INSPECTION OF
AFDC, MEDICAID AND FOOD STAMP
ADMINISTRATIVE COSTS

OFFICE OF INSPECTOR GENERAL

OFFICE OF ANALYSIS AND INSPECTIONS

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This Report

Entitled "AFDC, Medicaid and Food Stamp Administrative Costs" this report was conducted to examine the wide cost variation among states for administering these three programs and to propose possible solutions.

The study was prepared by the Regional Inspector General, Office of Analysis and Inspections, Region V. Participating in this project were the following people:

Region V

William C. Moran
Theodore L. Koontz
Dorthea Harrington
Donald A. Kuhl
Phillip Onofrio

Headquarters

Alana Landey

INSPECTION OF AFDC, MEDICAID AND FOOD STAMP ADMINISTRATIVE COSTS

RICHARD P. KUSSEROW
INSPECTOR GENERAL

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Summary of Findings

- Serious questions have been raised by the Administration and members of Congress regarding the wide variation among States in the cost of administering the Aid to Families with Dependent Children (AFDC), Medicaid and Food Stamp programs. In Fiscal Year (FY) 1984, the Federal share per recipient for AFDC ranged from a high of $233 to a low of about $27. Medicaid costs ranged from $131 to $18 and Food Stamp costs ranged from $185 to $16. The combined Federal share ranged from $151 to $22 (mean = $56). Total Federal costs for State administration of the three programs are estimated to be $3.38 billion in FY 1987.

- A number of explanations for variation in cost have been proposed including program complexity, population density, urbanization, state or county administration, and economic condition of the State. We found no logical set of explanations for these wide variations other than one that included relative State efficiency.

- In this report we discuss a new method (with two options) for funding administrative costs on a prospective basis which would eliminate the current cost matching system. This would:

  - Provide administrative funds to States based on a combined amount per recipient derived from historical cost adjusted for relative government labor cost.

  - Increase the flexibility that States would have in running their programs. States would know ahead of time the combined rate they would be paid for all three programs and would not have to worry about current artificial distinctions in the cost allocation process.

  - Reduce Federal interference through the elimination of the cost allocation process and the reduction of Federal staff.

- Under Option 1, the combined amount per recipient for administrative costs paid to each State would be adjusted gradually up or down until it reached 95 percent of the national mean for the base year, adjusted for relative government labor cost and inflation. Total savings over 5 years would be about $578 million.

- Under Option 2, the amount per recipient would be the lesser of (1) a State's base year rate adjusted for inflation or (2) the adjusted national mean plus half the difference between the base rate and the adjusted national mean. Total savings over 5 years would be about $688 million.

TABLE OF CONTENTS

I. Introduction

In September 1985, the Chicago Regional Office of Analysis and Inspections, Office of Inspector General, began a preliminary review of issues and problems associated with the Federal funding of AFDC, Medicaid and Food Stamp administrative costs. Although the Food Stamp program is run by the Department of Agriculture, it was included as part of this study because of the administrative overlays with the Department of Health and Human Services (DHHS) programs at the State and local levels. This study was originally suggested by the Office of the Assistant Secretary for Management and Budget (ASMB) which generally oversees the management of departmental programs and also has the responsibility for administering the cost allocation process.

During the fall of 1985, questions related to the funding of administrative costs were discussed with representatives of Office of the Secretary (OS), the Health Care Financing Administration (HCFA), the Office of Family Assistance (OFA) and the Food and Nutrition Service (FNS) in Washington, Baltimore and Chicago. In January 1986, site visits were conducted in 10 of the 15 largest States (as measured by total Federal share of administrative cost) to get a local perspective on how to formulate the issues and to obtain some State reaction to various proposals to change the method of funding administrative costs.

A draft inspection report was issued in April 1986 and was reviewed by the Operating Divisions (OPDIV's) as well as by the Assistant Secretary for Planning and Evaluation (ASPE) and ASMB. We participated in an ASPE work group on administrative costs in August and September 1986. This final report reflects the influence of the comments that were received as well as input from the work group.

II. The Problem

Several factors were of common initial concern to representatives of the ASMB, the ASPE and the OPDIV's. In FY 1984, the total Federal share of AFDC, Food Stamp and Medicaid administrative costs was about $2.7 billion. ASPE has estimated that in FY 1985 the Federal share of these costs was $3.06 billion and that it will reach about $3.38 billion in FY 1987.

The rate of increase in administrative cost was also seen as important. Between 1980 and 1984, the average Federal share of administrative cost per case for AFDC rose by 11 percent. Over the same time period, the average administrative cost per recipient for Medicaid rose 40 percent and the average administrative cost per recipient for Food Stamps rose 80 percent.

Serious questions have been raised both within the Department and by members of Congress regarding both the source and appropriateness of the wide variation among States in the cost per recipient for each of the three programs. As indicated in Table 1 below, the average combined Federal share per recipient was $56.26 ($93.73 AFDC; $54.71 Medicaid; $40.88 Food Stamps). The Federal share of AFDC administrative cost per recipient ranged from $233.80 in Alaska to $26.93 in Mississippi; Medicaid from $131.72 in Utah to $14.55 in Arizona; and Food Stamps from $185.72 in Alaska to $16 in West Virginia. The combined rate ranged from $151 in Alaska to $22.16 in Mississippi. Note that 5 of the 10 States that get the most Federal dollars for administrative cost, 5 (New York, New Jersey, California, Texas, and Massachusetts) are above the mean Federal share per recipient and 5 (Pennsylvania, Florida, Michigan, Illinois, and Ohio) are below.

The Coefficient of Relative Variation (CRV) is a statistic derived by dividing the standard deviation by the mean and provides a way of comparing the degree of variation from the mean between separate populations or samples. The highest CRV in cost per recipient (.588) is for Food Stamps (the program which, because of national eligibility standards, should be most consistent across the United States). This is followed by a CRV of .508 for Medicaid, .462 for AFDC, and .410 for the combined rate.

Over the years, a number of explanations for variation in cost have been proposed including: program complexity, low population density, high urbanization, whether a program is State or county administered and economic condition of the State. However, no one reason has yet been found sufficient to account for a great deal of the difference. State representatives sometimes gave differing and conflicting explanations for similar occurrences. The one reason for differences in cost that the States seldom raised was relative efficiency. Two other serious issues were raised specifically by the States: What is the linkage between administrative cost and program quality? Do the States count recipients in the same way, so as to make the rates comparable?

**** TABLE 1 ****

FEDERAL SHARE PER RECIPIENT (FS/R) AND FEDERAL SHARE (FS in Millions $)
FOR ADMINISTRATIVE COSTS IN AFDC, MEDICAID, FOOD STAMPS AND COMBINED
PROGRAMS, BY STATE, FISCAL YEAR 1984

	AFDC		MEDICAID		FOOD STAMPS		COMBINED PROGRAMS	
STATE	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)
ALASKA	$233.80	$3.374	$70.21	$1.690	$185.72	$4.009	$151.00	$9.072
DIST OF COLUMBIA	163.29	9.636	83.84	8.747	63.81	4.978	96.79	23.362
NEW YORK	128.82	134.037	110.94	244.646	55.03	102.821	94.15	481.504
NORTH DAKOTA	163.79	1.883	94.97	3.201	59.67	1.877	90.81	6.961
UTAH	87.58	3.323	131.72	9.135	52.31	3.963	89.70	16.420
NEVADA	119.30	1.518	103.54	2.841	59.67	2.021	86.18	6.380
IDAHO	215.98	3.955	82.11	3.001	39.27	2.467	80.07	9.423
OREGON	116.21	8.329	125.77	17.534	39.43	9.131	79.05	34.994
NEW HAMPSHIRE	100.83	1.645	90.76	3.579	53.73	1.881	78.29	7.105
OKLAHOMA	181.73	14.325	79.59	20.093	44.93	11.843	77.77	46.261
NEW JERSEY	110.82	39.748	67.94	40.553	48.27	24.301	71.69	104.602
WASHINGTON	158.31	23.164	59.09	17.802	37.02	10.323	70.61	51.289
VERMONT	114.70	2.290	85.14	4.531	32.18	1.441	70.04	8.262
CALIFORNIA	118.60	146.829	49.82	169.148	53.85	90.395	64.38	406.372
COLORADO	127.12	9.670	68.52	10.650	31.30	5.669	62.99	25.988
TEXAS	65.79	22.313	83.02	59.381	45.47	57.005	60.09	138.700
CONNECTICUT	75.55	9.082	60.10	13.228	47.70	7.526	59.90	29.836
MASSACHUSETTS	113.06	26.363	45.40	25.387	46.73	16.772	59.52	68.523
MINNESOTA	90.29	10.354	58.41	19.927	41.77	9.853	58.02	40.133
SOUTH DAKOTA	91.76	1.493	51.49	1.676	47.32	2.249	56.24	5.418
MARYLAND	66.11	12.228	46.44	15.051	55.37	16.718	54.25	43.997
MONTANA	87.29	1.748	62.77	2.920	35.84	2.074	54.20	6.741
NEW MEXICO	83.90	4.255	56.10	4.657	42.48	6.907	53.38	15.820
DELAWARE	125.29	3.044	34.48	1.629	32.79	1.482	52.72	6.155
PENNSYLVANIA	110.15	55.615	47.87	50.730	29.74	32.745	52.18	139.090
NEBRASKA	74.90	2.762	62.14	5.371	33.55	3.088	52.10	11.221
NORTH CAROLINA	83.87	13.975	58.28	19.843	36.29	18.367	51.51	52.186
VIRGINIA	110.82	17.260	44.63	13.453	32.74	13.047	51.14	43.760
GEORGIA	72.55	17.659	48.22	20.306	42.31	25.469	50.08	63.434
ARIZONA	76.03	5.497	14.55	1.615	59.10	13.159	49.93	20.271
WYOMING	106.70	0.930	36.10	0.530	36.86	0.959	48.95	2.419
HAWAII	77.39	3.644	48.49	4.626	34.98	3.466	48.58	11.736
INDIANA	67.65	11.233	54.05	14.699	31.61	14.244	45.21	40.176
MICHIGAN	91.19	51.191	36.03	41.623	25.88	27.741	43.24	120.555
IOWA	70.35	6.864	35.16	7.051	35.33	7.321	42.02	21.237
FLORIDA	80.89	22.751	31.88	18.238	33.46	23.396	41.47	64.385
KANSAS	63.27	3.822	41.33	6.512	31.22	4.063	41.36	14.396
MAINE	41.34	2.106	51.65	6.293	30.26	3.610	41.12	12.009
LOUISIANA	64.94	14.090	36.44	13.932	35.41	21.677	41.02	49.698
RHODE ISLAND	71.04	3.043	32.59	3.405	33.42	2.549	40.24	8.998
SOUTH CAROLINA	45.02	5.664	43.91	10.160	34.08	13.616	38.90	29.439
ARKANSAS	72.31	4.580	44.85	8.650	27.07	7.986	38.49	21.217
MISSOURI	60.59	11.137	27.15	9.688	38.42	15.566	38.48	36.391
ILLINOIS	61.72	41.144	27.06	34.040	25.20	28.567	33.93	103.750
WISCONSIN	39.61	8.183	36.25	17.809	26.40	9.537	33.54	35.529
TENNESSEE	44.48	6.825	24.48	8.452	35.22	19.844	33.06	35.122
ALABAMA	55.35	8.531	26.61	8.398	28.51	17.786	31.74	34.715
OHIO	61.34	31.194	28.11	28.519	21.31	24.845	31.44	84.558
KENTUCKY	47.93	7.633	27.09	12.715	24.05	14.300	28.33	34.648
WEST VIRGINIA	62.02	3.899	32.07	5.952	16.00	4.547	27.03	14.398
MISSISSIPPI	26.93	4.172	17.46	5.282	23.49	11.960	22.16	21.414
TOTALS:		$860.013		$1.078.899		$781.157		$2.685.354
MEAN/AVERAGE:	$93.73		$54.71		$40.88		$56.26	
STD DEV:	$43.26		$27.79		$24.05		$23.04	
CRV:	0.462		0.508		0.588		0.410	

It was clear from the discussions that at least some of the between State variation in administrative costs for a particular program and also the within-state variation between programs is the result of the cost allocation process. Although some categories of administrative cost are matched at 75 and 90 percent, the majority of the costs are matched at 50 percent. States have no great incentive to allocate costs in a totally accurate fashion since it makes little difference which program pays the 50 percent. Because there are many cost allocation systems in place, it is difficult to make accurate comparisons. The low CRV of .410 for the combined rate provides some evidence for the possibility that States load cost onto one particular program, and that on an overall basis, State administrative costs are somewhat more alike than first meets the eye.

