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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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HUMAN RESOURCES DIVISION

April 10, 1981

B-202799

The Honorable Cardiss Collins
Chairwoman, Subcommittee on
Manpower and Housing
Committee on Government Operations
House of Representatives

Dear Madam Chairwoman:

Subject: Analysis of GAO Reports To Determine Federal Approaches Most Conducive to State Consistency in Delivering Services and Monitoring The Results (HRD-81-76)

This is in response to your March 25, 1981, request that we examine recent GAO reports which discuss State administration and monitoring of selected federally funded programs to determine Federal approaches most conducive to State consistency in delivering services and monitoring the results. In reporting our findings, we were asked to emphasize cases where programs have been consistently administered and monitored by the States.

We examined 12 GAO reports concerning Title XX, Vocational Rehabilitation, Developmental Disabilities, Foster Care, Aid to Families with Dependent Children, and Medicaid. The information in these reports did not show any examples of what we believe could be classified as consistent administration and monitoring among the States. It did show, however, significant differences in State administration and monitoring and, in many instances, poor State administration and monitoring.

Enclosed are brief summaries of the information extracted from each of the 12 GAO reports. The enclosure also shows the title, report number, and date of each report.

The information we are providing has limitations. First, State administration and monitoring was often not the primary focus of the report from which we extracted the information; thus, our findings cannot be considered as representative of State management of the various programs and can be used only in the context spelled out in the individual reports. Second, substantial time and effort would be required to update our findings to determine

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whether the problems and differences still exist at the State or local level. Third, while our findings indicate inconsistent administration and management among the States, it must be recognized that these variances, in some cases, are the result of the laws establishing the programs. These laws allow each State to implement the program according to its individual needs.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time we will make copies available to others upon request.

Sincerely yours,

Edward A Densmore

for Gregory J. Ahart
Director

Enclosure

PROGRAMS TO CONTROL PRESCRIPTION DRUG COSTS UNDER MEDICAID AND MEDICARE COULD BE STRENGTHENED
(HRD-81-36, December 31, 1980)

In August 1976 the Department of Health and Human Services put into effect two programs to control the costs of prescription drugs under Medicare and Medicaid. One program was designed to take advantage of competition in the drug market by establishing price limits for drugs available from more than one source. This, in turn, involved substituting a lower cost generic drug with the same therapeutic effect for a brand-name drug.

In our review covering Medicaid prescription drug payments in five States, we found considerable variation in the extent to which States were making efforts to control their Medicaid drug costs. For example.

--One of the five States reviewed reduced its payment to pharmacies by up to 6 percent depending on the pharmacy's Medicaid volume. Overall, this reduced allowable drug costs by about 4 percent.

--One State based its payments for drugs supplied by 11 major manufacturers on the direct purchase price from the manufacturer rather than the wholesale price. Direct purchase prices are normally substantially lower than wholesale prices. Another State based its payments on the direct purchase price unless the pharmacy indicated it obtained the drug from a wholesaler.

--Three States had their own programs to limit payments to the cost of the lowest priced, generally available generic version of a particular drug. Generic versions of a drug are normally far less costly than brand-name versions. One State was particularly aggressive with this program and established such limits on 87 drugs. We analyzed 13 of these drugs and found annual savings of about $629,000.

--Two States based payments on large package sizes, which are normally cheaper per unit than smaller sizes. One of them saved $611,000 in 1 year from this program and estimated additional savings of $886,000 when it expanded the program.

GUYANA TRAGEDY POINTS TO A NEED FOR BETTER CARE AND PROTECTION OF GUARDIANSHIP CHILDREN
(HRD-81-7, December 30, 1980)

This report discusses the circumstances of the placement of foster and guardianship children with the Peoples Temple members who died in Jonestown, Guyana, and excessive Federal payments

made to California for the care of guardianship children. Guardianship children do not meet the Federal eligibility criteria for foster care maintenance payments if their care and placement are not the responsibility of the State agency designated to carry out the federally funded foster care program.

Federal overpayments occurred in each of three California counties we reviewed because the counties obtained Federal reimbursement for guardianship children whose care and placement were not the responsibility of the State Department of Social Services. These overpayments totaled $302,000 for 104 children.

Two counties have taken action to terminate guardianship children from Federal reimbursement, and one of these counties has initiated action to reimburse the Federal Government for the overpayment.

Because of the problems noted in the three counties, GAO believes that Federal overpayments for guardianship children could be occurring in other California counties and other States.

FEDERAL AND STATE ACTIONS NEEDED TO OVERCOME PROBLEMS IN ADMINISTERING THE TITLE XX PROGRAM
(HRD-81-9, October 29, 1980)

Title XX social services are provided directly by public social services agencies or purchased from other public agencies and private profit or nonprofit organizations.

This review showed that most contracts awarded to purchase title XX services in four of the five States GAO visited were stated in such general terms that the States did not know what contractors were committed to deliver or whether the contractors met their commitments. States reimbursed contractors for the costs billed, up to the contract price, regardless of the units of services delivered.

