United States Government Accountability Office

GAO

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

November 2012

OLDER AMERICANS ACT

Options to Better Target Need and Improve Equity

Accountability * Integrity * Reliability

GAO-13-74

Contents

Abbreviations

AAA	Area Agency on Aging
ADL	activities of daily living
ACS	American Community Survey
AOA	Administration on Aging
BLS	Bureau of Labor Statistics
FMR	Fair Market Rents
HHS	Department of Health and Human Services
OAA	Older Americans Act of 1965
Treasury	Department of the Treasury
TTR	Total Taxable Resources

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United States Government Accountability Office
Washington, DC 20548

November 30, 2012

The Honorable Bob Corker
Ranking Member
Special Committee on Aging
United States Senate

The Older Americans Act of 1965 (OAA)[1] was enacted to help older individuals remain in their homes and communities as long as possible. Based on formulas specified in law,[2] the Department of Health and Human Services' (HHS) Administration on Aging (AOA) awards grants to fund services for older individuals. State and local agencies are responsible for planning, developing, and coordinating services within each state, as well as distributing OAA grant funds to local Area Agencies on Aging (AAA) through intrastate funding formulas developed by each state in accordance with OAA requirements. Services funded by titles III and VII OAA grants, as well as by other sources, provide a broad range of vital assistance to older adults and include congregate and home-delivered meals, home-based care, transportation services, and elder abuse, neglect, and exploitation prevention programs. In fiscal year 2012 approximately $1.4 billion and $22 million, respectively, was provided for services and programs under title III and title VII of the OAA. In fiscal year 2010—the most recent year for which data are available—these funds were used to serve nearly 11 million older Americans and their caregivers. While all adults age 60 and over are eligible for services, the OAA title III requires programs to target or prioritize service to older individuals with the greatest economic and social need.[3] The OAA defines such need as (1) living below the poverty threshold; (2) having physical or mental disabilities that pose risk for institutional placement; or (3) cultural,

[1] Pub. L. No. 89-73, 79 Stat. 218 (codified as amended at 42 U.S.C. §§ 3001 and 3058ff).

[2] 42 U.S.C. §§ 3024, 3030s-1(f), and 3058b. Under the current OAA authorization, for titles III and VII, the formula considers each state's proportion of elderly U.S. residents—60 years of age and over or 70 years of age and over depending on the program—but the statute also provides that each state will receive at least as much funding as it received in a specified prior fiscal year and that no state receive less than one-half percent of the funds appropriated.

[3] 42 U.S.C. § 3025(a)(2)(E).

social, or geographic isolation, including isolation caused by language, race, or ethnic status.[4]

Given current fiscal pressures, it is increasingly important to ensure that program funds align with greatest economic and social need, especially considering that demographic studies show that older Americans will make up an increasing proportion of the country's population in the next few decades. Specifically, U.S. census projections estimate the number of Americans age 65 and over will increase from 40 million in 2010 to 72 million in 2030.[5] Accordingly, the number of those eligible and in need of services like those provided under OAA title III and VII programs will increase as well. In 2011, we issued a report examining unmet need for OAA title III services showing that many older adults who may be in need of meals or home-based care may not receive assistance from title III programs or from other sources.[6] Despite the growing need for these services as the population ages, it is anticipated that the funding level for these programs at the federal level will remain relatively flat in fiscal year 2013—as it has for at least the last 9 years.[7]

In light of concerns about the growing demand for these vital OAA services combined with current federal fiscal constraints, you asked us to assess the current formula used to allot OAA funds to the states and explore options to better ensure that the needs of the growing older adult population are met. Specifically, our study examined (1) how intrastate funding formulas take into account older adults with greatest economic and social need as defined by OAA, (2) options for modifying OAA title III and VII statutory funding formulas to better target older adults with the greatest economic and social need under generally accepted equity standards, and (3) what effect, if any, might these formula modifications

[4] 42 U.S.C. § 3002(23) and (24).

[5] U.S. Census Bureau, Population Division, "Table 2. Projections of the Population by Selected Age Groups and Sex for the United States: 2010 to 2050 (NP2008-T2)," released August 14, 2008. Note our analysis is of people age 60 and over.

[6] GAO, *Older Americans Act: More Should Be Done to Measure the Extent of Unmet Need for Services*, GAO-11-237 (Washington, D.C.: February 28, 2011).

[7] Title III funding has fluctuated between a little over $1.2 billion and a little over $1.4 billion from fiscal years 2004 to 2012. For the same period, title VII funding has fluctuated between a little over $19 million and just under $22 million.

have on states' program allotments and what transition measures could be used to ease the implementation of modifications.

We used several methodologies to develop our findings. To assess how intrastate funding formulas account for older individuals in greatest economic and social need, we reviewed the state plans for all 50 states and the District of Columbia—45 of which had intrastate funding formulas.[8] To develop formula modification options and estimate the effects on states' program allotments, we analyzed data from a number of sources, including AOA's data on state OAA titles III and VII allotments, American Community Survey (ACS) data on elderly populations, Department of the Treasury's (Treasury) data on state taxable resources, Bureau of Labor Statistics (BLS) data on wages, and the Department of Housing and Urban Development data on rents. For all of the objectives, we reviewed literature on OAA services and elder abuse and we interviewed advocacy groups, state and local aging officials in Illinois and Wisconsin, experts on aging, and officials at AOA. Appendix II provides a detailed description of our methodology.

We conducted this performance audit from March 2012 through November 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

On July 23, 2012, we briefed your staff on the results of our analysis. This report formally conveys the information provided during that briefing (see app. I for the briefing slides). In summary, we found that that states used a variety of demographic factors to account for greatest economic and social need in their intrastate funding formulas. We also presented three options for revising the statutory funding formula to more equitably account for differences among states with respect to needs, cost, and capacity using generally accepted equity standards. The first option

[8] Eight states and the District of Columbia are single planning and service areas and are not required to use an intrastate funding formula to distribute title III funds; nevertheless, three of these states use an intrastate funding formula. We did not review intrastate funding formulas in the U.S. territories.

allots[9] funds based on states' elderly population with limitations in their activities of daily living (ADL); the second option adds an additional factor to account for costs of providing services, and the third option further accounts for state resource capacity.[10] Lastly, we found that such modification to the formula would redistribute funds among states, and presented a number of transition measures that could moderate such effects.

More specifically, we found that:

- States use a variety of factors to distribute OAA intrastate funding to AAAs and local service providers. All states that use intrastate funding formulas[11]—which help determine the distribution of funds within a given state—use one or more demographic measures of need to target funding for OAA titles III and VII services. Factors included age, income, rural residence, disability impairment status, and minority status to indicate need for OAA services.
- The current statutory funding formula could better meet generally accepted equity standards[12] in targeting greatest economic and social

[9] In the briefing slides, we summarized the statutory funding formula and federal and state actions in using the funds for authorized purposes, generally using the terms "allotment" and "allocation." In accordance with the statutory framework, we have now updated the terminology in this letter to use the term "allotment" when referring to the manner in which the federal agency provides funding to the states See 42 U.S.C. §§ 3024, 3030s-1(f) and 3058b. We now use the term "distribution" when referring to the states' actions in providing funds to local areas. See 42 U.S.C. § 3025(a)(2)(C). Thus, references to allotment or allocation in the briefing slides should be interpreted according to the federal action or the state actions as described here.

[10] In the briefing slides, we sometimes referred to the availability of state resources, in which case we are referring to states' fiscal capacity (see app. I).

[11] States that designated a single planning and service area covering all older individuals in the state on or before October 1, 1980, may continue to operate in that manner. 42 U.S.C. § 3025(a)(1)(E) and (b)(5).

[12] There are two standards concerning the concept of equity that have commonly been used to design and evaluate funding formulas. The first—known as beneficiary equity—stipulates that funds should be distributed to states according to the needs of their respective populations and adjusted for the cost of providing services. Partial beneficiary equity is achieved when funds are distributed based on the size of a state's population potentially needing services, without adjusting for differences across states in terms of the cost of providing services. The second standard—known as taxpayer equity—applies to programs, such as OAA title III, in which states also contribute funds. This standard, like the first, seeks to provide individuals in need with the same level of services, but it also considers a state's ability to finance a given program from its own resources.

need for services by addressing differences among states with respect to the (1) needs of the elderly population, (2) cost of services to address those needs, and (3) capacity of individual states to finance needed services. Funds are currently allotted to states according to the relative proportion of older individuals, and states with similar populations are treated the same, irrespective of need. We presented three options for revising the formula using generally accepted equity standards to illustrate a range of possibilities. The first, the partial beneficiary equity option, distributes funds based on the state's population in need of services by measuring older adults with limitations in their ability to maintain an independent lifestyle; the second, the full beneficiary equity option, accounts for differences in the costs of key inputs for providing services, such as wages, food, and office space; and the third, the taxpayer equity option, further accounts for state resource capacity.

- Modifying the formula under a partial beneficiary option using ADL limitations as a need measure could result in a number of states seeing changes in their allotments and we presented several transition measures for moderating the impact of such changes. Under the partial beneficiary equity option, states with disproportionately high elderly populations with ADL limitations—as well as low-income states—would receive larger increases in their allotments. At the same time, states currently receiving the small state minimum[13] could see larger decreases in their allotments. However, if transition measures such as a phase-in or hold harmless provision,[14] minimum allotment, or funding floors and ceilings are implemented, the effect on states can be tempered.

Agency Comments and Our Evaluation

We provided HHS with the opportunity to comment on a draft of this report (HHS' written comments appear in appendix V). In its comments, HHS generally agreed with our findings. In particular, HHS acknowledged the importance of moderating the effects of any formula changes in the current fiscal environment of relatively flat funding levels.

