

WR -
work bonus

Andrea Kane 06/28/2000 02:58 PM

Record Type: Record

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cc: Margy Waller/OPD/EOP@EOP
Subject: High Performance Bonus Measure - Final Rule

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----- Forwarded by Andrea Kane/OPD/EOP on 06/27/2000 08:37 PM -----

▶ Margy Waller
06/27/2000 07:03:30 PM
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To: Andrea Kane/OPD/EOP
cc:
Subject: High Performance Bonus Measure - Final Rule

We are still hoping to be able to publish this rule in time to announce it at the July 12 event. So far, despite what appears to be a very tight time table, no one has said that would be impossible. Of course, this means we need your quick reactions to major changes and issues in the final rule. Based on conversations with OMB staff this morning, here is DPC staff's assessment of where things stand.

Major change, about which there seems to be agreement:

- 1) Eliminates the qualifying conditions proposed in the NPRM for the FS and Medicaid/SCHIP measures.

On FS, the qualifying conditions were dropped because FNS compliance activities are not compatible with the necessary timing for bonus awards, FNS already monitors these conditions, failure to comply would meant that states do not perform well in the competition. On Medicaid, the qualifying conditions and options were dropped because states that don't comply will not perform well, conflicts with outcomes over process principle, and is not the appropriate vehicle to evaluate or certify compliance with Federal requirements. Both FNS and HCFA concur w/ dropping these measures. The states will be pleased, and major advocate groups will be OK. We just need to double check that our Health Team is OK.

- 2) Three state/seven state split on work supports measures.

This will divide the existing award for FS and Medicaid/SCHIP differently by rewarding a few states for absolute performance, not just improvement. Instead of rewarding only the top 10 improvers, HHS will award three states for having the highest percentage of participation in Medicaid/SCHIP (leavers) and Food Stamps (all eligibles). The other seven awards will be for improvement. This provides a way to recognize early improvers - and encourages them to continue to compete.

Changes, about which there appears to be some possibility for disagreement:

3) Drops the family formation measure.

Comments were uniformly negative - for both substantive and methodological reasons. There were no favorable comments from anyone, including members of Congress and other advocates you'd expect to hear from on this issue. HHS staff report that they do not anticipate negative reaction from key House staff if it gets dropped - but we're trying to confirm. When we quizzed them about the methodological concerns - they were emphatic about the problems of rewarding states that had not improved family formation - but just increased the number of poor families who are married as families fall into the category below 200% of poverty. The alternative - to look at increased percent of children living with married parents regardless of income - will be criticized because states can't reasonably expect to affect these numbers. HHS is very concerned about eroding the overall credibility of the bonus by sticking with a measure that got such widespread criticism. We're checking around with a few other 'experts' on this topic to see if there are any other feasible proposals but we're not hopeful.

Legislative note: Bayh's bill amends the HPB in TANF to add a bonus for a "State's effort to encourage the formation and maintenance of two-parent families". Of course, there is no data source for two-parent families.

We need direction on whether you are comfortable with letting it drop, with appropriate language in preamble about its importance and how we will continue to explore measures for the future.

3) Assigns the \$20 million that had been reserved for the family formation bonus to the work measures.

HHS justifies this move by preserving the primary focus on work. States argued for putting the entire bonus on work; others advocated for shifting more funds to work supports. In fact, if we have one less non-work measure, this would actually result in an increased % of overall funds for work although the % for FS and Medicaid would remain same as in the NPRM.

See attached chart for options



hpbmeasures.do

4) Bases the improvement measures on percentage point change rather than percentage change.

HHS made this change based on their own review and in response to comments about recognizing states that made early improvements. OMB has questioned this move noting that the absolute measures will recognize the early performers, and therefore maybe the improvement measures should be targeted to states that still need significant progress. HHS notes that they tried running the numbers both ways on the 99 bonuses, and found that basing improvement on percentage point change had only minimal impact on the winners. They also argue that this change doesn't take away incentive for low performers to compete since it's still easier to make progress -- even percentage point progress - when you're starting out low. State commenters will be particularly pleased with this change. OMB staff is reviewing data from HHS and this will probably get resolved.

