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REPORT BY THE

Comptroller General

OF THE UNITED STATES

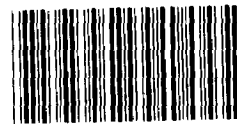
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RELEASED

Quality Civil Legal Services For The Poor And Near Poor Are Possible Through Improved Productivity

Legal Services Corporation, the major source of federally funded legal aid, plans to complete an alternative delivery systems study which will contribute to a more cost effective delivery of legal services to the poor. To improve productivity, the Corporation should systemize and automate its operations. This will increase the number of people served as well as the quality of service.

This study, requested by the Senate Finance Committee, compares, on a limited basis, the cost of federally supported civil legal services and the cost of private prepaid legal services.



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FGMSD-79-46
OCTOBER 19, 1979





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

B-163762

The Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate

SEN 04 97

The Honorable Robert Packwood
Committee on Finance
United States Senate

In your letter of April 5, 1977, you asked us to make several studies comparing the per unit or per capita cost of various services performed by the Federal Government with the per unit or per capita cost of comparable services provided by private companies. This report discusses one of these comparative studies--the provision of quality civil legal services for the poor and near poor and suggests how to improve the productivity of these services.

As arranged with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its date. Then we will send copies to interested parties and give copies to others upon request.

A handwritten signature in black ink, appearing to read "James A. Shields".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE SENATE
COMMITTEE ON FINANCE

QUALITY CIVIL LEGAL SERVICES
FOR THE POOR AND NEAR POOR ARE
POSSIBLE THROUGH IMPROVED
PRODUCTIVITY

D I G E S T

CN 6-20-67
The Legal Services Corporation is the chief Federal source of legal aid for the poor and near poor. It was established by the Congress in 1974 as a private, nonprofit corporation.

This report attempts to compare the cost of federally supported civil legal services with the cost of the same services under private, prepaid legal plans. (See p. 4.) It analyzes the cost effectiveness of private group plans' delivery systems and compares them to the alternative delivery systems being studied, under a congressional mandate, by the Legal Services Corporation. (See p. 9.)

POTENTIAL FOR IMPROVING COST AND
DELIVERY OF CIVIL LEGAL SERVICES
IN PUBLIC AND PRIVATE SECTORS

GAO found that the majority of private prepaid plans are employee funded and that their services are so different from those of federally funded programs that unit costs generally are not comparable. Certain observations, however, can be made.

Public sector attorney costs average \$17 hourly, while the private sector charges average \$40 hourly. Both figures include overhead. Also, the efficiency level--the time taken to perform a service--is about the same in both sectors for routine civil matters.

Also, GAO saw significant potential cost and delivery improvements in both sectors through increased systemization and automation. This could result in large financial savings and higher quality assistance for such standard services as wills, divorces, and bankruptcies.

The Legal Services Corporation, by developing a research and demonstration program to systemize and automate the operations of its grantees, could substantially improve the productivity and cost effectiveness of the delivery of civil legal aid for the poor and near poor. It also could help the private sector in making legal services more accessible to other U.S. citizens. The American Bar Association estimated that 140 million people at the middle income level cannot afford legal services and yet do not qualify for Government-supported legal aid. The Corporation could work with the private sector of the legal profession to encourage further systemization and automation which eventually would reduce the costs of legal services to people at all income levels.

THE CORPORATION'S PROGRESS IN
DEVELOPING MANAGEMENT INFORMATION
SYSTEMS AND COMPLETING ITS
ALTERNATIVE DELIVERY
SYSTEMS STUDY

GAO found that the Corporation has neither local nor national management information systems for obtaining the data needed to evaluate the cost effectiveness of its programs. Although the Corporation gave the Congress a preliminary report on its delivery systems study in 1977, it is not yet prepared to make final recommendations.

The Corporation, however, is developing and implementing model local management information systems and a national management information system, and it plans to report on its alternative delivery systems study by early 1980.

RECOMMENDATION

The president of the Legal Services Corporation should improve the productivity of civil legal aid by developing and instituting a research and demonstration program aimed toward systemizing and automating the operations of Corporation grantees.

AGENCY COMMENTS

The president of the Legal Services Corporation basically concurs with the findings, conclusions, and recommendations of this report. (See app. II.)

