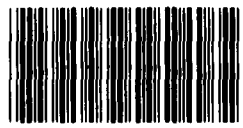
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

July 10, 1985

B-219181



The Honorable Daniel K. Inouye
United States Senate

Dear Senator Inouye:

Subject: Early Observations on States' Plans to Provide Children's Mental Health Services Under the ADAMH Block Grant (GAO/HRD-85-84)

In response to your March 28, 1985, letter, we have collected information from 13 states concerning the extent to which their Alcohol, Drug Abuse, and Mental Health Services (ADAMH) block grant funds will be targeted for services to children. The 1984 amendments to the Alcohol, Drug Abuse, and Mental Health Services Block Grant (Public Law 98-509) require states to set aside at least 10 percent of their ADAMH funds allocated to mental health for new mental health services for seriously disturbed children and adolescents and for underserved areas or populations.

Specifically, you asked us to determine how much of this new set-aside states plan to devote to children's mental health services. Further, you requested information on how this new statutory provision and the revised funding formula also included in the 1984 amendments have affected total services for children.

We have coordinated our efforts with those of the Office of Technology Assessment (OTA), which, as indicated in your letter, is conducting a study of mental health services for children. We briefed OTA staff on our findings on May 24, 1985, to enable them to incorporate our observations in their report.

RESULTS IN BRIEF

The 13 states we surveyed were allocating ADAMH funds to meet the new set-aside requirement. Of the 11 states that had decided how set-aside funds would be used, 3 allocated these moneys exclusively for children and adolescent services, while 8 reserved most of their set-aside funds for underserved areas or populations, which in some cases were defined to include children and adolescents.

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Although the timing of the new amendments' enactment required states to revise their established ADAMH plans for fiscal year 1985, all 13 states indicated they would begin implementing services under the set-aside by October 1985. The Department of Health and Human Services (HHS), as the agency responsible for administering the block grant, is moving to provide federal guidance to assist state implementation.

States gaining increased ADAMH funds under the revised formula were able to finance set-aside services without making major cuts in other ADAMH programs. States that did not receive these additional funds, however, found it necessary to reduce ADAMH funding for other services in order to finance the new services required under the set-aside.

BACKGROUND

Predecessor categorical legislation and recent block grant amendments indicate congressional interest in children's and adolescents' mental health needs. The Mental Health Centers Act, as amended in 1970, financed part of the operating costs of children's mental health facilities (42 U.S.C. 2681 et seq.). Under the Alcohol, Drug Abuse, and Mental Health block grant established in the Omnibus Budget Reconciliation Act of 1981, states were authorized to grant funds to community mental health centers (CMHCs) for, among other things, identifying, assessing, and serving the needs of severely mentally disturbed children and adolescents. This act also required CMHCs to provide specialized outpatient services for certain groups, including severely mentally disturbed children and adolescents (42 U.S.C. 300X et seq.).

October 1984 amendments to the ADAMH block grant (Public Law 98-509) reemphasized these congressional concerns. This legislation required each state to set aside each year at least 10 percent of the mental health portion of its ADAMH award to initiate and provide new mental health services for severely disturbed children and adolescents and new comprehensive community mental health services for underserved areas or populations.

Several changes made in the 1984 amendments affect how states can calculate the amount of their ADAMH grants to be used for mental health, which in turn determines the amount that must be allocated for the mental health set-aside:

--The original 1981 ADAMH block grant legislation required each state to allocate its fiscal year 1982 ADAMH funds between substance abuse and mental health activities based on the proportional use of federal funds for these services in certain prior years. By 1984 this original legislation enabled states to shift up to 15 percent of the funds between substance abuse and mental health in fiscal year 1984. The 1984 amendments allowed states to reallocate up to 25 percent of their ADAMH funds between these two program areas at their own discretion.

--The 1984 legislation required each state to reserve at least 5 percent of its total ADAMH funds to initiate and provide new alcohol and drug abuse services for women. According to HHS officials, a state may first allocate all of its ADAMH funds between substance abuse and mental health and then reserve the 5-percent women's set-aside from its substance abuse allocation only. A state may also first reserve the amount required to meet the 5-percent women's substance abuse set-aside and then allocate the remaining 95 percent of its ADAMH funds to the two program areas. The latter method will reduce by 5 percent the funds available for mental health.

Moreover, the 1984 amendments also revised the formula for allocating funds among the states and territories. Under the new formula, some states received more ADAMH funds in 1985 than they had in the prior year, thus making it easier for these states to implement the new set-aside requirement.

