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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES DIVISION

JULY 31, 1984

B-214417

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The Honorable Henry Waxman, Chairman
Subcommittee on Health and the Environment
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

Subject: An Analysis of Proposed Formulas for the Home and Community Based Services Block Grant Program (GAO/HRD-84-83)

This letter responds to a request from your Subcommittee staff on May 24, 1984, asking GAO to provide an analysis of the proposed formula for allocating federal funds under the home and community-based services program proposed by the Health Services, Preventive Health Services, and Home and Community Based Services Act of 1984, reported by the Senate Committee on Labor and Human Resources on April 12, 1984, in S. 2301. Your staff raised two areas of concern: (1) the measurement of the population in need used in allocating funds among states and (2) the specification of minimum state allotments. Specifically, we were asked to suggest options that would target federal funds based on measures of the elderly poor and near poor and to consider alternative methods of providing minimum state allotments.

The bill establishes within the Preventive Health and Health Service Block authority a separate program to assist state activities to

--coordinate long-term care provided to elderly and disabled persons,

--develop procedures and means to identify and assess elderly and disabled persons in need of home and community-based services,

--identify and assess individuals in need of community-based services, and

--provide certain home and community-based services.

(018984)

Services which can be provided with grant funds include:

--Homemaker or home health aide services.

--Medical social services.

--Dietary services.

--Physical, occupational, speech, or respiratory therapy.

--Adult day care.

--Drugs and biologicals.

--Respite care.

Grant funds cannot be used for skilled nursing and physician services.

Earlier proposals for a home and community-based services program would have allocated funds to the states in proportion to their share of individuals over 65 years of age. The formula in S. 2301 allocates funds to the states on the same basis with a weighting factor which increases allotments for states with a high proportion of elderly residents, relative to the nation as a whole, and it reduces allotments for states with relatively young populations.

Whether to allocate funds on the basis of the total number of elderly with the weighting factor or without it depends on congressional intent. Allocating funds without it will provide the same amount of federal funding per elderly resident in all states. In contrast, using the adjustment factor results in allocating more funds per elderly resident to states with relatively old populations compared to states with relatively young populations. Consequently, states with young populations would not be able to spend as much per elderly resident and/or would serve a smaller proportion of its elderly residents. This could result in significant interstate disparities in program benefits.

Whether to allocate funds on the basis of the total number of elderly, such as proposed by S. 2301, or to provide more targeting to the elderly poor and near poor also depends on congressional intent. If the program is intended to benefit all income groups equally then allocating funds based on the total number of elderly would be more appropriate. However, if the program is to benefit primarily the low-income elderly then an indicator of poverty status may be more appropriate.

S. 2301 also provides minimum allotments by guaranteeing the states and eligible territories a minimum percentage of the funds appropriated. This method of providing minimum allotments results in a number of primarily small and/or rural states receiving much larger allotments than other states, relative to their share of the elderly or elderly poor. This could also result in significant interstate disparities in program benefits. There are several alternative approaches for avoiding this outcome.

STATISTICAL MEASURES OF THE POPULATION IN NEED

Based on the Senate Committee report on S. 2301 and discussions with your staff we identified three alternative measures of the needy population for consideration in the formula:

--The total number of elderly (poor and nonpoor).

--The total number of elderly, adjusted for state differences in the proportion of elderly residents (weighted elderly).

--The number of elderly poor and near poor.

S. 2301 defines the elderly as the number of state residents over the age of 65. Data on the total number of elderly are available annually from the Bureau of the Census. Thus, allocating block grant funds based on the number of elderly state residents would be relatively straightforward.

The formula proposed in S. 2301 allocates funds based on the total number of elderly residents weighted by the proportion of elderly living in the state compared to that of the nation as a whole. Data for the weighting factor are also available annually from the Census Bureau in that it is simply the ratio of the number of elderly residents to the total population.

Direct measures of the elderly poor and near poor by state are only available from the decennial census. The census reports four alternative measures, the number of people over 65 years of age below 125, 150, 175, and 200 percent of the official poverty line. It is difficult to select one of these measures over the others as the basis for targeting block grant funds because the program does not explicitly define eligibility criteria. Enclosure I shows the differences between each measure of the elderly poor by state. It is a matter of judgment as to which measure of the elderly poor is most appropriate. While we have no basis to select one measure over the others, for purposes of our review, we have used the number of people below 175 percent of the poverty line as a measure of the elderly poor and near poor.

