Wall St. Jrnl; 6/26/78; p.1

## *Research Squeeze*

# Rockefeller University Decries Less Financial And Scientific Freedom

## As Its Endowment Shrinks, Use of U.S. Funds Brings Monitoring and Cutbacks

## The Fear of 'Peer Reviewers'

By Jeffrey A. Tannenbaum
*Staff Reporter of* The Wall Street Journal

NEW YORK – "To explore . . . to dream."

Medical research was in its infancy at the turn of the century. The goals laid out for the fledgling Rockefeller Institute for Medical Research by Dr. Simon Flexner, the first director, were suitably lofty.

Indeed, the sustaining fortunes of John D. Rockefeller must have looked inexhaustible. "The founder and his advisers," Dr. Flexner told his colleagues at one point, "have said to us again and again, in effect: 'Don't be in a hurry to produce anything. Don't worry about making good. We have faith that you will make good, and if you don't, the next fellow will.' "

This was stirring stuff, and it worked. Over the years, Rockefeller scientists made any number of major discoveries (including the first indications that DNA transmits hereditary information), and collected an astounding total of 16 Nobel prizes. The institution – renamed Rockefeller University in 1965—became one of the most prestigious scientific bodies.

### Infusions of Reality

But, in its 77th year, the founder's creation is suffering some jarring infusions of reality. A current researcher, Dr. Edward H. Ahrens Jr., says he occasionally is awakened by a nightmare in which he is being chased by "peer reviewers." These are scientists working elsewhere who have been designated to come in and evaluate the work done at Rockefeller with federal grants.

No wonder Dr. Ahrens has been having bad dreams: A peer review team's recent disparaging report about his biggest project—a study of 1,400 patients with high cholesterol—was followed by a decision at the National Heart, Lung and Blood Institute not to renew financing for the project.

"I was absolutely astonished," says Dr. Ahrens. "I was convinced that we had done well." He had been requesting $8.5 million to continue his study for five more years. The decision also was a blow for Rockefeller; 35 employes associated with the study had to be laid off.

The episode, taken in the national context of tight research monies, illustrates a squeeze affecting other scientific institutions as well as Rockefeller. As the dependence on outside financing grows, scientists lose some of their freedom to choose their projects and nurse them along, if necessary for many years. And that is just one aspect of the financial crisis confronting Rockefeller.

### The Yankees of Science

Once unrivaled in U.S. medical research because it was virtually alone, Rockefeller today has dozens of competitors. But Rockefeller always is counted among the best. "This is the New York Yankees of the scientific community," says George Barany, a 23-year-old postdoctoral fellow performing chemistry research that eventually may aid diabetics. "Baseball players dream of wearing a Yankee uniform, and science people dream of working at Rockefeller." (Mr. Barany himself is so bright that he was admitted as a Ph.D. candidate at age 16, without having gone through college.)

Whether the Rockefeller team can maintain its winning record isn't clear. But the biggest barrier to its doing so is clearly a shortage of money. Given Rockefeller's luxuriant history, it is as if King Khalid were suddenly hard up for oil.

But the problem is real enough. During the past decade, Rockefeller has accumulated deficits exceeding $15 million. The annual deficit—it was $1.1 million for fiscal 1977 on a $37.9 million budget—has been narrowing only because of severe cost-cutting and retrenching.

### "Just Making Do"

On Rockefeller's 15-acre Manhattan campus, which comprises 22 buildings along the East River about a mile north of the United Nations complex, the mood clearly has changed. Says Albert Gold, a vice president: "The environment has changed from one of heady growth to one of just making do."

Signs of the leaner times are prevalent. A celebrated painting, David's "Antoine-Laurent Lavoisier and His Wife," no longer hangs in the campus library; by selling it, the university raised more than $4 million to help prop up a diminished endowment. Strip steaks have been dropped from campus menus. Rockefeller even has started taking in laundry: An outside customer pays the campus laundry about $30,000 a year for service. Such economies were unheard of in Rockefeller's past.

If science is essentially "the absence of prejudice, backed by the presence of money," as Henry James put it, then the university started out with an enormous advantage: backing from the oil magnate who gave it his name (and a guarantee of freedom in research).