Under the revised formula, ADAMH funds are allocated differently based on the national appropriation level. Each state and territory will receive the same share of the total appropriation of $462 million it was allocated in fiscal year 1984. For appropriations exceeding $462 million but less than or equal to $490 million, the shares of states and territories will be recalculated based on state population and relative per capita income. All entities will continue to receive at least the amount allocated at the $462 million level, even if the new formula would result in a lower funding level. Certain states, however, would gain under the revised formula and receive additional funds. The amount appropriated, if any, in excess of $490 million is to be allotted based exclusively on the new formula.

Fiscal year 1985 ADAMH appropriations were $490 million, an increase of $28 million over the prior year level. In accordance with the revised funding formula, 29 states and territories

received the same amount they were allocated for fiscal year 1984, and 28 received additional funding.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to develop information on states' fiscal year 1985 plans to provide children's and adolescents' mental health services under ADAMH and the extent to which the set-aside and the revised funding formula affect services for this group.

To provide this information in time for OTA's use in its study of children's mental health services, we relied primarily on data obtained through telephone interviews conducted in May 1985 with officials in the 13 states we visited in our recent study of state implementation of the ADAMH block grant.[1] Because the 1984 amendments were recently enacted, the information provided generally represents state plans for fiscal year 1985 and is therefore subject to change. Although some documentation was subsequently provided by the states, we did not independently verify that information. The 13 states accounted for about 46 percent of the 1985 ADAMH funds and about 48 percent of the nation's population. This sample was a judgmental selection, and the results are not intended to be projected to the nation as a whole.

We spoke with officials at the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA), who provided us fiscal year 1984 and 1985 block grant award data used to ascertain which states benefited from the new allotment formula. They also told us about agency plans to issue regulations to facilitate state implementation of the mental health set-aside. Furthermore, we reviewed 1985 block grant applications submitted to ADAMHA by the 13 states.

Our work was done in accordance with generally accepted government auditing standards. We discussed a draft of this report with HHS officials responsible for the ADAMH block grant, and their comments have been incorporated where appropriate.

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[1] States Have Made Few Changes in Implementing the Alcohol, Drug Abuse, and Mental Health Block Grant (GAO/HRD-84-52, June 6, 1984). States reviewed were California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington.

STATES ARE POISED TO IMPLEMENT MANDATED SERVICES

All 13 states we contacted are either operating programs to meet the mental health set-aside requirement or planning to initiate these services late in federal fiscal year 1985. Overall, 8 of these 13 states have reserved most set-aside funds for populations or areas they considered underserved. Officials in 11 states were uncertain how to interpret the set-aside requirement for "new" services. HHS was planning to address states' concerns by promulgating regulations.

States are reserving funds for targeted populations and areas

The 13 states we contacted received fiscal year 1985 ADAMH awards ranging from $2.9 million to $48.4 million. As of May 1985, these states had earmarked a total of $10.6 million for set-aside services (see enc. I). All 13 states are allocating to mental health set-aside services at least 10 percent of the ADAMH funds they plan to use for mental health activities.

Funds allocated for targeted mental health services, however, vary as a percentage of total ADAMH block grant awards. In the 13 survey states, set-aside allocations ranged from 1 percent of Iowa's total fiscal year 1985 ADAMH funds to 15 percent of Kentucky's (see enc. II). Two factors explain this variation. First, states vary in the proportion of ADAMH funds that they allocated for the mental health portion, thereby providing varying bases to calculate the 10-percent set-aside. States' allocations of ADAMH funds for mental health were generally based on the proportion of predecessor categorical funds going for mental health services in each state. The mental health portion of ADAMH awards in our survey states, accordingly, varied from 7 percent in Iowa to 70 percent in Mississippi.

Second, 6 of the 13 states decided to reserve more funds for targeted groups than the set-aside required. California, for example, has reprogrammed unobligated fiscal year 1984 ADAMH funds to supplement its 1985 set-aside moneys, noting state interest in innovative projects for targeted populations.

By May 1985, 11 survey states had tentatively decided how they would allocate set-aside funds between targeted populations and areas, while two survey states had not (see enc. I). Three of the states planned services exclusively for children and adolescents, using about $1.2 million in block grant funds; four

states planned to spend about $2.6 million on services for populations they considered underserved; and the other four states have or planned to split financing between the target groups, allocating $914,000 and $3.3 million for (1) children and adolescents and (2) underserved areas or populations, respectively. Overall, 8 of the 11 states planned to allocate more money to underserved areas or populations than to children and adolescents. States considered a variety of clients underserved, including the chronically mentally ill, the elderly, the mentally ill deaf, the homeless, refugees, and immigrants.

