E001077

DRAFT 11/27/74

Health Planning and Resources Development

Major Budget Options for FY 1975-76

I. Purpose

The purpose of this paper is to identify the basic options available to the Department in implementing the legislation expected to be derived from H.R. 16204 and S. 2994 and to predict their budgetory impact. The only options considered in this analysis are those which could have substantial effect on the final budget request.

II. Basic Approach

There are several elements to our basic approach which need to be clearly understood. First of all, we have tried to involve HRP implementation project managers in the development of these analyses as much as possible. Consequently many of them have supporting materials and details specific to their own areas which are not included in this paper. This element of our approach reflects our conviction that program implementation managers must be the primary source of material for budget formulation and justification.

Secondly, we have attempted to estimate the new obligating authority required to carry all program operations including grant awards through the end of FY 1976.

All new grant award estimates are based upon 12 month awards. In The case of new local agencies, these awards will support their operations into FY 1977, with the last month of the support varying according to the date of the award.

In the case of new State agencies, we have used the same principle based upon our interpretation of the legislative requirement for 12 month agreements.

Thirdly, our financing approach depends upon obtaining authority to obligate FY 1975 funds until an FY 1976 appropriation is enacted. That is, we must not be forced to obligate all FY 1975 funds by June 30, 1975. This would lead to extremely inefficient allocation of those funds and make it impossible to fund any new agencies until the FY 1976 appropriation is enacted. This would cause an unnecessary delay in program implementation caused strictly by the technicalities of continuing Resolutions and the appropriations process.

Finally, on the assumption that we can obtain the extension of FY 1975 obligating authority discussed above, we have created a combined FY 1975-76 table to summarize the total budget effects of the various implementation options. There are an infinite number of ways that these costs could be split between the FY 1975 (extended) and FY 1976 appropriations. Several basic possibilities are currently under consideration, and will be the subject of a separate analysis.

III. Authorizations

A. S.2994

As passed by the Senate, S.2994 provides for authorizations of appropriations for three fiscal years, 1975, 1976, and 1977, for the health planning and resources development program as shown in Table 1.

TABLE 1.-NEW OBLIGATIONAL AUTHORITY FOR FISCAL YEARS 1975-77 UNDER S.2994
(In millions of dollars)

	Fiscal year-			
	1975	1976	1977	Total
Planning and regulation:				
Health planning agency planning grants, sec. 1416	60	90	125	275
State health planning and development agency allotments, sec. 1426	25	25	25	75
Grants for regulation or establishment of rates for health services, sec. 1424	10	15	20	45
Subtotal	95	130	170	395
Resources development:				
Health facilities construction and modernization allotments and grants, sec. 625	125	125	125	375
Health facilities construction and modernization loans and loan guarantees, sec. 625	(1)	(1)	(1)	(1)
Development grants for area health services development funds, sec. 1417	25	75	120	220
Subtotal	[2]150	[2]200	[2]245	[2]595
Grand total	[2]245	[2]330	[2]415	[2]990

[1] Authorizes "such sums as may be necessary."

[2] Does not include amounts for loans and for health facilities construction and modernization for loan guarantees.

In section 301(a) (1), the bill authorizes appropriations of such sums as may be necessary for FY75 to make grants under section 314(a) of the PHS Act. No grant made to a State under this section shall be available for obligation beyond (A) the date on which a State health planning and development agency is designated or (B) June 30, 1976.

In section 301(a) (2), it authorizes appropriations of such sums as may be necessary for FY75 and FY76 for grants under section 304 for experimental health service delivery systems, section 314(b) and title IX of the PHS Act. No grant made with funds under this section shall be available for obligation beyond (A) June 30, 1976, or (B) the date on which a health planning agency has been designated under the new section 1415 for a health area, whichever occurs first, which includes the area of the entity for which a grant is made under such section 304, 314(b) or title IX.

It does not provide any specific authorizations for program management, the National Advisory Council on Health Planning and Development, or Radiation Health and Safety.

B. H.R.16204

As reported by the Committee, H.R.16204 provides for authorizations of appropriations for three fiscal years, 1975, 1976, and 1977, for health planning and resources development programs as shown in Table 2.