Because the use of state poverty data is available only once every 10 years it becomes increasingly obsolete as population shifts occur over time. This weakness can be partially mitigated by estimating the elderly poor and near poor annually by applying the percentage of elderly poor from the most recent census to currently available annual estimates of total elderly. This method assumes that shifts in the elderly poor occur in the same proportion as shifts in the total elderly population. While we have not tested this assumption we believe that it is a reasonable method of adjusting the decennial census data. Consequently, our subsequent analysis uses this method of estimating the elderly poor and near poor.

THE DISTRIBUTION OF BLOCK GRANT FUNDS IS SIGNIFICANTLY AFFECTED BY WHICH MEASURE OF THE NEEDY IS USED

Allocating block grant funds on the basis of each state's share of the elderly, the elderly poor, or weighted elderly significantly affects the targeting of block grant funds. Table 1 shows the distribution of block grant funds among the states under each of these alternatives.[1] States with relatively low poverty rates, such as California, Connecticut, Maryland, and Nevada, would receive less funding under a poverty-based formula compared to a formula based on the total number of elderly (see column 3). Conversely, states with relatively high poverty rates would receive considerably more funding: Alabama (44 percent), Arkansas (46 percent), and Mississippi (59 percent), (also shown in column 3).

The weighting factor contained in S. 2301 also results in a considerable redistribution of block grant funds as shown in the last column of table 1. Weighting the elderly by the proportion of elderly state residents would reduce allotments to states with relatively young populations, such as Alaska (75 percent), Utah (36 percent), and Wyoming (35 percent), while increasing allotments in states with relatively old populations--Florida (46 percent), Arkansas (19 percent), and Iowa (16 percent).

Whether the total number of elderly or just the elderly poor should be used to allocate block grant funds depends on whether the benefits provided under the program are intended to be more or less evenly spread among all elderly individuals or whether

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[1]To isolate only the effect of using alternative measures of the needy, the analysis does not incorporate any minimum allotments.

Table 1
State Allotments under Formulas Based on the
(1) Total Number of Elderly,
(2) Number of Elderly below 125 Percent of the Official Poverty Line, and
(3) Number of Weighted Elderly
($150 million appropriation with no minimum and no flat grant)

