Appropriate Types of Federal Grants for State and Community Health Services

BERDJ KENADJIAN, Ph.D.

THE TYPES of Federal assistance needed to bolster the public health services provided by the States and communities have been widely debated over the past 12 years (*1–7*). The "Partnership for Health" proposal submitted to Congress early in 1966 is designed to settle some of the major issues in this area. The debate on appropriate patterns of Federal support for State and local health services, however, is likely to continue for many years.

The historical trend is clearly in the direction of more categorized aid for the stimulation and support of State-local health services. As may be seen from the table, the quadrupling in 6 years of the magnitude of Federal assistance for health services resulted entirely from the rapid expansion in special purpose grants, which rose from $51.8 million in 1960 to $263.0 million in 1966. The ratio of grants for special purposes ($263 million) to general health grants ($10 million) is now more than 26 to 1, compared with ratios of less than 3.5 to 1 in 1960 and in 1950. In 1940, this ratio was about 1 to 1.

Health Service Needs

Which form of Federal grants-in-aid is desirable depends on the types of need to be served. Experts generally agree that in some fields, such as alcoholism, narcotic addiction and drug abuse, mental retardation, and accidental injuries, community health programs are far from adequate. Numerous health needs of the poor, the aged, and other dependent population groups are also being neglected. The gap between scientific discovery and the application of medical knowledge is widening. More than 20 percent of the nation's 3,071 counties have no public health departments. About half the staff members of State and local health departments are not adequately trained.

Over and above these deficiencies, however, there is a great need for the public health family in the United States to reorient both public and private leadership and resources in order to make the existing structures for providing health services to entire communities, States, and the nation more optimal. When preventive, diagnostic, therapeutic, and restorative services are not properly related to each other, the total price tag on health care is much higher than it would be in a better integrated system. Moreover, the preventable sickness and premature death that result from imbalances in health systems impose unnecessary burdens on the persons and families least able to bear them at the same time as they limit the production of the nation's labor force.

The diversity of the unmet needs suggests that, if a comprehensive attack on the nation's health problems is to be mobilized, more than one form of Federal assistance will continue to be required.

Federal Grants to Meet Needs

At present, the Federal Government stimulates and supports the health programs of the States and communities by three basic types of grants—the general formula grant, the cate-

Dr. Kenadjian is assistant director of the Operations Analysis Division of the Office of the Comptroller, Department of Health, Education, and Welfare.

gorical formula grant, and the project grant. The general grant provides financial support for central administration, laboratories, public health nursing, vital statistics, and other services which strengthen the organizational base of State and local public health departments. The general grant is also used for environmental sanitation, occupational health, and other State programs for which categorical grants are not available.

The categorical formula grants help finance expenses for program administration and for casefinding, diagnostic, clinic, and other health services in such diverse fields as mental health, tuberculosis, and cancer control (see table).

Both the general and categorical formula grants require expenditure of State and local funds to match the Federal funds, usually on a 1 to 1 basis. In fact, however, the States as a group spend $2.50 to $16 for each Federal dollar received through the various formula grants.

The law requires that the formula grants be distributed to the States on the basis of their population, financial need, and the extent of the problem in the State. The disbursement of funds is not automatic. To receive the funds, a State must submit a plan—acceptable to the Federal agency administering the grants—explaining how the funds in each category are to be used.

The project grants are not distributed to every State; they are offered selectively. Although the grant recipient is encouraged to participate financially in the undertaking, most often the funds are awarded on a nonmatching basis.

Under the present designation of "demonstration" project grants, four types of programs are underway: (*a*) pure demonstration grants, (*b*) stimulatory grants to establish new projects which will later be incorporated into regular programs, (*c*) project grants for crash programs, and (*d*) grants to support geographically or demographically limited health programs, frequently on a continuing basis.

Comparative Analysis of Grant Forms

As noted in the section on "Health Service Needs," a comprehensive grants-in-aid program will require the use of more than one grant form. I shall develop this point further through an objective analysis of the three basic grant forms currently in use.

