



PERFORMANCE AUDIT REPORT

Funerals and Burials for Public Assistance Recipients

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1990**

Legislative Post Audit Committee

Legislative Division of Post Audit

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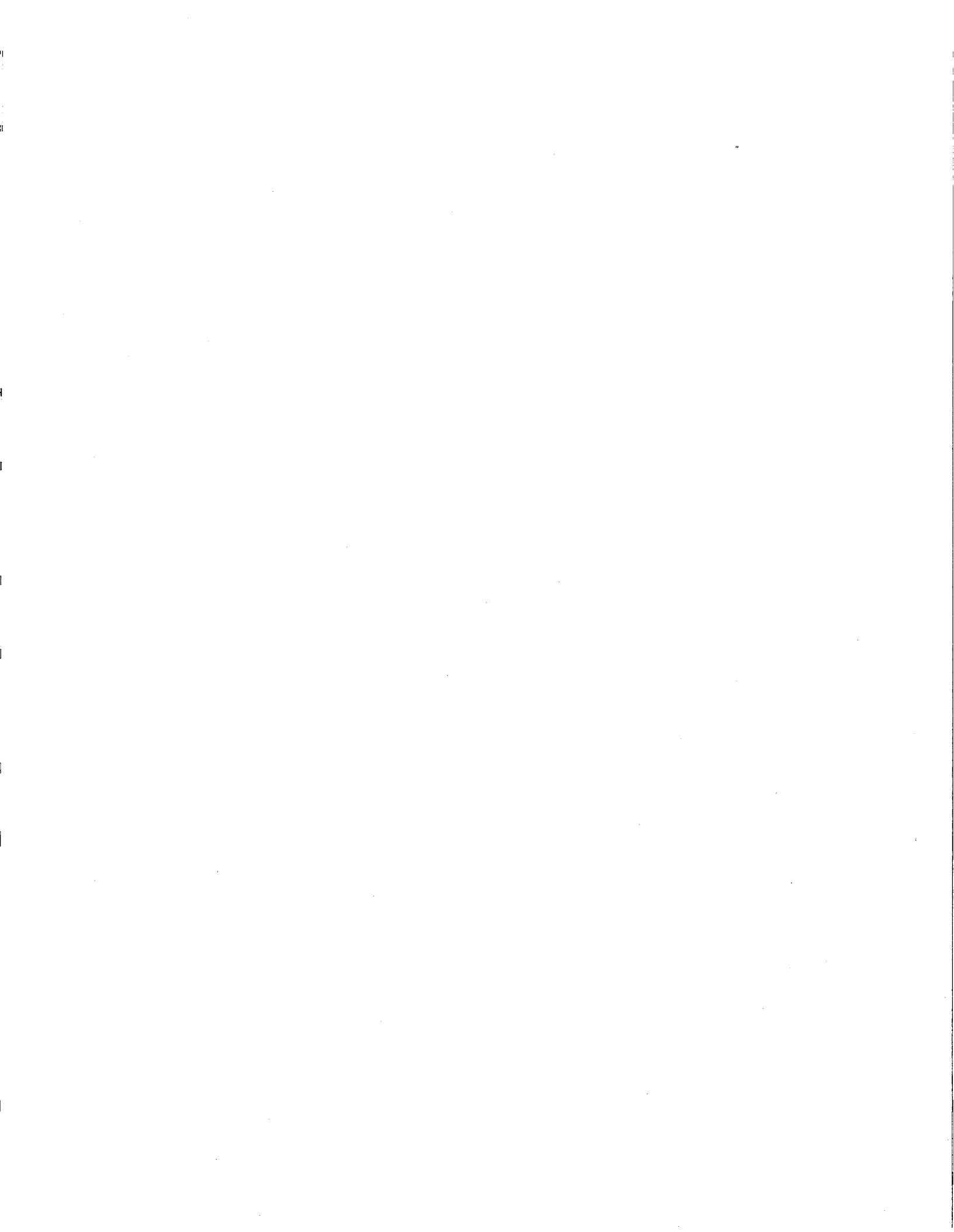
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PERFORMANCE AUDIT REPORT

FUNERALS AND BURIALS FOR PUBLIC ASSISTANCE RECIPIENTS

OBTAINING AUDIT INFORMATION

This audit was conducted by Mary Beth Green, Senior Auditor, and Holly Zane and Rick Riggs, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Green at the Division's offices.

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FUNERALS AND BURIALS FOR PUBLIC ASSISTANCE RECIPIENTS

Summary of Legislative Post Audit's Findings

State law authorizes the Secretary of Social and Rehabilitation Services to pay funeral and burial costs for public assistance recipients and others whose estates or other available resources are insufficient to pay those costs. This audit addressed legislative concerns about the Department's practice of deducting certain assets or resources of the decedent or the decedent's family from the amount it will pay for these funerals and burials.

What is the Department of Social and Rehabilitation Services' payment practice for burying public assistance recipients, and how does it compare with payment practices for services provided by other vendors? Kansas funeral directors have expressed concerns about the burial assistance program's reimbursement practices, including concerns that they may be treated differently than doctors and others who provide services to Department clients. During the first half of fiscal year 1990, the Department reduced approximately one-fourth of its burial assistance payments because the decedent's estate had assets available to help reduce the Department's contribution or because the decedent's family had resources that exceeded the limits established by the Department for full burial assistance. Those reductions averaged about 11 percent of the total amounts billed to the Department.

It appears that funeral home and cemetery reimbursements are handled in about the same way as the Department's reimbursements for doctors and similar providers, although other providers may not have to attempt to collect funds from estates as often as funeral homes. Finally, the state burial assistance program in Kansas is generally more comprehensive and costly than the programs in surrounding and similar states.

How does the amount the Department budgets for these funerals and burials compare with the amounts actually spent? The Department's burial assistance program cost more than its appropriation each year from fiscal year 1986 through 1989. For example, for fiscal year 1990, the program received appropriations of \$740,000, and estimated expenditures for the year will be about \$822,150, a difference of \$82,150. According to Department officials, these deficits in the burial assistance program were met each year by transferring funds from other assistance programs into the burial program.

