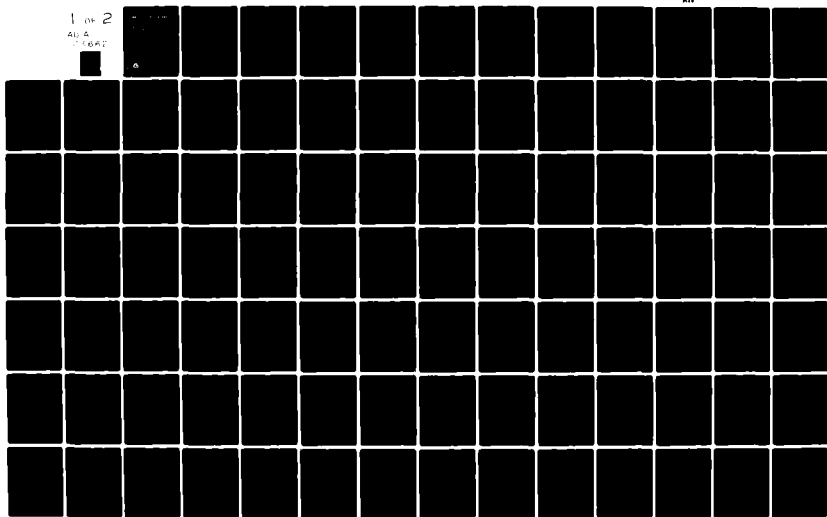


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BY THE COMPTROLLER GENERAL

# Report To The Congress OF THE UNITED STATES

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## Perspective On Income Security And Social Services And An Agenda For Analysis

Income Security and Social Services comprise the single largest category of Federal expenditures. Outlays for fiscal 1981 are estimated to be \$300 billion--about 49 percent of the Federal budget. The effect of several factors, including demographic trends and built-in cost-of-living escalators, will cause the cost of these programs to continue to rise. For this reason, many have concluded that Federal policy in this area represents a central, first-order challenge to the future economic stability of America and the continued viability of the U.S. social system.

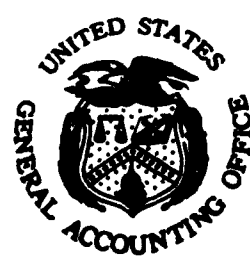
This report provides a perspective on many of the major issues, identifies present concerns, forecasts future developments, and briefly discusses GAO's approach to addressing these issues.

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

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To The President of the Senate and the  
Speaker of the House of Representatives

This Nation will pay out about \$300 billion in fiscal year 1981 under an extensive group of income security and social services programs. Most of these programs are aimed at providing some economic security for workers and dependents when their income becomes reduced by unemployment, old age, disability, or death. There are also many income support programs for unemployable and low-income persons and many social services to help those in need become or remain self-supporting and self-sufficient.

While many of the basic program structures date back to the 1930s, they have been continually modified and expanded, and new programs have been added. Sometimes the new programs benefit specific groups, such as disabled coal miners, while others provide generic needs, such as food, health, and energy. In general, in developing the programs an incremental approach has been followed in terms of groups covered, benefit amounts, and eligibility conditions. No coherent rationale binds them together as a system. Additionally, the programs are extraordinarily complex, and the eligibility conditions and entitlement provisions lack uniformity even among programs with similar objectives and structures. For example, a number of the needs-based programs reach the same part of the population but have been developed separately without apparent consistent objectives, operating features, and principles of equity. This proliferation of programs leads to administrative complexity, client confusion, and results not intended by the Congress.

In summary, these problems foreshadow a major impending challenge. The effect of several factors, including demographic trends and built in cost-of-living escalators, will cause the cost of these programs to continue to rise in relation to total Government outlays--in some cases dramatically--unless major policy changes are legislated.

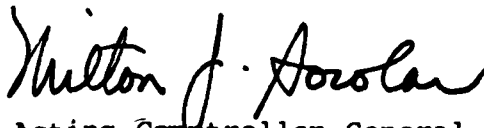
These projected increases will pose a substantial drain on the Nation's resources, threatening to seriously curtail its ability to adequately address many other pressing problems. For this reason many prominent Government and private analysts have concluded that income security and social services policy represents a central, first-order challenge to the future stability of the American economic and social system.

The outlook for an era of austere public sector budgets should provide the impetus for the often called for, but seldom acted on, improvements in the income security and social services programs. While fiscal restraint is clearly needed, the Nation must chart a course between the need for restraint and the needs of those who depend, especially in hard times, upon the constancy of Government policy--the poor, the aged, the sick, the handicapped, and the young.

This report provides a perspective on some of the major income security and social services issues, offers a forecast of future developments, and briefly discusses our recent reports, ongoing work, and future strategy for addressing some of the key issues.

In its initial form, this report was prepared as a guide for our own efforts in the income security and social services area. We believe that this report will aid the Congress in evaluating income security and social services programs and policies and in setting priorities for addressing major current problems and future concerns.

Copies of this report are being sent to the Director, Office of Management and Budget; the heads of the income security and social services agencies; and all cognizant congressional committees.



Acting Comptroller General  
of the United States

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ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
ALJ	Administrative Law Judge
AOA	Administration on Aging
CAA	Community Action Agency
CDI	Continuing Disability Investigation
CSA	Community Services Administration
CSE	Child Support Enforcement Program
DOL	Department of Labor
EA	Emergency Assistance
FECA	Federal Employee Compensation Act
GAO	General Accounting Office
HEAP	Home Energy Assistance Program
HHS	Department of Health and Human Services
LSC	Legal Services Corporation
OAVP	Older American Volunteer Program
OHA	Office of Hearings and Appeals
OHDS	Office of Human Development Services
RRB	Railroad Retirement Board
RSDI	Retirement, Survivors, and Disability Insurance
RSI	Retirement and Survivors Insurance
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
UETHDA	Upper East Tennessee Human Development Agency
VA	Veterans Administration
WIN	Work Incentive

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CHAPTER 1  
OVERVIEW OF THE  
INCOME SECURITY AND SOCIAL SERVICES  
ISSUE AREA

The American System of Income Security and Social Services is comprised of over 115 programs with estimated fiscal year 1981 outlays of \$300 billion, or 49 percent of the total Federal budget. About 38 of these programs and \$225 billion of these moneys are totally or predominately related to the issue area, while the remainder have aspects closely related to other issue areas. Furthermore, billions of State and local matching dollars will be spent and the fiscal impact of tax expenditures related to income security benefits will exceed \$35 billion in fiscal year 1981.

The scope of this system of programs has become truly massive, reaching out to touch some aspect of every American's life at some point. Retirement, disability, survivors, welfare, and unemployment payments; housing, disaster relief, tax credit, and legal assistance; food stamps and other supplements, family planning, and child care services--these are but a few of the types of programs that have been added, in an incremental fashion, to the overall system over the past four decades.

ISSUE AREA OBJECTIVES,  
DEFINITION, AND SCOPE

The basic objective of U.S. policy in the Income Security and Social Services area has been to provide income and services to those who are unemployed or cannot work, as well as to help low-income Americans and their families meet basic economic and related social needs and sustain an acceptable standard of living.

The Federally Sponsored or Assisted Income Security and Social Services area encompasses two closely related policy areas. The Income Security policy area includes programs aimed at providing some economic security for workers and dependents whose income from employment could be reduced by unemployment, old age, sickness, or death. Additionally, there are many programs to provide basic income support for persons who are unemployable, and supplements in the form of cash or in-kind benefits for persons with low incomes.

The Social Services policy area includes programs or activities designed to promote social welfare so that eligible persons (low income, children, families, older Americans, developmentally disabled, native Americans, migrants, aliens, and refugees) can become or remain economically self-supporting and self-sufficient.



## Income security

There are two broad categories of Federal income security programs: insurance-based programs (about 84 percent of the 1981 income security budget) and public assistance or "welfare" programs (about 16 percent). The insurance-based programs benefit persons and their families who have contributed or on whose behalf contributions have been made--usually through payroll deductions--to the programs' support, and benefits are paid without regard to the income or wealth of the family unit to which the recipient belongs.

The Old Age, Survivors, and Disability Insurance program, commonly referred to as Social Security, is the largest single program in the budget. Federal outlays for Social Security are estimated to rise from \$117 billion in 1980 to \$136.9 billion in 1981, about one-fifth of the Federal budget, and pay benefits to over 36 million persons. These benefits are indexed to the cost of living.

The public assistance programs are directed primarily at low-income persons whose eligibility is determined by amount of income, assets, and needs and not on any prior tax payments or contributions. These programs are financed from general revenues, generally are not indexed, provide benefits in several forms, and are administered at several different levels of government. Some provide assistance in cash, some in vouchers or near cash, and others strictly in-kind. Some programs are federally financed and administered, some are federally financed and State administered, some are jointly funded and State administered, and some are wholly financed and administered by States. Furthermore, in several States local governments share in both program financing and administration.

The following are the principal cash-assistance programs included in the income security policy issue area:

- Old Age, Survivors, and Disability Insurance, commonly referred to as Social Security.
- Railroad Retirement.
- Black Lung disability.
- Workmen's Compensation.
- Veterans Pensions.
- Supplemental Security Income (SSI).
- Aid to Families with Dependent Children (AFDC).

--Refugee Assistance.

--Home Energy Assistance.

However, one cannot fully comprehend the Federal Government's role in income security without considering other income assistance programs that transfer resources to individuals, such as Medicaid, unemployment insurance, food stamps and other feeding programs, low-income housing assistance, and Federal civilian and military retirement and disability, unemployment insurance, and basic educational opportunity grants. These programs are not discussed in this report because they are included in other GAO issue areas.

In fiscal year 1981, Federal outlays for income security are estimated to be \$220 billion--about 35 percent of total budget outlays. This represents an increase of \$30 billion over 1980. In the last 6 years, income security outlays, which consist almost entirely of benefit payments to individuals, will have grown by 160 percent. An additional \$77 billion for income security benefits supports other major missions, such as Medicaid and hospital insurance.

Growth in the costs of these programs generally results from an increase in program participation caused by demographic and economic changes, adjustments made in response to inflation to maintain program benefits and services in real terms, and the higher initial benefits received by new beneficiaries of the Social Security system as a result of their work history. Because most income security programs are entitlements, outlays for these programs cannot be substantially changed unless existing laws are changed.

#### Social services

Social services include a vast array of services designed to prevent, reduce, or eliminate dependency; prevent or remedy neglect, abuse, or exploitation; serve those needing care in the most appropriate settings; and otherwise assist families and individuals in need. Services that are directed toward these goals include child care services, protective services for children and adults, services for children and adults in foster care, day care, transportation services, legal services, training and related services, employment services, information and referral, counseling services, homemaker services, and home-delivered or congregate meals, health support services, and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts.

The following social services are included in the Social Services issue area:

- Services to older persons under the Older Americans Act.
- Services for the developmentally disabled through the Developmental Disability Act.
- Child development services through Head Start.
- Services to Native Americans through a variety of Federal programs.
- Child welfare (foster care) through title IV-B of the Social Security Act.
- Payments for foster care through title IV-A of the Social Security Act.
- Family planning, preparation or delivery of meals, transportation, counseling, child care, and services to meet the special needs of the low income, aged, handicapped, mentally retarded, alcoholics, and drug addicts through title XX of the Social Security Act.
- Social services programs of the Community Services Administration (CSA), which include the Senior Opportunities and Services program, Community Food and Nutrition program, Community Economic Development program, and the Energy Crisis Assistance and Energy Conservation Services programs.
- Refugee social services.
- ACTION's voluntary service programs.
- Legal assistance through the Legal Services Corporation (LSC).

While some of these programs are administered through State governments, others operate as direct project grants with little intervention from the Federal Government to local agencies and private organizations like United Way.

For most of these programs, Federal support is contingent on some State and local support which Federal funds match. These requirements vary from program to program. Some programs provide services to people who are eligible on the basis of income; others have no income eligibility requirements. For other programs, people qualify on the basis of age, but these requirements vary as well, even among programs specifically limited for one age group, such as older Americans.

Programs that support health, mental health, and employment and training services are not covered in this report because they are included by GAO in other issue areas. In addition, the above list of social services is not exhaustive. Social services programs and activities administered by the Departments of Agriculture, Justice, the Interior, and Commerce are also included in other GAO issue areas.

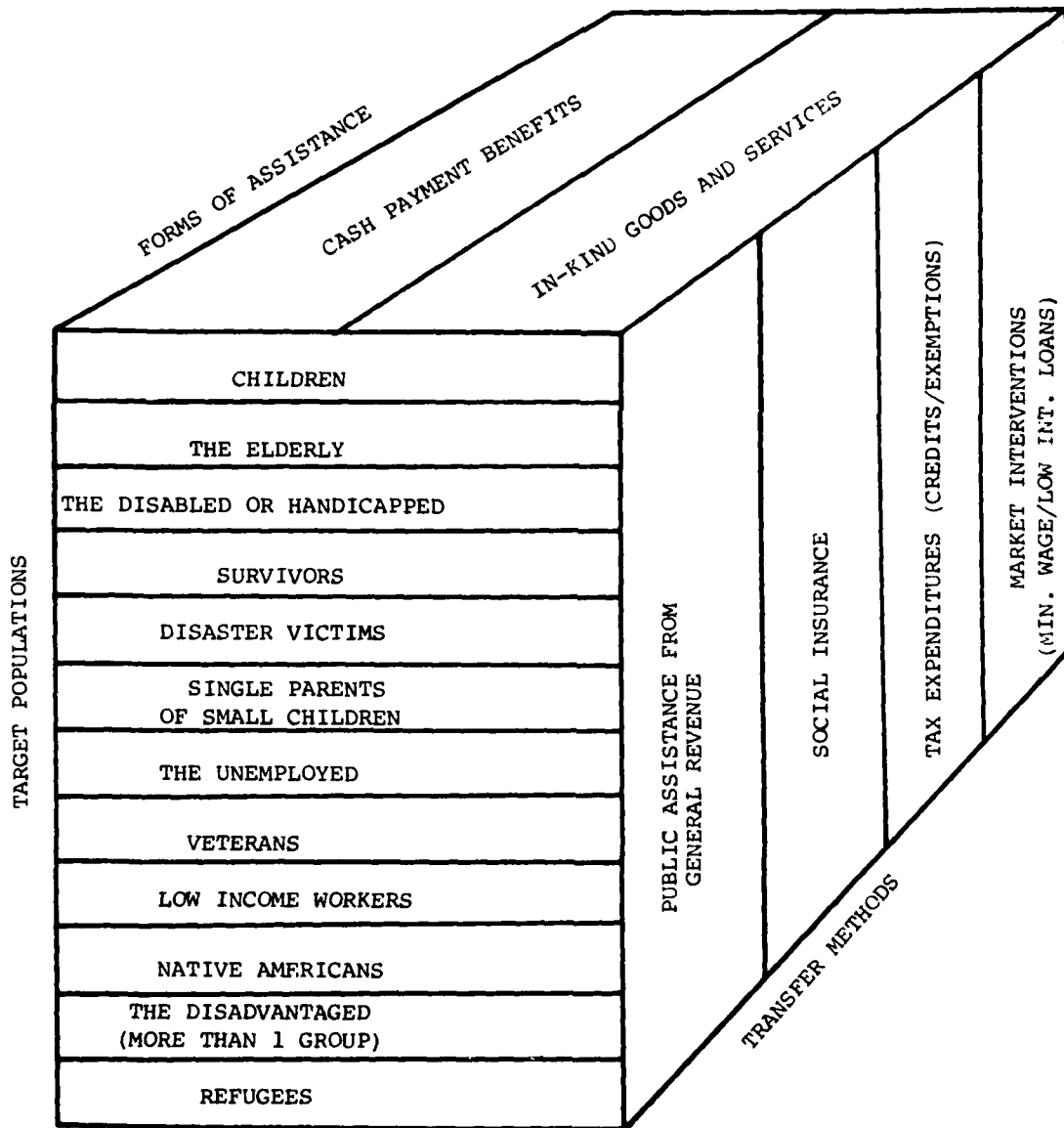
Federal outlays in fiscal year 1980 for social services activities were about \$7 billion.

STRUCTURE OF THE INCOME SECURITY  
AND SOCIAL SERVICES SYSTEM

Responsibility for administering the above functions in the Federal Government is fragmented. Because the system of programs which serves these purposes has grown incrementally over the last four decades, several agencies are involved in separate efforts, using a wide variety and often conflicting approaches, standards, and procedures with little or no coordination among them. For this reason it is difficult to provide a brief, comprehensive, meaningful, and yet easily understandable description of the structure and scope of the issue area.

To provide such a description, we have prepared an overview matrix of the key elements common to programs in the American Income Security and Social Services System:

MATRIX OF PROGRAM CHARACTERISTICS IN THE AMERICAN  
INCOME SECURITY AND SOCIAL SERVICES SYSTEM



As the matrix diagram shows, the American Income Security and Social Services System can be described in terms of a transfer system with three basic elements: (1) something transferred--i.e., different Forms of Assistance, (2) recipients of the transfer--i.e., different Target Populations, and (3) a source or way of paying for the items transferred--i.e., different Transfer Methods.

The categories of the Target Populations and Forms of Assistance are self-explanatory, but the various Transfer Mechanisms require some definition, as follows:

- Public Assistance. These programs are of a "welfare" nature in which persons receive benefits based on need and include such examples as AFDC, Food Stamps, SSI, Rent Supplements, and various social and legal services.
- Social Insurance. These are generally entitlement programs in which persons receive benefits based on contributions to trust funds and include such examples as Social Security, Railroad Retirement, and Unemployment Insurance. Veterans benefits are often looked at in this light, with prior service in the Nation's defense being viewed as a contribution earning entitlements.
- Market Intervention. These are programs in which the Government intervenes through regulatory, guarantee, or other provisions to help persons obtain benefits they may otherwise be unable to secure through the normal operations of the private sector marketplace and includes such examples as Low Income Home-Ownership Loans, minimum wage, public service employment, and the Work Incentive (WIN) program.
- Tax Expenditure. These are provisions by which the Government exempts, in whole or in part, public assistance or social insurance benefits from taxation or provides other "negative income tax" benefits to persons or families below a certain earnings level. Examples include the nontaxation of AFDC benefits and the Earned Income Tax Credit.

Appreciation of the differences between these elements, particularly the Transfer Methods, is a key to understanding the overall American Income Security and Social Services System. The variations in type within these categories are grounded in fundamental differences of underlying philosophies, principles, and purposes and result in different program characteristics, activities, associated management problems, and interrelationships with the economy. Although collectively they all relate to income security and social services, the policy and administrative issues presented in insurance programs--such as disability, unemployment, or retirement--are quite different from those in public assistance efforts--such as food stamps or AFDC--or from those found in Tax

Expenditure provisions or Market Intervention efforts--such as public service employment, minimum wage, or low-interest loans. While it is important to address these activities of Government as an aggregate structure or system, the increased blurring of distinctions between its components through "patchwork" additions over the past few years is a major concern to many analysts, Members of Congress, and the public.

Users of this report are thus encouraged to refer as necessary to the matrix chart. All Federal programs that, as one of their aspects, perform an Income Security or Social Services function can be identified in terms of one or more cells in the matrix.

#### GAO'S OVERALL OBJECTIVES AND APPROACH

The basic theme emerging from the Congress and the administration is that every possible effort must be made to better use lesser amounts of Federal spending. Our approach for undertaking studies is in keeping with these developments. We plan to emphasize assignments which would identify ways to improve the economy, efficiency, and effectiveness in the use of a reduced level of Federal expenditures. In the interest of reducing program costs, we are directing a substantial portion of our effort toward assessing alternative policy options to cut, consolidate, or otherwise reduce program benefits or to increase program revenues. We will also take a more critical look at the operational efficiency of the many income security and social service agencies.

Because of the immense and increasing expenditure base represented by the income security and social services programs, there are few areas where GAO has a greater opportunity to make a more critical contribution over the next few years.

#### ISSUES INCLUDED IN THIS STUDY

We identified the following areas meriting attention over the next several years:

##### Retirement Issues (Chapter 3)

- How Can Revenues for Financing Retirement and Survivor Benefits Be Increased?
- Are There Retirement and Survivor Benefits Which Should Be Eliminated or Reduced?
- Does the Benefit Payment Process for Retirees and Survivors Insure Proper, Accurate, and Timely Payments?
- Does the Social Security Retirement Program Provide Fair Treatment and Adequate Protection for Retirees and Their Dependents And Survivors?

Disability Issues (Chapter 4)

- Are Disability Programs Designed to Optimize Program Equity and Operational Efficiency?
- Is the Disability Determination System Adequate?
- How Effective Is the Management of the Postentitlement Process?
- Is There an Effective System in Place to Get the Disabled Back to Work and Assure the Continuing Eligibility of Others?

Welfare Issues (Chapter 5)

- How Can Needs-Based Cash Assistance Programs Be Administered More Efficiently and the Quality of Services Improved?
- Are Cash Assistance Benefits Too High or Low?
- How Should the Cost of Cash Assistance Be Financed and Controlled?
- Should Cash Assistance Programs Include Work Requirements and, If So, What Should Be Required?

Social Services Issues (Chapter 6)

- Are Federal Programs Effective in Accomplishing the Objectives of the Older Americans Act?
- What Can Be Done to Improve the Administration and Management of the Title XX Social Services Program?
- What Are Problems That Have Resulted from the Deinstitutionalization of Handicapped Individuals?
- How Can Federal Programs for Children and Families Be More Efficient and Effective in Helping Overcome the Problems Confronting At Risk Children and Needy Families?
- How Efficient and Effective Are the Federal Refugee Programs in Resettling, Assimilating, and Achieving Economic Self-Sufficiency For Their Target Population?
- Do Federal and Community Efforts Provide Reasonable Assurance That Available Resources Are Safeguarded and Used to Meet the Needs of the Poor?



Systemwide Issues (Chapter 7)

- Can System Management Structures and Processes Be Better Coordinated?
- Are System Standards Sufficiently Consistent and Appropriate?
- What Lessons Might Be Learned from Other Industrial Democracies' Systems?

Agencywide Management Issues (Chapter 8)

- How Well Is the Social Security Administration (SSA) Organized, Staffed, and Equipped to Meet Present and Future Program Demands?

In developing these areas, we held symposia and discussions related to our future work with representatives of Government, industry, academia, State and local organizations, public interest groups, and program recipients. <sup>1/</sup> Such efforts gave us a broader perspective on income security and social services issues and played an important role in our development of this report.

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<sup>1/</sup>See appendix I for a list of participants in the GAO symposia on Income Security and Social Services.

## CHAPTER 2

### OUTLOOK OF INCOME SECURITY AND

#### SOCIAL SERVICES

##### PERSPECTIVE ON INCOME SECURITY AND SOCIAL SERVICES PROBLEMS AND OUTLOOK

The cost of the American Income Security and Social Services System has become truly staggering. Outlays have grown at a significantly faster rate than total Federal or State local budgets for the past several years. To a certain extent, devoting a greater share of Government resources to income security and social services programs has reflected conscious priority-setting by policymakers and society at large. However, projections of future growth in program liabilities have raised questions about the viability of several current program structures and their financing mechanisms. Further, there is growing concern about the adverse economic effect that these programs, and the tax burden required to support them, are having on State and local fiscal crisis, inflation, productivity, and the general well-being of the economy.

The programs that make up the Income Security and Social Services System continue to be plagued by charges of serious management deficiencies, including inaccuracies, delay, and confusion in eligibility determination and payment system processes, as well as improper program resource allocation and utilization. The result is that in many cases the administrative cost of delivering a given dollar of benefits, although still relatively low, has grown over the past few years. A primary cause is the extreme procedural complexity involved in these programs and the number of Federal and State agencies involved, requiring several layers and variations of administration. A related factor is the lack of coordination among programs and their frequent apparent duplication of effort.

Despite the manifold increases in program outlays, concern exists as to whether the American System of Income Security and Social Services is adequately achieving its several purposes. There are still substantial numbers of Americans with incomes below the official poverty line. Further, according to recent analysis, a considerable proportion of benefit payments under income security programs go to persons with pretax, prebenefit incomes above the poverty line. Finally, it is unclear whether income security programs designed to provide temporary assistance are really helping persons in their efforts to reenter the productive mainstream or whether they are instead creating new, unintended forms of dependency.