The analysis identifies both the advantages and disadvantages of each of the three basic grant forms used by the Federal Government to bolster State and local health services. (It was prepared with the help of my colleagues Sam A. Kimble, Irvin E. Walker, Richard C. Simonson, Robert M. Nash, Rebecca W. Hanmer, and David M. Cohen, on the basis of information gathered through numerous interviews with experts.) As will be noted, distinction is made between disadvantages due to inherent features of a grant form and those due to excessive or exclusive use of the particular type of grant.

General Health Grant

Advantages. 1. The general formula grant provides for the greatest degree of State and local discretion and flexibility in the expenditure of funds. Under the theory that local people are in the best position to know and to handle local problems, it provides Federal financial aid with as few strings as possible.

A general grant permits distribution and redistribution of funds among individual programs as the local situation demands and as local needs change. Moreover, a general grant permits the development of specialized programs responsive to the unique or special public health problems in a State or locality, programs which cannot, or cannot adequately, be covered by categorical formula grants or project grants.

2. The general grant facilitates comprehensive planning and balanced development of State programs. The States are assured, subject to their willingness to meet matching requirements, of lump sums of money to help them cope with all their public health problems. This assurance permits greater integration and balance among program efforts in individual disease categories.

3. The general grant is most appropriate for assisting the development of the multiprogram facilities, resources, and staff which are prerequisites to effective implementation and coordination of the specialized categorical public health programs. Illustrative of the multi-

Appropriations for health service grants (fiscal years, in millions)

Kind of grant	1940	1950	1960	1966
Grants administered by the Public Health Service	$13.8	$43.1	$33.3	$138.0
General health—formula	9.5	14.2	15.0	10.0
Venereal disease—				
Formula	4.3	7.8	0	0
Project	0	5.3	2.4	6.2
Tuberculosis control—				
Formula	0	6.8	4.0	3.0
Project	0	0	0	9.7
Cancer control—				
Formula	0	3.5	2.2	3.5
Project	0	0	1.5	13.9
Mental health—formula	0	3.6	5.0	6.8
Heart disease—formula	0	2.0	3.1	9.5
Chronic illness and aged—formula	0	0	0	12.3
Home health services—formula	0	0	0	9.0
Radiological health—formula	0	0	0	2.5
Dental health—formula	0	0	0	1.0
Neurological and sensory diseases—project	0	0	0	7.2
Community health—project	0	0	0	10.0
Vaccination assistance—project	0	0	0	8.0
Migrant health—project	0	0	0	3.0
Grants administered by the Public Health Service—Continued				
Staffing mental health facilities—project	$0	$0	$0	$19.5
Implementation of mental retardation planning—project	0	0	0	2.8
Grants administered by the Children's Bureau	6.6	18.5	33.5	135.0
Maternal and child health—				
Formula	3.8	9.5	14.6	35.8
Project	0	1.5	2.9	9.2
Crippled children's services—				
Formula	2.8	5.6	14.0	36.6
Project	0	1.9	2.0	8.4
Maternal and infant care—project	0	0	0	30.0
Health of school and preschool children—project	0	0	0	15.0
Total Federal grants	20.4	61.6	66.8	273.0
Categorical formula and project	10.9	47.4	51.8	263.0
General health—formula	9.5	14.2	15.0	10.0

program costs that may be met by these grants are the salaries and operating expenses of State and local health officers, public health nurses, statisticians, analysts, health educators, laboratory technicians, and other professional and administrative staff who contribute to a number of public health efforts.

When these functions are financed with general purpose funds, duplication and fragmentation of efforts and staff conflicts are minimized. The general grant also gives greater assurance that multiprogram and leadership services will be supported at adequate levels.

Disadvantages. 1. The general formula grant encourages diffusion of program efforts over a broad range of activities rather than concentrating them in the selected categories of special interest to the Federal Government. While high-priority programs may be recommended or required, of the three forms of aid, the general grant has the lowest potential for directing the efforts of State and local agencies to nationally determined priority programs.

2. There is a tendency to use general grant funds for familiar and customary activities without careful evaluation of their relative effectiveness and efficiency in meeting the most urgent needs. The general grant may also discourage needed change and redirection of efforts by continuing to support even relatively low-priority programs on the basis of a broad formula.

