs because of significant circumstance changes or required administrative activities that affected the state more than all states generally and were beyond the state's ability to control Depending upon the criteria established and decisions made in particular situations, use of this authority could mitigate uncontrollable costs in states affected more than others by federal program changes or the management of larger caseloads resulting from unfavorable state economic conditions; thus, such states could minimize or avoid the loss of federal reimbursement that might otherwise occur.

Summary of Views on the Four Proposals by Representatives of the National Governors' Association and the American Public Welfare Association

The National Governors' Association representatives' views were:

- Removing enhanced federal sharing could treat states inequitably, particularly for improving automated information systems, because some states have made less progress than others due to insufficient state funding.
- Block grants may not eliminate cost allocation because varying state administrative structures—such as umbrella agencies that administer several nonwelfare and welfare programs—may still require separation of program administrative costs.
- Some relief from uncontrollable cost increases that could lead to funding reductions could be available under the administration's 1988 proposal provision authorizing a cognizant program secretary to adjust a state's cost for comparability, but that relief would depend on the definition in regulations of situations for which adjustments would be made.
- Enactment of welfare reform as well as federal welfare administrative reimbursement reductions could apply conflicting pressures on the states—the need to undertake new or different tasks while possibly sustaining funding losses or restrictions.

The American Public Welfare Association representatives' views were:

- In effect, these proposals are arbitrary approaches to controlling welfare administrative cost growth because they do not reflect any results of studying why there are differences in administrative costs within programs among the states.
- Comparing states' administrative costs on a per-recipient basis is not useful because it does not measure relative efficiency nor does it reflect state-to-state policy differences, such as program options selected, which affect administrative costs and benefits paid. A better comparison would be the administrative cost-to-benefits ratio.
- Direct management improvement assistance or financial incentives are appropriate means to achieve cost savings. These proposals give no such positive incentives, particularly by removing enhanced federal sharing that has been provided to encourage management improvements.
- The authority provided to the cognizant program secretary to adjust a state's cost for comparability, contained in the administration's 1988 proposal, could—depending upon the adjustment criteria adopted—help ease the unequal cost effects of federal program changes or caseload increases due to unfavorable economic shifts.
- Simplification and better coordination of these welfare programs is a better way to reduce administrative costs. This approach is not reflected in the four proposals.

GAO Reports Related to Cost Allocation and Other Administrative Cost Problems in the AFDC, Medicaid, and Food Stamp Programs

HHS Moves to Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed
(HRD-81-51, May 18, 1981)

Analysis of Four States' Administration of the AFDC Program: Management Improving but More Needs to Be Done
(HRD-82-20, Feb. 22, 1982)

Federal Oversight of State Medicaid Management Information Systems Could Be Further Improved
(GAO/HRD-82-99, July 30, 1982)

Agriculture's First-Year Implementation of the Federal Managers' Financial Integrity Act
(GAO/RCED-84-138, June 21, 1984)

Agriculture's Second-Year Implementation of the Federal Managers' Financial Integrity Act
(GAO/RCED-86-20, Oct. 24, 1985)

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