TABLE 2.--NEW OBLIGATIONAL AUTHORITY FOR FISCAL YEARS 1975-77 UNDER H.R.16204(In millions of dollars)

	Fiscal year—			
	1975	1976	1977	Totals
Planning:				
Health systems agency planning grants, sec. 1416	60	90	125	275
State health planning and development agency planning grants, sec. 1425	25	35	50	110
Centers for health planning sec. 1434	5	8	10	23
Subtotal	90	133	185	408
Resources Development:				
State medical facilities development, sec. 1513	125	150	175	450
Medical facilities loan fund sec. 1520	[1]14	[1]13	[1]13	40
Area health services development fund, sec. 1540	25	100	150	275
Subtotal	164	263	338	765
Grand total	254	396	523	1,173

[1]$40,000,000 in the aggregate for three years for capitalization of a loan fund. Divided among the three years for distribution among the totals.

In addition, in section 5(a) the bill authorizes appropriations for the fiscal year ending June 30, 1975, and the next fiscal year of such sums as may be necessary to make grants under section 314(a) of the PHS Act, except that no such grant may be made to a State beyond (A) the date on which a State health planning and development agency is designated under title XIV, or (B) June 30, 1976,

Authorizes appropriations for the fiscal year ending June 30, 1975, and the next fiscal year of such sums as may be necessary to make grants under section 304 of the PHS Act for experimental health services delivery systems, section 314(b) and title IX of such Act, except that no such grant may be made beyond (A) June 30, 1976, or (B) the date on which a health systems agency has been designated for a health service area which includes the area of the entity for which a grant would be made under such sections.

The bill also provides in section 5(b) that any State which has funds available from its allotments under part A of title VI of the PHS Act in the fiscal year ending June 30, 1975, or the next fiscal year may use that year an amount not to exceed the lesser of four percent of such funds or $100,000 for the proper and efficient administration of its State plan for medical facilities.

Although it does not provide specific authorizations for program management or for the National Council for Health Policy, it assigns considerable responsibilities to each and the Committee Report contains language which recognizes that " . . . the Federal organization administering these new titles must have an adequate staff and budget for direct operations, grants and contracts. Adequate resources at the Federal level are imperative if this new program is to succeed."

IV. POTENTIAL IMPACT ON CURRENTLY PLANNED PHS RESOURCES

The impact of the law on PHS resources will depend on the priorities of ASH and the Department and the extent to which the Secretary decides to implement the authorities granted him.

The current Department budget request for FY 1975 does not include any funds for the health planning and resources development program, or for its predecessor programs, CHP, RMP, EHSDS, and Hill-Burton. A supplemental appropriation request is currently under preparation for the new program, and the continuing resolution is being used to support existing program operations in the interim.

The President's budget request for FY 1975 included $75 million for the new planning program. This request did not, however, contemplate support of the extensive resources development provisions which are present in H.R. 16204 and S.2994.

The current Departmental budget request for FY 1976 includes $175 million for the combined health planning and resources development program. This, however, does not include any funds for program growth during the FY 1975 - 76 implementation period.

Authorized positions for the existing programs and for the new programs are presently set at 287 for both FY 1975 and FY 1976. However, FY 1975 - 76 staffing justifications for a total of 355 positions have been approved by PHS contingent upon enactment of the new legislation.

V. GENERAL DESCRIPTION OF ALTERNATIVE STRATEGIES

A. Local Agencies --Existing and New

There are four potential courses of action pertaining to local agencies which have been identified for purposes of analysis. A brief description of each follows.

Strategy 1 - "Rapid Implementation"

Assuming that the area designation process and all other prerequisite processes can be completed in eight months or less, it should be feasible to begin selecting new local planning agencies as early as October 30, 1975. The Department could elect to implement the transitional authority provided by the new legislation in a way which would stimulate existing local agencies, other potential applicants, and Governors to act very rapidly in submitting applications. Concurrently, both State and Federal review and approval processes would have strong incentives to move quickly. One feasible way to accomplish this would be to establish an early and uniform date certain beyond which no existing local agency could obligate transitional Federal funds.

This strategy calls for the earliest possible announcement of December 31, 1975, as the uniform date beyond which all existing RMP's areawide CHP agencies, and EHSDS would be allowed to obligate transitional funds for termination purposes only. It is estimated that termination costs would be approximately equal to one month's operating expenses, and that an orderly final accounting and property transfer process could be completed in one and one-half months under this strategy. Thus, all existing agencies would cease being supported by Federal transition funds no later than February 15, 1976, under this strategy.