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C o n t e n t s

| | <u>Page</u> |
|---------|---|
| DIGEST | i |
| CHAPTER | |
| 1 | INTRODUCTION 1 |
| | Evolving Federal programs for civil legal services 1 |
| | LSC organization and responsibilities 2 |
| | Our prior reports on legal services delivery 2 |
| | Scope of review 3 |
| 2 | PRIVATE/PUBLIC SECTOR COST AND TIME COMPARISONS 4 |
| | Limited comparable cost data obtained 4 |
| | Factors that limited unit cost comparisons 6 |
| 3 | ALTERNATIVE DELIVERY SYSTEMS STUDY AND MANAGEMENT INFORMATION SYSTEMS DEVELOPMENT EFFORTS 9 |
| | Objectives and methodology of delivery systems study 9 |
| | Data collection system yielded limited information 10 |
| | Progress in the development of management information systems 12 |
| 4 | PRODUCTIVITY IMPROVEMENTS IN DELIVERING LEGAL SERVICES 13 |
| | Alternative delivery systems 13 |
| | Application of systems analysis to legal services 14 |
| | Use of automation for legal services delivery 15 |
| | A widening role for LSC in systemizing and automating legal services 17 |
| 5 | CONCLUSIONS AND RECOMMENDATION 18 |
| | Conclusions 18 |
| | Recommendation 19 |
| | Agency comments 19 |

APPENDIX

| | | |
|----|--|----|
| I | LSC's description of its demonstration projects | 20 |
| II | July 16, 1979, letter from the president, Legal Services Corporation | 22 |

ABBREVIATIONS

| | |
|-----|----------------------------|
| GAO | General Accounting Office |
| LSC | Legal Services Corporation |

CHAPTER 1

INTRODUCTION

On April 5, 1977, Senators Russell Long and Robert Packwood requested that we study the cost of several services provided by the Federal Government with the cost of comparable services provided by private companies. This report presents the findings of one of these studies--the delivery of legal services.

Our analysis of legal services delivery had two basic objectives. The first was to compare, to the extent possible, the cost of certain legal services conducted or supported by the Federal Government to the cost of private prepaid legal plans provided by employers. The second was to analyze the cost effectiveness of private group plans' delivery systems for civil legal services compared to alternative delivery systems being studied by the Legal Services Corporation (LSC).

EVOLVING FEDERAL PROGRAMS FOR CIVIL LEGAL SERVICES

The legal profession has long acknowledged a responsibility to provide legal services to people who cannot afford attorneys. At the beginning of this century, the profession established free legal aid offices to handle civil matters. Free legal services for criminal matters are provided separately through Federal- and State-supported public defender programs. Free civil legal aid increased significantly when the civil Legal Services Program was created under the Economic Opportunity Act of 1964 (Public Law 88-452, Aug. 20, 1964), as amended. The program, administered by the Office of Economic Opportunity, grew from 135 local legal services projects in fiscal 1965 to 258 in fiscal 1975. Its annual appropriation during this period increased from \$600,000 to \$71.5 million.

In January 1975, administration of the Legal Services Program was transferred from the Office of Economic Opportunity to the Community Services Administration, pending creation of the Legal Services Corporation. In October 1975, LSC began operation and took over the 258 legal services projects, which were operated by grantees in 638 offices in the 50 States, Puerto Rico, Micronesia, and the Virgin Islands. These offices were staffed by nearly 3,300 attorneys and 1,000 paralegals. In addition, LSC operated three programs with private attorneys through Judicare--a system that reimburses attorneys for services to clients meeting eligibility standards.

LSC's appropriation increased from \$92 million in fiscal 1976 to \$205 million in fiscal 1978 so it could ensure minimum access to civil legal aid for people the 1970 census classified as at or below the Office of Management and Budget poverty threshold. In fiscal 1978, LSC funded 335 legal services projects staffed by 4,795 attorneys and 2,235 paralegals who handle about 1.4 million legal problems annually. (LSC requested about \$337 million for fiscal 1980.)

LSC ORGANIZATION AND RESPONSIBILITIES

LSC, established as a private, nonprofit corporation by the Legal Services Corporation Act of 1974, may make grants or contracts to assist qualified organizations and programs which furnish legal assistance to eligible persons. LSC, required to set maximum income eligibility levels in consultation with the Office of Management and Budget and the States, prescribed levels of 125 percent of the Office of Management and Budget poverty guidelines. With this criterion each program sets its own standards, considering living costs and other local factors.

The grants and contracts LSC makes must provide the most economical and effective delivery of legal aid to both urban and rural dwellers. Section 1007(g) of the act required LSC to study the economy and effectiveness of alternative methods of delivering legal services. The Corporation's recommendations were to be furnished the Congress by July 1977, and while a preliminary report met that deadline, the final results are now scheduled for early 1980.

