

#### **Testimony**

Before the Subcommittee on Government Management, Information and Technology, Committee on Government Reform, and the Subcommittee on Technology, Committee on Science, House of Representatives

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# YEAR 2000 COMPUTING CHALLENGE

## Readiness of Key State-Administered Federal Programs

Statement of Joel C. Willemssen Director, Civil Agencies Information Systems Accounting and Information Management Division





Mr. Chairman, Ms. Chairwoman, and Members of the Subcommittees:

Thank you for inviting us to participate in today's hearing on the Year 2000 readiness of state-administered federal programs. These programs include critical federal human services functions such as Food Stamps and Medicaid. As we reported in November 1998, many systems that support state-administered federal human services programs were at risk from the Year 2000 challenge and much work remained to ensure that services would continue. In February of this year, we testified that while some progress had been achieved, many states' systems were not scheduled to become Year 2000 compliant until the last half of 1999. This past summer, we testified that although federal agencies were working with their state partners to obtain readiness information and provide assistance, much work remained at the state level to ensure that major services were not disrupted.

As requested, after a brief background discussion, today I will (1) highlight the reported Year 2000 readiness of 10 key state-administered federal human services programs and (2) discuss federal activities to assess states' readiness for these 10 programs.

#### Background

In March 1999, the Office of Management and Budget (OMB) designated 42 programs as high impact (later adding a 43rd) and designated lead agencies for each. OMB reported that it designated those programs that, if disrupted, could have a direct effect on the public's health and safety or the well-being of individuals.

Almost one quarter of the programs on OMB's high-impact list are administered by the states. These programs provide essential benefits, such as food stamps and unemployment benefits, to millions of people.

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<sup>&</sup>lt;sup>1</sup>Year 2000 Computing Crisis: Readiness of State Automated Systems to Support Federal Welfare Programs (GAO/AIMD-99-28, November 6, 1998).

<sup>&</sup>lt;sup>2</sup> Year 2000 Computing Crisis: Readiness of State Automated Systems That Support Federal Human Services Programs (GAO/T-AIMD-99-91, February 24, 1999).

<sup>&</sup>lt;sup>3</sup>Year 2000 Computing Challenge: Federal Efforts to Ensure Continued Delivery of Key State-Administered Benefits (GAO/T-AIMD-99-241, July 15, 1999).

Table 1 lists these 10 high-impact state-administered federal human services programs and the lead federal agency responsible for each.<sup>4</sup>

Lead federal agency	Program		
Department of Agriculture	Child Nutrition programs		
	Food Stamps		
	Special Supplemental Nutrition Program for Women, Infants, and Children		
Department of Health and Human Services (HHS)	Child Care		
	Child Support Enforcement		
	Child Welfare		
	Low Income Home Energy Assistance Program		
	Medicaid		
	Temporary Assistance for Needy Families		
Department of Labor	Unemployment Insurance		

Source: OMB.

For each high-impact program, the lead federal agency was charged with identifying to OMB the partners integral to program delivery; taking a leadership role in convening those partners; assuring that each partner had an adequate Year 2000 plan and, if not, helping each partner without one; and developing a plan to ensure that the program would operate effectively. According to OMB, such a plan might include testing data exchanges across partners, developing complementary business continuity and contingency plans, sharing key information on readiness with other partners and the public, and taking other steps necessary to ensure that the program would work. OMB directed the lead agencies to provide a schedule and milestones of key activities in the plan by April 15, 1999; it also asked agencies to provide monthly progress reports.

OMB also directed federal oversight agencies to include the status of selected state human services systems in their quarterly Year 2000 progress reports. Specifically, OMB asked that agencies report the date when each state's systems would be Year 2000 compliant. Further, it requested that

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<sup>&</sup>lt;sup>4</sup>Appendix I contains a description of each program.

federal agencies describe their planned actions to help ensure that these programs would be able to provide services and benefits.

#### Some State Programs Reported as Already Compliant; Others May Not Be Until Late 1999

Table 2 summarizes the latest information on state-administered federal human services programs reported by OMB on September 13, 1999. The table indicates that while many states reported their programs to be compliant, a number did not plan to complete Year 2000 efforts until the last quarter of 1999. For example, nine states did not expect to be compliant until the last quarter of 1999 for Child Support Enforcement, seven states for Food Stamps, and four states for Unemployment Insurance. Moreover, Year 2000 readiness information was unknown in many cases. For example, according to OMB, the status of 16 states' Low Income Home Energy Assistance programs was unknown because applicable readiness information was not available.