Because the American Income Security and Social Services System developed incrementally over time in response to changing economic conditions and societal values, many programs which are similar in purpose maintain separate eligibility criteria, benefit structures, and administrative procedures. As a consequence, the current system is under frequent attack for treating persons in similar circumstances or with similar characteristics quite differently from program to program or from State to State. A second aspect of this general problem is that eligibility and benefit levels have generally become more liberal, causing a substantial amount of concern to be voiced by the public and in the Congress that recipients often enjoy special advantages over nonrecipients, the lower and lower middle income taxpayers providing their support.

The need to curb inflation and the move to achieve a balanced budget are two other problems that will receive considerable national attention over the next 18 months, especially since many economists interpret the current inflation as a factor built into our economy. In times when an energy-driven inflationary spiral erodes the buying power of a dollar and threatens the quality of our lives, the necessity for fiscal responsibility is clear. Federal income security and social agencies must, therefore, chart a reasonable course between the need for restraint and the needs of those who depend, especially in hard times, upon the constancy of Government policy--the poor, the aged, the sick, the handicapped, and the young.

Complicating the Federal effort to achieve fiscal constraint is the fact that most income security programs are entitlements and are essentially uncontrollable. Growth in the costs of these programs generally results from increases in the number of beneficiaries and from automatic cost-of-living increases, not from discretionary increases. Thus, achieving appreciable economies is difficult. Given the large and growing share of the Federal budget accounted for by indexed programs, it will be difficult to reduce substantially the growth in Federal spending without some check on programs which are indexed for cost-of-living increases. Such automatic inflation-related adjustments have caused Federal spending to increase about \$14 billion between fiscal years 1979 and 1980. It has been estimated that each additional percentage point of inflation adds another \$1.5 to \$2.5 billion in expenditures for programs that are indexed.

Further drains on the Federal budget, particularly in the income security area, are caused by new programs added to provide some measure of economic security to protect the poor against rising energy costs and to provide the increased flow of refugees arriving in this country a full range of cash assistance and social services to help them become self-sufficient and productive members of society.

In summary, these problems foreshadow a major impending challenge. Income Security and Social Services programs comprise the single largest category of Federal expenditures--as much as the next two largest, National Defense and Health, combined. However, the effect of several factors will cause the relative cost of these programs to continue to rise in relation to total Government outlays--in some cases dramatically--unless major policy changes are legislated.

These projected increases will pose a substantial drain on the Nation's resources, threatening to seriously curtail its ability to adequately address many other pressing problems. For this reason many prominent Government and private analysts have concluded that Income Security and Social Services policy represents a central, first-order challenge to the future stability of the American economic and social system. This view is supported by public opinion surveys which have linked rising public dissatisfaction with growing State and local tax burdens to the parallel increases in matching fund outlays for these programs. Much of this dissatisfaction, in turn, is directed at perceived mismanagement, lack of effectiveness, and unfairness within the system.

A central underlying theme runs through all of these problems in the issue area and is increasingly becoming the focus for much analysis and debate. Responsibility for administering the Income Security and Social Services system is fragmented and uncoordinated; so much so that many experts have questioned whether the system can be effectively managed in its present configuration. A number of broad-scale welfare reform and social insurance financing reform measures have been put forward in recent years to rationalize the system. Notable examples include the Nixon administration's "Family Assistance Plan" and the Carter administration's "Better Jobs and Income" bill. These and other reform efforts have focused on Federal assumption of State and local costs, combining and standardizing programs of similar purposes or serving similar populations, "cashing out" various in-kind benefits, expanding and coordinating the role of public service or subsidized employment, and increasing reliance on the tax system as an administratively less costly mechanism for transferring benefit payments.

As yet, no comprehensive answers have been found. However, the impetus for major system reform continues to mount in both the Congress and the executive branch as the urgency to deal with problems accumulating in these cornerstone programs of national domestic policy reaches serious proportions. In view of this continuing concern, the subjects of welfare reform and basic overhaul of social insurance and services will remain at the forefront of public debate.

While the Nation continues to grapple with comprehensive system reform, the outlook for an era of austere public sector budgets should provide the impetus for the often called for, but seldom acted on, improvements in the income security and social services programs. Interest in reforming and restructuring programs to eliminate unnecessary benefits that are not closely related to need and to improve program management and administration is clearly increasing in the Congress. The basic theme emerging from the Congress is to better use less Federal spending.

#### PERSPECTIVE ON FUTURE TRENDS AND POLICY ISSUES

GAO's future work will be directed toward providing the Congress and executive agencies with information on how the Federal Government can best cope with the many problems and issues facing the Nation. Summarized below are the major trends that we believe will shape income security and social services programs and some of the major policy issues that the Congress and the executive branch will confront over the next several years.

#### Future trends

Future developments in income security and social services programs will be heavily influenced by several sets of trends. These trends, as we see them, are:

- Budgetary developments--the theme emerging from the Congress and the executive branch is that every effort must be made to better use less Federal funds.
- Federal-State relations--the flow of power, funds, and responsibilities is moving away from the Federal Government and toward the States.
- Demographics--demographic developments, including the accelerating growth in the number of older citizens and the declining ratio of active workers to retired citizens.
- Social values and expectations--the expectations on the part of many sectors of the population who view the role of government as an instrument for redistributing income and enhancing upward mobility and economic security.
- Policy convergence--the growing interest in the consolidation of separate programs which serve similar needs, and programmatic interfaces between welfare and public service or subsidized employment systems, such as "workfare."

--Conflict between personal data needs and the need for privacy--while the need to share much personal data between agencies dealing with the same person is important to efficient program administration, safeguards over the indiscriminate disclosure of that data will continue to be of concern.

#### Budgetary developments

Over the next several years, chances are the United States will experience high inflation and interest rates, sluggish productivity, and slow growth. Hence, the need to curb inflation and the move to achieve a balanced budget are issues that will continue to receive considerable national attention.

Advisers to the President believe the economy is dangerously out of balance. The public sector has been growing far in excess of what the private sector can afford and finance without ever-spiraling inflation. The President is committed to reducing the budget deficit and reining in Government spending. He believes the serious inflation facing the Nation today requires such Federal restraint. The President is determined to revise proposed fiscal year 1981 and 1982 budgets, aiming to trim deficits through reducing fraud, waste, and inefficiency in social programs and otherwise cut back on these programs. His declared goal of a 2-percent cut in the fiscal year 1981 budget translates into a \$12 billion spending reduction. Spending reductions could reach \$40 billion by fiscal year 1982.

Income security is the largest and one of the most steadily growing functions in the Federal budget. In 1981 income security will comprise over 35 percent of total budget outlays. The largest category of Federal spending is payments to individuals in connection with Social Security and other retirement and disability programs. Growth in the costs of these programs generally results from increases in the number of beneficiaries and from automatic cost-of-living increases, not from discretionary increases.

This broad category of Federal spending must be examined if the Federal budget is to be restrained. Curbing the growth in these programs, which consist principally of payments to individuals, will require some combination of less generous benefit amounts, less generous indexing, stricter eligibility rules so that fewer people qualify, cutting or phasing out whole programs, and tighter management. In this respect, the Reagan administration has proposed several Social Security reforms to eliminate certain windfall and special benefits that are no longer appropriate or can be provided more effectively under other existing programs. Other measures are under consideration to curb the long-run spending growth in these entitlement programs.

### Federal-State relations

The growing burden of State and local government matching fund outlays for Income Security and Social Services programs stimulated an increasing call for Federal takeover of financing and certain aspects of current program administration. Several pieces of legislation have been passed in recent years effecting a gradual transfer to the Federal Government of more and more authority in this area. At the same time there has been considerable concern expressed by State and local governments over the manner in which the Federal Government has used this authority, the nature and effect of its policies, and the limitations on their freedom to innovate according to their own needs and conditions.

The widespread recognition of the increasing welfare burden on State and local resources had pointed to the likelihood of increased federalization of welfare costs. A number of welfare proposals introduced in the 96th Congress had as one component increased Federal sharing in such costs. Other bills would have provided for billions in direct Federal fiscal relief. They also provided for increased Federal sharing in certain kinds of administrative costs to encourage the widespread use of certain strategies viewed as worth trying to reduce erroneous payments, to increase antifraud activities, and to improve management information for program administration purposes.

However, with the change in administrations, the trend is to reverse the flow of power, funds, and responsibilities away from the Federal Government and toward the States. In this respect, the President's proposals for consolidating dozens of categorical programs into block grants for social services and energy and emergency assistance is intended to enable States to plan and coordinate their own service program, establish their own priorities, and exercise control over the resources provided to their localities. Further developments should reflect the following themes which recognize the States as responsible and responsive partners in the Federal system:

--A belief that "big government" and large centralized bureaucracies remote from the people and the sources of problems are undesirable, and that the best government is that "closest to the people."

--A feeling that Washington alone cannot accurately diagnose or solve all or even most domestic problems, and that a loss of public faith in the Federal Government has occurred due to a gap between promise and performance.

- An assumption that the appropriate roles and functional assignments of different levels of government can be identified, and that they will be willing to assume their proper responsibilities.
- A view that the structure of the Federal executive branch needs to be overhauled and its bureaucracy scaled down and made more accountable.
- An awareness that the degree to which functions can be turned back to States and localities will be conditioned by their willingness and capacity to perform, and that Federal tax revenues should be used to strengthen the capabilities of State and local governments.

#### Demographic trends

A much more rapid rate of growth among minority and immigrant groups, which make up a growing share of public assistance recipients, together with the rising divorce rate, which causes an increase in the number of eligible households, will have long-range effects on both the Income Security and Social Service systems. However, by far the most significant fact is that the past four decades have seen an accelerating growth in the number of older citizens: a demographic change so large--and now so striking--that it challenges all systems for supporting the elderly. Four inevitable trends about the aging of America are as follows:

- Life expectancy has increased almost 10 years since 1940. In that year, the average life expectancy at birth was about 63.5 years--lower than Social Security's retirement age of 65. Today, life expectancy is 69 for men and 77 for women. Three-quarters of the infants born today will reach age 65; once there, they will live, on the average, for another 16 years, to age 81. As we contemplate the year 2050, HHS has calculated life expectancy will increase only another 3 years for men and 4 for women; however, biomedical advances have consistently rendered recent projections of life expectancy too low.
- The postwar "baby boom" will reappear, early in the 21st century, as a "senior boom." In 1940, roughly 7 percent of the total population was 65 or over; today, the proportion is 11 percent--24 million people. After the year 2010, the elderly percentage will not just increase, it will soar, as the children of the baby boom become elderly. By the year 2030, the estimate is that 18 percent of the population--56 million citizens--will be 65 or older. The composition of the older population is changing also. In 1940, only 30 percent of older citizens were 75 or older; by the year 2000, they will comprise nearly 45 percent of the elderly.



--Ironically, while people are living longer, they are retiring earlier. Thirty years ago, nearly half of all men 65 and over remained in the work force. Today, among people 65 and over, only 1 man in 5, and 1 woman in 12, are in the work force. Although mandatory retirement rules have been relaxed, there is no indication that this trend toward earlier retirement will cease.

--The ratio of active workers to retired citizens will change dramatically in the future: from six to one today to only three to one in the year 2030. This ratio is important because it suggests how many active workers are available to support programs for the elderly. We can estimate this ratio by comparing the number of citizens 65 and over to those between 20 and 64. This is somewhat crude, since some persons over 65 are not retired, and many people age 20 to 64 are not workers. But the historical changes in this ratio are extraordinary nonetheless: in 1940 there were 9 citizens age 20 to 64 for every citizen 65 or over; today there are 6 to 1; by 2030, the ratio will be 3 to 1.

The trend of social values  
and expectations toward income  
security and social services

The incremental growth of the Income Security and Social Services system over the last four decades, so that it touches upon more and more Americans' lives in increasingly diverse ways, reflects a general thrust toward Government as an instrument for redistributing income and enhancing upward mobility and economic security. This has been the generally chosen course of virtually every industrial democracy during this period.

In this connection it should be noted that, while many Income Security and Social Services programs are generally thought of as "welfare" programs, the role of Government with regard to enhancing economic security and providing related services has by no means been limited to the poor. In reality the general taxation benefits, regulatory, and market intervention systems of governmental activities have been designed to accomplish these objectives across the entire spectrum of income levels and occupations. Even with respect to the particular programs discussed in this report, the picture is mixed. In recent years about half of the benefits under these programs were directed to persons who were not classified as in poverty. Thus, the growing Income Security and Social Services system has a broad base of support in society, and the general social and political forces behind this trend of Government being the agent for fostering greater economic security and egalitarianism give no sign of abating. Government domestic policy will continue to reflect a requirement that a sizable portion of the increase in the Nation's aggregate growth be targeted for redistribution through enhanced Income Security and Social Services efforts.

A primary reinforcing influence in the current period is the role of increased expectations on the part of many sectors of the population, including, but not limited to, minorities and women; that the economic opportunities and circumstances of their life will and should improve, and that it is a primary responsibility of Government to help make this possible. At the very least Government is expected to assure--through Income Security and Social Services mechanisms--that current standards of living and quality of life are not reduced.

### Policy convergence

Increasingly, congressional, executive, and nongovernment analysts have focused on the vital, complex interrelationships between Income Security and Social Services policy and other major policy areas, incorporating this as a basic feature of their proposals for reforming the present Income Security and Social Services System. The major areas where these interrelationships are most crucial, and will continue to be, are: tax reform, full employment, national health insurance, low-income housing, removing financial barriers to full educational opportunities, market interventions to assure the vitality of selected industrial and labor sectors, efforts to reduce inflation-fueled cost-of-living indexed benefit levels, and policies to increase national productivity, which Income Security and Social Services policy has a major impact on.

One of the basic thrusts of policy convergence efforts has centered on "cashing out" in-kind benefit programs, such as food stamps, and integrating these programs with the mainstream market system for such purchases in the society generally.

A second major thrust has been consolidating separate programs serving similar needs. Several executive and legislative initiatives, such as the Family Assistance plan and the Carter Better Jobs and Income plan, focused on combining cash programs like SSI and AFDC. A significant example that we expect to occupy much attention is the debate over whether and how to merge all public retirement systems into the Social Security system.

An additional emphasis toward more specific programmatic interfaces between welfare and public service or subsidized employment systems--variants of the notion of "workfare"--have been proposed and will continue to be advanced in more and more refined versions as their impact on national productivity becomes more clearly understood.

The increasing use of the tax system as a substitute transfer mechanism to replace the costly administrative structures currently being used to determine and disburse benefits is a major area of policy convergence. The 95th Congress' expansion of the Earned Income Tax Credit, which is essentially a form of negative income

tax or credit income tax, is a primary example of this trend, which we expect will have increasing impact on the system. Currently the Income Security and Social Services system is not uniformly coordinated with the tax system. For instance, in determining eligibility for benefits, some programs base calculations on pretax income, while others base it on after tax-income. The tax system also treats the taxability of different benefits differently.

#### Conflict between personal data needs and the need for privacy

Given the general tenor of the policy convergence trends referred to above, greater linkage between employment, tax, welfare, retirement, and compensation programs obviously would mean a great deal of coordination; not only of program purposes, activities and interfaces, but of the information on the recipient populations which they mutually serve. Thus the common belief that "1984 has already arrived" has particularly important implications for the Income Security system since its programs often involve the collection of much personal data. For this reason safeguards over indiscriminate disclosures of that information will continue to be of concern. At the same time, it is of great importance to the efficient, effective, and equitable administration of these programs that much of this information be shared among different agencies dealing with the same individual. The conflict between these two necessities has not yet been resolved and will continue to be a major focus of policy debate.

#### Current policy issues

Some of the more important near-term policy issues confronting the Congress and the executive branch include the following:

##### Cost-of-living adjustments in entitlement programs

The growth of Federal spending over the years, and the prospect that it will continue, have led to proposals for constitutional or other restraints on congressional appropriations as one means to bring inflation under control. One cause for the growth in Federal spending has been the Congress' decision to compensate for inflation by letting income security benefits rise with the cost of living to maintain program benefits and services in real terms. Under current law, most Federal entitlement income security programs-- Social Security, food stamps, Federal military and civilian retirement, SSI, and Veterans Pensions--have their benefits adjusted for increases in the cost of living either once or twice a year. Such automatic inflation-related adjustments have caused Federal spending to rise about \$14 billion between fiscal years 1979 and 1980. Each additional percentage point of inflation adds another \$1.5 to

\$2.5 billion in expenditures for indexed programs. According to the Congressional Budget Office, direct indexing alone will cost the Federal Government about \$23 billion in fiscal year 1981.

Given the large and growing share of the Federal budget accounted for by indexed programs, it will be difficult to reduce substantially the growth in total Federal spending without some check on these programs. Limitations on the portion of Federal payments which are indexed is one possible anti-inflation measure.

Suggestions have been made that beneficiaries in the indexed programs be given a percentage of the annual increase in the Consumer Price Index. The Congressional Budget Office estimates that, if an 85-percent ceiling were adopted in each of the next 5 years, the savings in Social Security payments alone would be \$40 billion. However, such action will probably provoke heavy opposition, especially from the elderly.

Terminating or modifying  
certain Social Security benefits

The outlook for an era of constrained public sector budgets should encourage the often called for, but seldom acted upon, reforms to eliminate unnecessary Social Security benefits, especially those that are not closely related to need or to earned right, such as student benefits. The new economic and social forces at work today have brought to an end the long period of expansion of Social Security programs. The Social Security system is now entering a difficult period of painful adjustments in which finances and benefits will have to be closely scrutinized and carefully planned.

However, Social Security, like most other income security programs, is an entitlement program and uncontrollable unless existing law is changed. Entitlement programs must provide mandated benefits for everyone who meets the eligibility standards. Furthermore, the courts have ruled that the Federal Government is legally obligated to pay all benefits promised by entitlement programs. Thus, it is difficult to achieve appreciable economies without seriously affecting beneficiaries or individuals expecting to receive benefits in the near term. Nevertheless, limited economic growth and the need for austerity in governmental budgets are causing concern about the ability to maintain existing benefit levels. The other difficulty with attempts to change entitlements is the political strength of groups that benefit from them. The clout of constituencies that receive benefits from Social Security and other income security programs is so great that major cutbacks, especially for those already in the programs, are politically difficult.

### Identifying the role of Social Security

As the decade of the 1980s begins, Social Security is faced with the issue of comprehensive system reform in order to assure the financial stability of the social insurance programs. The role of the Social Security program has changed. What is and what should be the program's basic function is being examined in view of changing financial, demographic, and social conditions.

Within the past few years, the National Commission on Social Security, the President's Commission on Pension Policy, the Universal Social Security Coverage Study Group, and the Advisory Council on Social Security have reviewed the social security system and have submitted their recommendations. The staff of the Joint Economic Committee has also published a broad study of Social Security and private pensions. The objective of several of these studies is to determine the level of adequate retirement income and how the provision of benefits should be financed.

Suggestions include increasing Social Security coverage, making pensions mandatory in the private sector, coordinating various benefits, raising the retirement age, reducing incentives to take early retirement, and increasing work incentives.

### Mandatory private pensions

The President's Commission on Pension Policy examined several subjects, including what constitutes an adequate standard of living upon retirement and the ability of the various retirement systems to meet the needs of the retired population. Their final report was issued in February 1981.

In the Commission's interim report issued in May 1980, one of the recommendations will leave the Congress and the White House struggling with questions about whether the Federal Government should more actively regulate private pensions. The Commission recommended that the Federal Government require employers to set up private pensions on behalf of all workers. The lack of broad coverage of the nonretired population by retirement income programs other than Social Security, the lack of an adequate retirement income for those who only receive Social Security, and the millions of elderly women with little or no retirement income are at the foundation of their proposal.

The Commission proposal will probably encounter stiff opposition from the private sector. The size of private pension funds--and the burdens that companies assume in providing them--have reached staggering proportions and continue to grow. For example, Ford Motor Company's 1979 pension expenses totaled \$811.2 million, compared to the pension expenses of \$100.5 million in 1970.

Companies sponsoring pension plans are being affected by economic and demographic changes. The combination of inflation, the trend to earlier retirement, and increasing longevity due to better health care increases pension expenses. Furthermore, a significant amount of pension liabilities in the private sector are unfunded, meaning they will have to be paid out of future revenues.

The Commission also urged three other changes in Federal policy. It recommended that the tax laws be altered substantially to encourage retirement savings and to harmonize provisions that now treat such savings differently, it wants to prevent married women from losing benefits in the event of a divorce or a husband's death, and it favors a higher retirement age because of increasing life expectancy.

#### Income difficulties of the elderly

The need for adequate income is one of the most critical problems facing the aging population. In fiscal year 1980, the Federal Government provided more than \$96 billion in direct cash benefits. Additional tens of billions were paid out through State and local and private pension plans. However, a substantial percentage of older persons still experience severe poverty. Some 3.3 million older persons, or 14 percent of the elderly, are below the poverty line. Over 80 percent of those in poverty were receiving Social Security, but it was insufficient to keep them from being poor. About 8.7 million elderly are termed "near poor," which is at or just above the poverty index.

The outlook for improvement in the economic situation of these older persons does not appear bright. Double-digit inflation and high unemployment seem to be with us. The Nation's rate of economic growth has slowed markedly. The changing demography of the Nation will bring about a significant increase in the number of older persons who will represent a greater proportion of the total population than at present, which will intensify funding problems. Income from savings and private pensions are not likely to solve the income difficulties of the elderly.

#### Increasing the retirement age

Normal retirement age for Social Security is now 65. The need for examining the retirement age revolves around increased longevity, demographic projections, and future financing costs.

The retirement age is becoming more significant because the incidence of retirement at early ages is increasing while the tendency to fund early retirement through actuarial reduction is decreasing. At the same time, people are living longer in retirement.

Therefore, pension benefits are paid over lengthening periods of time. While those age 65 and over are expected to increase to the end of the century, there will be extraordinary growth starting in 2010 as the post-World War II baby boom begins to retire, which will intensify funding problems, especially if birth rates remain low. Should the rate of those working to those retired decrease, tax rates to support the program would need to increase to potentially unacceptable levels after the turn of the century.

#### Disability issues

Disability has its own important issues. The most important of these include: questionable benefit structures; rules and benefit levels that produce work disincentives rather than incentives; vast eligibility differences among programs; important gaps in coverage; significant overlaps in coverage; replacement ratios that vary greatly within individual programs and from one program to another; difficult administrative problems in determining disability; and differing tax treatment of benefits.

Considering the difficulty in changing entitlement programs, the passage of the Disability Amendments of 1980 was a major achievement. As of July 1980 the amounts that disabled persons can receive were revised downward because payments had been so high that they were deemed a disincentive to go back to work. Now the maximum is 85 percent of average monthly predisability earnings.

While the Social Security Disability trust fund is solvent, the same cannot be said about the Black Lung Disability trust fund. Since the trust fund was established, revenues from the tax on coal sales have been insufficient to cover fund expenditures, requiring advances from the Congress. In fiscal year 1979 the trust fund needed over \$1.3 billion in additional repayable advances. By the year 2010 the Department of Labor estimates that, unless the legislatively mandated financing of the trust fund is changed, the trust fund will owe the Federal Treasury over \$32.6 billion, including interest.

#### Governmental responsibility toward the elderly

How much responsibility should government assume for the elderly? The Federal Government's existing commitments to the elderly cause it to spend one-fourth of the Federal budget on programs for the aged. In fiscal year 1980, six major programs for which the Department of Health and Human Services (HHS) has responsibility--Old Age Insurance; Survivors and Disability Insurance; Medicare; Medicaid; SSI; and Black Lung Benefits--paid out more than \$114.6 billion to persons 65 and over. Another \$14 billion was paid to this group under the civil service, railroad, and military retirement programs. Still another \$4 billion

went to the elderly under other programs providing housing subsidies, food stamps, and social and employment services. This adds up to \$132 billion--24 percent of the Federal budget for fiscal year 1980.

While today's policies will cost more in the future, present policies do not substantially alleviate the severest problems--poverty, ill health, substandard housing, and inadequate social services--experienced by millions of the disadvantaged elderly. Furthermore, the outlook for improvement in the social and economic situation of the elderly does not appear bright. Thus, the dilemma.