The report recommends that the Department take steps to ensure that consistent burial reimbursement practices are used across the State and to ensure that funeral homes and cemeteries receive formal, written notification of the amount to be paid for services provided on a timely basis. We would be happy to discuss these recommendations or any other items in the report with legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink, appearing to read "M. Williams", written in a cursive style.

Meredith Williams
Legislative Post Auditor

FUNERALS AND BURIALS FOR PUBLIC ASSISTANCE RECIPIENTS

K.S.A. 39-713d authorizes the Secretary of Social and Rehabilitation Services to pay the funeral and burial costs for public assistance recipients whose estates or other available resources are insufficient to pay those costs. The maximum amount of such payments has been fixed by the Secretary under K.A.R. 30-4-121. According to the Kansas Public Assistance Manual, the Department will deduct any cash contributions or partial payments made by relatives or friends for the funeral or burial from the amount the Department will pay. The Department also deducts certain other assets or resources of the decedent or the decedent's family from the amount it will pay.

Legislative concerns have been raised about this practice of deducting cash and property assets from the Department's reimbursements for funeral and burial costs, even when those assets may be uncollectible or may impose a burden on the funeral home to collect. To address these concerns, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a performance audit of the Department's burial assistance program. The audit addressed the following questions:

- 1. What is the Department of Social and Rehabilitation Services' payment practice for burying public assistance recipients, and how does it compare with payment practices for services provided by other vendors?**
- 2. How does the amount the Department budgets for these funerals and burials compare with the amounts actually spent?**

To answer these questions, we reviewed State laws and regulations and Department policies and procedures for paying various types of vendors, including funeral homes and cemeteries. We also interviewed Department staff and reviewed Department records for funeral and burial payments made Statewide during the first six months of fiscal year 1990. We examined a sample of fiscal year 1990 payments in detail to determine whether any amounts were deducted from the Department payments and the reasons for such reductions. We also surveyed a sample of funeral home directors in Kansas to determine how the Department's reimbursement practices had affected them, and interviewed officials from the four surrounding states and Iowa. Finally, we compared the Department's budgeted and actual expenditures for the burial assistance program for the past several years. In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

We found that the Department reduced about one-fourth of the payments made for funerals and burials during the first half of fiscal year 1990. These reductions generally were made because Department staff determined that the decedent's estate had assets available to offset funeral and burial expenses or that the decedent's family had resources in excess of the maximum resources allowable to qualify for

complete Department reimbursement. Department staff indicated that the payment practices for the burial program are not significantly different from payment practices for other programs, particularly if payments are reduced because the family's resources exceed the Department's allowable levels for maximum assistance. When compared with burial assistance programs in the four surrounding states and Iowa, the Kansas program appeared to be the most comprehensive and costly state-funded program. Finally, we found that actual expenditures for the burial assistance program have always exceeded appropriations for the program during recent years.

Overview of the Burial Assistance Program

The burial assistance program is operated by the Department of Social and Rehabilitation Services' Division of Income Maintenance. The Department provides burial assistance to any person who meets the program's eligibility guidelines, including individuals who were or were not receiving public assistance at the time of death. In fiscal year 1989, Department officials indicated that the program paid for approximately 1,083 funerals at a total cost of \$758,916. Expenditures for the program are funded entirely by the State General Fund.

When a person dies who might be eligible, either the funeral home or the family may call the local Department office to ask about possible burial assistance. Applicants then work with Department staff in the county offices and fill out an application form that asks for information on the income and assets of the decedent and the financial resources of the family or other responsible parties, if any. Using a standard worksheet, personnel in the county offices decide how much money the estate or the family should be able to contribute toward the funeral, and how much burial assistance the State should provide.

Department staff determine eligibility for burial assistance in two ways. If the decedent had no dependents or other persons legally responsible for his or her debts, the Department considers all the decedent's resources at the time of death to be assets of the estate that are available to help reduce the Department's contribution to the funeral costs. In these cases, State law gives the funeral homes or cemeteries a first class claim on the decedent's estate and the funeral home or cemetery is expected to collect the estate's obligation for funeral and burial costs.

If the decedent had an immediate family (including dependents or another legally responsible adult), the Department determines eligibility through a review of the family's resources. Countable resources do not include certain items such as the family's home and one vehicle valued at up to \$1,500. The countable resources do include the family's income (less standard allowances for living and work expenses), and the value of non-exempt assets in excess of \$1,000 such as cash, savings accounts, vehicle value of more than \$1,500, or death benefit payments. If the family's resources exceed the Department's eligibility guidelines, the family is not eligible for maximum burial assistance and the Department reduces the amount of assistance according to the family's resource level. Then the funeral home or cemetery is expected to collect any reduced amounts from the decedent's family. The box on page four describes the determination process in more detail for decedents with and without assets or families with resources to pay part of the bills.

The burial program's eligibility guidelines are the same guidelines used for determining eligibility for the Department's general assistance program. The guidelines provide detailed direction to the income maintenance workers in the Department's 105 area and local offices who make the actual determinations of what the Department will pay for funeral expenses.

Once a determination is made by the local income maintenance worker, the local office is supposed to notify the family and the funeral home of the exact amount the Department will pay for all or part of the funeral charges, and how much the funeral home must collect from the family or from the assets of the estate. After the funeral, the funeral home and cemetery send their bills to the local Department office. Sometimes funeral homes submit just one bill for both funeral and cemetery charges, and sometimes funeral homes and cemeteries submit separate bills for their charges. Staff in the Department's local offices put the information into the Department's computer system. The transactions are processed and warrants are mailed from Topeka to funeral homes and cemeteries.

**How Income Maintenance Workers Determine
How Much the Department Will Pay for Burial Assistance**

How much the Department will pay for a recipient's funeral depends on two things: first, whether the recipient had a family or anyone else legally responsible for his or her bills; second, whether those persons (or the recipient's estate) have the resources to pay for all or part of the funeral. The table below describes hypothetical examples of each situation, simplified for clarity.