And the institution rapidly made good. Almost by itself, Rockefeller won respect for the U.S. in medical research, which had been dominated by the European laboratories named for Louis Pasteur, Robert Koch and others. In 1917, for example, Rockefeller developed a technique for freezing human blood, thus helping make blood banks possible.

Under Detlev W. Bronk's rule from 1953 to 1968, Rockefeller broadened its scope—adding physicists, philosophers and behavioral scientists—and rapidly expanded. Mr. Bronk was a self-centered autocrat ("The color of your toilet paper was his business," one scientist recalls), who hoped to make Rockefeller as distinguished in the humanities as it was in medical science. He also started taking on students (postgraduates only, a policy still in effect) and changed the institution's name to Rockefeller University.

The expansionist policies were continued briefly under the current president, Frederick Seitz, who is due to retire Friday. But Mr. Seitz, a shy, soft-spoken man, soon had to backpedal. Although it had begun earlier, Rockefeller's financial crisis arrived in full force after the 1973 Arab oil boycott aggravated U.S. inflation. Rockefeller's costs were soaring. Its income wasn't.

Clouding the financial outlook, moreover, were declines in the market value of Rockefeller's investments and an end to the post-Sputnik boom in federal research outlays. At its low point, in June 1974, the university portfolio was valued at $152.7 million, off from $213.3 million a decade earlier (the January 1978 figure: $167 million). In constant 1972 dollars, federal spending for basic research is no higher than a decade ago.

Faced with mounting deficits, Mr. Seitz slashed spending and intensified a search for new funds. The retrenching aroused considerable controversy because Mr. Seitz, as one measure, sought the resignations of some tenured faculty members, a move that seemed threatening to much of the faculty. Five eventually resigned, wiping out the philosophy faculty. With funds short, Mr. Seitz says, it was best to save money for more traditional research areas. Rockefeller today has 76 tenured faculty members, plus 342 junior associates and 115 students (who get their education tuition-free). Despite Mr. Seitz' pruning of the staff, insiders complain that the faculty still includes some 20 or so unproductive senior researchers.

The new fund-raising effort, begun in 1971, to date has brought in $59 million, largely from foundation grants. (Over $22 million has come from the Rockefeller family, the Rockefeller Foundation and the Rockefeller Brothers Fund.) However, the new monies include only $10.8 million in unrestricted funds for the endowment, compared with the $14.9 million that was withdrawn in recent years to meet deficits.

But Rockefeller's projections are mildly optimistic. "I think we can hang on," says Joshua Lederberg, Rockefeller's president-designate, a geneticist who is currently at Stanford University. "I think we're pared down to the point where there's the right balance between the commitments and resources." Rockefeller before long may even be able to resume modest growth, he says—perhaps one new laboratory a year.

### Volatile Chemistry

Rockefeller remains stronger financially than many of its rivals and is still attractive to both students and faculty. For the students (there are 85 Ph.D. candidates and 30 students in a joint M.D.-Ph.D. program with Cornell University) there is an opportunity to work with renowned scientists. That is not always easy, for the scientists' egos are sometimes even larger than their credentials. The human chemistry can be explosive, and blow-ups—for example, shouting matches over who will deign to clean the glassware—aren't uncommon.

Unlike most U.S. universities, Rockefeller has no departments. Instead, it is organized into 64 laboratories, each dominated by one or two senior scientists. To get ahead, a young researcher must march to the orders of a senior colleague, whereas at most universities he might have more independence. However, "Plato was willing to make a hell of a sacrifice to sit at Socrates' feet, and he still is," a Rockefeller official says.

For the senior faculty the compensation is pleasant, averaging over $41,000 a year. But the major attraction is the absence of teaching chores; Rockefeller hasn't any formal classes. James E. Darnell Jr., a cell biologist who quit as a department head at Columbia University to join Rockefeller in 1974, says he gained up to five more hours a day to perform research by shedding the teaching burden.

Although one physics professor is said to ride a skateboard around his laboratory, and the students hold an annual contest hurling uncooked spaghetti, the atmosphere on campus is decidedly serious. The emphasis is strictly on research. The absence of departments means that the researchers can work within a wide range of disciplines, switching periodically if they so choose.

### "Do It Well"

Stanford Moore, now a white-haired eminence with a formal manner, is a Nobel Prize biochemist who has worked at Rockefeller since 1939. Over the years, he has taken advantage of the institution's flexible structure to switch from aeronautical engineering to organic chemistry to biochemistry.

