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HEALTH MAINTENANCE ORGANIZATION SERVICE

1. Review Committee;
2. Grant Review Procedures;
3. General Counsel's Opinion of  
May 3, 1972.

FINANCE AND PROJECT REVIEW WORK GROUP  
HMO COORDINATING COMMITTEE

May 31, 1972

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## HEALTH MAINTENANCE ORGANIZATION SERVICE

### Grant Review Procedures

The Health Maintenance Organization Service (HMOS) was established by the Secretary as an element of HSMHA in October after nearly a year of functioning both as a Task Force in the Office of the Secretary and as an Office in the Office of the Administrator, HSMHA.

The HMOS serves as lead agency within DHEW to promote the development of HMOs through technical and financial assistance, as required, in order to support achievement of the 1980 National Health Strategy goal of making the HMO option available to enroll 90 percent of the population, if they so desire. Specific objectives of the program are:

- . to convert Federal, State, local and private purchasers of health care to provide the HMO option
- . to provide a comprehensive range of professional and technical assistance services and financial support to HMOs in the planning, development and eventually in the initial operating stages
- . to increase provider and consumer understanding of the HMO concept and operations and of their potential roles in HMO development.

To realize the goals of delivery of high quality comprehensive health care services with cost containment, the HMO must emphasize

- . coordination of resources and services
- . improved manpower utilization and productivity
- . effective medical records and information systems
- . approaches to increased accessibility of medical care.

The HMOS is a decentralized program providing for the needs of the grantees through our Regional Office staff. Central Office staff provides a resource to the field offices in the areas of technical assistance, consumer education and information, medical care and professional practices and project management and planning.

As an experimental program, the HMOS has funded 110 planning and development projects in 42 states and the District of Columbia. Until legislation is passed, grant funding will be limited to continuation of planning and development functions, with no new projects to be initiated and no funding to be allowed for payment for services in an operational HMO.

In the grant cycle presently under consideration, eligibility is limited by administrative decision to transition from planning to development or for continuation of development by:

1. Any organization funded for planning and development in June 1971, as long as that organization is not operational as an HMO and is not asking for specific support to pay for health and medical services.
2. Any organization funded for planning in January 1972, with the same proviso.

The HMOS utilizes a multi-level procedure for review, evaluation and award of planning and development grants - Regional, central office, and interagency reviews are required before a selection is made. The review process is summarized in the attached chart.

It should be emphasized that the HMOS review process involves representatives from different agencies and from different programs within agencies. In all of the regional offices the following organizations representatives are involved in our review:

- A. RMPS
- B. SSA
- C. SRS
- D. HMOS

Some of the regional offices also involve representatives from other HSMHA programs and from NIH and OEO.

Review and comment is obtained on all projects from the Comprehensive Health Planning "B" agency, or where there is no "B" agency, from the A agency. The HMOS has not made any award to date which is contrary to the area-wide or state-wide planning agency.

On May 24 and 25, the HMOS review committee will consider the applications submitted for review. Review and comments by the ad hoc HMO Committee of the RHPNAC and by the Finance and Project Review Work Group of the HMOS Coordinating Committee will take place May 31, 1972. One copy of

Page 3 - Grant Review Process

each application and 20 copies of the summary sheets will be made available to the RMPS. Members of the ad hoc HMO Committee will present the recommendations of the May 31 action to the RMPS National Advisory Council on June 5, 1972.

Final action on recommendations will be made by the Administrator, HSMHA and award notices issued.

HEALTH MAINTENANCE ORGANIZATION SERVICE REVIEW PROCESS FLOW CHART

Regional Office

1. Notifies grantee of eligibility and invites to submit.

2. Application submitted to RO and reviewed by Regional Office Cmte. consisting of representatives from:
  - RMP, SRS, SSA and most of the other HSMHA Programs. In some of the Regions representatives from OEO and NIH are in attendance.
3. Review & comment by CHP "B" or "A" agency.
4. Recommendations by the Regional Program Director are made on each application & sent to HMO Central Office.

Note: HMO Central Office staff will comprise a part of the Regional Office review committee to gain further insights into the specific applications.

Substantive Review Committee

1. Review of the continuation applications in deputy by HMO and representatives from RMP, CHS, NCHSR&D, Hill-Burton, OPPE and CHP.

2. Teams, by Regions, review & recommend action to be taken on specific applications.

ad hoc HMO Committee of the RMP National Advisory Council; Finance & Project Review Group of the HMO Coord. Committee

1. The Work Group consists of representatives from:
  - HMO
  - OEO
  - NIH
  - SRS
  - SSA

2. Review and comment to insure that agency concerns are reinforced by the actions taken.

3. Recommendation consolidated to be brought before the ad hoc HMO Cmte, of the RMP National Advisory Council and the Finance & Project Review Work Group of the HMO Coordinating Cmte.