**Recipient Who Has an Immediate Family
or Other Legally Responsible Party**

In this case, the decedent was a child with two parents at home. The couple has a house, a car worth \$2,800, a monthly income of \$600, and no savings. The Department worker, in making the determination about this family's obligation for their child's funeral expenses, would make the following calculations:

House:	exempt
Value of car: \$2,800, less the \$1,500 vehicle allowance and the \$1,000 resource limit yields:	\$300 countable
Monthly income: \$600, less the \$90 standard work expense limit and the \$410 budgetary standard for a family of 3 (as of July 1989) yields:	\$100 countable
TOTAL AVAILABLE	\$400 countable
RESOURCES:	\$400 countable
less funeral bill:	- \$850
Total State share:	\$450

The funeral bill exceeds the couple's available resources by \$450, which the Department will pay. The family must pay the other \$400.

Assets or
Resources
Available

**Recipient Who Has NO Immediate Family
or Other Legally Responsible Party**

An elderly widower dies, leaving three grown children who are not legally responsible for his burial costs. The man owned a small house with furnishings. In the yard is an old car that has not run for many years, and has no particular value. He had not prepared a will.

house:	\$2,500
furnishings (ignored by the Department):	exempt
junk car (standard value for any vehicle with no book value listed):	\$100
TOTAL AVAILABLE	\$2,600
ASSETS:	\$2,600
less funeral bill:	- \$1,150
Assets exceed funeral bill by:	\$1,450
Total State share:	\$0

Because the assets of the estate exceed the cost of the funeral by \$1,450, the Department will not pay for any funeral expenses in this case. Because the decedent had no will, and thus no executor for his estate, the funeral home will have to have the estate probated in order to collect the \$1,150 bill.

NO
Assets or
Resources
Available

In this example, the decedent was a married woman whose husband is unemployed. The couple lived in an apartment, worked odd jobs, and had no car, cash, or savings.

resources:	none
furnishings (ignored by the Department):	exempt
TOTAL RESOURCES AVAILABLE:	\$0
less funeral bill:	- \$1,150
Total State share:	\$1,150

In this case the husband is legally responsible for his wife's funeral bills. However, because he has no countable resources, the Department will pick up all of the \$1,150 in funeral and burial expenses.

A man is found dead, without any identification. His identity cannot be determined, and there is no money on the body, nor any way to know if he has a family, assets, or other resources to help pay for the burial.

Assets or resources:	none
TOTAL ASSETS:	\$0
less funeral bill:	- \$1,150
Total State share:	\$1,150

In this case, because the decedent could not be identified, no resources could be found. Again, the Department will pick up all of the \$1,150 in funeral and burial expenses. If the man is later identified, and resources or assets found, the Department can attempt to recover its \$1,150 contribution from the estate or the family.

What Is the Department of Social and Rehabilitation Services' Payment Practice for Burying Public Assistance Recipients, And How Does It Compare With Payment Practices For Services Provided By Other Vendors?

Kansas funeral directors have expressed a number of concerns about the burial assistance program's reimbursement methods, and about the size of reimbursements they receive. They have also expressed concerns that they may be treated differently than doctors and others who provide services to Department clients. We found that about one-fourth of the burial assistance payments made by the Department during the first half of fiscal year 1990 were reduced because the decedent's estate or family had some assets or resources to pay part of the funeral and burial costs. Those reductions averaged about 11 percent of the total amounts billed to the Department. We also found that funeral home and cemetery reimbursements are handled in about the same way as Department reimbursements for doctors and other similar providers, although other providers may not have to attempt collecting funds from estates as often as funeral homes. Finally, we found that the State burial assistance program in Kansas is generally more comprehensive and costly than the programs in surrounding and similar states.

Reimbursement Levels for the Burial Assistance Program Are Established by State Regulation

According to K.A.R. 30-4-121(a), the Department will pay only certain set amounts for funeral home services, including a casket, a cemetery plot (if the decedent did not already have one), and an outside container if the cemetery requires one. The following table shows the maximum amounts the Department will pay for these items.

Amounts Allowed by the Department of Social and Rehabilitation Services for Funeral and Burial Costs

<u>Item</u>	<u>Maximum Allowance</u>
Oversize casket	\$850
Standard adult casket	750
5' Casket	650
4' to 4' 6" casket	450
3' to 3' 6" casket	350
2' to 2' 6" casket	250
Infant casket, 1' 9"	150
Cemetery plot	\$250
Outside container	\$150

As the preceding table shows, the maximum the Department would pay for a funeral for an average-size adult would be \$750 for the casket and other mortuary services, \$250 for the cemetery plot, and \$150 for the outside container, or a total of \$1,150. These reimbursements rates were established in May 1984 and have not been revised since that time.

Department officials said that their intent is to provide a basic funeral for people who cannot afford one. Therefore, if the funeral home bill contains charges for more than the most basic services—charges for flowers or musicians, for example—Department officials said they will disallow those extra charges. Only allowable charges, for the maximum allowable amount or less, will be paid by the program.

Kansas Funeral Directors Have Expressed Concerns About the Burial Assistance Program, Especially That They Are Treated Differently Than Other Providers

Although Kansas funeral home directors say they feel a strong obligation to provide funeral and burial services to indigent people, they have expressed concerns about how often the Department reduces its reimbursements below the maximum allowable amounts, leaving the funeral homes to collect the remainder of their charges from the families or estates of the decedents. The problem, according to the Kansas Funeral Directors and Embalmers Association, Inc., is that “In most cases, as a practice, the funeral director has found these assets to have dissolved and had no further recourse to recover the money.”

A number of letters supplied to us by the Association detail specific instances in which the Department has allegedly cited nonexistent or unrecoverable assets as the reason for reducing a funeral home’s reimbursement. The following excerpts are from some of these letters:

- In the settlement of the account, the Department took the position the client’s cash of \$65.92 must be deducted from the funeral account as well as the value of two building lots. The injustice is the burden was placed on our firm to cause probate of the estate of the client, as well as that of the mother of the client dating back to her death in June of 1957. The county attorney estimated that our costs would be \$700-800 to probate the two estates in order to collect our \$500 outstanding.
- On February 19, 1990, we received a check from the Department for \$512. We immediately called the Department and asked them where the balance of the \$1,000 was. They informed us that the decedent’s last paycheck was picked up by his mother after the funeral. Therefore, it was our responsibility to collect the balance of \$488 from his mother. We are still out the \$488.
- The Department agreed to pay the full amount less \$100. This \$100 was the value that they placed on an automobile that was not in running condition. They informed us that we must contact the family, have them sell the car, and then pay the \$100 to us. Needless to say, the \$100 balance was written off as a loss.