If present policies are maintained, the demographic increase in the number of older persons will cause annual Federal expenditures on aging to more than triple in real dollars by the turn of the century. HHS expects real spending under the major programs listed above to reach \$350 billion by the year 2010. Spending in this area alone then would constitute over 10 percent of the gross national product and more than 40 percent of total Federal outlays.

#### Women's issues in Social Security

Significant gaps in coverage exist for spouses of workers who are participants in Social Security. In addition, some features of Social Security concerning the treatment of spouses and survivors have become outdated due to changing life styles and marital patterns. Efforts are underway to equalize benefits between men and women. There is discussion, for example, to provide benefit protection for each spouse upon divorce, particularly when the wife was a homemaker and had little or no earnings, to provide women credits for years of child-rearing, and disability coverage for housewives, in order to place women on a completely equal footing with men under Social Security.

#### Universal Social Security coverage

Universal Social Security coverage is another option for restoring financial solvency to the Social Security system that will be given serious consideration in light of current funding problems.

Although the Social Security program covers about 90 percent of all workers, 10 percent remain outside the program. Most of those exempted are concentrated in government and in nonprofit employment. The existing patterns of exceptions results in certain inequities and inadequacies.

Furthermore, participation in noncovered employment exempts part of a worker's lifetime earnings from Social Security taxes. If the worker later receives a Social Security benefit based on short periods of covered work, the benefit is high in proportion



to the payroll taxes paid. The resulting benefits, often referred to as windfall benefits, were estimated to cost the Social Security taxpayers about \$1.9 billion in 1979. A number of other issues have been raised with regard to mandating universal Social Security coverage. These include the costs of providing universal coverage, and other legal, transitional, and administrative concerns.

### Financing Social Security

There has been a great deal of public concern that the Old-Age and Survivors Insurance trust fund will soon run out of money. The general problem with the fund is that demographic trends have produced an increasingly smaller number of workers who are financing the ever-growing numbers of retired workers. The new economic factors of higher unemployment and higher rates of inflation exacerbate the current funding problems. Higher unemployment means Social Security takes in less from the payroll tax than expected, and higher inflation means it pays out more because benefits rise automatically to reflect the rise in the cost of living. The 1980 cost-of-living increase was 14.3 percent. An increase in benefits in July 1981 is a virtual certainty. Whenever the cost of living rises at least 3 percent during a year, Social Security payments are adjusted upward automatically.

According to a staff study of the Joint Economic Committee, issued in October 1980, the Social Security system may not have enough money to pay the Nation's elderly and dependents despite planned tax increases. The report said projections show the fund's reserve levels "will be inadequate to maintain the cash flow of the program by late 1981 or early 1982." Janice Halpern, an economist with the Federal Reserve Bank of Boston, projects that the Social Security trust fund will begin to run out of money in 1982 and go \$3 billion into the red by 1983. The Congressional Budget Office states that the trust fund balance probably will not become negative before fiscal 1983, but it is likely to fall below the level needed to meet monthly payments early in fiscal year 1982.

In 1977, the Congress enacted a number of amendments to the Social Security Act which included substantial payroll tax increases to insure the solvency of the Old-Age and Survivors trust fund at least through the year 2011. Now we are faced with the possibility, despite large payroll tax increases, that the system will be unable to pay retirement benefits by the end of 1981. This prediction came as taxpayers braced for the large boost in their payroll tax liabilities in January 1981.

The payroll tax, levied on the first \$25,900 of earnings for an employed worker in 1980, was 6.13 percent each on employer and employee. Under a schedule laid out in 1977 by the Congress to help fund the system, the taxable wage base rises to \$29,700 and

the tax rate to 6.65 percent on January 1, 1981. Under existing law, there will be gradual increases in the wage base each year, and the tax rate will also rise in increments to 7.65 percent in 1990. Although the tax bite gets bigger, it won't be quite enough even though the Congress had hoped to make the system solvent when it put in the scheduled increases in 1977.

This state of affairs has all but canceled any possibility of a rollback of the tax increases, although another large payroll tax increase is unlikely since the Congress is expected to concentrate during 1981 on reducing the total tax burden on both workers and their employees. The feeling being clearly expressed is that payroll taxes are brushing up against what is considered to be the maximum acceptable rate. It is feared that any increase beyond present levels could produce harmful economic, social, and political repercussions. For example, a complaint widely expressed by employers is that increases in payroll taxes raise labor costs and result in lower levels of employment. Labor, in turn, is concerned about workers' ability to meet any further increases in contribution rates.

Because the Congress is not likely to raise the payroll tax, other options for restoring financial solvency to the Social Security system will receive more serious consideration than in previous years. Such options include increasing the retirement age, expanding Social Security coverage, using general revenue financing, and reducing benefits or at least retarding their growth, which would cause a political uproar among the powerful beneficiary groups.

In this respect, Social Security advisers to the President are urging that he reduce old-age benefits for future retirees, raise the normal retirement age, and provide for compulsory Social Security coverage for new Federal employees among other alternatives designed to strengthen and improve the long-range financing of Social Security.

While the current proposal to allow borrowing among the Old-Age and Survivors Insurance trust fund and the Disability and Health Insurance trust funds will provide a temporary source of funds, it is not the long-term solution to preserving the financial integrity of the Social Security program. Both the House and Senate Social Security Subcommittees plan to review trust fund financing problems in 1981.

#### Development of a comprehensive national aging policy

Under Public Law 95-478, the Congress authorized the White House Conference on Aging to be convened in 1981 by the President and conducted by the Secretary of HHS. The purpose is to develop recommendations for a comprehensive national aging policy to be

presented to the President and the Congress. Similar conferences have been held once every 10 years for the last 30 years and have resulted in far-reaching acts that have touched the lives of all Americans, not just the elderly.

The 1961 Conference resulted in implementation of Medicare, increased Social Security benefits, and the formation of the first Older Americans Act. The 1971 Conference led to congressional action which placed a national floor under the income of all older Americans, established a cost-of-living allowance in Social Security payments, and removed barriers to employment imposed by mandatory retirement.

The results of this year's Conference may affect the retirement system profoundly. The Conference will focus on improving the economic well-being of older Americans with special attention to retirement income and employment in light of the changing societal structure. Specific topics of discussion and concern include Social Security, SSI, pensions and pension reform, inflation, and energy costs.

#### Welfare reform

The Carter administration's welfare reform proposal suffered in the 96th Congress amidst efforts to balance the Federal budget. The proposal, as contained in the jobs and cash assistance bills submitted to the Congress, was designed to establish a national basic minimum level of assistance to families, extend eligibility for cash assistance to two-parent families in all States, and provide public jobs and training opportunities for the principal wage earner in those families under the AFDC program when he or she can't find a private sector job. Furthermore, State and local governments were to receive fiscal relief for welfare expenditures, including costs due to reform, as a result of increased Federal funding.

A preview of President Reagan's approach to welfare reform was contained in legislation introduced in the 96th Congress. The bills, H.R. 4460 and S. 1382, were drawn up by Robert Carleson, California's welfare director under Governor Reagan. These proposals addressed one of the President's goals: to turn the administration of the welfare system and, ultimately, the tax sources to pay for it back to the States. It runs directly counter to the goal embodied in the previous administration's welfare reform proposal to guarantee a national minimum income to the poor. The strategy, as outlined by Carleson in the GAO symposium, would be to replace the open-ended matching formula for AFDC funds with a system of block grants to be administered by the States. The States, which are closer and potentially more responsive to the needs of the poor, would be given the authority and responsibility to manage the family welfare system. This approach would reverse

the trend toward complete federalization of welfare. Although the prospects for enactment of this approach are not certain, the following are some of the changes that are likely to be considered to make the present system more efficient:

- Establish common eligibility criteria for all public assistance programs to provide for less complex applications and easier common verification.
- Standardize income eligibility procedures, such as monthly reporting of and a retrospective accounting period for benefit calculations.
- Allow for standardized work-expense disregards as a substitute for the complex and error-prone calculations of individual work expenses which must now be made.
- Require the use of flat or consolidated grants to minimize errors in benefit calculations instead of the itemized procedure now used in many States.

Emergence of large numbers of female heads of households

Government attention and financial aid may have to be focused on the explosive growth in the number of women who are heads of households. During the 1970s, families headed by women increased more than 51 percent, from 5.6 million to 8.5 million. Because women often earn less than men, and these families generally lack the benefit of a second income, they face economic hardships, with a median income less than half that of all families. In 1978, the median income of families maintained by women was \$8,540, or less than half of the \$17,640 median income of all families.

While the number of families maintained by women was growing more than 51 percent during the 1970s, families maintained by a man without a wife increased 33.6 percent. However, husband-wife units still comprise 82.5 percent of all families, compared with 14.6 percent maintained by a woman and only 2.9 percent maintained by a man.

Among whites, 12 percent of all families were maintained by women, while females headed 20 percent of Hispanic families and 41 percent of black families. The median age of women maintaining families in 1979 was 42 years, down from 48.2 years in 1970 as more and more younger women chose to have their own homes.

The emergence of large numbers of female heads of households has enlarged the pool of families which may require the attention and assistance of policymakers. The growth in the number of women

who are heads of households can be attributed to several factors, including child-bearing outside of marriage; the dissolution of traditional families through separation, divorce, or widowhood; and the inclination and ability of women to establish or maintain independent families rather than residing with parents or other relatives as they might have done in the past.

Consolidation of categorical grants for social services

In the social services area, program responsibility is fragmented and broadly scattered throughout the Federal establishment. Seven departments and agencies support more than 30 programs, which have been added piecemeal over time, classified as social services. For example, there are numerous food and nutrition programs. HHS administers title 3C programs of the Older Americans Act that provide nutritious meals to those over 60 who cannot afford to eat adequately. CSA administers community food and nutrition programs designed to make Federal, State, and local feeding and nutrition programs more accessible to the needy. Head Start also provides meals to participating children. In addition, there is the Food Stamp program and the Women's Supplemental Feeding program, among others administered by the Department of Agriculture, that assist needy families, children, and individuals.

In the aging area, a separate categorical social services system or network of programs for the elderly has evolved under the Older Americans Act to meet the service needs of the aging. This network, administered by HHS' Administration on Aging, includes 1,100 senior centers, over 9,000 nutrition programs, 665 area agencies on aging, and 57 State and Territorial units on aging.

A consensus seems to exist that federally supported social services programs suffer from lack of clearly defined goals, that they are poorly coordinated at both the Federal and local service delivery levels, and that the categorical nature of these programs makes it difficult to address the multiple needs of individuals and families consistently and comprehensively. Sometimes this leads to results not intended by the Congress when persons receive benefits under several programs with dissimilar operating policies and procedures.

The President's block grant proposals--to consolidate into a few block grants several narrow categorical grants--are an attempt to address these problems.

### CHAPTER 3

#### ARE RETIREMENT PROGRAMS AFFORDABLE, EQUITABLE, AND EFFECTIVELY ADMINISTERED?

Most people in the United States are affected by Social Security. They pay payroll taxes during their lifetime and/or eventually receive benefits either as retirees, dependents, or survivors. In addition, about 1 million retired railroad workers and their spouses and survivors receive over \$4 billion annually in benefits under a federally administered program which provides Social Security equivalent and private pension benefits. <sup>1/</sup> These people rely on their retirement systems to provide a basic floor of financial protection at a time when they may need it the most.

We believe that the basic concerns of today's Social Security and railroad retirement taxpayer and retiree are whether (1) their retirement systems will continue to have money to pay all retirees and survivors, (2) payments will be made correctly and on time, and (3) benefits paid will provide adequate coverage and protection. In developing this chapter, we sought to address these financing, payment, and coverage concerns.

#### Financing

The Social Security Retirement Trust Fund could run out of funds by 1983. The Railroad Retirement Account may run short as early as 1982. Various alternatives have been suggested to prevent this from happening and certain stop-gap measures have been initiated. The problem is caused principally by the declining birth rate and postwar baby boom resulting in a smaller number of people, over time, supporting through payroll taxes a larger number of retirees. The payroll tax rate has increased steadily, and unless alternatives are found, an intolerable burden on future workers will result. The alternatives for strengthening the Trust Fund and Railroad Retirement Account include increasing payroll tax rates, reducing or eliminating some benefits, improving operations to eliminate improper payments and increase the flow of revenues, and identifying new sources of revenue. To explore these alternatives and present recommendations to the Congress on how the Social Security and railroad retirement systems can improve their financial condition, two essential questions must be explored:

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<sup>1/</sup>Because the railroad program is linked with the Social Security program through a financial interchange, changes in the Social Security program affect the railroad program.

--How can revenues for financing retirement and survivor benefits be increased?

--Are there retirement and survivor benefits which should be eliminated or reduced?

### Payments

Beneficiaries often rely on their benefit checks to help them meet their daily needs. Consequently, if payments are delayed, or are incorrect, beneficiaries may suffer serious consequences. Similarly, because of the large number of beneficiaries and amounts of benefits paid, mistakes could be made which, if undetected, will result in significant underpayments or overpayments. This can happen because, in addition to periodic benefit increases and changes in legislation, other changes in the life of the beneficiary and his/her family often affect and change the benefit amount due. In addition, errors in collecting and recording taxes and posting earnings reported could significantly affect revenues and benefit payments. Thus, with regard to the payment concern, the following question is appropriate.

--Does the benefit payment process for retirees and survivors insure proper, accurate, and timely payments?

### Coverage and protection

Because society and the roles of workers have changed as the Social Security system has evolved, some people may not receive adequate retirement protection. Many workers are excluded from Social Security, including Federal workers and workers in many nonprofit organizations. Others, such as those who spent most of their lives as homemakers, may find that benefits are nonexistent or minimal particularly since the increasing divorce rate has left many to face their later years with little or no coverage. To address these concerns and explore alternatives for insuring that workers receive adequate coverage and protection, we propose to explore the following question:

--Does the Social Security retirement program provide fair treatment and adequate protection for retirees and their dependents and survivors?

### Overall strategy for addressing retirement

Our overall strategy for addressing the retirement problems outlined in this chapter is to focus on (1) reviews most likely to disclose potential for significant dollar savings and (2) areas (benefit provisions, operations, or processes) which have not received much congressional attention or have been overlooked in the past. By doing so, we hope to provide recommendations for new

legislation or improved operations that can result in significant dollar savings and fairer treatment of beneficiaries. We plan to balance our work effort between reviews which would be likely to result in recommendations requiring legislative changes, such as eliminating or changing benefit provisions, and those which would likely result in recommendations that could be implemented administratively, such as by improving controls to prevent erroneous payments.

HOW CAN REVENUES FOR FINANCING  
RETIREMENT AND SURVIVOR  
BENEFITS BE INCREASED?

The Congress wants to assure that funds are available to finance benefits and that these funds are used for meeting Social Security's basic purpose. Yet there has also been considerable interest in proposed legislation which would avoid several Social Security payroll tax increases scheduled to go into effect in the next few years. Increasingly, therefore, the Congress must decide how to increase revenues if it is to avoid further tax increases and still meet benefit payments.

About 115 million workers and their employers will pay Social Security taxes in 1980, rising to around 125 million by 1984. The 1980 tax rate of 6.13 percent increased to 6.65 percent in 1981 and will increase to 6.70 percent in 1982. The rate for the self-employed rose from 8.1 percent in 1980 to 9.3 percent in 1981 and will rise to 9.35 percent in 1982. The taxable earnings base of \$25,900 in 1980 increased to \$29,700 in 1981. At the same time, recent forecasts of upcoming adverse economic conditions for 1981 and 1982 indicate that the Retirement and Survivors trust fund will begin to have cash flow problems beginning in 1983, even with these increases. Railroad workers, whose retirement program is linked to Social Security, pay the same tax rate, receive similar benefits, and will experience similar increases. The Railroad Retirement Account, however, may run short of funds as early as 1982.

Approaches which the Congress might consider to alter the current payroll tax structure are numerous. More than 25 bills were introduced in the 96th Congress to alter the financing of the Social Security system. Most sought to avoid or roll back the scheduled payroll tax increases. The proposed changes included (1) providing general revenues to the trust fund, (2) including under Social Security those workers not now covered, (3) taxing benefits, and (4) increasing revenues through a value-added tax, a part of which would go toward financing Social Security.

Objectives and strategy

Our objectives are to evaluate some of the various proposals seeking to increase revenue and to identify others so that we can present the Congress with alternatives to increased payroll



taxation. We will attempt to identify provisions that, with modification, would result in minimal effect on individual taxpayers or beneficiaries, yet produce significantly increased revenues to the trust fund.

The following questions will be considered in addressing this issue:

1. If alternative sources of outside funding are to be considered, which would be most effective and acceptable?
2. What changes in coverage, taxes, or procedures would increase revenues with minimal effect on taxpayers and beneficiaries?
3. Could current revenues be obtained and deposited more quickly to increase interest earned?

#### Recent reports

In recent reports to the Congress, we have identified several opportunities to increase trust fund revenues. Summaries of these reports follow.

--"Liberal Deposit Requirements of States' Social Security Contributions Adversely Affected Trust Funds" (HRD-79-14, Dec. 18, 1978).

We reported to the Congress that more frequent deposits of States' Social Security contributions could result in about \$1 billion in interest being earned to the Social Security trust fund for the years 1980-84.

--"Savings to the Social Security System If Benefits Were Calculated to the Nearest Penny" (HRD-78-160, Sept. 8, 1978).

The Social Security Act currently requires that benefit payments be rounded up to the next highest dime. We recommended that the Congress amend the Social Security Act to require calculation of Social Security Retirement and Survivors Insurance (RSI) benefits to the nearest penny. This change would result in savings of \$386 million for the period 1980-86.

--"Keeping the Railroad Retirement Program on Track-- Government and Railroads Should Clarify Roles and Responsibilities" (HRD-81-27, Mar. 9, 1981).

The railroad retirement program has evolved from an industry-funded plan for retired workers to one which contains both Social Security and private pension elements. Funds to finance these elements consist of taxes paid by railroad workers and employers, transfers from Social Security trust funds, and general revenue appropriations from the Federal Government.

The Railroad Retirement Board (RRB) predicts that it may not be able to pay total benefits by 1982. To ensure that railroad beneficiaries will receive at least the Social Security portion of the retirement benefits, we recommended that the Congress require that funds for that portion be used for that purpose only and that railroad employees and employers pay taxes for those benefits on the same basis as employers and employees under Social Security.

In connection with the first report, the Social Security Disability Amendments of 1980 (Public Law 96-265), enacted on June 9, 1980, require the States to make more timely deposits of their Social Security taxes. More frequent deposits are expected to result in about \$1.3 billion in interest being earned during fiscal years 1982 through 1985.

#### Current studies

By identifying and presenting to the Congress, SSA, and RRB those areas where legislative or administrative changes would result in increased revenues, we hope to contribute toward lessening the necessity for future increased payroll taxes beyond those scheduled. We expect our work will result in recommendations for proposed legislative changes and provide the Congress with data showing the amount of additional revenues that could be generated by such changes. Summaries of these studies follow.

- Review of Social Security Tax Avoidance by Self-Employed--  
We will attempt to quantify the extent of loss to the trust fund caused by self-employed who avoid paying Social Security taxes.
- Effects of Raising the Retirement Age to Various Levels--We will show the impact on the trust fund of alternative proposals for raising the retirement age.
- Effects of GAO Cost-Saving Recommendations on Railroad Retirement Account and Social Security Trust Fund--We will show the savings available to railroad retirement if certain prior GAO recommendations to improve Social Security are applied to railroad retirement.

--Revising the Calculations for First and Last Benefit Payments--We will study whether savings could be realized by paying pro-rata benefits in the first and last month of entitlement rather than full benefits in the first and no benefits in the last.

ARE THERE RETIREMENT AND SURVIVOR BENEFITS WHICH SHOULD BE ELIMINATED OR REDUCED?

The tax rate for workers covered under Social Security and railroad retirement is scheduled to increase significantly over the next several years while the earnings tax base also increases. The Congress would prefer to avoid such a tax increase, but revenues are needed to meet benefit payments. One alternative to increasing payroll taxes is to reduce benefits. Dissatisfaction with the current level of the payroll tax reflects, at least for many workers, the belief that the program has grown too expensive. For others, it reflects the belief that certain types of benefits are "excessive" or duplicative of benefits provided by other programs. This latter perspective has historically reflected the administration's position when submitting a number of cost-reduction proposals to the Congress.

Objective and strategy

In the past we have reviewed several benefit provisions and recommended that some be eliminated because they no longer served their original purpose or because other factors, such as other Government programs or changing economic and demographic patterns, have lessened the need for such benefits. Our objective is to point out additional benefit provisions that could be modified, moved, or eliminated with a resultant decrease in trust fund expenditures. To do this, we will identify groups receiving preferential treatment at the expense of most other workers, identify insurance provisions which have welfare aspects to them, and assess strategies and proposals for restoring the system to long-term financial stability.

The following questions will be considered in addressing this issue:

1. Do some program entitlement provisions depart too dramatically from the basic purpose of the system?
2. Can programs or provisions that deliver marginal benefits at a large cost be discriminately phased out?
3. Can there be a closer relationship of benefits paid to work history, contribution, or needs?

4. Are other Federal or State benefits directed at the same target population duplicative, or concurrently at variance with one another?

#### Recent reports

We issued four reports to the Congress which showed the savings that could be realized by eliminating or adjusting certain provisions of the Social Security Act which either no longer met their original intent or had since been supplemented by other programs. In the first three reports, we recommended that the Congress consider legislation to eliminate or modify benefits for (1) postsecondary students, (2) persons whose benefits were increased to a minimum level because of little coverage under Social Security, and (3) short-term workers. Summaries of these reports follow.

- "Social Security Student Benefits for Postsecondary Students Should Be Discontinued" (HRD-79-108, Aug. 30, 1979).

This report points out that the payment of benefits to postsecondary students diverts tax money from the basic purpose of Social Security. This program is an unnecessary burden on the trust funds, results in excess aid when combined with other programs paying education benefits, and is an inequitable system for dispensing education aid.

We recommended that the Congress amend the Social Security Act to discontinue postsecondary student benefits and take the necessary steps to insure that the Office of Education will have significant financial resources to meet any increased demand for aid arising from discontinuance of these benefits. Estimated net first year savings to Social Security taxpayers would be \$1.4 billion, and net savings to all taxpayers would be about \$1.1 billion after considering an increase in existing educational programs.

- "Minimum Social Security Benefit: A Windfall That Should Be Eliminated" (HRD-80-29, Dec. 10, 1979).

This report points out that the Congress can save the Social Security trust fund \$650 million in fiscal years 1981-85 by eliminating the minimum benefit provision of the Social Security Act for new beneficiaries. That provision, designed to serve the poor, has in recent years mainly benefited those who are not poor and have other income sources.

The need for the minimum benefit was greatly reduced in 1974 with the enactment of the SSI program. If the provision were eliminated, net savings would be \$455 million for fiscal years 1981-86 after a \$240 million increase in

SSI to replace the portion of the Social Security benefit lost to those needy beneficiaries eligible for SSI.

- "Revising Social Security Benefit Formula Which Favors Short-Term Workers Could Save Billions" (HRD-81-53, Apr. 14, 1981).

This report discusses an idiosyncrasy of the Social Security benefit formula. It shows how people who have worked for only a short period under Social Security receive proportionately more for their Social Security tax dollar than lifetime workers. This favorable rate of return is based on a "social adequacy" or welfare objective.

The report identifies two alternative formulas for computing benefits that would end this advantage for the short-term worker and discusses the estimated savings that would result by implementing either alternative.

We recommended that the Congress consider these alternatives for ending this advantage to the short-term worker. SSA has estimated that such action could save the Social Security trust funds as much as \$15 billion over the next decade.

- "The Lump Sum Death Benefit--Should It Be Changed?" (HRD-80-87, Aug. 8, 1980).

This review focused on SSA's lump sum death benefit. Since various proposals have been made to eliminate or in some way alter the benefit, we assessed the impact of proposed changes and developed data for possible alternatives. Should the provision be eliminated, trust fund expenditures could be reduced by as much as \$370 million in fiscal year 1984.

#### Current studies

By showing the intent of benefit provisions and what economic and demographic changes have occurred since they were enacted, we plan to identify benefits which are marginal and may no longer be necessary. We expect our work to show the savings that could be realized by eliminating or adjusting certain provisions. Summaries of these studies follow.

