

**IMPACT OF NEW REQUIREMENTS:  
AFDC STANDARD FILING UNIT**

National Program Inspection



**OFFICE OF INSPECTOR GENERAL  
OFFICE OF ANALYSIS AND INSPECTIONS**

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**MARCH 1988**

## Office of Inspector General

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This study was conducted to analyze the effect on HHS programs of changes in the composition of the standard filing unit mandated in the Deficit Reduction Act of 1984.

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**IMPACT OF NEW REQUIREMENTS:  
AFDC STANDARD FILING UNIT**

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**MARCH 1988**

**OAI-09-87-00003**

## EXECUTIVE SUMMARY

**PURPOSE:** The purpose of this study was to analyze the effect of new requirements mandated in Section 2640 of the Deficit Reduction Act of 1984 (DEFRA) regarding the composition of the Aid to Families With Dependent Children (AFDC) standard filing unit (SFU). The SFU is the family unit which serves as a basis for computing an AFDC grant. The study forecasts the impact of the statutory changes (i.e., Sections 402(a)(38) and 402(a)(7) of the Social Security Act) on three Department of Health and Human Services (HHS) programs: AFDC, Medicaid and Child Support Enforcement. Specifically, the study was intended to:

- determine the types of cases which are likely to result in either savings or additional costs,
- analyze the effect on eligibility (i.e., welfare caseloads) and
- estimate the fiscal impact on HHS programs.

**BACKGROUND:** Prior to enactment of DEFRA, household family members eligible for AFDC were not required to file for benefits as a single SFU. Some families were receiving maximum welfare grants by (1) forming multiple SFUs within a household and/or (2) excluding persons with income or resources, thus sheltering money which would adversely affect the family's AFDC grant. The DEFRA ended these options by requiring consolidation of multiple SFUs involving teenage mothers under age 18 and prohibiting the exclusion of any eligible member of the immediate family from the SFU. The resources of previously excluded persons, such as child support payments and Social Security Administration (SSA) death or disability benefits, must be considered in determining the family's eligibility as well as the amount of their grant. The legislation did not create new AFDC and Medicaid eligibility for anyone, but it does prohibit eligible family members from electing not to apply for assistance.

The Department projected Federal savings of \$143 million for AFDC during fiscal year 1985 and \$439 million over a 5-year period. Additional annual costs of \$93 million were projected for Medicaid. Although final regulations have not been issued, most States have implemented these changes, acting under interim instructions issued by the Department. Class action suits challenging the constitutionality of the SFU provisions have been filed in Federal courts in many States. A decision by the United States Supreme Court, involving a lawsuit filed in North Carolina, upheld the constitutionality of the SFU provisions.

Grant Consolidation. Approximately two-thirds of the children receiving AFDC in an SFU separate from their mothers/grandmothers were unaffected by grant consolidation requirements because these separate SFUs were headed by mothers over age 17.

RECOMMENDATIONS:

1. THE DEPARTMENT SHOULD CONTINUE TO SUPPORT AGGRESSIVE CHILD SUPPORT COLLECTION ACTIVITIES. Recommendations for the implementation of improved child support enforcement collections have been addressed in five OIG inspections:
  - Child Support Enforcement Collections on AFDC Cases--An Overview (OAI-05-86-00097)
  - Child Support Enforcement Collections on AFDC Cases--Non-Pursuit (OAI-05-87-00033)
  - Child Support Enforcement Collections on AFDC Cases--Arrearages (OAI-05-87-00034)
  - Child Support Enforcement Collections on AFDC Cases--Modified Court Orders (OAI-05-87-00035)
  - Child Support Enforcement/Absent Parent Medical Liability (OAI-07-86-00045)
  
2. THE DEPARTMENT SHOULD SEEK STATUTORY CHANGE TO EXPAND MANDATORY GRANT CONSOLIDATION OF RELATED FAMILY MEMBERS IN MULTIPLE SFUS IN THE SAME HOME BY ELIMINATING THE AGE CEILING OF 17. This is consistent with the recommendations in an audit released by the OIG entitled Economies of Shared Living Arrangements Under the Aid to Families With Dependent Children Program (CIN: A-09-86-62615).

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## INTRODUCTION

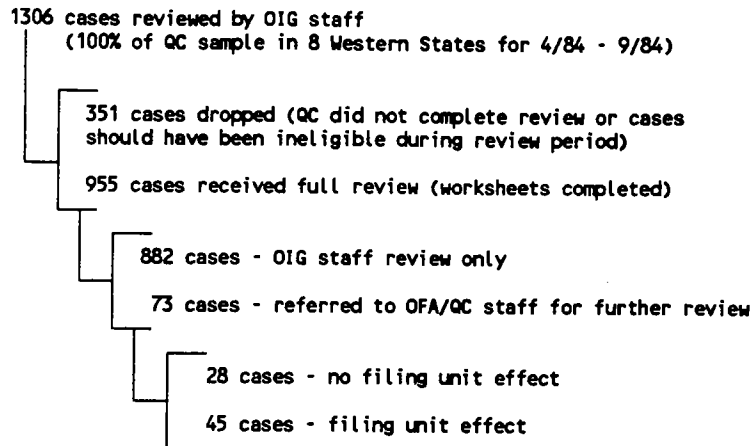
Prior to enactment of the Deficit Reduction Act of 1984 (DEFRA), family members living in the same home who were eligible for Aid to Families With Dependent Children (AFDC) were not required to file for benefits as a single standard filing unit (SFU). Some families received maximum welfare grants by (1) forming multiple filing units within a household and/or (2) excluding persons with income or resources, thus sheltering money which would adversely affect the family's AFDC grant.

