

GAO

Report to the Chairman, Special
Committee on Aging
U. S. Senate

December 1985

AGING

**GAO Activities in
Fiscal Year 1985**



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Human Resources Division
B-217195

December 13, 1985

The Honorable John Heinz
Chairman, Special Committee on Aging
United States Senate

Dear Mr. Chairman:

On October 31, 1985, you requested that we submit a report describing our fiscal year 1985 activities regarding older Americans. The appendixes respond to your request.

Appendix I lists 65 issued reports (43 with summary information), and appendix II lists 49 assignments in process as of September 30, 1985. As discussed in appendix III, at the end of fiscal year 1985, 42.5 percent of our work force was age 40 and over. Our employment policies prohibited age discrimination, and we continue to provide individual retirement counseling and preretirement seminars.

As arranged with your office, we are sending copies of this report to interested congressional committees and subcommittees. Copies will also be made available to other interested parties who request them.

Sincerely yours,



Richard L. Fogel
Director

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Abbreviations

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
DM&S	Department of Medicine and Surgery
ESOP	Employee Stock Ownership Plan
GAO	General Accounting Office
HHS	Department of Health and Human Services
HMO	health maintenance organization
IRS	Internal Revenue Service
MPPAA	Multiemployer Pension Plan Amendments Act
SSA	Social Security Administration
VA	Veterans Administration

GAO Reports Concerning the Elderly Issued From October 1, 1984, Through September 30, 1985

Implementation of the Uniformed Services Former Spouses' Protection Act (GAO/NSIAD-85-4, Oct. 24, 1984)

Responding to a Supreme Court decision that military retired pay could not be divided as marital community property in divorce cases, the Congress authorized the services to pay part of a member's retired pay to a former spouse in compliance with a state court order.

The services generally have done a good job implementing the act, but its complexity has caused problems. These problems concern interpretations of the act and court orders, and procedures for handling applications. Consequently, retirees and former spouses have sometimes been treated differently, depending upon the service involved. Some inconsistencies have been corrected, but others remain.

Assessment of How the Department of Labor's Solicitor's Office Handles Pension and Welfare Benefit Cases (GAO/HRD-85-6, Nov. 6, 1984)

The Employee Retirement Income Security Act was passed to protect employee pension and welfare benefit plans' funds and assets against mismanagement and misuse. The Department of Labor's Office of Pension and Welfare Benefit Programs directs Labor's enforcement of the act, and it refers cases to the Office of the Solicitor for legal advice on whether to seek compliance of alleged violations of the act voluntarily or through litigation.

Because of the newness and complexity of the act and Labor's policy of seeking cases for litigation to develop case law, many cases were referred to the Solicitor's Office between 1976 and 1981. As a result, the Solicitor's Office accumulated a backlog of cases. This report discusses (1) the backlog, (2) delays in providing legal analyses on cases, (3) the effects of the delays on Labor's enforcement efforts, and (4) the appropriateness of referring certain cases to other agencies for disposition.

Labor has given field offices greater enforcement authority, and the Office of Pension and Welfare Benefits Programs has reduced the cases referred to the Solicitor. The Solicitor's Office has revised its case processing procedures, increased its staff, and reduced the backlog of cases. Although GAO has not reviewed cases under the new procedures, it believes, if properly implemented, they should help reduce the likelihood of a large case backlog occurring in the future.

Opportunities to Reduce Medicare Payments for Prosthetic Lenses While Enhancing Nationwide Uniformity of Benefits (GAO/HRD-85-25, Jan. 10, 1985)

Inadequate guidance to Medicare's claims processing contractors has resulted in unnecessary expenditures for prosthetic lenses and related professional services used after the removal of cataracts and inequitable benefits for Medicare beneficiaries.

GAO estimated that improved guidance by the Department of Health and Human Services could have resulted in a reduction in Medicare allowed charges of at least \$7.4 million during 1982 in areas served under 7 of the program's 49 claims processing contracts. Significantly greater amounts could have been saved nationally, and more equitable administration of benefits would have resulted.

GAO recommended that the Department develop and implement guidance to improve controls over payments for prosthetic lenses and related professional services.

Changes Needed in Medicare Payments to Physicians Under the End Stage Renal Disease Program (GAO/HRD-85-14, Feb. 1, 1985)

Since July 1973, the Medicare program has covered the cost of treating individuals with end stage renal disease. Total program costs have increased from about \$229 million in 1974 to more than \$1.8 billion in 1983.

Renal physicians receive a monthly capitation payment for the routine outpatient care they provide to dialysis patients. The formula used to compute the monthly payment overstates physicians' involvement with home dialysis patients when compared with facility patients, resulting in higher monthly rates and additional annual program costs of about \$11.8 million.

Special dialysis procedure codes were established for inpatient hospital care, including hospital dialysis visits. Medicare allowances for these visits are considerably higher than those for regular hospital visits, even though the services provided are essentially the same. GAO believes that use of these special codes should be limited.

GAO also believes that a system which pays for outpatient care on the basis of a monthly capitation payment and for inpatient care on a fee-for-service basis is difficult to administer. Adopting a total capitation payment system covering both routine inpatient and outpatient services would be easier to administer and, based on 1981 data, could save about \$1.6 million annually in the nine states reviewed.

**Changes Needed in
Medicare Payments to
Physicians Under the
End Stage Renal
Disease Program
(GAO/HRD-85-14A,
Feb. 1, 1985)**

This supplement contains the results of GAO's questionnaire used to obtain the views on the End Stage Renal Disease program of its beneficiaries and renal physicians who provide services under it.

**Administration of and
Veterans' Participation
in the VA Beneficiary
Travel Program (GAO/
HRD-85-28, Feb. 7,
1985)**

The Veterans Administration (VA) pays transportation expenses of eligible veterans who travel between their residences and medical facilities for treatment and assistance. In fiscal year 1984, these expenses totaled over \$91 million.

GAO judgmentally selected 13 medical centers out of 168 VA medical facilities throughout the nation and evaluated internal controls over these travel expenditures. The centers visited were, in GAO's opinion, generally implementing appropriate internal control techniques to prevent fraud and program abuse and minimize error and waste in the beneficiary travel program.

