Targeting in Social Programs:
Avoiding Bad Bets, Removing Bad Apples

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Simple, Straightforward Point

Political and programmatic success of social programs depends on directing resources where they will do the most good.
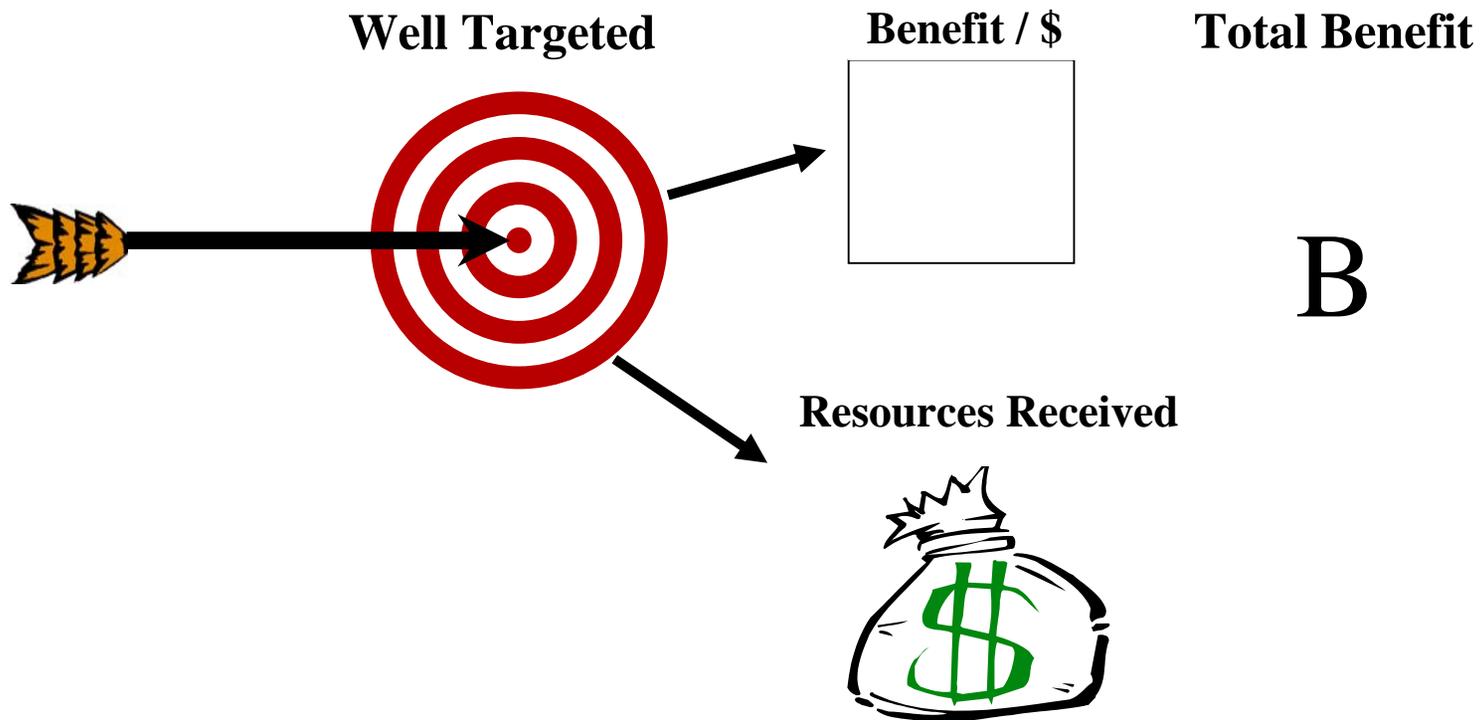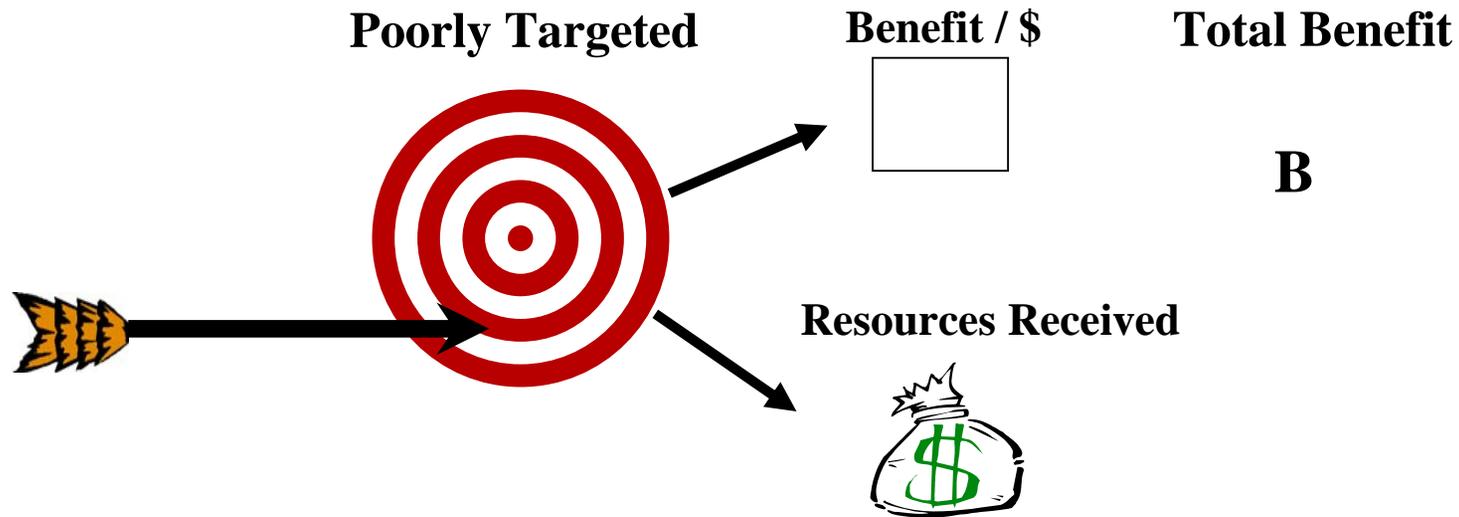
Policy vernacular. We need effective targeting.