The DEFRA ended these options, however, with changes in Sections 402(a)(38) and 402(a)(7) of the Social Security Act. Within a home all eligible adults and their children, including siblings and half-siblings, must be included in a single SFU. Specifically, the income and resources, such as Social Security Administration (SSA) death or disability payments or child support payments, of eligible persons previously excluded from AFDC must be counted in determining the family's eligibility, as well as the level of their AFDC grant. The legislation also requires the consolidation of multiple filing units where a teenage mother under 18 is residing with other related AFDC recipients. The DEFRA did not create new AFDC and Medicaid eligibility for anyone, but prohibits eligible family members from electing not to apply for assistance.

The Department of Health and Human Services (HHS) supported enactment of this provision and projected Federal savings for AFDC of \$143 million for Fiscal Year (FY) 1985 and \$439 million over a 5-year period. The projections were based on the assumption that consolidation of multiple filing units would be less costly and that income or resources from previously excluded adults and children would result in reduced welfare grants and render some families ineligible. The Department further projected a cost of \$93 million to the Medicaid program to cover persons who would be added to the AFDC caseload. The Department assumed it would realize substantial savings through reduced grants, even if the overall caseload increased.

Although final regulations have not been issued, most States have implemented the DEFRA provision, acting under interim instructions. Class action suits challenging the constitutionality of the SFU provisions have been filed in Federal courts in many States. A decision by the United States Supreme Court, involving a lawsuit filed in North Carolina, upheld the constitutionality of the SFU provisions. In the fall of 1986, the Office of Inspector General (OIG) undertook an inspection which would forecast the effect of the SFU