[13] The statute provides that no state receive less than one-half of one percent of the title III and VII funds appropriated. 42 U.S.C. §§ 3024(a)(3)(A), 3030s-1(f)(2)(B)(i)and 3058b(a)(2)(B)(i).

[14] The statute provides, for example, that notwithstanding the current formula no state is to receive less funds under title III (other than Part E) than it did in 2006. 42 U.S.C. § 3024(a)(3)(D)(i).

HHS also called attention to a few issues that reinforced our findings. While not specifically raising these issues on its own, HHS noted that questions could be raised regarding the impact of formula changes on very rural states. Such an adverse effect was a key reason why the report discusses the importance of formula changes with transitions measures, such as a minimum allotment for small states that could mitigate such effects. Further, HHS highlighted the wide variation in the frequency, collection, and weighting of cost data among states and communities, which highlights the importance of creating a cost index that relies on federal data sources that capture the geographic variation in the costs of key inputs for providing services. HHS also agreed that, should Congress implement a different funding formula under the reauthorization of the OAA, the agency would work with Congress to ensure that any such formula involved appropriate available data.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to the Secretary of Health and Human Services, relevant congressional committees, and other interested parties. In addition, this report will be available at no charge on GAO's website at www.gao.gov .

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix VI.

Sincerely yours,

Charles Jeszeck, Director
Education, Workforce, and Income Security Issues

Appendix I: Briefing Slides

Older Americans Act: Options to Better Target Need and Improve Equity

Briefing for Congressional Requesters on Preliminary Findings

July 23, 2012

Introduction

- The Older Americans Act of 1965 (OAA) was enacted to provide services to older adults and help them remain in their homes and communities. OAA funds are allocated primarily based on states' relative proportion of older adults and states develop formulas to target those funds within the state consistent with the act.
- Programs funded by Titles III and VII OAA grants provide a broad range of vital services to older adults, including:

Title and Part	Service
III B	Support services, such as transportation
III C	Congregate and home-delivered meals
III E	Caregiver support
VII	Vulnerable elder rights protection activities

- In FY 2012, approximately $1.36 billion was provided for Title III services, and $21.8 million was provided for Title VII services.

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Background

Current OAA Formula Allocates Funds Primarily Based on Age

- The OAA funding formula generally allocates federal funds to states based on the proportion of elderly residents in each state. For example:

Title and part	Formula
III B and C	Share of population age 60 and older
VII	Share of population age 60 and older
III E	Share of population age 70 and older

- The Act also provides a minimum level of funding to each state. No state receives less than one-half percent of the total appropriation. The FY 2012 minimums for Titles III and VII were about $5.9 million and $108,000, respectively.
- A “hold harmless” provision also guarantees that each state will receive at least as much funding as it received in a specified prior fiscal year.

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Background

OAA Requires States to Target Greatest Economic and Social Need

- While the federal formula is generally based on age, OAA requires state programs to target or prioritize service to older adults with the greatest economic and social need, including those
  - living at or below the poverty threshold,
  - having physical or mental disabilities that pose risks for institutional placement, or
  - impacted cultural, social, or geographic isolation, including isolation caused by language, race, or ethnic status.
- States are required to consider such factors when developing the intrastate formulas they use to allocate funds among their local agencies.*

*42 U.S.C. § 3025(a)(2)(ii)(C).

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Background

General Distribution of OAA Funds

U.S. Department of Health and Human Services, Administration on Community Living, Administration on Aging

Allocates funds to states based on proportion of elderly population, generally those over age 60 or 70.

State Units on Aging

Distribute funds using intrastate funding formulas, which must be approved by AOA*, that target elderly with greatest economic and social need using factors reflecting individual state characteristics, such as age, minority status, and income level.

Area aging agencies or local service providers

Use funds to deliver services in the community.

*42 U.S.C. § 3024(a)(2)(D).

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Background

Activities of Daily Living Capture Many Need Factors

- A 2011 GAO study* found that the very old, minorities, and poor experienced greater disabilities in terms of being able to perform activities necessary to maintain an independent lifestyle or activities of daily living (ADL). ADLs measure a person's ability to perform "basic" daily activities such as eating, bathing, dressing, and toileting.

- These are many of the same population groups that OAA identifies as having greatest social and economic need and instructs states to use similar factors in allocating federal funding among local agencies.

- The U.S. Census Bureau's American Community Survey (ACS) refined its questions related to ADLs in 2008.

* GAO, *Older Americans Act: More Should Be Done to Measure the Extent of Unmet Need for Services*, GAO-11-237 (Washington, D.C.: February 28 , 2011).

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Research Objectives

1. How do intrastate funding formulas take into account older adults with greatest economic and social need as defined by OAA?

2. What are options for modifying OAA Title III and VII statutory funding formulas to better target older adults with the greatest economic and social need under generally accepted equity standards?

3. What effect, if any, might these formula modifications have on states' program allotments and what transition measures could be used to ease the implementation of modifications?

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Methodology

- Reviewed intrastate funding formulas for all 50 states.*
- Reviewed literature on OAA services and elder abuse.
- Interviewed advocacy groups, state and local aging officials in Illinois and Wisconsin, experts on aging, and officials at the Department of Health and Human Services, Administration on Aging.
- Analyzed data from the American Community Survey (ACS), Treasury's Total Taxable Resources (TTR) databases, Bureau of Labor Statistics data from the Occupational Employment Statistics, and U.S. Department of Housing and Urban Development's Fair Market Rents (FMR) data to develop formula options.

* Some states are single service-area states and are not required to use an intrastate funding formula to distribute Title III funds. 42 U.S.C. § 3025(b)(5). We did not review intrastate funding formulas in the U.S. territories.

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Objective One

States Use a Variety of Factors to Allocate OAA Funding

- All states with intrastate funding formulas use one or more measures of need to target funding for OAA services.

- States use a variety of factors to indicate need, including
  - age,
  - income,
  - rural residence,
  - disability or impairment status, and
  - minority status.

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Objective Two

Equity Standards for Designing and Evaluating Funding Formulas*

- Improved targeting for greatest social and economic need could be accomplished by adhering to commonly used equity standards.
- **Beneficiary Equity** – federal allotments are based on need and adjusted for differences in the cost of providing services:
    - Partial Beneficiary Equity – distributes funds based on size of state's population potentially needing services, and
    - Full Beneficiary Equity – also adjusts for differences in the cost of providing services in each state.
- **Taxpayer Equity** – allotments are adjusted to account for each state's ability to finance a given program from its own resources.

* These standards are commonly used in social science research to evaluate and design funding formulas. See, for example, National Research Council, *Statistical Issues in Allocating Funds by Formula, Panel on Formula Allocations,* Committee on National Statistics (Washington, D.C.: 2003).

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Objective Two

Current Federal Formula Could Better Meet Equity Standards

- Current federal formula primarily allocates funds to states according to the relative proportion of older adults, with adjustments for minimum funding levels for each state and "hold harmless" provisions.
- The current federal formula does not address differences among states with respect to
  - needs of their elderly population,
  - cost of services to address need, and
  - capacity of states to finance services.
- Under the current federal formula states with similar populations are treated alike irrespective of need. For example:

Louisiana has approximately 83,000 more people age 60 and older with at least one ADL limitation than **Colorado**, but Louisiana receives less funding because their total population age 60 and older is less than in Colorado.

	Colorado	Louisiana
Population age 60 and older	793,144	785,877
Population 60 and older with at least one ADL limitation (share)	234,714 (30 percent)	317,913 (40 percent)

Source: GAO analysis of 2008-2010 3-year average American Community Survey data. Note: For purposes of this analysis, our measure includes people who reported at least one ADL limitation or a severe vision or hearing impairment.

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Objective Two

ADLs Better Capture Need and Achieve Partial Beneficiary Equity

- Need for OAA services can be better estimated using data on ADL limitations.
- Our analysis found the incidence of ADL limitations is higher among some of the demographic groups captured in need factors used by states.

Those age 60 and over reporting at least one ADL limitation							
	Lower income*	Higher income*	Limited English speaking	English speaking	Minority	Non-minority	Minority and low-income
Percent of population	49%	31%	42%	33%	37%	33%	51%

Source: GAO analysis of 2008-2010 3-year average American Community Survey data.

* For purposes of this table, lower income is defined as 100 percent of the federal poverty level or less and higher income is defined as more than 100 percent of the federal poverty level.

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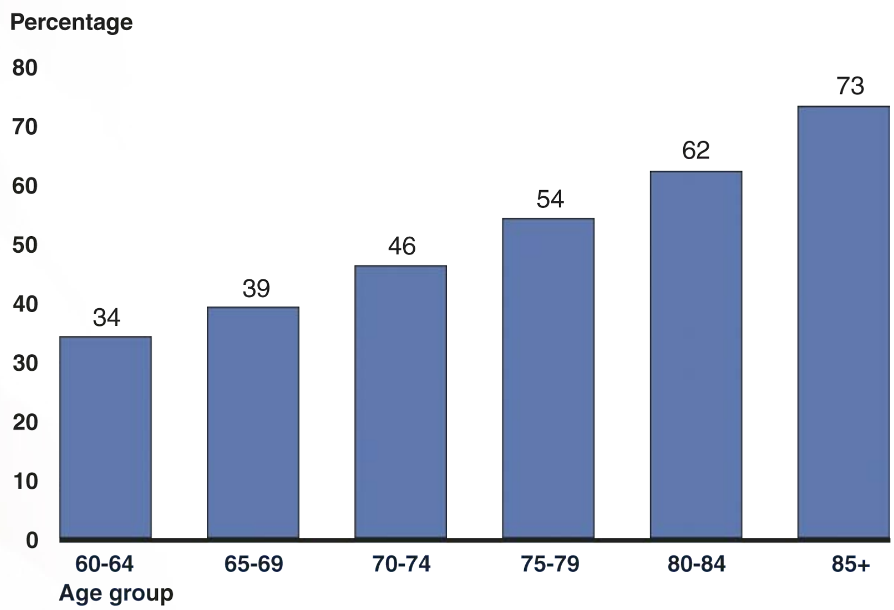
Objective Two

Prevalence of Having at Least One ADL Limitation Increases with Age



Source: GAO analysis of 2008-2010 3-year average American Community Survey data.

