

ISSUE BRIEF

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TRENDS IN NUTRITION POLICY

Who Picks Up the Tab? Reducing Payment Errors in School Nutrition Programs

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Although the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) help ensure that many low-income children have enough nutritious food to eat, some studies have suggested that the programs could be more efficient and cost-effective. In particular, concerns have been raised about erroneous payments that reimburse schools for meals served to students who are not eligible for them. Policymakers would also like to find ways to reduce errors that arise when schools and school districts process or report meal reimbursement information incorrectly. This brief draws on Mathematica's Access, Participation, Eligibility, and Certification (APEC) study to examine these issues. It provides the most detail to date on certification and payment errors in school meal programs. It suggests key factors for policymakers and program operators to consider as they move forward in developing initiatives for reducing payment errors.

Extent of the Problem

Over the years, concern has mounted that many of the more than 26 million children certified to receive free or reduced-price meals may be ineligible for these benefits. Studies have suggested that the number certified inappropriately—that is, from families with incomes too high to qualify—is large and perhaps growing. In addition, some children are in households with incomes that qualify them for more benefits than they are receiving or have applied but been denied even though they are eligible.

HIGHLIGHTS IN BRIEF

- For all students who applied for school meal benefits or were directly certified, about one in five were incorrectly deemed eligible for the level of benefits they were approved for or erroneously denied benefits.
- Among those certified in error, overcertification was about twice as likely as undercertification.
- For both the NSLP and SBP, about 9 percent of total meal reimbursements were erroneous because of certification error.
- Misreporting by households of their circumstances was substantially more common than administrative errors by districts or schools as sources of certification error.

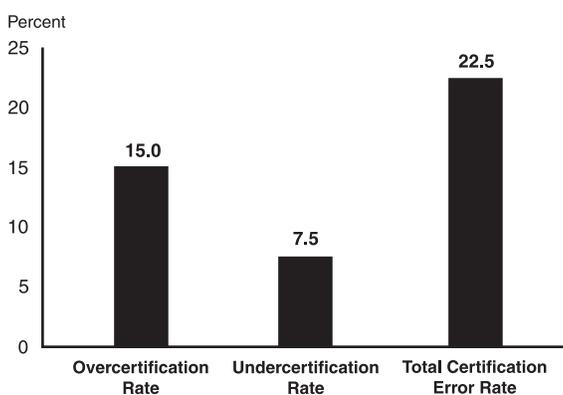
School meal programs, which served seven billion lunches and breakfasts in 2006, must balance competing objectives of providing benefits to those children who are eligible with providing needed help to vulnerable children. To this end, the Child Nutrition and WIC Reauthorization Act of 2004 strengthened procedures for certifying students for free or reduced-price meals and verifying their eligibility. In addition to the specific measures aimed at improving NSLP and SBP integrity contained in the act, under the Improper Payments Information Act of 2002, the U.S. Department of Agriculture (USDA) must report on the extent of erroneous payments in school meal programs and reduce them if they are significant.

Mathematica's national study is the first to quantify the amounts and rates of improper payments created by certification errors. It is also the first to estimate amounts and rates of erroneous payments caused by noncertification errors, which involve cashier and meal counting mistakes. This issue brief focuses on certification error (see Ponza et al. 2007 for noncertification error findings).

Certification Error Rates

Most students who applied for free or reduced-price meals were certified accurately or denied benefits appropriately. However, slightly more than one in five was not (Figure 1). Overcertification, at 15 percent, was more common than undercertification, at 7.5 percent. In other words, about two-thirds of certification errors resulted in students being certified for a higher level of benefits than that for which they were eligible.

Figure 1: Certification Error Rate Estimates for Certified Students and Denied Applicants SY 2005-06



Certification accuracy varied substantially by the level of benefits for which students were approved. Accuracy was highest for students certified for free meals, with 86 percent eligible for these benefits, 8 percent eligible only for reduced-price meals, and 6 percent ineligible. Errors were most common for students certified for reduced-price meals, with 41 percent eligible for these benefits, 34 percent undercertified (eligible for free meals), and 25 percent overcertified (eligible for paid meals). Among students whose applications were denied, nearly two-thirds were denied correctly.