"I've had a rare opportunity to explore things without any predetermined limits," he says. "The only requirement was this: Whatever I did, I had to do it well."

Rockefeller's flexibility has withstood time, as has its commitment to medical research. At present, its laboratories are exploring enzyme reactions, cardiac physiology, parasitology and a host of additional areas. Six of the laboratories are associated with the university's 30-bed Clinical Research Center, part of a 40-bed hospital where immunological disorders, lipid metabolism and diabetes are among subjects under study.

Almost every year, Rockefeller has significant progress to report. Last year, its researchers disclosed the development of a simple new technique for measuring the body's daily rate of synthesizing cholesterol. In 1976, Rockefeller announced the first continuous cultivation in a test tube of the parasite that causes malaria in man—a step toward a possible vaccine against the killer disease.

Rockefeller's prowess continues, but under duress. The increasing reliance on outside funds has given outsiders a major role in setting research priorities. Of Rockefeller's $37.9 million budget for fiscal 1977, $20.2 million came from outside sources, mainly government agencies.

### Vanishing Windfalls

Once self-sufficient, Rockefeller now must compete for limited federal dollars. Generally, it has been doing well, but it is saddled with the usual problems associated with federal grants. The main problem is that political decisions—to wage the so-called war on cancer, for instance—can cause swift changes in funding priorities. Windfalls can blow away as fast as they appear.

Budgetary cuts at the National Institute of Mental Health, for example, almost have dried up its new monies for neurochemistry projects. Jay M. Weiss, a Rockefeller researcher, says he had counted on getting $42,000 for his project last December. But the money didn't come until June 1, and it was drastically reduced $20,000. "I'm distraughtabout the vicissitudes in funding that sometimes occur on the basis of legislative whims," he says.

When they do get money, the researchers lose some freedom to switch directions when science seems to so dictate (since research grants always are tied to specific proposals). James Darnell, the cell biologist, says he has federal grants to study both viruses and cells—and was threatened with the loss of the viruses funding because, for a while, he concentrated on cells. "Experienced researchers need more flexibility in the handling of funds than they've got," he argues.

A further problem is that the outside scrutiny that comes with outside dollars doesn't always enhance research, Rockefeller maintains. Anthony Cerami, a biochemist with a federal grant to study sickle-cell anemia, says so many outsiders demanded to monitor his research that he dropped the project, figuring the money had come "with too many strings attached."

It is the premier problem at Rockefeller today—the difficulty of living on someone else's money. "Suddenly, we're finding ourselves face to face with reality," says George A. Miller, a Rockefeller psychologist, "and a lot of us don't like it."

cont. from previous page

District of Columbia alone showed a decline, four-tenths of 1 percent, to $14,001. Among the lower-income states, Kentucky fared poorly, with a gain of nine-tenths of 1 percent, to $11,019. The gain in Texas was also small, 1.7 percent to $12,672.

The survey also reported unevaluated data showing that the total number of people below the poverty level in the South as a whole dropped 16 percent from the 12 million reported in the 19[illegible] census.

THE GREEN SHEET

*News About the U.S. Department of Health, Education and Welfare*

Balt. Sun, 6/26/78

***Title IX progress—II***

# Kehoe bases opposition on costs at Maryland

By ZENT BAKER

The breaking down of stereotyped sex roles—aggressive male, retiring female—was not a viable issue in the United States until the turbulent 1960's, when women's liberation and massive student unrest exploded into prominence.

It had been considered unfeminine—almost anti-feminine—for girls and women to engage in vigorous physical activity, and athletics remained a male-dominated province.

Consequently, American women tended to do poorly in international competition against nations where heavy emphasis was placed upon female athletics.

Jim Kehoe, the retiring University of Maryland athletic director, has had no quarrel with the philosophical purpose of Title IX legislation, which demands an equivalent opportunity for athletes, regardless of sex.

But, as he did five years ago, when the issue first became inflammatory, Kehoe opposes Title IX for what he calls the unwarranted financial stress its provisions make on the overall Maryland athletic budget.

"I feel no differently today than I did at the beginning," declared Kehoe, who abruptly announced his resignation recently. "My concern has always been financial, not moral, ethical or philosophical. The problem is pure and simple, the bottom line. There has been an unbelievable escalation in the cost of everything."