- Review of Social Security Benefits for Divorced Spouses--We will study the extent to which more than one divorced spouse is receiving benefits on the same account and how such total benefits relate to taxes paid and the current family maximum benefit level. We will also show the potential savings available by deliberalizing this program aspect.

--Can Unaged Parent Benefits Be Eliminated for Surviving Spouses with Older Children?--We will show what savings can be realized if benefits to parents under 60 years of age caring for older children are eliminated or modified.

--Should the Early Retirement Reduction Be Increased?--We plan to show whether the current 20-percent benefit reduction for early retirement is actuarially sound based on retirees' life expectancy at retirement.

DOES THE BENEFIT PAYMENT PROCESS FOR  
RETIREES AND SURVIVORS INSURE  
PROPER, ACCURATE, AND TIMELY PAYMENTS?

Social Security and railroad retirement outlays for retirees and survivors are about \$100 billion annually (or almost one-fifth of the total national budget). More than 100 million working people will pay Social Security and railroad retirement taxes, and about 50 million individuals will receive monthly benefits. Considering the substantial amount of money being paid to so many people, it is important that those paying the benefits insure that only those entitled to benefits receive them and that such payments are correct and timely.

Benefit amounts paid to an individual can change based on changes in his or her age or marital status, or family composition. Such changes must be recognized and processed correctly in order to insure accurate payment and prevent duplicate payment. Because there are over 1,300 Social Security district and branch offices which assist in obtaining information from the public, as well as data processing centers and regional offices which assist in processing millions of transactions annually, the potential for error exists.

Objective and strategy

Our overall objective under this issue is to identify opportunities to improve payment processes, reduce costs, and minimize delays in the retirement and survivors programs of SSA and RRB. We will attempt to identify first those program areas or actions where the more significant amounts are paid out and then identify those points in the payment process most susceptible to causing improper, inaccurate, or untimely payments. The following questions will be addressed under this issue:

1. Are data bases adequately maintained to assure proper payment?
2. Are there ways to simplify determination processes to make them less complicated?

3. Are agency systems and records capable of preventing duplicate payments?
4. Can capabilities for preventing erroneous payments be expanded?
5. What potential exists for expanding the verification of wage, payment, or resource data to detect misreporting or agency misrecordings?

#### Recent reports

We issued the following two reports to the Secretary of HHS which proposed changes to the administration of student benefits and the Social Security earnings test. We showed SSA how it could reduce overpayments to students and improve its collection of overpayments. SSA began implementing changes which we estimated would save about \$34 million annually. We also recommended that SSA improve its controls to prevent overpayments resulting from the Social Security earnings restrictions.

--"Analysis of SSA's Procedures for Adjusting Benefits of Persons Who Earn More Than the Allowable Amount" (HRD-79-89, July 2, 1979).

--"Payment Problems and Potential Program Abuses Identified During Examinations of Alternatives to Financing Student Benefits Under SSA's Retirement, Survivors, and Disability Insurance Program" (HRD-79-27, Dec. 22, 1978).

The following report to the Congress discusses the problems SSA must overcome to make sure that effective overpayment action will be taken when an overpayment is made.

--"Social Security Should Improve Its Recovery of Overpayments Made to Retirement, Survivors, and Disability Insurance Beneficiaries" (HRD-79-31, Jan. 17, 1979).

#### Current studies

Our work will show where improved administration will result in economies and improved efficiency while ensuring that beneficiaries receive what they are entitled to in a timely manner. We will recommend to the agencies changes they can make to correct erroneous information currently maintained, and ways to better detect and prevent improper, inaccurate, and untimely payments. Because of the size of the programs and dollars involved, we anticipate that some of our recommendations will result in substantial savings, thereby benefiting the trust funds and Social Security taxpayers. Summaries of these studies follow.

--Survey of SSA Controls to Prevent Overpayments--We will follow up on work performed several years ago to determine what progress SSA has made in implementing controls to prevent overpayments.

--Survey of SSA Posting of Self-Employed Earnings Records--We will review SSA's procedures for posting earnings information reported by self-employed persons to determine whether such procedures result in earnings records correctly reflecting the workers' earnings reported and taxes paid.

--Survey of SSA/RRB Financial Interchange--We will review RRB's procedures for estimating the amounts Social Security is required to transfer to railroad retirement to determine the accuracy and reasonableness of the amounts requested and transferred.

DOES THE SOCIAL SECURITY RETIREMENT PROGRAM  
PROVIDE FAIR TREATMENT AND ADEQUATE PROTECTION  
FOR RETIREES AND THEIR DEPENDENTS AND SURVIVORS?

Many persons find that when they are ready to retire, or when a spouse dies, they are not adequately protected and are unable to meet their financial needs. Although Social Security is not intended to provide comprehensive protection, but rather serves only to provide a basic floor of protection, often retirees and their families find the basic floor is inadequate or that they are not covered as they presumed they would be.

There are two areas of considerable controversy and concern about coverage under Social Security. One involves workers who are not covered by Social Security by nature of their employment or length of employment. The question is, should they be? The second area involves persons who, because of their status as a homemaker most of their lives, have not earned significant amounts and therefore often find benefits less than needed. These issues are generally referred to in broad terms as the "universal coverage issue," which concerns whether all workers should be under Social Security, and the "women's issue," which involves insuring that women receive a fair return from the system which historically has viewed them as dependents.

Universal coverage

The interest in extending Social Security coverage to all workers is not new. In addition to providing protection to every worker, such a system would provide a real help to the short-run financial needs of the trust fund. Universal coverage would remedy two basic program concerns. First, there are gaps in the



protection of workers who have worked both under another system and Social Security. Some employees only qualify for benefits under one system, because their benefits are not based on their lifetime earnings and contributions to both systems. Other employees fail to attain sufficient coverage under either system and therefore get no benefits from either. Secondly, many employees who have worked under two systems are able to qualify for Social Security benefits by working for relatively short periods in jobs covered under Social Security and to also qualify for substantial "other system" benefits. These Social Security benefits generally are based on substantially less than a full lifetime of covered work and are heavily weighted and represent a very high return on the employee's Social Security contributions. This situation is unfair to all workers covered under Social Security and to their employers, who must bear the cost of windfall benefits.

#### Women

Much of the concern about the women's issue evolves from the payment under existing legislation of benefits to a dependent spouse. This benefit, which is provided to an eligible spouse of an insured worker, is equal to 50 percent of the retired worker's benefit (100 percent if the spouse is a widow or widower). The dependent spouse's benefit was enacted into law in 1939, just before the program first began paying out benefits. It reflected the typical family roles of the time--the husband being the source of income to the family and the wife being the homemaker. It also reflected the presumption that most marriages would be lifelong.

What has happened since 1939 is that we may no longer be able to view these family circumstances as "typical." They are still dominant, but not to the degree they were in 1939. The labor force participation rate of married women has almost tripled, having risen from 17 percent in 1940 to 47 percent in 1979. Married women who work now number almost 25 million persons and account for nearly 25 percent of the paid labor force, up from 9 percent in 1940. Marriage longevity has also changed, with divorce being more prevalent. One in every two marriages today will end in divorce, compared to one in six in 1940. Adding to these changes is the growing perception by married women of their equal importance to the family--whether as workers supplementing or complementing their husbands' incomes or as homemakers.

Numerous proposals have been made to alter both the amount of and circumstances in which benefits are provided to a married couple. Some would greatly change one or another of the basic principles of the program through the provision of Social Security earnings credits to a lifelong homemaker who may never have engaged in paid employment. Others would simply address anomalies in the way one- and two-earner couples are treated. Regardless of the form, however, the basic motive of all such proposals is to remove

the notion that the spouse's benefit is based on dependency and to ensure that women receive equal protection.

### Objectives and strategy

Our objectives and strategy for addressing issues in this aspect of retirement policy will be to build on the studies done by previous groups who have analyzed the universal coverage and women's issues. We will identify where and what additional data are needed to aid in decisionmaking and will attempt to develop the information necessary. The following questions will be considered:

1. Are current reform proposals advocating universal coverage workable, cost efficient, and fair to workers?
2. Are differences in benefits paid under different programs established to meet the same needs justified?
3. Do the retirement coverage eligibility provisions need reexamination in the advent of universal coverage?
4. Is shared earnings for couples a viable option for benefit determinations?
5. How do divorce and remarriage affect benefit eligibility and levels of payment?
6. Are dependent reform proposals workable, effective, cost-efficient, and fair?

### Recent reports

We issued the following report which compared the Social Security, railroad retirement, civil service, military, and veterans retirement programs. The report has been especially useful to those studying the universal coverage issue and to the railroad retirement oversight committees.

--"Railroad Retirement Program--How Does It Compare To Other Selected Retirement Programs" (HRD-79-41, June 8, 1979).

### Current studies

By demonstrating ways in which people in varying circumstances benefit or are adversely affected by the current system, we plan to provide the Congress with information which should be useful in its deliberations on whether it should revise or modify the present system and benefit structure. Summaries of these studies follow.

--Survey of Social Security Benefits for Spouses and Dependents--We will present the latest economic and demographic information available on spouses and dependents receiving benefits to help determine whether the current structure should be changed.

--Survey of Options for Tightening Coverage Provisions to Improve Program's Equity--We will review Social Security coverage requirements to determine whether they are equitable.

## CHAPTER 4

### ARE THE DISABILITY PROGRAMS EQUITABLY DESIGNED AND STRUCTURED AND ARE THEY EFFECTIVELY MANAGED TO ASSURE THAT ONLY ELIGIBLE PERSONS RECEIVE BENEFITS AND THAT BENEFITS ARE PAID CORRECTLY AND TIMELY?

Many disability provisions have been in place for years and others have been added piece-meal over time, largely to increase benefits and liberalize program coverage. While social and economic changes have taken place, little has been done, in the interim, to determine if these provisions are still necessary. Historically, the priority has been to pay benefits to those insured, with less concern about managing the programs to contain costs. In an era of fiscal constraint and the Congress' concern over the spiraling costs of many disability programs, it is necessary to determine whether current systems are meeting or exceeding today's needs and are designed to effectuate needed managerial controls.

This chapter, therefore, addresses programs relevant to:

- Social Security's Disability Insurance (SSDI) Program.
- Social Security's SSI Program.
- The Veterans Administration (VA) Disability Compensation Program.
- The Black Lung Program administered by the Department of Labor (DOL).
- Longshoremen's and Harbor Workers' Compensation Act administered by the Department of Labor.
- State workers' compensation programs.

Our analysis first addresses legislative matters--do existing disability program provisions contain marginal benefits that may not be needed and are too costly--and program design--are the programs operating at their optimum efficiency and what is the relationship between the Social Security and other disability programs.

Our analysis then looks at three other areas directed toward the (1) initial determination process including the appeals process--how well are claims judged, (2) postentitlement process--are benefits correctly determined, are payments made timely, and are status changes identified and made properly, and (3) process

for checking the continuing eligibility of beneficiaries and for returning individuals to productive work, i.e., through vocational rehabilitation and other approaches.

ARE DISABILITY PROGRAMS DESIGNED  
TO OPTIMIZE PROGRAM EQUITY AND  
OPERATIONAL EFFICIENCY?

The Congress and the public are greatly concerned about the spiraling costs being incurred by the various disability programs. Legislative provisions, which generally have liberalized the programs, have not been thoroughly reviewed to determine if such provisions are necessary within the framework of changing social and economic conditions, or if such provisions are compatible with other Federal and State disability programs. The significant increases in benefit levels and coverage may have transcended work incentives. Also, the expanded programs have created enormous administrative and managerial burdens on the respective administering agencies.

Objective and strategy

In order to address the question of disability program design, our objective will be to identify those provisions in the various disability programs that may no longer be necessary or affordable in light of changing economic and social conditions.

Our strategy includes a close monitoring of the 1980 Disability Amendments and an analysis of SSA's implementing plans to evaluate the impact such plans have on cost containment and operational efficiency. We intend to work closely with the relevant congressional committees, State, and Federal agencies and apprise each of our evaluations and recommendations.

Also, because of the paucity of data, we plan to develop a social and economic profile of beneficiaries under several disability programs in order to make a correlation and comparison between legislative provisions and the beneficiaries' needs. We then intend to identify and address those provisions that appear to be marginal or unnecessary.

In a similar vein, we plan to initiate a series of studies to assess the Federal involvement in and coordination with State workers' compensation programs. Each State has different legislative provisions with regard to disabilities that are work related and many of these provisions either fail to adequately hold the employer financially responsible or are not enforced.

The following questions will be considered:

1. What are the economic characteristics of the disability population--how many beneficiaries have working spouses and other sources of income, and how do benefits compare to predisability income?
2. Should DI and workers' compensation be combined or separated?
3. Are disability benefits too high in some cases and act as an economic disincentive to return to work and, if so, what would be an equitable level?
4. Are the legislative provisions being effectively implemented and what are the effects?
5. Should the social/welfare aspects of disability insurance be removed?
6. Could partial disability payments be a viable alternative?
7. Should benefit caps or offsets be placed on the various Federal, State, or private programs, and what should be their relationship?
8. Should there be a separate index for disability programs rather than the Consumer Price Index?
9. Should there be Federal minimum standards for workers' compensation?
10. How will the 1980 legislative provisions affect program operations, administrative process and managerial controls?
11. Is federalization a viable alternative to the State determination process?
12. What standards have been set for measuring State agency performance, how were they set, and how relative are they?
13. Will major program differences in Government financial disability programs prevent streamlining and consolidation?

Recent reports

GAO has issued the following reports:

- "Legislation Authorizing States to Reduce Workers Compensation Benefits Should Be Revoked" (HRD-80-31, Mar. 6, 1980).

The Social Security Act provides that, when disabled workers are receiving both State workers' compensation and Social Security disability insurance benefits, the combined payments can be reduced by either SSA or the State, but not by both. If a State elects to reduce its benefits--as 12 States now do--Social Security benefits cannot be reduced.

Allowing States to reduce their workers' compensation benefits causes the responsibility for compensating disabled workers for work-related injuries to be shifted from State workers' compensation programs to Social Security taxpayers. If all States make the reduction, by 1981 the Social Security trust fund can lose \$160 million annually.

We recommended that the provision allowing States to reduce workers' compensation be revoked.

- "A Plan for Improving the Disability Determination Process by Bringing It Under Complete Federal Management Should Be Developed" (HRD-78-146, Aug. 13, 1978).

SSA administers the following programs under which disabled persons may be entitled to benefits:

- The SSDI program.

- The SSI program.

The determination of an applicant's disability is made by a State agency. The State agencies carry out the disability determinations under agreements with HHS. Under the present Federal/State contractual arrangement, SSA is limited in the amount of direct managerial control it can exercise over the activities of the State agencies making disability decisions. This, along with other uncorrected weaknesses in the disability determination process reported by us earlier in 1976, provides no assurance that a reasonable degree of uniformity and efficiency will be achieved in the ever growing, very costly disability programs.

We recommended that the Secretary of HHS develop, for consideration by the Congress, a plan for strengthening the disability determination process by bringing it under complete Federal management so that SSA can acquire the control needed to properly manage the programs. He should also direct SSA to continue to work to improve the quality and management of the disability determination process.

--"Letter Report on the Disparity of Treatment in the Payment of Benefits to Widows Under the Black Lung Program Administered by the Social Security Administration and Department of Labor" (HRD-78-157, Sept. 6, 1978).

We reported on the disparity of treatment in the payment of black lung benefits to widows under the black lung program administered by SSA and DOL. We noted that Social Security did not reduce a widow's black lung benefit when she received State workmen's compensation payments because Social Security considered the State payments as death benefits. In contrast, DOL routinely reduces black lung benefits to widows when they receive State workmen's compensation because of their husbands' deaths.

In the Labor portion of the program, the Congress provided that black lung payments to widows should be reduced when they also receive State compensation because of their husbands' deaths. However, the Congress did not provide for a reduction of black lung payments because of the receipt of State death benefits in SSA's portion of the program.

We believe that it would be more equitable if all widows were treated the same, regardless of which Federal agency is paying black lung benefits. Accordingly, we recommended that the Federal Coal Mine Health and Safety Act of 1969 be amended to provide comparable treatment of widows.

#### Current studies

We are closely monitoring SSA's implementation of the legislated 1980 Social Security disability provisions, which will include an analysis of SSA's plans and an assessment of the impact their implementation will have on cost containment and operational efficiency. We anticipate that our efforts will provide the Congress and SSA with suggestions and recommendations to improve, where necessary, the implementation of the legislation at an early stage.

We plan to develop a profile of the social and economic characteristics of disability beneficiaries that can be used to make an assessment of the individuals' needs in relationship to the benefits received. This work will act as a springboard into analyzing specific legislated provisions that may be marginally beneficial or too costly. We intend to suggest, where needed, modifications to existing legislation.



Our work in the workers' compensation area will help us address whether there should be separate State and Federal disability programs, the need for consistent Federal standards, and whether consolidation and streamlining of various programs is feasible. Summaries of these studies follow.

- Claims by Remote Heirs for Estates Consisting of VA Compensation Benefits--In this effort we will determine to what extent distant relatives are claiming the estates of veterans. We will determine if any legislative provisions need modification.
- Review of Multiple Disability Benefits--In this review we will report how many disabled persons are receiving disability benefits from more than one program and assess ways to better coordinate the benefits provided to individuals to preclude them from receiving benefits which exceed their predisability income.
- Review of Black Lung Disability Trust Fund--We will evaluate the reliability of Labor's analytical model used to project the program's costs. We will also determine alternative ways to maintain the program's financial solvency.
- Overall Survey to Monitor Implementation of 1980 Disability Amendments to the Social Security Act--In this survey we will monitor the plans and implementation of plans concerning the recent legislative provisions. We will determine the effects that the provisions have on the recipients' benefits, work incentives, etc. We will also determine the administrative problems, if any, affecting SSA's operations.
- Review of Social Security Disability Insurance Benefits Paid to Prison Inmates--We will obtain statistical data on the number of prisoners receiving disability and other Federal benefits and assess various options for treating benefit payments to prisoners.
- Review to Assess the Advantages and Disadvantages of Paying Benefits on a Basis Similar to That Used When Workers Take Early Retirement--We will determine the equitableness of a disabled person receiving 100 percent of the insurance amount while a person who worked until age 62 receives a reduction of 20 percent at early retirement.
- Review to Assess the use of Vocational Factors in Disability Determinations--We will determine whether persons should qualify for disability with an impairment that is less than severe. Also, we will determine whether persons should

qualify based only on medical criteria and not on ability to work.

#### IS THE DISABILITY DETERMINATION SYSTEM ADEQUATE?

The disability determination process is the keystone of any disability program and it generally includes the following:

- Providing all claimants with timely, uniform, accurate decisions as to whether or not they are eligible for program benefits.
- Protecting the Government's interest by screening out ineligible claimants.
- Identifying those eligible workers whose condition may improve in the future, and scheduling them for a future re-evaluation.
- Identifying those beneficiaries with the potential to return to gainful employment through referral to and assistance from the Vocational Rehabilitation Program.
- Providing claimants initially denied benefits a multilevel appeal process.

The disability determination process has come under much attack, particularly the largest program--SSA's Title II Disability Program. The main criticisms concern the program's complex structure, the subjectivity and lack of uniformity of the decisions rendered, and the multilevel administrative appeals process. Claimants not satisfied with the initial decision (denial) can request that the State agency "reconsider" the claim. If still not satisfied, the claimant can appeal the denial to an SSA Administrative Law Judge (ALJ). The claimant can continue appealing a denial to an SSA Appeals Council, and finally to the U.S. District Courts.

We have not to date studied the appeals processes under the various disability programs. Under SSA's DI program, appeals are heard under the Administrative Procedure Act and there are over 700 ALJs (about two-thirds of all the ALJs in the Federal Government) hearing DI cases. The number is still rising. ALJs reverse over 50 percent of the denied cases coming before them. Some ALJs have a reversal rate as high as 90 percent. State agencies complain that ALJs are not bound by the same adjudicative criteria as they are and feel that ALJs make decisions based on claimants' allegation of pain, court precedent, and personal philosophy.

Finally, the process is causing large backlogs of cases in the Federal courts. In February 1979, HHS Secretary Califano testified that, "There are in the Federal court system, more than

14,000 Social Security disability cases today, and we now estimate that 10,000 Social Security disability cases, new cases, will go into Federal courts each year. "\* \* \* there are Federal judges because of this process." Secretary Califano concluded that this appeals process needed a "substantial overhaul."

When comparing this costly, cumbersome system to simpler appeals processes in other Federal disability programs, the justification for such a system is not readily apparent. In the VA program, for example, the final appeal decision is made by the VA Administrator.

We will address two problem areas under this issue (1) can eligibility determinations be improved and (2) is the appeals process efficient?

#### PROBLEM ONE

Can improvements be made organizationally and procedurally to the disability decision system to obtain better eligibility decisions?

#### Objectives and strategy

Our objective is to determine whether the decision processes are appropriately and equitably applied within the framework of established criteria. Our overall strategy will be to determine how medical, vocational, and other factors are used in deciding who is disabled and to assess whether the skills necessary to adequately evaluate disability evidence exist within the programs. We will try to determine and define whether optimal uniformity is being or can be achieved in the determination process.

The following questions will be addressed:

1. Is the definition of disability appropriate?
2. Are the medical criteria valid and uniformly applied among programs, administering agencies, etc.?
3. Is the evidence sufficient or should consultative exams, face-to-face interviews, and other techniques be required?
4. Are those evaluating the evidence sufficiently trained and equipped?
5. In view of the various organizational levels involved in processing a claim, what consolidation or streamlining is possible?

6. Are States provided guidelines and procedures which will assure uniformity?
7. Are State agencies monitored and what quality assurance system exists?
8. What does the determination process look like from the claimant's view and what improvements are possible to simplify it, expedite decisions, and reduce costs?
9. Are procedures clear and systems in place to get claimants needed medical, vocational, and other services so as to maximize their ability to get back to work?
10. Are award amounts accurately computed and payments appropriately set up?
11. Are offsets against workers' compensation identified and taken?
12. What do private insurance and other agencies do that might be adopted to improve the initial determination process?
13. What procedures have been established by DOL to administer asbestosis cases?

#### Recent reports

In previous reports, we have identified several opportunities where improvements can be made to the disability decision system to obtain better eligibility decisions. Summaries of these reports follow.

- "Controls Over Medical Examinations Necessary for the Social Security Administration to Better Determine Disability" (HRD-79-119, Oct. 9, 1979).

In 1978, about \$72 million was paid for medical examinations. The need for and quality of these examinations is not well documented. SSA does not know how often the States have paid for the independent medical exams which were too comprehensive or inadequate. Also, SSA had no reliable means to measure program efficiency. We recommended that SSA: develop and implement guidelines and standards to make better disability decisions, improve the system used to measure State agency performance, and assist the States in correcting problems regarding initial determinations. These weaknesses had been addressed by GAO three times since 1976.

--"Legislation Allows Black Lung Benefits to be Awarded Without Adequate Evidence of Disability" (HRD-80-81, July 28, 1980).

In 88.5 percent of the SSA cases reviewed, medical evidence was not adequate to establish disability or death from black lung. This amounted to about \$312.9 million of the \$353.6 million in retroactive lump-sum payments.

Since this study covered only SSA's administration of the program, we deferred any legislative recommendations until completion of our study of Labor's administration.

--"Federal Black Lung Benefit Payments Were Not Correctly Reduced by State Workmen's Compensation Payments" (HRD-78-109, May 16, 1978).

Some recipients of Federal black lung benefit payments in Pennsylvania and Kentucky during August and September 1977 were overpaid \$926,000 and underpaid \$39,000 because Social Security did not have accurate State workers' compensation data to use in computing benefits. We recommended that Social Security obtain State workmen's compensation payment data from Pennsylvania, Kentucky, and other States for use in computing black lung payments.

#### Current studies

We are putting relatively little emphasis on SSA's initial disability determination system during the planning cycle because the Congress enacted the 1980 Disability Amendments which require changes in the system for SSA's DI program.

We may, however, assess DOL's plans for administering disability claims for asbestosis. We anticipate that our work will assist DOL to better formulate and implement a plan so that the transition will minimize the type of problems encountered in the black lung program. Careful attention will be given to the criteria used in the initial determination process. Our work will take a fresh look at the criteria, including legislated provisions, to determine the program's equitableness.

