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## STATE GOVERNMENT: BLOCK GRANTS IN HEALTH\*

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**W**E in public health are indebted to the Reagan Administration for at least one thing—by reason of cutbacks in federal spending for social programs, there is far greater understanding today by the public and elected political leaders that there is more to peoples' health than medical care. Now, if we could only convert that wisdom into social policy.

Congress enacted the Omnibus Budget Reconciliation Act of 1981 on July 29, 1981. That date signalled a major turning point in the history of federal support for health programs. That act authorized reductions in federal spending of more than \$35 billion during federal fiscal year 1982, primarily affecting domestic social programs. During 1982 this legislation and additional cuts in appropriation levels will result in the loss of \$2.2 billion in federal aid to New York State and local governments and residents, as compared to last year. Despite the unprecedented cuts enacted last year, the president has submitted to Congress a proposed federal budget for fiscal year 1983 which requests additional reductions in discretionary, nondefense spending of \$38.5 billion. This would cost New Yorkers an additional \$2.28 billion in federal aid and entitlement. In response to these cutbacks, last year Governor Carey established a Task Force on the Federal Human Services Budget. This year he convened an expanded Task Force on the Federal Budget. The task force is charged with analyzing the impact of federal budget initiatives on New York State, developing state positions and alternatives, and communicating these to federal policy makers and to the citizens of New York.

The task force issued its first report in April 1982, addressing the effects that the federal budget reductions will have on specific program areas, including health. I shall discuss these various impacts, beginning

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with the Medicaid program. Last year there were more than 22 million Medicaid recipients in the United States, of whom just under two million resided in New York State. About 60% of Medicaid expenditures go to aged, blind, or disabled persons. In this state almost 40% of Medicaid program costs are for services to those 65 and older. New York State provides a full range of Medicaid benefits financed with federal, state, and local funds to both categorically eligible and medically needy people. The federal government reimburses the state for about 51% of Medicaid costs, and remaining costs are divided equally between the state and the counties.

New York is one of a few states that provide under Medicaid the optional services permitted by federal law, and these options account for about 40% of projected Medicaid expenditures in 1982-83. The Omnibus Reconciliation Act of 1981 imposed a 3% reduction in federal Medicaid payments to the states. As a result, New York State faced a loss in fiscal year 1982 of \$100 million in federal funds. However, one third of this money was restored in recognition of the state's hospital cost control program, and another third may be recovered if the state's fraud and abuse program is deemed to meet federal requirements.

In his fiscal 1983 budget President Reagan seeks reductions of more than \$2 billion in the Medicaid program through such provisos as: sanctions for payment errors in excess of 3%; lowering the Medicaid matching rate by 3% for optional services to the categorically eligible and for all services to the medically needy; requiring copayments of one to one-and-a-half dollars by Medicaid beneficiaries for visits to physicians, clinics, and hospital outpatient departments; and allowing the states to require adult children to contribute to the cost of an institutionalized parent's care.

The administration's proposed changes will result in an estimated loss of more than \$210 million in federal Medicaid payments to New York during the coming fiscal year. This includes out-of-pocket costs of about \$20 million by Medicaid recipients because of the provision requiring copayment. Another factor that may substantially affect the amount of federal reimbursement to New York for Medicaid is the proviso increasing the 3% reduction to 4% in 1983. This, together with a modification in the fraud and abuse cost offset, would increase the state's loss in Medicaid support to a figure considerably higher than \$210 million.

Cuts in Medicaid strike not only at the elderly and the poor but at even more vulnerable components of our society, namely, the mentally retarded

and the mentally ill. Many mentally retarded and developmentally disabled persons served by the State Office of Mental Retardation and Developmental Disabilities or by not-for-profit voluntary agencies receive services funded by Medicaid. The president's proposal to lower the Medicaid federal matching rate for optional services by 3% would result in a loss of \$33,387,000 for state-operated developmental facilities and another \$7,700,00 for privately operated centers. This would have a devastating effect on these services, eliminating over 2,000 jobs at the state level alone.