"Obviously, I'm not opposed to Title IX from a financial standpoint," countered Chris Weller, Maryland's women's athletic director.

Maryland has responded favorably to the dictates of Title IX. Affected tremendously by the legislation because it is a public institution with the largest budget and because its athletic department is self-supporting, the university offers nine full-time varsity sports for women.

Competitely, the Maryland women were winning contests by a 6-to-1 ratio recently and had produced several national championship contenders, including a basketball team that finished as the Association for Intercollegiate Athletics for Women runner-up, the highest placing ever by a Terrapin basketball team.

By next fall, the women's program will benefit from a full complement of 65 athletic scholarships, awarded on a percentage basis comparable to those received by men's non-revenue sports. Indisputable evidence that the Terrapin co-eds have arrived surfaced when women's athletics was blamed for a three-step, $10 increase in the mandatory athletic fee imposed upon the student body.

"The women's teams are doing better than our men's," Kehoe pointed out. "Even if this thing wasn't my idea, I don't believe in doing things halfway. Now, if we don't watch out, I'm going to have to believe there is discrimination against the men."

Miss Weller strikes a concordant note when asked if her department has been granted sufficient autonomy.

"Each coach has her own operating budget to use as she pleases," she said. "Kehoe has not really gotten into it unless it had a direct relationship with another sport. Our facilities have improved and are pretty much equitable, with the exception of the revenue sports. And, our equipment is the best."

A new physical education building will relieve the present stress on the use of facilities, she noted. "I feel we've done a good job, and many, many more changes are coming next year," she added. "All this may have occurred anyway, but I don't believe it would have happened as fast or been nearly as dramatic without Title IX."

From a relative nickel-and-dime operation, Maryland women's athletics has risen to a near-$500,000 annual enterprise, according to a figure supplied by Kehoe. The success of the teams spawned "a strange paradox," Kehoe contended. "It can be self-defeating because the more success, the more it has cost us to send them to national competitions. It cost us $35,000 this year."

Kehoe remains acrimonious toward the "typical bureaucrat who makes the decisions but has never been down in the trenches" and fears the future economic shock waves. A further cutback in men's non-revenue sports is probable, no massive input of new revenue is foreseeable and a rise in ticket prices for men's football and basketball appears unavoidable.

These are factors Kehoe obviously weighed when he decided to quit at age 60.

Kehoe envisions no meaningful income from Maryland women's athletics, except basketball. "The problem is major expenditures before you can have a net," he maintained, "outlays for ushers, all the support personnel. When something is free, you don't gain anything, but you don't lose that much. How do you resolve a situation where everything is going out and nothing's coming in?"

The objections intensify when Kehoe, who built Maryland into a respected men's track power on shoestring budgets and sheer willpower, discusses the imposition of the legislation when "they didn't give us a nickel to do it with. I find that a little unusual. The athletic department doesn't receive 5 cents in federal assistance, and I've always felt the government has no business in this area. It's an intolerable burden.

"I couldn't operate like HEW," he continued, referring to the United States Department of Health, Education and Welfare. "I haven't been able to pay anybill on a philosophy discourse. I haven't been in one of those ivory towers or glass domes in Washington, and I haven't had billions of dollars to lose down the crack.

"This has nothing whatsoever to do with bias, male chauvinism or discrimination. It's too idealistic and impractical. It must be a problem when only 3 per cent of all institutions in the country are in the black. It can't be that all these people are that incompetent or ill-advised."

Inflation, recently shown in a poll as the foremost concern of the American people, is a particularly troublesome area to those selling entertainment.

"With the economy as it is, people have got to concern themselves with essentials," Kehoe concluded. "The first to suffer will be the entertainment dollar. All things being equal, they can't reduce for necessities. It all comes down to the ability to pay the bill.

"I absolutely won't buy anything I cannot afford. I believe you should pay your way. This other philosophy is why we're in such horrible trouble today."

*Tomorrow: Dorothy McKnight, former women's athletic director at the University of Maryland, suggests some changes for the collegiate athletic structure to better serve both men and women students.*

Phila. Inq. 6/26/78

# Hearings on boarding homes begin

By Lacy McCrary
*Inquirer Trenton Bureau*

TRENTON — The mistreatment of boarding home residents and the theft of their public assistance checks are two topics that will be dealt with during five days of public hearings on boarding homes.