We have estimated that this strategy would enable the Department to fund all 200 anticipated new local agencies by June 30, 1976, and that approximately 50 of those agencies would be eligible for final designation as of that date. This rapid implementation would occur because of the strong stimulus provided to all parties by the December 31 uniform cut-off date.

There are several other important circumstances which are derived from this strategy. The most significant from a budget standpoint is that no new RMP project funds need be requested under this strategy. The monitoring and control of existing RMP projects combined with participation in the designation of areas and selection of new local agencies should be more than enough to occupy RMP core staff through

Only 30 RMPs have budgets beyond. Areas will have been designated.

December 31, 1975. A second important circumstance is that the guarantee of a date certain to all existing local agencies would eliminate the need for the Department to adopt transition funding policies which address the technically difficult problem of appropriate funding for existing agencies which have been truncated by a newly selected local agency. That is, the new agencies will have boundaries which do not conform to or wholly subsume those of all exisitng agencies in a given case. Selection of this strategy would enable the Department to avoid a potentially hot issue of unequal or arbitrary treatment of existing agencies.

Strategy 2 - "Phased Implementation"

Assuming that the area designation process and all other prerequisite processes can be completed in eight months or less, it should be feasible to begin selecting new local planning agencies as early as October 30, 1975. The Department could elect to implement the transitional authority provided by the new legislation in a way which would guarantee existing local agencies transitional Federal support exactly as authorized, and on an individual basis.

This strategy calls for the continuation of all existing agencies on an individual basis until either:

1) a new local agency or agencies has been selected which fully covers the area of the existing agency, or

2) June 30, 1976, which ever comes first. It would be necessary to provide a minimum of two and one-half months after selection of the new agency for the orderly close-out of any given existing agency under this strategy. Funding for those 2 1/2 months could be reduced somewhat from the normal level however.

We have estimated that this strategy would enable the Department to fund approximately 150 new local agencies by June 30, 1976, and that only 25 of those agencies would be eligible for final designation as of that date. Approximately one-fourth of the areas designated by the Governors by June or July of 1975 would not have have a Federally funded local agency in place by June 30, 1976, under this strategy. Furthermore, most of the 150 new agencies funded by that time would have been selected in the final months of FY 1976.

Strategy 3 - "Delayed Implementation"

Assuming that the area designation process or any other prerequisite process takes approximately twelve months, it would not be possible to begin funding new local agencies before March 1, 1976. The Department would have essentially no choice but to continue all existing local agencies at least through June 30, 1976. In many cases, agencies would need to be carried for an additional month and a half at a slightly reduced level for final close-out.

We estimate that this strategy would enable the Department to fund only 100 new local agencies by June 30, 1976, and that none of them would be ready for final designation by that date.

Some highly significant and undesirable results would be almost unavoidable under this strategy. For example, it would be necessary to supply all RMP's with new project funds in order to avoid having the core staff mostly idle for up to six months. This would be contrary

to the intent of the new titles, but necessary to comply with the transition provisions in a politically acceptable fashion. For another example, under this strategy, nearly one-half of the available local staff around the country would face a period of no Federal support. Certainly many of them would leave the health planning field, and their expertise would be lost to the program.

Continuation Strategy - "Straight Extension"

Assuming that the Congress passes a straight extension of existing authority and that such a bill is enacted into law, it will be necessary to fund all existing local agencies with the exception of EHSDS at the current level or higher, and to provide some funds for previously unfunded areawide comprehensive health planning agencies. In the case of RMP's, an FY 1975 and an FY 1976 round of new core and project awards would be required.

B. State Agencies -- Existing and New

There are three potential courses of action pertaining to State agencies which have been identified for purposes of analysis.

Although there are three strategies presented for State agencies, the analysis of the potential for Rate Review agreements disclosed only one. It is estimated that 15 of the States will have full institutional review at a cost of $7.8 million; 7 States would be in the planning stages at $0.7 million, and 10 States would be planning for reviews of individual providers at a cost of $3.6 million. These estimates are held constant in Table 3.

Strategy 1 - "Rapid Implementation."

If, upon passage of the legislation, all regulations and guidelines are prepared and published as soon as possible, and the governors are able to begin designating State agencies by June 30, 1975, it is anticipated that all designations would be final on or about October 30, 1975, and subsequent agreements with the Federal Government would be in effect as of December, 1975.

Strategy 2 - (same as Strategy 3 in this case.)