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<sup>&</sup>lt;sup>5</sup>For Medicaid, OMB reports on the two primary systems that states use to administer the program: (1) the Integrated Eligibility System, used to determine whether an individual applying for Medicaid meets the eligibility criteria for participation, and (2) the Medicaid management information system, used to process claims and deliver payments for services rendered. Integrated eligibility systems are also often used to determine eligibility for other public assistance programs, such as Food Stamps.

 $<sup>^6</sup>$ In the context of this testimony, the term states can include the District of Columbia and U.S. territories, such as Puerto Rico.

Table 2: Reported State-level Readiness for Federally Supported Programs

		Expected date of 1999 compliance							
Program	Compliant	Est. compliance date before Aug. 1999 <sup>b</sup>	Aug.	Sept.	Oct.	Nov.	Dec.	Unk.c	N/A <sup>d</sup>
Child Nutrition	41	1	4	4	2	0	2	0	0
Food Stamps	39	0	3	5	3	4	0	0	0
Women, Infants, and Children	45	0	0	2	3	3	1	0	0
Child Care	25	12	0	2	2	3	0	6	4
Child Support Enforcement	23	9	2	7	4	3	2	4	0
Child Welfare	23	14	1	3	5	3	0	5	0
Low Income Home Energy Assistance Program	25	2	3	3	2	0	0	16	3
Medicaid – Integrated Eligibility System	25	18	0	5	4	0	0	2	0
Medicaid – Management Information System	22	16	5	4	4	1	0	2	0
Temporary Assistance for Needy Families	27	15	2	4	2	1	0	3	0
Unemployment Insurance	39	0	0	10	3	0	1	0	1

Note: This chart contains readiness information from the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

<sup>a</sup>OMB defined compliant as when the state or territory had determined that its systems were able to provide services, whether directly or indirectly, to beneficiaries.

<sup>b</sup>In many cases, the report indicated a date instead of whether the state was compliant. According to OMB, in some cases, while the estimated dates had passed, confirmation of completion had not been received from the federal agencies.

<sup>c</sup>Unk. indicates that, according to OMB, no information was reported by the agency.

<sup>d</sup>N/A indicates that the states or territories reported that the data requested were not applicable to them.

Source: *Progress on Year 2000 Conversion: 10th Quarterly Report* (OMB, data received August 13, 1999; report issued September 13, 1999).

The information in the OMB report was gathered, but not verified, by the Departments of Agriculture, HHS, and Labor based on submissions by the states and territories. As a result, some of the state information reported by OMB may not be accurate or up-to-date. For example, in five cases, state

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programs cited as compliant by OMB in its June quarterly report had estimated compliance dates of October 1999 or later in its September quarterly report.

Further, the late reported compliance dates of some states are problematic since schedule delays or unexpected problems could well arise. Indeed, reported schedule delays have now occurred in 8 of the 10 state-administered programs since OMB's June 1999 report. For example, OMB's June report showed that three states had estimated compliance dates in the last quarter of 1999 for Food Stamps, while the most recent OMB report indicates that seven states now have estimated fourth quarter compliance dates. To illustrate, the June OMB report indicated that a state and a territory were due to be compliant in June for Food Stamps but the September OMB report indicated that the date for these entities had moved to November 1999.

#### Assessments of State-Administered Human Services Programs Are Ongoing

In addition to obtaining state-reported readiness status information, the three federal departments are taking other actions to assess the ability of state-administered programs to continue operating successfully into the next century. However, the approaches of the three departments in assessing the readiness of state-administered federal human services programs vary significantly. For example, HHS' Health Care Financing Administration (HCFA) obtained a contractor to perform comprehensive on-site reviews in all states, using a standard methodology. Agriculture's Food and Nutrition Service's (FNS) approach includes actions such as having regional offices monitor state Year 2000 efforts and obtaining state certifications of compliance. The Department of Labor is relying on its regional offices to monitor state Year 2000 activities as well as requiring states to obtain and submit independent verification and validation reports after declaring their systems compliant. I will now briefly describe some of the specific actions that the Departments of Agriculture, HHS, and Labor have taken and/or plan to take.