GAO also identified and evaluated 13 situations related to beneficiary travel that it considered particularly vulnerable to abuse or mismanagement. All but four of these areas of vulnerability generally appeared to be adequately controlled. GAO recognized that program abuses related to (1) car pooling, (2) address validation, (3) income certification, and (4) requests for unneeded medical care would be extremely difficult to control. Moreover, when compared to the relatively low median travel cost per trip for the veterans GAO interviewed, the costs to implement additional controls would, in GAO's opinion, appear to exceed the expected benefits. Notwithstanding these areas of vulnerability, the centers visited were generally implementing the beneficiary travel program in a prudent manner.

This report also provided (1) information on VA's process of budgeting and allocating funds for the beneficiary travel program and (2) profile data for 1,512 veterans interviewed at the 13 centers visited.

**Improved Efforts
Needed to Relieve
Medicaid From Paying
for Services Covered
by Private Insurers
(GAO/HRD-85-10,
Feb. 12, 1985)**

Medicaid, a federally aided, state-administered medical assistance program for low-income people, should be relieved of health care costs if some other party is legally responsible to pay. Nevertheless, states receive bills for Medicaid recipients who have coverage under health and liability insurance. State Medicaid administrative systems often do not identify the liable insurers or redirect these medical bills to them. As a result, the Health Care Financing Administration estimates that Medicaid pays annually from \$500 million to more than \$1 billion that private insurers should be paying.

GAO recommended that the Secretary of Health and Human Services (HHS) adopt either of two options that would influence states to improve Medicaid practices for recovering additional health care costs from available health and liability insurance resources.

**Analysis of Grace
Commission Proposals
to Change the Civil
Service Retirement
System (GAO/GGD-
85-31, Feb. 13, 1985)**

The Commission recommended many changes to the civil service retirement system which it said would reduce costs and make the federal system comparable to private sector retirement programs. GAO agreed that private sector practices are one standard that can be used in evaluating the federal program and that, in many respects, the Commission's recommendations reflect pension plan features commonly found in the private sector.

However, the Commission's proposals did not include a capital accumulation plan, which is a major element of private sector retirement programs. Without such a plan, adoption of the Commission's recommendations would result in federal employees receiving lower benefits than are typically available to private sector employees. Moreover, for many of the recommendations, the Commission overstated the savings that could be achieved.

**Benefit Levels of
Nonfederal Retirement
Programs (GAO/GGD-
85-30, Feb. 26, 1985)**

This report estimated the levels of benefits available from nonfederal retirement programs using selected studies and data bases. Social security, pension plan, and capital accumulation plan benefits were shown for different categories of age and years of service and at varying final salary levels. The purpose of the report was to assist the Congress in its effort to design a new retirement program for federal employees covered by social security.

**Legislation to
Authorize VA
Recoveries From
Private Health
Insurance Would
Result in Substantial
Savings
(GAO/HRD-85-24,
Feb. 26, 1985)**

Most health insurance policies will not pay for nonemergency care provided to the companies' policyholders by VA medical facilities. Such policies have exclusionary clauses which state that the insurance companies will not pay for care for which the policyholder has no obligation to pay. GAO analyzed concerns raised by the insurance industry and others about a legislative proposal to prevent health insurance companies from refusing payment for treatment of non-service-connected disabilities in VA medical facilities.

GAO concluded that no overriding legal or administrative problems were preventing the enactment and implementation of a VA cost recovery program. GAO estimated, based on a questionnaire survey, that VA could have recovered at least \$98 million to \$284 million from private health insurance in fiscal year 1982 with minimal impact on health insurance premiums.

GAO recommended that the Congress enact recovery legislation to enable VA to recover the costs of care provided to privately insured veterans for non-service-connected medical conditions.

**Medicare's Policies and
Prospective Payment
Rates for Cardiac
Pacemaker Surgeries
Need Review and
Revision (GAO/HRD-
85-39, Feb. 26, 1985)**

In fiscal year 1983, HHS implemented a Medicare prospective payment system (using data based on medical practices and costs in 1981) that pays hospitals predetermined fixed rates based on a patient's medical condition. GAO reviewed the 1981 data and how changes in medical practices and costs since that time may have affected prospective payment rates for cardiac pacemaker surgeries.

The information GAO obtained from 12 hospitals and 4 major pacemaker manufacturers showed that the data used to compute the payment rates (1) contained errors that could affect the rates' reasonableness; (2) were collected at a time when hospitals had little incentive to take full advantage of purchasing efficiencies or warranty benefits; and (3) did not reflect the more recent shift toward the use of higher cost, more technologically advanced pacemakers.

Because of the inaccuracies in the data bases, stronger hospital incentives for economical procurement of pacemakers to reduce hospital costs, and the shift to more expensive pacemakers, GAO believed HHS should use current data to reevaluate the reasonableness of prospective payment rates for pacemaker surgeries.

**The 1980
Multiemployer Pension
Plan Amendments Act:
an Assessment of
Funding Requirement
Changes (GAO/HRD-
85-1, Feb. 27, 1985)**

The government insures multiemployer pension plan benefits through the Pension Benefit Guaranty Corporation. The Multiemployer Pension Plan Amendments Act (MPPAA) of 1980 changed funding provisions to improve plan financing because of concern that the plans could place large claims on the insurance program. GAO found that the provisions would generally have little effect on plan financial condition or employers contributing to the plans.

GAO found that 14 of 149 plans it examined were financially distressed and could pose risk to the government's insurance program amounting to billions of dollars. The act's provisions for improving the financial condition of such distressed plans, however, may not be adequate. Based on GAO's application of the provisions, 9 of the 14 distressed plans would have been allowed to reduce rather than increase their financial contributions because actual employer contributions exceeded requirements. Because of the potential risk distressed plans pose to the program, GAO asked the Congress to consider changing the provisions so that the plans will be required to at least maintain contributions more in line with what employers already contribute.