Targeting goal is uncontroversial.

Means for achieving it are not.

Analytical, political, ideological, and technical impediments to better targeting.

Goal – Improve conditions for BAD DRAWs.

Poorly Targeted

Benefit / $

Total Benefit

B

Resources Received

Well Targeted

Benefit / $

Total Benefit

B

Resources Received

Incentives to Ignore

Poor targeting is a huge and growing social problem. Immense resource implications. But programmatic advocates have strong incentives to sweep it under the rug.

Christopher Jencks:

"Conservatives will hate this book for assuming that well-designed social programs are an essential part of a humane society. Liberals will hate it for assuming that the needy often bring their troubles on themselves and would behave better if the government stopped subsidizing such behavior. But if, perchance, you want to make the American welfare state either more affordable or more politically palatable to a suspicious public, you should read this book, ponder it, and give it to a friend."

BAD BETS and BAD APPLES

Bad bets are those who are unlikely to benefit much relative to:

- Resources they consume
- Benefits better bets would get from those same resources

Bad apples are recipients whose immoral, irresponsible, or illegal conduct reduces the ability of GOOD APPLES (GAs) to benefit from a program. The costs imposed include:

- Direct losses
- Stigma
- Reduced political support for programs

The Challenge of Bad Apples

1. Classification of bad apples is controversial.
2. Can't know for sure why people, especially youngsters, are BAs.
3. They are often also bad draws. BDs.

- Provide criteria and ways to address the classification problem.

- Strongly support efforts to diagnose underlying causes for BA status.

- Remedial strategies: prevention, rehabilitation, protecting GAs.

- First priority should be to protect GAs. Removal is often the only strategy.

Three Prime Examples of Bad Apples
(One national data, two NYCity conditions)

1. Public schools (national data)

   Urban schools: episodic violence and chronic disruption.

   Very costly – 1/3 of teachers serious consider leaving

   Many parents remove their children

   Over liberal interpretation of IDEA (disabilities protection) and local rules made it slower and costlier to remove chronically disruptive than due process clause requires.

   New York and New Haven schools stonewall on data on costs and alternatives.