--Review of the Longshoremen's Act, Administration, Adjudication, and Impact--We will make an overall assessment of the program, including the initial determination, post-entitlement, and appeals processes.

--Review of Labor's Administration of the Black Lung Benefits Program--We will determine how well the recently legislated provisions to the black lung program are being implemented, especially focusing on the benefit determination decision process.

--Overall Survey of the State and Federal Partnership Arrangement for Administering Disability--We will analyze the relationship between the States and the Federal Government and determine whether such arrangements are effectively serving the needs of the respective claimants at an optimal cost level.

#### PROBLEM TWO

Is the administrative appeals process serving its intended purpose most efficiently?

#### Objective and strategy

Our objective will be to determine whether the appeals processes are operating equitably, efficiently, and within the framework of legislative intent. Our overall strategy will be to define the appeal decision process, analyze the management controls, and recommend, where feasible, policy and administrative procedures recognizing the claimants' rights to due process and timely decisions. While our initial emphasis will be on SSA's appeal system, we will also analyze for comparative purposes the appeals processes within other governmental and nongovernmental disability programs. We will work directly with our General Counsel in the scoping and implementation phase of any work under this issue.

The specific questions that will be addressed are:

1. Why is there such a high decision reversal rate at the ALJ appeal level?
2. Do appeal decisions accurately correspond with the program's legislative requirements?
3. Does the appeal system treat all claimants fairly and consistently?
4. What quality control system is in place to insure proper management and operation of the appeals system?
5. How does SSA's appeal process differ from others and should it?

6. What impact have court decisions had on SSA's appeal process?
7. Is SSA's Office of Hearings and Appeals properly organized and managed to make the appeals process work?

#### Current studies

In view of our limited work in the appeals area, our initial study will be of SSA's Office of Hearings and Appeals to assess the management and quality control system in place. This will provide a basis for designing additional studies of the appeals process. As our work progresses we anticipate recommending ways to reduce the number of appeals cases, improve the timeliness of the process, provide commonality in the disability determination criteria, and provide more equity in the appeals process.

- Review of Office of Hearings and Appeals (OHA) Policies Which May Interfere With Administrative Law Judges' Independence--We will assess whether SSA is placing case quotas on ALJs, and if so, whether this policy is adversely affecting ALJs' independence.
- Review of the Adequacy of VA Forfeiture Decisions--We will study whether the Department of Veterans Benefits and the Board of Veterans Appeals ensure that (1) due process is afforded to claimants and (2) sufficient evidence is obtained to support forfeiture decisions.
- Study of SSA's Office of Hearings and Appeals--We will evaluate the managerial controls OHA implements in the appeals decision process, and whether the current system is the most efficient process to assure equity and timeliness in the decision process.

#### HOW EFFECTIVE IS THE MANAGEMENT OF THE POSTENTITLEMENT PROCESS?

Disability management responsibilities do not end after eligibility has been determined. Management has an obligation to the beneficiary and to the taxpayer to ensure that payments are accurate. This is a major task. For example, SSA alone pays over \$12 billion annually in SSDI benefits to about 2.9 million disabled workers, and over \$3 billion to the about 2 million spouses, divorced spouses, and children of disabled workers. Annually, SSA must process millions of payment changes for events, such as marriages, divorces, children entering or leaving the household, and students beginning or finishing college. Even a relatively small payment error rate in a \$15 billion program translates into the loss of millions of trust fund dollars.

In February 1979, we reported that SSA had processing problems in the SSI (Title XVI) disability program--information was lost, not effectively acted upon, or not processed timely. The SSDI process is very similar to that in the SSI program. Post-entitlement administrative processes can be streamlined and made more efficient to provide better service to the claimants and reduce governmental costs.

#### Objective and strategy

Our objective is to determine whether the postentitlement administrative process can be made organizationally and procedurally more efficient so that (1) beneficiaries receive optimal service in terms of correct and timely payments and (2) overhead costs to the Government are kept to a minimum. Our overall strategy will be to determine and define postentitlement processes and test whether the payment systems are properly managed and overpayments are avoided. Where overpayments are a problem, we will assess how well they are being detected and what actions are being taken to recover the overpayments. We will analyze the problem and recommend new strategies that will better serve the beneficiaries' and Government's needs.

The specific questions that will be addressed are:

1. Do the current data systems provide accurate and timely information for identifying postentitlement status change?
2. How well are changes processed to assure beneficiaries receive correct payments?
3. Does an adequate system exist to assure that only eligible persons are receiving checks through the direct deposit processes?
4. Are payments timely, accurate, and being properly sent to designated payees?
5. Are overpayments and payments to ineligible persons identified and collected timely?
6. Are DOL's black lung payments accurately computed?
7. Are duplicate black lung payments being made by DOL and State agencies?
8. Do the States have sufficient qualified personnel to handle postentitlement tasks now and under the 1980 amendments?



9. What impact will the 1980 amendments have on the post-entitlement process?
10. What means can be used to augment the "voluntary reporting" system now in place?
11. Could decentralized case management improve service to the beneficiary and better protect the Government's interest?
12. What do private insurance and others do that might be adopted in the Federal sector to improve postentitlement management?

#### Recent reports

The following report was issued under this area.

--"Indirect Costs of the Social Security Administration's Disability Programs Are Excessive and Should Be Reduced (HRD-80-23, Nov. 19, 1979).

The SSDI program and the SSI program paid about \$19.5 million in indirect charges to State agencies for services provided in making disability determinations. These programs were overcharged at least \$645,000 annually in indirect costs in four of the six States visited. Another \$570,000 in program costs could have been saved if a more equitable method of allocating indirect costs had been used in two States.

Inappropriate charges are being made to the disability programs because (1) HHS negotiators do not adequately analyze the propriety of indirect costs, (2) HHS headquarters is not monitoring the effectiveness of negotiation procedures, and (3) SSA regional office personnel generally do not adequately understand indirect costs principles.

We recommended that the Secretary of HHS: (1) assure that HHS negotiators verify that services being paid for are actually benefiting the programs, and consider the most equitable method of allocating indirect costs and (2) monitor the effectiveness of the procedures under which HHS negotiators approved indirect costs.

#### Current studies

We anticipate that our work under this issue will result in recommendations to improve the timeliness and correctness of benefit payments and improve the services to the clients. Summaries of these studies follow:

- Review of Promptness in Workers' Compensation Benefit Payments Under the Federal Employees Compensation Act (FECA)--  
In this effort, we will determine reasons for the delays in making initial determinations and the administrative problems affecting the timeliness and accuracy of payments.
- Assessment of SSA's Program for Identifying and Processing Postentitlement Changes--This survey will determine how well SSA identifies and processes posteligibility changes in the SSDI program. It will also determine the impact that payments to auxiliary beneficiaries are having on the process.
- Review of VA's Denver Regional Office Operations (Scoping: Other VA Activities)--This effort will determine the key problem areas to audit so as to improve the Denver Regional Office's timeliness in making claim payments.
- Survey of VA Compensation Program--This survey will provide a strategy for reviewing VA compensation programs through identifying key areas for future reviews, such as overpayments, eligibility or rating board determinations, continuing disability investigations, etc.

IS THERE AN EFFECTIVE SYSTEM IN PLACE TO GET THE DISABLED BACK TO WORK AND ASSURE THE CONTINUING ELIGIBILITY OF OTHERS?

Unlike pension plans which represent long-term if not lifetime payments, disability programs in theory represent time-limited payments. Disability payments should be paid only until the disability is removed and/or work capacity is restored. Returning to work, therefore, is the key element of disability programs. Unfortunately the record for getting people back to work under the various disability programs, with the exception of workers' compensation, is relatively poor. For example, in SSA's program, only about 2 percent of the disabled beneficiaries get off the rolls and return to work.

The primary means of restoring an individual's work capacity is through a vocational rehabilitation program. Over the past several years we have issued a number of reports critical of SSA's vocational rehabilitation program, but we have not done similar reviews of other programs. SSA uses trust funds to reimburse State Vocational Rehabilitation agencies for the cost of services provided to beneficiaries of the SSDI program. The Congress intended that these trust funds would be used to return beneficiaries to employment so that savings would result to the trust funds.

In addition, the individuals and society would gain when the disabled individuals return to productive activity. Much more can and should be done to maximize the effectiveness of vocational rehabilitation. Further, new and innovative approaches to rehabilitation must be found and tried in order to get more people off the disability rolls and back to work.

Management is also responsible to the taxpayers for monitoring the disability rolls and removing those beneficiaries who no longer meet the program's eligibility criteria. SSA uses the Continuing Disability Investigation (CDI) process to identify beneficiaries who may have medically recovered or otherwise regained the ability to work. We found, however, that SSA's management of the CDI process is inefficient. In our recent report on SSA's CDI process, we found that as many as 584,000 disability beneficiaries receiving over \$2 billion a year may be inappropriately on the rolls because SSA is not adequately following up on the continuing eligibility of its beneficiaries. We found, for example, that 52 percent of the scheduled CDIs in 1 year were never done and that other CDI inefficiencies were resulting in large program overpayments.

#### Objective and strategy

Our objective is to determine whether (1) management is effectively following up on disabled beneficiaries to assure their continuing eligibility and (2) programs to restore individuals back into productive activity are in place and are effectively managed. In view of the extensive work already done regarding SSA's continuing disability followup, our strategy will be to monitor planned corrective actions and assess whether similar reviews are appropriate for other Federal disability programs. Most of our emphasis in the near future, therefore, will be directed at identifying new and innovative approaches for getting those capable of working off the disability rolls and back to productive employment. Presently, vocational rehabilitation has been relied on for this purpose, but we have reported on a number of occasions that it is not working well. We will continue to monitor the progress of rehabilitation efforts with a view to identifying alternative approaches that might be more cost effective.

The specific questions that will be addressed are:

1. How are vocational rehabilitation services organized and managed and is there opportunity to consolidate or streamline to improve efficiency and effectiveness?
2. Are needed vocational services being provided in the quantity and quality dictated by those with impairments?

3. How good are the criteria for placing people in vocational rehabilitation and are they being uniformly applied?
4. How does DOL's workers' compensation rehabilitation compare with other Federal rehabilitation programs and should there be a separate program?
5. Should there be a medical as well as vocational rehabilitation component?
6. How well are the SSDI and SSI vocational rehabilitation program components managed?
7. Is vocational rehabilitation cost effective today?
8. With regard to providing incentives for returning to work, is partial disability coverage viable as an incentive to get people off the rolls?
9. What do private insurance or other programs do that might be adopted to encourage return to work?
10. Should beneficiaries be required to do certain things, such as take and complete vocational or other rehabilitation programs, periodically report on their status, condition, etc.
11. Can the "casework approach" better serve the beneficiary and assist management?
12. Should Medicare be provided continuously for certain types of impairments, regardless of whether the person returns to work?
13. Are wage rate subsidies a viable option to encourage people back to work?
14. What efforts are made to tie services to prior employers, employers who traditionally hire the disabled, or to offer tax and other incentives to those who hire the disabled?
15. Should mandatory reports be required quarterly on work status and efforts to get off the rolls?
16. Are controls adequate to check on the continued eligibility of beneficiaries?
17. What criteria are used to require a continuing disability investigation and are they appropriate?
18. Are CDIs done when scheduled and appropriately acted upon?

### Recent reports

We assisted the Subcommittee on Social Security, House Committee on Ways and Means, to write a clarification of the laws so that disability payments would be discontinued to persons in a vocational rehabilitation program that have medically recovered. This resulted in a recurring annual savings of \$22 million.

Our report--"The Social Security Administration's Beneficiary Rehabilitation Program" (HRD-81-22, Nov. 10, 1980)--on SSA's vocational rehabilitation program pointed out that many in the program are expected to medically recover and should not, therefore, be there.

In our report--"More Diligent Followup Needed to Weed Out Ineligible SSA Disability Beneficiaries" (HRD-81-48, Mar. 3, 1981)--we pointed out that SSA has not adequately followed up on disability insurance beneficiaries to verify that they remain disabled. It has limited its reviews--referred to as CDIs--to a small percentage of beneficiaries. As a result, as many as 584,000 beneficiaries who do not currently meet SSA's eligibility criteria may be receiving benefits. If these persons are not in fact disabled and were removed from the rolls, the disability insurance trust fund would save over \$2 billion a year. We recommended that SSA expedite efforts to reevaluate the SSDI rolls and to provide the necessary resources to support such efforts. We also made several recommendations to improve the management of the CDI process.

### Current studies

There are several questions relative to vocational rehabilitation, many of which we have addressed for the SSA programs in issued reports. Therefore, little more is scheduled for SSA rehabilitation although we will continue to monitor the vocational rehabilitation area.

We have completed an extensive review of SSA's CDI program and identified in a report to the Congress many ways the program should be improved. We plan to use this experience in doing similar reviews of programs other than SSA's.

Finally, there appears to be a great deal of unrealized potential for getting people back to work by using new and innovative approaches to dealing with a disability. There are a number of requirements that could be imposed to insure that people go back to work as soon as they are able, and there are other incentives that could be built into the programs to encourage and permit the disabled to work with their impairment. To accomplish this, we are currently doing the following study.

--Survey to Identify New or Otherwise Unused Techniques and Approaches to Get Beneficiaries Back to Work--Once persons are on the disability benefit rolls, there is a very high percentage of them who stay there for life. We will attempt to identify innovative ways to motivate individuals back into productive work.

## CHAPTER 5

### ARE NEEDS-BASED CASH ASSISTANCE PROGRAMS

#### EFFECTIVE AND OPERATIONALLY EFFICIENT?

The two major Federal cash assistance programs are AFDC and SSI--both of which are the responsibility of HHS. In addition, HHS has responsibility for the low-income Home Energy Assistance Program (HEAP), Child Support Enforcement (CSE), Emergency Assistance (EA), and refugee assistance programs. VA administers needs-based disability pension and death pension programs.

How these programs are administered is very important to present and prospective recipients. It determines their access to payments and benefits prescribed by law and regulations. It also determines the obligations which the recipient incurs in obtaining payments and benefits and whether and how these obligations are enforced. Administration is of equal concern to the taxpayer, who has a stake in the efficiency and accuracy with which tax money is expended.

Needs-based cash assistance in this country is extremely complex, involving different rules and eligibility standards with broad disparities in benefit levels in different parts of the country. While taxpayers generally agree that these programs are necessary, they are demanding that the programs be significantly improved.

Improvements must be made to assure that aid is adequate for its purpose and that its cost is minimized. In addition, this aid should encourage and assist people in trying to help themselves. It is generally concluded that the existing cash assistance system covers only a segment of the poor, pays varying amounts of benefits to persons with similar needs, and is costly to administer. In addition, the system contains adverse work and migration incentives. Some variations reflect regional differences in cost of living, but most variations result from the various governments' ability and willingness to provide benefits.

We have identified four key questions to better focus our work and which address issues currently the subject of extensive public concern and comment. The first is "How can needs-based cash assistance be administered more economically and efficiently, and the quality of services improved?" With several agencies administering a wide variety of needs-based cash assistance programs, many of which overlap and interrelate, significant opportunity exists to reduce costs by improving management and better coordinating programs. The other questions are entitled "Are cash assistance program benefits too high or low?", "How should the costs of cash assistance programs be financed and controlled?", and "Should cash assistance programs include work requirements, and if so what should be required?".

These focus on improving the management and administration of needs-based cash assistance programs and providing information about the various laws governing the programs that should be enacted, revised, or replaced. We will continue to monitor the way agencies implement our recommendations and place more emphasis on making States aware of better ways of targeting benefits and minimizing fraud, waste, and abuse.

While the solution to many needs-based cash assistance administrative problems can be achieved through legislative change, sizable improvements in compliance and equity can also be achieved by changing Federal, State, and local policies, procedures, and practices. However, many of these actions will require heavier demands on limited resources. Given the trend in the Congress to reduce Federal spending, HHS and State and local governments are going to be faced with having to maximize efficiency and economy within more stringent budget constraints.

In summary, the overall thrust of our work will be on efficiency and economy of operations, the adequacy of management information and controls, and opportunities for improved coordination.

Anticipated direction of effort by program

We anticipate directing our efforts to the various programs as outlined below.

In 1979, we completed a comprehensive survey to develop a strategy for auditing AFDC. Assignments focusing on many issues identified during the survey are now in process or planned. We expect other issues to emerge during this work.

We have made a concentrated effort over the last 3 years to point out deficiencies and make recommendations directed at improving the SSI program. While SSA has been and is taking action on most of these recommendations, continued surveillance and GAO presence is needed to press for continued improvements. SSA is currently making a comprehensive review of the program and expects to initiate a number of corrective actions based on the study results. We plan to monitor SSA actions in implementing our recommendations as well as evaluate SSA initiatives. Much of our work will continue to concentrate on actions needed to further reduce payment errors, reduce administrative costs, and improve service delivery.

The key difference between the 1980 and 1981 low-income Home Energy Assistance programs is the unit for which benefits are intended. In 1980, eligibility was determined on an individual basis--especially payments to SSI and certain AFDC recipients. In 1981, the unit is the household. Household is defined in such



a way as to restrict payments to those who are responsible for home energy costs--only one payment can be made for the energy costs of a household. However, more people may receive benefits in 1981 than in 1980 because the income test used for establishing eligibility will be higher. For 1981, the Lower Living Standard Income Level will be used instead of the generally lower poverty level. Further, each State will be required to determine who receives the payments. We expect a high degree of congressional interest concerning the implementation of the 1981 program, and we began work in this area in early 1981.

Administration of the CSE program is now being evaluated by an agency contractor whose activity we are monitoring. Preliminary results indicate the contractor is effectively evaluating program administration and effectiveness; accordingly, we will continue to monitor the contractor's effort. Upon completion of the contract, we will assess whether significant CSE deficiencies still exist that warrant attention for possible further audit work.

In 1978, we completed a comprehensive review of the EA program and made a number of recommendations to the Congress and HHS concerning questionable uses of funds and whether the current program was being operated as the Congress intended. Little or no action has been taken on these recommendations. We are currently awaiting agency reaction to a recent problem brought to its attention concerning program regulations that may be inconsistent with the intent of the law. We plan to pursue with appropriate congressional committees their interest in the EA program and to resolve with SSA its apparent misinterpretation of regulations implementing the law.

We are completing a comprehensive survey of U.S. domestic refugee resettlement programs and policies in which a number of specific issues, such as eligibility, health, and social services, surfaced as areas to be considered for followup reviews. Effort on some or all of these issues will be scheduled as part of our work on social services needs as discussed in chapter 6.

For the VA pension programs, we plan to initiate an overall survey of how the programs are being implemented. We will also review the effect of private pension payments on veterans' pensions.

HOW CAN NEEDS-BASED CASH ASSISTANCE  
PROGRAMS BE ADMINISTERED MORE  
EFFICIENTLY AND THE QUALITY  
OF SERVICES IMPROVED?

Current needs-based cash assistance programs are complex; difficult to administer; burdensome to applicants, recipients, and administering agency staff; expensive; and prone to error. While

some progress has been made by all three levels of government in addressing these problems, substantial progress is still needed to simplify many of the processes, provide more access to services, reduce errors, and allow for less costly administration. The rapidly rising costs of administering cash assistance, as well as the increasing costs of benefits in this era of high inflation and diminishing available resources, more than ever highlight the need to administer these programs more efficiently.

Many of the federally assisted programs are essentially State-operated or State-supervised, in which the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam have a great deal of discretion with respect to program design and day-to-day administration. Generally, there are no comprehensive national standards with respect to methods of administration. Thus, for each category of recipients under such programs as AFDC, there are in reality 54 programs with widely differing eligibility criteria, benefit levels, and delivery systems.

Concern over the integrity of cash assistance programs--the degree to which benefits are provided only to eligible recipients and in the correct amounts--has intensified as the programs have grown in terms of dollars and recipients. The job of fully investigating all factors bearing on the eligibility of an applicant or recipient for benefits is time consuming, difficult, and costly. On the other hand, persons in need should not have their benefits delayed and should be treated with dignity and respect. Accordingly, a balance must be struck among the desire for program integrity, the cost of assuring this integrity, and the needs of the program recipients.

#### Objective and strategy

Our objective under this issue is to identify areas where programs can be more efficiently managed and coordinated and thereby reduce the cost of cash assistance and improve the quality of service. Significant cost savings have been derived from work in this area in the past and can be derived from such work in the future.

Our overall strategy will be to review those aspects of operational policies, procedures, and practices as well as program coordination on a programwide and individual State basis which appear to have potential payoffs in terms of budget and cost savings. We will work closely with congressional committees to assure that our work will receive the attention needed to bring about the implementation of our recommendations.

Initially, we will devote our attention to the adequacy of management efforts to eliminate or reduce overlapping and duplicate benefits and to the areas of intake and ongoing case maintenance,

ineligibility and overpayment, adequacy of and use of data bases, and payments to third parties. Our work in the AFDC, SSI, and Home Energy Assistance programs identified several improvements which we believe can be applied within and across programs with resulting significant savings. Later we will evaluate cash assistance program employee training and experience, recipient reporting problems, the hearings and appeals process and other quality of client service issues, as well as whether Federal laws impede efficient program operation and potential benefits of program consolidation.

The following questions will be addressed:

1. To what extent can overlapping and duplicate benefits be eliminated? Are systems in place for reducing or offsetting benefits and how well are they working?
2. Are eligibility determinations and recertifications as timely, efficient, and accurate as possible? Should eligibility criteria and application preparation be simplified to improve program administration?
3. Are appropriate measures taken to timely remove recipients from the rolls once determined ineligible?
4. Are overpayments due to administrative error or fraud promptly and properly identified and can they be resolved more effectively? Are public assistance agencies using collection tools and resources in the most productive areas?
5. How can Federal and State data bases be used to improve and assist program management? Are new data bases needed? Is the program-related data currently being generated and reported at local, State, and Federal levels useful and adequate for program management purposes?
6. Are payments made to third parties on behalf of recipients properly controlled and used for their intended purposes?
7. Are cash assistance program employees sufficiently trained and experienced?
8. What problems do recipients and third parties have in meeting reporting responsibilities? How well are they met?
9. How adequate are the administrative and judicial appeals processes as mechanisms for handling client/agency disputes?
10. How adequately are cash assistance program agencies responding to clients' inquiries?

11. Can HHS improve its planning, research, and evaluation efforts to better service program needs?
12. Are cash assistance program agencies' efforts to maintain program integrity adequate? Are performance standards needed for management of programs?
13. Are Federal laws and regulations for various cash assistance programs timely, clear, and compatible? Do some laws impede effective program administration?
14. Should low-income energy, food stamps, and other benefits be combined to supplement cash assistance?

#### Recent reports

In previous reports we have identified several areas where programs can be more efficiently managed and coordinated to reduce program costs and improve the quality of service. Summaries of these reports follow.

- "Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families With Dependent Children Program" (HRD-80-80, July 8, 1980).

The current HHS effort to impose fiscal sanctions on the States based on payment error rates developed by the AFDC quality control system is based in part on a directive contained in a congressional conference report. Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using the quality control system as the basis for sanctions limits the system's value as a means for improving payment processes.

The report also discusses improvements needed in the quality control system to make it more useful to managers for reducing errors and recommends that the House and Senate Appropriations Committees retract the conference committee directive for Federal fiscal sanctions against the States.

- "Erroneous Supplemental Security Income Payments Result From Problems in Processing Changes in Recipients' Circumstances" (HRD-79-4, Feb. 16, 1979).

The report to the Secretary of HHS pointed out that millions of dollars are being erroneously paid to SSI recipients annually because posteligibility changes which affect the amount of benefits or continued eligibility are not promptly and accurately processed. Stronger SSA central office

direction, improvements in district office processing practices and computer controls to ensure that some 12 million changes annually are properly processed are needed.

- "Welfare Payments Reduced: An Improved Method for Detecting Erroneous Welfare Payments" (GGD-78-107, Feb. 5, 1979).

The report discussed the joint development by GAO and the D.C. Government of three formulas to identify error-prone AFDC cases so that review efforts can concentrate on such cases first to reduce erroneous payments and remove ineligible found from the rolls. The District's use of one formula during the period May 1977 to April 1978 resulted in reducing erroneous payments about \$3.5 million more than they would have been using the District's regular procedures. The report recommended that HHS make the report available to all States. Use of the GAO-developed formulas could help other States in reducing erroneous AFDC payments.