	(1) Total elderly	(2) Elderly poor	Percent difference Columns (1) & (2)	(3) Weighted elderly	Percent difference Columns (1) & (3)
ALABAMA	$2,577,915	$3,702,898	43.64	$2,534,813	-1.67
ALASKA	$72,696	$60,754	-16.43	$18,146	-75.04
ARIZONA	$1,901,282	$1,638,593	13.82	$1,900,914	-0.02
ARKANSAS	$1,806,218	$2,641,610	46.25	$2,141,661	18.57
CALIFORNIA	$14,276,394	$11,558,211	19.04	$12,398,058	-13.16
COLORADO	$1,476,290	$1,387,984	-5.98	$1,076,444	-27.08
CONNECTICUT	$2,164,107	$1,582,512	-26.87	$2,233,926	3.23
DELAWARE	$352,296	$322,023	-8.59	$310,067	-11.99
DISTRICT OF COLUMBIA	$408,217	$373,138	-8.59	$397,180	-2.70
FLORIDA	$10,110,349	$8,713,457	-13.82	$14,759,330	45.98
GEORGIA	$3,070,012	$4,008,856	30.58	$2,513,700	-18.12
HAWAII	$475,321	$335,167	-29.49	$341,839	-28.08
IDAHO	$564,793	$634,261	12.30	$497,149	-11.98
ILLINOIS	$7,342,305	$6,136,105	-16.43	$7,082,239	-3.54
INDIANA	$3,433,492	$3,317,785	-3.37	$3,240,715	-5.61
IOWA	$2,242,395	$2,108,264	-5.98	$2,603,235	16.09
KANSAS	$1,767,074	$1,753,674	-0.76	$1,950,242	10.37
KENTUCKY	$2,382,195	$3,110,697	30.58	$2,327,443	-2.30
LOUISIANA	$2,343,051	$3,120,774	33.19	$1,892,837	-19.21
MAINE	$822,025	$987,537	20.13	$896,965	9.12
MARYLAND	$2,348,643	$1,962,806	-16.43	$1,945,138	-17.18
MASSACHUSETTS	$4,199,597	$3,948,395	-5.98	$4,588,256	9.25
MICHIGAN	$5,390,695	$5,209,030	-3.37	$4,797,933	-11.00
MINNESOTA	$2,807,188	$2,932,526	4.46	$2,867,562	2.15
MISSISSIPPI	$1,672,010	$2,663,662	59.31	$1,648,173	-1.43
MISSOURI	$3,724,277	$4,182,354	12.30	$4,213,338	13.13
MONTANA	$503,281	$538,895	7.08	$475,580	-5.50
NEBRASKA	$1,185,506	$1,238,437	4.46	$1,332,721	12.42
NEVADA	$430,585	$337,357	-21.65	$316,502	-26.49
NEW HAMPSHIRE	$609,529	$588,988	-3.37	$587,548	-3.61
NEW JERSEY	$5,032,806	$3,943,137	-21.65	$5,121,529	1.76
NEW MEXICO	$704,593	$828,059	17.52	$549,405	-22.03
NEW YORK	$12,291,232	$11,235,020	-8.59	$12,866,489	4.68
NORTH CAROLINA	$3,623,621	$4,637,129	27.97	$3,280,926	-9.46
NORTH DAKOTA	$469,729	$502,969	7.08	$495,284	5.44
OHIO	$6,844,617	$6,435,200	-5.98	$6,529,380	-4.61
OKLAHOMA	$2,180,883	$2,733,908	25.36	$2,251,556	3.24
OREGON	$1,817,402	$1,708,693	-5.98	$1,875,234	3.18
PENNSYLVANIA	$8,980,763	$8,443,571	-5.98	$10,223,371	13.84
RHODE ISLAND	$738,145	$751,825	1.85	$855,368	15.88
SOUTH CAROLINA	$1,733,522	$2,263,653	30.58	$1,411,033	-18.60
SOUTH DAKOTA	$525,649	$658,942	25.36	$601,379	14.41
TENNESSEE	$3,030,868	$4,036,896	33.19	$2,970,455	-1.99
TEXAS	$8,063,674	$9,266,080	14.91	$6,399,970	-20.63
UTAH	$659,857	$706,552	7.08	$421,390	-36.14
VERMONT	$335,520	$350,501	4.46	$328,113	-2.21
VIRGINIA	$3,002,908	$3,058,560	1.85	$2,469,835	-17.75
WASHINGTON	$2,594,691	$2,303,960	-11.20	$2,385,223	-8.07
WEST VIRGINIA	$1,381,226	$1,623,258	17.52	$1,472,908	6.64
WISCONSIN	$3,310,468	$3,178,906	-3.37	$3,459,006	4.49
WYOMING	$218,088	$216,434	0.76	$142,494	-34.66
	$150,000,000	$150,000,000		$150,000,000	

benefits will be more heavily skewed towards the low-income elderly. To the extent that the elderly poor (or total elderly) reflect the population in need, allocating grant funds on either basis would provide an equitable distribution of grant funding, in that each state would receive equal federal funding per person in need.

WEIGHTING THE NEEDY BY THE PROPORTION OF ELDERLY STATE RESIDENTS WOULD PRODUCE UNEVEN STATE ALLOTMENTS

The effect of weighting the number of elderly by the proportion of elderly residents penalizes states with relatively young populations and favors states with old populations. For example, of the $9.1 million redistributed by the weighting factor, half is reallocated to one state, Florida.

The uneven allotments can be further illustrated by the following example. Suppose Florida (a state with a high proportion of elderly) and Texas (a state with a relatively small proportion of elderly) had the same number of needy elderly residents. Allocating funds based solely on the number of needy, without the weighting factor, would produce equal federal funding and the same amount of federal aid per person in need. However, because Florida's proportion of elderly residents is 45 percent above the national average, while Texas is 20 percent below, the weighting factor would increase Florida's and reduce Texas's allotment by corresponding amounts. Thus, if the average federal grant were $100 per person in need, Florida would be able to spend $145 per person and Texas $80, an 80-percent difference. Consequently, with the federal funds provided, Texas would not be able to spend as much per person in need and/or would serve a smaller proportion of its needy residents giving rise to potentially significant interstate disparities in program benefits.

