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Office of the White House Press Secretary

THE WHITE HOUSE

FINANCIAL ASSISTANCE FOR HEALTH CARE ACT

SUPPLEMENTAL FACT SHEET

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I. Distribution Formula

After an initial period of transition, funds will be distributed according to a formula giving primary weight to a State's low-income population. The formula gives weight also to the relative "tax effort" made by a State and to a State's per capita income.

II. Phase-in of Formula

The distribution formula will be gradually phased-in, to allow States to make program adjustments. At no time will a State receive less than it did in FY 1976. For the first three years of the program, beginning October 1, 1976, the maximum annual increase for any State will not exceed 10 percent.

In subsequent years States will continue to move toward the amount allocated by the formula; increases in subsequent years are limited to a maximum of 20 percent over the previous year. The distribution of block grant funds is shown in Appendix B.

III. Protection for Direct Federal Grantees

To avoid disruptions in health services delivery and to insure an orderly, gradual transition to the block grant program, direct Federal grantees (such as community mental health centers, neighborhood health centers, and alcoholism programs) will be protected from large budgetary reductions during the first three years of the program. Grantees will be guaranteed at least 80 percent of their FY 1976 grant level in the first year, 50 percent in the second year, and 25 percent in the third year.

IV. State Financial Participation

No State match is required under the block grant program. States and localities spent $16 billion of their own funds for health purposes in 1975. At least this level of spending is expected to continue.

V. Reimbursement and Cost-Sharing

States will have broad latitude on reimbursement levels and methodologies and may impose any level of premiums or cost-sharing they deem appropriate on services. States may not permit providers to "extra-bill" patients above the level of payment authorized by States.

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VI. Covered Services

A. Personal Health Care. At least 90 percent of Federal funds must be spent on personal health care services. These include a broad range of physical and mental health activities including all services now covered by Medicaid, as well as other personal health services deemed appropriate by States (for example, living arrangements that could substitute for institutional care).

B. Community and Environmental Health Activities. At least 5 percent of Federal funds must be spent for (1) community health protection (e.g., disease control, environmental health, health education); (2) community-based mental health services, including alcoholism and drug abuse treatment, and (3) developmental disabilities programs.

C. Other Health Activities. The remaining 5 percent may be spent on other State-selected health activities including State and sub-State planning, rate regulation, data acquisition and analysis, and resources development. They may also be spent for activities in categories A and B described above.

Services currently provided under Medicaid and the PHS grants are listed in Appendix C.

VII. Target Population and Eligibility

States will have broad discretion in setting income and other standards for defining the eligible population, except that funds must be used to assure that personal health care services are provided to low income persons. States are not required to use Federal categorical restrictions in determining eligibility (e.g., childless couples, single persons between ages 21 and 65, and intact families may qualify for assistance). And States may deduct out-of-pocket medical expenses in counting income.

States may not impose duration of residence requirements as a condition of participation, nor illegally discriminate against service applicants or recipients. Changes in eligibility from existing State standards must be presented for public review and comment as part of the State Plan.

Services financed with the 5 percent community health protection, mental health, and disabilities monies may be offered to all individuals without regard to income.

VIII. State Plan Requirements

A. A State Health Care Plan must be developed annually as a condition of receiving Federal funds. It will have two major components: A general requirements part will cover the entire State population and both publicly and privately financed health services. A second part will concentrate on the population and services covered by the Financial Assistance for Health Care Act.

The State Health Care Plan must provide assurance that the funds for services included in the Plan will be passed by the State to those units of government which are responsible under the law for providing those services.

The State Health Care Plan should be directed at achieving State-defined goals consistent with the following objectives of the Act:

-- Assuring all citizens of the State, and particularly low-income persons, access to needed health services of acceptable quality;

-- Development and utilization of preventive health services;

-- Prevention or reduction of inappropriate institutional care;

-- Encouraging the use of ambulatory care in lieu of inpatient services;

-- Provision of primary care services especially for those located in rural or medically underserved areas;

-- Assurance of the most appropriate, effective, and efficient utilization of existing health care facilities and services;

-- Promotion of community health.