Finally, some respondents indicated there may never have been a failure in cost containment on the part of the Federal representatives because containment of administrative cost was never a significant priority. Rather, the Federal representatives spent much of their time protecting their particular program's funds from raids by another program. The questions often asked were: Is it eligible for matching by my program or should someone else (AFDC, Medicaid or Food Stamps) be paying for this? Seldom was the question raised: Does this item or area cost too much?

III. Objective

The primary objective for this inspection was to develop and present a new method of funding the cost of administering the AFDC, Medicaid and Food Stamp programs which would:

- Hold constant or reduce the total Federal expenditures for administrative cost.
- Reduce the inappropriate variation between States in the unit administrative cost of serving AFDC, Medicaid and Food Stamp recipients.
- Increase the flexibility which States have in running their programs.
- Reduce the level of Federal interference with State administrative activity and reduce the cost of the Federal presence.

It was suggested to us that consideration be given to using a sort of Diagnosis Related Group (DRG) approach to solving these problems; i.e., the Federal Government could set a fair price which it would pay for its

share of administering these programs. States which could operate below this amount would keep the difference and States which could not, would absorb the loss. In effect, the government would:

- o Stop matching cost and start paying on a prospective basis.

IV. Basic Proposal and Options

We present below a basic proposal which details the core features of a prospective payment system for administrative cost, along with two separate options for setting the rate which a particular State would receive. In a sense, these two payment options are only examples of rate setting formulas. We recognize that there are a variety of ways in which each of these could be adjusted in order to vary the amount of money which could be saved, promote equity between States or make the proposed system more acceptable.

Core Features

Under a prospective payment system, the Federal Government would no longer match (at varying rates) actual State expenditures for administrative cost for AFDC, Food Stamps and Medicaid. Rather, the States would be given a single combined amount per recipient which would be available for running all three programs. A formula would be developed to charge each of the three OPDIV's a proportional share of the amounts paid to the States, perhaps on the basis of the relative number of their clients served.

States would have wide discretion in how they spend these funds on the individual programs. They would no longer be required to allocate costs between the three programs and would have increased opportunity to develop joint approaches to eligibility determination, data processing and other administrative activities. If States find that they can administer their programs for less than the amounts paid to them, they would be allowed to spend the difference to support other health or welfare activities.

The amounts per recipient which the States receive would be based on the Federal share per recipient paid to a State in a base year adjusted over time for inflation. Whether a specific State would receive a reduction or increase over the base year depends on the actual allocation formula adopted. Two examples of these formulas are presented below.

Option 1

Under Option 1, the variation between States in the amount per recipient would be substantially diminished over 5 years by: (1) gradually increasing the amount per recipient paid to States with historical costs below the mean and by (2) gradually reducing the amount per recipient paid to States with historical costs above the mean. The amount of this reallocation would be adjusted in relation to the State's relative government labor cost, used as a surrogate indicator of the overall cost of doing business in the State and as an actual indicator of the relative cost of attracting personnel. The amount per recipient would be adjusted each year for inflation and by the end of 5 years the total annual payout, in constant dollars, would be reduced by 5 percent.

The Option 1 formula for determining the amount per recipient a State would receive can be expressed as:

$$R_{Ti} = (BR_{St\ i} + (AF_{Ti} \times (X_{\frac{BR}{ADJ_{Ti}}} - BR))) \times I_{Ti-Tj} \times RF_{Ti}$$

R_{Ti} = Rate (amount per recipient) a State will receive after all adjustments in time period "i."

BR = Base Rate, the combined amount per recipient a State received for the time period from which all later rates are determined.

AF_{Ti} = Adjustment Factor used for reallocating funds from high cost to low cost States. $AF_{T1} = .05$; $AF_{T2} = .25$; $AF_{T3} = .50$; $AF_{T4} = .75$; $AF_{T5} = 1.0$.

X_{BR} = Average combined administrative cost per recipient in the base year for all States, weighted by number of recipients.

ADJ_{Ti} = Adjustment Factor for raising or lowering the X_{BR} in relation to the relative State government labor cost.

I_{Ti-Tj} = Inflation in the time period prior to the year for which the R_{Ti} is determined.

RF_{Ti} = Reduction Factor used to adjust the total payout down 5 percent over 5 years. $RF_{T1} = .99$; $RF_{T2} = .98$; $RF_{T3} = .97$; $RF_{T4} = .96$; $RF_{T5} = .95$.

Illustration of Option 1

The following example illustrates Option 1:

In FY 1984, State "X" had an administrative cost per recipient for Medicaid (Federal share) of $72.60. For AFDC the rate was $48.20; and for Food Stamps the rate was $42.30. The base rate (BR), which is a weighted average of these programs, was $50.08. State X looks fairly efficient when compared with the national average combined administrative cost for all States, weighted by the number of recipients (X_{BR}) of $53.78.

But this proposed allocation formula makes an allowance or correction for the relative government labor cost. State X may appear more efficient only because it participates in a cheaper labor market and can pay its employees less. A less expensive labor market may also be associated with an overall lesser cost of doing business in a State. One way to take this into consideration is to adjust the national average administrative cost (X_{BR}) up or down in relation to relative government labor cost of a State. In this example, the ratio of the national average government labor cost ($19,142) to the average government labor cost in State X ($16,943) is 1.130 (ADJ in the formula); i.e., the national average government labor cost is 113 percent of the government labor cost in State X. The adjusted national average administrative cost for State X =(X_{BR} : ADJ) = $47.59. Compared with an adjusted national average of $47.59, State X, with an average combined cost of $50.08, now looks less efficient.

Under the proposed formula, the amount per recipient each State receives would be gradually raised or lowered towards the adjusted mean. A State <u>below</u> the adjusted mean would get its historic cost plus 5 percent of the difference between its cost and the adjusted mean in the first adjusted year (T_1). In T_2, it would get historic cost plus 25 percent of the difference, and by T_5 it would get the adjusted mean. States like State X in the example would gradually have their rate lowered to the adjusted mean by these same increments.

It is assumed that when the cost reporting requirements and other activities related to cost allocation are discarded, the States will be able to operate at an administrative cost of 5 percent less than their adjusted historic cost. This is because of the relaxation of Federal oversight, increased flexibility in spending administrative dollars and reduced record keeping. Therefore, the adjusted rate is reduced 1 percent a year for 5 years. It is important to

note that although States may go up or down in relation to an adjusted mean, the total expenditures for administrative cost (constant dollars) for all States are only reduced 1 percent per year for 5 years. (I.e., RF in T_1 = .99, T_2 = .98 .... T_5 = .95.)

Filling in the formula for State X in T_1, the first year of adjustment (and assuming no overall inflation):

$$R_{T1} = (BR + (AF_{T1} \times (\frac{x_{BR}}{ADJ_{T1}} - BR))) \times RF_{T1}$$

$$= (\$50.08 + (.05 \times (\frac{\$53.78}{1.13} - \$50.08))) \times .99$$

$$= \$49.45.$$

By T_5 the rate for State X would be:

$$R_{T5} = \frac{X_{BR}}{ADJ_{T5}} \times RF_{T5}$$

$$= \frac{\$53.78}{1.13} \times .95$$

$$= \$45.21.$$

Between the base year and T_5, the rate (in constant dollars) paid to State X would go down from $50.08 to $45.21 or about 9.7 percent. Again, 5 percent of this reduction is explained by the lesser cost of doing business due to deregulation of State administrative activities and 4.7 percent by allowing the State to vary from the historical mean only in relation to its relative government labor cost.

Option 2

Under this option, each State would receive the lesser of either (1) the national average of combined administrative cost in the base year for all States (x_{BR}), adjusted for relative government labor cost (ADJ_{Ti}) plus half the difference between the base rate (BR) and the adjusted national average or (2) the base rate (BR), adjusted for inflation.

There would be no reallocation of funds from high to low cost states as in Option 1. States above the adjusted mean be reduced by half the difference, while States equal to or below the adjusted mean would be frozen at their historic amount corrected for inflation. Savings would come from the reduction toward the mean of the higher cost States and not from an overall 5 percent reduction in the pool.

The formula for determining the rates paid under this option (using the same symbols as above) is:

R_{Ti} = The lesser of:

$$\left(\frac{x_{BR}}{ADJ_{Ti}} + \left(.5x \left(BR - \frac{xBR}{ADJ_{Ti}}\right)\right)\right) \times I_{Ti-Tj}.$$

or

$$BR \times I_{Ti} - Tj.$$

Illustration of Option 2

The following example illustrates Option 2:

Using the same values for State X as indicated above, R_{ti} = the lesser of

$$\frac{\$53.78}{1.13} + \left(.5x \left(\$50.08 - \frac{\$53.78}{1.13}\right)\right)$$

$$\$47.59 + (.5x (\$50.08 - \$47.59))$$

$$\$48.83$$

or

$$\$50.08.$$

Here, the rate paid to State X would be $48.83 as compared with $45.21 after 5 years in Option 1, or about 8 percent more. Under this system the high cost States take a lesser hit, but lower cost States are frozen at their historic rates, corrected only for inflation. The high States could take their reductions in the first year rather than having them phased in over time, which would result in greater and more immediate cost savings. It would probably be more acceptable to also phase in these changes over 5 years as with Option 1.

V. Impact on the States

Option 1

Tables 2-4 below illustrate the impact on the States of phasing in the Option 1 formula over a 5-year period, starting with a base year utilizing FY 1984 data. FY 1984 was selected as the base year because it was the latest year for which a relatively complete data set was available at the time the inspection was begun.