These figures, however, may understate set-aside funds reaching children and adolescents. In four of the eight states providing funds to the underserved--Colorado, Florida, Pennsylvania, and Washington--children and adolescents are specifically included in the definition of underserved populations. For example, Florida reserved about 8 percent of its underserved areas or populations allocation through June 1985 for children's and adolescents' programs.

Even where children and adolescents are not specifically defined as underserved, we note that some underserved populations, such as the chronically mentally ill, are not targeted by age. Accordingly, some of these programs may address the mental health needs of children and adolescents.

States are initiating set-aside programs, amidst concerns

While all of the 13 states we contacted have planned services to meet the mental heath set-aside requirement, they vary in the speed with which they are implementing these plans (see enc. III). As of May 1985, six states had begun to operate programs under the set-aside. Colorado, for instance, was providing residential care for children and adolescents through two nonprofit facilities under subgrants from CMHCs. In addition, Colorado was operating a new program to extend existing services to populations it considered underserved, including the elderly and the deaf.

Florida established a variety of services for target populations. CMHCs in this state were delivering children's and adolescents' programs, including psychiatric, outpatient, emergency, diagnostic, case management, consultative services, and summer school sessions for the handicapped. Moreover, underserved populations are receiving numerous services at one or more of Florida's CMHCs. Massachusetts, Michigan, New York, and

Pennsylvania were also operating various programs for underserved populations. Children's and adolescents' services under the set-aside were to be initiated in New York and Pennsylvania between July and September 1985.

Six of the other seven survey states that had not initiated set-aside services by May 1985 were expected to implement these programs between July and October 1985. The remaining state--Vermont--is holding internal discussions to determine how it will allocate set-aside funds and expects to finalize its plans in the near future.

The timing of the new mental health set-aside requirement may have complicated implementation in some states. States develop budgets, plan programs, and contract with local service providers based on their own fiscal years, which generally run from July 1 to June 30. The ADAMH amendments were enacted on October 19, 1984, well after states had decided their priorities for their 1985 fiscal years. One Vermont official noted, for instance, that if the state were required to spend ADAMH funds for children and adolescents right away, there would be little assurance that these moneys were invested in the most cost-effective projects. This official indicated that unmet needs for children had not yet been defined, and additional time was needed to plan for addressing these needs.

Not only had state decision-making processes been completed before the amendments were enacted, but state applications for fiscal year 1985 block grant funds had been submitted to HHS in August 1984. These applications did not take into account set-aside programs because the amendments had not yet been enacted.

Additional federal technical assistance might have facilitated state efforts to carry out set-aside programs. State managers, while planning and operating programs to comply with the mental health set-aside, told us of their concerns over the provision's mandate for "new" children's and adolescents' services. Officials in 11 survey states told us federal clarification of set-aside provisions would have helped in planning set-aside programs. Four states were uncertain whether "new" services could be defined to include expansion of existing services to previously unserved clients or areas. Furthermore, officials in 10 states questioned whether services that were new in one year would be considered to be new services in the following year as well. That is, they did not know whether the set-aside required states to reserve an additional 10 percent of their mental health ADAMH funds in each succeeding fiscal year for new services to the targeted groups.

While we were conducting our review, HHS officials informed us of plans to issue regulations covering the 1984 ADAMH block grant amendments, including the mental health set-aside. These proposed rules, tentatively slated to be released for public comment in July 1985, may resolve some of the concerns states raised surrounding the mental health set-aside provision.

HHS also plans to mount an active data collection effort in accordance with the 1984 ADAMH block grant amendments. The amendments require the Secretary of HHS to report annually to specified congressional committees on implementation of the substance abuse and mental health set-asides. In addition, the Secretary is to arrange for collection of programmatic data on service provision under the block grant, including the number and types of clients served and the sources of funding, in addition to the ADAMH block grant, for these programs and activities.

If HHS wishes to collect specific client data on mental health set-aside services, it will find that these data are not consistently available in all states. Four of the 13 survey states do not collect data on how many children and adolescents are receiving mental health services. Moreover, five states could not identify what level of state funding was being expended specifically for children and adolescents.

IMPACT OF SET-ASIDE IS AFFECTED BY REVISED ADAMH ALLOTMENT FORMULA

While the set-aside requirement has prompted states to use ADAMH funds for severely disturbed children and adolescents, the 1984 formula revisions affected the states' capacity to both meet the set-aside and maintain ADAMH funding for other ongoing mental health services.