OUR PRIOR REPORTS ON LEGAL SERVICES DELIVERY

The Legal Services Program, as run by the Office of Economic Opportunity, was the subject of two of our previous reports. ^{1/} These reports discussed the program's management and administration and recommended improvements.

On April 26, 1978, we issued a report entitled "Expanding Budget Requests For Civil Legal Needs Of The Poor--Is More Control For Effective Services Required?" (HRD-78-100). We prepared this report for the Chairman, Subcommittee on State,

^{1/}"Effectiveness And Administration Of Legal Services Program Under Title II Of The Economic Opportunity Act Of 1964" (B-130515, Aug. 7, 1969) and "The Legal Services Program--Accomplishments Of And Problems Faced By Its Grantees" (B-130515, Mar. 21, 1973).

Justice, Commerce, and the Judiciary (Senate Committee on Appropriations) who requested that we assess LSC's system for managing expanded resources, its budget development methodology, and its efforts to identify more efficient and effective systems for delivering its services.

SCOPE OF REVIEW

On a limited basis, we compared the Legal Services Corporation's and the private sector's delivery of legal services by focusing on

- a variety of private group legal plans and legal clinics to determine the cost of services, level of systemization and automation, and types of delivery systems;
- a study being made by LSC on alternative legal service delivery systems (see app. I); and
- LSC's design, development, and implementation of a plan for local and national management information systems.

We interviewed LSC officials in charge of the alternative delivery systems study and management information systems development. We also queried directors of demonstration projects and of LSC-funded staff attorney projects, private attorneys, insurance officials, and other experts in legal services delivery.

CHAPTER 2

PRIVATE/PUBLIC SECTOR COST AND TIME COMPARISONS

One of our objectives was to compare the unit costs of legal services provided under private sector plans with the cost under public sector plans. To do this, we contacted 13 private group legal service plans, 4 Legal Services Corporation-funded staff attorney projects, and 7 LSC-funded demonstration projects. (A demonstration project is one established to compare various methods of delivering legal services.) The limited comparisons we could make and a discussion of the problems we encountered follow.

LIMITED COMPARABLE
COST DATA OBTAINED

Of the 13 private group legal service plans we contacted, only three kept unit cost data and only two maintained it in a form we felt made some comparisons possible with available LSC data. For instance, we compared average time and cost for resolving contested and uncontested divorces, which represented about 27 percent of the caseload in each sector.

The following table shows that, while the average cost per divorce was considerably lower for LSC, the average time spent--or efficiency level--was about the same for both LSC and the private sector. (Both sector's costs include overhead.)

Time/Cost Comparisons for
Contested and Uncontested Divorces

| | <u>Average hours spent</u> | <u>Average hourly rate</u> | <u>Average cost</u> |
|----------------------------------|------------------------------------|------------------------------------|-------------------------|
| Private sector: | | | |
| In-house attorneys | 8.2 | \$ 35 | \$ 287 |
| Open-panel attorneys (note a) | 8.5 | 40 | 340 |
| Public sector: | | | |
| LSC staff attorneys | 8.0 | 17 | 136 |

a/Attorneys not working for a legal services plan but willing to take referral cases.

Attorneys in both sectors said that the time to perform a legal service was about the same for most types of common civil legal services (such as some of those listed below). They also stated that the time and cost statistics on divorces were a reasonable yardstick to apply to other types of common civil legal services.

One prepaid legal plan provided services in both urban and rural areas and served both private and public (poverty) groups. The public group was one of LSC's demonstration projects. Plan officials told us that the average hourly rate for both private and public groups was \$40. They provided the following list of the average cost for private and public groups, in urban and rural settings, by type of case. (Since the hourly rate for both groups was \$40, wherever costs are the same in this table, the efficiency level may be presumed equal.)

Average Cost of Legal Services (note a)

| <u>Service</u> | <u>Rural</u> | | <u>Urban</u> | |
|------------------------------|----------------|---------------|----------------|---------------|
| | <u>Private</u> | <u>Public</u> | <u>Private</u> | <u>Public</u> |
| Bankruptcy | \$225 | \$225 | \$250 | \$250 |
| Divorce | 325 | 325 | 350 | 350 |
| Wills | 100 | 100 | - | - |
| Adoption | 200 | 200 | 200 | 200 |
| Juvenile matters | 180 | 180 | 280 | 280 |
| Felony | 800 | - | 500 | - |
| Advice | 40 | 40 | 80 | - |
| Driving while intoxicated | 280 | - | 160 | - |
| Misdemeanor | 250 | - | 250 | - |
| Civil (other) | 350 | 130 | 200 | - |

a/Blanks indicate absence of a particular service in plan.