Although these tables provide a good overview of how the system would work, they do not represent exactly

- - - TABLE 2 - - -

OPTION 1

COMBINED FEDERAL SHARE PER RECIPIENT FOR ADFC, MEDICAID AND FOOD STAMPS BY STATE, IN FY84 AND YEARS FOLLOWING

STATE	FY84	ADJ 1	ADJ 2	ADJ 3	ADJ 4	ADJ 5
ALASKA	$151.00	$146.37	$132.52	$115.87	$99.54	$83.52
DIST OF COLUMBIA	96.79	94.39	87.77	79.85	72.09	64.46
NEW YORK	94.15	91.58	84.23	75.41	66.76	58.28
NORTH DAKOTA	90.81	87.65	77.87	66.07	54.49	43.15
UTAH	89.70	86.70	77.48	66.37	55.48	44.79
NEVADA	86.18	83.74	76.66	68.17	59.83	51.65
IDAHO	80.07	77.70	70.70	62.29	54.04	45.94
OREGON	79.05	76.83	70.37	62.62	55.02	47.57
NEW HAMPSHIRE	78.29	75.98	69.18	61.01	52.99	45.13
OKLAHOMA	77.77	75.30	67.86	58.90	50.11	41.49
NEW JERSEY	71.69	70.31	66.98	63.06	59.20	55.41
WASHINGTON	70.61	69.13	65.39	60.95	56.58	52.30
VERMONT	70.04	68.22	63.11	56.99	50.98	45.08
CALIFORNIA	64.38	63.66	62.74	61.75	60.77	59.79
COLORADO	62.99	61.84	59.14	55.97	52.85	49.79
TEXAS	60.09	58.83	55.65	51.88	48.17	44.53
CONNECTICUT	59.90	59.33	58.85	58.39	57.93	57.47
MASSACHUSETTS	59.52	58.97	58.55	58.18	57.80	57.42
MINNESOTA	58.02	57.66	57.96	58.46	58.93	59.38
SOUTH DAKOTA	56.24	55.01	51.80	48.00	44.26	40.59
MARYLAND	54.25	53.43	51.77	49.87	47.99	46.14
MONTANA	54.20	53.50	52.35	51.06	49.78	48.52
NEW MEXICO	53.38	52.72	51.70	50.57	49.44	48.34
DELAWARE	52.72	51.74	49.44	46.73	44.06	41.44
PENNSYLVANIA	52.18	51.75	51.57	51.48	51.38	51.27
NEBRASKA	52.10	51.29	49.68	47.72	45.84	43.98
NORTH CAROLINA	51.51	50.81	49.36	48.15	46.76	45.38
VIRGINIA	51.14	50.47	49.31	48.00	46.72	45.45
GEORGIA	50.08	49.52	48.77	47.97	47.17	46.38
ARIZONA	49.93	49.36	48.59	47.76	46.94	46.12
WYOMING	48.95	48.70	49.15	49.81	50.45	51.06
HAWAII	48.58	48.14	47.82	47.53	47.25	46.96
INDIANA	45.21	44.86	44.90	45.02	45.14	45.24
MICHIGAN	43.24	43.58	46.19	49.49	52.72	55.87
IOWA	42.02	42.06	43.45	45.25	47.00	48.71
FLORIDA	41.47	41.15	41.13	41.19	41.24	41.28
KANSAS	41.36	41.41	42.84	44.68	46.47	48.22
MAINE	41.12	41.02	41.83	42.92	43.98	45.01
LOUISIANA	41.02	40.82	41.22	41.81	42.38	42.93
RHODE ISLAND	40.24	40.48	42.64	45.37	48.04	50.64
SOUTH CAROLINA	38.90	38.92	40.13	41.71	43.25	44.75
ARKANSAS	38.49	38.47	39.54	40.94	42.29	43.62
MISSOURI	38.48	38.44	39.42	40.72	41.97	43.20
ILLINOIS	33.93	34.70	38.75	43.80	48.74	53.57
WISCONSIN	33.54	34.17	37.63	41.95	46.18	50.32
TENNESSEE	33.06	33.34	35.44	38.08	40.67	43.19
ALABAMA	31.74	32.34	35.65	39.79	43.83	47.78
OHIO	31.44	32.30	36.63	42.01	47.28	52.43
KENTUCKY	28.33	28.92	32.08	36.02	39.88	43.65
WEST VIRGINIA	27.03	27.54	30.37	33.90	37.34	40.71
MISSISSIPPI	22.16	22.86	26.26	30.50	34.63	38.68
MEAN/AVERAGE:	$56.26	$55.45	$53.93	$52.20	$50.48	$48.80
STD DEV:	$23.04	$21.90	$18.16	$13.82	$10.05	$7.56
CRV:	0.410	0.395	0.337	0.265	0.199	0.155

* * * TABLE 3 * * *
OPTION 1
COMBINED FEDERAL SHARE (in Millions $)
BY STATE, FOR AFDC, MEDICAID AND FOOD
STAMPS IN FY84 AND YEARS FOLLOWING

STATE	FY84	ADJ 1	ADJ 2	ADJ 3	ADJ 4	ADJ 5
ALASKA	$9.072	$8.794	$7.962	$6.962	$5.980	$5.018
DIST OF COLUMBIA	23.362	22.782	21.183	19.274	17.399	15.559
NEW YORK	481.498	468.379	430.764	385.683	341.441	298.038
NORTH DAKOTA	6.962	6.720	5.970	5.065	4.178	3.308
UTAH	16.420	15.870	14.183	12.150	10.155	8.199
NEVADA	6.380	6.200	5.676	5.047	4.429	3.824
IDAHO	9.423	9.144	8.320	7.330	6.359	5.407
OREGON	34.994	34.009	31.152	27.723	24.358	21.058
NEW HAMPSHIRE	7.105	6.896	6.278	5.537	4.809	4.096
OKLAHOMA	46.262	44.796	40.368	35.038	29.809	24.682
NEW JERSEY	104.598	102.587	97.730	92.005	86.377	80.847
WASHINGTON	51.291	50.219	47.497	44.271	41.103	37.991
VERMONT	8.261	8.047	7.444	6.722	6.013	5.318
CALIFORNIA	406.349	401.836	395.996	389.752	383.554	377.400
COLORADO	25.990	25.514	24.401	23.093	21.807	20.543
TEXAS	138.698	135.801	128.450	119.742	111.186	102.783
CONNECTICUT	29.835	29.551	29.310	29.083	28.853	28.623
MASSACHUSETTS	68.524	67.891	67.413	66.981	66.544	66.101
MINNESOTA	40.135	39.887	40.093	40.436	40.764	41.077
SOUTH DAKOTA	5.418	5.299	4.991	4.624	4.264	3.910
MARYLAND	43.996	43.328	41.987	40.442	38.920	37.421
MONTANA	6.742	6.655	6.512	6.351	6.192	6.035
NEW MEXICO	15.819	15.625	15.322	14.986	14.653	14.325
DELAWARE	6.155	6.041	5.772	5.455	5.144	4.838
PENNSYLVANIA	139.100	137.945	137.485	137.237	136.965	136.669
NEBRASKA	11.220	11.046	10.690	10.277	9.871	9.472
NORTH CAROLINA	52.190	51.481	50.219	48.788	47.376	45.983
VIRGINIA	43.762	43.185	42.195	41.079	39.977	38.889
GEORGIA	63.428	62.715	61.768	60.751	59.742	58.740
ARIZONA	20.269	20.039	19.726	19.388	19.054	18.722
WYOMING	2.419	2.406	2.428	2.461	2.493	2.523
HAWAII	11.736	11.629	11.552	11.483	11.414	11.344
INDIANA	40.172	39.877	39.894	40.007	40.109	40.200
MICHIGAN	120.564	121.306	128.787	137.998	146.993	155.770
IOWA	21.236	21.255	21.957	22.867	23.754	24.617
FLORIDA	64.387	63.896	63.854	63.949	64.029	64.093
KANSAS	14.396	14.414	14.910	15.551	16.176	16.785
MAINE	12.010	11.981	12.218	12.536	12.846	13.146
LOUISIANA	49.698	49.451	49.941	50.655	51.345	52.009
RHODE ISLAND	8.998	9.052	9.534	10.145	10.742	11.324
SOUTH CAROLINA	29.437	29.450	30.370	31.566	32.731	33.865
ARKANSAS	21.218	21.209	21.796	22.566	23.316	24.045
MISSOURI	36.389	36.352	37.281	38.503	39.692	40.849
ILLINOIS	103.759	106.121	118.511	133.957	149.059	163.818
WISCONSIN	35.524	36.187	39.854	44.436	48.915	53.292
TENNESSEE	35.118	35.419	37.644	40.455	43.200	45.879
ALABAMA	34.714	35.371	38.992	43.515	47.938	52.259
OHIO	84.549	86.864	98.503	112.984	127.146	140.989
KENTUCKY	34.654	35.373	39.239	44.063	48.780	53.388
WEST VIRGINIA	14.399	14.673	16.177	18.056	19.894	21.689
MISSISSIPPI	21.418	22.092	25.384	29.474	33.475	37.386
TOTALS:	$2.720.055	$2.692.859	$2.665.678	$2.638.500	$2.611.323	$2.584.145

*** * * * TABLE 4 * * * ***

OPTION 1

PERCENT CHANGE IN COMBINED FEDERAL SHARE PER RECIPIENT FOR AFDC, MEDICAID AND FOOD STAMPS BY STATE BETWEEN TIME PERIODS

STATE	FS/R 84 TO ADJ 1	ADJ 1 TO ADJ 2	ADJ 2 TO ADJ 3	ADJ 3 TO ADJ 4	ADJ 4 TO ADJ 5	FS/R 84 TO ADJ 5
ALASKA	-3.07%	-9.46%	-12.56%	-14.10%	-16.09%	-44.69%
DIST OF COLUMBIA	-2.48%	-7.02%	-9.01%	-9.73%	-10.57%	-33.40%
NEW YORK	-2.72%	-8.03%	-10.47%	-11.47%	-12.71%	-38.10%
NORTH DAKOTA	-3.47%	-11.16%	-15.16%	-17.52%	-20.82%	-52.49%
UTAH	-3.35%	-10.63%	-14.34%	-16.42%	-19.26%	-50.06%
NEVADA	-2.83%	-8.46%	-11.08%	-12.23%	-13.67%	-40.07%
IDAHO	-2.96%	-9.01%	-11.90%	-13.25%	-14.98%	-42.62%
OREGON	-2.81%	-8.40%	-11.01%	-12.14%	-13.55%	-39.83%
NEW HAMPSHIRE	-2.95%	-8.95%	-11.81%	-13.14%	-14.84%	-42.35%
OKLAHOMA	-3.17%	-9.88%	-13.20%	-14.92%	-17.20%	-46.65%
NEW JERSEY	-1.92%	-4.73%	-5.86%	-6.12%	-6.40%	-22.71%
WASHINGTON	-2.09%	-5.42%	-6.79%	-7.16%	-7.57%	-25.93%
VERMONT	-2.60%	-7.50%	-9.70%	-10.54%	-11.56%	-35.63%
CALIFORNIA	-1.11%	-1.45%	-1.58%	-1.59%	-1.60%	-7.12%
COLORADO	-1.83%	-4.36%	-5.36%	-5.57%	-5.80%	-20.96%
TEXAS	-2.09%	-5.41%	-6.78%	-7.15%	-7.56%	-25.89%
CONNECTICUT	-0.95%	-0.81%	-0.78%	-0.79%	-0.80%	-4.06%
MASSACHUSETTS	-0.92%	-0.71%	-0.64%	-0.65%	-0.66%	-3.54%
MINNESOTA	-0.62%	0.52%	0.86%	0.81%	0.77%	2.35%
SOUTH DAKOTA	-2.19%	-5.83%	-7.35%	-7.79%	-8.30%	-27.83%
MARYLAND	-1.52%	-3.09%	-3.68%	-3.76%	-3.85%	-14.94%
MONTANA	-1.29%	-2.16%	-2.47%	-2.50%	-2.53%	-10.48%
NEW MEXICO	-1.23%	-1.94%	-2.19%	-2.22%	-2.24%	-9.45%
DELAWARE	-1.85%	-4.46%	-5.48%	-5.70%	-5.95%	-21.40%
PENNSYLVANIA	-0.83%	-0.33%	-0.18%	-0.20%	-0.22%	-1.75%
NEBRASKA	-1.55%	-3.23%	-3.86%	-3.95%	-4.05%	-15.58%
NORTH CAROLINA	-1.36%	-2.45%	-2.85%	-2.89%	-2.94%	-11.89%
VIRGINIA	-1.32%	-2.29%	-2.64%	-2.68%	-2.72%	-11.13%
GEORGIA	-1.12%	-1.51%	-1.65%	-1.66%	-1.68%	-7.39%
ARIZONA	-1.14%	-1.56%	-1.71%	-1.73%	-1.74%	-7.63%
WYOMING	-0.51%	0.92%	1.35%	1.28%	1.22%	4.31%
HAWAII	-0.91%	-0.66%	-0.59%	-0.60%	-0.61%	-3.34%
INDIANA	-0.74%	0.04%	0.28%	0.26%	0.23%	0.07%
MICHIGAN	0.78%	5.99%	7.15%	6.52%	5.97%	29.20%
IOWA	0.09%	3.30%	4.14%	3.88%	3.63%	15.92%
FLORIDA	-0.76%	-0.07%	0.15%	0.12%	0.10%	-0.46%
KANSAS	0.13%	3.44%	4.30%	4.02%	3.76%	16.59%
MAINE	-0.25%	1.98%	2.61%	2.47%	2.34%	9.45%
LOUISIANA	-0.50%	0.99%	1.43%	1.36%	1.29%	4.65%
RHODE ISLAND	0.61%	5.32%	6.41%	5.88%	5.42%	25.85%
SOUTH CAROLINA	0.04%	3.12%	3.94%	3.69%	3.46%	15.04%
ARKANSAS	-0.05%	2.77%	3.53%	3.32%	3.13%	13.32%
MISSOURI	-0.10%	2.55%	3.28%	3.09%	2.91%	12.25%
ILLINOIS	2.28%	11.67%	13.03%	11.27%	9.90%	57.88%
WISCONSIN	1.87%	10.13%	11.50%	10.08%	8.95%	50.02%
TENNESSEE	0.86%	6.28%	7.47%	6.79%	6.20%	30.64%
ALABAMA	1.89%	10.24%	11.60%	10.16%	9.01%	50.54%
OHIO	2.74%	13.40%	14.70%	12.53%	10.89%	66.75%
KENTUCKY	2.08%	10.93%	12.29%	10.70%	9.45%	54.06%
WEST VIRGINIA	1.90%	10.25%	11.62%	10.18%	9.02%	50.63%
MISSISSIPPI	3.15%	14.90%	16.11%	13.57%	11.68%	74.55%