#### Department of Agriculture

Agriculture's FNS is responsible for three state-administered federal human services programs—Child Nutrition; Food Stamps; and Women, Infants, and

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 $<sup>^{7}</sup>$ There was no change in one state-administered federal program and the number of states with estimated compliance dates in the last quarter declined by one for a second program.

Children. This past week we reported that FNS has taken action and made progress in ensuring Year 2000 readiness of these programs. However, FNS had a long way to go with the limited time remaining to fully meet its high-impact program responsibilities. We continue to perform work in this area for the House Committee on Agriculture, Subcommittee on Department Operations, Oversight, Nutrition, and Forestry.

To obtain assurance that state systems are compliant, FNS' regional offices are collecting readiness status information from states as part of their monitoring. Moreover, in June 1999, FNS required its regions to provide, for each program, a copy of either a state letter certifying that it was Year 2000 compliant or a business continuity and contingency plan. As of August 25, 1999, FNS had received

- 15 certifications and 6 business continuity and contingency plans for Child Nutrition;
- 22 certifications and 16 business continuity and contingency plans for Food Stamps; and
- 25 certifications and 21 business continuity and contingency plans for Women, Infants, and Children.

The number of certifications provided to FNS<sup>9</sup> is significantly lower than the number of compliant state-level programs indicated in OMB's latest quarterly report (see table 2)–41 states for Child Nutrition; 39 for Food Stamps; and 45 for Women, Infants, and Children.

Business continuity and contingency plans are essential to respond to two types of failures: those that can be predicted (e.g., systems renovations that are behind schedule) and those that are unforeseen (e.g., systems that fails despite having been certified as Year 2000 compliant). Therefore, it is important for organizations to have such plans, regardless of the readiness status of their systems.

Although agency officials instructed FNS regional offices to require state agencies for all three programs to prepare business continuity and contingency plans, it remains unclear whether all states have adequate

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<sup>&</sup>lt;sup>8</sup> Year 2000 Computing Challenge: Readiness of USDA High-Impact Programs Improving, But More Action Is Needed (<u>GAO/AIMD-99-284</u>, September 30, 1999).

 $<sup>^9</sup> FNS$  officials told us that some states are reluctant to provide certification statements because of potential litigation concerns.

plans to ensure the continuity of these programs. For example, a June 18 FNS document summarizing the agency's review of contingency plans received to date noted that "all need work." It appears that little progress has been made since then because, as of September 15, FNS officials told us that only two states had submitted suitable contingency plans. In addition, FNS has not established milestones for when states should complete business continuity and contingency plans. Our September report<sup>10</sup> recommended that such milestones be established. USDA and FNS agreed with this recommendation and said they planned to take steps to implement it.

To help states with their Year 2000 efforts, FNS obtained a contractor to conduct on-site visits to certain states and territories. Between May 1999 and September 1999, this contractor visited 21 states and territories—for one or more state-administered programs—in which (1) the state had estimated it would not be compliant until the last quarter of the year, (2) the state had reported little or no progress to date, and/or (3) an FNS regional office requested that the state be visited. These visits were principally intended to provide technical assistance to the states in areas such as Year 2000 project management, hardware and software testing, and contingency planning. FNS headquarter officials told us that while they have not required their regional offices to follow up with states in those cases in which the contractor had recommendations for improvement, the regional offices were doing so in some cases. As a next step, FNS plans to have its contractor review contingency plans at those states that reported that they expect to be compliant after September 30, 1999.

### Department of Health and Human Services

Six of the 10 state-administered federal human services programs are overseen by either one of two HHS component entities, HCFA or the Administration for Children and Families (ACF). HCFA has adopted an approach that includes three rounds of on-site contractor reviews of states (performed in conjunction with HCFA regional and headquarters offices) using a standard methodology. Yesterday, we issued correspondence to the Senate Committee on Finance on the results of our Medicaid work, as summarized below.<sup>11</sup>

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<sup>&</sup>lt;sup>10</sup>GAO/AIMD-99-284, September 30, 1999.

<sup>&</sup>lt;sup>11</sup>Reported Medicaid Year 2000 Readiness (GAO/AIMD-00-22R, October 5, 1999).

