Federal Health Services Grants, 1985

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Synopsis

Federal health services grants amounted to about $1.8 billion in fiscal year 1985. The total amount was about $100 million less, about 6 percent, than in 1980. Reductions in the health planning program accounted for most of the decline in absolute dollars.

The four formula grants to State agencies amounted to about $1.0 billion in 1985, about 60 percent of the total. The largest formula grants were for maternal and child health services and for alcohol, drug abuse, and mental health services.

Project grants to selected State and local agencies amounted to about $.8 billion. There was 12 such grants in 1985 (compared with 34 in 1980). The largest, for community health services, equaled almost half the total.

In real, inflation-adjusted dollars, the decline in Federal funds for these programs exceeded a third during the 5-year period. The overall dollar total in real terms in 1985 approximated the 1970 level. The ratio of formula grants to project grants in 1985 was similar to that in 1965.

Studies of the impact of changes in Federal grants have found that while the development of health programs has been seriously constrained in most cases, their nature has not been substantially altered. In some cases broader program approaches and allocations have been favored. Established modes of operations and administration have generally been strengthened. Some efficiencies but few savings in administration have been identified. Replacement of reduced Federal funding by the States has been modest but has increased over time, especially for direct service activities.

These changes reflect the important influence of professionalism in the health fields and the varying strengths of political interest and influence among program supporters. The long-term impact on program innovation is not yet clear.

FEDERAL HEALTH SERVICES GRANTS have undergone substantial changes in recent years. Their structure and scope have been significantly altered. However, they continute to make important contributions to the development of health activities around the country.

In fiscal year 1985, Federal health services grants amounted to more than $1.8 billion:

	Amount in millions		*Percent*	
Type of grant	*1980*[1]	*1985*	*1980*	*1985*
Formula grant.....	$617.6	$1,042.1	31.9	57.0
Project grant.....	1,320.2	785.4	68.1	43.0
Total.....	1,937.8	1,827.5	100.0	100.0

[1]Excludes grants for developmental disabilities and child abuse (amounting to $76.1 million).

About $1 billion was allocated to State governmental agencies on a formula basis, established by law and regulation (formula grants), and about $.8 billion was awarded to State and local public and private agencies for specifically approved projects (project grants).

The policies of the Reagan Administration to channel funds to the States through block grants and to limit the extent of Federal aid have had a major impact on the types and amounts of grant dollars available for these purposes. In fiscal year 1980, less than a third of the total amount spent on Federal health services grants was distributed on a formula basis (*1*). Five years later well over half the total was allocated in this way.

Overall, the dollar amount spent on Federal health services grants declined about 6 percent between 1980 and 1985. The decrease equaled about $100 million; however, the decline in constant dollars was considerably greater. The Implicit Price Deflator, the measure of inflation for the

general economy, increased about 30 percent during the same period. Thus, the decline in "real" (inflation-adjusted) dollars exceeded one-third.

The loss in the real level of support offsets the large increases in Federal health services grants between 1970 and 1975 (*2*). The overall dollar total in real terms in 1985 was about the same as the 1970 level. Although the absolute dollar level in 1985 was about 10 times the dollar level in 1965, the reductions in recent years and inflation over the two decades have nullified about two-thirds of the increases in Federal health services grants since the beginning of the Great Society programs in the mid-1960s.

The shifts in the method of distributing Federal support between formula and project grants since 1980 almost reestablished the general pattern that existed in 1965. In both years, the majority of funds were allocated on a formula basis. The strong trend toward project grants that developed in the late 1960s and continued in the 1970s has been almost totally reversed, as shown in the following percentage distribution:

	Type of grant	
Fiscal year	*Formula*	*Project*
1965	59.2	40.8
1970	26.7	73.3
1975	31.3	68.7
1980	31.9	68.7
1985	57.0	43.0

Formula Grants

Four formula grant programs were in effect in fiscal year 1985:

Program	*Amount (in millions)*	*Percent*
Health planning:		
State programs	$19.1	1.8
Local programs	37.7	3.6
Preventive health and health services	89.0	8.5
Maternal and child health	406.3	39.0
Alcohol, drug abuse, and mental health	490.0	47.0
Total	$1,042.1	100.0

Three are products of the block grant plan of the Reagan Administration that was enacted, in modified form, in the Omnibus Reconciliation Act of 1981 (*3,4*). The health planning program has been continued at congressional direction despite repeated Administration proposals to end Federal aid for these types of activities.