how a given State would fare, particularly in the early years. For one thing, there are now inconsistencies in how States count the number of recipients served on an annualized basis. These differences are likely to occur between programs administered by different agencies within the same State, between counties in county administered programs, and between States. States which have the least duplicated counts of recipients would have a higher cost per recipient for the base year. However, the proposal assumes (and in fact requires) that a common method of counting clients be promulgated and initiated before the system is implemented. There will need to be some auditing of the recipient counts so that States do not undercount for the base year and overcount for the years following.

It must be remembered that FY 1984 (as base year) represents a sample in time which may or may not be representative of a State's usual or average experience. For example, a State may have a high cost per recipient in the base year because certain extraordinary expenses were loaded on that period or because certain very high expenses, such as capital expenditures happened to be paid that year. In addition, there may have been adjustments based on past audits, etc., which could push a rate up or down, regardless of reported expenditures during that year. A State with an artificially high or low base year would have an apparent burden or bonanza as adjustments are made over the 5-year period. But a virtue of this option is that over time all these artificial or sampling variations wash out, and in the end only the variation associated with relative State labor cost and number of clients is left in.

Tables 2 and 3 show the combined rates and total dollars Federal share in the base year (FY 1984) and in five succeeding time periods under the proposed system. As indicated above, the rates are gradually adjusted downward for those above an adjusted mean and upwards for those below, in increments of 5, 25, 50, 75 and 100 percent of the difference. In addition, each rate is dropped by 1 percent a year over 5 years. These examples assume no increase in the number of recipients and no overall inflation in cost.

As indicated in Table 3, the total amount (in constant dollars) paid by the Federal Government after adjustment 5 would be $2.584 billion which is about 95 percent of the $2.720 paid in FY 1984. Note, however, that the average State rate after adjustment 5 would be $48.80 which is only 87 percent of the average State rate of $56.26 in the base year. The difference between reduction in total pay out and reduction in

rates is explained by the fact that this is not a weighted average of the cost per client, but an average of State rates. Notice that as desired, the CRV for rates falls from .410 in FY 1984 to .155 after adjustment 5, an indication that, over time, the States get more and more alike in the rates which they receive.

As shown in Tables 3 and 4, there are fairly big winners and losers under this system, although gains and losses would probably not be quite so significant after a common system for counting recipients is instituted and after taking into consideration the effect of the base year being a sample in time. Among the large States the rate for New York would go down 38.10 percent; New Jersey - 22.7 percent; California - 7.12 percent, Texas - 25.89 percent Massachusetts - 3.54 percent, and Pennsylvania - 1.75 percent. But, the rate for Michigan would rise 29.20 percent, Illinois + 57.88 percent and Ohio + 66.75 percent.

There are other modifications to Option 1 that might be considered. One would be to reallocate only a portion of the difference between a State's historic rate and an adjusted mean. This would mean lesser reductions for high cost States as well as lesser increases for the low cost States.

Table 5 below shows the rate and total Federal share that would be paid to the States (after 5 years and with a 5 percent reduction in the pool) if 50 percent, 75 percent and 100 percent of the difference between a State's historic rate and an adjusted mean were paid. For example, New York was paid $94.15 per recipient in FY 1984 and would receive $73.86, $66.07, or $58.28 with 50 percent, 75 percent and 100 percent reallocations. This would involve reductions of 21 percent, 30 percent and 38 percent. Conversely, Illinois would gain 26 percent, 42 percent and 58 percent under the same allocations.

The primary advantage of stopping reallocation at 50 or 75 percent of the adjusted mean is that it softens the blow to the high cost States. It implicitly recognizes that there may be more complex sources of appropriate variation than are represented in the formula. These same advantages are also disadvantages in that the low cost States may still be locked into artificially low expenditure patterns, while high cost States are allowed to continue spending at more inflated levels.

Option 2

Table 6 shows the impact of the Option 2 formula if it were implemented all at once. It would also be

****** TABLE 5 ******

OPTION 1

COMBINED FEDERAL SHARE PER RECIPIENT (FS/R) AND TOTAL FEDERAL SHARE (FS in Million $) FOR AFDC, FOOD STAMPS, AND MEDICAID FOR FY84 AND AFTER FIVE YEARS WITH 50%, 75% AND 100% RE-ALLOCATIONS TOWARDS AN ADJUSTED MEAN

	FY84		50% RE-ALLOCATION		75% RE-ALLOCATION		100% RE-ALLOCATION	
STATE	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)
ALASKA	$151.00	$9.072	$113.48	$6.818	$98.50	$5.918	$83.52	$5.018
DIST OF COLUMBIA	96.79	23.362	78.21	18.876	71.34	17.218	64.46	15.559
NEW YORK	94.15	481.504	73.86	377.733	66.07	337.886	58.28	298.038
NORTH DAKOTA	90.81	6.961	64.71	4.960	53.93	4.134	43.15	3.308
UTAH	89.70	16.420	65.01	11.899	54.90	10.049	44.79	8.199
NEVADA	86.18	6.380	66.76	4.942	59.20	4.383	51.65	3.824
IDAHO	80.07	9.423	61.01	7.179	53.47	6.293	45.94	5.407
OREGON	79.05	34.994	61.33	27.151	54.45	24.104	47.57	21.058
NEW HAMPSHIRE	78.29	7.105	59.75	5.423	52.44	4.759	45.13	4.096
OKLAHOMA	77.77	46.261	57.69	34.315	49.59	29.498	41.49	24.682
NEW JERSEY	71.69	104.602	61.76	90.109	58.59	85.478	55.41	80.847
WASHINGTON	70.61	51.289	59.69	43.358	55.99	40.674	52.30	37.991
VERMONT	70.04	8.262	55.81	6.583	50.45	5.951	45.08	5.318
CALIFORNIA	64.38	406.372	60.48	381.727	60.14	379.564	59.79	377.400
COLORADO	62.99	25.988	54.81	22.616	52.30	21.580	49.79	20.543
TEXAS	60.09	138.700	50.81	117.274	47.67	110.028	44.53	102.783
CONNECTICUT	59.90	29.836	57.19	28.483	57.33	28.553	57.47	28.623
MASSACHUSETTS	59.52	68.523	56.98	65.599	57.20	65.850	57.42	66.101
MINNESOTA	58.02	40.133	57.25	39.602	58.32	40.339	59.38	41.077
SOUTH DAKOTA	56.24	5.418	47.01	4.528	43.80	4.219	40.59	3.910
MARYLAND	54.25	43.997	48.84	39.609	47.49	38.515	46.14	37.421
MONTANA	54.20	6.741	50.00	6.220	49.26	6.128	48.52	6.035
NEW MEXICO	53.38	15.820	49.52	14.677	48.93	14.501	48.34	14.325
DELAWARE	52.72	6.155	45.76	5.343	43.60	5.090	41.44	4.838
PENNSYLVANIA	52.18	139.090	50.42	134.403	50.84	135.536	51.27	136.669
NEBRASKA	52.10	11.221	46.74	10.066	45.36	9.769	43.98	9.472
NORTH CAROLINA	51.51	52.186	47.16	47.780	46.27	46.882	45.38	45.983
VIRGINIA	51.14	43.760	47.01	40.231	46.23	39.560	45.45	38.889
GEORGIA	50.08	63.434	46.98	59.501	46.68	59.121	46.38	58.740
ARIZONA	49.93	20.271	46.78	18.990	46.45	18.856	46.12	18.722
WYOMING	48.95	2.419	48.78	2.410	49.92	2.467	51.06	2.523
HAWAII	48.58	11.736	46.55	11.247	46.76	11.295	46.96	11.344
INDIANA	45.21	40.176	44.10	39.184	44.67	39.692	45.24	40.200
MICHIGAN	43.24	120.555	48.47	135.149	52.17	145.459	55.87	155.770
IOWA	42.02	21.237	44.32	22.396	46.51	23.507	48.71	24.617
FLORIDA	41.47	64.385	40.34	62.630	40.81	63.361	41.28	64.093
KANSAS	41.36	14.396	43.76	15.231	45.99	16.008	48.22	16.785
MAINE	41.12	12.009	42.03	12.277	43.52	12.712	45.01	13.146
LOUISIANA	41.02	49.698	40.95	49.611	41.94	50.810	42.93	52.009
RHODE ISLAND	40.24	8.998	44.44	9.936	47.54	10.630	50.64	11.324
SOUTH CAROLINA	38.90	29.439	40.85	30.916	42.80	32.391	44.75	33.865
ARKANSAS	38.49	21.217	40.09	22.100	41.85	23.072	43.62	24.045
MISSOURI	38.48	36.391	39.88	37.710	41.54	39.279	43.20	40.849
ILLINOIS	33.93	103.750	42.90	131.191	48.24	147.505	53.57	163.818
WISCONSIN	33.54	35.529	41.09	43.522	45.70	48.407	50.32	53.292
TENNESSEE	33.06	35.122	37.30	39.623	40.25	42.751	43.19	45.879
ALABAMA	31.74	34.714	38.97	42.619	43.38	47.439	47.78	52.259
OHIO	31.44	84.558	41.15	110.659	46.79	125.824	52.43	140.989
KENTUCKY	28.33	34.648	35.28	43.152	39.46	48.270	43.65	53.388
WEST VIRGINIA	27.03	14.398	33.20	17.684	36.95	19.686	40.71	21.689
MISSISSIPPI	22.16	21.414	29.86	28.865	34.27	33.125	38.68	37.386
TOTALS:		$2.720.068		$2.584.105		$2.584.125		$2.584.145
MEAN/AVERAGE:	$56.26		$51.12		$49.96		$48.80	
STD DEV:	$23.04		$13.53		$9.95		$7.56	
CRV:	0.410		0.265		0.199		0.155	

