

# Federal Block Grants to States for Mental Health, Substance Abuse, and Homelessness

## Potential Improvements to Funding Formulas

The 21st Century Cures Act requires the Secretary of Health and Human Services to study the formulas for distributing federal funds to states under three block grants: (1) the Community Mental Health Services Block Grant (MHBG), (2) the Substance Abuse Prevention and Treatment Block Grant (SABG), and (3) the Projects for Assistance in Transition from Homelessness (PATH) program.

The statistical formulas for determining each state's share of funding under these grants have not been updated since 1992. The Substance Abuse and Mental Health Services Administration (SAMHSA) contracted with the Office of the Assistant Secretary for Planning and Evaluation, which, in turn, contracted with the RAND Corporation to carry out a study of the appropriateness of the current formulas and to recommend alternatives. RAND researchers examined the scientific literature relevant to each formula's components, searched for nationally representative data sources not available during the formulas' creation, convened a technical advisory group panel of federal experts and additional stakeholders to consult with throughout the study, and analyzed the current formulas and proposed alternatives.

### Community Mental Health Services Block Grant

The MHBG formula calculates each state's share of funding based on three components: the size of the population needing services, the cost of services, and the state's fiscal capacity. The structure of the MHBG and SABG formulas reflects the concept of taxpayer equity—that is, the idea of equalizing the rates that taxpayers would have to pay to support a standard level of service across states. For fiscal year 2018, the total MHBG allotment for the states and territories was \$722 million.

The analyses suggested that the population need indicator for the MHBG formula, which currently weights need based on adults by age category, can be improved to better align with statutory definitions of MHBG population need: adults with serious mental illness and children with serious emotional disturbance. The best available data on adult

### Key findings:

- The formulas for all three block grant programs can be revised to improve their accuracy.
- The cost of service indicators would benefit from revised weighting based on current cost patterns.
- Population need indicators should use the best available data sources that directly measure need.
- For all formulas, the current minimum allotment rules should be removed, and the best available data should be reviewed every five years to determine whether additional updates are needed.
- If the formulas are changed, new hold-harmless rules for all programs should be established to protect states from large decreases in funding as changes are implemented.

population need are state-level prevalences of adults with serious mental illness, estimated using population survey data collected as part of the ongoing annual National Survey on Drug Use and Health (NSDUH), sponsored by SAMHSA. For children, the best data are from the ongoing National Health Interview Survey, part of the Centers for Disease Control and Prevention; this survey provides national but not state-level prevalence estimates.

In addition, changing the Cost of Services Index (COSI) by updating the weights for the cost components of the COSI (labor, rents, and other costs) would more accurately reflect the current costs of mental health services. The RAND team's analysis used recent cost data for outpatient health services from the Service Annual Survey, collected by the U.S. Census Bureau, to update weights. Updated COSI weights were also applied to the SABG formula.

There is a guaranteed minimum allotment for each state under the MHBG that is equal to the amount received by

the state in fiscal year 1998 (territories are subject to different minimum allotment rules). All allotments in 2018 were higher than the current minimum allotment.

#### **Key Recommendations**

- Remove the minimum allotment rule, which no longer affects allotments.
- Update the population need indicator to use state prevalences of adults with serious mental illness, estimated from the NSDUH.
- Add a population need indicator for serious emotional disturbance among children ages 5–17.
- Update weights for the cost components of the COSI, weighting labor at 0.55, rent at 0.05, and other costs at 0.40.

#### **Substance Abuse Block Grant**

The SABG program funds both substance abuse prevention and treatment services, with states mandated to spend no less than 20 percent of their grant on prevention. The SABG formula is based on the same components as the MHBG: population need, cost of services, and state fiscal capacity. For fiscal year 2018, the total SABG allotment for the states and territories was \$1.7 billion.

As was the case with the MHBG, the population need indicator for the SABG formula, which weights those in urban areas and younger adults more heavily, can be improved to better align with the best available data. The best data to capture state need for substance abuse prevention and treatment are state-level prevalences of adults and youth with substance use disorders, estimated using population survey data collected as part of the NSDUH. And as with the MHBG, updating the weights in the cost components of the COSI provides a more accurate reflection of the current costs of substance abuse treatment services.