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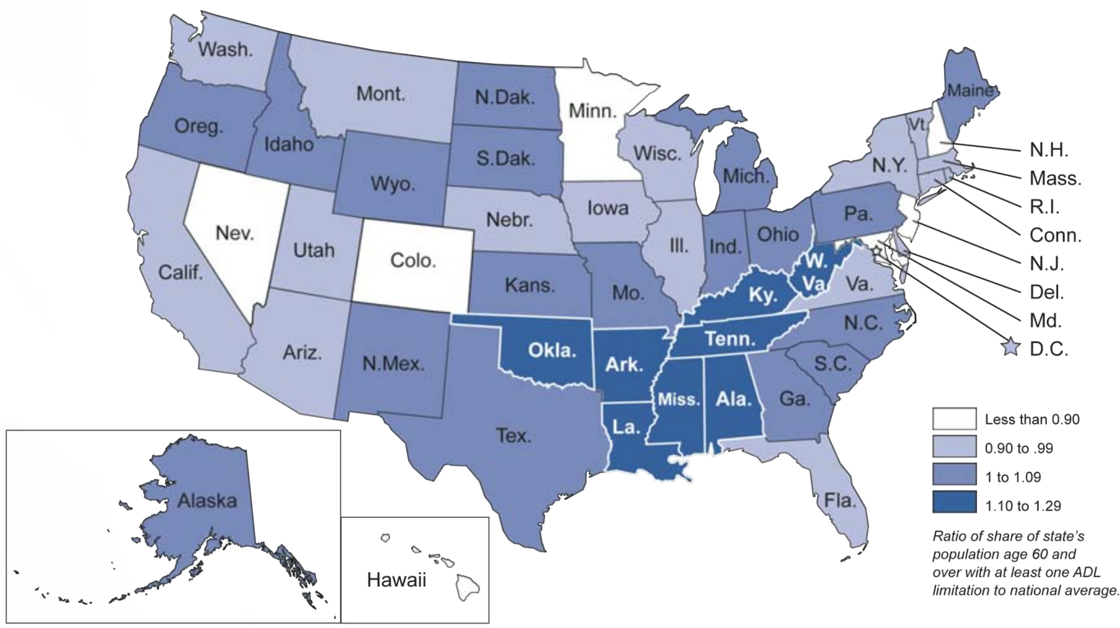
Objective Two

Concentration of Elderly with ADL Limitations Varies across States

Across all states, the share of the population age 60 and older with at least one ADL limitation is 34 percent. States with an index value greater than 1 are above the national average.



Source: GAO analysis of 2008-2010 3-year average American Community Survey data; map, Map Resources.

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Objective Two

Adjusting for Cost Differences Could Achieve Full Beneficiary Equity

- In addition to need, allotments can be adjusted for differences in the cost of key inputs for providing services, including
  - wages,
  - food, and
  - office space (rent).

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Objective Two

Adjusting for State Taxable Resources Could Achieve Taxpayer Equity

- Allotments can be adjusted to achieve taxpayer equity by basing allotments on a state's need population—adjusted for the cost of providing services—and its ability to fund program services.
- A state with fewer taxable resources compared to other states would have a larger allotment percentage and, therefore, a larger final allotment (all else being equal).
- Adjustments are based on Treasury's Total Taxable Resources data, which provide a comprehensive measure of the economic activities that underlie a state's sources of revenues—personal and corporate income.

Objective Three

Potential Effects of Partial Equity Formula Modifications on States' Allocations*

- Under a Partial Beneficiary Equity option using ADL limitations, a number of states could see changes in their allocations.

	Decrease in funding	Increase in funding	Decrease over 20 percent	Increase over 20 percent
Number of states	29	22	10	7

Note: Last two columns only capture those states with increases or decreases of 20 percent or more.

- States with disproportionately high elderly populations with ADL limitations, as well as low-income states, could see higher increases in their allocations (e.g., Alabama, Arkansas, and Kentucky).
- States currently receiving the small state minimum could see larger decreases in their allocations (e.g., Alaska, Delaware, and Wyoming).

* Analysis of allocations for the 50 states and the District of Columbia for Title III funding only. Does not include analysis of Title VII funding.

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Objective Three

Options for Moderating Impact of Formula Changes

- Phase-in provision combining the old and new formulas, with a gradual increase in the portion of funding distributed through the new formula, until the phase-in period is complete. For example:

Year	Old formula	New formula
1	50 percent	50 percent
2	40 percent	60 percent
3	30 percent	70 percent
4	20 percent	80 percent
5	10 percent	90 percent
6 (complete)	0 percent	100 percent

- Funding floors and ceilings limiting the amount of funding that a state could lose or gain under a new formula from year to year.
- Hold harmless provision limiting the increase or decrease in funding that states could receive under a new formula, until funding for the program increases.
- Maintaining a minimum allocation for small states.

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Concluding Observations

- Given the growing need for OAA services in a constrained fiscal environment, it is increasingly important to ensure that program funds are aligned with the greatest economic and social need consistent with some measure of a state's resources.
- In deciding whether to revise the current federal formula, policymakers should consider how to strike a balance among all important equity factors:
  - need,
  - cost of providing services, and
  - availability of state resources.
- While revising the formula poses challenges, there are options that could ease the transition and minimize disruption in OAA services. For example, features from different formulas could be combined.

Appendix I: OAA Funding Formula Options to Improve Allocation Equity*

Partial Beneficiary Equity	➡	Appropriations	x	State's Elderly Population in Need Index				
Beneficiary Equity	➡		x		x	Cost of Service Index		
Taxpayer Equity	➡		x		x		x	Fiscal Capacity Index

*The options presented here are simplified to focus on the various factors used in each formula and do not represent the actual equations.

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Appendix II: Objectives, Scope, and Methodology

Our objectives were to examine (1) how intrastate funding formulas take into account older adults with greatest economic and social need as defined by the Older Americans Act of 1965 (OAA), (2) options for modifying OAA title III and VII statutory funding formulas to better target older adults with the greatest economic and social need under generally accepted equity standards, and (3) what effect, if any, might these formula modifications have on states' program allotments and what transition measures might ease the implementation of modifications. To address the first objective, we reviewed the state plans for all 50 states and the District of Columbia—45 of which had intrastate funding formulas.[1] To address the second objective, we used two generally accepted formula design standards intended to achieve equity for beneficiaries and taxpayers.[2] To meet both equity standards, a formula should use reliable and appropriate measures of the need population in each state and the cost of providing services in each state. A taxpayer equity formula additionally requires a reliable measure of a state's ability to finance a program from its own resources. In the following sections, we describe how we measured the need population, cost of providing services, and financing capacity in each state, and how we developed various formula options to incorporate these equity standards. For the third objective, we analyzed the Administration on Aging's (AOA) data on state OAA titles III and VII allotments and the American Community Survey (ACS) data on elderly populations. Finally, to address all three objectives, we reviewed literature on OAA services and elder abuse; interviewed advocacy groups, state and local aging officials in Illinois and Wisconsin, experts on aging, and officials at AOA; and we reviewed relevant laws, regulations, and guidance.

We conducted this performance audit from March 2012 through November 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the

[1] Some states are single service-area states and are not required to use an intrastate funding formula to distribute title III funds. 42 U.S.C. § 3025(b)(5)(A). We did not review intrastate funding formulas in the U.S. territories.

[2] Beneficiary equity stipulates that funds should be distributed to states according to the needs of their respective populations, so that each state, with its federal allotment, can provide the same level of services to each person in need. Taxpayer equity stipulates that funds are distributed so that states can provide individuals comparable services using both state and federal funds, while each state contributes about the same proportion of its resources to a given federal program.

audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Analyzing Intrastate Funding Formulas

To assess how intrastate funding formulas take into account, as required by the OAA, older adults with greatest economic and social need as defined by the OAA, we reviewed the most recently available state plans for all 50 states. As a starting point for our analysis, we obtained an electronic listing of state agency on aging intrastate funding formulas updated by AOA staff in May 2012. This list categorized factors in each state's funding formula to target and indicate need, as well as the weights applied to each factor. To assess the reliability of the data, we also obtained electronic copies of state plans from the National Association of States United for Aging and Disabilities website or officials or an AOA official. In a few cases, we also obtained electronic copies of the state plan directly from the state unit on aging website or an agency official. For the 45 states with intrastate funding formulas, we independently reviewed the intrastate formulas detailed in the state plan noting the factors used to indicate need and the assigned weights, and revised and updated the AOA listing provided to us. To ensure the data collected were accurate and complete, two analysts independently reviewed and analyzed the formulas.