* * * * TABLE 6 * * * *
OPTION 2
COMBINED FEDERAL SHARE PER RECIPIENT (FS/R) AND TOTAL FEDERAL SHARE (FS) FOR AFDC, FOOD STAMPS AND MEDICAID FOR FY84 AND AFTER FIVE YEARS

	FY84		AFTER 5 YEARS		CHANGE AFTER 5 YEARS		
STATE	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	% CHANGE
ALASKA	$151.00	$9.072	$119.46	$7.177	-$31.54	-$1.895	-20.89%
NORTH DAKOTA	90.81	6.961	68.11	5.222	-22.70	-1.740	-24.99
UTAH	89.70	16.420	68.43	12.526	-21.27	-3.895	-23.72
OKLAHOMA	77.77	46.261	60.72	36.121	-17.05	-10.140	-21.92
NEW YORK	94.15	481.504	77.75	397.614	-16.40	-83.890	-17.42
NEVADA	86.18	6.380	70.27	5.203	-15.91	-1.177	-18.46
IDAHO	80.07	9.423	64.22	7.557	-15.85	-1.866	-19.80
NEW HAMPSHIRE	78.29	7.105	62.90	5.708	-15.39	-1.397	-19.66
DIST OF COLUMBIA	96.79	23.362	82.32	19.870	-14.47	-3.492	-14.95
OREGON	79.05	34.994	64.56	28.580	-14.49	-6.414	-18.33
VERMONT	70.04	8.262	58.75	6.930	-11.29	-1.332	-16.12
WASHINGTON	70.61	51.289	62.83	45.640	-7.78	-5.649	-11.02
SOUTH DAKOTA	56.24	5.418	49.48	4.767	-6.76	-0.651	-12.02
NEW JERSEY	71.69	104.602	65.01	94.852	-6.68	-9.750	-9.32
TEXAS	60.09	138.700	53.48	123.446	-6.61	-15.254	-11.00
COLORADO	62.99	25.988	57.70	23.806	-5.29	-2.182	-8.40
DELAWARE	52.72	6.155	48.17	5.624	-4.55	-0.531	-8.63
NEBRASKA	52.10	11.221	49.20	10.596	-2.90	-0.625	-5.57
MARYLAND	54.25	43.997	51.41	41.694	-2.84	-2.304	-5.23
NORTH CAROLINA	51.51	52.186	49.64	50.295	-1.87	-1.891	-3.63
VIRGINA	51.14	43.760	49.49	42.348	-1.65	-1.412	-3.23
MONTANA	54.20	6.741	52.64	6.547	-1.56	-0.194	-2.89
NEW MEXICO	53.38	15.820	52.13	15.449	-1.25	-0.371	-2.34
CALIFORNIA	64.38	406.372	63.66	401.818	-0.72	-4.554	-1.12
ARIZONA	49.93	20.271	49.24	19.989	-0.69	-0.282	-1.38
GEORGIA	50.08	63.434	49.45	62.633	-0.63	-0.801	-1.25
CONNECTICUT	59.90	29.836	59.90	29.836	0.00	0.000	0.00
HAWAII	48.58	11.736	48.58	11.736	0.00	0.000	0.00
MASSACHUSETTS	59.52	68.523	59.52	68.523	0.00	0.000	0.00
PENNSYLVANIA	52.18	139.090	52.18	139.090	0.00	0.000	0.00
FLORIDA	41.47	64.385	41.47	64.385	0.00	0.000	0.00
INDIANA	45.21	40.176	45.21	40.176	0.00	0.000	0.00
LOUISIANA	41.02	49.698	41.02	49.698	0.00	0.000	0.00
MINNESOTA	58.02	40.133	58.02	40.133	0.00	0.000	0.00
WYOMING	48.95	2.419	48.95	2.419	0.00	0.000	0.00
MAINE	41.12	12.009	41.12	12.009	0.00	0.000	0.00
MISSOURI	38.48	36.391	38.48	36.391	0.00	0.000	0.00
ARKANSAS	38.49	21.217	38.49	21.217	0.00	0.000	0.00
SOUTH CAROLINA	38.90	29.439	38.90	29.439	0.00	0.000	0.00
IOWA	42.02	21.237	42.02	21.237	0.00	0.000	0.00
KANSAS	41.36	14.396	41.36	14.396	0.00	0.000	0.00
TENNESSEE	33.06	35.122	33.06	35.122	0.00	0.000	0.00
RHODE ISLAND	40.24	8.998	40.24	8.998	0.00	0.000	0.00
MICHIGAN	43.24	120.555	43.24	120.555	0.00	0.000	0.00
WEST VIRGINIA	27.03	14.398	27.03	14.398	0.00	0.000	0.00
KENTUCKY	28.33	34.648	28.33	34.648	0.00	0.000	0.00
ALABAMA	31.74	34.714	31.74	34.714	0.00	0.000	0.00
MISSISSIPPI	22.16	21.414	22.16	21.414	0.00	0.000	0.00
WISCONSIN	33.54	35.529	33.54	35.529	0.00	0.000	0.00
ILLINOIS	33.93	103.750	33.93	103.750	0.00	0.000	0.00
OHIO	31.44	84.558	31.44	84.558	0.00	0.000	0.00
TOTALS:		$2.720.068		$2.556.379		-$163.689	
MEAN/AVERAGE:	$56.26		$51.39				
STD DEV:	$23.04		$16.44				
CRV:	0.410		0.320				

possible to phase it in over 5 years as was done under Option 1. Under this proposal, 25 States and the District of Columbia would have their rates decreased while 25 states would remain the same (except for corrections for inflation.) The percent of change for those that would lose ranges from about 1 to 25 percent. Total savings (not including reduction in Federal personnel) in 1984 dollars would be about $164 million. New York, with a reduction of $83.9 million, takes the largest total dollar hit, followed by Texas at $15.3 million and Oklahoma at $10.1 million. Of the remaining States that lost, three are reduced between $5 and 10 million, nine between $1 and 5 million and seven less than $1 million. The Coeficient of Relative Variation for the Federal share per recipient moves from 0.41 in FY 1984 to 0.323 after reduction as compared with 0.155 after adjustment 5 in the Option 1 formula. States would be somewhat more alike in the amounts they receive, but there would still be an almost 4 to 1 ratio between the highest and the lowest State.

VI. Impact of Prospective Payment on the Federal Role

Implementation of any of the options for the new system will require changes in how the OPDIV's conduct business with States. For the system to work, it is necessary that the OPDIV's do in fact relax their oversight of administrative activity and that they do not place unnecessary new process requirements on the States. Currently the Federal Government shares at least part of the risk associated with increased regulation because it matches costs. If Federal requirements drive up the cost of administration, the government at minimum pays for half of the increase. Under either of the Options, it would be necessary to establish a routine process for estimating the cost associated with new regulations so that it can be included in the amounts given to the States. An advantage to the OPDIV's would be that, as they are removed from monitoring cost and from telling the States how to achieve a result, they could spend additional efforts on developing and monitoring more sophisticated outcome measures.

Each of the three programs (AFDC, Medicaid and Food Stamps) would have to participate in the revised system if it is to work. If one OPDIV were to continue to pay a share of administrative cost, while the others pay a prospective rate, States would have an incentive to charge as much as possible to the cost based program. In addition, the administration of these three programs is so interrelated at the State and local level that maintaining a cost allocation system for one program would require almost the same expense

and complexity of a cost allocation system for all three.

The development of a common system to count recipients and a method to assign the per recipient amounts to these separate budgets will require the cooperation of all three programs. In addition, the States indicate that they would like to see additional work done on establishing more common eligibility requirements for recipients either by regulation or changes in legislation. Cooperation between AFDC, Medicaid and Food Stamps on these types of problems could lead to new ideas for an improved overall approach to welfare administration and could feed into the Secretary's efforts on welfare reform.

VII. Other Questions and Issues

Impact on Activities Supported by Special Match

Consideration must be given to the potential impact of the proposed funding mechanism on those activities currently supported by special matching rates. These include Medicaid family planning activities and design and development of Medicaid Management Information Systems (MMIS) at 90 percent; and support of skilled medical professionals and operation of MMIS at 75 percent. For AFDC, the match for management information systems (FAMIS) is 90 percent. For Food Stamps, automated data processing (ADP) development costs and fraud control are funded at 75 percent. (Medicaid fraud control units are also funded at 90 percent but not included in the administrative costs reported here.)

There have been legislative proposals put foreward by the Department recommending the immediate elimination of the HCFA special match and the phasing out of FAMIS special match by FY 1992. It is maintained that since every State now has an approved MMIS, it is no longer necessary to provide special incentives to encourage Medicaid data system development. In addition, it is believed that in a time of tight money, the States must begin to carry a larger share (50 percent) of the burden for these and the other special activities. Reduction of Medicaid special match also has the effect of imposing an across the board cut in the Federal share of administrative cost that averages about 16 percent, with significant associated dollar savings.

We agree with HCFA and the Department that special Medicaid funding for MMIS has probably outlived its usefulness. There appears to be evidence that some additional investment in AFDC data systems (FAMIS)

would be advantageous, although this issue was not discussed in detail during our field work. But rather than cutting back on all special funding for Medicaid while at the same time slightly increasing the money available for FAMIS, we would, under both Option 1 and Option 2, leave the Medicaid amount in the base (which is gradually redistributed over time) and not put additional funds in for FAMIS. This would have the advantage of diminishing somewhat the sudden effects of the proposed redistribution and would be a lesser blow to the States than removing all Medicaid special match at once. It would also provide a predictable amount per recipient, which could be used for special activities, including FAMIS, at the States' discretion.

We again stress that under the core proposal the States would have the option of investing in those activities which they thought most useful in improving program performance and achieving outcomes required by Federal legislation and regulations. An advantage here is that States would be more likely to look closely at the value received from those expenditures where they pay a larger share of cost and keep the savings, than where they pay only 10 or 25 cents on the dollar for the same product. In addition, the States would have greater incentive to develop joint computerized eligibility determination systems useful for all programs if they do not have to justify exactly the benefit to each specific program in order to get a special match from that program.

Government Labor Costs as a Measure of Appropriate Variation in Administrative Cost

Both options included in this paper use relative government labor costs to partially adjust the amounts that the States would receive. However, some questions have been raised as to whether the variation associated with government labor costs is an adequate surrogate measure of the desired variation in administrative costs. What about all the other sources of variation? What about the relationship between administrative cost and quality?

Our summary response is:

- Labor costs constitute a significant majority of all AFDC, Food Stamp and Medicaid administrative costs.

- The index used to adjust rates for relative government labor cost is derived from information objectively determined by the Department of Labor.

- Some variation is essential in a pluralist Federal system, but differences in cost per client between the high and low rate States of over 750 percent seem excessive.

- Neither conversations with State representatives, nor review of background studies indicated any one or two factors that made clear exactly what accounts for variation in cost. We have seen no measure of quality that explains variation in cost. In fact, a number of the proposed explanations for high cost were conflicting. However, relative State efficiency certainly plays a part.

VIII. Estimate of Savings

Option 1

Savings from Option 1 would come from three sources: (1) Gradual reduction in total outlay by 1 percent a year for 5 years (1 percent in year 1, 2 percent in year 2, ... 5 percent in year 5); (2) Not increasing the base amount each year by the anticipated growth in the Federal share of FAMIS cost over and above inflation; and (3) Reduction in Federal salaries and benefits due to phasing out the matching cost allocation process.