The three block grant programs are a consolidation of 28 programs that had been separately administered, either as a formula or project grant program, in 1980 (*5*). For example, support for crippled children's services (as well as eight other former project grants) is part of the block grant for maternal and child health services. Similarly, the former project grants for community mental health centers and nine other grant programs are part of the block grant for alcohol, drug abuse, and mental health services.

About half the total amount for formula grants in 1985 were for alcohol, drug abuse, and mental health services. The block grant for this purpose in 1985 was more than five times the amount allocated on a formula basis for similar programs in 1980; however, the total was about 10 percent less than the amount spent in 1980 for the programs consolidated in this block grant. At least 35 percent of these funds must be spent for alcohol abuse services, at least 35 percent for drug abuse services, and at least 20 percent for prevention programs.

Maternal and child health grants account for about two-fifths of the total. They have increased in recent years despite the general decline in health services grants. These funds make up a majority of the Federal support for State maternal and child health services programs; altogether, Federal aid supports about half of these activities (*6*).

Project Grants

Despite the continuing efforts of the Reagan Administration to reduce the number and scope of separate project grants, 12 such health programs received categorical support in 1985 (table 1). Almost half the total amount is for the support of community health centers. The plan to shift funds for health centers and related programs to a "primary care block grant" was not successfully implemented (*7*); however, many State health departments have given increased attention to these issues as the result of new Federal-State cooperative agreements.

Nine of the project grant programs in 1985 were survivors from 1980, when there had been 34 such programs. Six of the nine programs were funded at a higher level in 1985 than in 1980. In three cases (cancer control, maternal and child health services, and immunizations), the increase exceeded the inflation rate.

Three of the current project grant programs, support of pediatric emergency medical services and two mental health activities, were established between 1980 and 1985. These grants are relatively

small, accounting together for less than 2 percent of the funds available for project grants in 1985.

1980–85 Shifts

The impact of the substantial shifts between 1980 and 1985 varied greatly among program areas (table 2). For example, while there was an overall funding decrease of almost 6 percent, grants for primary care and related services increased about 4 percent. This increase was largely the result of gains in maternal and child health services and community health centers.

On the other hand, support for health planning activities declined by about two-thirds (approximately $100 million). The total amount for Federal health services grants exclusive of health planning was approximately the same in 1980 and 1985.

Discussion

The major shifts in allocation of Federal health services grants have resulted in relatively modest changes in the uses of these funds for the support of health services. A number of studies and reports on the impact of the new block grants have documented that the development of health programs in most cases has been seriously constrained but not substantially altered by these developments (*8–14*). Neither the hopes nor the fears that were often expressed in the debates in the early 1980s that the greater emphasis on block grants would produce substantial program changes have been confirmed by most experiences.

Block grant expenditures for maternal and child health services and for alcohol, drug abuse, and mental health have largely continued to follow established patterns, according to a study of 41 States by the Intergovernmental Health Policy Project (*8*). More changes have occurred in the uses of funds for preventive health and health services.

Broader program approaches have tended to be favored in many cases over more narrowly focused activities. For example, general maternal and child health services have received more funding, while spending for prevention of lead-based paint poisoning and sudden infant death syndrome declined. Similarly, in the block grant for preventive health and health services, activities related to hypertension, health education, and risk reduction have been favored, while efforts directed at urban rat control and emergency medical services have received less emphasis (*9*).

Table 1. Health services project grants, fiscal year 1985

Program	Amount (millions)	Percent
Black lung clinics	$3.3	.4
Cancer control services	38.8	4.9
Community health centers	383.0	48.8
Family planning	142.5	18.1
Home health services	3.0	.4
Maternal and child health services	71.7	9.1
Migrant health	44.3	5.6
Pediatric emergency medical services	2.0	.3
Sexually transmitted diseases	44.0	5.6
Immunizations	42.3	5.4
Mental health community support program	6.6	.8
Mental health children and adolescent services assistance program	3.9	.5
Total	785.4	100.0

Most States have not made major changes in the distribution of funds between geographic areas. Only a handful have reported substantial shifts. In some cases, there has been a broader diffusion of funds formerly used for special projects directed at categorical concerns, and rural areas have benefited.