- The Department initially agreed to pay the entire \$750. We then received a check from them for \$101.20....Finally, we got a letter from them stating that they had found assets and that the rest of the bill would have to be paid by the widow. We contacted the widow about this payment; she became extremely upset, saying that she had NO funds and was barely able to eat each month. To date we still have not had an answer back from the Department.

In addition to these concerns, funeral directors have said that they are treated differently than other providers. During the 1990 legislative session, House Bill 2801 was introduced to amend K.S.A. 39-713d, the statute that allows the Secretary of Social and Rehabilitation Services to provide funeral and burial assistance when the estate of the decedent is not sufficient to pay for such expenses. That bill would require the Department to reimburse funeral homes and cemeteries for the maximum allowable amounts. The Department, rather than funeral homes, would then attempt to collect any available assets or resources from the estate or family to offset the amount paid for the funeral or burial. Department officials estimated that this change would cost about \$375,000 per year, allowing for uncollectible assets and one additional staff person. The bill is currently assigned to a House of Representatives committee.

Our survey of Kansas funeral directors showed that funeral homes are not happy with reimbursements provided by the burial assistance program. We surveyed a random sample of 100 Kansas funeral homes to identify their perceptions about the burial assistance program. A total of 55 surveys were returned. In all, 47 funeral directors said they had performed a Department-reimbursed funeral in the last two years, and 37 (79 percent) said that they had had at least one case in which they were not reimbursed the full billed amount. Those cases amounted to 131 of the 412 Department-reimbursed funerals (31.8 percent) provided by those funeral homes in that time period. In most cases, the survey respondents indicated that they were told by the Department to collect the remainder of the reduced amounts. Most said they generally attempted to recover any reduced payments informally from the family or estate (35 of 37, or about 95 percent).

One of the questions we asked on the survey dealt with the homes' actual cost for providing a basic funeral, and their usual retail charge for that same sort of service. On average, the respondents said that a basic funeral for an average-size adult, of the kind the Department requires, costs the funeral home \$2,179, including overhead charges. At a maximum reimbursement rate of \$1,150, that means the funeral homes that responded to our survey lose an average of more than \$1,000 for each such funeral they provide. The funeral homes must then recoup these losses by passing them on to other individuals, much like private-pay patients in nursing homes help subsidize Medicaid patients. We also asked the directors what their usual retail charge would be for such a funeral. The responses averaged \$2,546. That means that for each funeral provided to the Department at the \$1,150 rate, the homes lose almost \$1,400 of their normal revenue for that same type of funeral.

Funeral directors who responded to our survey also provided a number of comments about their experiences with the Department's burial reimbursement prac-

tices. The complete survey results, including a sample of the funeral directors' comments, are provided in Appendix A.

About One-Fourth of the Burial Assistance Payments For the First Half of Fiscal Year 1990 Were Reduced Because the Decedent's Family or Estate Had Resources

To determine how much and how often the Department reduced burial assistance payments from the maximum allowable amounts, we reviewed all burial assistance payments made during the first six months of fiscal year 1990. Because the information available in Topeka about Statewide burial payments usually did not include specific reasons for reductions in payments, we also reviewed burial reimbursements made by a small sample of six counties in more detail. The counties we selected were Barton, Decatur, Douglas, Montgomery, Reno, and Shawnee.

About one-fourth of the burial assistance payments made Statewide during the first half of fiscal year 1990 were reduced, although the number of reductions varied from county to county. Statewide, we identified 526 burial reimbursement payments made by the Department from July through December 1989 for 439 different funerals. Department personnel reduced 133 of those payments, so about 25 percent of all payment vouchers were reduced. For the 526 payments we identified, funeral homes and cemeteries billed the State for \$426,500 in burial assistance. Department personnel reduced the amount billed by about \$46,200, or 10.8 percent, making the State's total contribution about \$380,300. The average amount billed per funeral by funeral homes or cemeteries was \$972 and the average payment per funeral was about \$866. Most of the payments were made to funeral homes. Funeral homes and cemeteries in certain locations, however, submit separate bills and receive separate payments.