The States must fund about 25 percent of their title XX program costs and may use certified expenditures (a State public agency may certify that funds were expended for a title XX program) for matching purposes. In one of the five States visited, most certified expenditures used for matching purposes were questionable project costs. The expenses used as certified expenditures were only incidentally related to the contractor's program on which they were used for matching purposes and would have been incurred by the public agency regardless of whether title XX contracts had been awarded.

HOW FEDERAL DEVELOPMENTAL DISABILITIES PROGRAMS ARE WORKING
(HRD-80-43, February 20, 1980)

State developmental disability Councils establish goals and objectives, identify service gaps, and set priorities for allocation of State Formula Grant Program funds. To ensure that their plans are carried out and program funds are properly spent and accounted for, the law requires Councils to establish methods for monitoring and evaluating the program, including reviews of its own activities.

A review by a consultant of the 1978 State Plans concluded that most Councils had not developed monitoring and evaluation capabilities and strategies. The State Plans for the four States included in our review contained much rhetoric on proposed evaluation and monitoring activities. But our discussions with program officials indicated that Councils spend most of their time developing plans and strategies, with little time devoted to supervising, monitoring, and evaluating program implementation.

Regarding the overall administration and accounting of program funds, we concluded that one could only speculate how the four States have used their allocations because their financial reports are inaccurate, incomplete, and inconsistent.

AFDC OVERPAYMENTS CAUSED BY DELAYS IN STOPPING PAYMENTS TO INELIGIBLE RECIPIENTS
(HRD-78-87, March 22, 1978)

STATE ADVANCE PAYMENTS TO AFDC RECIPIENTS ARE INCONSISTENT WITH FEDERAL REGULATIONS
(HRD-80-50, February 7, 1980)

The Aid to Families with Dependent Children (AFDC) program is operated by the States, either by direct administration through State employees or by supervising the counties or other local governments who administer it. In either case, the States have mechanisms to monitor fiscal accountability, not only through their administrative procedures but also through their legislative appropriation and review processes. On the average, the States pay nearly half the cost of benefit payments and at least half the administrative costs (some States require county financial participation in the non-Federal share of benefit payments).

In addition, each State establishes statewide eligibility and payment standards; each State operates a quality control process to determine the accuracy of payments to recipients; and in some cases, benefit checks are issued by the State even when recipient eligibility is determined at the local government level. Also,

there are no nongovernmental entities involved in administering the AFDC program.

Our reviews of this program have been made primarily at the State level and have shown inefficient and ineffective practices as well as poor compliance with Federal requirements.

For example, we reported to the Secretary of HEW, now HHS, that two States were making erroneous payments to individuals who were no longer eligible for AFDC benefits. One State mispent $5 million in 1 year and the other about $9 million annually because payments were not stopped in a timely manner.

In another review of two States, we found that both States were making advance payments to AFDC recipients--a practice we concluded to be inconsistent with Federal regulations.

One State provided AFDC recipients with a portion of their assistance payment in advance payments four times a year. These payments amounted to $33.6 million in 1978. Federal participation should be claimed only for that portion of a quarterly advance payment which applies to those months in the quarter the recipient was eligible, rather than the entire quarter. However, this State claimed Federal participation for the total amount of the advance payments. We estimated that such overpayments represented $1.4 million of the $33.6 million. Furthermore, this State does not require recipients to repay an advance payment, or a proportionate amount, if they become ineligible at any time during the quarter. Therefore, the $1.4 million may not be recouped.

The second State authorizes advance payments in addition to the regular monthly grants, and they are, in effect, interest free loans which must be paid from future monthly grants. The State does not limit the size, number, or total amount of advances a recipient can obtain and have outstanding and did not know the statewide total of these advance payments. Officials of a city within this State estimated the advance payments received by the city's AFDC recipients during 1978 to be about $6 million. Neither the city nor the State officials could tell us how much of the advance payments had been repaid.

SIMPLIFYING THE MEDICARE/MEDICAID BUY-IN PROGRAM WOULD REDUCE IMPROPER STATE CLAIMS OF FEDERAL FUNDS
(HRD-79-96, October 2, 1979)

In a review of 10 States' administration of Medicaid's program to obtain Medicare coverage for individuals eligible for both programs, we found that some States

--overclaimed Federal sharing for Medicare insurance premiums paid with Medicaid funds,

--overclaimed for ineligible medical costs, and

--underclaimed for costs eligible for Federal sharing.

Although much of the reason for these erroneous claimings of Federal sharing resulted from the complexity of the Federal Medicaid law relating to Federal sharing in Medicaid costs related to dual eligibles, the lack of sophistication of State administrative systems for claiming Federal reimbursement contributed to the problem.

A SINGLE FEDERAL AUTHORITY IS NEEDED FOR ESTABLISHING OR CONSTITUTING REHABILITATION FACILITIES
(HRD-79-84, August 23, 1979)

Federal funding authorized by the Rehabilitation Act of 1974 has been provided to States for establishing or constructing rehabilitation facilities to prepare handicapped individuals for employment. Among other things, we evaluated the States' administration of their establishment and construction activities.