Measuring State Need Populations

Data that directly measure the number of people in a state who potentially need OAA services do not exist. Although AOA collects data on the number of clients who receive certain types of OAA services, these data are not appropriate for use in a funding formula for two reasons. First, caseloads may be influenced by state funding levels. For example, an agency's caseload may be relatively small because of limited funds, not because of limited demand for services. Second, data that can be controlled by state agency officials should not be used in a funding formula because they could introduce some undesirable incentives into the program. For instance, if a state's allotment were determined by the size of its caseload, a state agency might be rewarded for taking inappropriate actions, such as enrolling individuals into an OAA program who do not require these services.

There are, however, several national surveys that provide estimates of the number of people that may need OAA services by state using several need indicators. Measures of need for OAA services may be based on low income or minority status, impairments, limited English proficiency, race, and living in rural area. Several surveys include some of these measures and are conducted by statistical agencies such as the U.S. Census Bureau, the National Institute on Aging, and the Social Security Administration.

For this study we used the Census Bureau's ACS to use as a measure of state populations potentially in need of OAA services for several reasons. First, the ACS provides data on states' populations age 60 and over. Second, the ACS has a large sample size (with about 3 million housing units surveyed across all 50 states, the District of Columbia, and Puerto Rico), which would allow for accurate estimates of populations in each state.[3] Third, the ACS surveys people in group quarters such as those living in nursing care facilities. This is significant because the title VII Long-term Care Ombudsman program focuses on advocating on behalf of older residents of long-term care facilities, including nursing homes, assisted living, and other residential settings. Fourth, the ACS asks questions that are designed to capture a wide range of potential economic and social need for populations 60 and older who are targeted for OAA services, including a person's ability to perform basic activities of daily living (ADL), and these questions are asked consistently across all states (see table 1).

Table 1: Disability Questions from the American Community Survey, 2008-2010

Question	
1.	Is this person deaf or does he/she have serious difficulty hearing?
2.	Is this person blind or does he/she have serious difficulty seeing even when wearing glasses?
3.	Because of a physical, mental, or emotional condition, does this person have serious difficulty concentrating, remembering, or making decisions?
4.	Does this person have serious difficulty walking or climbing stairs?
5.	Does this person have difficulty dressing or bathing?
6.	Because of a physical, mental, or emotional condition, does this person have difficulty doing errands alone such as visiting a doctor's office or shopping?

Source: U.S. Census Bureau, American Community Survey (2008-2010).

[3]One limitation of the ACS for purposes of allotting OAA funds, however, is that the data are not available for the other U.S. territories.

From the ACS data averaged for 2008 to 2010, the number of elderly people age 60 and over that had at least one ADL limitation is listed in table 2. Nationwide, about 34 percent of all adults over 60 are limited by at least one of the six items indicated in table 2. The state's share of elderly population compared with the national 34 percent is used to calculate a state index. If the state's index value is greater than 1 then the percentage share of their elderly population with at least one ADL limitation is higher compared to the national average. For example, West Virginia has a higher percent of elderly with at least one ADL limitation (42 percent) compared to the national average (34 percent) and an index greater than 1. Mississippi ranks the highest in percentage of elderly with at least one ADL limitation. Mississippi's state index is 1.28. At the other end Colorado has the least percent of elderly with at least one ADL limitation. Colorado's state's index is 0.87.

Table 2: Comparison of States' Share of Population Age 60 and Over with at Least One ADL Limitation

State	Number of elderly age 60 and over	Number with at least one ADL limitation	Percentage with at least one ADL limitation	State to national average index
Totals	**55,871,230**	**18,941,108**	**33.90%**	**1.00**
Alabama	914,807	373,662	40.85%	1.20
Alaska	85,953	30,429	35.40%	1.04
Arizona	1,201,071	367,907	30.63%	0.90
Arkansas	577,965	240,338	41.58%	1.23
California	5,930,094	1,938,535	32.69%	0.96
Colorado	793,347	234,714	29.59%	0.87
Connecticut	701,564	212,704	30.32%	0.89
Delaware	178,423	57,323	32.13%	0.95
District of Columbia	96,949	31,186	32.17%	0.95
Florida	4,312,979	1,362,336	31.59%	0.93
Georgia	1,480,443	526,517	35.56%	1.05
Hawaii	273,399	81,791	29.92%	0.88
Idaho	269,969	94,680	35.07%	1.03
Illinois	2,229,960	725,069	32.51%	0.96
Indiana	1,168,207	407,755	34.90%	1.03
Iowa	613,051	200,908	32.77%	0.97
Kansas	518,052	183,550	35.43%	1.05
Kentucky	810,708	332,533	41.02%	1.21
Louisiana	785,851	317,913	40.45%	1.19

State	Number of elderly age 60 and over	Number with at least one ADL limitation	Percentage with at least one ADL limitation	State to national average index
Maine	294,439	104,568	35.51%	1.05
Maryland	999,733	301,054	30.11%	0.89
Massachusetts	1,252,829	389,813	31.11%	0.92
Michigan	1,888,120	643,100	34.06%	1.00
Minnesota	942,976	279,820	29.67%	0.88
Mississippi	532,428	231,384	43.46%	1.28
Missouri	1,153,175	424,288	36.79%	1.09
Montana	205,106	68,692	33.49%	0.99
Nebraska	337,579	113,036	33.48%	0.99
Nevada	463,287	139,035	30.01%	0.89
New Hampshire	254,488	75,798	29.78%	0.88
New Jersey	1,640,212	489,437	29.84%	0.88
New Mexico	383,604	140,072	36.51%	1.08
New York	3,627,253	1,173,610	32.36%	0.95
North Carolina	1,727,139	618,971	35.84%	1.06
North Dakota	131,650	45,966	34.92%	1.03
Ohio	2,249,710	769,349	34.20%	1.01
Oklahoma	697,580	285,232	40.89%	1.21
Oregon	751,860	254,812	33.89%	1.00
Pennsylvania	2,662,996	900,008	33.80%	1.00
Rhode Island	208,204	70,042	33.64%	0.99
South Carolina	884,234	317,300	35.88%	1.06
South Dakota	156,676	54,118	34.54%	1.02
Tennessee	1,198,644	460,380	38.41%	1.13
Texas	3,673,715	1,361,585	37.06%	1.09
Utah	345,934	109,120	31.54%	0.93
Vermont	129,647	42,075	32.45%	0.96
Virginia	1,386,861	436,196	31.45%	0.93
Washington	1,171,854	389,577	33.24%	0.98
West Virginia	415,102	174,949	42.15%	1.24
Wisconsin	1,063,026	324,361	30.51%	0.90
Wyoming	98,377	33,510	34.06%	1.00

Source: GAO analysis of U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

Activities of Daily Living and Different Need Measures

Prior GAO work has shown that indicators of the ability of a person to perform basic activities of daily living (ADL) are highly correlative with other need indicators used by states, such as age, income, and minority status. For example, in another report, we found that food insecurity among the elderly was associated with being low-income and having ADL limitations.[4]

Table 3 presents the estimated proportion of adults age 60 and over within various demographic groups reporting one or more ADL limitation. It shows that many of the demographic groups associated with greatest economic and social need for title III and VII services (based on low-income or minority status, impairments, and limited English proficiency) have a higher percent chance of having one or more ADL limitation compared to those not within the above-mentioned groups.

Table 3: Percentage of Older Adults Age 60 and Older with Various Indicators of Need with One or More Activities of Daily Living Limitations

Indicator of need	Category	Percent age 60 and older	Percent age 60 and older reporting one or more ADL limitations
Age	60 -64	29.1%	21%
	65-69	21.5%	24%
	70-74	16.4%	30%
	75-99	13.1%	40%
	80 -84	10.2%	52%
	85 and above	9.6%	73%
Race	Minority	21%	37%
	Non-minority	84%	33%
Family Poverty Status	At or below poverty threshold	9%	49%
English Proficiency	Limited English Speaking	14%	42%

Source: GAO analysis of U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

To assess the reliability of the ACS, we reviewed the technical documentation for these data files, including the coding and definition of variables of interest, the procedures for handling missing data, coding checks, and imputation procedures for missing data. Because the ACS

[4] GAO, *Older Americans Act: More Should Be Done to Measure the Extent of Unmet Need for Services*, GAO-11-237 (Washington, D.C.: February 28, 2011).

had a very high response rate, a low allocation rate, and narrow confidence intervals, we found the ACS data to be sufficiently reliable for our study objectives.

Measuring State Cost Differences

Beneficiary equity-based allotment formulas distribute funds so that states are able to provide the same levels of services to each person in need. Such formulas can include an index that takes into account differences in the costs of key inputs used to provide services in addition to other formula factors. Developing a cost index including such key inputs could serve as a reasonable proxy to reflect general differences across states in the cost of providing OAA services. A cost of services index is used in the funding formulas for the Community Mental Health Services and the Substance Abuse Prevention and Treatment block grants. Development of a cost of services index for the OAA titles III and VII allotment formulas can draw on a methodology employed in prior GAO reports.[5] Construction of such an index requires estimates of (1) the shares of program national average expenditures for broad categories of OAA title III funded services; (2) the mix of inputs required to provide those services; and (3) geographic variation in the cost of those inputs. This yields a broad based index that reflects cost of a typical or national average mix of services rather than actual services costs for each state. This approach in effect encourages efficiency by rewarding states that are more efficient in delivering OAA-funded services.