**Problems in
Administering
Medicare's Health
Maintenance
Organization
Demonstration Projects
in Florida (GAO/HRD-
85-48, Mar. 8, 1985)**

In February 1985, HHS initiated a program to expand the use of health maintenance organizations (HMOs) by Medicare beneficiaries. This new program was preceded by 26 demonstration projects throughout the country to test HMOs' effectiveness. Four of the demonstration projects, involving about half of all Medicare beneficiaries in such projects, were started in south Florida. Because of beneficiary complaints and concerns regarding those HMOs, GAO was asked to review them.

GAO found the system for coordinating HMO and Medicare payments to physicians and hospitals susceptible to errors, such as Medicare paying for services that an HMO had already been paid for. Many errors GAO identified occurred because beneficiary HMO enrollment dates were not recorded until after the actions became effective. This led to incorrect determinations as to who should pay medical expenses—the HMO or the regular Medicare program. GAO recommended that HHS correct problems resulting in erroneous payments because of the program's expansion nationwide.

GAO also identified a relatively small number of beneficiaries for whom reimbursement of medical expenses was uncertain because they were transitioning into or out of HMOs. During such periods, it is not always clear who is responsible for paying medical expenses—the beneficiary,

the HMO, or Medicare. GAO is continuing to assess the magnitude and specific causes of the transitioning problems. In a follow-on report, GAO will address this and the remaining questions it was asked to pursue.

Effects of Liabilities Assessed Employers Withdrawing From Multiemployer Pension Plans (GAO/HRD-85-16, Mar. 14, 1985)

The most controversial changes MPPAA made to the Employee Retirement Income Security Act of 1974 concerned the liability imposed on employers withdrawing from multiemployer defined benefit pension plans. Under the amendments a withdrawing employer must generally continue payments to the plan for its share of the plan's unfunded vested benefits, which are the value of nonforfeitable benefits under the plan less the value of the plan's assets.

GAO believed that the liability imposed on withdrawing employers increases the pension security of participants in poorly funded plans. It also provides additional protection for the Pension Benefit Guaranty Corporation's insurance fund established by the 1974 act to guarantee plan benefits. However, changes can be incorporated to make application of withdrawal liability more effective and equitable. Toward that end, this report proposed two amendments to the withdrawal liability provisions for the Congress to consider.

DOD Should Adopt a New Approach to Analyze the Cost Effectiveness of Small Hospitals (GAO/HRD-85-21, Mar. 15, 1985)

Several studies of nonfederal hospitals have found that smaller hospitals are less economical to operate than larger ones. The studies indicate that the most economical hospital size is between 200 and 300 beds.

In fiscal year 1983, the Department of Defense (DOD) operated 126 hospitals, 69 of which had average daily inpatient loads of 50 or less. The cost to operate the 69 small hospitals totaled about \$506 million in that year.

GAO developed a computer-based model which compares the costs of operating small military hospitals to the estimated costs of converting them to outpatient clinics and treating inpatients at nearby civilian facilities. Applying the model at three small hospitals, GAO found that DOD could have saved about \$3.9 million in fiscal year 1981 costs had these hospitals been converted.

A decision to convert a small military hospital to an outpatient clinic should not be based solely on economic factors. Other considerations—such as the mission requirements, availability of alternative sources of care, and impact on beneficiaries—need to be evaluated. GAO believes,

however, that because of the potential benefits of selectively converting small hospitals, DOD should evaluate the cost effectiveness of continuing small hospital operations when alternative sources of care are available.

**Need to Strengthen
Social Security's
Beneficiary Reporting
Requirements and
Enforcement Authority
(GAO/HRD-85-12,
Mar. 22, 1985)**

As of September 1984, retired and disabled beneficiaries and their dependents or survivors owed the Social Security Administration (SSA) about \$2 billion because they had been paid more than they were entitled. This represented about \$1.4 billion in overpayments. About 60 percent of such overpayments, representing two-thirds of all overpayment dollars, are caused by beneficiaries who misreport, report late, or do not report events that would reduce or eliminate benefits.

Most beneficiaries comply with reporting requirements. And most of those overpaid repay the overpaid amounts. Beneficiaries who do not comply, however, retain the use of overpaid amounts for extended periods and seldom are penalized, because either SSA does not often use existing penalty authority or the authority does not extend to all incidents that give rise to beneficiary-caused overpayments.

If SSA more fully exercised the penalty authority it has and this authority was extended to all circumstances that can affect payments, GAO believed that overpayments could be reduced and some of their cost shifted to the noncomplying beneficiaries. Therefore, GAO made a number of recommendations to SSA to improve the process for assessing penalties and to the Congress to expand SSA penalty authority.

**Overview and
Perspectives on the
Food Stamp Program
(GAO/RCED-85-109,
Apr. 17, 1985)**

The Department of Agriculture's Food Stamp Program cost the federal government almost \$12 billion in fiscal year 1984 and served an average of about 21 million persons a month. In recent years the Congress and Agriculture have been searching for ways to improve the program's integrity, curb spending, and enhance efficiency. At the same time, the increased number of persons that Bureau of the Census data show to be falling into the poverty category has created additional pressure to maintain and improve food assistance benefits for the needy.

To assist in congressional deliberations on reauthorizing the Food Stamp Program as part of the 1985 farm bill, GAO highlighted five major program issues: program accountability and integrity, program simplification, nutritional adequacy, interrelationship with other food assistance programs, and program coverage and eligibility. For each issue, GAO's

report discussed the principal concerns it saw, what had been done regarding those concerns, and what more should be considered or done.

**Implementing
Outpatient Surgery
Programs in Military
Hospitals Can Reduce
DOD's Health Care
Costs (GAO/HRD-
85-23, May 24, 1985)**

Outpatient (or same day) surgery has received widespread attention from nonfederal health care providers as a way to reduce health care costs. GAO found that military hospitals have made limited use of outpatient surgery to reduce military health care costs.