Strategy 3 - "Delayed Implementation."

Assuming that the publishing of regulations and guidelines is delayed until late in calendar year 1975, this would delay the governors in their final designations of State agencies, thus the agreements with the Federal Government will also be delayed.

This strategy would require funding the transitional phase of State agencies for a longer period of time while still awarding 12-month grants to the newly designated State agencies.

The more time allotted to governors for the designation process, the more it will cost in transitional funds, and the more it will cost

FY 1975-76 obligating authority

Continuation Strategy -- "Straight Extension."

Assumes continuation of existing State agencies at current level of support.

C. Facilities Assistance Program

To be drafted upon receipt of further information from DFU.

D. Technical Assistance Program

There are many potential courses of action pertaining to the Technical Assistance Program. A brief description of four such alternatives follows.

Strategy 1 - "Rapid Implementation."

The Department could elect to implement the new health planning and development authority as rapidly as possible with due consideration for efficient and economical allocation of resources. If the Department chose this course, it would also be necessary for the Technical Assistance Program to be fully implemented as quickly as possible. The sooner we choose to make awards to new agencies, the sooner their demand for technical assistance will be realized.

This strategy calls for the funding of 10 Centers for Health Planning before June 30, 1976. At least five of these Centers must be operational by that date.

It is envisioned that the Centers will serve two basic purposes: 1) the development of the state of the art, including the evaluation of planning efforts; and 2) the development of the state of the practice of technical assistance. Thus, Centers will have a subject and a geographic focus. To adequately serve technical assistance and some study purposes geographic distribution will be important. This is not to say that

there needs to be a Center in each region but rather that they should be spread across the Nation to assure accessibility and responsiveness. The Regional Offices should be able to identify with one or more Centers so as to help meet Regional assistance responsibilities. It is estimated that approximately ten Centers will be needed for this purpose. In the design of the Centers' programs, it will be important to provide each with enough funds to develop a critical mass yet not concentrate the developmental efforts within a few institutions. A major principle of the Technical Assistance Strategy has been the need to develop multiple centers of expertise. It is felt that funding ten Centers will be consistent with that principle.

To adequately meet the legislative mandate of providing technical assistance to Health Systems Agencies and State Health Planning and Development Agencies, this strategy calls for developmental work to continue outside the Centers for Health Planning. The support required by this strategy is as follows:

FY 75	DCHP Contracts	10 @ $200,000	$2,000,000
	Regional Developmental Efforts	10 @ $100,000	1,000,000
		Total FY 75	$3,000,000
FY 76	DCHP Contracts	15 @ $200,000	$3,000,000
	Regional Developmental Efforts	10 @ $100,000	1,000,000
		Total FY 76	$4,000.000

Much of the work initiated in this period will require follow-up by those groups initially investigating problems. Likewise, there will be specialized areas that will require specific expertise that would either not be cost effective or possible to draw from the Denters for Health Planning. Examples of this might be the continuation of the development and implementation of a home study program at Tulane University; continuation

of methodology development in the area of shared services by the Hospital Research and Education Trust; follow-up and technical assistance in population projection by the Bureau of the Census including the development of Federal, State, and local systems for getting uniform projections; or further investigation of health indicators as an evaluation tool to monitor the effect of health programs by the Census Use Study. All of the above are currently funded efforts that because of past work and unique experiences or skills would require the current developers to continue them.

As a further example of this situation, DCHP is currently engaged in a grant with George Washington University to collect and analyze the health service modelling efforts that can be used as tools for health planning. The goal of this grant is to summarize the state of the art in this complex area and develop recommendations based on analysis as to the most fertile areas for further development. This will help DCHP formulate a developmental plan or investment strategy for this area. Much of the further developmental work will be linked to work already completed. It will most likely be performed by experienced investigators who will not be within the Center for Health Planning structure.

It is clear also that some development, refinement, and testing of methodologies must take place at the areawide level. Some of this testing considering both cost effectiveness and technical strength will best be completed by contracting directly with a Health Systems Agency. Such an effort is currently in progress with the Bay Area Comprehensive Health Planning Agency which is refining a population projection methodology

and developing a methodology to measure accessibility to health services. This effort not only will produce products of national applicability but also serve to advance the sophistication and practice of planning in the Bay Area. Efforts of this nature must continue to be funded in FY 75 and 76. The activities and services of the proposed National Center for Health Planning Information are planned to include:

A. Collecting, processing, and analysis of information. Materials collected will be primarily of a documentary nature such as books, reports, journal articles, and other secondary source information. The documents will be screened for quality and relevance, indexed, abstracted, and stored in computer files for subsequent retrieval based on user needs. The analysis-type of activities will include general and selected bibliographies and state-of-the-art monographs produced to provide methodological and other research tools and materials for use by planning agencies.