There are a variety of measures for the costs of resources or inputs that go into providing OAA title III services, which are generally beyond the direct control of state agencies, and that are captured in various available data sets. These key inputs include wages, food, office space, and transportation. These data sets can be used to construct an OAA title III cost index as described above. For example, AOA compiles annual reports on state expenditures for 14 categories of OAA services ranging from home delivered meals to adult day care, which could be used to identify the shares of program national average expenditures for broad categories of OAA services. Also, there are available data sets that capture the costs of such inputs. For example, a 1996 Mathematica

[5] GAO, Older Americans Act: Funding Formula Could Better Reflect State Needs, GAO/HEHS-94-41 (Washington, D.C.: May 12, 1994) and Vocational Rehabilitations Funding Formula: Options for Improving Equity in State Grants and Considerations for Performance Incentives, GAO-09-798 (Washington, D.C.: September 30, 2009).

Policy Research, Inc. report provides detailed estimates of input costs for providing nutritional services that in fiscal year 2010 represented about 60 percent of title III services, including congregate and home delivered meals. There are also a number of other federal data sources that may capture geographic variations in the costs of key inputs such as labor, food, and rents—namely, data from the Bureau of Labor Statistics, the United States Department of Agriculture, and the Department of Housing and Urban Development.

Measuring State Financing Capacity

A taxpayer equity standard stipulates that funds are distributed so that states can provide individuals comparable services using both state and federal funds, while each state contributes about the same proportion of their resources to a given federal program. This equity standard requires a formula to include an indicator of each state's ability to finance its share of the costs of a given program from its own sources. In a funding formula, a good indicator of a state's financing ability would measure all types of taxable resources and would not be affected by an individual state's actual fiscal decisions. The Department of the Treasury's (Treasury) Total Taxable Resources (TTR) estimate is such a measure. A number of prior GAO reports have found that TTR is a comprehensive measure of a jurisdiction's fiscal capacity, and two specifically found that it is not affected by jurisdictions' fiscal choices.[6] Incorporating TTR estimates into OAA title III and VII formulas could achieve taxpayer equity by capturing states' ability to fund program services through a measure of the economic activities that underlie states' revenue sources—personal and corporate income. Specifically, according to Treasury, the objective of TTR is to capture the unduplicated sum of per capita Income and gross state product (GSP) that is susceptible to taxation by a jurisdiction's government. By this means, the entirety of income potentially exposed to

[6] For example, GAO, *School Finance: Options for Improving Measures of Effort and Equity in Title I*, GAO/HEHS-96-142 (Washington, D.C.: August 30, 1996); *Ryan White Care Act of 1990: Opportunities to Enhance Funding Equity*, GAO/HEHS-96-26 (Washington, D.C.: November 13, 1995); *Older Americans Act: Funding Formula Could Better Reflect State Needs*, GAO/HEHS-94-41 (Washington, D.C: May 12,1994); and *Medicaid Formula: Fairness Could Be Improved,* GAO/T-HRD-91-5 (Washington, D.C.: December 7, 1990). See also, GAO, *Federal Disaster Relief: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own,* GAO-12-838 (Washington, D.C.: September 12, 2012) and *Vocational Rehabilitation Funding Formula: Options for Improving Equity in State Grants and Considerations for Performance Incentives*, GAO-09-798 (Washington, D.C.: September 30, 2009), which found that TTR is not affected by jurisdictions' fiscal choices.

taxation is measured. In practice, the calculation is relatively simple. A jurisdiction's GSP is supplemented with income received by jurisdiction residents that originated in other jurisdictions. This would include the labor earnings of residents who commute to jobs in other jurisdictions, and the capital income (mainly interest, dividends, rent, and capital gains) of all jurisdiction residents due to asset holdings in other jurisdictions. It excludes indirect business taxes paid to the federal government (such as the payroll tax and federal excises). TTR is used in allotment formulas for HHS's Services' Substance Abuse and Mental Health Services Administration's Community Mental Health Service and the Substance Abuse Prevention and Treatment block grant programs.

Analysis of Formula Options

For our second objective, we developed three prototype formula options based upon equity standards commonly used to design and evaluate funding formulas. We also estimated the grant allotments that each state would receive under the partial beneficiary equity option, using data from the ACS on states' elder populations with one or more ADL limitations. See appendix III for a table of our estimates of the grant allotments. Specifically, for states' need populations we used the ACS 2008-2010, 3-year average state data to limit the effects of any year-to-year fluctuations. As described above, we used the six questions from the ACS related to the ability to live independently.

Description of Formula Options

The three prototype formula options we developed for revising the OAA title III and VII allotment formulas are (1) a partial beneficiary equity formula option that distributes funds based only on the size of a state's population potentially in need of services, (2) a full beneficiary equity formula option with an adjustment for the cost of services, and (3) a taxpayer equity formula option with the addition of a measure of state fiscal capacity to account for the relative ability of a state to finance its share of service costs.

Partial Beneficiary Equity Formula Option

$$\text{State Allotment} = \text{Appropriation } \times \frac{\text{State Need Population}}{\sum \text{ State Need Population}}$$

where: state need population = number of elderly in a state reporting limitation in one or more activities of daily living, ADLs.

This formula would allot funds based on each state's share of the total population in need nationally. It would only partially achieve beneficiary equity because it does not account for differences among states in the cost of providing services.

Full Beneficiary Equity Formula Option

$$\text{State Allotment} = \text{Appropriation} \ \text{x} \ \frac{\text{State Cost Adjusted Need Population}}{\sum \ \text{State Cost Adjusted Need Population}}$$

where: $\text{Cost Adjusted Need Popululation} = \text{Need Population x Cost Index}$

The cost index in the formula estimates for each state the relative cost of providing OAA-funded services. This formula option thus achieves full beneficiary equity by accounting for both a state's need population and its costs of providing OAA-funded services.

Taxpayer Equity Option

$$\text{State Allotment} = \text{Appropriation} \ \text{x} \ \frac{\text{State Cost Adjusted Need Population x Allotment Percentage}}{\sum \ \text{State Cost Adjusted Need Population x Allotment Percentage}}$$

where: $\text{Allotment Percentage} = 1 - 0.15 \left[\frac{\text{TTR/Cost Adjusted Need Populululation}}{\sum \ \text{TTR}/\sum \ \text{State Need Population}}\right]$

This formula option would achieve taxpayer equity by basing allotments on a state's need population, adjusted for its cost of providing services, and its ability to fund the state's share OAA-funded services. In this option, the formula includes an "allotment percentage" to account for a relative state's ability to finance OAA-funded services from its own fiscal resources. As we described earlier, a number or prior GAO reports have found TTR data to provide a comprehensive measure of a state's fiscal resources.[7] TTR provides a comprehensive indicator of a state's relative ability to finance services. A state with fewer fiscal resources compared to other states would have a larger allotment percentage and, therefore, a larger final allotment (all else being equal). The allotment percentage equation indicates each state's required contribution in terms of a matching rate to finance the OAA-funded services. Nationally, this rate is

[7] See GAO-12-838, GAO-09-798, GAO/HEHS-96-142, GAO/HEHS-96-26, GAO/HEHS-94-41, and GAO/T-HRD-91-5.

assumed for illustrative purposes to be 15 percent, with each state's rate to varying according to its share of national TTR.[8]

Literature Review and Interviews and Site Visits

To gain perspectives on intrastate funding formulas and options for modifying the statutory funding formulas for titles III and VII, we first reviewed relevant literature and spoke with AOA officials. In addition, we interviewed experts on aging, key national organizations to understand the perspectives of program participants, aging network practitioners, and service providers. Key national organizations included representatives from organizations that represent aging network practitioners and service providers, such as Meals On Wheels Association of America, National Association of States United for Aging and Disability, and National Association of State Long-Term Care Ombudsman Programs. We also interviewed representatives from AARP, a key national organization that represents program participants. In addition, we interviewed other national experts in the aging network. We also conducted site visits in two states, Illinois and Wisconsin, for which we held on-site, semi-structured interviews with regional, state, and local aging officials. These interviews included open-ended questions addressing topics related to our research objectives, including characteristics of program participants, factors that best account for greatest economic and social need, the equity of the distribution of funds under the existing funding formulas, and access to research or data on OAA funding formulas and services. States were selected for geographic efficiency for field office staff conducting the work and are not a representative sample of state units on aging.

[8] States are required to provide a matching share of 15 percent in order to receive funds for OAA title III supportive services and congregate and home-delivered nutrition programs. 42 U.S.C. § 3024(d)(1)(D). Similarly, a matching share of 25 percent is required for the title III National Family Caregiver Support Program. However, no match is required for title III disease prevention and health promotion services or for any title VII programs. 42 U.S.C. § 3029(b)(1).

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Appendix III: Application of the Partial Beneficiary Equity Option to Fiscal Year 2012 Titles III and VII Allotments

The following tables show the application of the partial beneficiary equity option—distributing funding based on elderly eligible population with at least one limitation in ADL—to the fiscal year 2012 titles III and VII allotments. Title III and title VII allotments could also be modified to allow for full beneficiary equity by additionally adjusting for differences in the cost of providing services in each state, and for taxpayer equity by additionally adjusting for differences in each state's ability to finance these programs from its own resources.

Table 4 shows the partial beneficiary equity title III allotment for each state and the percentage change from their fiscal year 2012 allotment under the partial beneficiary equity option, which is described in appendix II, and compares populations age 60 and over to population age 60 and older with at least one ADL limitation. In this table, we exclude the hold harmless provision and the minimum allotment provided under the current formula, one-half of one percent of the total federal funds appropriated to the OAA program, or about $5.9 million for fiscal year 2012.