At the six military hospitals reviewed, GAO estimated that in 1982 about 5,600, or about 65 percent, of about 8,600 inpatient surgeries that had outpatient surgery potential could have been performed on an outpatient basis. Military surgeons helped GAO make this determination. GAO believed that if these inpatient surgeries had been done on an outpatient basis, hospital beds and other resources at these six hospitals would have been available and could have been used to treat patients who had been referred to the civilian sector under the DOD-financed Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

Based on (1) the private sector's experience that outpatient surgery is a safe and cost-effective alternative to inpatient surgery for many surgical procedures and (2) GAO's findings concerning the potential for wider use of such surgery in the military services, GAO recommended that the Secretary of Defense direct the Assistant Secretary (Health Affairs) to develop a DOD-wide policy on outpatient surgery programs in military hospitals where analyses show that such programs would reduce DOD's total health care costs.

**IRS and SSA Can
Improve the
Verification and
Recording of Data
Provided by Self-
Employed Taxpayers
(GAO/GGD-85-21,
May 28, 1985)**

Self-employed workers are required to report Social Security self-employment earnings to the Internal Revenue Service (IRS) and pay any taxes that are due. IRS forwards all relevant self-employment data to SSA, where it is accumulated and eventually used to help determine the amount of Social Security benefits to which these workers are entitled.

Because of the importance of properly processing this information, GAO made a review to determine how well IRS and SSA were performing this task. GAO found that although the system is functioning well, more could be done to (1) properly credit self-employment earnings to taxpayers' accounts and (2) more accurately account for the taxes that are due. IRS and SSA expressed general agreement with GAO's recommendations.

**VA Can Reduce Excess
Disability Payments by
Improving Pay Data
Exchange With the
Military Services
(GAO/HRD-85-38,
May 29, 1985)**

Federal law requires that VA withhold disability benefits whenever a veteran reenlists in the active military service. GAO found that disabled veterans do not always notify VA when they reenter active service, and VA has no effective controls to identify veterans who do not notify it. Consequently, VA paid in excess of \$1 million in both 1982 and 1983 for disability compensation benefits to veterans on active duty.

Also, the military services make lump-sum separation payments to members who are involuntarily discharged for disability and nondisability reasons. Federal law requires that VA withhold disability payments until an amount equal to the full separation payment has been recouped. GAO found, however, that DOD and VA lack adequate controls to ensure that all separation pay data are provided and that VA withholds disability payments. Based on GAO's review of DOD separation payments for 1983, VA had not withheld the appropriate monthly disability payments on an estimated \$1.6 million in total lump-sum separation pay made by the military services in 1983.

This report recommended a number of actions that VA and DOD should implement so that veterans do not receive disability benefits to which they are not entitled. VA and DOD generally agreed with GAO's findings and recommendations.

**Analysis of Issues
Concerning the
Planned Modernization
or Relocation of the
Allen Park, Michigan,
VA Medical Center
(GAO/HRD-85-64,
June 7, 1985)**

GAO examined the four construction design concepts and related cost estimates VA was considering as of February 1985 in relation to modernizing the Allen Park, Michigan, VA Medical Center or relocating it to downtown Detroit. VA was in the earliest planning and development component of its construction process for this major project; nevertheless, considerable data had been developed which indicated that VA was generally following its established procedures and was considering the pertinent issues needed for the VA Administrator to decide on the most appropriate construction concept.

For some issues relating to the relocation of the medical facility to downtown Detroit, VA had not made final decisions or developed complete data and will not do so until the Administrator decides which concept to adopt. When this decision is reached, additional data and more precise construction designs will be developed by VA officials.

**Benefit Practices for
Permanent and
Temporary Federal
Employees (GAO/GGD-
85-54, June 10, 1985)**

This report provided information on benefit practices for permanent and temporary federal employees. Generally, temporary employees are not eligible for civil service retirement, life and health insurance, or severance pay.

The report also included information requested concerning temporary employees at the Forest Service's Northern Region, headquartered in Missoula, Montana.

**Effects of the 1980
Multiemployer Pension
Plan Amendments Act
on Plan Participants'
Benefits (GAO/HRD-
85-58, June 14, 1985)**

MPPAA changed federal requirements for funding and insuring the benefits of over 8 million participants in multiemployer defined benefit pension plans nationwide. A major change increased employers' liability for unfunded benefits when they withdrew from the plans.

GAO found that plan terminations increased from 27 in the 6 years before the act's passage to 66 in the 4 years after. According to plan officials, the act's employer liability changes contributed to the increases, but economic and other factors played a more significant role. Plan terminations after the act affected less than 1 percent of the participants nationwide. Most of those affected are to receive all benefits earned, and alternative pension coverage was made available for most of the participants still working.

Benefit practices of most of the 139 plans GAO sampled were changed after the act. According to plan officials, the act's employer liability provisions contributed to changes causing 12 percent of the 3.2 million sample plan participants to receive either no benefit increases after the act when they had been given benefit increases before or smaller increases than previously received. However, much higher percentages of the plans' participants were similarly affected or received greater benefit increases because of changes not related to the act.

**VA Has Not Fully
Implemented Its Health
Care Quality Assurance
Systems (GAO/HRD-
85-57, June 27, 1985)**

One of VA's primary goals is to provide quality medical care to veterans in its medical centers. It has established a formal quality assurance program with two focuses: (1) Each medical center reviews the quality of care it provides, and (2) VA's Medical Inspector reviews the medical center's quality assurance programs. GAO found that the medical centers had not implemented the quality assurance programs required by VA's regulations and the Medical Inspector was not evaluating the effectiveness of the centers' programs.

The Medical Inspector and VA medical centers are also responsible for investigating allegations of poor quality care. VA's Inspector General oversees the Medical Inspector's investigation activity and conducts audits that occasionally involve quality of care issues.

Retirement Before Age 65 Is a Growing Trend in the Private Sector (GAO/HRD-85-81, July 15, 1985)

GAO examined retirement age trends in the private sector in order to assist the Congress in its effort to devise a retirement system for federal employees hired after December 31, 1983.

GAO found that age 65 is no longer the retirement age of most private sector workers. Rather, GAO's analysis indicated that 62 is the median age of retirement for individuals receiving a private pension. GAO also found that private pension receipt before age 65 has been a growing trend.