While demographic factors affected costs, the recipient sector made little difference. According to the plan officials, the variation between the private and public sectors for civil actions reflected the fact that the private sector cases often involved litigation while most of the public sector actions were resolved at the hearing level, or by letter or phone.

FACTORS THAT LIMITED
UNIT COST COMPARISONS

Although we contacted 13 private group plans, 4 LSC-funded staff attorney projects, and 7 LSC demonstration projects, comparable unit cost data often was not available because:

- Data on cost by case, or by type of case, was generally not available.
- Legal services provided by private plans differ from those provided by public staff attorney programs and, therefore, client utilization patterns differed.
- Both terminology and data collection procedures differed, thus hindering an accurate comparison of private plans, as well as of private and public plans.
- LSC-funded projects' cost and service data varied so greatly that conclusions on cost differentials could not be made.

Unit cost data often was not available

The 13 private organizations contacted used a fee-for-service, prepaid, or legal expense insurance ^{1/} approach to funding their legal service plans. Ten of the plans had no cost data by case or case type; however, 11 did accumulate data on the number of people served and the types of services used.

Differences between public and private sector plans

While offered legal services varied among the private plans, the major distinction between the two sectors was the inclusion of criminal cases by the private side. Data from two private plans showed that criminal matters accounted for 42 percent and 37 percent of their workloads. Some private plans covered worker's compensation cases, contingent fee cases, and tax matters. LSC programs could not handle criminal matters, most fee-generating cases, nontherapeutic abortion cases, desegregation matters, and certain violations of the Selective Service Act.

^{1/}These plans are explained in ch. 4.

Meanings were unclear

The publicly funded projects and demonstration projects did not have consistent meanings for such basic terms as case file. For example, one project opened a case file each time a client was accepted, even though the service provided was only 10 minutes of advice. Other projects established a case file only when other action was necessary.

With private plans, it was unclear whether the legal matters referred to in a plan's data pertained to open, pending, or closed cases, or if the data distinguished between the number of clients and the number of legal matters. Generally, the services of each private plan were stated, but which services were performed--that is, advice and consultation or legal representation--was unclear.

LSC-funded projects' cost and service variations

Another difficulty in cost comparisons is found in the public sector, where cost and service vary widely. In a recent review, 1/ we determined the causes of such variations by visiting 19 staff attorney projects selected from a random sample of 62 grantees. The data these grantees reported reflected a wide range of costs and caseloads. Information from the grantees visited showed that:

- Annual cost to support an attorney ranged from \$21,364 to \$52,652.
- Annual attorney caseloads ranged from 173 to 706.
- Cost of handling a case ranged from \$40 to \$162.
- Percentage of the poverty population served ranged from 1 to 23.

In that report we stated:

"Upon examining the methods used by the projects to compile the data, we found substantial differences in the way individual projects identified a case and that time records were not generally kept

1/"Expanding Budget Requests For Civil Legal Needs Of The Poor--Is More Control For Effective Services Required?" (HRD-78-100, Apr. 26, 1978).

that would permit projects to identify how their principal resource--the attorney--had spent time on project cases and other responsibilities."

Therefore, we could not draw conclusions on cost differentials from available LSC data.

The limited data available in this study indicates the following:

- Public sector attorney costs are approximately \$17 per hour for all types of common legal services.
- Private sector attorney charges (costs) average \$40 per hour.
- The efficiency level is about the same for both sectors.

It is important to mention, however, that in terms of improving productivity, the private sector has examples of legal services delivery that deserve public sector emulation. These examples are discussed in chapter 4.

CHAPTER 3

ALTERNATIVE DELIVERY SYSTEMS STUDY AND MANAGEMENT

INFORMATION SYSTEMS DEVELOPMENT EFFORTS

To assess the potential for more productivity improvements in the delivery of legal services by the Legal Services Corporation, we reviewed (1) the cost effectiveness of the alternative delivery systems LSC was studying and (2) LSC's local and national management information systems development efforts.

OBJECTIVES AND METHODOLOGY OF DELIVERY SYSTEMS STUDY

In 1974, the Congress mandated LSC to conduct a

"* * * comprehensive, independent study of the existing staff-attorney program * * * and, through the use of appropriate demonstration projects, of alternative and supplemental methods of delivery of legal services to eligible clients including judicare, vouchers, prepaid legal insurance, and contracts with law firms."