Table 4: Comparison of Fiscal Year 2012 Title III Allotments to Simulated Partial Beneficiary Equity Allotments

		Formula based on the elderly having an at least one ADL limitation		
			Difference	
50 states and DC	**2012 title III allotment amount**	**Simulated amount**	**Amount**	**Percent**
Alabama	$18,218,136	$22,939,239	$4,721,103	25.91%
Alaska	$5,928,086	$1,868,047	-$4,060,039	-68.49%
Arizona	$24,054,835	$22,585,938	-$1,468,897	-6.11%
Arkansas	$11,499,761	$14,754,433	$3,254,672	28.30%
California	$118,678,094	$119,007,334	$329,241	0.28%
Colorado	$15,803,697	$14,409,174	-$1,394,523	-8.82%
Connecticut	$14,327,416	$13,057,972	-$1,269,444	-8.86%
Delaware	$5,928,086	$3,519,079	-$2,409,007	-40.64%
District of Columbia	$5,928,086	$1,914,519	-$4,013,567	-67.70%
Florida	$86,721,589	$83,634,278	-$3,087,311	-3.56%
Georgia	$29,451,447	$32,323,061	$2,871,614	9.75%
Hawaii	$5,928,086	$5,021,178	-$906,908	-15.30%
Idaho	$5,928,086	$5,812,438	-$115,648	-1.95%
Illinois	$46,709,183	$44,512,237	-$2,196,947	-4.70%
Indiana	$23,302,596	$25,032,221	$1,729,624	7.42%

		Formula based on the elderly having an at least one ADL limitation		
			Difference	
50 states and DC	2012 title III allotment amount	Simulated amount	Amount	Percent
Iowa	$13,526,086	$12,333,812	-$1,192,274	-8.81%
Kansas	$11,004,841	$11,268,198	$263,358	2.39%
Kentucky	$16,143,866	$20,414,316	$4,270,450	26.45%
Louisiana	$15,655,237	$19,516,789	$3,861,552	24.67%
Maine	$5,940,070	$6,419,466	$479,396	8.07%
Maryland	$19,940,856	$18,481,809	-$1,459,047	-7.32%
Massachusetts	$26,370,317	$23,930,755	-$2,439,563	-9.25%
Michigan	$37,747,646	$39,480,132	$1,732,486	4.59%
Minnesota	$18,875,651	$17,178,247	-$1,697,404	-8.99%
Mississippi	$10,664,774	$14,204,744	$3,539,970	33.19%
Missouri	$23,260,470	$26,047,187	$2,786,717	11.98%
Montana	$5,928,086	$4,217,026	-$1,711,060	-28.86%
Nebraska	$7,318,818	$6,939,319	-$379,499	-5.19%
Nevada	$9,153,288	$8,535,407	-$617,881	-6.75%
New Hampshire	$5,928,086	$4,653,265	-$1,274,821	-21.50%
New Jersey	$33,432,655	$30,046,707	-$3,385,949	-10.13%
New Mexico	$7,619,473	$8,599,069	$979,595	12.86%
New York	$77,516,307	$72,048,324	-$5,467,983	-7.05%
North Carolina	$34,413,733	$37,998,844	$3,585,110	10.42%
North Dakota	$5,928,086	$2,821,869	-$3,106,217	-52.40%
Ohio	$45,248,374	$47,230,601	$1,982,227	4.38%
Oklahoma	$13,989,820	$17,510,491	$3,520,671	25.17%
Oregon	$14,965,075	$15,642,997	$677,922	4.53%
Pennsylvania	$57,248,700	$55,251,803	-$1,996,897	-3.49%
Rhode Island	$5,928,086	$4,299,903	-$1,628,183	-27.47%
South Carolina	$17,656,443	$19,479,157	$1,822,714	10.32%
South Dakota	$5,928,086	$3,322,323	-$2,605,763	-43.96%
Tennessee	$23,784,711	$28,262,888	$4,478,177	18.83%
Texas	$73,246,322	$83,588,174	$10,341,852	14.12%
Utah	$6,937,554	$6,698,915	-$238,639	-3.44%
Vermont	$5,928,086	$2,582,999	-$3,345,087	-56.43%
Virginia	$27,537,616	$26,778,223	-$759,393	-2.76%
Washington	$23,443,456	$23,916,267	$472,811	2.02%
West Virginia	$8,828,503	$10,740,180	$1,911,676	21.65%
Wisconsin	$21,426,723	$19,912,634	-$1,514,089	-7.07%

50 states and DC	2012 title III allotment amount	Formula based on the elderly having an at least one ADL limitation		
		Simulated amount	Difference: Amount	Difference: Percent
Wyoming	$5,928,086	$2,057,190	-$3,870,896	-65.30%
Total	**$1,162,801,174**	**$1,162,801,174**	**$0**	**0.00%**

Source: GAO analysis of AOA data on OAA title III state allotments (2012) and U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

Table 5 shows the partial beneficiary equity title VII allotments for each state and the percentage change from their fiscal year 2012 allotments under the partial beneficiary equity option, which is described in appendix II, and compares populations age 60 and over to population age 60 and older with at least one ADL limitation. In this table, our simulation excludes the hold harmless provision and the minimum allotment that the current formula provides, of one-half of one percent of the total federal funds appropriated to the OAA program, or about $108,000 for fiscal year 2012.

Table 5: Comparison of 2012 Title VII Allotments to Simulated Partial Beneficiary Equity Allotments

50 states and DC	2012 title VII allotment amount	Formula based on the elderly having at least one ADL limitation		
		Simulated amount	Difference: Amount	Difference: Percent
Alabama	$336,116	$417,659	$81,543	24.26%
Alaska	$107,898	$34,012	-$73,886	-68.48%
Arizona	$446,777	$411,226	-$35,551	-7.96%
Arkansas	$211,423	$268,637	$57,214	27.06%
California	$2,187,718	$2,166,787	-$20,931	-0.96%
Colorado	$294,722	$262,350	-$32,372	-10.98%
Connecticut	$257,340	$237,749	-$19,591	-7.61%
Delaware	$107,898	$64,072	-$43,826	-40.62%
District of Columbia	$107,898	$34,858	-$73,040	-67.69%
Florida	$1,581,700	$1,522,744	-$58,956	-3.73%
Georgia	$549,939	$588,512	$38,573	7.01%
Hawaii	$107,898	$91,421	-$16,477	-15.27%
Idaho	$107,898	$105,828	-$2,070	-1.92%
Illinois	$830,033	$810,442	-$19,591	-2.36%
Indiana	$429,683	$455,766	$26,083	6.07%
Iowa	$228,715	$224,564	-$4,151	-1.81%

50 states and DC	2012 title VII allotment amount	Formula based on the elderly having at least one ADL limitation		
			Difference	
		Simulated amount	Amount	Percent
Kansas	$191,820	$205,162	$13,342	6.96%
Kentucky	$298,426	$371,687	$73,261	24.55%
Louisiana	$291,260	$355,346	$64,086	22.00%
Maine	$108,575	$116,880	$8,305	7.65%
Maryland	$369,048	$336,502	-$32,546	-8.82%
Massachusetts	$463,743	$435,711	-$28,032	-6.04%
Michigan	$697,750	$718,822	$21,072	3.02%
Minnesota	$346,545	$312,767	-$33,778	-9.75%
Mississippi	$195,712	$258,628	$62,916	32.15%
Missouri	$423,498	$474,246	$50,748	11.98%
Montana	$107,898	$76,780	-$31,118	-28.84%
Nebraska	$124,937	$126,345	$1,408	1.13%
Nevada	$171,053	$155,406	-$15,647	-9.15%
New Hampshire	$107,898	$84,723	-$23,175	-21.48%
New Jersey	$607,466	$547,066	-$60,400	-9.94%
New Mexico	$138,638	$156,565	$17,927	12.93%
New York	$1,342,758	$1,311,796	-$30,962	-2.31%
North Carolina	$637,783	$691,852	$54,069	8.48%
North Dakota	$107,898	$51,378	-$56,520	-52.38%
Ohio	$833,389	$859,936	$26,547	3.19%
Oklahoma	$258,023	$318,817	$60,794	23.56%
Oregon	$277,005	$284,815	$7,810	2.82%
Pennsylvania	$994,623	$1,005,979	$11,356	1.14%
Rhode Island	$107,898	$78,289	-$29,609	-27.44%
South Carolina	$328,382	$354,660	$26,278	8.00%
South Dakota	$107,898	$60,490	-$47,408	-43.94%
Tennessee	$440,583	$514,587	$74,004	16.80%
Texas	$1,359,212	$1,521,904	$162,692	11.97%
Utah	$127,819	$121,968	-$5,851	-4.58%
Vermont	$107,898	$47,029	-$60,869	-56.41%
Virginia	$510,806	$487,556	-$23,250	-4.55%
Washington	$435,392	$435,448	$56	0.01%
West Virginia	$154,347	$195,548	$41,201	26.69%
Wisconsin	$393,789	$362,553	-$31,236	-7.93%
Wyoming	$107,898	$37,456	-$70,442	-65.29%

50 states and DC	2012 title VII allotment amount	Formula based on the elderly having at least one ADL limitation		
			Difference	
		Simulated amount	Amount	Percent
Total	**$21,171,324**	**$21,171,324**	**$0**	**0.00%**

Source: GAO analysis of AOA data on OAA title VII state allotments (2012) and U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

Appendix IV: Transition Measures for Moderating Impact of Formula Modifications

To moderate the decrease in allotments presented in appendix III, we present two transition measures. As illustrated in appendix III, implementing a partial beneficiary equity formula option using a measure of the elderly with at least one ADL limitation will result in allotment changes as large as 20 percent. The changes are due in part to a change in how the formula measures the need population, as well the exclusion of two significant provisions under current law. Specifically, our analysis in appendix III did not include the hold harmless provision and the one-half of one percent minimum allotment. The following two transition measures moderate significant allotment changes by gradually introducing the new formula over a number of years or limiting the yearly allotment changes using a hold harmless provision, as well by including the one-half of one percent minimum allotment. To illustrate the moderating effect of these transition options, we have simulated two transitions for the partial equity formula. In the first transition, the new formula is phased-in over 6 years and lessens the year-to-year changes. In the second transition, the changes in allotments are limited annually, and the number of years to complete transition may vary. In the two transitions presented, the allotments under the partial beneficiary equity formula include the one-half of one percent minimum allotment, approximately $5.9 million for fiscal year 2012. The comparisons are made for fiscal 2012 title III allotments using the same funding amount.