State health agencies have tended to incorporate the new block grant into their established modes of operation, according to a study in 13 States by the U. S. General Accounting Office (*10*). In most cases, the additional dollars have been incorporated into existing patterns of organization and delivery. The established systems have been strengthened and extended by the financial shifts. (The relative lack of State systems that deliver or administer general primary care services contributed to the failure to implement the block grant for primary care; only one State and the Virgin Islands initiated that program, which would have included funds for community health centers).

Block grant funds have usually been incorporated into ongoing State planning and budgeting processes and therefore have become subject to State controls and restrictions. Some State agencies have increased their administrative and reporting requirements to achieve greater accountability.

Special task forces and advisory groups have been used in a majority of the States to assist in planning the uses of the new block grants. The scope and responsibilities of these groups have varied widely. On the whole, it appears that they have had only a limited role in decisionmaking (*8*).

State health departments have generally been the principal decisionmaker in the allocation of health services block grants. In a few cases, State health

Table 2. Health services grant programs and expenditures, 1980 and 1985

Type of grant and program	1980		1985		Change		
	Number	Dollars	Number	Dollars	Number	Dollars	Percent
Formula grants							
Planning	2	156.7	2	56.8	0	-99.9	-63.8
Primary care and related services	2	300.1	1	406.3	-1	106.2	35.4
Communicable diseases control	1	68.0	1	89.0	0	21.0	30.9
Mental health and substance abuse services	2	92.8	1	490.0	-1	397.2	428.0
Total, formula grants	7	617.6	5	1,042.1	-2	424.5	68.7
Project grants							
Primary care and related services	18	753.3	8	688.6	-10	-64.7	-8.6
Communicable diseases control	8	115.6	2	86.3	-6	-29.3	-25.3
Mental health and substances abuse services	8	451.3	2	10.5	-6	-440.8	-97.7
Total, project grants	34	1,320.2	12	785.4	-22	-534.8	-40.5
Grand total	41	1,937.8	17	1,827.5	-24	-110.3	-5.7
Subtotals by program							
Planning	2	156.7	2	56.8	0	-99.9	-63.8
Primary care and related services	20	1,053.4	9	1,094.9	-11	41.5	3.9
Communicable diseases control	9	183.6	3	175.3	-6	-8.3	-4.5
Mental health and substance abuse services	10	544.1	3	500.5	-7	-43.6	-8.0

planning agencies have been major actors. In other cases, counties, consumers, health care providers, and legislators have been reported to be primary participants.

State health officials indicate that management improvements have resulted primarily from the reduced efforts devoted to Federal application and reporting procedures. In some cases, more efficient deployment of personnel has resulted. The General Accounting Office, however, was not able to measure the net effect of these changes on the level of administrative costs (*10*). Deficiencies in the availability of data on a national basis resulted in congressional action in 1984 to extend reporting on the uses of block grants, including the development of model criteria and forms for collection of data in service activities.

Other general studies of the impact of national policies relating to Federal grants-in-aid have also considered changes in the health field (*11–13*). The important effect of restrictions on the Medicaid program, largely caused by reductions in eligibility for the Aid to Families with Dependent Children program, have been emphasized (*11*); funding increases in the grant for maternal and child health services have been aimed at ameliorating these losses. These studies also noted that, in general, service levels have usually been maintained in the block grant programs, with greater reductions in certain related activities such as outreach and educational efforts.

A study of the Urban Institute on responses to block grants in six States found that there has been "more continuity than change" (*12*). The report indicates that the expectations of many advocates and critics of significant changes in program activities and of substantial decreases in administrative costs have not been realized. The most difficult shifts have affected nongovernmental agencies previously aided directly through project grants. Some efficiencies but little savings in administration were identified. A few States have adopted "mini-blocks"—grants to assist local governments in ways that give greater flexibility and responsibilities to local agencies.