SUMMARY OF CASES REVIEWED

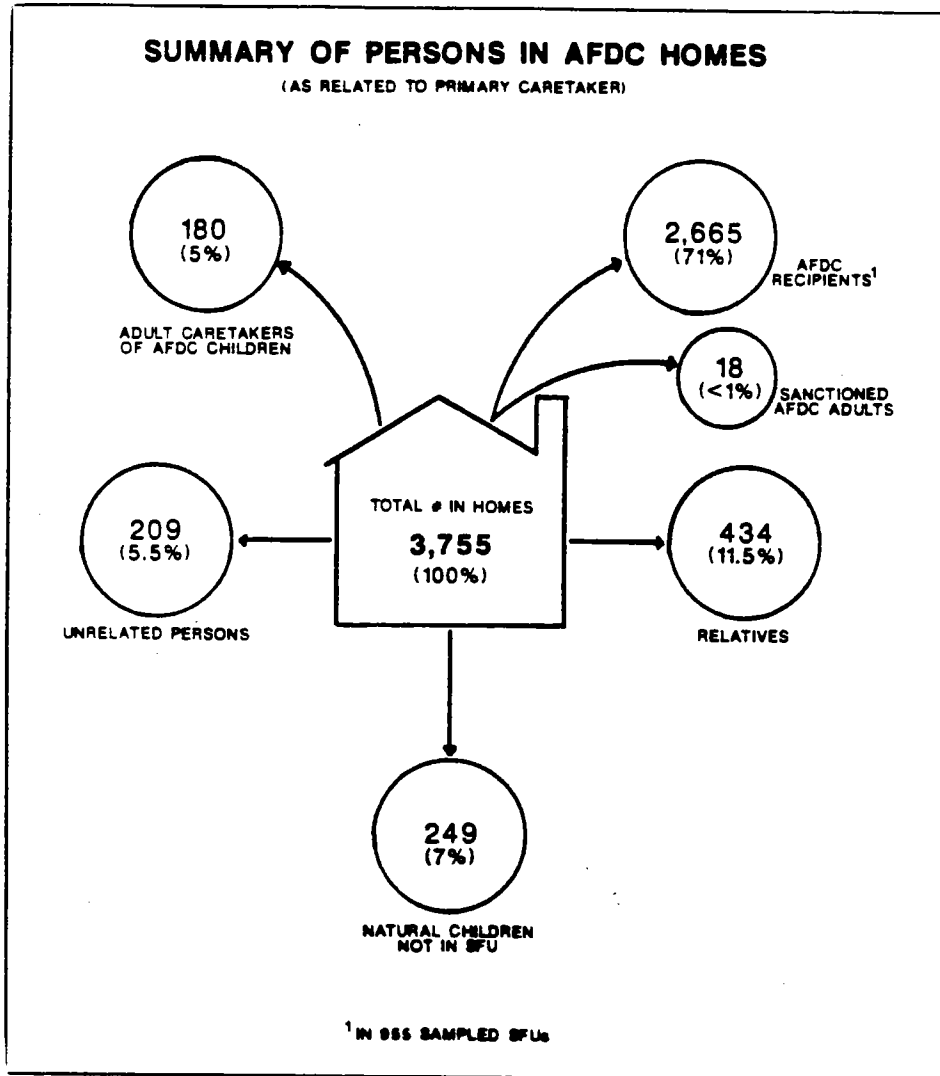


Both the Regions IX and X OFA QC and policy staffs assisted us with analysis of issues and specific cases affected by the SFU changes. Cases analyzed by the QC staff were returned to OIG for further analysis. Information from all 955 cases was entered into a microcomputer data base for extensive analysis. The data generated served as a basis for projecting changes in eligibility as well as costs or savings to the AFDC, Medicaid and Child Support Enforcement programs in the eight States and nationally. Average Medicaid costs for adults and children in the eight sample States were calculated based on data from Form 2082 for FY 1984, published by the Health Care Financing Administration (HCFA). Child support payments reflect the actual amounts recorded in the AFDC case record.

Projections were calculated by the OIG mathematical statistician with assistance from FSA statisticians. Appendix B summarizes in further detail the methodology used in this study.



sampled AFDC cases is the subject of this report. Appendix C contains a more detailed breakout of persons in each of these categories.



Adult Caretakers of AFDC Children. Only 12 percent of the 180 adult caretakers of AFDC children would have been affected by the SFU changes. The following table describes these 22 adults. Only one was an AFDC recipient who would have been affected through grant consolidation. The remaining 21 parents were not on AFDC, but had children who were. Of these 21 parents, one mother was receiving Social Security death or disability benefits. One mother and two fathers would have been drawn into the SFU as parents of half-siblings. The remaining 17 were mothers with children on AFDC. Most were married or living with a boyfriend. Drawing all 22 adults

been affected by the SFU changes and drawn into filing units. The children not affected by SFU changes in the "other reasons" category were all undocumented aliens. The rest had been left out of the family filing unit for a variety of reasons.

<b>NATURAL CHILDREN NOT IN STANDARD FILING UNIT (N=249)</b>			
Category	Total #	# SFU Effect	Percent
SSI Recipients	15	0	0
SSA Recipients	12	12	100
Child Support Recipients	6	6	100
Other Income	0	0	0
No Deprivation (Ineligible)	90	0	0
Over Age 18	65	0	0
Half Siblings (Eligible)	3	3	100
In Separate AFDC SFUs	34	12	35
Other Reasons	<u>24</u>	<u>13</u>	54
Totals	249	46	19

#### **CASES AFFECTED BY SFU CHANGES**

The following discussion analyzes the 45 cases which would have been affected by the SFU changes in terms of their impact on three HHS programs: AFDC, Child Support Enforcement and Medicaid. Appendix A summarizes these cases. They fall into six classifications:

1. persons receiving SSA death or disability benefits who had been excluded from their family's SFU (cases A-F)
2. consolidation of multiple SFUs within the same home (cases G-K)
3. children receiving child support payments who had been excluded from their family's SFU (cases L-P)
4. excluded half-siblings who must be in the SFU and who also draw a parent into the filing unit (cases Q-S)
5. children who, for a variety of reasons, were not in the SFU with the rest of their family (cases T-BB)
6. mothers who were not on AFDC, but whose children were AFDC recipients (cases CC-SS)

**STANDARD FILING UNIT (SFU) EFFECT: SSA BENEFITS**  
(Appendix A describes each case.)

<b>EFFECT ON AFDC PROGRAM</b>							
Standard Filing Units: N=6	A	B	C	D	E	F	Total
Excluded SSA Recipients	3	1	4	2	1	2	13
Total SSA \$/Year	\$8,064	\$5,076	12,540	\$3,816	\$5,172	\$4,464	\$39,132
AFDC Recipients in SFU							
Pre-DEFRA	2	2	3	3	2	1	13
Post-DEFRA	0	0	0	5	3	3	11
Monthly AFDC Grant							
Pre-DEFRA	\$ 180	\$ 216	\$ 346	\$ 555	\$ 424	\$ 304	\$ 2,025
Post-DEFRA	0	0	0	435	95	104	634
Savings or (Costs)	\$ 180	\$ 216	\$ 346	\$ 120	\$ 329	\$ 200	\$ 1,391
Annual Savings or (Costs)	\$2,160	\$2,592	\$4,152	\$1,440	\$3,948	\$2,400	\$16,692

<b>EFFECT ON MEDICAID PROGRAM<sup>1</sup></b>							
Standard Filing Units: N=6	A	B	C	D	E	F	Total
Recipients Gain Eligibility				2	1	2	5
Recipients Lose Eligibility	2	2	3				7
Ave. Ann. Savings or (Costs)	\$136	\$832	\$1,374	(\$580)	(\$290)	(\$1,151)	\$ 321

<sup>1</sup>Table summarizes only persons where Medicaid eligibility is affected; SFU recipients with continued Medicaid eligibility are not included.