Suggested changes, which we think need to be considered.

5) Child care: A number of commenters suggested adding child care as a work support measure. The final rule does not add it. While the preamble provides some explanation related to problems developing a measure - it also attempts to distinguish between child care as a work support and food stamps and Medicaid/SCHIP. We believe strongly that this could send the wrong signal. This administration has put

too much emphasis on recognizing the need for child care - especially for low-income workers to be undercut by a weak argument in a final rule's preamble.

Ann O'Leary has expressed serious concern about the reaction to a final rule that includes bonuses only for FS and Medicaid/SCHIP. We plan to have a further conversation with HHS staff about the feasibility of developing a measure. For example, HHS has already developed a data source for the percentage of eligible children who are served in CCDF - and released it in a report last October. There are some tricky issues:

- * It only counts money in the CCDF, and would not count direct TANF spending - or other state spending on preschool, Head Start, after school etc. [We could permit states to supplement the existing measure with other state spending - but then we would be counting coverage that does not have the same standards as CCDF.]

- * It could encourage states to increase co-pays in order to spread the coverage across more children. [This seems like a stretch - and if they make co-pays too high, families won't be able to use the subsidy, thus reducing the percentage of eligible children covered.]

One other way to deal with 'quality' issues would be to create a process measure that would require a co-pay of no more than 10% of household income, and a 75th percentile payment rate. However, since the process measures have been dropped for the other work support bonuses, it doesn't make sense to add one here. Alternatively, HHS could indicate (as it does regarding the possible impact of separate state programs on work measures) that the Department reserves the right to review the 'equal access to comparable care' standards (co-pays at 10% and the 75th percentile payment rate) and to change bonuses if the failure to meet these standards seems to be impacting the percentage of children covered.

Bottom line: There is a lot of support for adding child care to the bonus. The question is whether there is a measure that will work. We were not entirely satisfied with our brief conversation with HHS on the problems they identified and plan to schedule a conference call on Thursday for a longer discussion just on this issue. Ann suggested such a conversation and would like to participate - otherwise we might be able to do it sooner.

7) Job retention/earnings gain: relative weight. HHS proposes to retain the current linked measure with doubled weight for the job retention measure. Some commenters have questioned this approach urging a separate measure for earnings gain or more equal weighting. There seems to be some disagreement about whether job retention is really related to earnings gain. Commenters cite research and ambiguous results of the performance bonus rankings last year.

ALLOCATION OF BONUS AWARD FUNDS

Prior to FY 2002, the bonuses would be awarded on the basis of the four work measures only.

For FY 2002 and beyond, the NPRM and Final Rule would allocate the \$200 million available under the High Performance Bonus among a broader range of measures as follows:

NPRM

- \$140 million, or 70 percent of total funds, would be allocated for the four work measures – see table below.
- \$60 million, or 30 percent of total funds, would be allocated for the non-work measures (\$20 million for each): (1) Medicaid enrollment, (2) Food Stamps enrollment, (3) family formation and family stability – defined as year-to-year increase in percent of children below 200% of poverty living in married couple families

FINAL RULE

- HHS has proposed dropping Family Formation and redistributing this \$20 M proportionately among the 4 work measures.
- If drop Family Formation and add Child Care, could shift \$20 M from Family Formation to Child Care.
- If don't add Child Care, alternatives to HHS proposal are to (A) put all \$20 M into work supports (\$10 M each for Food Stamps and Medicaid/SCHIP) or to (B) put \$10 M into work (spread evenly across four measures) and \$10 M into work supports (\$5 M each to FS and Medicaid/SCHIP)