- "Flaws in Controls Over the Supplemental Security Income Computerized System Cause Millions in Erroneous Payments" (HRD-79-104, Aug. 9, 1979).

The report to the Secretary of HHS pointed out weaknesses in several internal controls that resulted in over \$25 million in erroneous SSI payments. SSA and GAO worked together to correct most of the weaknesses, and SSA set up a task force to address these and broader SSI system issues.

- "SSA Should Obtain and Use State Data to Verify Benefits for All Its Programs" (HRD-80-4, Oct. 16, 1979).

While SSA has successfully obtained and verified benefit information from some other Federal agencies to help minimize incorrect payments, little has been done to obtain information maintained by State and local governments which could be used in further reducing erroneous payments. SSA efforts to obtain State and local records have been, for the most part, fragmented and uncoordinated. Our work with California and New York unemployment insurance records showed that about \$1.6 million in erroneous SSI payments could be detected annually. Previously, we reported that Federal Black Lung overpayments totaling \$926,000 could be reduced if SSA obtained and used Pennsylvania and Kentucky workmen's compensation benefit data in computing the Black Lung payments. Subsequently, SSA obtained the data but failed to use them for verifying information in the SSI and disability insurance program. We recommended that SSA develop and implement a comprehensive national effort to obtain and use State and local data.

--"State Advance Payments to AFDC Recipients Are Inconsistent With Federal Regulations" (HRD-80-50, Feb. 7, 1980).

This letter report to the Secretary of HHS discussed a special subject issue identified along with other matters in a general planning survey of the AFDC program. As a result of our report, Massachusetts stopped making quarterly advance payments which will result in \$1.4 million savings annually in overpayments to recipients who became ineligible after getting the advances and fail to repay proportionate amounts. Action in New York is uncertain. HHS is to look at the advance payment issue in other States and take action to recover the Federal share of any outstanding advances made under State policies inconsistent with the regulations.

--"VA Improved Pension Program: Some Persons Get More Than They Should and Others Less" (HRD-80-61, Aug. 6, 1980).

We reported to HHS and VA that many persons receiving both SSI and VA pensions had not filed for the improved VA benefits partly because HHS had not told any SSI recipients that they must file for such benefits.

Data exchange between the agencies also needs improvement. VA and SSA coordinate the delivery of VA pension, social security, Black Lung, and SSI benefits to needy veterans with nonservice connected disabilities. Better coordination could reduce inaccurate pension payments by about \$14.5 million.

--"Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients" (HRD-79-21, Jan. 16, 1979).

We recommended that SSA achieve objectivity and uniformity in its SSI overpayment recovery process by establishing standards for timely processing of overpayments, developing a quality control process to monitor performance, developing improved instructions and added training for claims representatives, developing more useful and less subjective criteria for claims representatives to use in determining whether recipients caused overpayments, and seeking legislation to authorize offsetting SSI overpayments against other Federal benefit paying programs.

--"Changes Needed to Prevent Commuters and Transients From Receiving Supplemental Security Income" (HRD-80-15, Oct. 4, 1980).

The objective of this review was to examine how SSI recipients outside the United States for 30 or more consecutive days are identified. We found no significant problems in

SSA's operations for detecting recipients outside the United States. However, the concept of "residents in the United States" had not been sufficiently defined. In a letter to the Secretary, we recommended that "residents in the United States" be defined for SSI purposes because some recipients live principally in Mexico; accept Immigration and Naturalization Service determinations that aliens in commuter status live in Mexico and preclude SSI payments to them; and provide better guidance to SSA border offices on types of evidence required to verify alien residence in the United States.

--"Millions Can Be Saved by Identifying Supplemental Security Income Recipients Owning Too Many Assets" (HRD-81-4, Feb. 4, 1981).

In fiscal year 1979, an estimated \$125 million was overpaid to SSI recipients who own assets, such as bank accounts and real property other than the recipients' home, valued in excess of what is allowed under this program. Most overpayments occurred because assets were not detected through the eligibility interview process or because SSA has not effectively monitored changes in ownership and values of identified resources. We made several recommendations to improve the identification and monitoring of resources. For example, SSA should develop and maintain detailed automated resource information to (1) include types and dollar values of resources owned by SSI applicants and recipients, (2) use the information to detect overpayments caused by changes in resource ownership and value, and (3) contact potentially eligible individuals, thereby enhancing SSA's outreach efforts.

--"Action Needed to Resolve Problem of Outstanding Supplemental Security Income Checks" (HRD-81-58, Mar. 3, 1981).

As many as 300,000 SSI checks totaling \$40 million have been outstanding for 6 months or more. These checks are negotiable forever. About 10.4 million of these checks belong to States, which are concerned that these moneys have not been returned to them. Better followup actions are needed to (1) identify and cancel checks issued to ineligible recipients, (2) identify recipients who need check cashing assistance, and (3) return the funds to SSA and the States.

--"Results of Analysis of the Administrative Efficiency of the AFDC Program in Contra Costa County, California" (HRD-78-159, Sept. 5, 1978).

This letter report to the Secretary of HHS discusses the results of our review of the administrative efficiency of the AFDC program in Contra Costa County, California. Using

systems analysis-operational research techniques, we identified an inappropriate basis for determining staffing needs as well as organizational and intake (application for aid) system design problems which resulted in the inefficient utilization of staff and a reduced level of client service. These inefficiencies resulted in excess annual administrative costs of about \$1.14 million to the county, or about 18 percent of its fiscal year 1978 budgeted expenditures for AFDC administrative activities. Comparative data for other California counties indicated such inefficiencies can be eliminated without increasing the AFDC payment error rate.

We recommended that HHS assist California and its counties to make operational analyses of AFDC program administration to identify productivity and level of client service deficiencies; establish a mechanism for collecting and evaluating administrative performance data; increase the level of SSA's technical assistance to the States on administrative operations; require States to develop appropriate analytical tools and incorporate them in their management structures to insure efficient and effective administration concerning client service and staff productivity; establish, or require each State to establish, a reasonable statewide standard for staffing AFDC administrative operations; limit Federal participation in each State's administrative costs to an amount based on its staffing standard; and establish a mechanism within SSA to periodically evaluate the reasonableness of each State's staffing standard to insure it accurately reflects Federal and State policy and regulatory changes.

We also recommended that HHS require SSA to develop the necessary capabilities to make process and productivity studies similar to ours in its other programs. Improvements San Diego County achieved in its Food Stamp and General Relief Programs after using these techniques in its studies confirms our view that such techniques can be applied beneficially to virtually any human care program where people apply for and receive amounts of benefits for which they are found eligible.

#### Current studies

Our work will show where improved administration, management, and coordination will result in economies and efficiency of operations while ensuring that beneficiaries receive what they are entitled to in a timely manner. We will recommend to the agencies changes they can make to better detect and prevent improper, inaccurate, and untimely payments and to improve the coordination of benefits. Summaries of these studies follow.

--Review of Duplicate AFDC Payments Within Selected States and Their Impact--This study is attempting to determine the



extent of duplication within selected States and the resulting amount of fraud and abuse that is not being detected and the effect of duplication on other cash assistance programs.

- Treatment of Income Taxes Paid, Refunds Received, and the Effect of the Earned Income Tax Credit on Needs-Based Assistance Programs--This study is addressing whether program recipients are fully utilizing these means of increasing income. It is determining the extent to which such income is being considered in computing cash assistance grants.
- Survey of AFDC Overpayment Recoupment Policies--This assignment is addressing whether the lack of a Federal policy has resulted in inconsistent or lack of State policies to collect overpayments. It is determining the extent of overpayments outstanding and potential recoveries to be attempted from former recipients.
- Review of Boarding Home Financial Records--This study addresses the adequacy of financial records to show how much Federal, State, and local funds are going to boarding homes under various federally assisted programs. It is determining how this money is being used to operate these homes and whether controls over these funds are needed.
- Comparative Analysis of Four States' AFDC Program Management-- In this study we are reviewing the adequacy of four States' management efforts to deal with AFDC administrative costs and payment error rates. It is determining the extent of differences and whether they can be minimized.
- Review of Income and Asset Verification for Needs-Based Benefit Programs--This study addresses the manner in which income and/or asset information is being used by HHS and other Federal agencies in establishing eligibility and benefit amounts for participants in needs-based assistance programs.
- Review of the Impact of State Death Information on Federal Income Security Programs--The purpose of this review is to determine the extent Federal and State agencies use State death information in monitoring a recipient's continuing eligibility for benefits and whether further improvements in its use could significantly affect preventing benefits from being provided to ineligible recipients.
- Feasibility of Using a Multiple Correlation Matching Computer Program to Identify Duplicate SSI Payments and Interface Verification Problems--This planning survey has the potential to identify fraudulent and erroneous payments to welfare recipients.

--Should More Resources Be Devoted to Assuring Adequate Representative Payee Coverage for Major Cash Assistance Programs?--An assessment of agency efforts to find all recipients in need of someone to handle their cash assistance and actions taken to provide such help.

#### ARE CASH ASSISTANCE BENEFITS TOO HIGH OR LOW?

The significant cost of cash assistance is affected not only by the number of persons receiving benefits but also by the amount of assistance each receives. Most cash assistance programs provide greater assistance to those with smaller incomes or those with the greatest need. The adequacy of particular income levels depends to a large measure on standards of comparison. When compared to the official poverty levels, nearly all income distributed through needs-tested programs is inadequate. Benefits generally vary because States set AFDC benefit levels and SSI supplemental payments. Thus, equally needy people receive different benefit amounts depending on where they live.

In addition, questions are being raised as to whether newly arrived immigrants and refugees should be eligible for the same cash assistance benefits provided needy U.S. citizens. For example, in June 1980, the Congress passed legislation in response to GAO recommendations which restricted SSI payments to newly arrived aliens.

Recipient constituent groups continue to press for benefit increases as inflation reduces in real terms recipients' ability to meet basic food, clothing, shelter, and other needs. Taxpayers, on the other hand, complain about the high cost of public assistance and the need to limit or cut benefits in some fashion to reduce their burden. While most taxpayer complaints seem related to problems of reported waste, abuse, and fraud experienced in the assistance programs resulting from ineligibles receiving benefits and eligibles getting more than they should, there is a definite feeling that the level of benefits encourages reduced work efforts and continued dependency since benefits are nontaxable.

#### Objectives and strategy

Our objectives are to ascertain and evaluate the positive and negative effects of different cash benefit levels and possible changes to them, explore impediments and incentives for various constituent groups to participate in cash assistance programs, and recommend various courses of action for the Congress to consider.

In view of the widespread concern about overall program costs as well as level of benefits, our strategy will be to carry out assignments, either broad-based or in specific States, to address the following questions:

1. Can or should an inflation index be established for all cash assistance programs?
2. Who is not covered that should be?
3. Do higher benefits in some States cause migration?
4. Should newly arrived aliens and refugees be eligible for benefits?
5. Should the Federal Government provide a minimum benefit level for all needy people?

#### Recent studies

In previous reports, we have examined several of the needs-based cash assistance programs to assure that such aid is adequate for its purpose and that its cost is minimized. Summaries of these reports follow.

- "Need to Prevent Windfall Benefits to SSI Recipients" (HRD-80-44, May 20, 1980).

We reported that windfall benefits could be prevented if the Social Security Act was amended to provide for SSI benefit adjustments when other retroactive income is received. We estimated that windfall benefits of \$31 million annually were paid to SSI recipients receiving a retroactive social security payment after receiving SSI benefits. Public Law 96-265, approved June 5, 1980, provided for offset of SSI benefits for the same period, a provision we supported.

- "Review of Selected Aspects of Low Income Energy Assistance (HRD-80-118, 119, 120, 121, 122, 123; Sept. 15, 1980).

These six reports to individual Members of Congress concerned reviews made at their request of the 1980 programs and proposed changes for the 1981 programs. We reported that 1980 payment processes for SSI recipients did not consider living arrangements or responsibility for energy costs. The low income energy assistance plan makes only eligible households, rather than individuals entitled to payments.

- "Public Assistance Benefits Vary Widely From State to State, but Generally Exceed the Poverty Line" (HRD-81-6, Nov. 14, 1980).

This report examines what an average welfare family of four could receive from welfare programs in several States and calculates the benefits for a mother and three children whose benefits came from AFDC, housing assistance, school lunch, and Medicaid.

About 80 percent of AFDC families in our sample received cash and in-kind benefits which in total exceeded the poverty line.

Based on hypothetical analysis, an AFDC mother, working at a full-time minimum wage job, would improve her financial well-being. However, she would face the loss of significant welfare benefits as income is earned. The combined effect of employee taxes and lost benefits raises questions as to whether the client retains an adequate financial incentive to work.

--"Review of Selected Aspects of Low Income Energy Assistance" (HRD-80-115, Sept. 15, 1980).

The report concerned a review of the program in North Carolina and proposed changes for the 1981 program. The 1980 Low Income Energy Assistance program gave States the option of paying an energy allowance to AFDC recipients on a categorical basis. (Categorical eligibility means eligible for assistance as a result of eligibility for AFDC or SSI.) The State paid about 86 percent of its low-income energy assistance funds to AFDC recipients on a categorical eligibility basis, considering family size but not responsibility for energy costs. Plans for the 1981 program make only eligible households, rather than individuals, entitled to payment.

#### Current studies

By demonstrating how public assistance recipients in varying circumstances benefit or are adversely affected by the current array of programs, we plan to provide the Congress and the administering agencies with data for use in revising or modifying the present system and benefit structure so that people receive fair treatment and adequate protection within present budget constraints. Summaries of these studies follow.

- Survey of U.S. Domestic Refugee Resettlement Programs and Policies--This study is addressing whether current programs and policies are promoting the goals of refugee self-sufficiency. It is determining issues related to making cash assistance, job training, and social services for refugees more effective.
- Survey of Income Security Programs in the U.S. Territories and Possessions--This study is addressing the current treatment of the U.S. territories and possessions in major public assistance legislation. It is assessing whether policies need to be adopted that are not disruptive of their society or culture, foster dependence, or are not ill-suited to their needs.

--Survey of Newly Arrived Aliens Receiving AFDC Benefits--An assessment of who and where these aliens are, what happens after they begin receiving benefits, and whether there should be a limited period during which benefits are provided.

#### HOW SHOULD THE COST OF CASH ASSISTANCE BE FINANCED AND CONTROLLED?

Presently both the cost of cash assistance payments and administrative costs are financed through a variety of methods and numerous Federal/State sharing rates. For example, the Federal Government provides open-ended funding for AFDC and shares the States' costs of assistance payments at rates from 50 to 83 percent but shares the administrative costs at only 50 percent, except for such special items as training and management information system costs. On the other hand, the SSI program is 100 percent federally financed based on a uniform basic payment which States can supplement at their own expense.

There has been much discussion and numerous proposals related to Federal/State financing of cash assistance programs due to increasing pressures to alleviate State and local tax burdens. Proposals for fiscal relief include various funding sources, such as a refundable tax credit, a universal negative income tax, a wage rate subsidy, and an earnings supplement. Some proposals would give the States the taxing authority and responsibility for cash assistance programs, and others would increase up to 100 percent Federal funding of all cash assistance programs.

One of the most recent proposals to control cash assistance costs was to replace the open-ended Federal matching formula for at least the AFDC program with a system of block grants. This proposal was introduced in the 96th Congress, and was narrowly defeated in the House. Many expect this proposal will be reintroduced in the 97th Congress and passed since there has been a change in the administration and significant changes in the Congress. According to supporters of the proposal, the block grant approach would be a first step toward eventually returning authority and tax sources for cash assistance to the States.

#### Objectives and strategy

Our objectives are to determine and evaluate the advantages and disadvantages of different funding methods and sharing rates and recommend various courses of action for the Congress to consider by emphasizing methods that would achieve the goals of adequacy, simplicity, and equity.

Our strategy will be to assess the various funding approaches that have been proposed, including those recently developed by the new administration, and determine whether there are some that

should be considered that have not been proposed. We will address both cash assistance and administrative cost funding possibilities.

The specific questions that will be addressed are:

1. Should there be one funding approach and a single Federal sharing rate for both program and administrative costs for all cash assistance programs?
2. Are there proposals, such as the use of block grants, which would provide significant advantages over present financing methods? Should there be Federal ceilings on funding for all programs?
3. Should the States be given more taxing authority and total responsibility for financing cash assistance programs? Should financing changes be made on a piecemeal program-by-program basis or should a comprehensive change for all cash assistance programs be made?

#### Recent reports

Under this issue, the following report was issued.

--"Report to the Secretary of HHS on States' Failure to Credit U.S. Government for Federal Share of Uncashed AFDC Checks" (HRD-79-68, Apr. 5, 1979).

Our work in Massachusetts revealed that \$4 million due the Federal Government for AFDC checks issued from fiscal year 1968 through fiscal year 1977 had not been returned to the Federal Government. Of the \$4 million, \$1.7 million was in AFDC checks that were transferred into the State's general fund. The other \$2.3 million was included in checks that should have been but were not canceled. The HHS audit agency also found that the Federal Government had not been given credit for the Federal portion of uncashed AFDC checks in Illinois and Puerto Rico. Neither the former Social and Rehabilitation Service, previously responsible for the AFDC program, nor SSA has taken necessary actions to insure that the Federal Government is properly credited moneys owed it from uncashed checks.

We recommended that SSA establish (1) uniform requirements for States to credit the Federal Government for its portion of uncashed AFDC checks and (2) a mechanism for insuring that these credits are timely and accurate. Action should also be taken to identify and to cover the total amount of Federal funds in uncashed AFDC checks that have been refunded the Federal Government.

## Current studies

- Survey of Placing Liens on Property Owned by Cash Assistance Recipients--This study is assessing the results of several States' practices of attaching liens to recipients' real property so that, after death, the property is sold and the proceeds used to repay the cash assistance provided during the recipients' lifetime.
- Monitoring Contractor Study of the Child Support Enforcement Program--This study is assessing whether the contractor's study will adequately evaluate the effectiveness of the program to determine if GAO action is warranted.

### SHOULD CASH ASSISTANCE PROGRAMS INCLUDE WORK REQUIREMENTS AND, IF SO, WHAT SHOULD BE REQUIRED?

The principal objective of income assistance policies must be to reduce the need for cash assistance. The best way to do this is through employment. However, even with work incentive provisions in some programs, many people believe that cash assistance discourages recipients from seeking employment. It is often argued that cash assistance recipients are inequitably granted help that others, who remain self-sufficient, must pay for.

Because of the concern that employable people might choose to reduce their work effort if they are included in an income assistance program, recent "welfare reform" legislation has included some work requirements. It is anticipated that the new administration will propose legislation to strengthen work requirements for cash assistance recipients, especially AFDC recipients, and to overcome work disincentives.

Currently employable persons receiving AFDC are required to register for training and employment under the WIN program. In fiscal year 1979, about 1 million persons registered for WIN and about 300,000 persons reportedly became employed in unsubsidized jobs. However, many consider the WIN program much less successful than it should be.

In addition to WIN, the Congress has added financial incentives to the Social Security Act to encourage AFDC recipients to work. The primary ones are the disregard of a portion of a recipient's earned income and the deduction of work expenses from earned income in determining the amount of income used in computing grant amounts. These provisions were designed to encourage sustained work effort by recipients in the hope that they would eventually work themselves off welfare. Studies by GAO and others have shown that these AFDC work incentive provisions have not achieved their intended results.

More recently, the Congress enacted the Earned Income Tax Credit program, also intended to provide an incentive for cash assistance recipients to obtain or continue employment and to increase their earnings. Preliminary indications are that these recipients are not participating in this program to any great extent. Some people believe the recipients are not participating because of the complexity of the program. Others contend it is because the benefit is relatively low--a maximum of \$500 per year--and still others believe it is because, to participate, a person must report information to the Internal Revenue Service, which is a new experience for many public assistance recipients.

The Carter administration's welfare reform proposal included two basic parts--cash assistance and jobs. To test the jobs portion of the proposal, the Department of Labor carried out a pilot program during the past year at 14 locations throughout the country. During the test, cash assistance recipients were required to attend job training and job search classes or lose benefits. Preliminary results show that 60 percent of those placed in jobs so far obtained jobs in private industry. The Secretary of Labor said he was surprised at the results and that he had anticipated that only about 20 percent would be placed in private jobs.

There have been a number of other recent Federal, State, and local government experiments in providing work incentives and job opportunities for cash assistance recipients. At the Federal level, the Department of Agriculture is testing a "workfare" program which requires food stamp recipients to work in public service jobs for a State or local agency in exchange for food stamps.

The State of Utah began a program in 1974 that requires able-bodied welfare recipients, including welfare mothers with school-aged children, to work part time as a condition of receiving aid. Since the program began, about 30 percent of the recipients required to work part-time have gone on to find full-time jobs. Another 30 percent, faced with the work requirement, decided they could drop off the cash assistance rolls. The percentage of Utah residents on cash assistance has decreased by more than one-fifth.

Since the Utah program began, a number of other State and local public assistance agencies have tried to get Federal approval to experiment with mandatory work requirements for AFDC recipients. HHS has rejected the proposals and insists that Federal law does not allow States to implement their own mandatory work plans under AFDC. There have been some State and local projects to assist AFDC participants in finding jobs (in addition to WIN) which have been considered relatively successful.

The National Governors' Association has taken the position that each State should be required to develop a work incentive and training program that increases an individual's ability to obtain and hold unsubsidized employment and thereby reduces or eliminates



dependence on the income maintenance system. It further believes that the Federal Government should finance such a program. The Association also supports public service workfare at the minimum wage and changes in who should be required to register for work when applying for cash assistance benefits.

### Objectives and strategy

Our objectives under this issue are to determine whether cash assistance recipients should be required to work in private and/or public sector jobs and, if so, recommend appropriate legislative or administrative actions.

Our strategy will be to assess some of the so-called work incentives and some of the identified disincentives in cash assistance programs. We will also assess results of required registration, training, and work programs and experiments to determine which methods are the most effective.

The following questions are to be considered in addressing this issue.

1. Are current provisions designed to provide work incentives, such as the Earned Income Tax Credits, achieving the desired results?
2. What is the impact of the so-called work disincentives in cash assistance programs?
3. Are there enough jobs for cash assistance recipients or can adequate jobs be created?
4. Do the present registration/training requirements, such as WIN, and ongoing or completed mandatory work experiments support requiring cash assistance recipients to work?
5. What is the total estimated number of employable cash assistance recipients?
6. Are work requirements necessary or can incentives be provided which will cause all employable cash assistance recipients to seek employment?
7. Should benefits be withheld to force people to seek work?
8. Should cash assistance recipients be required to work in public service jobs (if no other work is available) to earn their benefits, i.e., "workfare"?
9. Should State and local public assistance agencies be allowed to design their own mandatory work requirements?

## CHAPTER 6

### HOW EFFECTIVE ARE FEDERAL SOCIAL SERVICE PROGRAMS IN PROVIDING BENEFITS TO AND ALLEVIATING PROBLEMS OF THEIR SPECIFIED TARGET GROUPS?

In the United States, many serious social problems confront some of the basic elements of the population: children, youths, families, the elderly, and the poor. In addition, such groups as the developmentally disabled, refugees, and Native Americans have their own unique social problems. In an attempt to overcome or to alleviate these problems, the Federal Government has enacted social service programs which are administered by a number of Federal agencies. Those primarily responsible are the Office of Human Development Services (OHDS), SSA, the Office of Refugee Resettlement in HHS, CSA, ACTION, and LSC. These agencies administer programs which generally provide grants to States, local governments, and nonprofit organizations to deliver or contract for the provision of services to the designated population groups. In fiscal year 1980, these Federal agencies spent approximately \$7 billion on such services.

Although billions of dollars are spent by the Federal, State, and local agencies on social services for these groups, many of their problems continue unabated and some are increasing in severity.

Examples of the magnitude of the problems confronting these population groups include:

1. Serious nationwide child abuse and neglect--Each year 1 million children are abused or neglected and 2,000 children die from injuries or conditions resulting from abuse and neglect.
2. Increased domestic violence in general--Spouse abuse is becoming a common occurrence. In about 20 percent of child abuse cases, the spouse has also been assaulted. Nationwide, estimates show that about 2 million women are assaulted annually.
3. Significant number of high risk children under 6 years old--In 1976, about 3.1 million children were in families whose incomes fall below the poverty level and about 600,000 were in families with incomes between \$5,000 and \$7,000 when the mother works. In addition, because of rising divorce rates (almost 50 percent of marriages in 1978) and illegitimate births (about 24 percent of all births in 1978), a growing percentage of children under 6 years old live in single-parent families. The figure has risen from 9 percent in 1968 to 17 percent in 1975. In 1974, the median income in these families was only \$3,891.