ASPE estimates that in FY 1987 the Federal share of AFDC, Food Stamp and Medicaid administrative costs will be $3.38 billion. Assuming a modest 3 percent rate of inflation (less than the historical rate of growth of administrative costs) no increase in the number or recipients and a gradually reduced rate of payout, savings in FY 1987 would be $33.8 million; FY 1988 - $69.63 million; FY 1989 - $107.57 million; FY 1990 - $147.74 million; and FY 1991 - $190.2 million.

OFA estimates that the cost of the Federal share of FAMIS was $28 million in FY 1986 and would be: $35 million in FY 1987; $49 million in FY 1988; $30 million in FY 1989; $23 million in FY 1990; and $19 million in FY 1991. Savings achieved by not increasing expenditures for FAMIS above the base year amount of $28 million would be: $7 million in FY 1987; $21 million in FY 1988; and $2 million in FY 1989. There would be an increase above anticipated expenditures of $5 million in FY 1990 and $9 million in FY 1990. Total savings over 5 years would be $16 million.

We estimate that overseeing the matching of administrative cost and administration of the cost allocation process requires the services of at least 60 Federal full time equivalents (FTEs) which can be

broken down as follows: (1) .33 FTE per program per State and the District of Columbia from the OPDIV's in the Regions = 51 FTEs; (2) 4 FTEs from the Divison of Cost Allocation in the Regions; (3) 5 FTEs from central offices to manage this process. At an average grade level of 12.5 ($35,800 per annum salary plus 14 percent in benefits) and at a 3 percent per year inflation, the savings would be: $2.45 million in FY 1987; $2.52 million in FY 1988, $2.60 million in FY 1989; $2.68 million in FY 1990 and $2.76 million in FY 1991.

Total Option 1 savings over 5 years would be $577.95 million:

	FY 87	FY 88	FY 89	FY 90	FY 91	Total
% Reduction of Pool	-$33.80	-$69.63	-$107.57	-$147.74	-$190.20	-$548.94
Reduction in Special Match	- 7.00	- 21.00	- 2.00	+ 5.00	+ 9.00	- 16.00
Reduction in Federal Personnel	- 2.45	- 2.52	- 2.60	- 2.68	- 2.76	-13.01
Total	-$43.25	-$ 93.15	-$112.17	-$145.42	-$183.96	-$577.95

Option 2

Under Option 2, there would be a 6 percent reduction from implementing the formula immediately. Assuming that it would be phased in at 1.2 percent a year over 5 years, with similar reductions in special match and Federal personnel as in Option 1, the savings would be $687.71 million:

	FY 87	FY 88	FY 89	FY 90	FY 91	Total
Reduction in Rate	-$40.56	-$83.54	-$129.10	-$177.26	-$228.24	-$658.70
Reduction in Special Match	- 7.00	- 21.00	- 2.00	+ 5.00	+ 9.00	- 16.00
Reduction in Federal Personnel	- 2.45	- 2.52	- 2.60	- 2.68	- 2.76	-13.01
Total	-$50.01	-$107.06	-$133.70	-$174.94	-$222.00	-$687.71

APPENDIX

* * * * TABLE 7 * * * *

FEDERAL SHARE PER RECIPIENT (FS/R) AND FEDERAL SHARE (FS in Millions $)
FOR ADMINISTRATIVE COSTS IN AFDC, MEDICAID, FOOD STAMPS AND COMBINED
PROGRAMS, BY STATE, FISCAL YEAR 1984

	AFDC		MEDICAID		FOOD STAMPS		COMBINED PROGRAMS	
STATE	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)
ALABAMA	$55.35	$8.531	$26.61	$8.398	$28.51	$17.786	$31.74	$34.715
ALASKA	233.80	3.374	70.21	1.690	185.72	4.009	151.00	9.072
ARIZONA	76.03	5.497	14.55	1.615	59.10	13.159	49.93	20.271
ARKANSAS	72.31	4.580	44.85	8.650	27.07	7.986	38.49	21.217
CALIFORNIA	118.60	146.829	49.82	169.148	53.85	90.395	64.38	406.372
COLORADO	127.12	9.670	68.52	10.650	31.30	5.669	62.99	25.988
CONNECTICUT	75.55	9.082	60.10	13.228	47.70	7.526	59.90	29.836
DELAWARE	125.29	3.044	34.48	1.629	32.79	1.482	52.72	6.155
DIST OF COLUMBIA	163.29	9.636	83.84	8.747	63.81	4.978	96.79	23.362
FLORIDA	80.89	22.751	31.88	18.238	33.46	23.396	41.47	64.385
GEORGIA	72.55	17.659	48.22	20.306	42.31	25.469	50.08	63.434
HAWAII	77.39	3.644	48.49	4.626	34.98	3.466	48.58	11.736
IDAHO	215.98	3.955	82.11	3.001	39.27	2.467	80.07	9.423
ILLINOIS	61.72	41.144	27.06	34.040	25.20	28.567	33.93	103.750
INDIANA	67.65	11.233	54.05	14.699	31.61	14.244	45.21	40.176
IOWA	70.35	6.864	35.16	7.051	35.33	7.321	42.02	21.237
KANSAS	63.27	3.822	41.33	6.512	31.22	4.063	41.36	14.396
KENTUCKY	47.93	7.633	27.09	12.715	24.05	14.300	28.33	34.648
LOUISIANA	64.94	14.090	36.44	13.932	35.41	21.677	41.02	49.698
MAINE	41.34	2.106	51.65	6.293	30.26	3.610	41.12	12.009
MARYLAND	66.11	12.228	46.44	15.051	55.37	16.718	54.25	43.997
MASSACHUSETTS	113.06	26.363	45.40	25.387	46.73	16.772	59.52	68.523
MICHIGAN	91.19	51.191	36.03	41.623	25.88	27.741	43.24	120.555
MINNESOTA	90.29	10.354	58.41	19.927	41.77	9.853	58.02	40.133
MISSISSIPPI	26.93	4.172	17.46	5.282	23.49	11.960	22.16	21.414
MISSOURI	60.59	11.137	27.15	9.688	38.42	15.566	38.48	36.391
MONTANA	87.29	1.748	62.77	2.920	35.84	2.074	54.20	6.741
NEBRASKA	74.90	2.762	62.14	5.371	33.55	3.088	52.10	11.221
NEVADA	119.30	1.518	103.54	2.841	59.67	2.021	86.18	6.380
NEW HAMPSHIRE	100.83	1.645	90.76	3.579	53.73	1.881	78.29	7.105
NEW JERSEY	110.82	39.748	67.94	40.553	48.27	24.301	71.69	104.602
NEW MEXICO	83.90	4.255	56.10	4.657	42.48	6.907	53.38	15.820
NEW YORK	128.82	134.037	110.94	244.646	55.03	102.821	94.15	481.504
NORTH CAROLINA	83.87	13.975	58.28	19.843	36.29	18.367	51.51	52.186
NORTH DAKOTA	163.79	1.883	94.97	3.201	59.67	1.877	90.81	6.961
OHIO	61.34	31.194	28.11	28.519	21.31	24.845	31.44	84.558
OKLAHOMA	181.73	14.325	79.59	20.093	44.93	11.843	77.77	46.261
OREGON	116.21	8.329	125.77	17.534	39.43	9.131	79.05	34.994
PENNSYLVANIA	110.15	55.615	47.87	50.730	29.74	32.745	52.18	139.090
RHODE ISLAND	71.04	3.043	32.59	3.405	33.42	2.549	40.24	8.998
SOUTH CAROLINA	45.02	5.664	43.91	10.160	34.08	13.616	38.90	29.439
SOUTH DAKOTA	91.76	1.493	51.49	1.676	47.32	2.249	56.24	5.418
TENNESSEE	44.48	6.825	24.48	8.452	35.22	19.844	33.06	35.122
TEXAS	65.79	22.313	83.02	59.381	45.47	57.005	60.09	138.700
UTAH	87.58	3.323	131.72	9.135	52.31	3.963	89.70	16.420
VERMONT	114.70	2.290	85.14	4.531	32.18	1.441	70.04	8.262
VIRGINIA	110.82	17.260	44.63	13.453	32.74	13.047	51.14	43.760
WASHINGTON	158.31	23.164	59.09	17.802	37.02	10.323	70.61	51.289
WEST VIRGINIA	62.02	3.899	32.07	5.952	16.00	4.547	27.03	14.398
WISCONSIN	39.61	8.183	36.25	17.809	26.40	9.537	33.54	35.529
WYOMING	106.70	0.930	36.10	0.530	36.86	0.959	48.95	2.419
TOTALS:		$860.013		$1.078.899		$781.157		$2.685.35
MEAN/AVERAGE:	$93.73		$54.71		$40.88		$56.26	
STD DEV:	$43.26		$27.79		$24.05		$23.04	
CRV:	0.462		0.508		0.588		0.410	

* * * TABLE 8 * * *
OPTION 1
COMBINED FEDERAL SHARE PER RECIPIENT FOR ADFC,
MEDICAID AND FOOD STAMPS BY STATE, IN FY84
AND YEARS FOLLOWING

STATE	FY84	ADJ 1	ADJ 2	ADJ 3	ADJ 4	ADJ 5
ALABAMA	$31.74	$32.34	$35.65	$39.79	$43.83	$47.78
ALASKA	151.00	146.37	132.52	115.87	99.54	83.52
ARIZONA	49.93	49.36	48.59	47.76	46.94	46.12
ARKANSAS	38.49	38.47	39.54	40.94	42.29	43.62
CALIFORNIA	64.38	63.66	62.74	61.75	60.77	59.79
COLORADO	62.99	61.84	59.14	55.97	52.85	49.79
CONNECTICUT	59.90	59.33	58.85	58.39	57.93	57.47
DELAWARE	52.72	51.74	49.44	46.73	44.06	41.44
DIST OF COLUMBIA	96.79	94.39	87.77	79.85	72.09	64.46
FLORIDA	41.47	41.15	41.13	41.19	41.24	41.28
GEORGIA	50.08	49.52	48.77	47.97	47.17	46.38
HAWAII	48.58	48.14	47.82	47.53	47.25	46.96
IDAHO	80.07	77.70	70.70	62.29	54.04	45.94
ILLINOIS	33.93	34.70	38.75	43.80	48.74	53.57
INDIANA	45.21	44.88	44.90	45.02	45.14	45.24
IOWA	42.02	42.06	43.45	45.25	47.00	48.71
KANSAS	41.36	41.41	42.84	44.68	46.47	48.22
KENTUCKY	28.33	28.92	32.08	36.02	39.88	43.65
LOUISIANA	41.02	40.82	41.22	41.81	42.38	42.93
MAINE	41.12	41.02	41.83	42.92	43.98	45.01
MARYLAND	54.25	53.43	51.77	49.87	47.99	46.14
MASSACHUSETTS	59.52	58.97	58.55	58.18	57.80	57.42
MICHIGAN	43.24	43.58	46.19	49.49	52.72	55.87
MINNESOTA	58.02	57.66	57.96	58.46	58.93	59.38
MISSISSIPPI	22.16	22.86	26.26	30.50	34.63	38.68
MISSOURI	38.48	38.44	39.42	40.72	41.97	43.20
MONTANA	54.20	53.50	52.35	51.06	49.78	48.52
NEBRASKA	52.10	51.29	49.64	47.72	45.84	43.98
NEVADA	86.18	83.74	76.66	68.17	59.83	51.65
NEW HAMPSHIRE	78.29	75.98	69.18	61.01	52.99	45.13
NEW JERSEY	71.69	70.31	66.98	63.06	59.20	55.41
NEW MEXICO	53.38	52.72	51.70	50.57	49.44	48.34
NEW YORK	94.15	91.58	84.23	75.41	66.76	58.28
NORTH CAROLINA	51.51	50.81	49.56	48.15	46.76	45.38
NORTH DAKOTA	90.81	87.65	77.87	66.07	54.49	43.15
OHIO	31.44	32.30	36.63	42.01	47.28	52.43
OKLAHOMA	77.77	75.30	67.86	58.90	50.11	41.49
OREGON	79.05	76.83	70.37	62.62	55.02	47.57
PENNSYLVANIA	52.18	51.75	51.57	51.48	51.38	51.27
RHODE ISLAND	40.24	40.48	42.64	45.37	48.04	50.64
SOUTH CAROLINA	38.90	38.92	40.13	41.71	43.25	44.75
SOUTH DAKOTA	56.24	55.01	51.80	48.00	44.26	40.59
TENNESSEE	33.06	33.34	35.44	38.08	40.67	43.19
TEXAS	60.09	58.83	55.65	51.88	48.17	44.53
UTAH	89.70	86.70	77.48	66.37	55.48	44.79
VERMONT	70.04	68.22	63.11	56.99	50.98	45.08
VIRGINIA	51.14	50.47	49.31	48.00	46.72	45.45
WASHINGTON	70.61	69.13	65.39	60.95	56.58	52.30
WEST VIRGINIA	27.03	27.54	30.37	33.90	37.34	40.71
WISCONSIN	33.54	34.17	37.63	41.95	46.18	50.32
WYOMING	48.95	48.70	49.15	49.81	50.45	51.06
TOTALS:						
MEAN/AVERAGE:	$56.26	$55.45	$53.93	$52.20	$50.48	$48.80
STD DEV:	$23.04	$21.90	$18.16	$13.82	$10.05	$7.56
CRV:	0.410	0.395	0.337	0.265	0.199	0.155