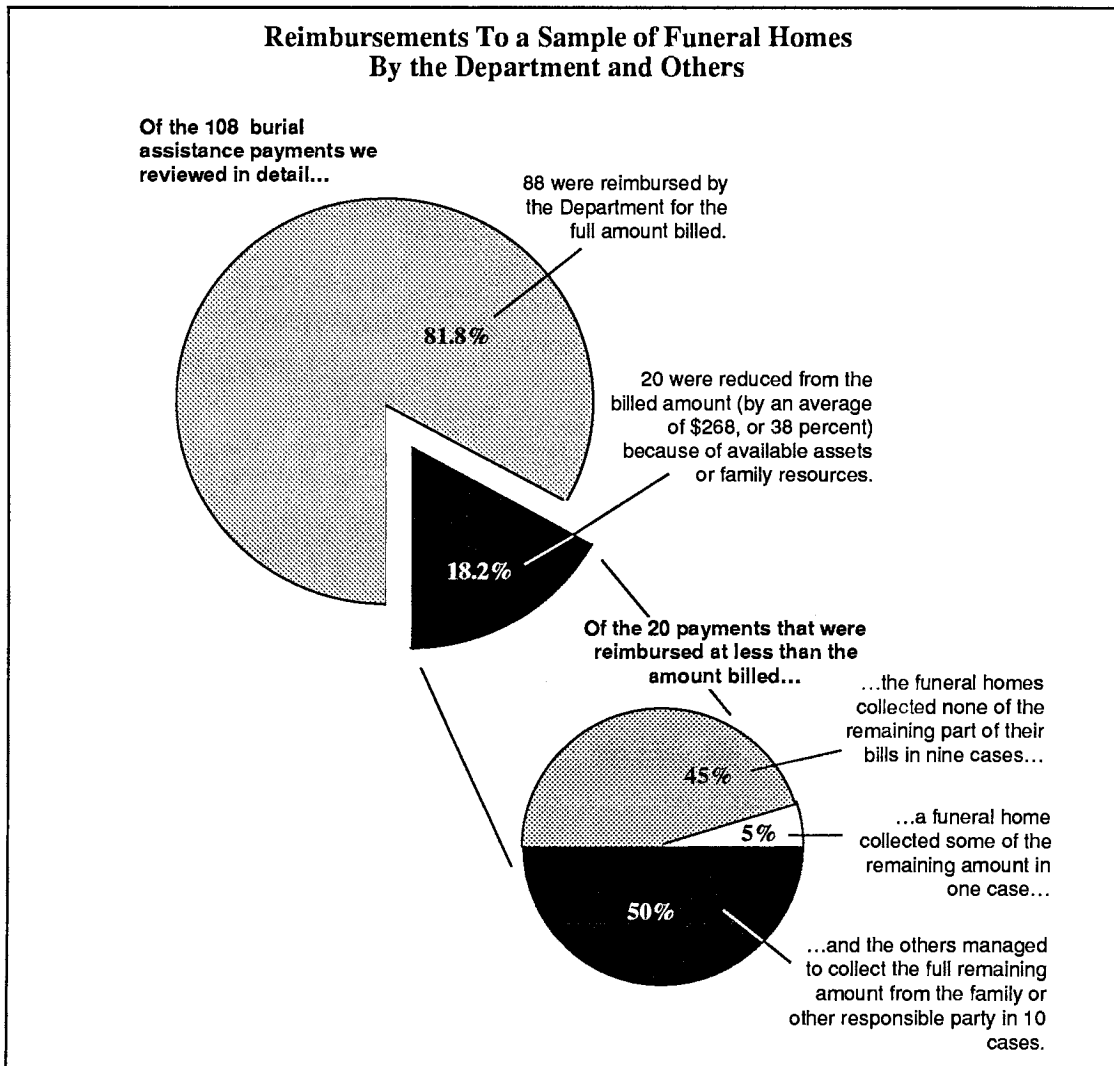
During our review of burial payments, we noted that the number and amount of reductions in payments varied from one county to the next. For example, none of the 11 payments made by the Butler County office were reduced. In Greenwood County, which borders Butler County on the east, two of three payments were reduced and in Harvey County, which borders Butler County to the west, one of three payments was reduced. Due to the limited timeframe for this audit, we were not able to determine why such variances existed.

Burial assistance payments in a sample of six counties were reduced because the decedent's estate or family had cash resources or income, and funeral homes collected more than half these reductions. In our sample of six counties, we found that the Department participated financially in 76 funerals, making 108 separate burial assistance payments during the first half of fiscal year 1990. For our sample, the average amount billed per funeral to the Department by funeral homes or cemeteries was \$702, and the average amount paid was \$652.

Of those 108 vouchers, 20 (18.2 percent) were reduced from the amount billed. Of the 20 vouchers that were reduced, the average amount of each reduction

was \$268, or 38 percent of the amount billed. In all 20 cases, the Department reduced the payments because staff identified assets such as bank accounts, money found on the decedent, recent paychecks, Social Security or Veteran's Administration death benefits, or other monetary resources. Although one concern expressed by the funeral directors was the Department's use of automobiles or other non-monetary assets to reduce reimbursements, automobiles were considered to be an asset of the estate in only one of the 20 cases; in that case, the value of the cars was below the Department's allowance for such assets and so did not figure in the reduction of the funeral home's payment.

Another concern expressed by funeral directors was that cash assets are spent before the funeral home contacts the family to collect any amount reduced by the Department. To determine if the funeral homes in the 20 sampled cases were able to collect the difference between their charges and the Department's reimbursements, we contacted the funeral directors at those facilities. The reduced amounts that these funeral homes were able to collect are illustrated in the following graph. In general,



the funeral homes were able to collect some or all of the amount reduced in 11 of the 20 cases. The most common sources of the 11 reductions collected by funeral homes were Veteran's Administration death benefits and family contributions. Funeral home directors also reported collecting funds from bank accounts, insurance policies, and cash on the decedent at the time of death.

Local and area office personnel do not always notify funeral homes of the amount of reimbursement that will be made. Some of the comments made by the survey respondents and local Department staff indicated that communication between the local Department workers and the funeral homes is not always timely or complete. For example, one funeral director said, "Many times the SRS personnel tell the family and the funeral home the deceased is eligible for [an] SRS service; then in several weeks SRS tells us they will only pay part of the charges because of available assets. By this time, the family has gone in all directions and they do not feel it is their responsibility to pay the difference."

Department staff in the central office indicated that local workers should be providing written notification to both the family and funeral home of the amount the Department will pay for a funeral and the amount that must be collected from the family or estate. However, staff in the local offices we contacted generally told us that the only formal, written communication to a funeral home on a case is the State reimbursement voucher and warrant. Department staff in the local offices do send copies of the approval form to families of the decedent. If funeral homes have to wait for the Department's normal procedures to produce a payment voucher and warrant before finding out how much they will be reimbursed, it increases the likelihood that the family may spend any resources that the worker determined should be used to help pay for the funeral. This decreases the funeral homes' ability to collect the estate or family portion of the funeral bill. Ensuring that the Department notifies the funeral home of the amount approved for reimbursement on a timely basis might improve the homes' chances of collecting the recipients' share of the bill.

The funeral home directors responding to our survey also indicated that they have not always been able to find out from the local Department office exactly which resources and assets have been included in the determination. One funeral director said, "When we are told to collect from the family, normally we cannot find out where the said assets are." This information is confidential, although Department officials indicated that in the future local workers would try to obtain a release from the family member or other applicant for service, so that the workers could tell the funeral home the nature of the resources used in the eligibility determination.

Reimbursements to Funeral Homes Are Handled In Much the Same Way As Reimbursements to Other Providers

To determine how the procedures for reimbursing funeral homes might differ from procedures for reimbursing doctors, hospitals, and other providers of services to public assistance recipients, we interviewed Department officials and reviewed the Department's Kansas Public Assistance Manual.