As shown in enclosure IV, the new formula provided 6 of the 13 survey states a share of increased ADAMH appropriations. These six states allocated from $56,000 to $1.5 million more for the mental health portion than they had the previous year.

New funds provided for the mental health portion exceeded the amount required to meet the mental health set-aside in five of the six states that benefited under the new allotment formula (see enc. IV). One of these five states--Kentucky--devoted far more than the minimum required set-aside amount (exclusively from new formula funds), while the other four states funded the mental health set-aside at the minimum 10-percent level. The required set-aside in the sixth state--California--was greater than the increased allotment. This state, nevertheless, chose

to exceed the minimum set-aside requirement by adding unobligated fiscal year 1984 ADAMH funds to supplement its fiscal year 1985 program.

Funding remained level between fiscal years 1984 and 1985 for the other seven survey states. Because these states did not benefit under the revised allotment formula, state officials told us they had to reduce the level of ADAMH block grant funding for other programs in order to provide set-aside funds. While the set-aside prompted difficult decisions, three of the seven states nevertheless opted to fund set-aside services at higher than required levels.

Due to the set-aside and these states' decisions, six of the seven states anticipated or were experiencing reductions in existing services unless additional state funds are provided. One Colorado official, for instance, noted that some service cuts for the chronically mentally ill may be made to accommodate the set-aside. Other states cautioned that the set-aside's effect may be more pronounced in later years if an additional 10 percent must be spent each year to satisfy the mental health set-aside requirement.

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Copies of this report are being sent to the Chairman, Senate Committee on Labor and Human Resources; the Chairman, Subcommittee on Health and the Environment, House Committee on Energy and Commerce; the Secretary of HHS; the Directors of the Office of Technology Assessment and the Office of Management and Budget; the National Association of State Mental Health Program Directors; and officials in the states we contacted.

Sincerely yours,

Richard L. Fogel
Director

Enclosures - 4

ENCLOSURE I

PLANNED ALLOCATION OF FISCAL YEAR 1985 ADAMH SET-ASIDE FUNDS

IN 13 STATES AS OF MAY 1985

State	Set-aside funds allocated for: Children and adolescents	Set-aside funds allocated for: Underserved areas or populations	Total planned set-aside funds	Required set-aside[a]
	(000 omitted)			
Children and adolescents only:				
Iowa[b]	$ 20	$ 0	$ 20	$ 20
Mississippi	361	0	361	361
Texas	846	0	846	846
Underserved areas or populations:				
Kentucky	0	669	669	185
Massachusetts	0	1,011	1,011	1,011
Michigan	0	471	471	471
Washington	0	526	526	473
Combination of groups:				
Colorado	144	196	340	340
Florida	337	1,021	1,358	1,286
New York	203	950	1,153	970
Pennsylvania	230	1,096	1,326	1,325
Total, 11 states	$2,141	$5,940	$ 8,081	$7,288
Target groups undetermined:				
California			$ 2,328	$1,578
Vermont			220	220
Total, 13 states			$10,629	$9,086

[a]GAO computed the required mental health set-aside using the same method each survey state used to calculate its mental health portion of the ADAMH award. The mental health portion of Kentucky's ADAMH funds was increased to reflect use of its discretionary authority (as noted on p. 3). Furthermore, the mental health portion of each state reflects their varying treatment of the 5-percent women's substance set-aside (see p. 3 for further discussion).

[b]See enclosure II, note 2.

ENCLOSURE II

FUNDS 13 STATES PLAN TO RESERVE FOR MENTAL HEALTH SET-ASIDE SERVICES

State	Fiscal year 1985 ADAMH award	Mental health portion[a] (% of total ADAMH award)		Planned set-aside funds[a]	Set-aside as a percent of: Mental health portion[a]	Set-aside as a percent of: Total ADAMH award
	(000 omitted)		(%)			
California	$ 48,406	$15,778	(33)	$ 2,328	15%	5%
Colorado	7,004	3,400	(49)	340	10	5
Florida	24,033	12,855	(53)	1,358	11	6
Iowa[b]	2,936	203	(7)	20	10	1
Kentucky	4,551	1,850	(41)	669	36	15
Massachusetts	18,240	10,106	(55)	1,011	10	6
Michigan	15,948	4,708	(30)	471	10	3
Mississippi	5,165	3,606	(70)	361	10	7
New York	40,097	9,700	(24)	1,153	12	3
Pennsylvania	25,114	13,250	(53)	1,326	10	5
Texas	21,446	8,457	(39)	846	10	4
Vermont	3,313	2,200	(66)	220	10	7
Washington	8,977	4,727	(53)	526	11	6
Total, 13 states	$225,230	$90,840		$10,629		

[a]GAO used each state's calculation method. See enclosure I, note 1.