4. Significant percentage of school dropouts with direct correlation to juvenile delinquency and other crime--In 1975, about 25 percent of U.S. high school students dropped out of school before obtaining their diplomas. Studies show a definite correlation between poor school performance and crime. Youth arrests for all crimes rose 138 percent from 1960 through 1974. In addition, a survey of 141,500 adult and juvenile inmates showed 40 percent were high school dropouts.

5. Increasing need for preschool child care--The percentage of mothers with preschool children and who had husbands working grew from 19 percent in 1960 to 43 percent in 1979. In 1979, 45 percent of all women with preschool children were in the labor force, putting an estimated 7.2 million preschool children in need of day care.

6. Higher increases in rate of elderly compared to other age groups--During the 70 years between 1900 and 1970, the total population almost tripled but the elderly grew nearly sevenfold to a figure representing 9.8 percent of the population. Between 1970 and 1977, the older population increased by 18 percent while the general population increase was 5 percent. By the year 2030, 2 out of every 11 Americans will be over 65 years of age.

7. Growing refugee migration to the United States--As of June 1, 1979, over 750,000 Cuban refugees had been admitted and about 200,000 Indochinese refugees had entered the United States. In addition, over 60,000 refugees from the Soviet Union were residing in the United States as of January 31, 1979. About 400,000 Indochinese were in the United States at the end of fiscal year 1980 and about 14,000 enter the United States monthly.

8. Upsurge of teenage prostitution and child pornography--The incidence of teenage prostitution (actual arrests) had tripled from 1969 to 1978. About 2.7 percent of all the arrests for prostitution and vice in 1978 were teenage prostitutes.

9. High incidence of venereal disease among youths--In 1978, there were slightly over 270,000 cases of venereal disease among youths under the age of 19.

10. Large number of families in poverty--In 1979, about 25 million persons and 5.3 million families had incomes below the poverty line (\$7,450 for a family of 4).

11. Increasing use of drugs by youths--Over a 5-year period (1972 to 1977) there was a significant increase for every category of drugs being used by persons 12 to 17 years old. In 1977, over 25 percent of this age group was using at least one drug.

12. Increasing number of foster children-- The number of children in foster care in 1977 was about 500,000--nearly three times the number in 1961. Nearly one-fourth of the children have been in three or more foster homes.

Certain children, youth, and family programs, such as Child Abuse and Neglect, Runaway Youth, Head Start, etc., are now included as social services rather than education because they are primarily concerned with the delivery of social services. Recent GAO reports on these programs include:

- "How Federal Developmental Disabilities Programs Are Working" (HRD-80-43, Feb. 20, 1980).
- "Increased Federal Efforts Needed to Better Identify, Treat, and Prevent Child Abuse and Neglect" (HRD-80-66, Apr. 29, 1980).
- "Early Childhood and Family Development Programs Improve the Quality of Life for Low-Income Families" (HRD-79-40, Feb. 6, 1979).

ARE FEDERAL PROGRAMS EFFECTIVE IN  
ACCOMPLISHING THE OBJECTIVES OF  
THE OLDER AMERICANS ACT?

The largest single target population in the Income Security and Social Services system is the elderly. The elderly population in the United States is growing at a faster rate than any other age group within the population. By the year 2030, 2 out of every 11 Americans will be 65 or older. Eighty-six percent of these elderly have some degree of functional impairment. This target population has the highest percentage of persons in pretax, pretransfer poverty and even after the effects of system benefits, such as Social Security, Medicare, etc., they still have significantly less resources than any other group.

While the number of elderly is increasing significantly, there is substantial evidence to support the belief that fewer fiscal resources will be available in the future from governments to meet the needs of this target group. Inflation and the ongoing recession have raised doubts about the ability of the various levels of government--especially the Federal Government--to finance traditional services. Also, little, if any program evaluation has been performed by the Administration on Aging (AOA) or by GAO. Thus, not knowing how well the programs for the elderly are functioning could affect the amount of funds appropriated for these programs. In addition, program evaluation will provide a basis for recommending improvements in program operations which could offset the negative effects of any future budget cuts. In this way services for the elderly could be maintained in spite of fiscal difficulties.

## Objectives and strategy

Our primary objective in undertaking this work will be to act as a catalyst in improving delivery of services for the elderly under the Older Americans Act. We expect our work to be used in hearings concerning the reauthorization of the Older Americans Act to be held during the latter part of fiscal year 1981. We also expect to encourage AOA to improve the operation of elderly programs, stressing effectiveness. Our strategy will be to view each of the various Federal programs in a one-to-one context in order to arrive at specific recommendations for changes in the programs.

The following questions will be addressed:

1. To what extent has the aging network (system established by the Older Americans Act) been effective in serving the elderly?
2. Can the aging network interact with other sources of funds (Federal, State, and local) to benefit the elderly?
3. Has the nutrition program fulfilled its congressional mandate of making the elderly more independent and self-sufficient or has the program made people more dependent on others (Federal, State, and local governments) for their well-being?
4. Do we have duplication of services to the elderly, or is the situation one of lack of services?

## Recent reports

We have issued several reports on the well-being of older people which show that their condition can be measured as well as the cost of various kinds of help to improve their condition. Summaries of these reports follow.

--"Conditions of Older People: National Information System Needed" (HRD-79-95, Sept. 20, 1979).

This report is the second of two on the well-being of older people in Cleveland, Ohio. The first report, issued in 1977, described the services designed to help older people and discussed the type of help they received from others.

This report shows that the conditions of older people can be measured as well as the cost of various kinds of help and the effects of this help on the condition of older people.

The report concludes that, since it is possible to measure and evaluate the above factors, development of a national information system is feasible and necessary to design and plan for delivery of services to older people.

HHS estimates that such a system will save at least \$100 million through better planning and allocation of resources.

- "The Potential for and Cost of Congregate Housing for Older People" (HRD-80-8, Oct. 15, 1979).

This is one of two reports which uses information obtained from our study of the personal conditions of the elderly in Cleveland, Ohio. It provides statistical information on the uses and cost of congregate housing and on the condition of the elderly living in such housing compared with those living in private housing.

- "Conditions and Needs of People 75 Years Old and Older" (HRD-80-7, Feb. 8, 1980).

This is the second report based on our Cleveland study and contains information on the well-being of people 75 years old or older, their need for services, and cost of providing services to these people.

- "Comparison of Well-Being of Older People in Three Rural and Urban Locations" (HRD-80-4, Feb. 8, 1980).

This report compares the personal conditions, need for services, and sources of services for elderly living in three locations--rural northeastern Kentucky; rural and urban Lane County, Oregon; and Cleveland, Ohio. Data included in the report are taken from three separate studies which all used the Older Americans Resources and Services questionnaire of people 65 years old and older.

- "Comparison of Data on Older People in Three Rural and Urban Locations (HRD-80-83, May 23, 1980).

This report was the result of a request from the Federal Council on Aging for information in specific areas, including transportation, housing, employment, and income for older people living in rural and urban areas. We used information from our data base on people living in Cleveland, Ohio, Lane County, Oregon, and Northeastern Kentucky.

### Current studies

We expect to make recommendations which will improve the delivery of services to the elderly. More specifically, we expect to encourage AOA to improve the operation of specific programs mandated by the Older Americans Act. We also expect to make recommendations to reduce program cost and increase efficiency by either consolidating or eliminating those local aging units which are small and poorly funded.

In addition, we anticipate that our work will provide information and assistance during the reauthorization hearings on the Older Americans Act and also for the White House Conference on Aging to be held in December 1981.

--Review of State and area agencies' management of social services grants and contracts under title III of the Older Americans Act--This review focuses on the need for better monitoring and management controls at both the State and area agency level to assure that grants and contracts to service providers are being managed efficiently.

--Review of the Older Americans Act Program Coordination With Other Programs--This review will examine how well the National Network of State and area agencies on aging is fulfilling its responsibility to provide a comprehensive, coordinated service delivery system for the elderly. We will focus on characteristics of those State and area agencies which have been successful and recommend changes to strengthen the aging network.

### WHAT CAN BE DONE TO IMPROVE THE ADMINISTRATION AND MANAGEMENT OF THE TITLE XX SOCIAL SERVICES PROGRAM?

OHDS provides a wide range of social services to special populations, including children, youths, older Americans, the physically and mentally handicapped, the developmentally disabled, and native Americans.

Federal funding for human service programs has grown from \$200 million in 1965 to more than \$5.8 billion today. OHDS works through its four principal elements--administrations for: children, youth, and families; aging; developmentally disabled; and native Americans--3 staff offices, and 10 regional offices.

Human services include social services which are funded under title XX of the Social Security Act and provided to the four target populations. Before May 18, 1980, they had been handled by the

Administration for Public Services. Effective on the May date, the title XX responsibilities were assumed by the 4 program elements and the 3 staff offices.

OHDS provides executive direction and policy guidance; develops program standards, guidelines, and regulations; interprets regulations, procedures, and policies; and provides technical assistance to grantees--local, State, and nonprofit organizations--who are involved in the planning and delivery of social services and human development programs.

The increasing demand for services, coupled with the limited amount of available funds, requires that resources be used most effectively to meet the range of needs of individuals and families.

#### Objective and strategy

Our objective is to identify areas in which OHDS can improve its administration and management of the human services program. We will review OHDS administrative and management practices which appear to have potential in terms of budget or cost savings, as well as those which have potential for making the operations of the social services programs more efficient. We anticipate looking at aspects of the Title XX program which cross target population lines. Our attention will focus on the overall operation of the program, including OHDS' efforts to contain program costs and to measure program effectiveness. The following questions will be considered:

1. To what extent are title XX funds used to cover administrative costs?
2. Can the effectiveness of various social services be measured and such measures be used to allocate resources among competing services?
3. To what extent do title XX contractors receive duplicate payments?
4. Is title XX's training program achieving its objectives?
5. Can the OHDS' administration and management of its human services programs be improved?

#### Recent reports

We issued a report entitled "Federal and State Actions Needed to Overcome Problems in Administering the Title XX Program" (HRD-81-8, Oct. 29, 1980), which provides an indepth review of title XX contractor activities, giving special attention to inhouse services



for the elderly. We recommended that HHS encourage States to modify their contracting procedures and to institute a system to monitor quality and quantity of contracted services to the elderly.

#### Current studies

Our work will show where improved administration and management will result in economies and efficiency of operations. Summaries of these studies follow.

- Review of the Transfers of Social Service Program Costs From Title XX to Titles IV-A and XIX--This review is concerned with the transferring by States of social service program costs from title XX of the Social Security Act to other titles of the act. We are determining the extent and magnitude of these transfers and whether intertitle transfers violate the intent of title XX.
- Measuring the Effectiveness of Title XX Services--Billions of dollars in Federal funds are provided for title XX social services, yet HHS lacks a formal system for measuring the effectiveness of those services, and thus a basis for allocating funds among competing services. The objectives of this survey will be to determine (1) why HHS has not established a system to evaluate title XX effectiveness, (2) how the States are allocating funds to the different social services, and (3) whether a cost-effective system can be implemented.

#### WHAT PROBLEMS HAVE RESULTED FROM THE DEINSTITUTIONALIZATION OF HANDICAPPED INDIVIDUALS?

The Nation's commitment to attend to the problems and needs of the mentally retarded and others having related disabilities is manifested in a myriad of human service programs at the national, State, and local level. Programs providing a broad spectrum of services at each life stage are now available for this once neglected population. Yet segments of the disabled population are not getting the services they need. Most vulnerable are the developmentally disabled.

The actual number of developmentally disabled persons is unknown; however, the major group comprising this population is the mentally retarded. Because the developmentally disabled are difficult and costly to serve, they often tend to be overlooked or excluded in the plans and programs of general and specialized service agencies.

Although programs for the developmentally disabled have existed for decades, it was in the early 1960s that the Federal

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Government provided a renewed emphasis on the needs of this population. In 1963 the Congress created the first Federal categorical construction program for the mentally retarded. In 1970 the Congress amended the legislation and set planning and services as major areas of emphasis over construction. It also broadened the target population to include more than the mentally retarded. In addition, the Congress established deinstitutionalization as a major goal of developmental disabilities programs. In 1975 the legislation was again amended and two new developmental disabilities programs were created. Deinstitutionalization remained a priority of the programs. Amendments to the legislation in 1978 again broadened the definition of developmental disability. The 1978 amendments also recognized that persons with developmental disabilities very often are not receiving the services which they need and to which they are entitled.

In 1963, the Government undertook a new approach to improve the care and treatment of the mentally disabled. This new approach involved starting a series of programs to stimulate and support an array of community services, as alternatives to institutional care, which enable mentally disabled persons to remain in or return to their communities and be as independent and self-supporting as soon as possible. This approach has been referred to as "deinstitutionalization." Deinstitutionalization is based on the principle that mentally disabled persons are entitled to live in the least restrictive environment necessary and lead their lives as normally and independently as they can.

While conducting fieldwork relating to our February 20, 1980, report "How Federal Developmental Disabilities Programs Are Working," several State officials indicated that the problems we identified in our 1977 report may still exist and some may have worsened. In an ongoing review of the effectiveness of the vocational rehabilitation program in serving the handicapped and also in a study of the role of sheltered workshops in serving the handicapped, some other negative effects of deinstitutionalization were noted.

#### Objectives and strategy

Our overall objective will be directed at determining the problems resulting from "deinstitutionalization," how well "deinstitutionalization" has worked, and how it can be improved. Our strategy will be to work on a single review, which will focus on actions for improving the mentally disabled persons' chances for successfully returning to or remaining in their communities. The following questions will be addressed:

1. What problems have States encountered in developing alternatives to institutional care?

2. What problems have States encountered in providing an array of coordinated community-based services to mentally disabled individuals who would otherwise be institutionalized?
3. Have prescribed services been provided to persons released from institutions?
4. Have Federal programs encouraged or hampered deinstitutionalization?
5. Have Federal efforts to monitor, evaluate, and coordinate deinstitutionalization efforts been adequate?
6. Have Federal requirements placed on States concerning deinstitutionalization been adequately enforced?

#### Current studies

We anticipate that our future work will highlight the problems which still exist for the mentally disabled, especially those associated with Federal efforts to help States serve these persons in the community rather than in institutions.

--Review of the Effect of Deinstitutionalization on Mentally Disabled Individuals--This review will identify the problems hindering effective deinstitutionalization and will recommend solutions to those problems.

#### HOW CAN FEDERAL PROGRAMS FOR CHILDREN AND FAMILIES BE MORE EFFICIENT AND EFFECTIVE IN HELPING OVERCOME THE PROBLEMS CONFRONTING "AT RISK" CHILDREN AND NEEDY FAMILIES?

Children and families in the United States are currently experiencing unprecedented changes in composition and interrelationships which have helped to intensify already existing family problems. This in turn has created increased burdens on the Federal and State governments and public and private service agencies to fund social service programs designed to overcome or ameliorate these problems. Generally these programs provide child and family protective services, such as day care, foster care, transportation, nutrition, counseling, rehabilitation, adoption, homemaker, personal care, socialization, recreation, and assistance with child abuse and other family violence problems.

With inflation increasing the cost of social service programs and limited Federal funding available for these programs, it is imperative that ways be found to (1) prevent the problems, (2) make the Federal programs more effective in dealing with these problems, and (3) use the funds available for these programs more efficiently.

The Federal Government funds numerous social services programs that are directed toward improving the quality of life of children and families. However, concern has been expressed by the Congress, the press, constituent groups, advocacy and public interest groups, professional organizations, and the general public as to whether the programs are (1) needed, (2) accomplishing their intended objectives, (3) adequately coordinated with other Federal programs that have an impact on children and families, (4) worth the funds expended, and (5) administered efficiently. Equal concern has been expressed as to whether the programs are (1) adequately funded, (2) sufficient in number, and (3) comprehensive enough in scope to address the problems experienced by children and families.

### Objectives and strategy

Our objective is to identify methods States can use to reduce the cost of providing suitable services to target populations and increase the effectiveness of the services provided. Our strategy will be to review those aspects of the federally funded programs that appear to have potential in terms of budget and cost savings. We will also devote our attention to determining methods by which States can improve services to their target populations. The following questions will be considered:

1. How well are the Federal and State foster care and subsidized adoption programs impacting on and overcoming problems experienced by foster care children and their families?
2. How are the Federal and State social services programs dealing with teenage prostitution and child pornography?
3. How can day care programs be improved to better serve the children in need of such care?
4. Can family social services programs be better designed, funded, coordinated, and administered to help prevent or reduce family problems?

### Recent reports

The following are recent reports we have issued and a brief narrative of problems identified and recommendations made.

- "State Programs for Delivering Title XX Social Services to Supplemental Security Income Beneficiaries Can Be Improved" (HRD-79-57, Apr. 22, 1979).

SSI beneficiaries had unmet needs for social services. The report recommended HHS action to (1) encourage States to operate outreach programs for the elderly and to develop

standards governing the delivery of adult services and (2) improve coordination between programs under title III of the Older Americans Act and title XX of the Social Security Act.

--"Guyana Tragedy Points to a Need for Better Care and Protection of Guardianship Children" (HRD-81-7, Dec. 30, 1980).

This report deals with the children that died in the Peoples Temple tragedy in Guyana and the many questions the tragedy raised about the adequacy of protection afforded children under the guardianship of adults not related to them. We recommended that the Department of State establish procedures for reviewing passport applications for guardianship children. Furthermore, we recommended HHS action to (1) increase the protection afforded California guardianship children and make sure they are not placed in homes with more children than can be adequately cared for and (2) recover Federal overpayments to States for guardianship children not eligible for foster care maintenance assistance.

--"Action Needed to Avert Future Overpayments to States for AFDC Foster Care" (HRD-81-73, Apr. 20, 1981).

This report shows that New York and California--which received more than half of the \$226 million paid to States in 1978--were reimbursed improperly for several types of costs. Payments made during 1978 will be used as the basis for determining allotments to States for fiscal years 1981-84. The report recommended HHS action to (1) promptly audit fiscal year 1978 reimbursements to States under the AFDC foster care program to identify any unallowable costs, determine the correct level of fiscal year 1978 Federal reimbursements, and recover unallowable costs and (2) recover overpayments made to New York City for unallowable administrative costs.

#### Current studies

Our work in this area should enable us to provide the Congress and the administering agencies with information aimed at improving the efficiency and effectiveness of many programs directed toward improving the quality of life for children and needy families. Summaries of these studies follow:

--Review of the Administration and Management of Head Start--  
While the program is considered successful by many evaluators, this review addresses management improvements which could enhance its effectiveness.

--Review of Federal, State, and Local Governments' Efforts to Prevent and Reduce Teenage Prostitution and Child Pornography--We will review the extent and coordination of Federal, State, and local efforts as well as the administration of existing programs designed to deal with teenage prostitution and child pornography.

--Review of the Actions Taken by the Department of Health and Human Services to Implement the Recommendations Contained in our April 29, 1980, Report "Increased Federal Efforts Needed to Better Identify, Treat, and Prevent Child Abuse and Neglect"--The Chairman, Subcommittee on Select Education, House Committee on Education and Labor, during December 1980 hearings on our report, requested GAO to conduct a followup review which will discuss the progress and effectiveness of HHS' implementation of our recommendations.

HOW EFFICIENT AND EFFECTIVE ARE THE  
FEDERAL REFUGEE PROGRAMS IN RESETTLING,  
ASSIMILATING, AND ACHIEVING ECONOMIC  
SELF-SUFFICIENCY FOR THEIR TARGET  
POPULATION?

The general public has become increasingly aware of the large influx of refugees that have entered the United States and has expressed concern about the cost of providing public assistance to these refugees. Both the public and private sectors are concerned about the overall impact of the refugees on the job market in view of the condition of the economy. Conversely, there are others who believe that the refugees are not receiving adequate job training and assistance to enter our society. Because of public concern, there has been considerable congressional interest in making the refugee programs operate more efficiently and effectively.

One of the goals of the Refugee Act of 1980 is to promote the economic self-sufficiency of the refugees. To become self-sufficient, many refugees now entering the United States need job placement and/or training services, often accompanied by supportive social services. The demand for these services is likely to increase substantially in the foreseeable future as greater numbers of less skilled and less educated refugees are entering the United States now as compared with 5 years ago. Presumably, it will take these refugees longer to become self-sufficient than the earlier arrivals because their needs are greater. A recent HHS study found that few recently arrived refugees are receiving these services and that most are living in marginal circumstances and are trapped in the secondary job market. The Department of State estimated that about 234,000 refugees would be admitted into the United States in fiscal year 1980. However, this estimate was made before the full extent of the Cuban refugee influx was known. Refugees of all nationalities who enter the United States face many problems in their struggle to adjust to a new land and become self-sufficient,

contributing members of society. Federal, State, and local government expenditures were estimated at \$1.7 billion for fiscal year 1980 and \$2.1 billion for fiscal year 1981. Again, these estimates were made prior to the large influx of the Cubans.

Major problems encountered in refugee resettlement include the inadequacy of public assistance, social services, and job training programs, language barriers, employment, housing, transportation, health, and cultural adjustment problems.

#### Objectives and strategy

Our overall objective will be to assess the impact of Federal policies and programs on expediting refugee resettlement and helping the refugees achieve self-sufficiency. We also plan to assess the management and administration of refugee assistance programs to determine what improvements may be necessary to more efficiently and economically meet the needs of the refugees. To accomplish these objectives, we plan to focus our efforts primarily on refugee public assistance and social services programs. The specific questions that will be addressed are:

1. How can public assistance for refugees be more effective in helping them achieve self-sufficiency?
2. What further efforts can be made in job training and social services to enable refugees to become self-sufficient?
3. What should be done to reduce refugee health problems which hinder refugee efforts to become self-sufficient and pose a threat to public health?
4. How effective are English training and related educational programs in preparing refugees for productive lives in the United States?

#### Current studies

We anticipate that our work will result in recommendations to alleviate many of the inadequacies in the refugee social services programs which hinder refugee resettlement. In addition, our work should provide the Congress with updated and timely information needed to formulate new refugee policy or revise current policy to help expedite refugee resettlement and self-sufficiency. Summaries of these studies follow.

--Survey of Refugee Resettlement Contracts and Grants--Our work will focus on the Office of Refugee Resettlement's award and administration of its contracts and grants to determine whether the Office is managing its contracts in such a way that services are provided to refugees which benefit them the most at the least cost to the Government.



--Survey of Federal and State Management of Refugee Assistance Programs--Our work during this survey will determine whether the Refugee Act of 1980 has resulted in a coordinated services program for refugees at the Federal, State, and local level.

DO FEDERAL AND COMMUNITY EFFORTS PROVIDE  
REASONABLE ASSURANCE THAT AVAILABLE  
RESOURCES ARE SAFEGUARDED AND USED  
TO MEET THE NEEDS OF THE POOR?

Over the last decade, the strategy for alleviating the problems of poverty has focused on placing more reliance on local initiative. A key element of this strategy has been a deemphasis of rigid Washington controlled programs and an emphasis on the creation of community-based organizations to mobilize and administer Federal, State, local, and private sector resources for meeting the needs and interests of the poor. While it is likely that community-based organizations will continue to be emphasized, concerns have been expressed from congressional sources about the capability of these community organizations to properly manage the large resources--about \$1.6 billion annually--made available to them. Similar concerns have been expressed by representatives of State and local governments and the public. In a report issued by the House Committee on Government Operations on its review of CSA, it expressed concern over the administration of grant funds. The Committee's review identified examples of disregard by grantees of policy guidelines and negligence on the part of the grantees with regard to the use and control over the funds provided. Also, our prior reviews have disclosed a pattern of ineffective actions taken at all levels--Federal, State, county, and local community agencies--to improve program performance.

Objectives and strategy

Our objective will be to determine whether Federal and community efforts provide reasonable assurance that available resources are safeguarded and used to meet the needs of the poor and to identify areas where Federal agencies can provide greater assurances that their funds and other resources are being effectively used by community-based agencies to achieve program objectives.