LSC management tried to

- determine the feasibility and practicality of each delivery mode,
- identify the management data needs of LSC and LSC grantee operations, and
- design a management information system to provide data for the study and be a prototype for an ongoing system.

LSC employed two contractors for the study: one to provide technical assistance and another to implement a data collection system. The latter contractor also was to train the staffs both to use the system and to process data collected. In January 1977, LSC implemented phase I of its two-phased study using 19 demonstration projects. In 1978, the Corporation began phase II with another 19 demonstration projects. (For a description by LSC of its demonstration projects, see app. 1.) A breakdown of the projects being studied follows.

Alternative Delivery Systems Study

| <u>Model</u> | <u>Phase I projects</u> | <u>Phase II projects</u> | <u>Total</u> |
|----------------|-----------------------------|------------------------------|--------------|
| Judicare | 8 | 7 | 15 |
| Prepaid | 4 | 2 | 6 |
| Contract | 5 | 3 | 8 |
| Clinic: | | | |
| Pro bono | | | |
| (volunteer) | 1 | 5 | 6 |
| Staff attorney | - | 2 | 2 |
| Voucher | <u>1</u> | <u>-</u> | <u>1</u> |
| Total | <u>19</u> | <u>19</u> | <u>38</u> |

The study also included 12 LSC staff attorney projects so that these projects could be compared with the 19 demonstration projects.

DATA COLLECTION SYSTEM YIELDED LIMITED INFORMATION

In two previous reports, ^{1/} we recommended that LSC improve its management information system to enable it to assess the cost effectiveness of alternative delivery systems. We recommended that projects comply with the reporting requirements of the existing system and that the system be revised to give management selected data on grantee accomplishments.

LSC hoped that a newly designed data collection system--the "project reporting system"--would help it meet the objectives of its delivery systems study as well as its management information system. The revised project reporting system provided limited information, however, and was again revised and improved.

The data collection system gathered cost and time information from the 38 demonstration and 12 comparison projects by using seven forms. The information collected for grantee accomplishments included (1) program costs, (2) attorney and

^{1/}"Effectiveness And Administration Of Legal Services Program Under Title II Of The Economic Opportunity Act Of 1964" (B-130515, Aug. 7, 1969) and "The Legal Services Program--Accomplishments Of Problems Faced By Its Grantees" (B-130515, Mar. 21, 1973).

staff profiles, (3) number and type of clients, (4) reasons for not serving particular applicants, and (5) time spent.

This project reporting system was designed for ultimate use with other data collection methods to form a management information system enabling LSC to evaluate projects' cost effectiveness and other aspects. However, by the end of phase I, during which the demonstration projects had used the system, only three of the participating staff attorney programs had supplied full and reliable information.

Reasons for limited information

One of the contractors involved in the study attributed the breakdown of the data collection to:

- Difficulty in incorporating a trial long-range management information system and a short-term data collection system into a single system. The information collected for the study was greater and more detailed than necessary for an ongoing management information system. Staff became confused about the study's goals and also developed a distorted view of how a management information system would burden them.
- Insufficient user involvement in system design. Also, representatives of staff attorney projects continually expressed their dissatisfaction with the collection system and with the fact that they did not have more input into its design.
- Attorneys' resistance to the collection system, which in some cases resulted in their refusal to use it. The Project Advisory Group, an organization of LSC staff attorney project directors, convinced a majority of its members involved in the study to confront the Corporation with their concerns. Some issues they raised were (1) fear that the information collected would be used against projects, (2) concern over possible infringement of attorney-client confidentiality, (3) concern over the efforts required for projects with large caseloads to adapt to the collection system, and (4) fear that legal services would become more bureaucratic and less service-oriented.
- Incompatibility of the data collection system with projects' existing internal management systems. Cross-indexing the two client identification systems involved considerable work. Two projects, both with caseloads

of over 10,000, refused to implement the system because of the burden that cross-indexing imposed.

We agree with the contractor's assessment.

PROGRESS IN THE DEVELOPMENT OF
MANAGEMENT INFORMATION SYSTEMS

As of March 31, 1978, the Corporation still did not have local or national management information systems to evaluate the cost effectiveness of its projects. LSC did, however, award a contract to develop a system that provides information on client satisfaction. Also, LSC prepared a request for proposal to develop a system for assessing quality of service. Further, it is preparing a request for proposal for assessing its own impact on the community. It wants local programs to help develop and use performance measurement techniques and indicators in this assessment.