Replacement of reduced Federal funding by the States has been modest but has increased over time. Such actions have been most frequent with popular programs and in affluent areas. The degree of added State support appears to depend on such factors as the State's prior involvement in the particular activity, the nature of the local constituency, the program's breadth of activities and its geographic scope, and the immediacy of direct medical services. In recent years, additional State funding for certain programs, such as alcoholism control, drug abuse, and maternal and child health services, has become more common. A recent Urban Institute report noted, "We found far more 'replacement' of Federal losses, at least in part, than expected, although at least half the block-related cuts in 'real' Federal support are

being 'passed through' to providers and beneficiaries. Administrative and service efficiencies, while they exist, show no evidence of fully offsetting real funding losses'' (*14*).

The noteworthy continuity of programs reported by these studies despite the sharp shift in financial mechanisms is further evidence of the powerful influence of professionalism in the health field. Although the constraints of the 1981 act establishing the block grants imposed certain limits, the new programs afforded a scope of flexibility that has not been broadly used by State officials. The locus of decisionmaking has shifted from national to State offices, but health administrators who often share similar values and concerns have tended to reach similar conclusions about program priorities and approaches.

The shifting of Federal grant funds to block grants may be viewed as a measure of the interest and political influence of the constituencies supporting the former categorical project grant programs. Programs with strong support have been more successful in maintaining separate project grants or, at least, obtaining ''earmarks'' in block grants. Programs with weaker support were more readily consolidated into the block grant; this situation is similar to developments in 1966 when 10 grant programs were merged into the State formula grant as part of the ''Partnership for Health'' program (*15*).

Consolidation of programs with less powerful support into the block grant may have had the unanticipated effect of maintaining at a higher level the funds available for Federal health services grants. If these programs had remained separate, they probably would have been reduced more severely because of pressures on the Federal domestic budget during this period. The new block grants benefited from important additional support from State Governors, legislators, and other officials.

The impact of these fiscal changes on the development of new health service activities is not yet clear. One of the principal purposes of Federal project grants for health services has been to provide seed money for the initiation and demonstration of new methods of organizing and delivering program services. Project grants have often been used to help finance high-risk pilot and demonstration efforts. Block grant funds, however, have tended to ''favor large and familiar programs over smaller, new ones'' (*14*). Still, it is not likely that direct Federal administration of project grants during this period of retraction would have encouraged many more innovative efforts.

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It is uncertain what role, if any, Federal funds will have in the future in encouraging and supporting innovation. Will State administrators use the flexibilities of block grants to sponsor more such activities? Will new Federal project grants for health services be established? Will other Federal financing mechanisms, such as Medicare and Medicaid, become principal sources of stimulus and support for future innovation?

Summary

Federal health services grants have undergone a major period of transition between 1980 and 1985. Three new block grants have shifted the majority of such support to formula grant funds administered by State agencies. The total funds available for these purposes declined slightly. Only a few programs, such as maternal and child health services, increased more than inflation.

Studies of the impact of the new block grants have not identified major program disruptions despite the large financial shifts. In some cases, additional State funding has reduced the impact of reduced Federal support. State administration has tended to support larger, established programs and to distribute funds somewhat more broadly. The new block grants appear to be now well accepted (*12,16*). The ratio of formula grants to project grants in 1985 is similar to the ratio in 1965.

A number of project grant programs continue to demonstrate vitality and growth despite the predominant interest in block grants. Congressional actions have indicated that this approach has not been abandoned. A number of new programs of

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this type have been considered, and one (emergency medical services for children) was begun in 1985.

Adjustments in health services grants are likely to continue. Periodic pressures for "devolution," that is, the shifting of responsibilities from national to State agencies, have characterized the history of Federal grant programs; executive determination, congressional committee interests, and constituency support have been key factors in determining the balance of emphasis (*12,17*). Federal domestic budgetary constraints are likely to influence consideration of further proposals for the consolidation and support of health services grants.

Federal grants for health services have now helped the development of health activities in the United States for 50 years. The scope and character of grants have changed periodically over these years, and they will probably continue to contribute in diverse ways in the years ahead.

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