The hearings, conducted by the State Commission of Investigation (SCI), begin today.

The SCI investigation, which began more than nine months ago, is only one part of a multifaceted probe of boarding home problems. Others, looking into the situation are the state attorney general's office, a state Senate committee, the FBI, the IRS, the U. S. Department of Health, Education and Welfare (HEW) and the Atlantic County Prosecutor's office.

Joseph Rodriguez, SCI chairman, said the five days of hearings would center on the "misappropriation of funds and profiteering by insensitive operators" of both licensed and unlicensed boarding homes.

More than 40 persons, from state health department officials to boarding home operators and residents, have been subpoenaed to testify at the hearings.

Rodriguez said the hearings would present details of the "mistreatment and intimidation" of the boarding home residents, most of them elderly, and of the ineffectiveness of state laws and procedures for administering and monitoring the boarding home system.

For the last six months, The Inquirer has investigated allegations of neglect and abuse of boarding home residents, many of whom are former patients of state mental hospitals.

The Inquirer has reported that the state's monitoring of the operations of the estimated 1,800 boarding homes is inadequate and that in many cases, it is nonexistent. Only about 270 of the homes that are licensed by the state are checked regularly. These checks have been ineffective.

On Thursday Gov. Brendan T. Byrne's cabinet-level task force issued a scathing report on boarding home conditions, charging that many of the 40,000 residents live with "overcrowding, filthy rooms and lack of safety equipment."

The 168-page report by the task force recommended that the Legislature consider a number of reforms to correct the abuses and widespread neglect.

Among the reforms suggested by the report were issuance of a model municipal ordinance to establish a statewide standard for boarding home's, establishment of a relocation program for residents of substandard boarding homes and issuance of bonds by the state to find a comprehensive clean-up program.

About 10,000 boarding home residents in New Jersey have been declared by the state to be totally disabled. They receive as much as $308 each in Supplemental Security Income (SSI) benefits. The federal government supplies $178 of that and New Jersey contributes $130.

Each totally disabled resident of a state licensed boarding home can qualify for the $308 monthly payment. However, the payment for disabled residents of unlicensed facilities is only $202 a month because the state contribution is less.

There are no controls over how these funds are collected and spent by the boarding home operators. Many boarding home residents have told The Inquirer that they routinely hand their entire checks to the operators of their home.

Michael Siavage, SCI executive director, said that evidence of profiteering by boarding home operators and the direct theft of the residents' assistance checks, would be documented at the hearings.

"The profiteering does not occur as a result of there being fat in the system," Siavage said. He said the profiteering was by operators who were willing to reduce the quality of life in the boarding homes in order to make more money.

"The money going to boarding homes (in the form of SSI checks to residents) appears to be barely sufficient to sustain a reasonable level of existence," Siavage said. But the income becomes less than sufficient, and the level of existence suffers, he said, because the operators are bent on making profits that are unacceptably high by SCI standards.

Rodriguez said that after the hearings the SCI will send to the legislature its proposals to correct the abuses and problems.

The hearings will be televised from 9:30 a.m. to 5 p.m., Monday through Friday, by New Jersey Public Television, channels 23, 50, 52 and 58. The public television network will show taped highlights of major testimony each night at 10:30 p.m.

File Editorials

-35-


# THE GREEN SHEET

*News About the U.S. Department of Health, Education and Welfare*


Pittsburgh Post-Gazette; 8/31

***Rowland Evans and Robert Novak***

# Joe ('Mr. Quota') Califano and the Bakke Case

**WASHINGTON — A drama that began four months ago in a nasty confrontation between Jewish leaders and Health, Education and Welfare Secretary Joseph Califano is nearing a climax in the Oval Office when President Carter — urged on by Califano — is expected to back racial quotas in a Supreme Court test.**

Leaders of eight national Jewish organizations left a June 6 meeting with Califano complaining about the secretary's "insensitivity" and "inflexibility." What most surprised them was Califano's revelation that he wanted the government to support the University of California's quota system on admissions — the famous *Bakke* case before the Supreme Court.