PROPOSED MINIMUM ALLOTMENTS DISPROPORTIONATELY COMPENSATE SOME GOVERNMENTS

S. 2301 provides minimum allotments to the 50 states, the District of Columbia, Puerto Rico, American Samoa, Virgin Islands, the Commonwealth of the Northern Mariana Islands, Guam, and the Trust Territories of the Pacific Islands by two separate provisions. First, eligible governments are each allotted a flat dollar amount, and second, each is guaranteed a minimum percentage of the funds appropriated. These minimums are shown in table 2 for the affected governments.

Table 2

Minimum Allotment Provisions

Government	Flat dollar allotment	Minimum share of appropriations Percent	Dollars[a]
50 states	$150,000	1/2	$750,000
District of Columbia	150,000	1/2	750,000
Puerto Rico	150,000	1/2	750,000
Virgin Islands	50,000	1/4	375,000
Guam	50,000	1/4	375,000
Trust Territories	50,000	1/4	375,000
Northern Marianas	50,000	1/16	93,750
American Samoa	50,000	1/16	93,750

[a]Dollar amounts assume a $150 million appropriation.

A flat dollar allotment can be justified as providing a minimum funding level to cover the cost of minimum amounts of office space, equipment, and administrative staff. In the time available we were unable to determine whether the flat dollar allotments provided in S. 2301 will be sufficient to cover these expenses. Consequently, our subsequent analysis accepts the flat dollar allotments as appropriate.

The minimum share provision, however, provides additional funding relative to the number of elderly or elderly poor residents for 14 small and/or sparsely populated states. Consequently, the minimum share provision will provide more federal funding per person in need in these 14 states. In addition, because the minimum share is directly related to the amount of funds appropriated, the additional funding they receive will automatically increase as program funding rises. Consequently, these states will always be provided more federal funding for their needy compared to the remaining states.

The additional funding provided to states affected by the minimum share provision is substantial in most cases. Table 3 shows the percentage increase in allotments due to the minimum share provision for the 14 affected states. For example, Alaska's allotment is 932 percent above what it would receive based on its share of elderly residents, a 10-fold increase. Similarly, Wyoming's allotment is 244 percent higher, Vermont's 124 percent, a three-fold and two-fold increase, respectively. Ten of the 14 states affected have their allotments increased by more than 40 percent.

Table 3

Increase in Grant Due to Minimum Allotment Provisions

State	Allotment without minimum[a]	Allotment with minimum[a]	Percent increase
	(in thousands)		
Alaska	$ 73	$750	932
Wyoming	218	750	244
Vermont	336	750	124
Delaware	352	750	113
District of Columbia	408	750	83
Nevada	431	750	74
North Dakota	470	750	60
Hawaii	475	750	58
Montana	503	750	49
South Dakota	526	750	43
Idaho	565	750	33
New Hampshire	610	750	23
Utah	660	750	14
New Mexico	705	750	6

[a]Assumes a $150 million appropriation.

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Should the Subcommittee want to consider other alternative minimum provisions, we are available to provide assistance. As arranged with your office, we are sending copies of this report to the Director of the Office of Management and Budget and the Secretary of the Department of Health and Human Services. Copies will also be available to other interested parties who request them. Please let us know if we can be of further assistance.

Sincerely yours,

Richard L. Fogel

Richard L. Fogel
Director

Enclosure

States' 1979 Share of the Population over 65 Years of Age Living Below 125, 150, 175, and 200 Percent of the 1979 Official Poverty Line