Note: HMO Regional Staff will be involved in the Central Office review to insure that all local considerations are made clear.

RMP, National Council Advisory

Administrator, HSMHA

The HMO Program status and recommendations for Council action will be presented by the ad hoc HMO committee of the RMPNAC at the June 5 meeting of the Council.

1. Final decision made and award notices issued.

3. Recommendations of a policy nature to DHEW HMO Coordinating Cmte.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
PUBLIC HEALTH SERVICE  
HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION  
ROCKVILLE, MARYLAND 20852

OFFICE OF THE ADMINISTRATOR

SAMPLE AWARD TRANSMITTAL LETTER

This award has been made under the authority of Section 910(c) of the Public Health Service Act as amended and constitutes a continuation of your present grant, No. \_\_\_\_\_, made under the authority of Section 314(e) of the same Act. The change was necessitated by program priority considerations within the Health Services and Mental Health Administration in the absence of specific Health Maintenance Organization legislation.

These funds, made available through the Regional Medical Programs Service, will support the project for this one funding period and will not be available in subsequent years. The funds are intended to support planning and development activities only; under no circumstances can they be used to support payment for services delivered.

As in your prior award, the Health Maintenance Organization Service will be responsible for the programmatic activities of the grant. Financial reports required for Grants Management are to be submitted to the Regional Medical Programs Service in Rockville, Maryland.



1 Mr. Gerald R. Riso  
Deputy Administrator for  
Development

OFFICE OF THE GENERAL COUNSEL

DATE: MAY 3 1972

FROM : Sidney Edelman *SE/DNY*  
Assistant General Counsel for  
Public Health

SUBJECT: Use of section 910(c), Public Health Service Act, to fund IEO planning  
and development

You have requested our advice with respect to the legal authority  
under section 910(c), Public Health Service Act, of

(1) awarding grants for continued development support  
of IEO's to whom grants and contracts have previously  
been made (under statutory authority which is not  
identified), and

(2) awarding contracts to organizations (both profit  
and nonprofit) for the purpose of providing technical  
assistance in certain management areas to IEO's (some  
of which have previously received Federal assistance  
and some of which have not) which are in the planning  
and development stage.

This Office has previously advised, in the context of proposals  
for IEO planning and development, that, to the extent that  
proposed IEO activities fall within the purposes of section 910(c), <sup>1/</sup>  
funds appropriated for Title IX would be available for their support. <sup>2/</sup>  
We have also advised that, in light of the language of the provision  
itself as well as the limitations imposed on the use of Title IX

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1/ Section 910(c) reads as follows:

"The Secretary is authorized to support research,  
studies, investigations, training, and demonstrations  
designed to maximize the utilization of manpower  
in the delivery of health services."

2/ Memo, GH (Edelman) to HS (Wilson), "IEO--Availability of Title IX  
funds", December 21, 1970 (DF #47); Memo, GH (Edelman) to Division  
of Budget (Meyer), "IEO--Legal Authority to Establish IEO's under  
Title IX as compared with the Administrator's IEO Proposals",  
December 10, 1971 (DF #56).

funds in general by sections 900(d)<sup>3/</sup> and section 901(c),<sup>4/</sup> we considered section 910(c) of doubtful utility as a vehicle for the support of operational IEO activities.<sup>5/</sup>

As you have described the proposed activities under present consideration, they appear clearly to fall within the ambit of planning and development of IEO's, and do not involve actual operation of such organizations. Accordingly, to the extent that the proposal may reasonably be termed "demonstrations" and are "designed to maximize the utilization of manpower in the delivery of health services" (a matter which is primarily for administrative judgment), they appear authorized by section 910(c). Since that provision speaks of "support" by the Secretary of the specified activities, and since section 900(a) includes both grants and contracts in describing the purposes of Title IX, it is our opinion that either grants or contracts may be utilized for financial support of such activities.

cc: Dr. Harold Margulies ✓  
Mr. Hastings

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3/ Section 900(d) in pertinent part directs that the purposes of Title IX be accomplished "without interfering with the patterns, or the methods of financing, of patient care or professional practice . . .".

4/ Section 901(c) prohibits the provision of hospital, medical or other care to a patient

"at any facility incident to research, training, or demonstration activities carried out with funds appropriated pursuant to this title, unless he has been referred to such facility by a practicing physician or, where appropriate, a practicing dentist".

5/ Memo, GC (Hastings) to HS (Riso), "Availability of RMP funds for support of operational IEO's," December 21, 1971 (DF #56); Memo, GH (Edelman) to IEDS (MacLeod), "Funding sources for IEO projects", December 16, 1971 (DF #56).