The Plan must describe the relationship of its provisions to the achievement of these goals, with particular reference to its effect on children, the elderly, migrants, the mentally ill, the developmentally disabled, the handicapped, alcoholics and drug abusers.

B. General Requirements

This portion of the State Health Care Plan must include at least the following information:

-- Analysis of the supply and distribution of State health care facilities and services (e.g., inpatient, ambulatory, long-term care);

-- Assessment of the supply of health manpower and manpower training programs;

-- Analysis of the sources of health financing available to State residents (e.g., private insurance, public subsidies);

-- Assessment of the health needs of the population and the availability of needed services, especially in medically underserved areas (e.g., rural areas).

C. Requirements Concerning State-Supported Health Services

This portion of the State Health Care Plan must include at least the following:

-- Definition of the eligible population, including the numbers and categories of individuals to be served (e.g., aged, children). States must provide a rationale for differences in coverage from the plan of the previous year or, from current eligibility standards.

-- **Definition of covered services** -- including amount, duration and scope -- and a rationale for any change from current State programs. (See Appendix C).

-- Estimates of individuals to be served and of the expenditures for each service to be provided and each category of individuals to whom services are provided.

-- Identification of categories of service providers, specification of the standards for each group of providers, explanation of the process for enforcing these standards, and identification of the State agency (agencies) responsible for enforcement. States must provide a rationale for differences in provider standards over existing standards.

-- Description of the methods used to reimburse each category of providers and the levels of reimbursement proposed to be offered.

-- Explanation of the mechanisms for program coordination between the State's personal health services program and other human service programs (e.g., Medicare, SSI, Title XX).

-- Description of a system under which service applicants and recipients may file complaints and receive a fair hearing.

-- Provisions regarding the safeguarding of information on applicants and beneficiaries.

-- Definition of the organizational structure responsible for administration of funds provided under the Financial Assistance for Health Care Act.

-- Description of quality assurance system(s) to be used for each type of provider. States must have quality of care systems including peer review of services provided based on objective normal criteria and standards.

-- Description of the State planning, reporting, and other activities in the field of health.

D. Planning Process

An open and public planning process, including designation of substate planning bodies, wherever practical, composed of elected officials of local general purpose government, providers, consumers, insurors and health education institutions is required. Where local funds are used to help finance services under the Plan, elected officials of local governments must be consulted regarding State Plan priorities.

Both parts of the State Health Care Plan must be published and made available for public review and comment. State Plan publication, review, and amendment procedures will be monitored by HEW.

IX. Certificate-of-Need

To assure efficient development and distribution of costly institutional health services, States must administer a certificate-of-need program that includes a review and approval or disapproval of new institutional health care services proposed to be offered in the State.

X. Reports

States must submit a report to HEW at the end of each program year which accounts for the use of Federal funds in accordance with the State Plan and explains major variances.

XI. Enforcement, Audit, Compliance, Penalties

States must have a mechanism for citizens to file complaints and receive a hearing. In addition, aggrieved citizens may bring civil suit. States must also have procedures for auditing block grant expenditures and evaluating State compliance with the State Health Care Plan. HEW will approve these State procedures and require certifications from States that they are complying with their State Plans.

HEW may hold compliance hearings and terminate all Federal funds when there is both a finding of noncompliance and State refusal to come into compliance or alternatively, reduce Federal payments by up to three (3) percent for each requirement for which a State is not in compliance.

XII. Federal Health Planning Activities

1. National Council for Health Planning and Policy

A National Health Planning and Policy Council will continue to serve as a forum for addressing issues of nationwide concern affecting health care in the U.S. The Council will be composed of representatives of major health interests, including consumers, State and local government providers, insurors, and educational institutions. The Council will address such concerns as (1) health costs; (2) manpower; (3) resources allocation/planning and regulation by States, and (4) the impact of new medical technology on the costs and quality of health care.

