



Health, Education and Human Services Division

B-271837

April 24, 1996

The Honorable Dan Coats
United States Senate

Dear Senator Coats:

This letter responds to your request that we analyze the effects of your proposed changes to the funding formula for title III of the Older Americans Act. The Older Americans Act was passed in 1965 to help elderly Americans live independently in their own communities by removing barriers to independent living and providing a continuum of care. The current funding formula for the act allocates funds to states on the basis of the number of individuals over age 60 residing in each state. A recent GAO report questioned this policy because it does not take into consideration the fact that barriers to independent living increase with age and are more prevalent among low-income individuals.¹

Using our prior report as the basis for the analysis here, we have concluded that the changes you have proposed would improve funding equity. Your proposal would change the current funding formula by giving greater weight to the number of elderly in the oldest age groups and by targeting more aid to low-income states. Your proposal would not affect certain small states that, under current law, are guaranteed at least 1/2 percent of the funds made available for distribution to the states. Our analysis indicates that these changes would improve funding equity in that they would make federal funding per person-in-need more equal across states.

Under current law for example, Indiana's annual funding per person-in-need is \$65.54.² Under the change you propose Indiana's grant would increase to \$68.26 per person-in-

¹Older Americans Act: Funding Formula Could Better Reflect State Needs (GAO/HEHS-94-41, May 12, 1994).

²In making these comparisons, we have adjusted for cross-state differences in the cost of care using an index of private sector labor costs.

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need, which is closer to the national average grant of \$75.06. The change would also reduce funding for states whose funding is above the national average. For example, Maryland's funding under current law is \$91.68 per person. Under your proposal, it would drop to \$87.08. Because funding for most states not affected by the 1/2-percent minimum would be closer to the national average, equity would be improved by reducing cross-state disparities in federal funding per person-in-need.³ Further reductions in funding disparities could be realized by including minority status and poverty in the formula as well.

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This work was performed under the supervision of Jerry Fastrup, Assistant Director, with assistance from Dick Horte, Senior Evaluator. If you or your staff have any questions concerning this letter, please call either Mr. Fastrup at (202) 512-7211 or me at (202) 512-4561.

Sincerely yours,



William J. Scanlon
Director, Health Systems Issues

Enclosure

³The enclosure provides information on funding per person-in-need for all states and the District of Columbia. Disparities in federal funding per person-in-need are reduced as measured by the standard deviation in federal funding.

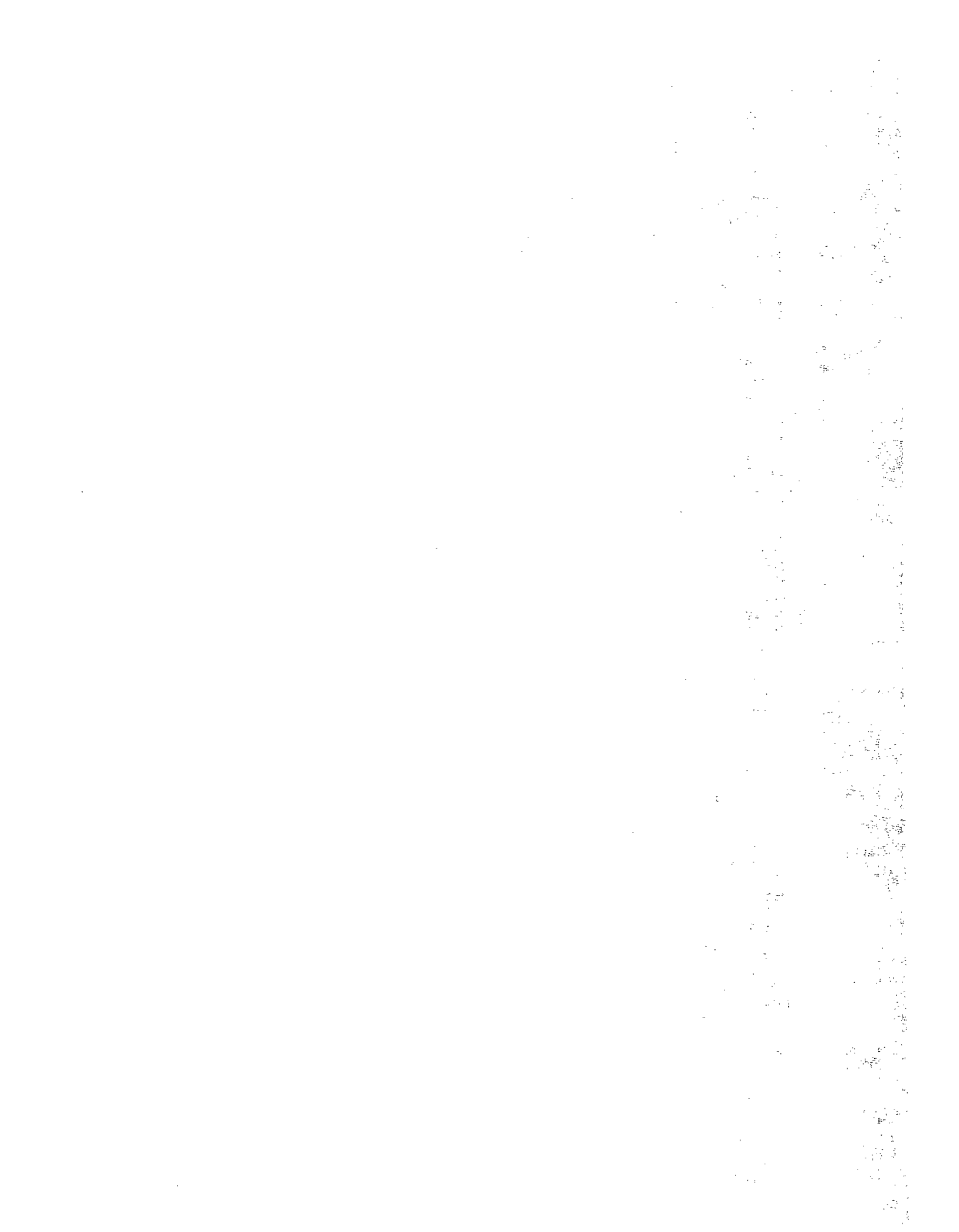
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FEDERAL FUNDING PER PERSON-IN-NEED