<b>SUMMARY: EFFECT ON HHS PROGRAMS</b>		
Standard Filing Units: N=6	Total	Average (Costs) or Savings per SFU
Recipients new to AFDC/Medicaid	5	
Recipients who lose AFDC/Medicaid	7	
Annual AFDC Savings or (Costs)	\$16,692	\$ 2,782
Annual Medicaid Savings or (Costs)	321	54
Total HHS Savings or (Costs)	\$17,013	\$ 2,836

Consolidation of Multiple SFUs in a Home (Cases G-K). DEFRA required that a teenage mother under age 18 be included in the same SFU with her own mother if the older mother is an AFDC recipient. In other words, the two mothers cannot be in separate SFUs if they are living in the same home. Consolidation of multiple SFUs must occur where mothers under age 18 are involved. States had an option to require such a consolidation prior to DEFRA, and we found that some States were already doing this. We did not include, in the 45 affected cases, any in which consolidation had already occurred. If mother, daughter and grandchild were already in the same SFU, any savings would have been realized prior to the enactment of

Children Receiving Child Support Payments Who Must Be in the SFU (Cases L-P). Child support payments are not counted directly against an AFDC grant unless the monthly payment is high enough to render the entire family ineligible. When the absent parent provides child support payments, the first \$50 of each monthly payment is given to the mother and not counted against her AFDC grant. The remainder of the payment is turned over to the child support enforcement agency.

We found six children in five homes receiving child support payments who were not on AFDC with the rest of their family. In no case were the child support payments high enough to render the entire family ineligible. This means that (1) all five AFDC grants would increase, because these children must be added to their family's SFU and (2) the child support money goes not to AFDC, but to the child support enforcement agency. These six children would also become eligible for Medicaid.

As the following tables indicate, HHS ultimately saves money on these cases. We estimated that adding six children to these five SFUs would cost AFDC an additional \$5,472 and Medicaid an additional \$1,763 per year. The child support enforcement agency, however, would collect \$11,460 from these families. Assuming all these child support payments are collectible (i.e., absent fathers pay their full child support obligations), there would be an overall savings of \$4,225 despite the increase in costs to AFDC and Medicaid.

Case L illustrates the effect of child support payments. Prior to DEFRA, the SFU consisted of a mother and two children. A third child, not on AFDC, received \$280 per month in child support. The family's monthly AFDC grant prior to DEFRA was \$228. Adding the fourth child would result in an increase of \$44. Annually this would increase AFDC costs by \$528 and Medicaid by \$514. The child support enforcement agency, however, could potentially collect \$2,760 per year from this family, resulting in annual savings to the Government of \$1,718.

Half-Siblings and Parents Who Must Be in the SFU (Cases Q-S).  
 The DEFRA states that half-siblings who are otherwise eligible for AFDC must be in the same SFU. We found many cases where half-siblings were not eligible for AFDC because they were not deprived. There were, however, three cases where a half-sibling was not on AFDC but should be. In each instance the children draw a parent into the SFU. These three cases would increase the welfare rolls by six people (three adults and three children). Each case would cost additional money, totaling \$7,531 annually (\$5,412 for AFDC and \$2,119 for Medicaid).

Case Q illustrates the effect the SFU changes would have on this type of case. Prior to DEFRA, the SFU consisted of a father and five children. The stepmother to these children and a child who belonged to the father and stepmother (i.e., a half-sibling) were not on AFDC. After DEFRA, the half-sibling would have to be in the SFU because he was otherwise eligible. He also draws his natural mother (i.e., the stepmother) into the unit. Adding two more persons to the AFDC grant would cost \$69 per month (\$828 annually). Annual Medicaid costs are estimated at \$136, for a total additional cost of \$964 per year.

**STANDARD FILING UNIT (SFU) EFFECT: HALF-SIBLINGS AND THEIR PARENTS**  
 (Appendix A described each case.)

<b>EFFECT ON AFDC PROGRAM</b>				
Standard Filing Units: N=3	Q	R	S	Total
Excl. Half-Siblings/Parents	2	2	2	6
AFDC Recipients in SFU:				
Pre-DEFRA	6	3	2	11
Post-DEFRA	8	5	4	17
Monthly AFDC Grant				
Pre-DEFRA	\$ 360	\$ 476	\$ 448	\$1,284
Post-DEFRA	422	646	660	1,732
Savings or (Costs)	(\$ 69)	(\$ 170)	(\$ 212)	(\$ 451)
Annual Savings or (Costs)	(\$ 828)	(\$2,040)	(\$2,544)	(\$5,412)

<b>EFFECT ON MEDICAID PROGRAM<sup>1</sup></b>				
Standard Filing Units: N=3	Q	R	S	Total
Recipients Gain Eligibility	2	2	2	6
Recipients Lose Eligibility				0
Ave. Ann. Savings or (Costs)	(\$ 136)	(\$1,151)	(\$ 832)	(\$2,119)

<sup>1</sup>Table summarizes only persons where Medicaid eligibility is affected; SFU recipients with continued Medicaid eligibility are not included.

<b>SUMMARY: EFFECT ON WFS PROGRAMS</b>		
Standard Filing Units: N=3	Total	Average Savings or (Costs) per SFU
Recipients new to AFDC/Medicaid	6	
Recipients who lose AFDC/Medicaid	0	
Annual AFDC Savings or (Costs)	(\$ 5,412)	(\$ 1,804)
Annual Medicaid Savings or (Costs)	( 2,119)	( 706)
Total WFS Savings or (Costs)	(\$ 7,531)	(\$ 2,510)

Mothers Who Are Not on AFDC and Must Be in the SFU with Their Children (Cases CC-SS). We identified 17 cases where children were in SFUs, but their mothers were not. DEFRA requires that these mothers must be in the SFU with their children. Looking at all 17 mothers as a group, the overall effect would be an addition of 12 persons to the welfare rolls with increased annual costs of \$13,700 (\$8,124 for AFDC and \$5,576 for Medicaid).