Sources of Certification Error

Certification errors occur when households misreport information on their applications (called household reporting error), or when districts make mistakes in processing applications, determining eligibility, or recording certification status (known as administrative error).

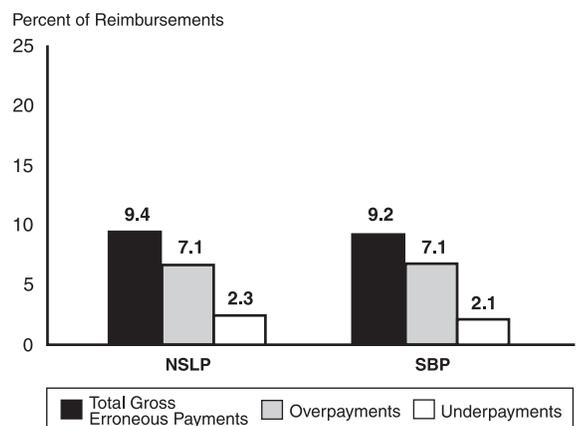
Our key findings on error sources include the following:

- Household reporting error was more common than administrative error—23 percent of the applications for certified and denied applicants misreported information. On the other hand, 8 percent of certified and denied applications had administrative errors.
- Most reporting errors involved households misreporting their total income, often by inaccurately reporting or failing to report secondary sources of income.
- The most common administrative error resulted from school districts approving incomplete applications, which typically lacked a signature or social security number.

Erroneous Payments Due to Certification Error

For both the NSLP and SBP, about 9 percent of total meal reimbursements were erroneous because of certification error (Figure 2). In the 2005–2006 school year, erroneous NSLP reimbursements resulting from this type of error totaled \$759 million, or 9.4 percent of the roughly \$8.1 billion in total cash reimbursements and commodities paid to school districts for all NSLP lunches served. Erroneous SBP reimbursements totaled \$177 million, or 9.2 percent of the \$1.9 billion in total cash reimbursements paid for all breakfasts served.

Figure 2: Rates of Erroneous Payments Due to Certification Error—NSLP and SBP SY 2005-06



Certification error usually resulted in overpayments rather than underpayments. More than three-quarters

of erroneous payments in both the NSLP and SBP were overpayments. The estimated overpayment rate was about 7 percent, and the underpayment rate was just over 2 percent for both programs.

Roughly two-thirds of these erroneous payments resulted from households reporting incorrect information on free or reduced-price meal applications. For the NSLP, household reporting error resulted in \$521 million in erroneous payments; erroneous SBP reimbursements from reporting error totaled \$117 million.

Payment errors for reduced-price meals totaled about 20 percent of all erroneous payments due to certification error. This is a significant source of error that could be eliminated by doing away with the distinction between free and reduced-price meals, and reimbursing all meals to certified students at the current free meal subsidy rate. NSLP overpayments of about \$77 million involved reimbursements to students certified free but reduced-price eligible; \$64 million in underpayments involved reimbursements to students certified for reduced-price but eligible for free meals. The SBP incurred about \$23 million in overpayments and \$17 million in underpayments from these sources, respectively. Eliminating the distinction between free and reduced-priced meals could reduce erroneous payments by \$181 million across the two meal programs.

Looking Ahead

Reducing error rates and improving program performance is a worthy goal for school meal programs. USDA has taken several steps to reduce erroneous payments. The Child Nutrition and WIC Reauthorization Act of 2004 includes a range of program changes—such as requiring districts to automatically certify children in food stamp households; extending the free/reduced-price certification period to cover the full school year rather than requiring families to re-apply during the year; and requiring districts to use a single application for all children in a given household—to ensure access while addressing program integrity issues. In addition, school districts must report verification results and pursue corrective action for errors they uncover. The federal government is also assessing school district performance and providing technical assistance to help reduce certification error caused by administrative errors.