[b]On May 31, 1985, Iowa reallocated funds from substance abuse to mental health retroactive to October 1984. As of May 1985, the amounts involved and their allocation, if any, to set-aside services had not yet been determined.

STATUS OF PLANNING FOR SET-ASIDE SERVICES

IN 13 STATES AS OF MAY 1985

State	Children and adolescents	Underserved areas or populations	Status of planning
Services in operation			
Colorado	Residential care	Specialized services for the elderly, chronically mentally ill, and mentally ill deaf	Services are in operation.
Florida	Psychiatric services Summer school session for the handicapped Outpatient Emergency Diagnostic assessment Consultation Case management Crisis intervention Adolescent suicide prevention	Day treatment Crisis Case management Therapeutic foster homes Battered victims/batterers therapy Drug prevention Prevention education Outpatient Outreach Community network development Mentally ill/retarded Hearing impaired services Runaways	Services are in operation.
Massachusetts	None	Services for the homeless, refugees, and immigrants	Services for the underserved started in November 1984 to January 1985. Services for children and adolescents are to begin in July 1985.
Michigan	None	Community center setting for the chronically mentally ill	Services started in February 1885.
New York	Family support Adolescent suicide prevention Referral	Case management Day treatment Transportation Psychosocial club	Services for the underserved began operating in December 1984 to January 1985. State was to request proposals for children and adolescent programs in June 1985, with startup expected in September 1985.

ENCLOSURE III

State	Children and adolescents	Underserved areas or populations	Status of planning
Pennsylvania	Residential care	Vocational rehabilitation Residential care Case management Social rehabilitation Outpatient	Residential, case management, social and some vocational rehabilitation services are in operation. Rehabilitation services for the chronically mentally ill and all children and adolescent programs are due to start in June and July 1985, respectively.
Services and target groups identified			
Iowa	Group home services Adolescent problem prevention Family support	None	State requested proposals from local service providers and plans to contract for services in July 1985.
Texas	Services for school students with drug or alcohol problems, weapons violations, etc. Services for minority inhalant abusers	None	State is working out agreements with other state agencies and one school district. Projects are to start up July-September 1985.
Target groups determined, but not services			
Kentucky	None	Undetermined services for the chronically mentally ill	State requested proposals from local service providers. Specific projects are to start up in July 1985.
Mississippi	Undetermined services for children and adolescents	None	Services to start up before October 1985.

ENCLOSURE III

ENCLOSURE IV

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MENTAL HEALTH PORTION OF NEW FORMULA MONEYS

AS A PERCENT OF TOTAL ADAMH AWARDS

IN SIX SURVEY STATES[a]

State	Fiscal year 1985 ADAMH award	Fiscal year 1984 ADAMH award	Increase due to new formula	Mental health portion of increase[b]	Required mental health set-aside
	(000 omitted)				
California	$48,406	$43,802	$ 4,604	$1,501	$1,578
Iowa	2,936	2,292	644	56	20
Kentucky	4,551	3,654	897	669[c]	185
Michigan	15,948	13,962	1,986	586	471
Mississippi	5,165	4,481	684	478	361
Texas	21,446	18,064	3,382	1,334	846
Total, six states	$98,452	$86,255	$12,197	$4,624	$3,461

[a]Seven survey states did not receive increased awards under the revised allotment formula. These states--Colorado, Florida, Massachusetts, New York, Pennsylvania, Vermont, and Washington--received the same amount of ADAMH moneys in fiscal years 1984 and 1985.

[b]GAO used each state's method to calculate mental health portion and set-aside. See enclosure I, note 1.

[c]Kentucky used $669,000 of new formula funds for services under the mental health set-aside. Based on Kentucky's method of calculating funds available for mental health activities, the mental health portion of the formula-generated increase would have been $278,000. The state, using its discretionary funds, actually allocated $669,000 of the increase for mental health activities.

State	Children and adolescents	Underserved areas or populations	Status of planning
Washington	None	Undetermined services for underserved areas and populations	Services for children and adolescents are to be financed with state funds and a Community Support System Pilot Project. Total funds for this project are estimated at $450,000.
Services and targeting not determined			
California	Not decided	Not decided	State requested proposals from local service providers. Proposals were to be returned for state review in late May 1985.
Vermont	Not decided	Not decided	State had not yet developed plans for services under the set-aside.

ENCLOSURE III