Six of these mothers were teenagers under age 18 (Cases NN-SS) who were living with their own parents. In each case, the only person in the home receiving AFDC and Medicaid was the teenager's baby. Because the resources of other persons in the home must be counted against the AFDC grant, children in five of the six SFUs would become ineligible. In other words, the babies go off assistance and the teenage mothers stay off assistance. In the sixth case (Case NN), even though the teenage mother would become eligible for AFDC, the grant for both would be significantly less than the grant for just the child prior to DEFRA.

For the remaining 11 mothers (Cases CC-MM), the effect of DEFRA would be very different. In every case, the mothers would become eligible for AFDC with increased costs both to AFDC and Medicaid. Additional family resources had no effect on eligibility or reducing grant levels.

Case CC illustrates DEFRA's effect. One child was in the SFU. The child's mother, stepfather and two half-siblings were not. The two half-siblings were ineligible for AFDC because they were not deprived (i.e., both biological parents were in the home). DEFRA requires that the child's mother must be in the SFU. The mother had no income. The stepfather reported earnings of \$450 during the review month. Some of his income would be deemed to the filing unit after removing the needs of the three people who do not qualify for AFDC (i.e., himself and the two half-siblings). Since the need standard for three persons exceeded the stepfather's income, there was no income to budget against the AFDC grant. Adding the mother to the SFU would result in an annual increase of \$2,534 (\$1,992 for AFDC and \$542 for Medicaid).

The tables on the next two pages illustrate the fiscal impact DEFRA would have had on these types of cases.

### Summary of SFU Effect on Sampled Cases

Of the 955 cases reviewed, 45 (5 percent) would have been affected by the SFU changes mandated in the DEFRA legislation. The overall impact on HHS programs would have been an addition of 30 persons (12 adults and 18 children) to the AFDC/Medicaid rolls and increased Federal and State costs of \$3,257. In other words, the QC sample identified 2,665 AFDC recipients and 18 sanctioned adults. There were also 13 AFDC recipients in separate SFUs who would be affected by the new grant consolidation requirements. This comes to a total of 2,696 AFDC recipients prior to DEFRA.

Application of the DEFRA requirements would have affected 55 persons currently not receiving AFDC, plus 13 AFDC recipients affected by grant consolidation. All 55 persons had family members who were in SFUs. Forty-two of the 55 affected persons (76 percent) would have to be included in the SFU with the rest of their eligible family members and be added to the welfare rolls. The other 13 persons (24 percent) would not be eligible for AFDC because of excess resources (SSA or child support payments). Furthermore, mandating that these 13 persons be considered in the SFU with other family members would render 12 current AFDC recipients ineligible. The overall effect, summarized in the following chart, is the addition of 30 persons to the welfare rolls. Appendix D provides a further breakout of this information by State.

<u>SUMMARY OF DEFRA EFFECT ON SFUs</u>	
# Cases Reviewed	955
# Cases SFU Effect	45
<b>Pre-DEFRA</b>	
# AFDC Recipients	2,665
# Sanctioned Adults	18
# In Other SFUs to be Consolidated	13
Total	2,696
<b>Post-DEFRA</b>	
# New AFDC Recipients	42
# AFDC Recipients Lose Eligibility	12
Total	30
<b>Summary</b>	
Pre-DEFRA Recipients	2,696
New Recipients	30
Post-DEFRA Recipients	2,726

A summary of this effect on the welfare caseload by type of case follows. It should be noted that only two types of cases resulted in some loss of eligibility: (1) families with members receiving SSA benefits and (2) minor mothers living at

conclude that the effects on the AFDC and Medicaid programs are negligible at best. This is significant, however, in light of the Department's projected Federal AFDC savings (\$143 million for FY 1985). The following table summarizes our estimates of costs to the AFDC and Medicaid programs.

<u>ESTIMATED ANNUAL COSTS OF SFU CHANGES IN REGIONS IX AND X</u>		
	<u>HHS Share</u>	<u>Total Costs</u>
AFDC	(\$ 480,989) <sup>1</sup>	(\$ 162,048)
Medicaid	( 4,736,340)	( 8,985,116)
Total	(\$5,217,329)	(\$9,147,164)

<sup>1</sup>The estimate for the Federal share is higher than the estimate for the total cost because the added-cost cases occur disproportionately in States with a higher Federal Financial Participation (FFP).

Even though the sample contained a mix of large and small States with wide variations in grant levels, we recognize it may not be representative of the country as a whole. If the sample States are representative (i.e., a "what if" situation), the following cost projections would apply:

<u>ESTIMATED ANNUAL COSTS OF SFU CHANGES NATIONWIDE</u>		
	<u>HHS Share</u>	<u>Total Costs</u>
AFDC	(\$ 3,006,000) <sup>1</sup>	(\$ 1,012,000)
Medicaid	( 29,602,000)	( 56,156,000)
Total	(\$32,608,000)	(\$57,168,000)

<sup>1</sup>The estimate for the Federal share is higher than the estimate for the total cost because the added-cost cases occur disproportionately in States with a higher Federal Financial Participation (FFP).