Phase-In Transition

In the first example, a 6 year transition is demonstrated, which incrementally phases in the new formula. In the first year, the allotments are based on a 50-50 split between the current formula and the partial beneficiary equity formula option. In a 50-50 split, half of the allotment is based on the current formula and half from the partial beneficiary equity formula option. In the second year, the split is 40-60 between the current formula and the partial beneficiary equity formula option. The split in the succeeding years are 30-70, 20-80, 10-90, and 0-100. By the sixth year the entire allotment is based on the partial beneficiary equity formula option. Table 6 shows the first, second, and fifth year allotments under a 6-year phase-in. This transition could be made faster or more gradually by changing the splits between the current and alternative formulas and number of years. Other split combinations could be used for the initial and subsequent years, such as 80-20, 60-40, 40-60, 20-80, and 0-100.

Table 6 shows the allotments under the partial beneficiary equity formula option using this transition method and compares the changes to the current allotments. For example, the allotment to Alabama rises by 12 percent in the first year of transition (using the 50-50 split). In comparison, if no transition was provided its allotment would have risen by 27 percent. By the fifth year, the allotment to Alabama rises to over 20 percent. In contrast, the allotment to New Jersey in the first year falls by 6 percent, and without the transition its allotment falls by 10 percent. By the fifth year, the allotment falls by over 11 percent.

Appendix IV: Transition Measures for Moderating Impact of Formula Modifications

Table 6: Transition Combining the FY 2012 Current Formula Allotments and Partial Beneficiary Equity Formula Option, Comparison of Allotments

		Year 1: 50:50 Allotments			Year 2: 40:60 Allotments			Year 5: 10:90 Allotments		
			Difference			Difference			Difference	
States and the District of Columbia	Actual 2012 title III	Partial equity	Amount	Percent	Partial equity	Amount	Percent	Partial equity	Amount	Percent
Alabama	$18,218	$20,458	$2,240	12.29%	$20,835	$2,617	14.37%	$21,967	$3,749	20.58%
Alaska	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Arizona	$24,055	$23,189	-$866	-3.60%	$22,951	-$1,104	-4.59%	$22,238	-$1,817	-7.55%
Arkansas	$11,500	$13,053	$1,553	13.50%	$13,317	$1,817	15.80%	$14,108	$2,608	22.68%
California	$118,678	$118,144	-$534	-0.45%	$117,700	-$979	-0.82%	$116,367	-$2,311	-1.95%
Colorado	$15,804	$15,069	-$735	-4.65%	$14,862	-$942	-5.96%	$14,242	-$1,561	-9.88%
Connecticut	$14,327	$13,479	-$848	-5.92%	$13,327	-$1,000	-6.98%	$12,871	-$1,456	-10.16%
Delaware	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
District of Columbia	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Florida	$86,722	$84,503	-$2,218	-2.56%	$83,896	-$2,826	-3.26%	$82,074	-$4,648	-5.36%
Georgia	$29,451	$30,768	$1,317	4.47%	$30,911	$1,460	4.96%	$31,342	$1,890	6.42%
Hawaii	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Idaho	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Illinois	$46,709	$44,310	-$2,399	-5.14%	$44,120	-$2,589	-5.54%	$43,549	-$3,160	-6.77%
Indiana	$23,303	$24,048	$745	3.20%	$24,115	$812	3.49%	$24,316	$1,014	4.35%
Iowa	$13,526	$12,229	-$1,297	-9.59%	$12,186	-$1,340	-9.91%	$12,057	-$1,469	-10.86%
Kansas	$11,005	$10,746	-$259	-2.35%	$10,792	-$213	-1.93%	$10,930	-$75	-0.68%
Kentucky	$16,144	$18,171	$2,028	12.56%	$18,514	$2,371	14.68%	$19,543	$3,399	21.05%
Louisiana	$15,655	$17,482	$1,827	11.67%	$17,788	$2,133	13.62%	$18,705	$3,050	19.48%
Maine	$5,940	$6,115	$175	2.94%	$6,143	$202	3.41%	$6,225	$285	4.80%
Maryland	$19,941	$19,147	-$794	-3.98%	$18,918	-$1,023	-5.13%	$18,231	-$1,709	-8.57%
Massachusetts	$26,370	$24,369	-$2,001	-7.59%	$24,158	-$2,213	-8.39%	$23,522	-$2,848	-10.80%

Michigan	$37,748	$38,391	$643	1.70%	$38,404	$656	1.74%	$38,444	$696	1.84%
Minnesota	$18,876	$17,936	-$940	-4.98%	$17,695	-$1,180	-6.25%	$16,973	-$1,902	-10.08%
Mississippi	$10,665	$12,323	$1,658	15.55%	$12,626	$1,961	18.39%	$13,534	$2,869	26.90%
Missouri	$23,260	$24,390	$1,130	4.86%	$24,587	$1,326	5.70%	$25,176	$1,915	8.23%
Montana	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Nebraska	$7,319	$6,806	-$513	-7.01%	$6,796	-$522	-7.14%	$6,769	-$550	-7.52%
Nevada	$9,153	$8,859	-$295	-3.22%	$8,750	-$404	-4.41%	$8,423	-$730	-7.98%
New Hampshire	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
New Jersey	$33,433	$31,279	-$2,154	-6.44%	$30,877	-$2,556	-7.65%	$29,670	-$3,763	-11.25%
New Mexico	$7,619	$8,081	$462	6.06%	$8,140	$521	6.84%	$8,317	$698	9.16%
New York	$77,516	$71,902	-$5,614	-7.24%	$71,558	-$5,959	-7.69%	$70,525	-$6,991	-9.02%
North Carolina	$34,414	$36,036	$1,622	4.71%	$36,232	$1,818	5.28%	$36,819	$2,405	6.99%
North Dakota	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Ohio	$45,248	$45,835	$587	1.30%	$45,870	$621	1.37%	$45,972	$724	1.60%
Oklahoma	$13,990	$15,609	$1,619	11.57%	$15,899	$1,909	13.64%	$16,767	$2,777	19.85%
Oregon	$14,965	$15,249	$284	1.90%	$15,247	$282	1.88%	$15,240	$275	1.84%
Pennsylvania	$57,249	$53,936	-$3,312	-5.79%	$53,913	-$3,336	-5.83%	$53,843	-$3,406	-5.95%
Rhode Island	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
South Carolina	$17,656	$18,461	$805	4.56%	$18,564	$908	5.14%	$18,872	$1,215	6.88%
South Dakota	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Tennessee	$23,785	$25,931	$2,146	9.02%	$26,251	$2,466	10.37%	$27,211	$3,426	14.40%
Texas	$73,246	$77,997	$4,751	6.49%	$78,682	$5,436	7.42%	$80,737	$7,491	10.23%
Utah	$6,938	$6,773	-$164	-2.37%	$6,724	-$214	-3.08%	$6,575	-$363	-5.23%
Vermont	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Virginia	$27,538	$27,117	-$421	-1.53%	$26,910	-$628	-2.28%	$26,291	-$1,247	-4.53%
Washington	$23,443	$23,541	$98	0.42%	$23,492	$49	0.21%	$23,345	-$98	-0.42%
West Virginia	$8,829	$9,444	$616	6.98%	$9,648	$819	9.28%	$10,258	$1,430	16.20%

Wisconsin	$21,427	$20,486	-$941	-4.39%	$20,268	-$1,159	-5.41%	$19,614	-$1,812	-8.46%
Wyoming	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Total	**$1,162,801**	**$1,162,801**	**$0**	**0.00%**	**$1,162,801**	**$0**	**0.00%**	**$1,162,801**	**$0**	**0.00%**

Source: GAO analysis of AOA data on OAA Titles III and VII state allotments (2012) and U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

Hold Harmless Transition

The second transition method utilizes a hold harmless provision. The hold harmless provision works by constraining the losses of states that could lose funding under an alternative formula. The additional funding needed to raise the allotments to the states losing more than a certain percentage is obtained by proportionally lowering the allotments to the states not affected by the hold harmless provision. In the example presented in table 7, the hold harmless losses are 2 percent in the first year, 4 percent in the second year, 6 percent in the third year, 8 percent in the fourth year, and, 10 percent in the fifth year.

Table 7 shows the allotments under the partial equity formula using this hold harmless transition method and compares the changes to the current allotments. The allotment to Alabama rises by 13 percent in the first year of transition. In comparison, if no transition was provided for its allotment would have risen by 26 percent. By the fifth year, the allotment to Alabama rises to 22 percent. In contrast, the allotment to New Jersey in first year falls by 2 percent, the maximum permissible loss. Without the transition, New Jersey's allotment falls by 10 percent. By the fifth year, the allotment to New Jersey falls by 10 percent.