* * * TABLE 9 * * *
OPTION 1
COMBINED FEDERAL SHARE (in Millions $)
BY STATE, FOR AFDC, MEDICAID AND FOOD
STAMPS IN FY84 AND YEARS FOLLOWING

STATE	FY84	ADJ 1	ADJ 2	ADJ 3	ADJ 4	ADJ 5
ALABAMA	$34.714	$35.371	$38.992	$43.515	$47.938	$52.259
ALASKA	9.072	8.794	7.962	6.962	5.980	5.018
ARIZONA	20.269	20.039	19.726	19.388	19.054	18.722
ARKANSAS	21.218	21.209	21.796	22.566	23.316	24.045
CALIFORNIA	406.349	401.836	395.996	389.752	383.554	377.400
COLORADO	25.990	25.514	24.401	23.093	21.807	20.543
CONNECTICUT	29.835	29.551	29.310	29.083	28.853	28.623
DELAWARE	6.155	6.041	5.772	5.455	5.144	4.838
DIST OF COLUMBIA	23.362	22.782	21.183	19.274	17.399	15.559
FLORIDA	64.387	63.896	63.854	63.949	64.029	64.093
GEORGIA	63.428	62.715	61.768	60.751	59.742	58.740
HAWAII	11.736	11.629	11.552	11.483	11.414	11.344
IDAHO	9.423	9.144	8.320	7.330	6.359	5.407
ILLINOIS	103.759	106.121	118.511	133.957	149.059	163.818
INDIANA	40.172	39.877	39.894	40.007	40.109	40.200
IOWA	21.236	21.255	21.957	22.867	23.754	24.617
KANSAS	14.396	14.414	14.910	15.551	16.176	16.785
KENTUCKY	34.654	35.373	39.239	44.063	48.780	53.388
LOUISIANA	49.698	49.451	49.941	50.655	51.345	52.009
MAINE	12.010	11.981	12.218	12.536	12.846	13.146
MARYLAND	43.996	43.328	41.987	40.442	38.920	37.421
MASSACHUSETTS	68.524	67.891	67.413	66.981	66.544	66.101
MICHIGAN	120.564	121.506	128.787	137.998	146.993	155.770
MINNESOTA	40.135	39.887	40.093	40.436	40.764	41.077
MISSISSIPPI	21.418	22.092	25.384	29.474	33.475	37.386
MISSOURI	36.389	36.352	37.281	38.503	39.692	40.849
MONTANA	6.742	6.655	6.512	6.351	6.192	6.035
NEBRASKA	11.220	11.046	10.690	10.277	9.871	9.472
NEVADA	6.380	6.200	5.676	5.047	4.429	3.824
NEW HAMPSHIRE	7.105	6.896	6.278	5.537	4.809	4.096
NEW JERSEY	104.598	102.587	97.730	92.005	86.377	80.847
NEW MEXICO	15.819	15.625	15.322	14.986	14.653	14.325
NEW YORK	481.498	468.379	430.764	385.683	341.441	298.038
NORTH CAROLINA	52.190	51.481	50.219	48.788	47.376	45.983
NORTH DAKOTA	6.962	6.720	5.970	5.065	4.178	3.308
OHIO	84.549	86.864	98.503	112.984	127.146	140.989
OKLAHOMA	46.262	44.796	40.368	35.038	29.809	24.682
OREGON	34.994	34.009	31.152	27.723	24.358	21.058
PENNSYLVANIA	139.100	137.945	137.485	137.237	136.965	136.669
RHODE ISLAND	8.998	9.052	9.534	10.145	10.742	11.324
SOUTH CAROLINA	29.437	29.450	30.370	31.566	32.731	33.865
SOUTH DAKOTA	5.418	5.299	4.991	4.624	4.264	3.910
TENNESSEE	35.118	35.419	37.644	40.455	43.200	45.879
TEXAS	138.698	135.801	128.450	119.742	111.186	102.783
UTAH	16.420	15.870	14.183	12.150	10.155	8.199
VERMONT	8.261	8.047	7.444	6.722	6.013	5.318
VIRGINIA	43.762	43.185	42.195	41.079	39.977	38.889
WASHINGTON	51.291	50.219	47.497	44.271	41.103	37.991
WEST VIRGINIA	14.399	14.673	16.177	18.056	19.894	21.689
WISCONSIN	35.524	36.187	39.854	44.436	48.915	53.292
WYOMING	2.419	2.406	2.428	2.461	2.493	2.523
TOTALS:	$2.720.055	$2.692.859	$2.665.678	$2.638.500	$2.611.323	$2.584.145

*** * * * TABLE 10 * * * ***

OPTION 1

PERCENT CHANGE IN COMBINED FEDERAL SHARE PER RECIPIENT FOR AFDC, MEDICAID AND FOOD STAMPS BY STATE BETWEEN TIME PERIODS

STATE	FS/R 84 TO ADJ 1	ADJ 1 TO ADJ 2	ADJ 2 TO ADJ 3	ADJ 3 TO ADJ 4	ADJ 4 TO ADJ 5	FS/R 84 TO ADJ 5
ALABAMA	1.89%	10.24%	11.60%	10.16%	9.01%	50.54%
ALASKA	-3.07%	-9.46%	-12.56%	-14.10%	-16.09%	-44.69%
ARIZONA	-1.14%	-1.56%	-1.71%	-1.73%	-1.74%	-7.63%
ARKANSAS	-0.05%	2.77%	3.53%	3.32%	3.13%	13.32%
CALIFORNIA	-1.11%	-1.45%	-1.58%	-1.59%	-1.60%	-7.12%
COLORADO	-1.83%	-4.36%	-5.36%	-5.57%	-5.80%	-20.96%
CONNECTICUT	-0.95%	-0.81%	-0.78%	-0.79%	-0.80%	-4.06%
DELAWARE	-1.85%	-4.46%	-5.48%	-5.70%	-5.95%	-21.40%
DIST OF COLUMBIA	-2.48%	-7.02%	-9.01%	-9.73%	-10.57%	-33.40%
FLORIDA	-0.76%	-0.07%	0.15%	0.12%	0.10%	-0.46%
GEORGIA	-1.12%	-1.51%	-1.65%	-1.66%	-1.68%	-7.39%
HAWAII	-0.91%	-0.66%	-0.59%	-0.60%	-0.61%	-3.34%
IDAHO	-2.96%	-9.01%	-11.90%	-13.25%	-14.98%	-42.62%
ILLINOIS	2.28%	11.67%	13.03%	11.27%	9.90%	57.88%
INDIANA	-0.74%	0.04%	0.28%	0.26%	0.23%	0.07%
IOWA	0.09%	3.30%	4.14%	3.88%	3.63%	15.92%
KANSAS	0.13%	3.44%	4.30%	4.02%	3.76%	16.59%
KENTUCKY	2.08%	10.93%	12.29%	10.70%	9.45%	54.06%
LOUISIANA	-0.50%	0.99%	1.43%	1.36%	1.29%	4.65%
MAINE	-0.25%	1.98%	2.61%	2.47%	2.34%	9.45%
MARYLAND	-1.52%	-3.09%	-3.68%	-3.76%	-3.85%	-14.94%
MASSACHUSETTS	-0.92%	-0.71%	-0.64%	-0.65%	-0.66%	-3.54%
MICHIGAN	0.78%	5.99%	7.15%	6.52%	5.97%	29.20%
MINNESOTA	-0.62%	0.52%	0.86%	0.81%	0.77%	2.35%
MISSISSIPPI	3.15%	14.90%	16.11%	13.57%	11.68%	74.55%
MISSOURI	-0.10%	2.55%	3.28%	3.09%	2.91%	12.25%
MONTANA	-1.29%	-2.16%	-2.47%	-2.50%	-2.53%	-10.48%
NEBRASKA	-1.55%	-3.23%	-3.86%	-3.95%	-4.05%	-15.58%
NEVADA	-2.83%	-8.46%	-11.08%	-12.23%	-13.67%	-40.07%
NEW HAMPSHIRE	-2.95%	-8.95%	-11.81%	-13.14%	-14.84%	-42.35%
NEW JERSEY	-1.92%	-4.73%	-5.86%	-6.12%	-6.40%	-22.71%
NEW MEXICO	-1.23%	-1.94%	-2.19%	-2.22%	-2.24%	-9.45%
NEW YORK	-2.72%	-8.03%	-10.47%	-11.47%	-12.71%	-38.10%
NORTH CAROLINA	-1.36%	-2.45%	-2.85%	-2.89%	-2.94%	-11.89%
NORTH DAKOTA	-3.47%	-11.16%	-15.16%	-17.52%	-20.82%	-52.49%
OHIO	2.74%	13.40%	14.70%	12.53%	10.89%	66.75%
OKLAHOMA	-3.17%	-9.88%	-13.20%	-14.92%	-17.20%	-46.65%
OREGON	-2.81%	-8.40%	-11.01%	-12.14%	-13.55%	-39.83%
PENNSYLVANIA	-0.83%	-0.33%	-0.18%	-0.20%	-0.22%	-1.75%
RHODE ISLAND	0.61%	5.32%	6.41%	5.88%	5.42%	25.85%
SOUTH CAROLINA	0.04%	3.12%	3.94%	3.69%	3.46%	15.04%
SOUTH DAKOTA	-2.19%	-5.83%	-7.35%	-7.79%	-8.30%	-27.83%
TENNESSEE	0.86%	6.28%	7.47%	6.79%	6.20%	30.64%
TEXAS	-2.09%	-5.41%	-6.78%	-7.15%	-7.56%	-25.89%
UTAH	-3.35%	-10.63%	-14.34%	-16.42%	-19.26%	-50.06%
VERMONT	-2.60%	-7.50%	-9.70%	-10.54%	-11.56%	-35.63%
VIRGINIA	-1.32%	-2.29%	-2.64%	-2.68%	-2.72%	-11.13%
WASHINGTON	-2.09%	-5.42%	-6.79%	-7.16%	-7.57%	-25.93%
WEST VIRGINIA	1.90%	10.25%	11.62%	10.18%	9.02%	50.63%
WISCONSIN	1.87%	10.13%	11.50%	10.08%	8.95%	50.02%
WYOMING	-0.51%	0.92%	1.35%	1.28%	1.22%	4.31%