2. Federal Technical Assistance and Research for Health Planning

The Department will continue to develop technical assistance materials, including data, analyses, and comparative studies to assist States in their health planning and regulatory activities. The Department will also continue to conduct research on the impact of health planning and regulatory decisions.

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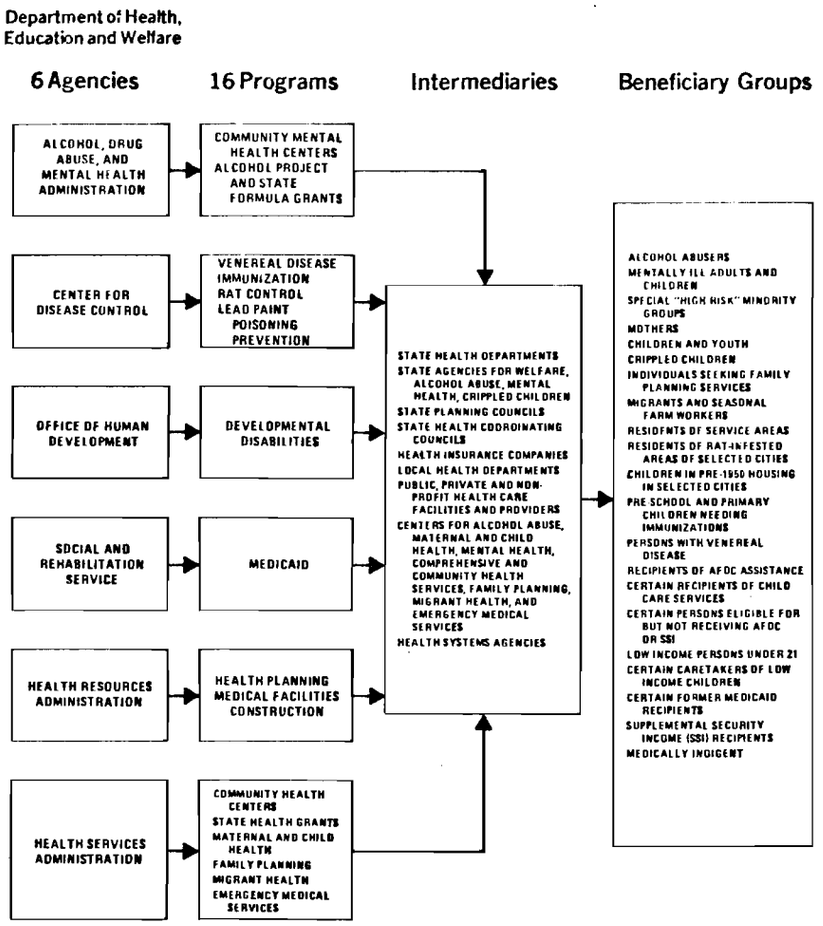
APPENDIX A

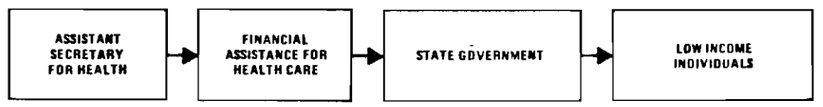
Flow of Federal Health Services Dollars

Before Consolidation



After Consolidation

($10 Billion in Budget Authority in 1977)



APPENDIX B

DISTRIBUTION OF FUNDS BY STATE

FISCAL YEARS 1976 THROUGH 1986

($ MILLIONS)