2. Public housing (NYCHA)

   GA residents terrorized, can't access public areas, children can't play outside.

   Estimate only 0.5% BAs, but a few can ruin a building.

   Escalera consent decree (1971) very cumbersome, protracted process to remove.

   Last decade – process expedited. Operation Safe Housing (2005) – streamlined process, coordination with police. Gone from 9 months to less than 3.

3. Homeless shelters

   Crime, violence, smoking in bed, fire risk, substance abuse, homeless remain on street.

Output Measure –
Quality Adjusted Life years – QALYs

- Can apply to bad apples as well as bad bets
- Automatically takes into account distributional concerns
- Does it matter who the QALYs go to? – Bad apples?
- Incorporates political considerations – e.g., losses due to group stigmatizers

Some key considerations

- Model of voter behavior is implicit in our formulation – political capital
- Rationing is inevitable
- Alternative treatments
  - Hospice care for 90-year-old
  - Alternative school for disruptive student
- Strategic investments
  - Tragic choices – be "wasteful" where numbers, hence cost is low (girl in well)
  - Michael DeBakey but not Mickey Mantle
  - Earned Income Tax Credit – abused but popular, expand before reform welfare

Bad Bets

- People who secure few QALYs/dollars involved

- Sometimes look arena-by-arena (pharmaceuticals, higher education, worker training)

- Medical services, now 16% of GNP…more important if national health care

- Distribution of QALYs in current programs critical

Costs per QALY, some results

Prevention

    Tamoxifen for very high risk 35-year-olds $45,000

    Testing blood donations with Nucleic Acid Testing $7,900,000

Treatment

    Treprostinil vs. alternate drug for pulmonary hypertension $120,000,000

    Breast conservation surgery and radiation vs. mastectomy

        67-year-old $220,000

Screening, prevention and treatment (prioritization within)

Last Stages of Life

- Medicare expenditures in last year decline with longevity

  Die from 65-69 $15,436 in last year

  Die at 90 and older   8,888

- One eighth of Medicare spending in last 30 days of life

  Bad bets

  Numerous

- Futile care – (life support futility 48% disagree within staff; 24% disagree between family-staff)

  physiologic

  qualitative (e.g., sustain unconsciousness)

  quantitative – probability of success less than 1%

  *Not desired by patient/family – hospice care (cancer, saves 6.1% of Medicare expenditures); withholding life support and deaths in ICU: 50% deaths in '88, 90% in '93

Strategies to Ameliorate Bad Bets Problem in Medicine

- Informed patient choice

  Lung volume reduction for emphysema

  10% mortality…no live lengthening

  $15 billion estimate….$10.5 million realized

- Attention to patient preferences

  Prostate cancer treatment (attending to patient preferences)

- Physician awareness

  Physician as agent for society as well as patient

  Caesarean sections reduced over 30% in Green Bay, Wisconsin… no loss in survival

- Broad-based policy change

  Prospective payment in Medicare – sharp reduction in in-hospital deaths, more home care and office visits, and out-patient equipment

- Research on cost-effectiveness

- Patient precommitment – living will and medical directives

- Program redesign to avoid wholesale bad bets

Predictive Accuracy and Procedural Protection

- Social programs tend to use bright-line criteria
  - Administrative ease
  - Procedural fairness
- Tend to be easily measured and readily monitored
  - Children of a particular age go to school
  - C+ average students get to go to community college
- Appeal processes
  - Cheap first sort
  - Unfairly denied appeal
  - Substantial resources saved

Who Chooses, on What Basis?

Who chooses

    Sorting by administrators

    Universal programs

    Retrospective sorting – grades in community college

    Sorting by recipients

        Fees – perhaps sliding scale

            Community college tuition

            Anti-malaria nets

        Ordeals – Ph.D. poet

Closing Words of Book

"…………… for the sake of compassion, justice, and fairness to other bad draws, [society must say]:

We agree that the state is obliged to treat bad draws fairly before it classifies some of them as bad bets or bad apples. But if the costs of poor targeting are high enough, and if adequate classification and appeals procedures are in place, then we will make the hard decisions necessary to avoid bad bets and remove bad apples."