Precision is poor for the estimated child support payments available to the child support enforcement agency (post-DEFRA), since few cases were identified in the sample. Given this caveat, the data suggest that for children previously excluded from SFUs approximately \$7,735,000 would be available to the child support agency annually in the eight States. Projected nationally the total would be \$48,343,000. This assumes aggressive collection of support payments owed by absent parents throughout the year.



households qualifying for only 1 AFDC grant. The report recommends that the Social Security Act should be amended to recognize the economies of shared living arrangements by requiring that all AFDC families residing in the same household be treated as a single filing unit for determining the grant amount.

**IMPACT:** Expanding mandatory consolidation of multiple SFUs would result in substantial savings to AFDC without incurring additional costs to Medicaid. The OIG audit on economies of shared living arrangements projected that requiring all AFDC families residing in the same household be treated as a single filing unit could save the AFDC program at least \$147 million annually (Federal share: \$73.5 million) or \$735 million (Federal share: \$367.5 million) over the next 5 years.

SUMMARY OF CASES AFFECTING STANDARD FILING UNIT (SFU)  
POST-DEFRA (N=45)

- I. PERSONS WITH SSA BENEFITS WHO MUST BE IN SFU (N=6)
- A. AFDC/SFU: One adult and one child; six persons in home. Four natural children excluded (i.e., one who is on SSI and three who receive \$672/month in SSA benefits). QC found that the three children receiving SSA benefits must be in the SFU and their income budgeted against the grant. Result: loss of AFDC and Medicaid eligibility for the entire family.
- B. AFDC/SFU: One adult and one child; three persons in home. A natural child, who receives \$423/month in SSA benefits, excluded from the grant. QC found that this child must be in the SFU and the SSA benefit budgeted against the grant. Result: loss of AFDC and Medicaid eligibility for the entire family.
- C. AFDC/SFU: Two adults and one child; seven persons in home. Four natural children excluded (collectively they receive \$1045/month in SSA benefits). QC found that these four children must be in the SFU and their SSA benefit budgeted against the grant. Result: loss of AFDC and Medicaid eligibility for the entire family.
- D. AFDC/SFU: One adult and two children; five persons in home. Two natural children excluded (collectively they receive \$318/month in SSA benefits). QC found that these two children must be in the SFU and their SSA benefit budgeted against the grant. Result: addition of these two children to the family's grant, which would be reduced by \$120/month, plus the two children would become eligible for Medicaid.
- E. AFDC/SFU: One adult and one child; three persons in home. A second natural child, excluded from the grant, receives \$431/month in SSA benefits. QC found that this child must be in the SFU and the SSA benefit budgeted against the grant. Result: addition of this child to the family's grant, which would be reduced by \$329/month. The child would become eligible for Medicaid.

The consolidation has no effect on AFDC or Medicaid eligibility, but would result in savings of \$66/month.

III. CHILDREN WITH CHILD SUPPORT PAYMENTS WHO MUST BE IN SFU  
(N=5)

- L. AFDC/SFU: One adult and two children; four persons in home. A natural child, who receives \$280/month in child support payments, is excluded. QC found that this child must be in the SFU. Because the support payments would not render the family ineligible, this child would be added to the AFDC grant (which would increase \$44/month) plus become eligible for Medicaid. The child support payment, with the exception of the \$50 pass-through to the mother, would go to the IV-D collection agency.
- M. AFDC/SFU: One adult and one child; three persons in home. A second natural child, excluded from the SFU, receives \$200/month in child support payments. QC found that this child must be in the SFU. Because the support payments would not render the family ineligible, this child would be added to the AFDC grant (which would increase \$53/month) plus become eligible for Medicaid. The child support payments, with the exception of the \$50 pass-through to the mother, would go to the IV-D agency.
- N. AFDC/SFU: One adult and one child; four persons in home. Two natural children, excluded from the unit, receive \$500/month in child support payments. QC found that these children must be in the SFU with their mother and sibling. Because the support payments would not render the family ineligible, the two children would be added to the AFDC grant and be eligible for Medicaid. The family's AFDC grant would increase \$201/month. The child support payment, with the exception of the \$50 pass-through to the mother, would go to the IV-D agency.
- O. AFDC/SFU: One adult and two children; nine persons in home. Of five excluded household members, four are part of another AFDC unit which cannot be consolidated under current law (e.g. mother is a child of the AFDC adult recipient, but over age 17). The fifth excluded member is a natural child of the AFDC adult recipient, who receives \$100/month in child support payments. QC found that this child must be in the SFU with his mother and two siblings. This child would be added to the AFDC grant and become eligible for Medicaid, resulting in an AFDC increase