The Department of Labor's Oversight of the Management of the Teamsters' Central States Pension and Health and Welfare Funds (GAO/HRD-85-73, July 18, 1985)

GAO obtained information on the status of several civil suits the Department of Labor has initiated since 1978 against the Teamsters' Central States Pension and Health and Welfare Funds and some trustees and officials for allegedly mismanaging the Funds' assets. GAO's review disclosed that:

- In August 1984 a district court ordered the dismissal of Labor's suit against the former trustees and officials of the Pension Fund as part of a proposed settlement of two private plaintiff cases against the Fund. Labor's appeals to have the court's decision reversed were pending as of June 30, 1985.
- Reports by the court-appointed Independent Special Counsel, who helps the court administer a September 1982 consent decree negotiated separately between Labor and the then current Pension Fund trustees, indicated that the Fund and its trustees were complying with the decree.
- Labor's civil suits against the Health and Welfare Fund were partially settled through an out-of-court agreement with the Fund's trustees in April 1984 and consent decrees approved by a court in February 1985.

GAO also examined the likely impact on the Pension Fund of losses incurred on loans to three hotel/casinos in Las Vegas. The Pension Fund could suffer losses of about \$421.3 million from the sale of the loans. Such a loss would represent less than 0.5 percent of the Fund's assets—estimated at \$5.2 billion as of December 31, 1984—and probably would not significantly affect the Fund's operations.

**Use of Unaudited
Hospital Cost Data
Resulted in
Overstatement of
Medicare's Prospective
Payment System Rates
(GAO/HRD-85-74,
July 18, 1985)**

When HHS computed Medicare's prospective payment rates for inpatient hospital services, it used unaudited cost reports. Because unaudited cost reports frequently include items that Medicare does not allow and the law calls for setting the prospective rates based on allowable costs, GAO performed a recalculation using audited cost reports for a sample of hospitals. A comparison of the HHS and GAO computations showed that the rates would be an estimated 2.98 percent lower using audited data.

Also, HHS did not remove all hospital capital costs from the data used to compute the prospective rates. These costs should have been removed because capital costs are paid separately from the prospective rates. GAO estimated that removing the remaining capital costs from the prospective payment computation would lower the rates by an estimated 1.29 percent and prevent double payment for these costs.

GAO recommended that HHS correct its data base for computing the prospective payment rates to remove the overstatement resulting from using unaudited cost data and the inclusion of some capital costs. Doing so would reduce Medicare payments by an estimated \$940 million in fiscal year 1986 and by over \$8 billion during fiscal years 1986-90.

**Financial Conditions of
Multiemployer Pension
Plans Generally
Improved From 1978 to
1980 (GAO/HRD-85-72,
July 29, 1985)**

MPPAA made major changes to federal requirements for insuring and funding the benefits of over 8 million participants in about 2,500 multi-employer pension plans. The changes were enacted because of concern raised in 1978 that plans could place billions of dollars of unfunded benefit claims on the federal insurance program administered by the Pension Benefit Guaranty Corporation.

GAO estimated selected financial condition indicators for 1,276 plans with 100 or more participants for the period MPPAA's provisions were being considered—from 1978 to 1980. These data establish a baseline for future analysis of plan changes and could be useful in considering legislative proposals.

The estimates indicate that the overall financial condition of the plans and the industry and participant size groups they covered generally improved during the period. Based on plan data, the plans' benefits were about 56 percent funded by assets in 1978. By the end of 1980, their benefits of about \$46 billion were 66 percent funded. Further, the estimates indicate that the plans' overall ability to build asset reserves and generate sufficient contributions to pay for unfunded benefits remain adequate to strong.

However, the plans' contribution ratio (active to other participants) declined, and GAO's analysis of the 1980 indicators for 149 sampled plans showed that (1) the plans' unfunded benefits of about \$11.2 billion posed a substantial contingent liability against the insurance program and (2) some individual plans may not be in adequate financial condition.

**Procedures for
Avoiding Excessive
Rental Payments for
Durable Medical
Equipment Under
Medicare Should Be
Modified (GAO/HRD-
85-35, July 30, 1985)**

The extent and amount of excess costs resulting from long-term rentals of durable medical equipment have been the subject of two previous studies—one by GAO and another by an HHS grantee—that reached opposite findings and conclusions. These differences stemmed from the fact that the data on the length of equipment rentals in the two previous studies differed significantly.

GAO reexamined the issue and found that overall, Medicare still paid substantially more to rent some items than it would pay to purchase them. These excess rentals represented about 54 percent of the amounts allowed for lower cost items (\$120 or less) and about 34 percent for higher cost items.

GAO recommended a modification to Medicare's method of reimbursement for lower cost items that would avoid a greater portion of excess costs and offered for the Congress' consideration an option for reducing excess costs on higher priced items.

**Better Patient
Management Practices
Could Reduce Length
of Stay in VA Hospitals
(GAO/HRD-85-52,
Aug. 8, 1985)**

In fiscal year 1984, VA spent over \$8 billion to provide health care to millions of veterans. This amount could rise sharply in the next two decades as millions more veterans become eligible for free VA health services. VA estimates that if it were to serve all eligible veterans requesting care by the year 2000, it would need an additional \$5.9 billion to \$24.5 billion in construction funds alone.

In conjunction with a consultant team of physicians and nurses, GAO analyzed medical files at seven VA medical centers throughout the country and found that 43 percent of days that medical and surgical patients spent in VA hospitals in fiscal year 1982 could have been avoided. In addition, the GAO Chief Medical Advisor's evaluation of patients at six of these facilities in fiscal year 1984 substantiated the consultant's findings.

GAO's review focused on opportunities to reduce lengths of stay through more efficient patient care practices. By reducing lengths of stay in its hospitals, VA could free beds to serve additional veterans. If the expected increase in demand for VA medical care does occur, VA would be in a better position to meet more of the demand with its existing supply of acute care beds.

This report contained recommendations for establishing more efficient patient management practices as a key step in achieving reduced length of stay.