By the same token, the president's proposal to lower the Medicaid federal matching rate for optional services could eliminate as many as 11,603 patients from the mental health service delivery system, and lead to the overall loss of \$58,000,000 in Medicaid resources (including state and local appropriations) during fiscal 1983. Federal takeover of Medicaid would likely have a disastrous impact on the funding of optional services.

#### ALCOHOL AND DRUG ABUSE AND MENTAL SERVICES BLOCK GRANT

The Omnibus Reconciliation Act of 1981 consolidated five categorical grant programs into the Alcohol and Drug Abuse and Mental Health Services Block Grant, covering alcohol and drug abuse prevention, treatment, and rehabilitation, and grants to community health centers for assessment of and services to individuals suffering from chronic mental illness, severely disturbed children, and underserved mentally ill elderly. Although New York would again receive \$37.8 million in Alcohol and Drug Abuse and Mental Health Services Block Grant funds, the cumulative loss of federal assistance since fiscal 1981 for programs subsumed by the block grant will be \$36.8 million, about \$28 million of which would have gone to alcohol and substance abuse programs. To get an idea of what this means in terms of public health, keep in mind that about 15% of all patients in general hospitals have alcohol-related problems, and it is estimated that almost half of all patients in public hospitals suffer from alcohol-related problems. Alcohol abuse is associated with 62% of all burn cases requiring hospital care. Among the anticipated effects of cutbacks in spending in this category are reduced patient access to alcohol outpatient treatment centers, including wait-listing of drinking drivers and employees referred for assistance. There will be an \$8 million reduction in support for community-based drug treatment and prevention programs, and underserved areas of the state will have to forego the development of

new community health centers and services. Ironically, these cutbacks in funding for essentially preventive initiatives will doubtless lead to greater demand for costly inpatient care services.

#### PREVENTIVE AND HEALTH SERVICES BLOCK GRANT

New York State plans to assume responsibility for this strand of services on July 1, 1982. Consolidated under this heading are: rodent control, hypertension control, home health services, health education and risk reduction, health incentive grants, community and school-based fluoridation, and emergency medical services. The administration proposes to fund this block grant at the same level it did in fiscal 1982, which means that the program will have experienced about a 30% inflation-related erosion in the last two years. For example, we shall be able to screen from 24,000 to 44,000 fewer individuals for hypertension this year than last, and we shall be able to serve 15,000 fewer next year. The fluoridation program will not be able to respond to all communities which have decided to initiate water fluoridation, and the health education and risk reduction program will be able to serve 3,200 fewer people this year and 11,000 fewer next year. The rodent control program, of which we in New York as well as federal health officials in Washington are so proud, would lose up to 10 full-time individuals. Funding to localities for emergency medical services networks will be greatly reduced.

#### PRIMARY CARE BLOCK GRANT

The Primary Care Block Grant funds community health centers which serve traditionally poor, doctor-bereft neighborhoods, primarily in inner-city locations but also including some in remote rural areas. The federal government continues to administer this block, funding for which was reduced by 19% in the last budget. If a state were to assume responsibility for this block of services in fiscal 1983, that state must contribute 20% to federal support the first year and 33.3% the following year. In 1981 49 community health centers in New York State served approximately 475,000 patients. Although many administrative and policy decisions are involved in the allocation of funds, it is probable that 8 to 10 centers will be unable to continue due to fiscal losses in the current year. Were this to result, at least 50,000 people would lose access to community health center services. The three migrant health centers in the state will lose 50% of their funding this year. The Reagan Administration has proposed that

family planning services currently authorized under Title X be incorporated in this block in fiscal 1983. Cuts already experienced in Title X funding will mean that up to 21,000 fewer people will receive family planning services this year in our state. The Department of Health and Human Services estimates that, of every 100 sexually active adolescents who do not receive family planning services, about 21 can be expected to become pregnant. About one third of the resultant births will require help from Aid to Families with Dependent Children. For these compelling reasons, New York is studying the possibility of assuming responsibility for the Primary Care Block Grant.

