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GRANT SYSTEMS

Block and categorical grants

Pennsylvania has cooperatively worked with counties to administer grants since the 1970s. Counties administer a wide range of categorical and block grant funds.

The block grant funding levels over time have declined. With broad parameters, there is a wide variance in local approaches to use the funding for community needs. The variety in block grant approaches creates broad latitude to change priorities creating oversight difficulties. Block grants tend to focus on short-term solutions rather than long term effects.

Unlike block grants, categorical programs have program standards in addition to budgetary controls. Fiscal standards are inherent in any grant program, while the targeted nature of categorical grants directs service to the greatest need within the program. Program standards and their consequences with fiscal information provide information to steer to an effective and efficient future at the local level. Numerous federal and state categorical grants fund federal and state entitlements.

Funding through categorical grants increased as federal regulatory changes occurred. Categorical grants limit scope and function, but when combined with mandates and entitlements create continued financial growth to meet demand. Now in 2011, there are unforeseen financial pressures on all levels of government. A vital decision in creating stable community services must consider the best funding approach.

The federal government is entering into the fourth and largest expansion of block grants in American history. Although increased flexibility and cost containment are critical concerns that could be addressed in moving from categorical grants to block grants, no grant system is sustainable unless policy and infrastructure needs are addressed. In essence, how will the transition work be completed? What are the considerations to transitioning from a categorical to block grant funding approach?

A Legislative Budget and Finance Committee Report explored, entitled *Medicaid Reform Efforts in Other States and their Applicability to Pennsylvania*, pursuant to SR 200 of 2005, explored funding options. The report cited experiences of the only state at the time to transition to block grants, Vermont, stating:

“While the block-grant approach provides flexibility, it also subjects the state to potentially crippling costs due to factors that may be largely outside the state’s control, such as inflation or changes in utilization patterns.” (p. S-9)

Flexibility

Flexibility to meet unique needs and circumstances is often cited as a goal for block grant funding. Yet, administrative structures within and between counties are increasing collaboration using current categorical and block grant funding streams as permitted. Joint planning and mutual consumer approaches are on the rise at the local level of administration. Counties are working through the constraints of categorical grants to achieve some of the flexibility of block grants while continuing to provide their approved services to a specific population.

The flexibility and inclusion of funding directed at the local level have allowed counties to be able to sustain viable administrative structures with extremely low administrative costs. The loss of any portion of funds that contribute to indirect administrative costs places increased strain on valuable resources. Counties have demonstrated the ability to create a flexible administrative approach to address local needs across traditional geographic boundaries.

There are many examples in practice already; one within the child welfare system and one for drug and alcohol funds that redistribute unspent funds. These examples provide funds to overmatched counties and allow services to be provided with an appropriate mix of state and local resources. County children and youth agencies (CCYA) receive specific allocations for the wide variety of services that they provide. It is not unusual for circumstances beyond the control of one county to have expenses in excess of the allocations established by the Department of Public Welfare, Office of Children, Youth and Families (OCYF). It is also not unusual for a county to under spend their allocations as circumstances, resources and services may have changed in the 12 to 18 months between submission of the Needs-Based Plan and Budget and those allocations. The solution to this over and under spending has been to work cooperatively with OCYF at the close of the fiscal year to reallocate under spent funds returned by counties to counties that have over spent their allocation. To date there has been sufficient funds for OCYF to reallocate full reimbursement to over spent CCYAs and avoids delays and costly Hearing and Appeals process by counties. Should the over spending ever outpace the under spending, counties would be reimbursed to the extent possible by OCYF.

Similarly, for four fiscal years Single County Authorities (SCA) have used a mechanism to redistribute dollars referred to as a HUB. The HUB creates a way to redistribute unused Behavioral Health Services Initiative (BHSI) funding and Act 152 dollars. Act 152 dollars are used for residential treatment services during the gap between determining that a client is eligible for Medical Assistance, and their actual enrollment date in managed care. This time period varies greatly between counties and is determined by staffing patterns and administrative procedures established by each independent County Assistance Office. The result is inconsistent spending patterns among SCAs. The HUB, administered by Lycoming-Clinton SCA, allows for local SCAs to contribute unspent funding so that it may be used by others who have already spent their annual allocation. The redistribution of BHSI funding has resulted in a more equitable distribution of funding without reengineering the funding formula.

Counties are responsible stewards in creating and sustaining effective viable administrative structures with reasonable administrative costs. From the county operational level, numerous concerns must be addressed in order to collaborate and integrate services including the impact on current recipients and administrative resources, compliance with categorical requirements, and any potential losses or risks. Block grant funding latitude expands the number of oversight issues due to a demographically diverse state meeting multiple federal and state priorities. In light of the variety and legal entitlements and mandates, policy makers must consider the following prior to changing a funding system:

- Will entitlements be under the block grant funding allocations?
- Is the state or county ready to assume the risk for entitlement costs not funded?
- What happens to current recipients of the entitlements and mandates?
- Will there be any changes in state or county match funding requirements?
- What laws and regulations will need to be rescinded or revised?
- Will the state funds remain in support of the categorical grant or block grant?
- Will there be an assurance of funds to maintain efforts through change?
- What happens to mandated services currently funded through multiple funding streams?
- What type of monitoring and reporting will be required?
- Will new technologies, training or other resources be needed for the new system?
- What drives the program? Accountability? Outcomes?
- What will the planning requirements be?
- Will the strained local provider networks sustain this transition?
- Will there be more resources added as new requirements are added under the block grant?
- What degree of oversight will be given to the various levels of government involved?
- How will block grants increase the viability and efficacy of services?
- What will the impact of the Affordable Care Act be on services?
- What will happen to cross systems initiatives when various supporting funds are gone?