*** * * * TABLE II * * * ***

OPTION 1

COMBINED FEDERAL SHARE PER RECIPIENT (FS/R) AND TOTAL FEDERAL SHARE (FS in Million $) FOR AFDC, FOOD STAMPS, AND MEDICAID FOR FY84 AND AFTER FIVE YEARS WITH 50%, 75% AND 100% RE-ALLOCATIONS TOWARDS AN ADJUSTED MEAN

	FY84		50% RE-ALLOCATION		75% RE-ALLOCATION		100% RE-ALLOCATION	
STATE	FS/R ($)	FS ($000.000)	FS/R ($)	FS ($000.000)	FS/R ($)	FS ($000.000)	FS/R ($)	FS ($000.000)
ALABAMA	$31.74	$34.714	$38.97	$42.619	$43.38	$47.439	$47.78	$52.259
ALASKA	151.00	9.072	113.48	6.818	98.50	5.918	83.52	5.018
ARIZONA	49.93	20.271	46.78	18.990	46.45	18.856	46.12	18.722
ARKANSAS	38.49	21.217	40.09	22.100	41.85	23.072	43.62	24.045
CALIFORNIA	64.38	406.372	60.48	381.727	60.14	379.564	59.79	377.400
COLORADO	62.99	25.988	54.81	22.616	52.30	21.580	49.79	20.543
CONNECTICUT	59.90	29.836	57.19	28.483	57.33	28.553	57.47	28.623
DELAWARE	52.72	6.155	45.76	5.343	43.60	5.090	41.44	4.838
DIST OF COLUMBIA	96.79	23.362	78.21	18.876	71.34	17.218	64.46	15.559
FLORIDA	41.47	64.385	40.34	62.630	40.81	63.361	41.28	64.093
GEORGIA	50.08	63.434	46.98	59.501	46.68	59.121	46.38	58.740
HAWAII	48.58	11.736	46.55	11.247	46.76	11.295	46.96	11.344
IDAHO	80.07	9.423	61.01	7.179	53.47	6.293	45.94	5.407
ILLINOIS	33.93	103.750	42.90	131.191	48.24	147.505	53.57	163.818
INDIANA	45.21	40.176	44.10	39.184	44.67	39.692	45.24	40.200
IOWA	42.02	21.237	44.32	22.396	46.51	23.507	48.71	24.617
KANSAS	41.36	14.396	43.76	15.231	45.99	16.008	48.22	16.785
KENTUCKY	28.33	34.648	35.28	43.152	39.46	48.270	43.65	53.388
LOUISIANA	41.02	49.698	40.95	49.611	41.94	50.810	42.93	52.009
MAINE	41.12	12.009	42.03	12.277	43.52	12.712	45.01	13.146
MARYLAND	54.25	43.997	48.84	39.609	47.49	38.515	46.14	37.421
MASSACHUSETTS	59.52	68.523	56.98	65.599	57.20	65.850	57.42	66.101
MICHIGAN	43.24	120.555	48.47	135.149	52.17	145.459	55.87	155.770
MINNESOTA	58.02	40.133	57.25	39.602	58.32	40.339	59.38	41.077
MISSISSIPPI	22.16	21.414	29.86	28.865	34.27	33.125	38.68	37.386
MISSOURI	38.48	36.391	39.88	37.710	41.54	39.279	43.20	40.849
MONTANA	54.20	6.741	50.00	6.220	49.26	6.128	48.52	6.035
NEBRASKA	52.10	11.221	46.74	10.066	45.36	9.769	43.98	9.472
NEVADA	86.18	6.380	66.76	4.942	59.20	4.383	51.65	3.824
NEW HAMPSHIRE	78.29	7.105	59.75	5.423	52.44	4.759	45.13	4.096
NEW JERSEY	71.69	104.602	61.76	90.109	58.59	85.478	55.41	80.847
NEW MEXICO	53.38	15.820	49.52	14.677	48.93	14.501	48.34	14.325
NEW YORK	94.15	481.504	73.86	377.733	66.07	337.886	58.28	298.038
NORTH CAROLINA	51.51	52.186	47.16	47.780	46.27	46.882	45.38	45.983
NORTH DAKOTA	90.81	6.961	64.71	4.960	53.93	4.134	43.15	3.308
OHIO	31.44	84.558	41.15	110.659	46.79	125.824	52.43	140.989
OKLAHOMA	77.77	46.261	57.69	34.315	49.59	29.498	41.49	24.682
OREGON	79.05	34.994	61.33	27.151	54.45	24.104	47.57	21.058
PENNSYLVANIA	52.18	139.090	50.42	134.403	50.84	135.536	51.27	136.669
RHODE ISLAND	40.24	8.998	44.44	9.936	47.54	10.630	50.64	11.324
SOUTH CAROLINA	38.90	29.439	40.85	30.916	42.80	32.391	44.75	33.865
SOUTH DAKOTA	56.24	5.418	47.01	4.528	43.80	4.219	40.59	3.910
TENNESSEE	33.06	35.122	37.30	39.623	40.25	42.751	43.19	45.879
TEXAS	60.09	138.700	50.81	117.274	47.67	110.028	44.53	102.783
UTAH	89.70	16.420	65.01	11.899	54.90	10.049	44.79	8.199
VERMONT	70.04	8.262	55.81	6.583	50.45	5.951	45.08	5.318
VIRGINIA	51.14	43.760	47.01	40.231	46.23	39.560	45.45	38.889
WASHINGTON	70.61	51.289	59.69	43.358	55.99	40.674	52.30	37.991
WEST VIRGINIA	27.03	14.398	33.20	17.684	36.95	19.686	40.71	21.689
WISCONSIN	33.54	35.529	41.09	43.522	45.70	48.407	50.32	53.292
WYOMING	48.95	2.419	48.78	2.410	49.92	2.467	51.06	2.523
TOTALS:		$2.720.07		$2.584.11		$2.584.12		$2.584.14
MEAN/AVERAGE:	$56.26		$51.12		$49.96		$48.80	
STD DEV:	$23.04		$13.53		$9.95		$7.56	
CRV:	0.410		0.265		0.199		0.155	

*** * * * TABLE 12 * * * ***

OPTION 2

COMBINED FEDERAL SHARE PER RECIPIENT (FS/R) AND TOTAL FEDERAL SHARE (FS) FOR AFDC, FOOD STAMPS AND MEDICAID FOR FY84 AND AFTER FIVE YEARS

	FY84		AFTER 5 YEARS		CHANGE AFTER 5 YEARS		
STATE	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	FS/R ($)	FS ($000,000)	% CHANGE
ALABAMA	$31.74	$34.714	$31.74	$34.714	$0.00	$0.000	0.00%
ALASKA	151.00	9.072	119.46	7.177	-31.54	-1.895	-20.89
ARIZONA	49.93	20.271	49.24	19.989	-0.69	-0.282	-1.38
ARKANSAS	38.49	21.217	38.49	21.217	0.00	0.000	0.00
CALIFORNIA	64.38	406.372	63.66	401.818	-0.72	-4.554	-1.12
COLORADO	62.99	25.988	57.70	23.806	-5.29	-2.182	-8.40
CONNECTICUT	59.90	29.836	59.90	29.836	0.00	0.000	0.00
DELAWARE	52.72	6.155	48.17	5.624	-4.55	-0.531	-8.63
DIST OF COLUMBIA	96.79	23.362	82.32	19.870	-14.47	-3.492	-14.95
FLORIDA	41.47	64.385	41.47	64.385	0.00	0.000	0.00
GEORGIA	50.08	63.434	49.45	62.633	-0.63	-0.801	-1.25
HAWAII	48.58	11.736	48.58	11.736	0.00	0.000	0.00
IDAHO	80.07	9.423	64.22	7.557	-15.85	-1.866	-19.80
ILLINOIS	33.93	103.750	33.93	103.750	0.00	0.000	0.00
INDIANA	45.21	40.176	45.21	40.176	0.00	0.000	0.00
IOWA	42.02	21.237	42.02	21.237	0.00	0.000	0.00
KANSAS	41.36	14.396	41.36	14.396	0.00	0.000	0.00
KENTUCKY	28.33	34.648	28.33	34.648	0.00	0.000	0.00
LOUISIANA	41.02	49.698	41.02	49.698	0.00	0.000	0.00
MAINE	41.12	12.009	41.12	12.009	0.00	0.000	0.00
MARYLAND	54.25	43.997	51.41	41.694	-2.84	-2.304	-5.23
MASSACHUSETTS	59.52	68.523	59.52	68.523	0.00	0.000	0.00
MICHIGAN	43.24	120.555	43.24	120.555	0.00	0.000	0.00
MINNESOTA	58.02	40.133	58.02	40.133	0.00	0.000	0.00
MISSISSIPPI	22.16	21.414	22.16	21.414	0.00	0.000	0.00
MISSOURI	38.48	36.391	38.48	36.391	0.00	0.000	0.00
MONTANA	54.20	6.741	52.64	6.547	-1.56	-0.194	-2.89
NEBRASKA	52.10	11.221	49.20	10.596	-2.90	-0.625	-5.57
NEVADA	86.18	6.380	70.27	5.203	-15.91	-1.177	-18.46
NEW HAMPSHIRE	78.29	7.105	62.90	5.708	-15.39	-1.397	-19.66
NEW JERSEY	71.69	104.602	65.01	94.852	-6.68	-9.750	-9.32
NEW MEXICO	53.38	15.820	52.13	15.449	-1.25	-0.371	-2.34
NEW YORK	94.15	481.504	77.75	397.614	-16.40	-83.890	-17.42
NORTH CAROLINA	51.51	52.186	49.64	50.295	-1.87	-1.891	-3.63
NORTH DAKOTA	90.81	6.961	68.11	5.222	-22.70	-1.740	-24.99
OHIO	31.44	84.558	31.44	84.558	0.00	0.000	0.00
OKLAHOMA	77.77	46.261	60.72	36.121	-17.05	-10.140	-21.92
OREGON	79.05	34.994	64.56	28.580	-14.49	-6.414	-18.33
PENNSYLVANIA	52.18	139.090	52.18	139.090	0.00	0.000	0.00
RHODE ISLAND	40.24	8.998	40.24	8.998	0.00	0.000	0.00
SOUTH CAROLINA	38.90	29.439	38.90	29.439	0.00	0.000	0.00
SOUTH DAKOTA	56.24	5.418	49.48	4.767	-6.76	-0.651	-12.02
TENNESSEE	33.06	35.122	33.06	35.122	0.00	0.000	0.00
TEXAS	60.09	138.700	53.48	123.446	-6.61	-15.254	-11.00
UTAH	89.70	16.420	68.43	12.526	-21.27	-3.895	-23.72
VERMONT	70.04	8.262	58.75	6.930	-11.29	-1.332	-16.12
VIRGINA	51.14	43.760	49.49	42.348	-1.65	-1.412	-3.23
WASHINGTON	70.61	51.289	62.83	45.640	-7.78	-5.649	-11.02
WEST VIRGINIA	27.03	14.398	27.03	14.398	0.00	0.000	0.00
WISCONSIN	33.54	35.529	33.54	35.529	0.00	0.000	0.00
WYOMING	48.95	2.419	48.95	2.419	0.00	0.000	0.00
TOTALS:		$2.720.068		$2.556.379		-$163.689	
MEAN/AVERAGE:	$56.26		$51.39				
STD DEV:	$23.04		$16.44				
CRV:	0.410		0.320				