Between November 1998 and April 1999, the HCFA contractor completed the initial round of on-site reviews in all 50 states and the District of Columbia. These reviews included assessments of states' integrated eligibility systems and Medicaid management information systems (MMIS) in areas such as project management and planning, remediation progress, testing, and contingency planning. After completing the on-site review, the contractor (1) identified barriers to successful remediation, (2) made recommendations to address specific areas of concern, and (3) placed Medicaid integrated eligibility and management information systems into low, medium, or high risk categories based on the quality and completeness of project management/planning, progress in remediation, quality management, testing, and contingency planning.

Since May 1999, HCFA's contractor has (again, along with officials from HCFA regional and headquarters offices) conducted a second round of onsite reviews in 40 states—primarily those in which at least one system was categorized as a high or medium risk during the initial visit. As in the first round, the state systems were placed in low, medium, or high risk categories. A system's risk level was determined based on the resolution of critical issues previously identified, progress in remediation, testing, and senior management support. During this round, HCFA's contractor also conducted follow-up telephone calls to four states not visited.

With respect to the risk levels assigned to the states, as of October 4, 1999,

- 4 eligibility systems and 5 MMISs were assessed at high risk,
- 13 eligibility systems and 8 MMISs were assessed at medium risk, and
- 36 eligibility systems and 40 MMISs were assessed at low risk. 12

These risk ratings indicate that information in the latest OMB quarterly report may have overstated the compliance status of some states. For example, a program cited as compliant in two states (see table 2) was considered to be at high risk by HCFA.

HCFA's current state risk ratings represent an overall improvement from those assigned after the first round of reviews. Nevertheless, many issues continue to be unresolved at the states. For example, based on final and draft reports for the eligibility systems and MMISs for 37 states, the District

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 $<sup>\</sup>overline{^{12}}$ Thirteen state risk ratings in the low category are based on the results of first-round visits because the states were not visited in the second round.

of Columbia, and two territories and completed follow-up telephone calls to 3 states, (1) 43 testing issues were open, (2) 37 project management or planning issues were open, and (3) 24 contingency planning issues were open.<sup>13</sup>

HCFA's third and final round of contractor visits began during the last week of September. While HCFA had not finalized its list of states to visit as of September 28, 1999, HCFA officials told us that all states will either be visited or undergo follow-up telephone calls.

To complement its system reviews, HCFA obtained another contractor to review state business continuity and contingency plans. In June 1999, HCFA's business continuity and contingency plan contractor began reviewing the quality of state plans through either a desk audit alone or both a desk audit and an on-site visit. After the contractor's review, each state's plan was placed into a high, medium, or low risk category based on the contractor's evaluation of the state's development process and the quality and completeness of its plan. Of the 33 states and two territories that have been reviewed by the business continuity and contingency plan contractor as of October 1, 1999, 14 11 were high risk, 11 were medium risk, and 13 were low risk. In addition, many states were reported to have open issues in essential areas. For example, 9 states had insufficient detail in their plans, 7 states lacked management oversight, and 4 states did not intend to test their plans. 15

Regarding the other five HHS state-administered federal programs, ACF modeled its state assessment program after that of HCFA. However, because ACF began its Year 2000 review of state programs several months later than HCFA, it is not as far along in its assessment of each state's ability to continue the operation of these programs into the next century. As of September 27, 1999, an ACF contractor had conducted on-site reviews of 50 states, three territories, and the District of Columbia. These reviews, performed with the participation of ACF regional offices, encompassed areas such as project management, business risk assessment,

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<sup>&</sup>lt;sup>13</sup>A state can have more than one issue in each area.

<sup>&</sup>lt;sup>14</sup>As of October 1, 1999, 16 state business continuity and contingency plans had not been reviewed, and 2 states had not provided their plans to HCFA.

<sup>&</sup>lt;sup>15</sup>A state may have more than one issue.

interfaces, testing, and the business continuity and contingency planning process.

While ACF and its contractor have completed an initial round of site visits, the agency has only issued one final report and has provided draft reports to another 18 states even though some states were visited many weeks ago. For example, as of September 27, 1999, ACF had not provided draft reports to five states in which the visits had been completed in June.

The delays in issuing reports restrict the value of the contractor's state visits. For example, because draft reports may not be sent to states for months after on-site visits, the information in the reports may no longer be current. Further, the recommendations in the reports to improve the states' Year 2000 program may no longer be useful, applicable, or feasible.

With respect to the 19 reports that have been provided to the states as of September 27, 1999, table 3 breaks out the number of states placed in each risk assessment level.

