

GOVERNMENT-TO-PERSON PAYMENT SYSTEMS: A PRIMER

EXECUTIVE SUMMARY

Government-to-Person Payments Infrastructure is Essential to Financial Security

Direct cash payments to households are used as a versatile policy tool that the federal government deploys for purposes ranging from income security for retirees or workers unable to work due to a disability to financial relief during natural disasters. They are also a time-tested countercyclical measure for economic stabilization, featured most recently as part of the U.S. response to the COVID-19 pandemic—when the federal government distributed more than 476 million payments, for a total of \$814 billion, in financial relief to households.¹

For each of these critical functions, the infrastructure involved—Government-to-Person (G2P) payment systems—are vital in facilitating the access, delivery, and use of these payments. Unfortunately, evidence from across programs in government demonstrates that different payment delivery systems in the U.S. perform unevenly, at best, at these tasks. Considering the scale of the programs involved and the deficiencies we find in the current systems, improving G2P payment systems’ performance could result in considerable gains for households, particularly those most in need—and for the government and non-government actors administering these programs as well.

The aim of this primer is to provide leaders—especially federal policymakers and program administrators—broadly applicable, actionable insights for improving performance across G2P payment systems.

A Framework for Understanding How G2P Systems Work Today

Through our literature review and expert interviews with leaders across the G2P ecosystem, we have developed the following framework organizing how current government-to-person payment systems are structured, which actors are involved, and how we can understand success—both the indicators we should be striving toward as well as the factors that drive their performance.²

KEY SYSTEMS AND PROGRAMS					
<i>Electronic Benefits Transfer</i>		<i>Tax</i>		<i>Social Security Administration</i>	
SNAP	TANF	EITC/CTC	EIPs	SSR	SSI/SSDI
PERFORMANCE INDICATORS					
<i>Reach</i>		<i>Ease</i>		<i>Usefulness</i>	
STEPS AND DIMENSIONS					
<i>Access</i>			<i>Receipt</i>		
Eligibility Identification	Eligibility Determination	Eligibility Maintenance	Available Payment Methods	Functionality	Consumer Protections
ACTORS					
<i>Governmental</i>		<i>Formal, Non-governmental</i>		<i>Informal, Non-governmental</i>	
PERFORMANCE FACTORS					
<i>Policy and Product Differentiation</i>		<i>Degree of Diffusion</i>		<i>Extent of Cost Externalization</i>	

Key Findings: Three Factors Drive System Performance

According to our analysis, the primary mechanisms for either enhancing or undermining G2P system performance are:

- 1. Policy and Product Differentiation:** The statutory and regulatory rules that shape how participants access programs and receive payments, and the ways in which those payments can be used and degree to which they are protected from risks such as loss or theft.
- 2. Degree of Diffusion in Decision Making and Implementation:** The levels of government and number of actors involved in deciding how programs should be carried out, as well as in executing those decisions.
- 3. Extent of Cost Externalization:** The costs of administering G2P functions that are passed on to the participant either in terms of direct expenditures; loss of payment value due to inferior consumer protections or utilization fees; or delays, interruption, or loss of benefits.

Actors Across the G2P Supply Chain are Demonstrating Strategies for Increasing Systems' Performance

G2P actors, both governmental and non-governmental, are exercising the levers available to them to improve performance across three key Performance Indicators that provide insight for actions transferable across systems.

- 1. Reach: The ability of participants to access and receive benefits.** Strategies for reaching all members of an eligible population *reduce* the access steps of *Eligibility Identification*, *Eligibility Determination*, and *Eligibility Maintenance* or *perform them automatically* without requiring participant action.
- 2. Ease: The level of friction involved in accessing and receiving benefits.** These strategies take many forms, such as customizing enrollment interfaces that support broad technological and language uses, or leveraging existing data linkages between systems to passively identify or verify the eligibility of participants.
- 3. Usefulness: The level of consumer protections and functionality payment products provide.** Strategies providing participants with multiple options for accessing accounts and payments, allowing them to store or transact those payments securely, and enabling payments to be seamlessly integrated into a participant's financial management practices are necessary to modernizing G2P systems to perform on par with other financial products and services.

Aspen FSP is committed to working with leaders across the G2P ecosystem to identify ways to unlock the potential of these critical forms of public financial infrastructure to more fully support the financial security of all U.S. households.

1 Pandemic Response Accountability Committee. "Update: Three Rounds of Stimulus Checks. See How Many Went out and for How Much." Pandemic Oversight, February 17, 2022, <https://www.pandemicoversight.gov/news/articles/update-three-rounds-stimulus-checks-see-how-many-went-out-and-how-much>.

2 In order to define the scope of this analysis, we have chosen to focus on core elements of payments infrastructure; insights from our analysis that can be applied across systems; and relationships between categories of functional actors and what dictates the terms of those relationships.