Table 7: Transition Using a Hold Harmless, Comparison of FY 2012 Allotments to Allotments for the Partial Beneficiary Equity Formula Option

		Year 1: Allotments Include 2% HH			Year 2: Allotments Include 4% HH			Year 5: Allotments Include 10% HH		
			Difference			Difference			Difference	
States and the District of Columbia	Actual 2012 title III	Partial equity	Amount	Percent	Partial equity	Amount	Percent	Partial equity	Amount	Percent
Alabama	$18,218	$20,602	$2,384	13.09%	$21,435	$3,217	17.66%	$22,299	$4,081	22.40%
Alaska	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Arizona	$24,055	$23,574	-$481	-2.00%	$23,093	-$962	-4.00%	$21,955	-$2,100	-8.73%
Arkansas	$11,500	$13,251	$1,751	15.23%	$13,787	$2,287	19.89%	$14,342	$2,843	24.72%
California	$118,678	$116,305	-$2,374	-2.00%	$113,931	-$4,747	-4.00%	$115,685	-$2,993	-2.52%
Colorado	$15,804	$15,488	-$316	-2.00%	$15,172	-$632	-4.00%	$14,223	-$1,580	-10.00%
Connecticut	$14,327	$14,041	-$287	-2.00%	$13,754	-$573	-4.00%	$12,895	-$1,433	-10.00%
Delaware	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
District of Columbia	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Florida	$86,722	$84,987	-$1,734	-2.00%	$83,253	-$3,469	-4.00%	$81,299	-$5,422	-6.25%
Georgia	$29,451	$29,030	-$421	-1.43%	$30,203	$752	2.55%	$31,421	$1,969	6.69%
Hawaii	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Idaho	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Illinois	$46,709	$45,775	-$934	-2.00%	$44,841	-$1,868	-4.00%	$43,269	-$3,440	-7.36%
Indiana	$23,303	$22,837	-$466	-2.00%	$23,391	$88	0.38%	$24,333	$1,031	4.42%
Iowa	$13,526	$13,256	-$271	-2.00%	$12,985	-$541	-4.00%	$12,173	-$1,353	-10.00%
Kansas	$11,005	$10,785	-$220	-2.00%	$10,565	-$440	-4.00%	$10,954	-$51	-0.47%
Kentucky	$16,144	$18,334	$2,191	13.57%	$19,076	$2,932	18.16%	$19,844	$3,700	22.92%
Louisiana	$15,655	$17,528	$1,873	11.97%	$18,237	$2,582	16.49%	$18,972	$3,317	21.19%
Maine	$5,940	$5,928	-$12	-0.20%	$5,998	$58	0.98%	$6,240	$300	5.05%
Maryland	$19,941	$19,542	-$399	-2.00%	$19,143	-$798	-4.00%	$17,966	-$1,975	-9.90%
Massachusetts	$26,370	$25,843	-$527	-2.00%	$25,316	-$1,055	-4.00%	$23,733	-$2,637	-10.00%
Michigan	$37,748	$36,993	-$755	-2.00%	$36,891	-$857	-2.27%	$38,378	$630	1.67%

States and the District of Columbia	Actual 2012 title III	Year 1: Allotments Include 2% HH			Year 2: Allotments Include 4% HH			Year 5: Allotments Include 10% HH		
		Partial equity	Difference		Partial equity	Difference		Partial equity	Difference	
			Amount	Percent		Amount	Percent		Amount	Percent
Minnesota	$18,876	$18,498	-$378	-2.00%	$18,121	-$755	-4.00%	$16,988	-$1,888	-10.00%
Mississippi	$10,665	$12,758	$2,093	19.62%	$13,273	$2,608	24.46%	$13,808	$3,143	29.47%
Missouri	$23,260	$23,393	$133	0.57%	$24,339	$1,079	4.64%	$25,320	$2,059	8.85%
Montana	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Nebraska	$7,319	$7,172	-$146	-2.00%	$7,026	-$293	-4.00%	$6,746	-$573	-7.83%
Nevada	$9,153	$8,970	-$183	-2.00%	$8,787	-$366	-4.00%	$8,297	-$856	-9.35%
New Hampshire	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
New Jersey	$33,433	$32,764	-$669	-2.00%	$32,095	-$1,337	-4.00%	$30,089	-$3,343	-10.00%
New Mexico	$7,619	$7,723	$104	1.36%	$8,035	$416	5.46%	$8,359	$740	9.71%
New York	$77,516	$75,966	-$1,550	-2.00%	$74,416	-$3,101	-4.00%	$70,037	-$7,480	-9.65%
North Carolina	$34,414	$34,127	-$286	-0.83%	$35,507	$1,093	3.18%	$36,938	$2,524	7.33%
North Dakota	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Ohio	$45,248	$44,343	-$905	-2.00%	$44,133	-$1,115	-2.46%	$45,912	$664	1.47%
Oklahoma	$13,990	$15,727	$1,737	12.41%	$16,362	$2,372	16.96%	$17,022	$3,032	21.67%
Oregon	$14,965	$14,666	-$299	-2.00%	$14,617	-$348	-2.33%	$15,206	$241	1.61%
Pennsylvania	$57,249	$56,104	-$1,145	-2.00%	$54,959	-$2,290	-4.00%	$53,709	-$3,540	-6.18%
Rhode Island	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
South Carolina	$17,656	$17,495	-$162	-0.92%	$18,202	$545	3.09%	$18,935	$1,279	7.24%
South Dakota	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Tennessee	$23,785	$25,383	$1,599	6.72%	$26,409	$2,625	11.04%	$27,474	$3,689	15.51%
Texas	$73,246	$75,072	$1,826	2.49%	$78,106	$4,860	6.64%	$81,254	$8,008	10.93%
Utah	$6,938	$6,799	-$139	-2.00%	$6,660	-$278	-4.00%	$6,512	-$426	-6.14%
Vermont	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Virginia	$27,538	$26,987	-$551	-2.00%	$26,436	-$1,102	-4.00%	$26,031	-$1,507	-5.47%

States and the District of Columbia	Actual 2012 title III	Year 1: Allotments Include 2% HH			Year 2: Allotments Include 4% HH			Year 5: Allotments Include 10% HH		
		Partial equity	Difference		Partial equity	Difference		Partial equity	Difference	
			Amount	Percent		Amount	Percent		Amount	Percent
Washington	$23,443	$22,975	-$469	-2.00%	$22,506	-$938	-4.00%	$23,249	-$195	-0.83%
West Virginia	$8,829	$9,646	$817	9.26%	$10,036	$1,207	13.68%	$10,440	$1,612	18.26%
Wisconsin	$21,427	$20,998	-$429	-2.00%	$20,570	-$857	-4.00%	$19,357	-$2,070	-9.66%
Wyoming	$5,928	$5,928	$0	0.00%	$5,928	$0	0.00%	$5,928	$0	0.00%
Total	$1,162,801	$1,162,801	$0	0.00%	$1,162,801	$0	0.00%	$1,162,801	$0	0.00%

Source: GAO analysis of AOA data on OAA Titles III and VII state allotments (2012) and U.S. Census Bureau, American Community Survey 3-year average data (2008-2010).

While the preceding illustrations show the application of transition options to the OAA title III formula allotments, these options for moderating formula changes could also be applied to title VII. These transition options could also be used to moderate the impact of the application of the full beneficiary equity option by additionally adjusting for differences in cost of providing services in each state, and the taxpayer equity option by additionally adjusting for differences in each state's ability to finance these programs from its own resources. Finally, the change in formula allotments could also be moderated if additional program funding were available.

Appendix V: Comments from the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES   OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

NOV 1 2012

Charles A. Jeszeck
Director, Education, Workforce,
and Income Security Issues
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Jeszeck:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Older Americans Act: Options to Better Target Need and Improve Equity" (GAO-13-74).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "OLDER AMERICANS ACT: OPTIONS TO BETTER TARGET NEED AND IMPROVE EQUITY" (GAO-13-74)

The Department appreciates the opportunity to comment on this report. We understand the desire to examine options for better targeting funding and assistance to those with the greatest needs and applaud GAO for acknowledging that phasing in or moderating the impacts of any changes to the formula is particularly important during periods when funding remains relatively flat.

As GAO is aware, the Administration for Community Living within HHS actively and regularly interacts with states, territories, tribal organizations and stakeholders regarding the importance of these programs for older Americans and their families, and would like to call to its attention issues that may be raised if any of these options are actively considered by Congress.

Very rural or "frontier" states report that the costs of providing and maintaining cost-effective nutrition and supportive systems are often driven up by large distances and the lack of economies of scale. Based on the large percentage reductions that would be applied to many of these rural and frontier states as reported in Table 4, questions may be raised about how the formula accounts for the needs and characteristics of older Americans who reside in these areas.

While we understand the interest in trying to incorporate the cost of services as a possible index within a funding formula option, given the wide variation in the frequency, collection and weighting of these elements among different states and communities, questions may be raised about the accuracy and reliability of the elements used to comprise the costs of services across states.

Should Congress choose to implement a different formula in the reauthorization of the Older Americans Act, we will implement it and will work with Congress to ensure that any such formula involves appropriate available data.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, David Lehrer, Assistant Director; Amber Yancey-Carroll, Analyst-in-Charge; Gregory Dybalski, Jessica Gray, Sharon Hermes, DuEwa Kamara, Luann Moy, and Michael Springer made significant contributions to the engagement. Also contributing to this report were Jessica Botsford, David Chrisinger, Holly Dye, Monika Gomez, Kathy Leslie, Ashley McCall, Sheila McCoy, Mimi Nguyen, Lorin Obler, Anna Maria Ortiz, Max Sawicky, Sal Sorbello, and Craig Winslow.

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