3. The general formula grant lacks appeal for Congress, other legislative bodies, special interest groups, and the general public. Since its purposes are not identified with any single disease category or particular beneficiary group, this kind of grant cannot capture the popular imagination and win the support of organized professional associations or of organizations combating particular diseases. As a result, appropriations at national, State, and local levels may fall short of desirable levels.

Categorical Formula Grant

Advantages. 1. Categorical formula grants signal Federal interest in particular health problems and focus State and local efforts on programs that have high priority at the national level. By making funds available for only certain health programs, categorical formula grants have much greater potential than general grants to stimulate the development or expansion of specialized State and local services to meet specific disease problems.

2. The categorical formula grants give all States an incentive to develop nationally significant programs. Furthermore, lump-sum allocations of funds on the basis of a formula give the States considerable flexibility in programing coordinated attacks against the major community health problems for which Federal funds are made available. Since the States instead of the Federal Government make many of the program choices, changing local conditions receive better attention.

3. Categorical grants are responsive to the concern of the Congress, special interest groups, and the public about specific diseases or beneficiary groups. Consequently, there is greater assurance that the grant programs will have the needed broad base of support.

Disadvantages. 1. Categorical formula grants may limit flexibility and discretion at the State and local level if the categories are excessively narrow. Also, the States and localities are deprived of funds to meet specific local health program needs for which categorical grants have not been authorized. Even if the number and scope of categories is sufficient to cover all State and local program needs, the relative support provided in each category may not coincide with relative local needs.

2. Under this system, in which each categorical program is viewed as an independent entity, the approach to public health programs tends to become fragmented and parochial. This result is particularly likely if the choice of categories and levels of appropriations reflects the persuasiveness and influence of special groups and persons rather than the judgment of health authorities familiar with relative health needs and the gaps in existing programs.

3. Provision of grants exclusively on a categorical basis impedes the adequate development of central leadership and multiprogram staff resources and services. With categorical formula grants, full development of such staff and services creates either complicated accounting and funding problems or duplication of effort and inefficient use of scarce skills, resources, and facilities. The failure to develop strong leadership and multiprogram services contributes to the failure in developing a comprehensive approach to public health services.

4. Like the general formula grant, categorical formula grants provide less assurance that in funding training programs, evaluative studies, and demonstrations of new public health methods appraisals will be primarily based on scientific merit. For best results, a national panel of experts should evaluate such proposals.

Project Grant

Advantages. 1. Project grants focus State and local efforts more sharply on the objectives of national programs and on the elements of health programs which experts think should have high priority. For example, project grants can be authorized for the purpose of developing hospital-centered screening programs to find cervical cancer, and for this purpose only. Thus, grant funds are not diffused to support all programs in a disease category. The project grant thus has the greatest potential for insuring that State and local public health services will be responsive to the specific objectives of national programs as determined by Congress.

2. Project grants provide a more flexible Federal mechanism for allocating grant funds than formula grants. Since funds are not distributed by a formula, the method of distribution can be adjusted by Federal administrative discretion to meet the needs of a particular categorical program.

Grants can be awarded primarily on the basis of need or through a modified "formula" in which a combination of factors are considered or on a purely selective basis in which only the merits of the project proposals are considered. Similarly, the distribution of funds can be adapted to the geographic or demographic scope of a particular health problem, thereby prevent-

ing the diffusion of Federal funds to geographic areas where the need is relatively limited.

3. Whenever necessary, program evaluations can be made by a national panel of experts. Moreover, if quality is of overriding importance, the project grants can be channeled primarily to applicants likely to spend the funds most effectively.

4. Like the categorical formula grants, project grants capitalize on the concern of the Congress, special interest groups, and the public with health problems in specific disease or beneficiary categories. In recent years, the Congress has demonstrated a particular preference for the project grant mechanism for financing health services and other Federally aided State and local programs. (The table shows the enormous expansion in project grants from 1960 to 1966.)

Disadvantages. 1. Project grants place greater restrictions on State and local flexibility and discretion than any other form of grants. The project grant is even more restrictive than a comparable categorical formula grant. Funds for project grants are awarded on the basis of individual applications, not in a lump sum for a relatively flexible program category which could encompass a variety of projects and activities.