**CHAMPUS Has
Improved Its Methods
for Procuring and
Monitoring Fiscal
Intermediary Services
to Process Medical
Claims (GAO/HRD-
85-56, Aug. 23, 1985)**

In October 1982, Blue Shield of California was awarded the Southeastern regional contract to process medical claims submitted by beneficiaries and health care providers under CHAMPUS.

GAO and CHAMPUS reviews of this and other related procurements pointed out weaknesses in the process. When these matters were brought to CHAMPUS' attention, corrective actions were taken that should improve the procurement process. Therefore, GAO did not make recommendations in this report.

Blue Shield of California began operations in May 1983 under the Southeastern contract at a low level of performance and, as of June 1984, still was not meeting most critical CHAMPUS performance standards. As a result, CHAMPUS issued a new solicitation seeking offerors for the regional contract and in January 1985 awarded the contract to another fiscal intermediary.

**Stabilizing Social
Security—Which Wage
Measure Would Best
Align Benefit Increases
With Revenue
Increases
(GAO/IMTEC-85-13,
Aug. 27, 1985)**

The Social Security Amendments of 1983 included an automatic mechanism to help align Social Security benefit payment increases with revenue increases if Social Security reserves fall below a specified level. GAO was asked which of several wage measures would be the most timely and accurate to use in this alignment.

GAO evaluated eight wage measures and found that two—the currently used SSA average wage index and the Bureau of Labor Statistics' Employment Cost Index—would be the most timely and accurate to use as an automatic mechanism. Although the Employment Cost Index is slightly better at indicating revenue increases, the limited number of years of data that could be analyzed (only 8) provided inconclusive evidence that it would be the clearly superior measure to use.

HHS, the department responsible for the Social Security program, generally agreed with GAO's overall findings and conclusions.

**Consolidating
Procurements of
Medical Equipment
Could Save Money
(GAO/NSIAD-85-125,
Aug. 27, 1985)**

During fiscal years 1982 through 1984, DOD and VA medical facilities purchased over \$1 billion worth of medical and related equipment, mostly on a local, decentralized basis. GAO believed that DOD could procure many of these items on a centralized, consolidated basis and estimated savings averaging 11 to 15 percent, or \$2.6 million to \$3.5 million on the DOD items sampled. GAO believed that VA might also be able to procure more items on a consolidated basis and realize price savings, but GAO could not conclusively demonstrate this because VA lacks specific, decentralized data on its facilities' equipment procurements.

Consolidating equipment procurements might also (1) reduce the administrative costs associated with awarding and administering contracts and (2) establish a basis for DOD and VA to share procurements of commonly used equipment items as they now share procurements of drugs and medical supplies.

GAO recommended that the Secretary of Defense and the Administrator of Veterans Affairs take several actions to achieve these potential economies.

**VA Needs Better
Control Over Its
Payments to Private
Health Care Providers
(GAO/HRD-85-49,
Aug. 28, 1985)**

In fiscal year 1984 VA's Department of Medicine and Surgery paid out about \$93 million to private physicians and other health care providers for care provided to eligible veterans. GAO evaluated DM&S' system for determining how much it pays these providers for medical services.

DM&S' policy provides that clinics are to establish an appropriate fee for each procedure performed by private providers. The maximum allowable fee is to be at or above the middle of the range of fees charged the general public but is not to approach the top of the range (90th percentile). At the five clinics GAO reviewed, 74 percent of the maximum allowable fees examined fell outside the intended range. As a result, these clinics, which accounted for about 15 percent of all claims processed by 79 VA clinics in fiscal year 1983, often paid health care providers either more or less than they should. This problem existed because DM&S' system for developing and applying fee schedules was not adequately maintained or updated and was difficult to administer. Since all clinics use this system, GAO believed that the problems identified at the five clinics would be found at other clinics.

GAO recommended that, rather than updating its existing fee schedule system, DM&S use fee schedules from other federal programs to pay private health care providers.

Comparison of Federal and Private Sector Pay and Benefits
(GAO/ GGD-85-72,
Sept. 4, 1985)

This report provided comparative information on pay, retirement benefits, health and life insurance, annual and sick leave, and holidays in the federal and private sectors.

Compensation programs in the two sectors consist of many elements that must be considered overall if meaningful conclusions on the comparability of compensation levels are to be made. Information GAO analyzed showed that some elements of the federal compensation program are superior but, overall, federal pay and benefits lag the private sector.

20 Years of Federal Mass Transit Assistance: How Has Mass Transit Changed?(GAO/RCED-85-61, Sept. 18, 1985)

The Department of Transportation has spent over \$30 billion to help improve mass transit. This report examined changes in transit service and ridership since federal assistance began and the extent to which they have resulted in the social, economic, and environmental benefits generally associated with mass transit improvements.

Federal funds have helped reverse the service and ridership declines that prompted federal mass transit funding. However, service costs have grown rapidly, and ridership gains nationwide have not increased transit's share of the commuting market.

Mass transit has helped address a number of urban problems of congressional concern, such as traffic congestion, air pollution, energy consumption, and transportation for low-income, elderly, and handicapped persons. However, the general expansion of transit service may not be the most effective or efficient means of addressing these problems.

Summary of 1983 Federal Pension Plan Information
(GAO/AFMD-85-69,
Sept. 26, 1985)

Federal pension plan administrators are required by Public Law 95-595 to file annual reports with the Congress and the Comptroller General. This report summarized the principal financial, actuarial, and general information reported on federal pension plans for 1983, the most recent information available, and included selected comparative data for 1979 through 1983.

**Social Security
Administration's
Computer Systems
Modernization Effort
May Not Achieve
Planned Objectives
(GAO/IMTEC-85-16,
Sept. 30, 1985)**

SSA relies heavily on computers to disburse billions of dollars to beneficiaries each year. By the late 1970's the agency's automated system had degenerated to a point that its ability to perform its mission was affected. In 1982, SSA initiated a \$500 million plan to modernize its computer systems. SSA now estimates the program will cost \$863 million through fiscal year 1989.