V. OTHER CHILDREN WHO MUST BE IN SFU (N=9)

- T. AFDC/SFU: Two adults and two children; eight persons in home. Four other natural children excluded. One of these children is over 18 and not eligible for assistance. The other three recently received their green cards (but prior to the review month) and are, therefore, eligible for AFDC. QC found that these three children must be in the SFU with their mother and other siblings and become eligible for Medicaid. The family's AFDC grant would increase \$255/month.
- U. AFDC/SFU: One adult and one child; six persons in home. One natural child, as well as a sibling to the mother and two nieces or nephews, excluded. QC found that the excluded natural child must be in the SFU with his mother and sibling. This child would be added to the AFDC grant and become eligible for Medicaid. The family's monthly AFDC grant would increase \$53/month.
- V. AFDC/SFU: One adult and two children; four persons in home. A natural child excluded. Mother shares joint custody with the child's father, who is not living in the home. QC found that eligibility for AFDC for this child would depend on the conditions of the joint custody agreement. Based on the information in the case file, the child probably is eligible for AFDC and must be included in the SFU. Adding the child would increase the family's AFDC grant \$85/month plus add Medicaid eligibility.
- W. AFDC/SFU: One adult and four children; six persons in home. Excluded child is a 17-year-old natural child. QC found no evidence in the file why she should be excluded and determined she must be in the unit. Adding her increases the family's grant \$72/month. She also becomes eligible for Medicaid.
- X. AFDC/SFU: One adult and one child; five persons in home. Three other natural children excluded. The case file indicates the mother has a common law husband (who is not in the home) and does not want these three children on AFDC. QC suspects the father is actually in the home, but neither the State nor the Federal reviewer has been able to prove this. Therefore, his status as an absent father must be accepted, which makes the three children eligible for assistance. They must be included in the SFU, increasing the family's AFDC

earnings of \$450 during the review month, part of which would be deemed to the SFU after removing the needs of the three people who do not qualify for AFDC. Since the need standard for three persons exceeds the stepfather's income, there is no income to budget against the AFDC grant. Result: an increase of \$166/month plus Medicaid eligibility for the new recipient.

- DD. AFDC/SFU: One child; four persons in home. Child's natural mother, stepfather and a half-sibling excluded. QC found that the half-sibling was not otherwise eligible because there is no deprivation, but AFDC child's mother must be in SFU. Mother had no earned income. Stepfather reported \$127.30 in wages and \$43.40 in unearned income. This does not exceed the needs standard for the two persons not eligible for AFDC, so none of his income would be budgeted against the grant. Result: an increase of \$47/month plus Medicaid eligibility for the mother.
- EE. AFDC/SFU: Three children; five persons in home. Child's natural mother and stepfather excluded. QC found that the mother must be in the SFU. Stepfather had no income. Mother had unreported income of \$119.88, which would be budgeted against the grant without any work deductions (a penalty for not reporting income). Result: an increase of \$37/month plus Medicaid eligibility for the mother.
- FF. AFDC/SFU: One child; three persons in home. Child's natural mother and stepfather excluded. QC found that the mother must be in the SFU. Child receives SSA income of \$205/month which has already been reflected in grant computation. The stepfather is self-employed. Since his expenses exceeded his income, none of his income would be budgeted against the grant. Result: an increase of \$371/month plus Medicaid eligibility for the mother.
- GG. AFDC/SFU: One child; three persons in home. Child's natural mother and stepfather excluded. QC found that mother and stepfather are receiving a total of \$141/month in Bureau of Indian Affairs (BIA) funds. Neither adult has any earned income. Mother must be included in the SFU. This would reduce the BIA stipend, but not to a level that would allow budgeting any of it against the AFDC grant. Result: an increase of \$47/month plus Medicaid eligibility for the mother.

excluded. QC found that the mother must be included in the SFU. She reported an income of \$393 for the review month, part of which was budgeted against the grant. Her income had been counted previously, but now she is entitled to earnings disregards, so the grant amount is changed. Result: an increase of \$184/month plus Medicaid eligibility for the mother.

- NN. AFDC/SFU: One child; five persons in home. Child's mother, a minor living with her own parents, and another relative excluded. QC found that the minor mother must be in the SFU with her child. Minor mother's father reported income of \$400 during the review month, part of which would be budgeted against the grant. Result: a decrease of \$95/month, but the minor mother would become eligible for Medicaid.
- OO. AFDC/SFU: One child; four persons in home. The child's natural mother, a minor living with her own mother, and an older sibling excluded. QC found that the minor mother must be in the SFU with her child. The case record indicates that the grandmother has Blue Shield insurance, which suggests she is employed, since she was under retirement age. No income level was indicated, but we presumed her resources were adequate to meet the needs of her grandchild, since she and her children are not on AFDC. Result: loss of AFDC and Medicaid eligibility for the child.
- PP. AFDC/SFU: One child; six persons in home. Child's natural mother, a minor living with her own mother, and three other siblings excluded. QC found that the minor mother must be in the SFU. The minor mother's own mother earned \$736 in the review month, part of which would be budgeted against the AFDC grant. Result: loss of AFDC and Medicaid eligibility for the child.
- QQ. AFDC/SFU: One child; four persons in home. The natural mother, a minor residing with her own parents, and two siblings excluded. QC found that the minor mother must be in the SFU. Since both of the natural mother's parents work, QC presumed that their combined income, when budgeted against the grant, would be sufficient to meet the needs of their grandchild. Result: loss of AFDC and Medicaid eligibility for the child.
- RR. AFDC/SFU: One child; nine persons in home. The child's natural mother, a minor living with her own