Resistance to the data-gathering system by staff attorney project directors diminished because the reporting system was modified to overcome their objections. Also, a number of project director-LSC meetings resulted in a redesigned data collection system for use in phase II of the study.

LSC is developing the rest of the model local and national management systems, and it has set dates for completing the implementation and evaluation stages. If the Corporation meets these milestones, it could report to the Congress by early 1980 on the value of alternative legal delivery systems and the cost characteristics of its projects.

We believe LSC is progressing adequately in completing the development and implementation of the model local and national management information systems.

CHAPTER 4

PRODUCTIVITY IMPROVEMENTS IN

DELIVERING LEGAL SERVICES

The private sector's legal profession made two important advances to increase its productivity: (1) it developed alternative legal services delivery systems and (2) it uses systems analysis and automation in its delivery process.

ALTERNATIVE DELIVERY SYSTEMS

Legal clinics, private group legal service plans, and sliding-scale fees are examples of how the private sector makes legal services more accessible. Also, insurance companies are developing group legal insurance plans. These efforts are aimed at the majority of the middle income segment of the population, which the American Bar Association said cannot generally afford legal services, yet does not qualify for Government-funded legal services. The Bar Association said that this group comprises 140 million people.

Recent changes in two Federal laws helped the rapid increase in private group legal plans. The Taft-Hartley Act now allows prepaid legal plans as a bargaining item in employee-management contract negotiations. And an amendment to the Tax Reform Act of 1976 stated that the value of legal services provided by a prepaid plan is not taxable income.

Prepaid legal service plans established or maintained by an employer or employee organization are subject to the financial reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974. Prepaid legal plans number from 2,000 to 3,000 and for each, an annual statement must be submitted to the Department of Labor.

In response to middle-income people's need for low-cost quality legal services, the private bar developed a variety of fee-for-service and prepaid legal plans. These plans are based on the principles of group purchasing power and spreading the cost of services among a large number of people over an extended period of time.

Generally, under the fee-for-service arrangement, a law firm agrees with a group or association to provide group members with legal representation at reduced fees, usually 25 to 30 percent below prevailing rates, as well as with free legal advice. Income to operate the fee-for-service plan comes from those fee-generating cases which develop from

advice phone calls. Attorneys we spoke to estimate that from 7 to 10 percent of the calls received for advice result in fee-generating cases. Also, while the advice is labeled "free," if the case is taken by an attorney, fee-for-service plans actually add the cost of advice to the fee charged for legal services.

Some plans are paid for from trust funds maintained by monthly or annual payments of an employee or an employer. Generally, these plans provide the most common legal services, including representation, at no additional cost to the member. The services are provided by attorneys working for the plans or by closed-panel attorneys (attorneys under contract).

Finally, a group may purchase a legal expense insurance policy, under which the insurer will pay the insured for legal expenses up to policy limits, or the insured may be served by a participating attorney who has agreed to furnish services for what the policy pays.

APPLICATION OF SYSTEMS ANALYSIS TO LEGAL SERVICES

Recently, the private sector legal profession experimented with systems analysis and computer technology to systemize and automate legal services delivery. These methods can significantly improve the cost effectiveness and productivity in delivering common civil legal services to all segments of the population.

Systems analysis can make many aspects of legal services routine enough to be done by legal assistants and other professionals rather than lawyers. By identifying, analyzing, standardizing, and charting a legal service, by determining the legal skill required for each step of the service, and by having nonlawyer specialists (such as paralegals, tax accountants, and bank trust officers) do much of the work, the end result will be improved cost effectiveness of delivery.

Systems analysis in law practice is evident in the legal forms developed for use by lawyers and nonlawyers. Legal forms standardize the performance of services, organize a service into steps, and even let nonlawyers produce legal documents by completing blanks.

A major legal clinic in southern California applied systems analysis to its operations, and its brochure, "A Message to Our Clients," states:

"Carefully planned and detailed systems have been devised so that with the combined efforts of attorneys and paralegal counselors, the Legal Clinic can operate with the utmost efficiency and give the highest quality services at substantially reduced prices."

The major services offered by this clinic are uncontested divorces, bankruptcies, personal injuries, felony preliminary hearings, name changes, simple wills, small claims, and home purchases. Its \$185 charge for an uncontested divorce is \$200 below the area's average rate and is an excellent example of a reduced price for high-quality service due to systemization.

