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1/3/77

THE WHITE HOUSE

WASHINGTON

January 3, 1976

MEMORANDUM FOR:

JIM CAVANAUGH

FROM:

JIM CONNOR *JEC*

SUBJECT:

HEW Public Assistance Claims

The President reviewed the attached memorandum from Paul O'Neill dated December 28 on the above subject and directed the following notation to you:

"Keep me posted along with Paul O'Neill."

Please follow up with appropriate action.

cc: Dick Cheney  
Paul O'Neill

THE WHITE HOUSE  
WASHINGTON

TO: BOB LINDER

FROM: TRUDY FRY

The attached is sent to you for  
review before it is forwarded to the  
President.

*RDL*



THE PRESIDENT HAS SEEN...  
EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

DEC 28 1976

FROM: PAUL H. O'NEILL *Ohim*  
SUBJECT: HEW Public Assistance Claims

*RR 7/4 for leverage  
keep me posted along  
with Paul O'Neill*

Background

Under several programs (mainly Medicaid, Title XX Social Services and AFDC) there is a considerable amount of outstanding money which the States claim is owed to them by the Federal Government or HEW is claiming is owed to the Federal Government by the States. Some of these claims and counterclaims date back as long as eight years.

Claims by States As Yet Unpaid (recent origin)

There are \$102 million claimed by States which, based on initial submissions, HEW is questioning as to legality and/or applicability. Most of these claims are of relatively recent origin and will be disposed of without major conflict.

Claims Already Paid -- Under Review (recent origin)

The second category includes claims that have been paid by HEW but which have later been determined to be invalid; the amount of these total \$185 million. This later disallowance arises either through the internal HEW review process at the regional or national level, or as a result of a normal periodic audit.

Retroactive Claims (old business)

The largest dollar value of claims on HEW by the States arises out of the old Title IV-A (Social Services) program. Under that program (before 1972), a large group of State social services were eligible for unlimited Federal matching grants (75 percent Federal-25 percent State). At the time the social services were being carried out, many States did not realize that the Federal Government would match a broad array of activities. When alert States realized this, claims were entered for past periods and many of these claims are still outstanding. In fact, the States can still claim reimbursement for services between 1967 and 1972. (In 1972 an annual limit was placed on the total amount of Federal

matching grants for social services). Of all the retroactive claims made by the States, \$2.8 billion is in dispute. \$800 million of the disputed claims has been paid to the States but is being claimed back by HEW.

Almost half of the \$2.8 billion relates to New York State. The remainder of the paid and unpaid retroactive claims (\$1.5 billion) are in various stages of processing -- having been disallowed (whether paid or unpaid) for a number of different reasons. Following disallowance, States can appeal and a further review is carried out by HEW. The Department will request appropriation language in the 1978 budget to prevent financing of additional retroactive claims after September 1977.

### Legal Aspects

There are a number of suits by States pending over the retroactive claims; as the claims are analyzed, concrete grounds for disallowance established, and appeals rejected, additional suits can be expected. HEW lost a decision in U.S. District Court last summer (Florida et al, v. Mathews, which is currently being appealed) in which certain criteria used to disallow some claims were ruled invalid. A settlement with any State (with the possible exception of New York) could jeopardize the outcome of both pending and future cases.

### Illinois

Illinois has the second largest dollar value of claims in dispute of which 70 percent has already been paid. Since the date of the attached table, \$11 million has been authorized for payment to Illinois, leaving \$66 million of retroactive unpaid claims still in dispute, as well as the previously paid claims. HEW believes it has a strong case on both the paid and unpaid claims; they also think Illinois would happily settle the unpaid claims for around \$20 million.

The attached table summarizes, as of November 1, the status of all the claims, retroactive and recent origin, already paid and not yet paid, by State.

Attachment

HEW PUBLIC ASSISTANCE CLAIMS IN DISPUTE  
(\$ In Millions)

	PAID RETROACTIVE	UNPAID RETROACTIVE	PAID (Recent Origin)	UNPAID (Recent Origin)	TOTAL
Alabama	1		--	--	1
Alaska	1		--	--	1
Arizona	5		4	*	10
Arkansas		4	--	--	4
California	1		54	2	57
Colorado			1	--	1
Connecticut	9	41	*	2	52
Delaware			1	--	1
Dist. of Col.			--	--	
Florida	29	29	*	--	58
Georgia	6	1	*	1	8
Hawaii			--	--	
Idaho		1	1	--	2
Illinois	188	77	10	10	285
Indiana			4	*	4
Iowa			--	--	
Kansas			--	--	
Kentucky	2		2	--	4
Louisiana	17		--	--	17
Maine		2	1	*	3
Maryland		25	1	4	30
Massachusetts	4	138	1	1	144
Michigan	6	65	--	13	84
Minnesota		90	*	--	90
Mississippi			--	--	
Missouri	*		*	--	1
Montana			1	*	1
Nebraska			--	*	*
Nevada				--	--
New Hampshire			*	--	*
New Jersey		1	--	18	19
New Mexico			1	*	1
New York	491	1,246	69	28	1,834
North Carolina			--	--	
North Dakota			*	--	*
Ohio	5	15	2	*	22
Oklahoma	4	47	--	--	51
Oregon			--	--	
Pennsylvania	3	4	10	21	38
Puerto Rico			--	--	
Rhode Island		1	1	*	2
South Carolina		*	--	--	*
South Dakota			3	--	3
Tennessee	*		--	*	1
Texas	35	94	9	--	138
Utah				1	1
Vermont			--	--	
Virgin Islands			--	--	
Virginia			*	--	*
Washington	6	33	*	--	39
West Virginia			--	*	*
Wisconsin		65	5	1	71
Wyoming			--	--	
<b>TOTAL</b>	<b>813</b>	<b>1,979</b>	<b>185</b>	<b>102</b>	<b>3,079</b>

\* Less than \$.5 million. Totals may not add due to rounding.