Initially we will concentrate our efforts on how well Federal agencies have structured their headquarters and field organizations to interrelate with the State, county, or community agencies responsible for carrying out the programs at the local level. Because of the trend toward deemphasizing rigid Washington controlled programs, a key element of this strategy will be examining how the Federal agencies and the Congress perceive what the Federal responsibilities are for assuring that the Government's funds are being effectively used to accomplish program objectives. After

this has been accomplished, we will direct our efforts to reviewing how well community-based organizations have fulfilled their program responsibilities to the Federal agencies and to the community as a whole.

The specific questions that will be addressed are:

1. Have the Federal agencies provided adequate guidelines and technical assistance to community-based agencies to allow them to manage the resources provided?
2. Are the activities of these local agencies adequately monitored and evaluated?
3. Have the Federal agencies in community-based agencies met their responsibilities for developing and effectively administering programs to meet the needs of the poor?

#### Recent reports

Under this issue, the following reports were issued:

--"Meeting Winter Heating Bills for Needy Families: How Should the Federal Program Work? (HRD-79-12, Apr. 26, 1979).

Under the CSA Special Crisis Intervention Program, States were to make sure that households with the greatest needs were served first and that priority was given to the elderly. Due to time constraints on evaluating State plans, CSA had limited input into the control procedures that were adopted by the States, and many State plans were approved without fully responding to all CSA requirements.

State and local project officials were unable to establish effective controls for assuring applicant eligibility or for preventing duplicate payments on behalf of participants.

We found that projects in two States visited were paying for summer utility bills. Four of the six States in our review were unable to provide adequate administrative funds to support local project operations.

We found that CSA guidelines and criteria were not clear, with the result that State allocations to local projects varied among the States. Eight States designated no specific priority system. Others adopted different priorities. With different priorities in use, CSA could not be assured that local programs were alleviating crisis situations and servicing households with the greatest need.

- "Alleged Financial Irregularities at the Upper East Tennessee Human Development Agency (UETHDA); Kingsport, TN" (HRD-80-68, Mar. 10, 1980).

This report concerns problems others identified at the Agency and actions taken or planned to correct these problems. The State audit and the CSA investigation (which we basically summarized in our report) disclosed questionable financial practices. These practices involved making retroactive lump-sum payments to certain UETHDA officials from a pension fund established without CSA approval, advancing vacation pay and salaries to certain employees, and making interest-free loans to employees. The State audit also identified numerous deficiencies in UETHDA program management.

- "Decisive Government Action Needed To Resolve Problems of Community Action Programs in Los Angeles" (HRD-79-91, June 11, 1979).

The report discussed the effectiveness of Federal and local initiatives to correct management and financial problems in the Greater Los Angeles Community Action Agency (CAA) and the usefulness of Federal procedures available to address identified issues of mismanagement.

- "Review of Legal Services Corporation Activities Concerning Program Evaluation and Expansion" (HRD-80-103, Aug. 28, 1980).

This report noted that LSC needed to improve its monitoring and evaluating activities to provide greater assurance that grantees meet program requirements and objectives. Pending the development of accepted standards for measuring the quality of service, LSC should have more extensive contacts with individuals and organizations in the community served to obtain additional information to better assess the quality and impact of services provided. This review also dealt with the extent to which LSC grantees have developed and implemented priorities for providing legal services so that the most prevalent needs of the community served are met, LSC's activities provided by its grantees conformed to the needs of the poverty community, and LSC's procedures to assure itself that only eligible clients are served.

We recommended that LSC take certain actions to assure itself that grantees are setting and establishing service priorities and procedures for verifying client eligibility.

- "Opportunities Are Available for Action to Enhance Older American Volunteerism" (HRD-80-58, Mar. 7, 1980).

This review focused on the characteristics and accomplishments of the Older American Volunteer program (OAVP), the volunteers' satisfaction with project activities, the procedures for referring applicants to other programs when ACTION programs are filled, the efforts made to promote additional opportunities for older American volunteers and the organizational structure of individual older American volunteer projects. Among our recommendations were ACTION should (1) develop and implement procedures and practices for referring elderly applicants who cannot be placed in ACTION programs to other volunteer opportunities in the communities and (2) establish formal procedures to encourage the use of joint sponsorship of OAVP projects to more effectively match community needs and volunteer interests.

#### Current studies

We plan to emphasize studies that will determine whether Federal and community efforts provide reasonable assurance that available resources are safeguarded and used to meet the needs of the poor. We expect to identify problems in the relationships between Federal, State, county, and community organizations to carry out poverty programs at the local level. Also, we plan to begin to look at how well Federal and community-based agencies are developing programs to meet the needs of the poor.

Although we have identified a number of studies that would be necessary to meet the objectives in this area, recent administration initiatives have made uncertain the future existence and/or structure of CSA, LSC, and ACTION. Therefore, the start of work in this area will be delayed until the status of these agencies is clarified and we can better assess the feasibility of future efforts.

## CHAPTER 7

### CAN SYSTEMWIDE MANAGEMENT STRUCTURES, PROCESSES, STANDARDS, AND IMPACTS BE BETTER COORDINATED AND MADE MORE CONSISTENT?

In our report "U.S. Income Security System Needs Leadership, Policy, and Effective Management" (HRD-80-33, Feb. 29, 1980), we argued for the adoption of a "systems view" (rather than the existing program-by-program focus) for planning, management, and evaluation of Federal and federally assisted income transfer policies and programs. This conclusion was based upon an extensive review of the many duplicative and inconsistent interrelationships among individual programs and among their management structures, processes, standards, and impacts. The pervasiveness, persistence, and budgetary consequences of the problems identified in this report were underscored by a number of other completed and ongoing GAO studies dealing with multiprogram problems or with incremental streamlining and consolidation of particular programs.

Based on the recurrent findings, and on the widespread concern about these matters expressed in the recent national election campaign, we believe it appropriate to designate an area of concern focusing on fundamental systemwide issues and problems. Our objective in establishing this area is to provide a framework for timely, integrated, indepth analyses of basic systemwide policy and management dysfunctions, most of which have resulted from the sheer growth of these programs over the last 20 years. A primary focus of our work will be areas where the current system has administrative and cost/effectiveness weaknesses.

Our strategy for accomplishing this objective will be to address the issues and problems associated with

- coordination of program management structures and processes,
- consistency and appropriateness of standards for assistance, and
- lessons to be learned from foreign systems.

The key element in this strategy is our initiation of a broad program planning survey involving several headquarters and regional units. The survey will serve two purposes. First, it will provide--to the new administration, the Congress, and the Comptroller General--a comprehensive analysis of areas where we and other analysts believe opportunities exist for far-reaching, systemwide improvements in processes, standards, and related cost

savings. Second, it will provide focus, guidance, particularization, and ordering of our planned work.

#### CAN SYSTEM MANAGEMENT STRUCTURES AND PROCESSES BE BETTER COORDINATED?

The numerous income security/social services programs share the common goal of providing or supplementing income or needed social services to individuals and families. Despite this, each program or set of programs continues to be managed as a single entity, a variety of methods are used both to deliver and finance benefits in their diverse forms, and there is a lack of comprehensive data about the programs and their recipients. It currently is not possible to determine with accuracy how much assistance is received by whom, where, for what purposes, and from which programs, or the extent and cost of duplicative management processes. Such information, and rational structures and processes based thereon, are essential for efficient system management and effective cost control, as well as to assure that financing mechanisms will not prove inadequate or overly burdensome.

#### Objective and strategy

Our objective will be to provide analyses of major interprogram coordination approaches which might yield substantial cost savings. Our strategy for accomplishing this objective will be based on the program planning survey and involve the following questions:

1. Can costs be reduced by adopting more uniform application procedures across programs?
2. Can costs be reduced by combining different programs' local facilities?
3. Would more comprehensive, accurate data about persons participating in multiple programs allow better targeting of assistance?
4. Could costs be reduced by replacing separate Federal/State/local program administrative networks with more uniform integrated financing and delivery systems?

#### Current studies

We anticipate identifying major cost savings areas through assessing alternatives to the present system's fragmentation of administrative processes. We also anticipate providing policymakers with a clearer understanding of problems that diverse Federal/State/local patterns of program financing, delivery, and support data systems pose for achieving efficiency and fiscal soundness.

--Continuing Analysis of Previously Identified Problems to Plan and Prioritize Follow-on Work--For internal use only except, as requested, to provide assistance in framing legislative policy statements.

--Program Planning Survey of Systemwide Issues and Problems-- As discussed earlier this study will provide a timely, in-depth overview of several key problems for the new administration, the Congress, and the Comptroller General, and will serve to focus and guide the other assignments in this area by providing a common base of knowledge for the operating units involved.

#### ARE SYSTEM STANDARDS SUFFICIENTLY CONSISTENT AND APPROPRIATE?

Agencies frequently use inconsistent and questionable standards for determining program eligibility. That is, regulations (or enacting legislation) often define poverty and measure the relative degree of need differently. Sometimes different standards are used for the same need (e.g., housing, medical care). As a result, similarly situated families in the same localities can receive differing amounts of assistance from different programs.

In addition to questions of equitable treatment, agencies spend substantial resources developing and revising the standards. Also, due to program interactions, changes in one program's standards can result in unintended, uncoordinated consequences for another. Work disincentives, in turn, can be created for some recipients while others can lose a part or all of their benefits. A key concern is the relationship between insurance entitlements and income-conditioned benefits. Because of the number of programs involved and the complexity of their interrelationships, the full nature and magnitude of these problems are not understood.

#### Objectives and strategy

Our efforts will be directed at improving policymakers' awareness of critical problems posed for the system because of its different standards of assistance. Specifically, we hope to demonstrate, through analyses of alternative approaches, those areas where cost savings might result from greater consistency and coherence in standards.

We plan to address the following questions:

1. What differences exist between definitions of poverty or need in Income Security/Social Services programs?

2. What problems would be associated with using uniform standards of need?
3. What is the general nature and extent of work disincentives in public assistance programs?
4. What effect would adopting a wage rate subsidy approach have on stimulating work incentives in the system?
5. What have income maintenance experiments determined and how have their results been used?
6. How does the social security cost-of-living increase affect retirees' other benefits?
7. What effects on means-tested programs' costs and rolls would result from reducing or eliminating public assistance aspects of social insurance?
8. What are the relationships between different programs' eligibility rules and benefits?

#### Current studies

We anticipate providing the Congress with major analyses of different programs' need standards and approaches to dealing with the issue of work incentives which have become major, and controversial public policymaking issues during this period of general economic downturn. This work, together with that directed at identifying the interactions of different programs' eligibility and benefit rules, will enable us to provide the Congress with cost analyses of major alternatives to the current inconsistent relationships between means-tested and insurance entitlement programs. Summaries of these studies follow.

- Review of Need Standards in Income Transfer Programs--We are identifying the different standards of need or "poverty lines," which exist among different programs serving the same populations.
- Review of Work Disincentives in Public Assistance--We are providing an overview description of how the various benefit structures of different programs, and their interplay with the economy, may create disincentives for recipients to seek employment.
- Review of Income Maintenance Experiments--We are analyzing the conduct, results, reporting, and uses of the major "guaranteed income" experiments made over the last 14 years by the Federal Government.



--Review of the Impact of the 1980 SSA Cost-of-Living Increase on Hawaiian Retirees' Other Benefits--We are analyzing to what extent retired persons were financially worse off after receiving the Social Security cost-of-living increase, because of offsetting benefit losses from other programs.

WHAT LESSONS MIGHT BE LEARNED FROM OTHER INDUSTRIAL DEMOCRACIES' SYSTEMS?

By comparison with other countries' systems, the U.S. income security/social services system is relatively young. We believe valuable lessons can be learned from studying the experiences of other countries.

Although many of the issues now faced by the American system are peculiar to our own social and economic values and institutions, historically other countries have faced similar difficulties in managing their systems. As the concern over problems in the U.S. system continues to grow and suggestions for alternatives are put forward, we believe it is important for the Congress to have a perspective about how similar issues have been dealt with--both successfully and unsuccessfully--by other countries. We will concentrate our work primarily on older systems of other industrial democracies. Countries likely to be included would be Sweden, West Germany, Japan, Canada, France, Great Britain, Australia, and Italy.

Objectives and strategy

Our objectives will be to develop a comprehensive view of other democracies' systems with respect to issues and problems we are addressing in our various analyses of the U.S. system. That is, in a parallel fashion, we will address how they treat or have treated problems of management structure and processes, standards and program impacts.

We anticipate utilizing a wide body of data compiled over the last several years by the Office of Research and Statistics, Office of Policy, SSA, and other public and private research groups that have examined foreign systems in detail. These data have never been analyzed from this perspective, and we believe it may be quite helpful to policymakers here.

We anticipate addressing the following specific questions in our work:

1. What similar problems have other industrial democracies faced in their income security/social services systems?
2. What solutions (or reforms) have been tried and to what extent have they been effective?

We plan to provide an analysis of alternative approaches, based on foreign experiences, for the Congress to consider in its upcoming income security reform deliberations. This analysis will rely greatly upon an assessment of situations regarding program coordination that have the greatest parallel to our own.

## CHAPTER 8

### ARE INTERNAL AGENCY OPERATIONS

#### AND RESOURCES BEING MANAGED

#### EFFICIENTLY AND ECONOMICALLY?

The effectiveness of the Federal Government in meeting the needs of the American people depends not only on the level and type of services the Government provides, but also on how well it provides them. Lately, the efficiency of the various income security and social services agencies has been subjected to unusually intense attention because of the allegation that literally billions of dollars are lost due to administrative error, mismanagement, and fraud.

The following organizational and procedural problems are most often cited as the principal causes of agency inefficiency:

- Inadequate motivation and management of the Federal work force.
- Excessive and burdensome regulations.
- Organizational confusion and duplication.
- Administrative complexity involving paperwork, redtape, and delay.
- Lack of planning and developing long-range goals and policies.
- Neglect of program review and evaluation.

While previous chapters discussed efforts to improve individual program performance, the thrust of this chapter is directed more toward improving the overall management, organization, and direction of the administering agencies.

Our overall objective is to identify the extent to which internal agency operations and resources are being managed efficiently and economically. Such actions, for example, as eliminating unnecessary management levels or combining common administrative support functions can reduce overhead and other unnecessary support costs and free resources to improve service delivery. While there are several departments and agencies that manage Income Security and Social Services programs, initially we have chosen to develop this area by concentrating on SSA.

HOW WELL IS SSA ORGANIZED, STAFFED,  
AND EQUIPPED TO MEET PRESENT  
AND FUTURE PROGRAM DEMANDS?

SSA is a multifaceted organization administering social insurance and social welfare programs as well as operational systems supportive of the programs of other agencies. SSA functions touch the lives of almost every American. Over 260 million social security numbers have been issued; over 100 million people currently work on jobs covered by social security; and all but a few American families are affected in some way by programs that SSA administers or supports. The basic social security benefits include RSDI, SSI, AFDC, LIEA, and CSE. SSA also provides substantial support to programs administered by other Government agencies. These include Health Insurance (Medicare), Black Lung Benefits, Special Energy Allowance, Food Stamps, and special assistance programs administered by State and local offices.

Personnel, facility, and other administrative costs currently exceed \$2.5 billion annually. SSA has a full-time permanent staff of about 75,000. In addition, SSA employs about 14,000 part-time and temporary employees and uses about 5,000 staff years of overtime annually. Management and operational activities are carried out by SSA's central office in Baltimore, Maryland, and its 10 regional offices, 1,350 district/branch offices, 33 telecommunication service centers, 6 program service centers, and data operations centers located throughout the Nation.

The sheer size of the operation--some of which is done through highly sophisticated computer equipment and others through antiquated manual procedures--the large number of complex and fragmented programs, the decentralized nature of its operations, and the high turnover of top managers have made it difficult for SSA to carry out its programs in an efficient and effective manner. To cope with these problems, SSA has undergone three major reorganizations since 1975, the latest along functional lines.

It is questionable whether the present organizational structure is the most cost effective for meeting the day-to-day challenges of SSA's ever increasing workload and responsibilities. For example, newly created offices responsible for providing administrative and management services, support and oversight, and direction to the major portion of SSA field employees involved in the day-to-day operations do not have clearly defined responsibilities. This has created an environment in which thousands of headquarters employees are not certain of their roles and responsibilities or of the authority they have to implement specific procedures. In addition, service delivery delays are still being experienced, and many of SSA's basic tasks are still labor intensive, cumbersome, and prone to errors. Moreover, management information and quality reviews that might identify ways to improve operations are either lacking or not used.

In July 1980, a former Assistant Commissioner at Social Security prepared a report to the National Commission on Social Security about recent reorganizations and related administrative problems. The report stated that SSA is today an ailing mechanism for the administration of the social security programs. Following are a few examples of the problems identified.

- The organizational structure lacks program administration emphasis. The aims and objectives of the statutory programs lose their sharp focus in a widely spread out functional organization.
- Functionalization has so flattened out the organization and fragmented it, spreading authority around, that almost everything of significance has to go to the Commissioner for decision.
- Technically, the Commissioner is responsible for the direction of the 10 Regional Commissioners, but he could not possibly do so without staff dedicated for this purpose. Absent day-to-day direction creates the risks that the national Social Security program may begin to take on variant regional forms.
- SSA is in fact losing its esprit-de-corps and style. Some of this is due to the organizational de-emphasis of the Social Security program and the focusing of efforts on so-called functions. Others reflect failures of leadership.

Many of the above problems have surfaced in our work over the past 5 years as discussed in the remaining sections of this chapter.

#### Objective and strategy

Our objective is to determine whether SSA's organizational structure and approach to resource allocation and utilization effectively and efficiently contributes to its mission of providing high quality service, containing costs, maintaining secure records, and enhancing the public's understanding of rights and responsibilities under its various programs.

We anticipate looking at different aspects of SSA's operations--internal organizational and procedural matters--related to the overall management and direction of SSA, without being confined to any specific single program. The following questions will be considered:

1. Which processes are incurring the largest amount of administrative costs and are they being operated efficiently?

- a. Could the costs of administrative processes be reduced by increased training and changes in staffing (grade and/or mix)?
  - b. Can changes in staff support and procedures reduce the costs of some administrative processes?
  - c. Can rearrangements of responsibilities, authorities, and locations reduce the cost of administrative processes?
  - d. Is there a need to develop performance criteria for improving quality of service and employee productivity?
2. Are there manual processes which could be performed at less cost by automation?
  3. Can SSA's records management procedures and processes be improved?
  4. Are SSA program evaluation efforts accomplishing their intended goals?
  5. Are support services--controlled from the SSA central office, such as payroll, purchasing, supplies, research, statistical functions, and budgeting--effectively managed?
  6. Does SSA have reliable management information systems and how useful are the systems?
  7. Are computer resources being properly allocated to achieve optimal use of automated systems?

Because we want to focus on the most important areas, our initial effort will be to identify those key processes that have the greatest potential to improve program operations and reduce program and administrative costs.

#### Recent reports

The following reports were issued under this area:

- "SSA Needs to Develop a Structured and Planned Approach for Managing and Controlling the Design, Development, and Modification of Its SSI Computerized System" (HRD-80-5, Dec. 16, 1979).

The report to the Secretary pointed out that internal control weaknesses resulted because SSA had no structured and

planned approach to making changes in its SSI computerized system and that similar weaknesses were noted in the RSDI system redesign efforts. GAO recommended several actions that should be taken by SSA to improve weaknesses identified.

- "Social Security Needs to Better Plan, Develop, and Implement its Major ADP Systems Redesign Projects" (HRD-81-47, Feb. 6, 1981).

SSA undertook a major project to redesign the computerized systems it uses in administering the RSDI and Health Insurance programs. Although substantial effort and resources were invested in this project, it was largely unsuccessful. Deficiencies in redesigned computer programs resulted in many beneficiaries receiving incorrect benefit payments and confusing payment notices.

Inadequate planning and management of the project and deficiencies in SSA's system modifications process were primary reasons that it was not successfully completed. These weaknesses apparently occur throughout SSA's computerized systems. The report contains several recommendations to correct the problems Social Security encountered on the systems redesign project.

- "Social Security Administration Needs to Continue Comprehensive Long Range Planning" (HRD-79-118, Sept. 20, 1979).

In a 1976 report, we recommended and SSA agreed that a comprehensive long-range planning effort was needed. This was necessary to assure SSA, the public, and the Congress that program integrity would be maintained.

In 1979 SSA announced a reorganization to improve its operating efficiency and services to the American public. However, the reorganization did not provide for continuing development of comprehensive long-range plans which would identify future SSA responsibilities and operational goals and objectives.

We recommended that the Commissioner of SSA assign responsibility for long-range planning to a single component reporting directly to the Commissioner.

- "Reissuing Tamper-Resistant Cards Will Not Eliminate Misuse of Social Security Numbers" (HRD-81-20, Dec. 23, 1980).

We reviewed Social Security's plan to reissue social security cards on tamper-resistant paper. Because individuals are altering, reproducing, counterfeiting, or buying and selling social security numbers and cards, proposals have been made

that the cards be reissued on tamper-resistant paper to all current and future cardholders. We found that reissuing the cards to about 200 million cardholders will not correct the misuse of social security numbers. Further, because of the estimated cost involved--as much as \$2 billion--and the anticipated logistical problems, reissuing does not seem justifiable. During our work Social Security decided not to reissue the card.

We recommended that the Congress enact legislation to improve the integrity of the Social Security card. We also recommended several actions SSA should pursue to further strengthen the integrity of the social security number system.

--"Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions" (HRD-81-37, Dec. 31, 1980).

The report states that action on matters discussed in several reports will save about \$391 million in fiscal year 1982 and about \$1.6 billion in fiscal years 1983-85. Fully implementing the recommendations in other reports would save an additional \$1.3 billion in fiscal year 1982 and \$4.5 billion in fiscal years 1983-85. The achieved or potential savings related to many other recommendations were not quantifiable. The recommendations that would result in the greatest savings would affect the Federal Old-Age, Survivors, and Disability Insurance Trust Funds and would require changes to the Social Security Act.

#### Current studies

SSA's internal management responsibilities are extremely important, considering the size and diversity of SSA's programs. Additional importance has been created through the disclosure that SSA has serious management weaknesses. Many weaknesses have been identified through our work and many have been identified by others, including SSA internal studies and studies by groups outside SSA.

--Review of Efforts to Improve SSA's Social Security Number File--The Senate Finance Committee requested that we (1) monitor SSA's file quality analysis studies, (2) compare data within and between files for completeness and consistency, and (3) provide the Committee the results of our evaluation of the social security number issuance process.



- Followup Review On Actions Taken by SSA To Resolve Field Operational Problems--The objective of this study is to ascertain if SSA has taken corrective action to make SSA headquarters more responsive to field office needs and to assess the effectiveness of any actions taken. The needed actions were identified in an earlier GAO survey.
- Review of Security for Beneficiary Records Used by State Agencies and Contractors--This study addresses the protection over SSA beneficiary records furnished States and contractors for their use in administering SSA programs.
- Followup Review of GAO's Report Concerning Security Practices Related to SSA Beneficiary Records--The objective of this review is to follow up on previous recommendations and determine the extent to which SSA completed a risk analysis to ensure a balance between good security and quality of service.
- Survey of the Process Used by the Social Security Administration Actuary--The objective of this study is to examine the process used by the Office of the Actuary in making various short- and long-range projections on how various actions or events would affect the financing of the Social Security program.
- Overall Survey of SSA's Management Support Structure--In this survey we will identify the key processes and organizational units that support program operations and incur the most administrative costs. The survey will provide the basis for prioritizing those problem areas to be addressed first and putting into perspective those problems we have already identified.

EXPERTS AND CONSULTANTS WHO PARTICIPATED  
IN GAO SYMPOSIUM ON SOCIAL SECURITY PROGRAM ISSUES

The purpose of the symposium was to bring together a divergence of views on emerging issues in the retirement, disability, and welfare areas, including those issues that involve agencies outside Social Security, such as the Department of Agriculture, VA, CSA, and AOA. The experts and consultants who participated were selected on the basis of their positions, expertise, and our interest in a representative hearing on the various Income Security subject areas. Their views were helpful and appreciated. This report, however, represents GAO's views and not necessarily those of any of the individual consultants. The symposium was held in Baltimore, Maryland, in September 1980.

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