A major law research institute used systems analysis to develop a set of legal systems that improved the quality and efficiency of the work that most of the lawyers in that State spend most of their time on. The systems are used for probate services, formation of small private corporations with no unusual tax or securities problems, default divorces, personal voluntary bankruptcies, real estate closings, collection of some unsecured debts, and preparation and execution of estate plans valued between \$200,000 and \$300,000.

USE OF AUTOMATION FOR LEGAL SERVICES DELIVERY

Automation has changed the practice of law by improving the efficiency of various procedures. Automatic typewriters promote the use of standardized forms and documents, and computers perform certain routine tasks. Computers can complete such legal documents as tax returns, wills, and papers related to divorces by inserting client-specific information in blanks on standardized forms.

The computer also can search the client files stored in its memory and supply data required on forms it is completing; if any data is missing, the computer queries the operator for any specific information it needs to complete the document.

Computerized systems are being developed to feed statutory provisions into a computer so it can make logic decisions in completing the blanks in documents. The computer could compare an abstract rule of law with the relevant facts and conclude how the law and facts relate.

Computer technology could partially or wholly automate many legal services that involve uncontested cases in such

areas as divorce, adoption, probate, bankruptcy, and tax matters. Examples of the burgeoning use--and potential use--of such technology to provide more cost effective delivery of legal services follow.

- An experimental Office of Economic Opportunity program in a large midwestern county quickly cleared a 2-year backlog of divorces by automating legal form completion and improving the divorce processing system.
- Computer technology can be used in the design, development, and operation of community-designed management and financial information systems. These systems can measure legal service delivery performance against locally set goals and priorities.
- An attorney in Warwick, Rhode Island, opened four computerized law offices in discount drug stores. Each office uses a computer processor, a terminal with a television screen and a typewriter keyboard, to complete legal documents at 450 words per minute. The documents are stored in the computer memory. An attorney at each of the stores provides a 20-minute legal consultation for \$15, a simple will for \$25, an uncontested divorce for \$185, and a house closing for \$100.

Also, a front page article in a major financial newspaper in October 1978 described the following changes in the delivery of legal services:

- "--Legal clinics are springing up in dozens of cities and offering routine legal services at cut rates made possible by high volume and streamlined procedures.
- More sophisticated self-help packets are being made available for those wanting to handle simple legal tasks themselves.
- Rapidly multiplying group and prepaid legal-service plans are offering participants reduced-cost or employer-paid legal services.
- Improved lawyer-referral services are giving consumers specific information about fees charged by various lawyers."

"--Lawyers are starting to compete across State lines, with big national outfits offering an alternative to local law offices.

--Challenges are under way of several States' bar rules that prohibit nonlawyers from giving legal advice or performing routine legal tasks."

A WIDENING ROLE FOR LSC IN SYSTEMIZING
AND AUTOMATING LEGAL SERVICES

The private sector is rapidly developing and implementing programs that systemize and automate the delivery of civil legal services. LSC took an initial step in that direction by funding a project (Technological Innovation to Improve the Quality of Work) which uses computerized systems and equipment to reduce the cost and increase the quality of legal service delivery.

By developing a research and demonstration program to systemize and automate LSC grantee operations, LSC could improve the productivity and cost effectiveness of its legal services delivery.

Further, such a program could increase the quality of routine services like divorces and wills; provide the poor minimum access to legal services sooner than planned; and help move from minimum legal access to high-quality legal assistance. Thus, LSC would further enhance its ability, at a given resource level, to serve increasing numbers of the poor and near poor, which is in accord with its charter to serve those people who cannot afford civil legal services.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATION

CONCLUSIONS

Unit cost data for specific civil legal services in the private sector is neither readily available nor complete. We found that most private prepaid plans are employee funded, and the services they provide differ enough from services of federally funded programs that the limited unit cost data available generally is not comparable. Also, LSC grantee projects had such cost and service variations that it was not possible to develop reliable comparable information. However, from the limited data available, we concluded that:

- Public sector attorney costs are about \$17 per hour, including overhead, for all types of common civil legal services.
- Private sector attorney costs average \$40 per hour, including overhead.
- The time to perform routine services is about the same for both sectors.
- If systemization and automation levels for both sectors are equal, the public sector attorneys are less costly on a per unit basis.