None of the four States in our review had adequate administrative and fiscal controls. As a result, (1) expenditures for establishment and construction were not adequately reported by State rehabilitation agencies, (2) improper or questionable grant expenditures were made, and (3) adequate records were not maintained by State agencies and rehabilitation facilities to document the expenditures of program funds.

In addition, because the four States had not developed effective administrative procedures for monitoring project activities, State rehabilitation agency staff were not in a position to routinely identify and correct the questionable activities and numerous irregularities found during our work.

REHABILITATING BLIND AND DISABLED SUPPLEMENTAL SECURITY INCOME RECIPIENTS: FEDERAL ROLE NEEDS ASSESSING
(HRD-79-5, June 6, 1979)

HEW, in implementing the Social Security Amendments of 1972 which established the Supplemental Security Income program, determined that the Supplemental Security Income Vocational Rehabilitation program should be operated in a manner that would bring about a reduction in Social Security Income benefit payments that exceeds the amount of Federal funds spent for rehabilitation services.

A GAO analysis of 14 State rehabilitation agencies showed that, for 13 of the agencies, the reduction in benefit payments attributable to program services for the first 2-1/2 years was

considerably less than the Federal funds spent on program operations. Our analysis revealed significant differences between the more successful and the least effective State agencies. We concluded that the program administration and services provided to clients by State rehabilitation agencies could be greatly improved.

STATE PROGRAMS FOR DELIVERING TITLE XX SOCIAL SERVICES TO SUPPLEMENTAL SECURITY INCOME BENEFICIARIES CAN BE IMPROVED
(HRD-79-59, April 11, 1978)

This report describes how States were using programs funded under title XX of the Social Security Act to provide social services to Supplemental Security Income beneficiaries.

In the seven States visited, between 3 and 33 percent of elderly Supplemental Security Income beneficiaries received some social services during fiscal year 1978 under the title XX program.

The seven States spent from 3.0 to 13.4 percent of their title XX funds for elderly Supplemental Security Income recipients. Nationwide, States spent 5.1 percent on elderly Supplemental Security Income recipients.

One State earmarked over 16 percent of its title XX funds for the elderly Supplemental Security Income recipients, three States earmarked 4.4 percent or less, and the other three States did not earmark any title XX funds for the elderly Supplemental Security Income recipients.

CONTROLS OVER VOCATIONAL REHABILITATION TRAINING SERVICES NEED IMPROVEMENT
(HRD-76-167, May 5, 1977)

Vocational training is one of the essential services provided to handicapped individuals. The training may be provided through elementary and secondary schools, universities and colleges, business and vocational schools, rehabilitation facilities and sheltered workshops, and on-the-job training.

Our examination of training services provided by five State rehabilitation agencies showed that improvements were needed concerning the fiscal management and monitoring of training services. The lack of adequate control over funds resulted in (1) questionable program expenditures for training services, (2) instances where handicapped persons did not fully benefit from training, and (3) instances which appeared to be "rip-offs" such as the purchase of tools and equipment at inflated prices or the purchase of materials not intended for use by handicapped clients. We noted that three of the five States did not have internal review sections,

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and the two with internal review sections needed to expand the scope of operations.

FOSTER CARE INSTITUTIONS WERE NOT ALWAYS LICENSED OR IN GOOD PHYSICAL CONDITION (HRD-77-40, February 22, 1977)

Under the Social Security Act, Federal funding is available for children placed in a foster care institution only if it is licensed or approved by the appropriate agency in the State where it is located.

Almost half of the 18 institutions we visited in five States were either unlicensed or had serious physical deficiencies. Many deficiencies at foster care institutions remained uncorrected because State licensing agencies did not always inspect facilities or enforce standards. The agencies generally took corrective action after we brought the deficiencies to their attention. The corrective actions taken by agencies or institutions included removing children from institutions and making necessary repairs.

The conditions we observed showed that licensing and placing agencies' activities did not assure that institutions maintained their facilities at acceptable levels. Both Federal and State regulations require placing agencies to use only licensed institutions. Although 3 of the 18 institutions we visited were unlicensed, placing agencies continued to use them.

In addition, Federal law and regulations require placing agencies to provide certain services to foster care children as a condition for receiving Federal funds. The placing agencies, such as welfare departments, must also comply with their State's plan of service which details to the Department of Health and Human Services how the State will manage the program in accordance with Federal laws and regulations. The services which are required by Federal law and regulations include

--developing a case plan so that the child is placed in a foster family home or institution in accordance with his needs,

--semiannually reviewing the child's needs and appropriateness of care and services provided, and

--providing services to improve conditions in the home from which the child was removed or to place the child in the home of another relative.

State and local agencies did not always provide required services to foster care children and their families. The services are directed to identifying and meeting the needs of the child and

enabling the child to return to his or her natural home or the home of a relative. The lack or inadequacy of placing agency services may result in the child receiving inappropriate care or remaining longer than necessary in foster care.