*HEW Secretary Joseph Califano*

**THE PRESIDENT must now decide whether to support Califano. Senior presidential aides insist no decision has been made. But insiders at HEW and the Justice Department take it for granted Carter will intervene against Allan Bakke, a white applicant denied admission to the University of California at Davis Medical School to make room for a black applicant with inferior entrance qualifications to fill a university racial quota.**

**If Bakke loses, Califano's HEW will demand that all universities impose racial quotas. Since that runs counter to the anti-quota philosophy expressed by both the President and Atty. Gen. Griffin Bell, why are they ending up on the pro-quota side? Nobody is quite sure, but the best answer may be the persuasive powers of Joe Califano: Mr. Quota.**

**With characteristic vigor, Califano opened the fight March 18 by openly endorsing quotas, then on March 30 backed away from the word "quota" — but not from the concept. Jewish** leaders promptly requested a meeting. They were not reassured by Califano's June 5 speech at City College of New York when he supported "goals" instead of "quotas."

The confrontation in Califano's office two days later was a disaster. As described in a July 13 memorandum by Ira Giffen of the Anti-Defamation League (ADL): "The meeting was a disheartening experience . . . I left convinced that Secretary Califano will push reverse discrimination and quota systems although, for public relations purposes, he may call them by other names. Our appeals for justice, fair play, reasonableness and, indeed, logic seemed to fall upon deaf ears."

Giffen's memo continues: "The secretary's response was not at all responsive . . . To our utter dismay, he told us that he had already requested the Department of Justice to enter the Bakke case in support of the University of California."

Califano "seemed to believe" racial identification is required by statute, which is not the case. "It was my conclusion," Giffen's account continues, "that the secretary either does not know the statutes . . . or else he chooses to misconstrue them." According to Giffen, the secretary said "he was doing no more than what the Congress and the courts required and he advised us to take our concerns to the Congress."

That this was disingenuous was suggested July 27 when Califano addressed the National Urban League. He asserted he had helped kill a congressional proposal that he incorrectly described as prohibiting him "from using any funds for affirmative action programs." In truth, the amendment would have prevented HEW funds from enforcing "ratios, quotas or other numerical requirements" for student admission — but would permit "goals and timetables"; in other words, affirmative action.

On July 25, seven major Jewish leaders wrote Califano urging support for Bakke's anti-quota position; the letter was not even acknowledged.

**THE ULTIMATE decision is the President's, but that does not encourage anti-quota forces. "I am sure the decision will be solely political," one embittered Jewish leader told us, meaning Carter will offer blacks in quotas what he does not give in social spending programs. The Jewish lobby presumably will not protest strenuously because of larger interests in the Mideast.**

But more is involved than pitting racial groups against each other. Edward Bennett Williams, Califano's former law partner, stated it well in a speech last October "The total egalitarians miss the point. They would divide the wealth equally, impose quotas and ratios in education, in employment and in the political process, regardless of merit, overlooking the crucial that all human progress throughout human history owes its origin to the talented and the enterprising."

Although it is hard to imagine Jimmy Carter and Griffin Bell disagreeing with those words, they are headed pell mell in the opposite direction— thanks to a strong push from Mr. Quota.

Mcntgomery Advertiser; 8/26

# *Alabama funds for abortions cut off by state Medicaid officials*

By LINDA PARHAM
Advertiser Staff Writer

Related story, page 10

Alabama cut off Medicaid funding for abortions last week after state Medicaid officials received word that federal financing would no longer be available.

The cutoff affects abortions in all cases with four exceptions: pregnancies in which the life of the mother is in danger, pregnancies resulting from rape or incest and ectopic (tubular) pregnancies.

Jack Worthington, state commissioner of medical assistance, said Thursday that he received a telegram from U.S. Department of Health, Education and Welfare officials in early August which warned that federal funding would be halted. The cutoff at the federal level results from the dissolving of a federal district court order which prevented the enforcement of the Hyde amendment to the 1976 appropriations bill for the Departments of Labor and HEW.

The Hyde amendment, which has been hotly debated in Congress both in 1976 and 1977, was passed last year but did not go into effect immediately because of the federal district court order. The amendment halts federal spending for abortions which are not needed to save the lives of mothers.

The HEW telegram which Worthington received noted that a joint conference committee of the U.S. Senate and House debating a 1977 Hyde amendment interpreted the amendment to also exclude ectopic, incest and rape cases from the cutoff.