State	Current law		Coats proposal	
	Dollars	% of U.S. average	Dollars	% of U.S. average
Not affected by small state minimum				
Alabama	\$65.30	87.0	\$68.02	90.6
Arizona	61.42	81.8	73.83	98.4
Arkansas	46.28	61.6	46.58	62.1
California	89.04	118.6	86.07	114.7
Colorado	73.23	97.6	75.32	100.3
Connecticut	85.17	113.5	77.00	102.6
Florida	47.10	62.7	56.58	75.4
Georgia	94.96	126.5	92.17	122.8
Illinois	73.44	97.8	64.84	86.4
Indiana	65.54	87.3	68.26	90.9
Iowa	58.12	77.4	59.52	79.3
Kansas	61.99	82.6	63.50	84.6
Kentucky	61.61	82.1	62.63	83.4
Louisiana	65.07	86.7	65.67	87.5
Maryland	91.68	122.1	87.08	116.0
Massachusetts	80.17	106.8	71.43	95.2
Michigan	82.61	110.1	83.66	111.5
Minnesota	71.68	95.5	72.03	96.0
Mississippi	64.63	86.1	63.99	85.2
Missouri	57.21	76.2	58.96	78.5
Nebraska	65.22	86.9	65.55	87.3
New Jersey	78.68	104.8	70.22	93.6
New Mexico	71.32	95.0	75.44	100.5
New York	81.90	109.1	69.88	93.1
North Carolina	60.52	80.6	68.01	90.6
Ohio	72.44	96.5	75.01	99.9
Oklahoma	63.13	84.1	64.74	86.2
Oregon	66.92	89.1	74.63	99.4
Pennsylvania	64.31	85.7	65.35	87.1
South Carolina	65.63	87.4	72.64	96.8
Tennessee	62.25	82.9	65.97	87.9
Texas	77.34	103.0	76.19	101.5
Virginia	91.04	121.3	88.96	118.5
Washington	66.61	88.7	67.13	89.4
West Virginia	43.36	57.8	41.77	55.7
Wisconsin	63.09	84.0	66.53	88.6
Standard deviation:	12.26	16.3	10.35	13.8
Affected by small state minimum				
Alaska	1,214.53	1,618.0	1,214.53	1,618.0
Delaware	137.18	182.8	137.18	182.8
District of Columbia	201.39	268.3	201.39	268.3
Hawaii	80.50	107.2	80.50	107.2
Idaho	77.76	103.6	77.76	103.6
Maine	69.57	92.7	69.57	92.7
Montana	75.69	100.8	75.69	100.8
Nevada	88.73	118.2	88.73	118.2
New Hampshire	94.34	125.7	94.34	125.7
North Dakota	74.86	99.7	74.86	99.7
Rhode Island	82.78	110.3	82.78	110.3
South Dakota	81.50	108.6	81.50	108.6
Utah	106.25	141.5	106.25	141.5
Vermont	203.27	270.8	203.27	270.8
Wyoming	193.32	257.5	193.32	257.5
U.S. average	\$75.06	100.0	\$75.06	100.0

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