STATE	FY1976	FY1977	FY1978	FY1979	FY1980	FY1981	FY1982	FY1983	FY1984	FY1985	FY1986
ALABAMA	156.0	171.5	188.7	207.6	249.1	298.9	358.7	375.3	389.7	404.1	418.6
ALASKA	11.5	11.8	12.0	12.3	11.6	11.5	11.5	11.5	11.5	11.6	11.6
ARIZONA	12.5	13.8	15.2	16.7	20.0	24.0	28.8	34.2	41.1	49.3	59.1
ARKANSAS	111.1	122.2	134.4	147.9	177.5	213.0	225.7	234.7	243.8	252.8	261.8
CALIFORNIA	1124.8	1155.2	1173.0	1198.8	1133.5	1127.5	1126.4	1124.8	1135.3	1177.3	1219.4
COLORADO	92.1	94.5	96.0	98.1	110.4	115.2	120.0	124.8	129.6	134.4	139.2
CONNECTICUT	110.5	113.5	115.2	117.8	111.3	110.8	110.7	110.5	110.6	111.1	111.0
DELAWARE	12.9	14.2	15.7	17.2	20.7	21.7	22.6	23.5	24.4	25.3	26.2
DISTRICT OF COLUMBIA	74.2	76.3	77.4	79.1	74.8	74.4	74.4	74.2	74.3	74.7	74.6
FLORIDA	164.5	181.0	199.1	219.0	262.8	315.4	378.5	449.4	485.4	503.4	521.4
GEORGIA	235.7	259.3	285.2	313.7	359.8	375.5	391.1	406.8	422.4	438.1	453.7
HAWAII	29.3	30.1	30.6	31.2	31.8	33.2	34.5	35.9	37.3	38.7	40.1
IDAHO	31.1	34.2	37.6	41.3	43.6	45.5	47.4	49.3	51.2	53.1	55.0
ILLINOIS	458.1	470.5	477.7	488.3	461.7	459.2	458.8	458.1	458.7	462.9	479.4
INDIANA	157.8	173.6	176.3	180.1	202.2	211.0	219.8	228.6	237.4	246.2	255.0
IOWA	86.8	95.5	105.0	115.5	138.6	154.2	160.6	167.0	173.4	179.9	186.3
KANSAS	70.9	78.0	85.8	94.4	113.2	118.1	123.0	127.9	132.9	137.8	142.7
KENTUCKY	152.4	167.7	184.4	202.9	243.5	292.2	320.2	333.0	345.8	358.6	371.4
LOUISIANA	160.5	176.6	194.2	213.6	256.4	307.6	369.2	438.3	504.1	522.8	541.5
MAINE	64.4	70.9	71.9	79.1	84.5	88.2	91.9	95.6	99.2	102.9	106.6
MARYLAND	169.7	174.3	177.0	180.9	171.0	170.1	170.0	169.7	174.9	181.3	187.8
MASSACHUSETTS	354.1	363.6	369.2	377.3	356.8	354.9	354.6	354.1	354.5	356.1	355.8
MICHIGAN	461.4	473.9	481.2	491.8	465.0	462.5	462.1	461.4	462.0	464.2	463.8
MINNESOTA	193.3	198.6	201.6	206.1	215.3	224.6	234.0	243.4	252.7	262.1	271.4
MISSISSIPPI	116.4	128.0	140.8	154.9	185.9	223.1	267.7	317.9	381.4	433.4	448.8
MISSOURI	104.7	115.2	126.7	139.3	167.2	200.7	240.8	285.9	316.1	327.8	339.5
MONTANA	25.8	28.4	31.2	34.3	41.2	49.4	51.4	53.5	55.6	57.6	59.7
NEBRASKA	40.6	44.7	49.1	54.0	64.8	77.8	88.3	91.8	95.3	98.9	102.4
NEVADA	15.7	17.3	19.0	21.0	22.1	23.0	24.0	24.9	25.9	26.8	27.8
NEW HAMPSHIRE	25.7	26.4	26.8	29.5	30.8	32.2	33.5	34.8	36.2	37.5	38.9
NEW JERSEY	244.4	251.0	254.9	260.5	246.3	245.0	244.7	244.4	244.7	245.8	250.4
NEW MEXICO	34.6	38.0	41.9	46.0	55.2	66.3	79.5	94.5	113.3	136.0	151.5
NEW YORK	1666.4	1711.4	1737.8	1776.0	1679.2	1670.4	1668.8	1666.4	1668.6	1676.2	1674.8
NORTH CAROLINA	174.2	191.6	210.8	231.8	278.2	333.8	400.6	449.2	466.5	483.8	501.1
NORTH DAKOTA	21.1	23.2	25.6	28.1	33.7	38.3	39.9	41.5	43.1	44.7	46.3
OHIO	302.3	310.4	341.5	349.0	377.5	393.9	410.3	426.7	443.1	459.5	476.0
OKLAHOMA	134.6	148.1	162.9	166.5	185.4	193.4	201.5	209.6	217.6	225.7	233.7
OREGON	78.3	86.1	94.7	96.8	105.4	110.0	114.6	119.1	123.7	128.3	132.9
PENNSYLVANIA	451.9	464.1	510.5	521.8	566.8	591.5	616.1	640.7	665.4	690.0	714.7
RHODE ISLAND	60.6	62.2	63.2	64.6	61.0	60.7	60.7	60.6	60.7	60.9	60.9