While some states have elected to continue Medicaid funding for abortions which do not fall into those exempted categories, Alabama traditionally does not offer Medicaid services unless state funding is matched by federal financing.

Alabama also faces a crisis in Medicaid funding for mandatory programs such as nursing home services, Worthington noted. The current shortage of Medicaid monies, which may be the focus of an anticipated special session of the Alabama legislature this fall, renders unlikely the possibility that the state would elect to continue abortion services with solely state funds, Worthington predicted.

There remains the possibility that Medicaid funding for abortions could be reinstated on a totally state-funded basis as the result of the current reorganization of Alabama's Medicaid program.

That decision is in the hands of Gov. George Wallace.

"It's up to the governor what direction we will take on abortions," said Worthington, who said total state funding would be improbable unless the Alabama Legislature provides appropriations to cover the service.

The state clinics, laboratories and doctors across the state who were notified last week of the cutoff were also told the HEW guidelines do not apply to birth control measures such as "drugs or the use of devices to prevent the implanting of the ovum."

An announcement on the reorganization of Alabama's Medicaid program will probably be delayed until after a meeting in Washington, D.C., between the governor, state Medicaid officials and HEW Secretary Joseph Califano. No date for that conference has been established.

THE GREEN SHEET

*News About the U.S. Department of Health, Education and Welfare*

Milwaukee Jrnl; 8/30

# Welfare Fraud: Easy to Do, Hard to Find

By James Parks
of The Journal Staff

Work is the most common source of detected welfare fraud in Milwaukee County, according to county officials and court records.

Financially pressed aid recipients — almost all women — get jobs and fail to report their earnings, violating welfare rules and state law.

Most earn too little to make them ineligible for all welfare aid, but their grants would be cut were they to report their earnings.

### Most Need the Money

"We don't have many 'Welfare Queens,'" said Asst. Dist. Atty. George Prietz, who has prosecuted many welfare fraud cases.

"They (the cheaters) are very simple people doing very simple things. In most cases they needed the money. They don't




put the money in Swiss banks. In the typical cases, they spend every penny on their families.

"Ninety-nine percent are first offenders. They don't even have driving violations; they don't even have cars."

Asst. Dist. Atty. Darryl K. Nevers, who now issues charges in welfare cases, agreed. "Most of the people I charge are extremely unfortunate individuals," Nevers said.

Like Prietz, he finds welfare fraud a particularly obnoxious crime.

### Harms Other Recipients

"The cheaters put a stigma on all welfare recipients. ... It's not fair to the honest recipients who obey the rules," Nevers said.

Cheaters should be punished to prevent a backlash against all recipients, Prietz said. Most now get two to five years' probation and are ordered to pay back what they stole, usually in monthly increments of $25 to $50.

After conviction, most cheaters continue to work and draw welfare. Frequently, the repayment merely is deducted from future welfare checks.

"Out on the street, they know that all they'll have to do if they get caught is to pay back the money," said a sheriff's deputy who is one of eight full time fraud investigators.

### Plenty of Work

Still, the number of solid fraud complaints could keep twice the present number of sheriff's deputies busy, said Sgt. Phillip Bialk, head of the fraud squad. In an economy move this year, the county reduced the number of investigators from 10 to 8.

The fraud squad received 1,500 complaints of suspected fraud in 1976, more than half of them from welfare case workers. Most of the rest came from citizens. A big backlog keeps investigators working on only the most promising cases.

### Jail Seldom Justified

Only in the rare case of a repeat violator, however, do Prietz and Nevers think a jail term is justified.

"Most welfare fraud defendants are women with children," Nevers said. "If you send them to jail, you have to send their children to foster homes. It's a question of what happens to these children. The mother still loves them."

And welfare fraud in the county is not necessarily rampant. Detected fraud is about $1 million a year, or about 1% of total aid, based on figures for the first half of 1977.

State and national studies show that the Milwaukee County Welfare Department is one of the most tightly administered in the country. Even so, about 5% of the department's budget is misspent, according to the studies, as much of it due to errors by employes as deception by clients.

### Many Misunderstandings

About 15 criminal fraud charges are made each month, and many other cases are handled without formal criminal charges being filed, usually after recipients agree to repay the money, Nevers said.

The charges are handled informally for many reasons, law enforcement officials say. Sometimes the amount of the fraud is small, or overpayments resulted from a misunderstanding between a caseworker and a recipient. Often, clients do not understand the intricacies of welfare regulations.