SSA has made some progress in modernizing these systems; however, a critical part of the plan—software—is behind schedule. Further, SSA has not followed the original plan's approaches. Although SSA has taken some actions to improve its management and control over the plan, recurring problems still impede progress. GAO was concerned that SSA's approach to implementing the modernization plan may not achieve stated objectives.

**Current Status of the
Federal/State
Arrangement for
Administering the
Social Security
Disability Programs
(GAO/HRD-85-71,
Sept. 30, 1985)**

How effective is the joint federal/state administration of the Social Security Disability Insurance and Supplemental Security Income programs, and should the federal government take over the entire administration (federalization) of these programs? To answer these questions, GAO reviewed the operations of four state disability determination services and the oversight responsibility of SSA.

GAO examined two alternative approaches for administering the programs—total federalization and contracting out. GAO concluded that, while neither appeared to produce better disability decisions than the current arrangement nor to save program dollars, improvements can be made in the current administration of the programs. Administrative variations among states that were previously identified still existed, GAO found, but better SSA directives and guidelines would help the states improve program management.

The Congress Should Consider Amending the Medicare Secondary Payer Provisions to Include Disability Beneficiaries
(GAO/HRD-85-102, Sept. 30, 1985)

The Congress has amended the Social Security Act three times to make Medicare the secondary payer to employer-sponsored group health insurance. As a result, when Medicare beneficiaries between the ages of 65 and 70 and those with end stage renal disease are covered by group health insurance, this insurance pays for medical services to the extent of its benefits and Medicare pays the remainder. In addition, the Congress is considering extending the working aged provision to beneficiaries 70 and older. Disabled Medicare beneficiaries represent the last major group for whom Medicare is the primary payer when they are also covered by employer-sponsored group health insurance.

GAO estimated that 9 percent of disabled Medicare beneficiaries under age 65 were covered by their spouses' employer-sponsored group health insurance. GAO believed that the Congress should consider extending Medicare's secondary payer status to disabled beneficiaries. Doing so could reduce Medicare payments by up to \$491 million in fiscal year 1986 and by up to \$2.9 billion during fiscal years 1986-90.

Constraining National Health Care Expenditures: Achieving Quality Care at an Affordable Cost
(GAO/HRD-85-105, Sept. 30, 1985)

In 1984, the nation spent over \$387 billion for health care, more than 10 percent of its gross national product, or \$1,580 for each person in the United States. In spite of these expenditures and commitment, millions of Americans do not have access to care because they lack adequate health insurance.

Many are questioning traditional medical practices, payment policies, and health care delivery settings, as well as how to use costly new technologies and innovations. Much action has been taken to constrain national health expenditures, but more will have to be done by all sectors of our society.

GAO's goal was to identify those issues that, by general agreement, need to be addressed to preserve the nation's health care system at an affordable amount. This report should help policymakers deal with health care cost containment issues by encouraging productive debate on the alternatives available and areas that need further exploration.

Simulations of a Medicare Prospective Payment System for Home Health Care (GAO/HRD-85-110, Sept. 30, 1985)

Representative Claude Pepper asked GAO to simulate the payment rates that would result from adopting a potential prospective payment methodology for home health care services provided under Medicare. He wanted to know what rates would look like before formally proposing the methodology in a legislative bill. Essentially, the methodology simulated would set rates for the various types of home health visits at the 75th percentile of the cost per visit for each type and would have separate rates for urban and rural home health agencies. The simulation results indicated that rates under such a payment-setting method would be 15 percent higher than the average costs incurred by Medicare under its current retrospective cost-based payment system.

Initial Results of a Survey on Employee Stock Ownership Plans and Information on Related Economic Trends (GAO/PEMD-85-11, Sept. 30, 1985)

GAO is conducting a major study of the extent to which Employee Stock Ownership Plans (ESOPs) are achieving the goals of broadening the ownership of corporate stock, providing a mechanism for financing corporate growth, and improving the productivity of corporations. Tax legislation provides certain incentives to firms to create ESOPs and other employee benefit plans. In this report, GAO presented the initial results of a census of ESOPs as well as background information on the (1) distribution of stock ownership, (2) sources and uses of corporate funds, and (3) productivity trends in the United States and selected industrial countries.

Letter Reports

No Need for the Congress to Reverse 1981 Decision to Deny U.S. Merchant Seamen a Government-Financed Health Care Program (GAO/HRD-85-2, Oct. 23, 1984)

Need for Legislative Change Affecting the Medicaid Program (GAO/HRD-85-9, Nov. 30, 1984)

VA Needs a Systematic Approach to Assess the Management of Its Out-patient Clinics (GAO/HRD-85-15, Dec. 7, 1984)

Improved Guidance Could Result in More Cost-Effective Sizing of Military Medical Facilities (GAO/HRD-85-32, Dec. 31, 1984)

Options to Consider for Certain Employee Groups in Designing the New Civil Service Retirement Program (GAO/GGD-85-22, Jan. 7, 1985)

Information Requirements for Evaluating the Impacts of Medicare Prospective Payment on Post-Hospital Long-Term-Care Services: Preliminary Report (GAO/PEMD-85-8, Feb. 21, 1985)

Need to Improve Internal Controls to Curtail Possible Fraud and Abuse in the Railroad Retirement Board's Unemployment and Sickness Insurance Program (GAO/HRD-85-37, Feb. 27, 1985)

Medicaid Overpayments Made to Hawaii Should Be Disallowed (GAO/HRD-85-47, Mar. 20, 1985)

The Veterans Administration's Organizational Structure for Managing Computer Resources Complies With the Paperwork Reduction Act (GAO/IMTEC-85-6, Mar. 21, 1985)

Annual Report Required by District of Columbia Retirement Reform Act, as Amended (GAO/GGD-85-41, Mar. 22, 1985)

Payment for Inpatient Alcoholism Detoxification and Rehabilitation Services Under Medicare Needs Attention (GAO/HRD-85-60, Apr. 29, 1985)

Information on Veterans' Ability to Defray the Cost of Their Inpatient Care (GAO/HRD-85-63, May 3, 1985)