Officials said that in most ways the Department treats the two classes of providers in much the same way. For example, they said, the Department pays both doctors and funeral directors a set maximum amount for service. For both groups, the Department's reimbursement is considered to be payment in full; neither doctors nor funeral directors are allowed to charge clients for the remainder of their usual fees over and above what the Department pays. In addition, for both medical and burial assistance, the Department may calculate a portion of the total charge that is the recipient's obligation to pay because the recipient's or family's resources exceed the Department's allowances.

Department officials said, for example, that if a doctor usually charges \$1,600 to perform an appendectomy, the Department might reimburse a maximum of, say, \$1,000. If the Department determined that the client had income of \$450 over and above a set living allowance, it would pay only \$550 of the doctor's bill, and would require the doctor to collect the other \$450 from the client. The \$450 client obligation is the client's "spenddown," a procedure that is very common in the Department's medical program, according to officials. Department officials added that if a medical assistance recipient died before the client obligation portion of the doctor's bill had been paid, the doctor could still collect from the Department in the same way as if the recipient were alive. However, the doctor still would be required to pursue collection of any client obligation portion of the bill from the family or the estate.

In the same way, funeral homes and cemeteries are entitled to receive partial reimbursement for recipients who meet the program's eligibility guidelines. According to Department officials, the eligibility determination process of identifying estate assets and family resources establishes a "client obligation" for the dead person analogous to the "spenddown" amount set for a medical assistance recipient. The difference, of course, is that because the funeral home is providing services to someone who is dead, the "client obligation" portion of the charge must always be collected from the family or estate.

Doctors often can try to collect the client obligation portion of their bills from living patients and are forced to go the family or estate only when a recipient dies. Department officials pointed out that, even in instances where the funeral home makes arrangements for payment with the family of a person not on public assistance, there is always the possibility that the funeral home will have to go after the decedent's assets to collect for the cost of the services rendered. Such collection efforts, Department officials said, are a normal part of doing business for all service providers, and are not unique to funeral homes.

State Burial Assistance In Kansas Is Generally More Comprehensive and Costly Than State Assistance In Surrounding and Similar States

To determine how other states' burial reimbursement practices compare with the Kansas program, we contacted state officials in Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Each of the states contacted makes some provision for pro-

viding burials for indigent persons at either the state or county level, but the practices varied widely from state to state. Of the five states surveyed, only three (Colorado, Iowa, and Oklahoma) provide some kind of state-funded burial assistance. Of those, only Iowa provides assistance to both public assistance recipients and non-recipients. In all five other states the counties had some role in providing burial assistance, and burial assistance in Nebraska and Missouri is provided only by the individual counties.

**Comparison of Burial Reimbursement Programs
In Kansas and Surrounding and Similar States**

	Colorado	Iowa	Kansas	Missouri	Nebraska	Oklahoma
Who is responsible for providing burial assistance?	State/ County(a)	State/ County(b)	State	County	County	State/ County
Who is eligible for state burial assistance?						
Public Assistance Recipients?	Yes	Yes	Yes	N/A	N/A	Yes
Indigents?	No	Yes	Yes	N/A	N/A	Yes
What is the maximum state reimbursement rate?	\$1,250	\$400	\$1,250	N/A	N/A	(c)
Are the decedent's assets used to reduce the state's reimbursement?	Yes	Yes	Yes	N/A	N/A	(d)
Who is responsible for collecting those assets?	Funeral Home	Funeral Homes	Funeral Homes	N/A	N/A	(d)
How much did the state spend on burial assistance in fiscal year 1989?	\$377,732(e)	\$30,800	\$758,916	\$0	\$0	(d)
How many burials did the state pay for during fiscal year 1989?	1,201	77	1,083	0	0	(d)
What was the average cost per burial during fiscal year 1989?	\$393	\$400	\$701	N/A	N/A	\$1,200- \$1,500(f)

- (a) This program is administered by the counties; the State provides 80 percent of the funding and the counties provide the remaining 20 percent.
- (b) The state of Iowa provides burial assistance for certain categories of of decedents; the counties are responsible for providing assistance to any other decedents.
- (c) No maximum reimbursement range has been set by the state. Department of Human Services personnel are instructed to contract with funeral homes for the lowest price possible.
- (d) Oklahoma officials could not provide this information.
- (e) Although the total cost of the program was \$472,165, the state was only responsible for 80 percent of the cost.
- (f) These are the average payments made by the State of Oklahoma to bury children in State custody.

Of the five states contacted, none had a higher statewide maximum allowable reimbursement rate than Kansas. All of the states except Missouri used the decedent's assets to reduce the reimbursement and require funeral homes to collect such assets. Finally, Kansas spent \$758,916 on its burial program for fiscal year 1989 which was significantly more than any other state spent. Colorado reported the next highest expenditures with fiscal year 1989 state payments of \$377,732 for burial assistance. The burial assistance programs in other states are described in more detail in the box on page 12.

Conclusion

It does not appear that the Department's reimbursement practices for the burial assistance program are significantly different from practices for reimbursing other vendors such as physicians. Further, Kansas' burial assistance program is more comprehensive than burial assistance provided by neighboring states. The Department's reimbursement practices do result in situations where funeral homes and cemeteries may not be able to collect amounts deducted as the family or estate's obligation, or where the funeral homes and cemeteries may spend more trying to collect assets than they are actually able to collect. This could also be true for others who provide services to public assistance recipients.

Nonetheless, this is an area that has caused considerable concern among members of the funeral home industry. Any changes the Legislature may wish to make to address these concerns would have a fiscal impact, one that could be magnified if applied to other vendors. House Bill 2801, introduced during the 1990 legislative session, would have made the Department responsible for collecting any assets or resources available from families or estates to offset funeral and burial costs. Although definite cost figures for this change are not available, the Department estimated that this change would cost about \$375,000 per year. This figure could be somewhat high, but our review of funeral and burial payments made during the first half of fiscal year 1990 indicated the cost of such a change would be at least \$100,000. Another option would be to increase the maximum amounts paid by the Department for funeral and burial costs. Additional costs for this option would depend on the amount of increase in reimbursement rates. For example, if the rates were increased by \$50 per funeral and the Department paid for 1,000 funerals per year, this change would cost the State a maximum of \$50,000.