Table 3:	Summary	of RISK	Leveis a	is or so	eptember .	27, 1999

Program		Risk levels			
	Number of state reports	High	Medium	Low	
ACF - Child Care	19	1	9	9	
ACF - Child Support Enforcement	19	3	6	10	
ACF - Child Welfare <sup>a</sup>	18	0	8	10	
ACF - Low Income Home Energy Assistance Program	19	0	7	12	
ACF - Temporary Assistance for Needy Families	19	2	7	10	

<sup>&</sup>lt;sup>a</sup>This program was not evaluated for one of the U.S. territories.

Given the results of the contractor's review, the state readiness information in the latest OMB quarterly report (see table 2) may have overstated the status of one state system. One state assessed as at high risk for the Child Care program was cited as compliant in the OMB report.

The 19 reports also raised a number of concerns. The most common areas of concern were business continuity and contingency planning and testing.

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ACF plans to continue working with the states after the initial on-site reviews are completed, and a second round of reviews is expected for at least 10 states. According to an ACF official, this second round of reviews will include a reassessment of the concerns raised in the first round as well as technical assistance for business continuity and contingency planning.

#### **Department of Labor**

With respect to Unemployment Insurance, State Employment Security Agencies (SESA) use automated systems to pay unemployment compensation benefits to eligible workers and collect state unemployment taxes from employers. We have ongoing work reviewing this program for the House Committee on Education and the Workforce.

Labor's regional offices are responsible for monitoring the SESAs' Year 2000 activities to better ensure the reliability of state-reported readiness status information provided quarterly to Labor. In September 1998, Labor established a valuable tool in gauging the readiness status of state Unemployment Insurance programs by requiring that all SESAs conduct independent verification and validation reviews of their Unemployment Insurance programs. The department set a target date of July 1, 1999, for states to submit independent verification and validation reports of their Unemployment Insurance systems to Labor. Labor obtained a contractor to review these reports and rate them from low to high probability of Year 2000 compliance.

According to the Labor contractor's review of states' independent verification and validation reports for their benefits and tax systems,

- 20 benefits and 19 tax systems had a low probability of compliance,
- 10 benefits and 9 tax systems had a medium probability of compliance, and
- 7 benefits and 6 tax systems had a high probability of compliance.

In addition, 11 and 12 states, respectively, had not submitted independent verification and validation reports for their benefits and tax systems. <sup>16</sup>

Given the results of the contractor's review, the information provided in the latest OMB quarterly report (see table 2) appears to overstate the readiness

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 $<sup>^{\</sup>overline{16}}$  Five benefits and seven tax systems independent verification and validation reports had not yet been rated.

status of state systems. Of the 39 state Unemployment Insurance programs cited in the report as compliant, Labor's contractor rated 15 states as having low probability for Year 2000 compliance for their benefits and/or tax systems.

Labor's contractor also reviewed states' business continuity and contingency plans. The states' plans were rated from low to high in terms of their compliance with Labor's requirements for coverage of core business functions of benefits and tax systems. Based on the contractor's completed reviews, <sup>17</sup> the quality of state business continuity and contingency plans varied widely. For example, according to Labor's contractor (1) 23 benefits and 14 tax plans had a low/very low degree of compliance with Labor's requirements and (2) 9 benefits and 5 tax plans had a high degree of compliance with Labor's requirements. In addition, one and five states, respectively, did not submit business continuity and contingency plans for their benefits and tax functions.

In summary, much work remains at the state level to ensure that major services are not disrupted. At particular risk are several states with systems that are not yet Year 2000 compliant. In addition, federal agency reviews of business continuity and contingency plans for state-administered federal programs indicate that many are inadequate. Federal agencies are working with their state partners to obtain readiness information and evaluate and provide assistance in key activities such as business continuity and contingency planning. Nevertheless, some state completion dates are so close to the turn of the century that the risk of disruption to their programs is substantially increased, especially if schedule delays or unexpected problems arise. This is especially troublesome considering the amount of work remaining in developing effective business continuity and contingency plans.

Mr. Chairman, Ms. Chairwoman, this concludes my statement. I would be pleased to respond to any questions that you or other members of the Subcommittees may have at this time.

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<sup>&</sup>lt;sup>17</sup>Eleven state tax business continuity and contingency plans were not yet rated.