LSC suffered a major setback in completing both the delivery systems study and the management information system because of problems in implementing the project reporting system. Project members resisted using the data collection system because they felt that (1) the collection forms were cumbersome and time consuming, (2) the system duplicated paperwork, (3) client confidentiality could be jeopardized, and (4) project directors had inadequate input in the design and implementation of the system. The system was redesigned to respond to field criticism and is now being used to collect cost data for the delivery systems study from 60 staff attorney projects and 38 demonstration projects. If progress continues according to the Corporation's timetable, by early 1980 LSC should have

- accumulated the necessary data to support conclusions on the most cost-effective delivery system for a given environment and
- implemented the local and national management information systems, focusing on results per unit cost.

Systemization, standardization, and automation of legal services are steadily increasing. They can significantly improve the cost effectiveness of delivering legal services to the poor and near poor. Thus, LSC not only has the opportunity--at a given resource level--to serve more of the poor and near poor, but, in cooperation with the private sector of the legal profession, it could encourage further systemization and automation for delivering quality services to people at all income levels.

RECOMMENDATION

We recommend that the president of Legal Services Corporation develop and institute a research and demonstration program to systemize and automate the operations of LSC grantees. This program would substantially improve the productivity of civil legal services for the poor and near poor.

AGENCY COMMENTS

The president of Legal Services Corporation basically concurs with the findings, conclusions, and recommendations of this report. (See app. II.)

LSC's DESCRIPTION OF ITS DEMONSTRATION PROJECTS

Some of the demonstration projects provide a full range of services and are being treated as alternatives to staff programs for use in areas where no staff programs exist. Others are designed to supplement existing staff programs in a particular area. Several projects test approaches for providing legal services to hard-to-reach groups, such as the elderly and populations in sparsely settled rural areas. The projects operate in cities, rural areas, and urban-rural locations.

The demonstration projects differ from staff attorney programs in that they all use private members of the bar to deliver legal assistance to the poor, and that--by design--these private attorneys need not limit their practice to the poor. The demonstration projects differ from one another in the method of delivering services and manner of reimbursement. They include the following:

- Fifteen judicare projects refer clients to members of the private bar on a case-by-case basis. These attorney panels range from 13 to 500 members. A small staff handles the administrative work. Judicare projects can operate as either alternatives or supplements to staff attorney programs.
- Six private prepaid legal insurance plans provide individuals enrolled in the plans with a prescribed range of legal services contained in a benefits package. The insurance premiums are paid by the Corporation; two use open panels, three use closed panels, and one project uses both. This approach is designed as an alternative to staff programs.
- Through eight contracts with private law firms, legal services are provided to a given client population designated whither by geographic area or by type of legal problem. These plans operate as supplements to staff programs.
- Six pro bono projects link clients with private attorneys who donate their efforts to serve the legal needs of clients. Although no payments are made to attorneys for legal services rendered, the project may reimburse attorneys for out-of-pocket expenses. The pro bono projects operate as alternatives to staff programs.

- Two private clinics utilized a core of attorneys and support staff to provide general legal services to urban neighborhoods and communities. The Corporation pays these clinics for services rendered to poor clients on a fee-for-service basis. These clinics are similar to staff programs, but also represent paying clients.

- During the first year of the study, one voucher was tested. Vouchers for services were given to clients who, in turn, gave them to the attorney of their choice. The attorneys were then reimbursed by the project for services. Based on the project's experience, the voucher system was found to be unworkable, and was changed to a judicare system in the second year.



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733 Fifteenth Street, N.W., Washington, D.C. 20005 (202) 376-5100

Dan J. Bradley
President

July 16, 1979

Mr. Gregory J. Ahart
Director
Human Resources Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

Thank you for providing the Legal Services Corporation an opportunity to review and comment on your draft report concerning the availability of quality civil legal services to the poor and near poor.

We have discussed the draft report with your staff, and generally find the analysis and recommendation helpful to our efforts to ensure the provision of high quality civil legal assistance to low income persons in all parts of the country. Increased efficiency and effectiveness in the delivery of that service is essential to our goals. Systemization and automation in appropriate service areas are among the many improvements that require further consideration and review. We appreciate the work of the General Accounting Office in pointing out to us promising areas of study.

Many local legal services programs have already undertaken significant efforts to standardize, automate and otherwise improve delivery in areas of routine case service. However, much of the work of local programs, like the work of private attorneys, is complex and requires individual attention to the needs of the particular client. Any discussion of increased standardization and automation in the legal profession must be premised upon this very important understanding.

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LEGAL SERVICES CORPORATION

Mr. Gregory J. Ahart

-2-

July 16, 1979

The draft report is a good addition to information available on the provision of civil legal assistance to the poor. We hope to continue working closely with you and your staff in future endeavors.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan J. Bradley".

Dan J. Bradley

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