The APEC study provides critical information to help USDA meet its reporting requirements and implement strategies to reduce errors in school meal

programs. Mathematica's findings suggest that the following approaches for reducing errors and erroneous payments could be considered:

- **Find ways to get more accurate and complete income data from households.** Nearly 80 percent of the applications with reporting errors misreported income. Many of these errors involved misreporting secondary income. Although application forms and instructions ask applicants to report all income sources, this message needs to be communicated more emphatically.
- **Follow up on incomplete applications before making certification decisions.** More than one-quarter of administrative errors resulted from school districts certifying incomplete applications. Most lacked a signature or social security number. School districts can significantly reduce administrative errors by following up with households to get missing information.
- **Improve accuracy of administrative functions related to certifying students and recording their status.** The number of assessment, lookup, and transmittal errors district staff make are relatively small in magnitude but contribute to overall administrative error. Strengthening procedures for processing applications, applying decision-making rules, and transmitting certification decisions more accurately would reduce these error rates.
- **Draw on income verification processes used by other means-tested programs.** Many households applying for free or reduced-price meals are also receiving benefits from other means-tested programs, such as food stamps or Temporary Assistance for Needy Families, and have gone through income verification checks for them. Under direct certification, food stamp and welfare offices share information with districts to certify students in these households without requiring an additional application. Recent legislation requires districts to use direct certification for food stamp households, but districts should look for ways to use information from other programs to improve the certification accuracy.

Future Directions for Policy

Structural changes to school meal programs could have a large influence on erroneous payments. Approximately 20 percent of erroneous payments due

to certification error result from a mismatch between free and reduced-price certification and eligibility—that is, free meals served to students eligible for reduced-price meals or vice versa. Eliminating the distinction between free and reduced-price meals could reduce overall erroneous payments, although the magnitude of this change would depend on how it was implemented.

In making changes, policymakers and program staff must also carefully assess effects on students. In particular, changes in school food service operations must be implemented in a way that ensures low-income children have access to nutritious food in school. Research has found that some changes reduce access for eligible students. For example, a demonstration program requiring students to submit income documentation with their free and reduced-price meal applications was found to reduce the proportion of eligible students getting free or reduced-price meals (Burghardt et al. 2004; Gleason et al. 2008).

Although erroneous payments can and should be reduced, it is unlikely that they will be eliminated. Even in means-tested programs with more intensive approaches for certifying eligibility, such as the Food Stamp Program, erroneous payment rates are nontrivial (slightly less than 6 percent). The changes suggested here should be envisioned as a way to balance the competing objectives of ensuring that eligible low-income children have access to nutritious food and encouraging government programs to operate efficiently.

References

- Philip Gleason, John Burghardt, Paul Strasberg, and Lara Hulsey. “Tightening Income Documentation in a Means-Tested Program: Who Stays Away?” *Evaluation Review*, vol. 32, no. 3, 2008, pp. 273-297.
- Michael Ponza, Philip Gleason, Lara Hulsey, and Quinn Moore. “NSLP/SBP Access, Participation, Eligibility, and Certification Study: Erroneous Payments in the NSLP and SBP, Volume I: Findings.” Princeton, NJ: Mathematica Policy Research, Inc., November 2007.

DATA AND METHODS

Mathematica’s study provides baseline estimates of erroneous payments made to school districts nationally for NSLP and SBP meals claimed for reimbursement in school year 2005–2006. It used a multistage-clustered sample design. Researchers selected representative samples of 87 school districts, 266 schools, and about 7,800 free or reduced-price meal applicants and directly certified students participating in the NSLP/SBP in the contiguous United States during this period. More than 3,400 in-person surveys were conducted to collect household income and household size information. The study examined two sources of erroneous payments: (1) those that result from misclassification of students’ school meal eligibility status (certification errors), and (2) those that result from errors in meal-counting and meal-claiming procedures (noncertification errors). Certification error and noncertification error were calculated independently. They should not be added together to obtain an overall amount or rate of erroneous payments for each meal program, because of interaction between the two types of errors.

John Burghardt, Philip Gleason, Michael Sinclair, Rhoda Cohen, Lara Hulsey, and Julita Milliner-Waddell. “Evaluation of the National School Lunch Program Application/Verification Pilot Projects, Volume I: Impacts on Deterrence, Barriers, and Accuracy.” Princeton, NJ: Mathematica Policy Research, Inc., June 2004.

For more information about this study, conducted for the Food and Nutrition Service of the U.S. Department of Agriculture, contact Michael Ponza, senior fellow, at (609) 275-2361, mponza@mathematica-mpr.com. To read the full report on which this report is based, go to www.mathematica-mpr.com.

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