"Unfortunately, many of them are ignorant," Bialk said. "And many of them don't know the difference between right and wrong."

In many other cases, investigators are unable to get enough evidence to prove fraud, although they are certain an irregularity has occurred.

Many detected cheaters are caught in a net of internal welfare department checks and cross checks.

Using computers, the department combs the rolls each month for duplicate addresses, Social Security numbers and case numbers. Marriage license and county payroll lists are compared with welfare rolls, and the computer cranks out special reports on working recipients.

> *"In what other crime can you fill out a form and have somebody send you the loot in monthly installments.?"*
>
> —An assistant district attorney

### First Screening

The first line of defense against fraud is thorough documentation of the family's size and financial circumstances when recipients first apply for welfare.

Welfare studies and fraud cases indicate the system is effective in keeping ineligible persons off the rolls. The biggest problems arise after recipients are certified for aid.

"The system is partly to blame," one fraud investigator said. "There's no way a woman with one child can make it on $300 a month. So she gets a job and doesn't report it."

Often, the earnings are detected when a recipient is called in for a regular six month review, when he must, in effect, reapply for aid.

### Verified With Employer

At this review, recipients often admit they have been working, investigators said. They often lie, however, about the length of time they have been working and the amount they have earned. To verify the information, caseworkers refer job reports to the fraud squad, which calls the recipients' employers.

Prietz thinks a lot more checking is necessary to root out fraud. "Cheating is so easy," he said. "All you've got to do is to check 'no' instead of 'yes' when you fill out the form. And your conscience doesn't bother you very much because your kids will get better clothes.

"They can go on for years if they don't do anything to call attention to themselves. In what other crime can you fill out a form and have somebody send you the loot in monthly installments.?"

### Advocates Overhaul

While Prietz favors an overhaul of the welfare system, including more generous payments, he thinks a lot of little things could be done to tighten it up now, particularly the use of computers to do more crosschecking.

"We're not even doing a good job of running the bad system we've got," he said.

In cases prosecuted from December through April, failure to report income from work accounted for 60% of the charges.

The amount of fraud in these 26 cases ranged from $508 in four months, to $10,613 in nearly four years. About $2,100 in a 13 month period was involved in the typical case.

None of the 26 earned enough to make them ineligible for aid, and all would have been able to keep a substantial part of their earned income had they reported it to the department.

### Can Keep Part

Recipients are allowed to keep the first $30 of their earnings, plus a third of any amount over $30. In addition, some work expenses (union dues, for example) are deducted from the total earned.

Examples of these cases from court records are:

**A woman who went on** welfare in 1966 got a job at a South Side factory in 1972 and worked there 43 months, earning $25,728. She collected $17,059 in welfare during the same period.

Had the woman reported her earnings, she would have received only $6,446 in aid, making the fraud $10,613. Legally, she could have kept about $15,000 of the nearly $26,000 she earned.

She pleaded guilty, was given five years' probation and was ordered to repay the money in $30 monthly increments. Under the law, she could have been jailed for 15 years.

**A 33 year old woman, who** went on welfare in 1968, started working at a nursing home in 1975. She worked a year, earning $4,707 and drawing $6,252 in aid. Eligible for only $4,344, her fraud was $1,908.

She legally could have kept $2,800 of the $4,700 she earned.

Failure to report unemployment compensation accounted for 10% of the convictions. To detect this kind of fraud, welfare officials routinely check unemployment compensation records in those cases where welfare clients appear to be eligible for unemployment payments.

### Irony of System

Prietz noted the irony of prosecuting recipients who got jobs to improve their living standards. "The women who get prosecuted are the ones who have the best chance of making it (off welfare)," he said.

Most of the other cases fell under what officials call failure to report a change in circumstances — cases in which the recipients were eligible for welfare, but not for as much as they had received.

Examples from court records of this type of fraud were:

**A woman who married,** making her (but not her children) ineligible for aid.

**A woman who was receiving** aid for her four children, but who did not tell welfare officials that one child has gone to live with relatives.

In another type of fraud, a recipient moved to California without informing welfare officials. The recipient's sister was charged with collecting her checks for two months.

In four other cases, recipients reported their checks stolen, collected duplicate checks, then cashed the original checks.