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STATEMENT OF
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BEFORE THE

SENATE COMMITTEE ON FINANCE
SUBCOMMITTEE ON HEALTH
UNITED STATES SENATE

ON

STATE IMPLEMENTATION OF THE MATERNAL AND CHILD HEALTH BLOCK GRANT

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our report on the Maternal and Child Health (MCH) Services block grant. Our report was issued on May 7, 1984, and provides a comprehensive picture of MCH block grant implementation in 13 states. These states include a diverse cross section of the country and account for about 40 percent of the national MCH block grant appropriations and about 48 percent of the nation's population.

TOTAL EXPENDITURES INCREASE IN MOST STATES

Although federal appropriations decreased by about 18 percent as states implemented the block grant, most were able to maintain total funding for maternal and child health programs. Over the 1981-83 period, total expenditures increased in 10 states while declining in only three. The increases ranged from 1 percent in New York to 42 percent in Vermont. However, after adjusting for inflation, only 5 of the 13 experienced an increase in constant dollars.

The availability of prior catergorical funds during states' first year of block grant implementation was a key reason why maternal and child health expenditures increased. During states' first block grant year, categorical funds comprised at least 31 percent of combined categorical and block grant funds spent in 10 of the 13 states. However, as categorical outlays diminished in 1983, state funds began shouldering a greater portion of total MCH expenditures.

Ten of the 13 states increased the expenditures of state funds between 1981 and 1983 ranging from about 1 percent in New York to 85 percent in Texas. In many of these states, the growth in state funds was the primary factor contributing to overall funding increases for MCH programs.

The MCH block grant received another $105 million in March 1983, when the Congress passed the Emergency Jobs Appropriations Act. This increased the original 1983 federal allocations in the 13 states by about 33 percent and restored federal support to 1981 levels. These funds were received late in the states' fiscal year 1983 and were to be spent mainly in fiscal year 1984, primarily for maternal and child health and crippled children's services with emphasis on economically disadvantaged individuals.

STATES MOVING TO PUT THEIR IMPRINT ON MCH SERVICES

States generally continued to support activities similar to those funded under the categorical programs as they emphasized the need to maintain program continuity. However, states altered program priorities and some services offered.

The states had considerable involvement in the crippled children's and maternal and child health categorical programs, which accounted for 92 percent of total expenditures in 1981. Expenditures for these two program areas increased in 1983 although their share of total expenditures remained the same. The types of services offered remained essentially unchanged for these programs, although states refocused aspects of each program area. For example, the maternal and child health

services' decreases were primarily in the program of special projects, which states were previously required to provide. Twelve of 13 states reduced or eliminated support for these projects in part because they believed that similar services were available under broader state programs.

Many states also assumed new responsibilities for five smaller prior categorical programs. Between 1981 and 1983, expenditures decreased in 7 of the 8 states offering lead-based paint poisoning prevention activities and in 8 of the 12 states reporting expenditures for sudden infant death syndrome services. While states' flexibility increased in the areas of adolescent pregnancy prevention, hemophilia treatment centers, and genetic disease testing and counseling, a large percentage of total expenditures for these areas were the result of continued direct federal funding, including the Secretary's set-aside fund.

While the 13 states were adjusting program priorities, the 44 service providers we visited experienced a wide variety of changes. Some reported stable or increased funding and expansion of program operations, while others experienced funding declines. Where funding had declined, changes ranged from reduced staffing and services to sustained operations by increasing fees and other funding sources, improving efficiency and using more volunteers. Certain changes were attributed to the block grant, but usually providers pointed to an array of factors influencing their operations, particularly escalating costs, changes in other sources of funds, prevailing economic conditions, and changing client needs.

STATES INVOLVED IN MANAGING PROGRAMS SUPPORTED WITH BLOCK GRANT FUNDS

The financial and administrative responsibility the federal government and states have shared for maternal and child health programs provided an established framework for states to assume their expanded block grant management role. As a result, states generally assigned block grant responsibilities to offices which administered the categorical programs and made only minimal changes to their organization and the service provider network. Also, block grant program management activities were often integrated with ongoing state efforts.

While we could not quantify cost savings associated with using the block grant approach, there were indications of administrative simplification. According to state officials, the block grant influenced about half the states to change or standardize their administrative requirements, improve planning and budgeting, make better use of state personnel, and to reduce the time and effort involved in reporting to the federal government.

INCREASED PUBLIC PARTICIPATION AND INVOLVEMENT OF STATE ELECTED OFFICIALS

States obtained advice for making decisions on how to use block grant funds from several sources. In addition to preparing required reports on the planned and actual use of funds, all 13 states held public hearings and 10 used one or more advisory groups.

State officials generally believed that levels of public participation were greater under the block grant than under the categorical programs. Also, program officials noted that governors and legislatures had become more involved in six states.

The major area of interest groups' satisfaction with the states' citizen input process was with the accessibility of state officials for consultation. The major areas of dissatisfaction related to the availability of information prior to hearings and the timing of hearings relative to states' decision-making process. However, interest groups that actively participated in the state's processes tended to be more satisfied.

OVERALL PERCEPTIONS OF BLOCK GRANTS DIFFER

State officials liked the block grant's increased flexibility and found it to be less burdensome. Generally, they viewed the block grant to be more desirable than the categorical approach. However, most interest groups perceived the block grant approach to be less desirable.

While interest groups and state officials had differing views, both expressed concern about the federal funding reductions which from their perspective tended to diminish its advantages.

We would be pleased to respond to any questions.