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ALLOCATION AND DISTRIBUTION OF RMP
GRANT FUNDS AMONG THE REGIONS

Issue and Background

The manner of allocating grant funds to the Regions, equity in the distribution of funds among the Regions and the need for greater flexibility in the use of funds have become issues of major importance to many Program Coordinators.

Except for requiring the National Advisory Council to make recommendations on the approval of grants and routine provisions for accounting and special uses of the funds, P.L. 89-239 makes no specific reference as to how available funds shall be allocated to or distributed among the regions. The Act speaks of accomplishing the purposes of the title through "grants", but neither specifies project grants nor speaks of entitlement or allotment. Similarly, the governing Regulations refer to the broad considerations which the Surgeon General shall make in awarding grants to the Regions, including such factors as: the capacity of institutions within the program for research training and demonstration activities; coordination with other Federally supported health activities; the population to be served by the Program; involvement of the health resources in the region; projected use of non-Federal resources in carrying out the program; and geographic distribution of grants throughout the Nation.

The grant policies and the review system adopted by the Division of Regional Medical Programs followed closely the NIH model. In accordance with the Act, a National Advisory Council was formed to advise the Division on policy issues and to make recommendations in the award of grants. A Review Committee was established with the responsibility for looking at qualitative aspects of programs and projects prior to submission to Council. In theory

this review mechanism would have placed a balanced emphasis on program coherence, regionalization of health activities and quality of the projects in attacking the categorical diseases. In practice, because of a heavy work load and the technical complexity of the proposed activities, the review process became more and more project oriented.

There was considerable variation between the Regions in the amount of planning and core staff funds requested and awarded, ranging from \$.05 to over \$.50 per capita. Those Programs which took a conservative and careful approach to planning and organizing their program felt themselves to be under some pressure to move quickly into the operational phase. The message which they seemed to hear from the Division was that unless more of the available money was obligated, there would be difficulty in going to Congress for increased appropriations. As more Regions became operational the variation in the per capita amount awarded to the Regions continued.

In F.Y. 69, a number of new Regions came in with operational proposals. Now the projected demand for funds is estimated to exceed the amount available. This coupled with a tight money policy at the beginning of the new Administration, led the Division to adopt for the first time a specific set of priorities for funding. These priorities emphasized the need for continued full support of core activity in order to keep the more slowly developing programs moving. However, some Program Coordinators still feel that those Regions which first went operational have an advantage because of the high base level which they have established for future funding comparison.

Many Regions have adopted a complex grant review process which to some extent parallels that of the Division. This has sometimes resulted in a time span of fifteen months or more from project conception, through review, to funding and operation. The move to an annual review cycle by the Division further limits the extent to which the Regions can be responsive to short term, high priority needs. This kind of flexibility is particularly important when working with health programs such as OEO neighborhood health centers which need to show quick impact on local problems. The Division has attempted to develop policies which will allow appropriate reallocation of funds to meet the changing needs of the Regions, but there are still real difficulties in this area.

Options and Alternatives

Reexamine the DRMP review and award process, looking for alternative means of allocating funds within the existing system. If necessary, amend Section 904 of the Act to provide for distribution or reservation of part or all of the grant funds according to a formula or other form or entitlement. Several systems could be adopted, including: placing a maximum or ceiling on the amount of funds available for any one region; reservation of a specific portion of the available funds for distribution among the regions according to a formula leaving the balance for award on a competitive basis; distribution of all grant funds according to a formula with the provision that a program for the use of these funds be submitted for Council review.

Considerations

- (1) Partial or total reservation of funds may be necessary to protect the limited amounts of available money from the monopolization by the better organized and older established Regions. It is felt by some Regions that if they take their time and go slowly, funds will be gone before they get a chance to apply for them. Reservation would end what some Regions feel to be a need to submit a premature operational program in order to establish a base of experience for future funding.
- (2) The current trend in Federal grant programs is toward bloc grants and tax sharing, which allow basic decisions to be made closer to the community level and which shorten the time gap between application and funding.
- (3) A major advantage of partial bloc grant funding would be to provide the Regions some funds which they could expend quickly on high priority projects without going through the full extended review process, thus giving them more flexibility to meet the local needs.
- (4) Many of the high population Regions have serious concern about the per capita differences in grants to the various programs. If these problems are not answered, (or at least dealt with by the Division) these Regions may turn to alternate political resources for solutions.

- (5) A real political factor in establishing any formula distribution system is the probable impossibility of reducing the funding level of the more prosperous Regions. It would probably be necessary to allot to each Region a minimum per capita amount equal to that which is held by the best funded Region. There may not be enough money available to do this.
- (6) Any formula approach would have to face squarely the necessity of establishing Federal priorities. Many controversies could arise including: urban vs. rural concerns, economic differences among regions, sectional or geographic concerns, fragmentation of the total health care system vs. the special needs of the poor.
- (7) The whole issue of quality comes up in several forms. Those Regions which are well funded feel that they should not be penalized for developing good programs and moving quickly ahead. More slowly developing Programs feel that their lack of progress is indicative of the problem which they face and of the need for funds to overcome these problems.
- (8) Perhaps in awarding funds, the Committee and Council have been looking too closely at the individual projects as opposed to the quality of the overall approach to problem solving (grand design) which the Region presents. A new emphasis on program as opposed to project review would make a shift to partial bloc funding less difficult.

- (9) Any allocation or reservation of funds based upon some kind of formula, inevitably raises the problem of clearer and more precise delineation of regional boundaries. This in turn might well lead to some disputes among Regions where overlap now occurs, requiring adjudication by the Division and Council, which could prove to be counter-productive.
- (10) It might be possible to achieve many of the suggested improvements without legislative change. However, the question has been raised whether the program would be willing or politically able to make major shifts in grant policy without strategic legislative endorsement or push.