## METHODOLOGY

**ESTIMATED AVERAGE MEDICAID COSTS, BY STATE  
AFDC CHILDREN AND ADULTS<sup>1</sup>  
(FY 1984)**

State	AK	AZ <sup>2</sup>	CA	HI
# Dependent Children <21	10,289	531,477	1,387,300	51,648
Total \$ to Children <21	\$6,848,342	\$35,957,104	\$402,325,802	\$16,636,644
Average Cost per Child	\$ 666	\$ 68	\$ 290	\$ 322
# AFDC Adults	5,190	227,776	946,420	28,860
Total \$ to Adults	\$6,602,008	\$15,410,187	\$513,098,919	\$22,334,761
Average Cost per Adult	\$ 1,272	\$ 68	\$ 542	\$ 774

State	ID	NV	OR	WA	Total
# Dependent Children <21	17,318	10,436	58,884	164,302	1,700,177
Total \$ to Children <21	\$6,448,050	\$5,362,756	\$18,336,252	\$64,733,397	\$520,691,243
Average Cost per Child	\$ 372	\$ 514	\$ 311	\$ 394	\$ 306
# AFDC Adults	7,835	6,482	36,888	78,416	1,110,091
Total \$ to Adults	\$6,731,139	\$6,246,957	\$29,050,348	\$59,358,595	\$643,422,727
Average Cost per Adult	\$ 859	\$ 964	\$ 788	\$ 757	\$ 580

<sup>1</sup>Source: Data based on HCFA 2082 forms for FY 1984 (not available for Arizona, due to State's atypical Medicaid program).

<sup>2</sup>Source: Data based on information from Arizona State Medicaid officials for July 1984 to June 1985.

<b>FSA QUALITY CONTROL STAFF TIME SPENT IN CASE REVIEW</b>			
	Region IX	Region X	Total
Total Cases Reviewed	31	42	73
Cases - F.U. Effect	25	20	45
Cases - No F.U. Effect	6	22	28
Minutes - Staff Review	660	961	1621
Minutes - Supervisory Review	0	480	480
Total (Minutes)	660	1441	2101
Total (Hours)	11	24	35
Total (Person Days)	1.38	3	4.38
Average Time Per Case (Minutes)	21.29	34.31	28.78

APPENDIX C

SUMMARY OF PERSONS IN HOUSEHOLDS WITH AFDC RECIPIENTS  
(As Related to the Primary Caretaker)

<u>Category of Persons</u>		<u>Total X</u>	
<b>I. AFDC Recipients</b>			
<b>A. Adults</b>			
Mothers	825	918 <sup>1</sup>	→
Fathers	84		
Other Relatives	9		
		2,683	71%
<b>B. Children</b>	1,765 <sup>2</sup>		
<b>II. Other Persons in Home</b>			
<b>A. Adult Caretakers of AFDC Children</b>			
Recipients of SSI	23	180	5%
Recipients of SSA	2		
In Separate AFDC SFU	1		
Other Mothers	32		
Spouses	72		
Relatives	50		
<b>B. Children Affected by SFU Changes</b>			
Recipients of SSI	15	249	7%
Recipients of SSA	12		
Recipients of Child Support	6		
Recipients of Other Income	0		
No Deprivation (Ineligible)	90		
Over Age 18	65		
Half Siblings (Eligible)	3		
In Separate AFDC SFUs	34		
Other Reasons	24		
<b>C. Relatives</b>			
Parents	179	434	11.5%
Siblings	132		
Others	123		
<b>D. Unrelated Adults &amp; Children</b>			
Adults	155	209	5.5%
Children	54		
<b>III. Total in Household</b>		3,755	100%

<sup>1</sup>Includes 18 sanctioned adults.

<sup>2</sup>Excludes 34 natural children in separate AFDC filing units.



SFU EFFECT ON AFDC/MEDICAID CASELOAD BY STATE

<b>EFFECT OF EXCLUDED PERSONS ON AFDC/MEDICAID CASELOAD</b>						
State	# Cases	Excluded Persons			Others Who Lose AFDC Eligibility	SFU Effect on Caseload Gain or (Loss)
		Total	Remain off AFDC	New to AFDC		
Alaska	4	4	0	4	0	4
Arizona	12	15	5	10	4	6
California	10	18	5	13	5	8
Hawaii	0	0	0	0	0	0
Idaho	3	5	1	4	1	3
Nevada	3	3	1	2	1	1
Oregon	4	4	0	4	0	4
Washington	<u>9</u>	<u>6</u>	<u>1</u>	<u>5</u>	<u>1</u>	<u>4</u>
Total	45	55	13	42	12	30

<b>SFU EFFECT ON ADULTS AND CHILDREN</b>				
State	# Cases	Adults Elig. Gain or (Loss)	Children Elig. Gain or (Loss)	Total Elig. Gain or (Loss)
Alaska	4	3	1	4
Arizona	12	5	1	6
California	10	0	8	8
Hawaii	0	0	0	0
Idaho	3	0	3	3
Nevada	3	1	0	1
Oregon	4	1	3	4
Washington	<u>9</u>	<u>2</u>	<u>2</u>	<u>4</u>
Total	45	12	18	30