Measure	NPRM		FINAL—HHS		OPTION A		OPTION B	
	Amount	% of total						
Job Entry	\$56 M	28%	\$64	32%	\$56 M	28%	\$60M	30%
Success in Workforce	\$35M	18%	\$40	20%	\$35M	18%	\$38M	19%
Improvement in Job Entry	\$28M	14%	\$32	16%	\$28M	14%	\$30M	15%
Improvement in Success in Workforce	\$21M	11%	\$24	12%	\$21M	11%	\$22M	11%
TOTAL WORK	\$140M	70%	\$160M	80%	\$140 M	70%	\$150M	75%
Medicaid	\$20M	10%	\$20M	10%	\$30 M	15%	\$25M	12.5%
Food Stamps	\$20M	10%	\$20M	10%	\$30 M	15%	\$25M	12.5%
Family Formation	\$20M	10%	0	0				
TOTAL WORK SUPPORT	\$60 M	30%	\$40 M	20%	\$60M	30%	\$50 M	\$25%
TOTAL	\$200 M	100%						

WR -
Work
Bonuses

27 States Get Welfare Reform Bonuses

Associated Press

President Clinton spread \$200 million in bonus money yesterday to 27 states where welfare recipients found and kept jobs.

The president further refined what it means to succeed in welfare reform, saying next year's contest also will reward states that get medical benefits and food stamps to low-income families. He said states will be rewarded, too, when more children live in two-parent families.

In his weekly radio address, Clinton again trumpeted tumbling welfare rolls, announcing that the number of people collecting month-

ly checks is less than half that of 1994. Fewer than 6.9 million people—about 2.5 million families—collected aid in June.

The welfare bonus contest, created by the 1996 welfare overhaul, rewards states that move the most welfare recipients into jobs, whether or not they leave the system's rolls. States also are rewarded when clients keep jobs for at least three months and receive higher wages.

Neither the District nor Maryland was awarded any funds. Virginia was one of four states that did not apply for an award.

Each winner's share of the \$200 million this year is determined by

the size of the state's annual welfare appropriation. The money is added to other welfare funds and is subject to the same restrictions.

The amount given to each state was not immediately available. But with 27 winners, the average bonus will be about \$7.4 million. The awards range from \$500,000 for South Dakota to \$45 million for California.

The money goes to the top 10 states in four categories, based on data from 1998.

Indiana was No. 1 in placing the most people into jobs. Minnesota had the most people keep jobs and increase earnings, called "job success." Washington state had the most improvement in job placement from 1997 to 1998. Florida showed the most improvement in job success.

State reports show that nationally, 1.3 million people on welfare went to work in 1998, with 80 percent still working three months later.

On average, quarterly wages increased from \$2,088 to \$2,571, still short of the poverty line but more than recipients were getting from welfare. These families also are eligible for the earned income tax credit that helps millions of working families move out of poverty.

Backers of the new welfare rules, which require recipients to work and limit the time people can collect assistance, have pointed to falling welfare rolls as proof of the new law's success. Opponents fear that many of the people leaving welfare may be slipping through the cracks and getting nothing.

The Washington Post

SUNDAY, DECEMBER 5, 1999

Attacking School Vouchers

Another in a series evaluating the accuracy of political advertising.



Candidate: Vice President Gore

Market: New Hampshire

Publisher: Century Group

Time: 30 seconds

Audience: I think it would be a big mistake to draw money away from our public schools with vouchers that give public money to private schools. Private schools are fine. But not with money that's already designed for the 90 percent of the American children who go to public schools. Now is a time when we ought to be really beefing up our public schools, making a very deep and firm commitment by the American people to really bring revolutionary progress to our schools.

Analysis: In an open-necked shirt, Gore is trying to appeal to the Democratic base—lower-income and minority parents worried about crumbling public schools—with a hard-line stance backed by the teachers unions that support him. The ad offers no details, however, on the "revolutionary progress" the vice president envisions and how much it would cost, not to mention why the Clinton-Gore administration has failed to achieve it. Gore is attempting to draw an implied contrast with former senator Bill Bradley, who once voted to allow a limited voucher experiment but now says he opposes such programs.

In a second ad, Gore again stresses his not-born-in-a-blue-suit roots as a Vietnam veteran and journalist, saying he "worked as a reporter exposing corruption"—Gore uncovered a Nashville scandal—and "decided to fight back" against chaos in America. Gore's fight: winning his father's old House seat.

—Howard Kurtz

The Washington Post
SUNDAY, DECEMBER 5, 1999