Regardless of whether any changes of this nature are made to the burial assistance program, the Department should take steps to ensure that the program is administered uniformly across the State, and to improve communications with members of the funeral and burial industry.

Recommendation

The Department of Social and Rehabilitation Services should take the necessary steps to develop consistent burial reimbursement practices and ensure that such practices are used across the State. These steps should include the following:

- a. Develop formal, written procedures for notifying funeral homes and cemeteries on a timely basis of the amount to be paid for services provided.
- b. Spread any payment reductions over both cemetery and funeral home bills when separate bills are submitted for such services.
- c. Continue to work to get written releases from family members so that funeral homes and cemeteries may be told what assets were used to reduce any Department payments.

How Does the Amount the Department Budgets For These Funerals And Burials Compare With the Amounts Actually Spent?

We found that the Department's burial assistance program spent more than its appropriation each year from fiscal year 1986 through 1989. In addition, Department officials estimated that the program would also exceed its appropriation for fiscal year 1990. According to Department officials, these deficits in the burial assistance program were met each year by transferring funds from other assistance programs into the burial program.

In Recent Years, Burial Assistance Expenditures Have Consistently Exceeded Appropriations

The Department's budget requests, appropriations, and actual expenditures, for the burial assistance program for the last five fiscal years are summarized in the following table.

**Summary of Burial Program Appropriations and Expenditures
Fiscal Years 1986 Through 1990**

	Fiscal Year				
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Budget Request	\$450,000	\$597,633	\$696,600	\$721,113	\$760,000
Appropriation	450,000	475,695	696,600	679,839	740,000
Expenditures	689,756	686,774	734,206	758,916	822,150 (a)
Expenditure Deficit	239,756	211,079	37,606	79,077	82,150 (a)
Deficit as a Percent of Appropriations	53.3%	44.4%	5.4%	11.6%	11.1%

(a) The fiscal year 1990 expenditure and deficit figures are estimates based on actual expenditures for the first eight months of fiscal year 1990.

As the table shows, although expenditures for burial assistance have consistently exceeded appropriations, the appropriations have more nearly kept pace with expenditures since fiscal year 1988. For the five years between fiscal years 1986 and 1990, annual expenditures have increased by approximately \$132,400, or 19.2 percent. During the same period, appropriations for burial assistance have increased \$290,000, or 64.4 percent. As a percent of appropriations, the expenditure deficits have decreased from 53.3 percent in fiscal year 1986 to a projected 11.1 percent in fiscal year 1990. The low in this area was in fiscal year 1988, when expenditures exceeded appropriations by only 5.4 percent.

According to Department staff, the annual deficit in the burial assistance program is met by transferring funds from other assistance programs. Although Department staff could not determine exactly which programs the money to fund the annual burial program deficits came from without conducting detailed reviews of appropriations and expenditures for other programs, they indicated that the shortfalls were always funded with State General Fund dollars originally allocated to other assistance programs. Department staff did indicate, for example, that the shortfall in fiscal year 1987 was at least partially funded by shutting down the emergency assistance program for several months. When operating, the emergency assistance program provides funds for families with children when evictions or disasters such as fires or tornadoes occur and no other resources are available.

Department budget requests for the burial assistance program are based on historical changes in expenditures. Department staff indicated that they calculate their budget requests for this program by estimating the current year's expenditures and increasing that amount by the percentage growth they anticipate for the budget year's expenditures. The budget request for burial assistance, consequently, would not be affected by the Department's expected average payment per burial.

APPENDIX A

Funeral Directors' Survey Responses

We sent surveys to a sample of 100 Kansas funeral homes. Of the 100 surveys, we received 55 responses. The first two pages of this Appendix show the total or average responses to our survey questions. The final two pages contain excerpts from comments made by funeral directors on the survey forms.

4. When the Department has reimbursed you for less than the amount you billed for an indigent person's funeral (given that the Department limits the amount you may bill to the maximum allowances established by State regulation), in general what explanation(s) have you been given (check all that apply)?

	<u>Number of Responses</u>	<u>Percent of 37 Reporting Reduced Payments</u>
we were told that we would have to file a claim or lien with the court:	3	8.1%
we were told that we would have to collect from the family:	27	73.0
we were told that the decedent had assets, and that it was our responsibility to find and claim those assets:	28	75.7
we were not given any explanation:	2	5.4
other:	7	19.0

5. What have your collection practices been for recovering the difference between your bills to the Department for indigent persons' funerals and the amount the Department reimbursed? (Please check all that you have used in the last two years.)

	<u>Number of Responses</u>	<u>Percent of 37 Reporting Reduced Payments</u>
we file a formal claim with the court against the estate of the decedent:	2	5.4%
we informally attempt to recover the money from the decedent's family:	35	94.6
we use a collection agency to recover the money:	4	10.8
we do not attempt to collect the difference:	2	5.4
other:	4	10.8

6. The Department will pay only for the most basic funeral, with a simple casket, plot, and an outside container only if required by the cemetery. For these goods and services, the Department will only reimburse you up to a maximum of \$1,150, assuming the decedent was an adult of average size.

	a. what is your <u>actual cost</u> for such a funeral? (a)	b. what would be your <u>usual retail charge</u> for such a funeral?(a)
casket:	\$184	\$476
cemetery plot:	\$157	\$167
outside container:	\$193	\$370
all other services (including overhead):	\$1,701	\$1,665
TOTAL:	\$2,179	\$2,546

- (a) Some respondents did not itemize their individual costs and charges, but entered their total costs and charges. As a result, the figures for individual items may be less accurate than the totals for all charges.

7. Please use the space below to provide any other comments about your experiences providing funerals for indigent persons for which the Department reimbursed you.