## Contact and Acknowledgments

For information about this testimony, please contact Joel Willemssen at (202) 512-6253 or by e-mail at <a href="mailto:willemssenj.aimd@gao.gov">willemssenj.aimd@gao.gov</a>. Individuals making key contributions to this testimony included David Alston, Pamlutricia Bens, Margaret Davis, Norman Heyl, Troy Hottovy, Linda Lambert, Glenn Nichols, Steve Schwartz, Cynthia Scott, and Mark Shaw.

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## Descriptions of Ten State-Administered Federal Human Services Programs

#### Agriculture

#### **Child Nutrition Programs**

These provide healthful, nutritional meals to children in public and nonprofit private schools, child care institutions, adult day care centers, and summer recreational programs through the National School Lunch Program, School Breakfast Program, Special Milk Program, Child and Adult Care Food Program, Summer Food Service Program, and Nutrition Education and Training Program. Agriculture funds these programs, while state and local governments administer them. In fiscal year 1998, about \$8.7 billion was obligated for these programs.

#### **Food Stamps**

This program provides low-income households with paper coupons or electronic benefits transfer cards that can be redeemed for food in about 200,000 authorized stores across the nation. Agriculture administers the program in cooperation with state agencies. The federal government pays the full cost of benefits and shares administrative costs with the states. In an average month in 1998, 19.8 million people, or 8.2 million households, received benefits.

#### Special Supplemental Nutrition Program for Women, Infants, and Children

This program is designed to improve the health of lower-income pregnant, breast-feeding and postpartum women; infants; and children up to age 5, who are at nutritional risk. The program provides participants with nutritious supplemental foods, nutrition, education, and referrals to health care services. Agriculture provides grants to states that, in turn, provide program benefits to participants through local agencies. In 1998, the program reached an average of 7.4 million people each month.

#### **HHS**

#### Child Care

This is a block grant program that provides low-income families with financial assistance for child care. It also funds activities to improve the quality and availability of child care, and to establish, expand, or conduct early childhood development programs and before- and after-school programs. Grants are made to the states and Indian tribes to administer

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such programs. In fiscal year 1998, about \$1 billion in grants was made to provide child care services for about 1.25 million children.

#### **Child Support Enforcement**

This program provides four major services—locating noncustodial parents, establishing paternity, establishing child support obligations, and enforcing child support orders—to ensure that children are financially supported by both parents. The federal government provides funding to the states and local governments to run this program. In fiscal year 1998, the federal government provided about \$2.6 billion to states and local governments.

#### Child Welfare

Federal grants provide for programs delivering foster care, adoption assistance, independent living for older foster children, family preservation and support services, child welfare services, prevention of neglect/disabled infants, and programs designed to improve the investigation and prosecution of child abuse and neglect cases. Grants are provided to states and local agencies to develop and administer such programs. In fiscal year 1998, about \$4.3 billion was obligated to the states in grants for child welfare programs.

#### Low Income Home Energy Assistance

This is a federal block grant program that assists eligible low-income households in meeting their home energy needs. Grants are made to states, the District of Columbia, Indian tribes and tribal organizations, and insular areas. They can be used for energy assistance in heating, cooling, energy crisis intervention, and low-cost residential weatherization and other energy-related home repairs. In fiscal year 1998, about \$1.2 billion was obligated for this program.

#### Medicaid

This is a federal/state-funded health care program furnishing medical assistance to eligible needy persons. In fiscal year 1998, Medicaid paid about \$169 billion for medical services to millions of recipients. Medicaid provides health coverage for about 33 million low-income people, which include children, the elderly, the blind, and disabled individuals. Within broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program.

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## Temporary Assistance for Needy Families

This program provides time-limited assistance to low-income families. HHS provides block grants to the states to operate the program. The states are given broad flexibility to set eligibility criteria and determine the types of assistance they provide. In fiscal year 1998, the federal government provided \$16.5 billion in grants to the states.

#### Labor

#### **Unemployment Insurance**

The Unemployment Insurance program is a federal-state partnership that covers 97 percent of all wage earners. Under this program, Labor is responsible for establishing broad guidelines, general oversight, and administrative funding, while SESAs pay unemployment compensation benefits to eligible workers and collect state unemployment taxes from employers. In fiscal year 1998, these state agencies collected \$22 billion in state unemployment insurance taxes.

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