The guaranteed minimum allotments under the SABG are based on a complex formula that highly restricts changes over time. This limits the ability of any changes to have an impact on the distribution of funds.

#### **Key Recommendations**

- Remove the minimum allotment rule, which highly restricts the formula from operating as intended.
- Update the population need indicator to use state prevalences of adults and youth with substance use disorders, estimated from the NSDUH.
- As with the MHBG, revise weights in the COSI, weighting labor at 0.55, rent at 0.05, and other costs at 0.40.

#### **Projects in Assistance with Transitions from Homelessness**

The PATH grant program funds delivery of outreach and services to people with serious mental illness who experience or are at risk of homelessness. The PATH formula is based only on an indicator of population need and does not take into account costs of services or state fiscal capacity. For fiscal year 2018, the total allotment to states and territories was \$64 million. The current formula for PATH defines need based on the state's proportion of the U.S. urban population. The minimum allotment for states, the District of Columbia, and Puerto Rico is \$300,000, and for other territories it is \$50,000.

The U.S. Department of Housing and Urban Development (HUD) collects annual point-in-time counts of homeless persons for each of the states, the District of Columbia, and territories. Use of HUD counts provides a more accurate estimate of population need, assuming that the broader risk of homelessness in a state is a good indicator of the risk for homelessness among those with serious mental illness.

#### **Key Recommendations**

- Remove the minimum allotment rule, which no longer affects allotments.
- Update the population need indicator by using state counts of homeless individuals, available annually from HUD.

#### **Additional Recommendations for the MHBG, SABG, and PATH Allotment Formulas**

Updating allotment formulas to improve accuracy and thereby more appropriately distribute funds to states for the MHBG, SABG, and PATH programs would substantially shift current grant allotments across states, as shown in the table. This would be disruptive for states receiving large decreases in allotments.

#### **Key Recommendation**

- If formulas are changed, establish new hold-harmless rules for all programs that protect states from large decreases in funding yet allow formula changes to be implemented over time with increased program funding. Alternatively, increase program funding sufficiently to hold states harmless and ameliorate the need for new hold-harmless rules.

It is expected that relevant data for measuring formula components will continue to improve over time. Furthermore, historical trends can affect static components of updated formulas (the COSI weights), making them less accurate over time.

**How Would These Formula Changes Affect State Grant Allotments?**

Block Grant	Percentage of Fund Reallocated	Number of States		Dollar-Amount Decrease		Percentage Decrease		Dollar Amount Per Person Decrease	
		with Decrease	with Decrease of More Than 5 Percent	Largest	Median	Largest	Median	Largest	Median
MHBG	13.62%	21	18	\$22.6M	\$1.3M	50.3%	22.9%	\$0.81	\$0.30
SABG	8.61%	20	17	\$47.3M	\$3.8M	55.8%	13.1%	\$3.44	\$0.59
PATH	25.57%	33	31	\$2.6M	\$0.3M	57.8%	35.4%	\$0.16	\$0.06

**Key Recommendation**

- Every five years, review the best available data for measuring formula components to allow variable components to be updated as data sources are improved and to reflect the current cost environment for static components.

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This brief describes research conducted in RAND Health Care and documented in *Review and Evaluation of the Substance Abuse, Mental Health, and Homelessness Grant Formulas*, by J. Scott Ashwood, Karen Chan Osilla, Maria DeYoreo, Joshua Breslau, Jeanne S. Ringel, Cheryl K. Montemayor, Nima Shahidinia, David M. Adamson, Margaret Chamberlin, and M. Audrey Burnam, RR-2454-ASPEC, 2018 (available at [www.rand.org/t/RR2454](http://www.rand.org/t/RR2454)). To view this brief online, visit [www.rand.org/t/RB10049](http://www.rand.org/t/RB10049). The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

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