#### SERVICES TO WOMEN, INFANTS, AND CHILDREN

This block covers maternal and child health services, crippled children's services, supplemental income for disabled children, hemophilia, lead-based paint poisoning, genetic disease counseling, and adolescent pregnancy services. In fiscal 1982 these programs were funded at a level 24% lower than anticipated. New York plans to assume responsibility for this block on July 1, 1982. For fiscal 1983 the Reagan Administration has proposed that the Women, Infants and Children (WIC) supplemental food program be included in this block, and funding would be reduced by a further 22%. The budget language does not make clear whether states have the option of applying the reduction to all programs or whether the reduction is to be applied only to the WIC program, thereby cutting away 30% of WIC funds.

In fiscal 1981 New York received approximately \$51 million for all programs covered under this block and Title V. In fiscal 1982 funds will be cut by about \$7.7 million. The full impact of these reductions on service delivery is unknown, but several children and youth projects in New York City, which are funded through the Medical and Health Research Association, are threatened. Last year in New York State 141,484 children were screened for lead-based paint poisoning. Just over 6,000 children (4.3% of those screened) were found to have elevated lead levels in their blood. A cut of 26% in funding would mean that 37,000 fewer children will be screened this year, and another 10,000 fewer next year. If the entire reduction in spending for 1983 were applied to the WIC program, 57,000 poor women, their infants, and young children will lose access to this supplemental food program. As it is, WIC reaches only 36% of those determined to be in nutritional need. A very impressive

body of medical literature indicates that improving the nutritional intake of pregnant women can markedly increase the birth weight and improve the subsequent health of their infants.

#### VENEREAL DISEASE

In 1892 Dr. Hermann Biggs inaugurated the nation's first municipal program of venereal disease detection and reporting here in New York City, for which he won the undying wrath of the medical profession. In 1981 the Reagan administration, with only a whimper from organized medicine, reduced program funding for venereal disease detection and control by 33%. In fiscal 1983 the administration is proposing a 21% increase in venereal disease funding, but this level will still be 19% lower than that for fiscal 1981. Local health departments faced with an increased incidence of venereal disease will be forced to cut back on case finding and treatment.

#### IMMUNIZATION

In fiscal 1982 the federal government reduced its support for childhood immunization efforts by 36%. In fiscal 1983 a slight increase (4%) in funding is proposed. Funds for immunization have enabled localities and the states to implement an intensive immunization program for children. As result, immunization levels have increased and we are on the doorstep of eliminating several of the communicable diseases of childhood. I cannot think of a single piece of modern weaponry that would justify sacrificing these gains in the health of our children.

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What I have described for you to this point is a litany of government retreat from what I consider to be its basic responsibility, which someone once defined as "a contrivance of human wisdom to provide for human wants." As Governor Carey stated in his annual health message, "That resolve, that commitment, is not everywhere the accepted wisdom of the day. Seldom has there been a wider gulf separating New York State's philosophy of government from that of a federal administration." Yet he went on to promise: "Economic restraints have never eroded our resolve to provide for the basic needs of those who cannot help themselves—or even survive—without the aid their fellow citizens provide through

governmental programs.” As the governor made clear, “We would have accomplished nothing [over the past seven years] if we had abandoned our compassionate heritage and neglected the weakest among us.... The challenge of today lies in continuing our commitment to social justice and neighborly compassion in the face of a new federal philosophy of isolation and abandonment which enriches the most fortunate at the expense of the least.” Armed with this resolve and with the help of the state’s congressional delegation, I am confident that we shall meet these new challenges to the health, safety, and well-being of all New Yorkers.