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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

CIVIL DIVISION

AUG 25 1971

Dear Mr. Hyde

During our review of the Model Cities Program at selected locations, we noted certain weaknesses in the practices of City Demonstration Agencies (CDAs) relative to the collection of payments from State agencies and private organizations (generally referred to as third-party payments) for services provided to residents of model neighborhoods.

We noted that, in many cases, residents of the model neighborhoods, who were provided medical care under the Model Cities Program, were also eligible beneficiaries of this type of care under State and federally-aided programs and under programs administered by private organizations. Our review showed that although CDAs, in some cases, were aware that payments should be made by State agencies and private organizations for care provided to model neighborhood residents, they did not take the necessary steps to collect such payments. On the other hand, we found that CDA officials in certain cities were not aware that State agencies and private organizations should reimburse the CDA or its operating agencies for services they provided to model neighborhood residents.

City Demonstration Agencies, under the Demonstration Cities and Metropolitan Development Act of 1966, are expected to make use of all available sources of financial assistance. In carrying out comprehensive demonstration programs, Federal, State, and local resources are, according to HUD, to be effectively coordinated by the CDAs in order to help improve the quality of life for the residents of the model neighborhoods.

Details of our review, which was performed at the central office of the Department of Housing and Urban Development (HUD) and at HUD regional offices in Boston, Massachusetts, and Fort Worth, Texas and at the Boston, Massachusetts, and San Antonio, Texas, CDA offices, follow.

NEED FOR ACTION BY HUD TO HELP ENSURE
THAT CDAs RECEIVE THIRD-PARTY PAYMENTS

In our review in Boston, Massachusetts, we noted that the CDA, in planning model cities projects, included a comprehensive health care program under which medical care and services were to be provided to model neighborhood residents at three health care facilities. These facilities, commonly referred to as family life centers, were located in the model neighborhood.

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The CDA indicated, in the HUD-approved budget, that during its second year of program operations, it would receive from State agencies and private organizations about \$200,000 in third-party payments for medical services that were to be provided at the three health care centers to model neighborhood residents who were also eligible for services under other programs. CDA officials stated that the Federal/State supported Medicaid program was the primary source of these payments. These officials added that about 70 percent of the model neighborhood residents receiving health care under the Model Cities Program were also eligible to receive assistance under other programs.

Although in April 1970 the CDA estimated that it would receive about \$200,000 in reimbursement from State agencies and private organizations, primarily for medical services provided to beneficiaries of the Medicaid program, as of April 1, 1971, it had not collected any of these funds.

CDA officials advised us that under existing State laws the family life centers are not eligible to receive such payments unless they are (1) licensed as medical clinics by the State of Massachusetts, or (2) become outpatient clinics through an affiliation with an accredited hospital.

We discussed this matter with HUD regional office officials in Boston in April 1971, and these officials agreed with our position that third-party payments should be collected by the CDA. These officials then informed CDA representatives to take action to collect such funds. CDA officials stated that action to have the family life centers licensed as medical clinics or to have the clinics affiliated with accredited hospitals would be taken.

In May 1971 the CDA had one of the three centers affiliated with an accredited hospital--the Peter Bent Brigham Hospital. In July 1971 CDA officials advised us that they took action to begin collecting funds from State agencies for medical services provided to the model neighborhood residents at this center. As of July 30, 1971, we noted that health care was also being provided to model neighborhood residents at one of the two remaining health care centers but the CDA was not collecting payments from State agencies and private organizations for such care because the center was not licensed as a clinic or affiliated with an accredited hospital. We were advised by CDA officials that the remaining family life center was not yet providing medical services which were eligible for reimbursement.

In another model city--San Antonio, Texas--we found that the CDA initiated two health care projects for residents of the model neighborhood. Under these projects, services are provided for the treatment and rehabilitation of narcotic addicts. We discussed the types of services being provided under these projects with officials of the Texas Department of Public

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Welfare and were advised that costs incurred by the CDA in providing certain services may, in their opinion, be eligible for reimbursement under the Federal/State financed Medicaid program. In discussing these projects with the CDA director and other CDA officials, we were advised that they were not aware that funds could be collected from responsible State agencies for services provided to the model neighborhood residents.

We discussed the subject of third-party payments with HUD central office officials who informed us that a number of CDAs have not received third-party payments under various health care projects which were established under the Model Cities Program. HUD officials stated that many CDAs were not aware that the costs of providing medical services to model neighborhood residents should be paid for by agencies administering other programs, such as the Medicaid program.

These officials said that certain CDAs, which were aware of these funding sources, did not attempt to collect such funds because of the administrative burden involved in collecting such funds and because HUD supplemental funds could more readily be obtained to finance the model cities projects. These officials added, however, that HUD regional office personnel often identify funding sources for the CDAs which are of some assistance in carrying out the model cities projects.

In a HUD internal audit report, issued in December 1970 on a review of the Eagle Pass, Texas, Model Cities Program, it was pointed out that the CDA did not utilize available Federal, State, and local resources in carrying out its program. The HUD report stated that under a mini-bus project which was financed, in part, by model cities supplemental funds, transportation to obtain medical aid was provided to elderly residents of the model neighborhood. Representatives of the Department of Health, Education and Welfare stated that financial assistance under the Medicaid program is available for transportation services to obtain medical aid.

In concluding its discussion of this matter, the HUD Office of Audit recommended that the HUD Regional Administrator require that the CDA make use of all available Federal, State, and local resources in carrying out its Model Cities Program so that supplemental funds would be used as an addition to and not as a substitute for financial assistance from other available sources.

CONCLUSIONS AND RECOMMENDATIONS

We believe that full utilization of all available resources--Federal, State, and local--is a basic requirement of the model cities concept pursuant to achieving an effective, coordinated city demonstration program.

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The results of our review efforts relative to one aspect of such coordination--the receipt of third-party payments--clearly show, in our view, that certain corrective measures by HUD are warranted to help ensure that CDAs (1) are aware of this source of financial assistance and (2) adopt measures to ensure that such funds are collected from State agencies and private organizations, as is appropriate, for services provided to model neighborhood residents who are also eligible beneficiaries of such assistance under other programs, such as the Federal/State financed Medicaid program.

Accordingly, we recommend that you give consideration to examining into this matter for the purpose of ascertaining the extent to which this weakness exists throughout the Model Cities Program, and based upon the results of your examination, we recommend also that you take the necessary corrective action to help ensure that

--CDAs do not overlook, in the execution of their model cities projects, third-party payments which may represent a significant source of financial assistance; and

--CDAs, with appropriate follow-up action by HUD, actively pursue such sources of financial assistance.

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We appreciate the cooperation given to our representatives during this review and we shall be pleased to discuss with you or members of your staff the matters discussed in this report. A copy of this report is being forwarded to the Assistant Secretary for Administration.

Please advise us of any actions you take or plan to initiate with regard to the matters presented above.

Sincerely yours,

B. E. Birkle

B. E. Birkle
Assistant Director

Honorable Floyd H. Hyde
Assistant Secretary for
Community Development
Department of Housing and
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