VA's Methodology for Setting Priorities for Nursing Home Care Construction Projects for Fiscal Year 1986 (GAO/HRD-85-70, May 17, 1985)

VA's Justification for the Number of Beds Planned for the Philadelphia Hospital and Nursing Home (GAO/HRD-85-69, June 13, 1985)

GAO's Assessment of Affidavits Concerning HHS' Proposed Debarment of the Paradyne Corporation (GAO/IMTEC-85-12, June 17, 1985)

Interim Report on the Department of Labor's Management of the ERISA Enforcement Program (GAO/HRD-85-82, June 24, 1985)

Medicare Part B Beneficiary Appeals Process (GAO/HRD-85-79, June 28, 1985)

VA Justification for Construction of Nursing Home Care Units at Amarillo, Texas, and Tucson, Arizona (GAO/HRD-85-80, Aug. 12, 1985)

Future Usefulness of Admission Pattern Monitoring System is Questionable (GAO/HRD-85-94, Aug. 20, 1985)

Impact of Offsetting Earnings From VA's Work Therapy Programs From Veterans' Pensions (GAO/HRD-85-97, Aug. 27, 1985)

Social Security Administration's Progress in Modernizing Its Computer Operations (GAO/IMTEC-85-15, Aug. 30, 1985)

Additional Changes to the Medicare Reimbursement Rates for Major Joint Procedures Are Needed (GAO/HRD-85-109, Sept. 12, 1985)

GAO Audits in Process Concerning the Elderly

Survey of Utilization Review for Use of Intensive Care Units Under Medicare and Medicaid

Review of Effect on Medicare/Medicaid Costs of Hospital Conversions From Not-For-Profit to Proprietary Status*

Review of HCFA's Health Maintenance Organization Demonstration Projects in South Florida*

Data on Relationships of Physicians' Gross and Net Income by Specialty, Place of Service, and Source*

Study of HHS' Contracting for Medicare Claims Processing*

Survey of Medicare Payments for the Services of Teaching Physicians*

Evaluation of Medicare's Comprehensive Outpatient Rehabilitation Facility Reimbursement

Evaluation of Medicare's Third Party Liability Program

Evaluation of HCFA's Control Over Unnecessary Medicare Admissions and Premature Discharges

Survey of the Appropriateness and Impact of Medicare's Fee Schedule for Laboratory Services*

Survey of HCFA's Ongoing Efforts to Assure the Appropriateness of Medicare DRG Payment Rates

Review of New York State Survey and Certification Activities for Medicare and Medicaid Providers*

Survey of U.S. Soldiers and Airmen Homes*

Retirement Claims Processing Management*

Review of the Social Security Administration Staff Cuts*

Review of the Social Security Administration Field Offices*

Capping Report on Multiemployer Pension Plan Amendments Act's Effects*

Reversion of Excess Pension Assets to Employers*

Effects of Pension Plans' Underfunding on the Government Insurance Program*

Management Review of the Social Security Administration

Survey of Veterans Administration Directly Operated and Contract Nursing Home Care Programs

Survey of Veterans Administration Domiciliary Program

Review of the Social Security Administration Claims Modernization Project*

The Social Security Administration System Engineering and Integration Contract*

Veterans Administration Compensation and Pension System*

Veterans Administration Decentralized Hospital Computer Program*

Review of Section 202 Elderly Housing Program*

An Inventory and Analysis of Retirement-Related Forecasting Models

Cost Analysis of Changes to the Civil Service Retirement System Benefit Structure Pertaining to Part-Time Employment

Effectiveness of Intermediary Audits in Controlling the Use of Medicare Home Health Services*

Review of Current State Enforcement Efforts for Medicaid Nursing Home Standards

Review of Medicaid Nursing Home Reimbursements

Survey of Medicaid Nursing Utilization Review

Review of State Cost Reporting of Medicaid Home and Community-Based Services

Survey of Arizona's Health Care Cost Containment System*

Review of Medicaid Lock-In Programs

Review of Medicaid Lock-Out Programs

Survey of the Mentally Retarded in Skilled and Intermediate Care Nursing Homes

Survey of Federal Employees Health Benefits Program Reserves*

Impacts of Aging on Federal Programs and Expenditures

Study of Volume Providers of Medical Exams for the Social Security Disability Insurance Program*

Study of VA Unemployability Benefit Awards*

Review of Results of Match of VA and IRS Records

Survey of SSA's Face-to-Face Hearings Demonstration Projects, Vocational Rehabilitation Program, and Implementation of the Medical Improvement Standard*

Evaluation of SSA's Implementation of the 1984 Legislative Changes in Adjudicating Mental Improvements*

Review of VA's Timeliness in Obtaining Military Medical Records From DOD and GSA Facilities*

Managing VA: Increasing Program Efficiency and Effectiveness Through Financial Management Improvements*

The Financial Position of the Pension Benefit Guaranty Corporation is Unauditable Because of Continuing Auditing and Internal Control Problems

Financial Audit of the Civil Service Retirement System Statements for Fiscal Year 1984

*Being performed at the request of Committees or Members of Congress.

GAO Activities Affecting the Elderly

GAO appointed 885 persons to permanent and temporary positions during fiscal year 1985. Of that number, 142 were age 40 and older. As of September 30, 1985, GAO had 2,429 persons 40 and older (42.5 percent of our work force) on the rolls.

GAO employment policies prohibit discrimination based on age. Our Civil Rights Office continues to provide information and advice to persons regarding allegations of age discrimination.

For employees nearing retirement age, GAO continues to provide individual retirement counseling and preretirement seminars. The seminars and counseling are intended to assist employees in:

- calculating retirement income available through the Civil Service and Social Security systems and in understanding options involving age, grade, and years of service;
- understanding health insurance and survivor benefit plans;
- acquiring information helpful in planning a realistic budget based on income, tax obligations, and benefits and in making decisions concerning legal matters;
- gaining insights and perspectives on adjustments to retirement;
- increasing awareness of those community resources that might support preretirement planning, second careers, and financial planning; and
- increasing awareness of lifestyle options during the transition from work to retirement.



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