Grants, regardless of type, are being squeezed and stretched with increasing costs, especially during the turmoil of the economy. Yet, despite the restrictions of categorical grants, categorical grants do create the following opportunities:

- Increase purchasing power of state funds with federal match
- Require cost effectiveness and outcomes of funding
- Require mutual oversight of funding by federal, state and local governments
- Target funds to identified need
- Create stability of programs over time
- Permit local planning to match with funding

Necessary changes to move from entitlement funding to block grant funding include:

- Dissolution of DPW's Medicaid Waivers
- Assure that conditions for dissolution meet mandates under Pennsylvania's Managed Care Law (1998)
- Voidance of state, county and oversight entity contracts with managed care entities

- Avoidance of state and provider contracts for the direct provision of services or administration
- Review of state laws creating categorical requirements and funding

There will always be some unknown consequences of changes to current funding mechanisms. The Affordability Care Act implementation is one such example that will affect numerous human services systems as regulations are promulgated. The services under waivers such as psychiatric and psychological evaluations, physical and occupational therapies and other traditional services by health care professionals are just a few areas that impact the current service system. Offsets are difficult to predict as experienced with the implementation of Pennsylvania's Autism Insurance Act 62 of 2008. Future decisions regarding whether to sustain the Category PH 95 for individuals under age 21 applying for Social Security Income, commonly referred to the loophole, as eligibility for services is another potential unknown.

Although there are many unknowns when examining potential changes in funding, each human service delivery system currently operates within legal constraints that must be addressed.

Specific service considerations to grant systems change

Each service is part of a service system with various requirements dependent upon their respective oversight agencies at the federal and state level. There are multiple configurations of funding and requirements for each service delivered. Changing approaches must consider current and future expectations and goals. Below is a listing of various county administered and operated services with their respective concerns.

- **Attendant care**
 - Medicaid amendment and entitlement status under Social Security Act
 - Requirements under Pennsylvania Act 150 of 1986
 - Olmstead court decision implications
- **Children and youth services**
 - Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272)
 - Adoption and Safe Families Act of 1997 (P.L. 105-89)
 - Child and Family Service Reviews under Social Security Act
 - Indian Child Welfare Act (P.L. 95-608)
 - Multiethnic Placement Act and Interethnic Adoption Provisions
 - Pennsylvania Child Protective Services Law of 1975
 - Pennsylvania Juvenile Act of 1972
 - Pennsylvania Protection from Abuse Act 206 of 1990
 - Pennsylvania Adoption Act 101 of 2010
 - Pennsylvania Newborn Protection Act of 2002
 - Pennsylvania Act 148 of 1976 (sets maximum reimbursement rates for services)
 - Pennsylvania Act 30 of 1991 (creates the Needs-Based Plan and Budget Process)
 - Various portions of Pennsylvania Crimes Code

- **Drug and alcohol services**
 - Pennsylvania Drug and Alcohol Abuse Control Act - Act 63 of 1972
 - Act 1 of 2010 regarding the Pennsylvania Gaming Control Board
 - Act 152 of 1988
- **Early intervention services**
 - Part C of the Individuals with Disabilities Education Improvement Act of 2004
 - Pennsylvania Early Intervention Service Systems Act of 1990
- **Family care giver services**
 - Requirements under the National Family Caregiver Support Act (42 U.S.C. 3030s)
 - Requirements under the Pennsylvania Family Caregiver Support Act, and Title 6, Chapter 20
- **Homeless Assistance Program (HAP)**
 - Title XX Emergency Shelter Programs (Social Services Block Grant) program requirements
- **Human Services Development Fund (HSDF)**
 - Requirements of Act 1994-78 which provides broad discretion to counties with minimal funding set at \$50,000 per county
- **Juvenile detention and shelter services**
 - Requirements under Pennsylvania Act 148 of 1976
 - Act 30 of 1991
 - Funding viability of mandate
- **Medical Assistance Transportation Program (MATP)**
 - Medicaid requirements and entitlement implications
 - Pennsylvania State Plan of Title XIX providing a funding allocation for emergency and non-emergency transportation
- **Mental health services**
 - Medicaid waiver and entitlement implications
 - Review mandates and responsibilities under MH/MR Act 1966
 - Review impact on Mental Health Procedures Act
 - Olmstead court decision implications
 - Affordability Care Act implications
- **Mental retardation services**
 - Medicaid waiver and entitlement implications

- Review mandates and responsibilities under MH/MR Act 1966
- Review impact on Mental Health Procedures Act
- Olmstead court decision implications
- Affordability Care Act implications

- **Nursing home services**
 - Medicaid amendment and entitlement implications
 - Rate determination (which is part of budget negotiations and State Plan Amendment)
 - Nursing home assessment funding services (two which expire in 2011 and 2012)
 - Pay for performance to nursing homes serving individuals with high acuity (expires 2012)
 - Certified Public Expenditure Funding to obtain federal funds for county nursing home costs
 - Disproportionate share program for Medicaid occupancy
 - Olmstead court decision implications
 - Affordability Care Act implications

- **PennCARE**
 - Federal Older Americans Act of 1965 as amended in 1973
 - Pennsylvania Act 1978-70

- **State Food Purchase Program (SFPP)**
 - Established under the State Food Purchase Program Act of 1992 which permits termination if funds are not available