	Below 125	Below 150	Percent difference from column 1	Below 175	Percent difference from column 1	Below 200	Percent difference from column 1
ALABAMA	0 0288	0 0266	-7.57	0 0247	-14.19	0 0235	-18 42
ALASKA	0 0004	0 0004	2.76	0 0004	2.47	0 0004	1 56
ARIZONA	0 0103	0 0106	2.76	0 0109	5 68	0 0111	7.05
ARKANSAS	0 0202	0 0186	-7.57	0 0176	-12 63	0.0167	-17 09
CALIFORNIA	0.0654	0 0736	12.64	0.0771	17 89	0.0810	23 87
COLORADO	0 0084	0 0092	8 89	0 0093	9 52.	0 0093	9.53
CONNECTICUT	0 0093	0 0102	10.14	0 0106	13 58	0 0110	18 22
DELAWARE	0.0021	0.0021	0.13	0.0021	1 41	0 0022	1 83
DISTRICT OF COLUMBIA	0.0028	0.0026	-6.13	0.0025	-11 27	0.0024	-15 25
FLORIDA	0 0550	0.0565	2.76	0.0581	5 68	0 0588	7 05
GEORGIA	0 0307	0.0284	-7.74	0.0267	-13 08	0 0257	-16 55
HAWAII	0 0022	0.0021	-1.44	0 0022	2.67	0 0023	4 31
IDAHO	0 0042	0.0041	-1 80	0 0042	0.63	0 0042	0 30
ILLINOIS	0 0399	0.0410	2 76	0.0409	2.47	0 0416	4 31
INDIANA	0.0206	0.0214	3.70	0.0221	7.20	0 0220	6.79
IOWA	0.0135	0.0140	3 70	0.0141	4.30	0 0144	6.79
KANSAS	0.0111	0 0114	2.40	0.0117	5.09	0.0116	4.31
KENTUCKY	0 0225	0 0215	-4.42	0.0207	-7.81	0 0203	-9.91
LOUISIANA	0 0248	0 0227	-8.67	0.0208	-16 13	0 0199	-19.65
MAINE	0 0064	0 0065	2.91	0 0066	3 66	0 0065	2.38
MARYLAND	0.0128	0 0131	2.76	0.0131	2 47	0 0133	4.31
MASSACHUSETTS	0 0240	0 0253	5 13	0 0263	9 52	0 0263	9 53
MICHIGAN	0 0324	0.0336	3.70	0.0347	7 20	0 0354	9 28
MINNESOTA	0 0193	0 0193	0 13	0.0196	1 41	0 0197	2 14
MISSISSIPPI	0.0215	0.0194	-9.88	0 0178	-17 52	0 0165	-23 51
MISSOURI	0.0288	0.0280	-2.65	0.0279	-3 10	0 0278	-3 42
MONTANA	0 0035	0.0036	3.26	0.0036	3.94	0 0037	6 48
NEBRASKA	0.0081	0 0084	3 26	0 0083	1.41	0 0081	-0 04
NEVADA	0 0022	0 0022	0 13	0 0022	1.41	0.0023	4 31
NEW HAMPSHIRE	0 0037	0.0038	3.70	0.0039	7.20	0 0040	9 28
NEW JERSEY	0 0245	0 0249	1.60	0.0263	7.37	0 0270	10.45
NEW MEXICO	0 0060	0 0059	-2.37	0 0055	-8.73	0 0054	-11.34
NEW YORK	0 0739	0 0740	0.13	0 0749	1.41	0 0752	1 83
NORTH CAROLINA.	0 0342	0 0327	-4.42	0.0309	-9.66	0 0297	-13.08
NORTH DAKOTA	0 0035	0 0034	-1 80	0.0034	-4.05	0 0034	-3.71
OHIO	0.0411	0 0412	0 13	0.0429	4 30	0 0439	6.79
OKLAHOMA	0 0200	0 0187	-6 13	0.0182	-8 73	0 0176	-11.99
OREGON	0 0104	0 0109	5 13	0 0114	9.52	0 0117	12.13
PENNSYLVANIA	0.0514	0 0540	5.13	0.0563	9.52	0 0576	12 13
RHODE ISLAND	0.0046	0 0049	5.82	0.0050	7 86	0 0050	6 68
SOUTH CAROLINA	0 0174	0 0160	-7.74	0.0151	-13.08	0 0145	-16 55
SOUTH DAKOTA	0.0047	0 0045	-3.10	0 0044	-5 79	0.0043	-7 47
TENNESSEE	0.0304	0 0287	-5 59	0 0269	-11 34	0 0258	-15 06
TEXAS	0 0692	0.0641	-7 38	0 0618	-10 76	0 0602	-13 08
UTAH	0.0047	0.0047	-0 87	0.0047	-0 22	0.0047	0 14
VERMONT	0 0022	0.0022	1.22	0.0023	5 82	0 0024	6 58
VIRGINIA	0 0215	0.0206	-3.88	0.0204	-5.08	0.0202	-6 12
WASHINGTON	0.0141	0.0151	6.72	0 0154	8 88	0 0155	9 80
WEST VIRGINIA	0 0111	0.0110	-0 77	0.0108	-2.21	0 0109	-1 28
WISCONSIN	0 0189	0.0206	8 89	0 0213	12.56	0 0217	14 74
WYOMING	0 0014	0 0014	2.40	0 0014	5.09	0 0015	9.05
	1 0000	1 0000		1 0000		1 0000	

ENCLOSURE I