2. Project grants, like categorical formula grants, encourage each program to develop and operate independently. Project grants make coordination difficult even within a disease category. Moreover, these grants may foster programs which have to be terminated when Federal funds are withdrawn.

Project grants are often awarded directly to local communities and various nonprofit institutions after the State health agencies have had a chance to comment on the proposals. They are not based on a single State plan, as in the formula grant programs. The project grant mechanism thus may support projects which have individual merit but which do not necessarily fit into coherent overall program plans.

3. The awarding of an excessive number of project grants may strain intergovernmental relations and lead to misallocation of scarce resources. Federally financed projects may divert scarce local health resources away from uses that State health experts with considerable knowledge and experience in guiding the orderly growth and development of medical services within the State consider more important. This problem is greatly aggravated if grantees are attracted to the Federal projects mainly because the funds are made available on better conditions than the States are willing to offer.

4. Project grants impose higher administrative costs at both Federal and other levels. The preparation of numerous separate project applications, rather than a single State plan, absorbs considerable time, staff resources, and funds. Similarly, the costs of reviewing individual project applications, whether by Federal officials or a panel of experts, is considerably higher than the comparable cost of reviewing a State plan for a lump-sum formula grant.

5. Since project grants are awarded on the basis of applications, they tend to discriminate against the smaller States and communities which lack the resources and staff to develop attractive project proposals. The project grant mechanism often favors those jurisdictions with relatively less need for Federal assistance, so that the rich get richer and the poor, poorer. In contrast, the provision of grants on the basis of a formula assures all States at least a proportionate share of the Federal grant dollar.

Conclusions

Before drawing conclusions from this comparative analysis, however, one should note that the forms analyzed represent types which can be used with considerable variation. For example, as with categorical formula grants, portions of a general grant can be earmarked for expenditure in specified disease categories. Or the expenditure of categorical formula funds can be restricted to approved activities, as in project grants. On the other hand, project funds can be awarded for broad purposes and can be distributed so widely that for all practical purposes they may be equivalent to formula grants in their effect on the organization and financing of State-local health services.

Even so, both for purposes of analysis and in reality, it is possible to distinguish between a general and a categorical formula grant and between formula and project grants. Moreover, it may be deduced from the comparative

analysis that some purposes can be accomplished best with the use of only one of the grant types. For example, the general health grant is seen to be the most suitable instrument for helping to provide for the adequate development of multiprogram and leadership resources in State and local health departments.

Nevertheless, a review of the merits and limitations of the three grant forms suggests that for most purposes in the health service field there is no simple or single method for determining the most appropriate form or combination of forms by which Federal financial assistance should be provided. If policymakers had at their disposal more quantitative information on the numerous aspects of the organization and financing of health services, better judgments on appropriate forms of financing could be made. Even so, further studies alone would probably not provide definitive solutions since Federal, State, local, or other authorities would still assign different weights to the advantages and disadvantages of the various grant types. Consequently, in improving intergovernmental financial arrangements for better health services, greater stress should be placed on establishing adequate channels of dialog for the continuing evaluation and reconciliation of all relevant viewpoints.

Summary

Whether Federal assistance to stimulate and support State and local health services should be of a general type or for special purposes only has been controversial for many years. Historically, the Federal Government has moved increasingly to a more categorical and selective approach in assisting the health programs of States and communities.

The form in which assistance should be offered depends on the type of needs to be served. The health service needs for which Federal aid is required range from new programs in fields like alcoholism and accident prevention to the development of better balanced structures of health care for entire communities and States.

At present, Federal financial assistance for health services is provided basically in three forms—the general health formula grant, the categorical formula grant, and the project grant. Objective analysis of the advantages and disadvantages of these three types shows that for some purposes one of the three forms is clearly preferable. For most purposes, however, the choice depends on a careful balancing of the pluses and minuses associated with each type. Further studies are needed to assess more carefully the merits and limitations of each grant type. Also, the establishment of more channels of dialog among the Federal, State, local, and other authorities concerned with improving community health services would be desirable.

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