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RUN 1 MAX GAIN 0.20

STATE	FY1976	NET GRANT ($ MILLIONS) FY1977	FY1978	FY1979	FY1980	FY1981	FY1982	FY1983	FY1984	FY1985	FY1986
SOUTH CAROLINA	103.6	113.9	125.3	137.8	165.4	198.5	238.2	282.8	299.0	310.1	321.1
SOUTH DAKOTA	23.2	25.5	28.1	30.9	37.0	44.5	53.4	63.3	72.3	75.0	77.7
TENNESSEE	160.9	177.0	194.7	214.2	257.0	308.4	353.9	368.1	382.2	396.4	410.6
TEXAS	503.8	554.2	609.6	670.5	739.0	771.1	803.3	835.4	867.5	899.7	931.8
UTAH	38.6	42.5	46.7	51.4	61.7	72.8	75.8	78.9	81.9	84.9	88.0
VERMONT	32.0	32.9	36.1	36.9	40.0	41.7	43.4	45.2	46.9	48.7	50.4
VIRGINIA	140.0	154.0	169.4	186.3	223.6	265.0	276.1	287.1	298.2	309.2	320.2
WASHINGTON	137.5	141.2	143.4	146.6	138.6	138.4	144.1	149.9	155.7	161.4	167.2
WEST VIRGINIA	49.6	54.6	60.0	66.0	79.2	95.1	114.1	135.5	162.5	195.1	218.6
WISCONSIN	276.1	283.5	287.9	294.2	278.2	276.7	276.5	281.3	292.1	302.9	313.7
WYOMING	8.0	8.8	9.6	10.6	12.7	15.3	18.3	20.5	21.3	22.1	22.9
Other*		45.0	47.3	49.5	51.7	54.0	56.3	58.5	60.8	63.0	65.3
TOTALS	9466.32										
		10,000	10,500	11,000	11,500	12,200	12,900	13,500	14,050	14,550	15,000

* Puerto Rico, Virgin Islands, Guam, Am. Samoa, Trust Territories

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APPENDIX C

Services Now Covered Under Medicaid and PHS Grants

Medicaid Services

Required

Hospital services (inpatient and outpatient)
Physician services
Labs and X-ray services
Skilled nursing facility services for persons over 21
Screening, diagnosis, and treatment of children (includes outreach and referral services)
Family planning
Medically-related Home Health Care services
Transportation to necessary medical care

Optional

Private nursing services
Clinic services
Dental services
Physical therapy
Drugs
Intermediate care facility services
Mental hospital services for persons over 65
Prosthetic devices, eyeglasses, and hearing aids
Inpatient psychiatric hospital services for persons under 21
Other diagnostic, screening, preventive, and rehabilitative services
Skilled nursing facility services for persons under 21
Services of other practitioners licensed under State law

PHS Grantee Services

Community Mental Health Centers
Alcoholism Services
Rat Control
Lead-based paint
Immunizations
Venereal disease
Comprehensive Health Centers
Family Planning
Maternal and Child Health
Emergency Medical Services
Migrant Health Services
Health Planning, Construction, and Resources Development

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