Following is a sample of the comments provided by the funeral directors who responded to the survey:

- Our firm has not personally had any problems with collecting the fees for welfare services. The Butler County SRS office has been very cooperative and helpful, and easy to work with...
- We were told in one case that the deceased was to have been receiving alimony payments and should have money to pay the balance of the funeral bill, even though she had no money and had not been receiving alimony payments for several months.
- It would be nice if we could get the \$1,150 and welfare collect the balance.
- In my past experience it is totally a waste of effort to assume that a family who has no money and is eligible for State Assistance will ever turn money over from Social Security or Veteran's Administration. These people have no checking account or personal property to claim against or to put in an estate. They cash their monthly checks at the 1st of the month and deal in cash all month long. They are a horrible credit risk. Once the dead person is in the ground it's all over and the family knows we won't dig the person up and wait to be paid. Nothing to repossess.
- We all realize we are going to have services for indigents from time to time. I feel the recovery of our actual costs is very justified.
- I have been involved twice in the past few years where we were put in a position to have to work out the sale of old pickup trucks to received one time \$50.00 and another time about \$600. Since Social Security no longer allows assignment of the Lump Sum Death Benefit to the Mortuary we have three times lost the \$255.00 since we could not make collection from the surviving spouse. I'm sure SRS could recoup those fund gradually by withholding a portion from future payment made to the spouse...
- We have not had to provide services for an indigent person in the last two years. However, from all we know about SRS, we feel the funeral profession is being taken to the cleaners by this organization. The funeral profession should at least be able to recover their average cost of providing a service for an indigent body.
- Obviously if all our funerals were of this type we would not be in business long. Fortunately they are not. I do want to add that the Director of the Dodge City SRS office...is very cooperative and understanding of our problems. She tries to help us when she can within the confines of her regulations.
- The entire process is very unsatisfactory. Services and merchandise is provided at 30% less than our ACTUAL cost. Furthermore, this subsidized amount is further reduced in a computation that defines logic. The public is being deceived that the State is reimbursing the Funeral Director as it does all other "vendors".

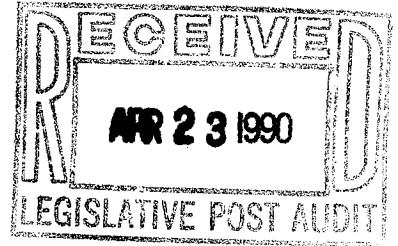
- Our experience has been SRS gives us a complete understanding as to what they will pay before we conduct the services...there is a complete understanding prior to our rendering service and funeral. However, the funeral director and funeral home is forced to provide services and merchandise just as though the family was paying the full minimum service and casket. The problem lies with SRS in that it has not updated the payment schedule to keep up with rising costs. Funeral directors use "good samaritan" practices and SRS has kept schedule of payments antiquated.
- This is a common problem and has been so for years. When we are told to collect from the family, normally we cannot find out where the said assets are. The family just ignores these claims. We cannot get the location or amounts from SRS and basically have to ignore the amount and write it off. In one instance, the family couldn't even find out what assets SRS was talking about. The other case during this time, donations from the public to help the family in restoring a life after burning out was deemed assets and had to be used to pay doctor and funeral bills first. This resulted in hardship on the family.
- In the past we always have received what we bill. Recently, however, there have been several occasions when the amount allowed by the caseworker to be billed was not paid because of "assets", i.e. old cars, insurance policies with the beneficiary not willing to pay the proceeds, Social Security death benefits which the funeral home cannot claim, or VA benefits which we can claim. Several times we have gotten approval for payment of benefits, carried out the funeral service, and then been denied payment completely, because the person "did not qualify."
- We're thankful we only average one SRS case per year--one positive thought also is our office here in Phillipsburg is very cooperative.
- Most generally the folks are very cooperative. I did have one service where I told them I could never collect from a spouse the remainder the State didn't pay. I was informed - 'sorry'.
- We have received less than the amount billed in previous years because a member of the family of the deceased has been judged to have owned assets or cash. We have never been able to collect this amount and have had to write it off as a loss.
- I have been quite fortunate not to have many SRS funerals in the past two years. In 1987 I had more of them. Over these years, I have had a number of funerals that I have done for about the same fee, and the family paid for it. I do think it is unfair for us to have to take such a discount. When an SRS auto pulls into the gas station, do they only pay .35¢ per gallon on gas, when the going rate is over a \$1.00? These are many other examples where SRS has to pay the full price for goods and services every day. Why single us out?
- ...It is impossible, in most cases, to find and collect "assets" from these families. In our last case the "assets" was a Social Security check that had already been spent during the time the decedent in the hospital. This was certainly unrecoverable.
- Each office and each case worker interprets the manual differently. It's a hassle each time because there are no standards. In my opinion the entire Kansas SRS Dept. is a shambles, and we only deal with a small tip of what's probably a huge iceberg!



APPENDIX B

Agency Response

On April 17, 1990, we provided a copy of the draft audit report to the Department of Social and Rehabilitation Services. Its response is included in this Appendix.



STATE OF KANSAS

MIKE HAYDEN, Governor

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

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April 23, 1990

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Abuse Services
ANDREW O'DONOVAN
Commissioner

Income Maintenance/
Medical Services
JOHN ALQUEST
Commissioner

Mental Health/
Retardation Services
AL NEMEC
Commissioner

Rehabilitation
Services
GABE FAIMON
Commissioner

Youth Services
ROBERT BARNUM
Commissioner

Ms. Mary Beth Green, Senior Auditor
Legislative Division of Post Audit
Suite 301, Mills Building
Topeka, Kansas 66612

Dear Ms. Green:

I have received and reviewed the report proposed as a result of your performance audit of the Department's Burial Assistance program. I am pleased to learn that you have not identified any substantive problems in our Burial Assistance program. Throughout the past few months my staff and I have also examined the Burial Assistance program and have identified procedures that we feel need strengthening. Your findings support our own analysis and we are in total agreement with your final recommendations. Preliminary action to implement your recommendations has already been taken.

The information which this audit provides is appreciated by the Department and will be of great help in future analysis and modifications of our existing General Assistance program. Please extend my appreciation to your staff for their diligent and thorough manner in which they conducted this audit.

Sincerely,

Winston Barton
Secretary

WB:JWA:bg