B. Dissemination of Information and Related Services. The Center will develop and issue full bibliographies and literature reviews; conduct queries of the information files to meet requests for publication abstracts; and provide full text of publications and

other reports, either in the form of microfiche or full-size paper copy for all documents in the information file. It is anticipated that approximately 6000 documents will be in the information file after one year of operation and 12,000 documents after two years of operation.

C. Standardization, Systematization, and Coordination Services. The Center will promote uniformity in the collection and dissemination of information required by planners, in terms of: (1) Standardization of occupational definitions and classifications, bibliographic subject terms, geographical classifications and definitions and classification of types of health manpower education centers, specialized health care centers, etc.; (2) Systematization procedures for storing, retrieving, and transmitting information through automated means; and (3) Coordinating information services with related libraries, clearinghouses, and information centers in Federal agencies.

Although the Center will become partially operational by April 1975, full implementation of the concept of the Center will not be achieved until early in fiscal year 1976.

Strategy 2 - "Phased Implementation"

If the Department elects a more gradual implementation of the new program, there will be less of a requirement for technical assistance activities related to the new agencies. However, it will still be necessary to fund a minimum of five new centers to be operational by June 30, 1976.

It will also still be necessary to fund a small number of contracts.

Strategy 3 - "Delayed Implementation"

Under this strategy, the Department could delay the development of its technical assistance program. A few contracts and five Centers would still be required however.

Continuation Strategy - "Straight Extension"

No Centers would be required under this strategy. However, substantial contrac authority would be needed to keep up the momentum generated by recent efforts.

During FY '74 and the early months of FY '75, the Division of Comprehensive Health Planning negotiated close to $8 million worth of grants and contracts to provide technical assistance and develop the state of the art of health planning. As part of this amount, the Regional Offices programmed approximately $1.2 million to deal with problems that were of priority to particular Regions and their agency needs. That investment was made with the conscious goal of attempting to build multiple centers of expertise within the consultant and development community so that health planning agencies and DCHP would have a large pool of expertise that could be drawn upon to solve problems.

E. Program Management

The four alternatives discussed in the preceeding sections have a clear impact upon the FY '76 budgetted positions necessary to manage the effort. Preliminary staffing analyses indicate that the minimum budgetted positions required by each alternative are as follows:

Strategy	Positions
1. "Rapid Implementation"	439
2. "Phased Implementation"	355
3. "Delayed Implementation	301
4. "Straight Extension"	287

As can be seen in Table 3, the overall difference in cost of these four staffing levels is insignificant in comparison to the differences in program costs.

Partial Listing of Assumptions for Table III

The budget strategies as presented in the accompanying table were developed using the following assumptions:

Local Agencies:

1. Maintain full compliment of staff until termination notice, and such notice given well in advance.
2. $350,000 would support a conditional HSA with 9 professionals and 5 clerical. Average cost per person = $25,000.
3. A fully designated HSA would qualify for $550,000 plus a bonus of $275,000 based on 1.1 million population.

State Agencies:

1. Provides for support of a fully operational agency, including Section 1122 reviews at $446,428 per award.
2. Rate reviews are based on an average cost of $523,000 for average cost per State for institutional reviews and $362,000 for individual reviews.

Combined FY 75 and FY 76 Health Planning and Resources Development (6)

Draft dated: 11/27/74

	Authorizations		Estimated New Obligating Authority Required (Thousands of dollars)							
			Implementation Strategy 1		Implementation Strategy 2		Implementation Strategy 3		Continuation Strategy	
	S 2994	HR 16204	No.	Obligations	No.	Obligations	No.	Obligations	No.	Obligations
New Local Planning Agencies										
1. Conditional			150	52,500	125	43,750	100	35,000		
2. Designated	[150,000]	[150,000]	50	27,500	25	13,750	0	0		[n.a.]
3. Matching Payments			n.a.	13,750	n.a.	6,875	n.a.	0		
4. Developmental Funds	100,000	125,000	n.a.	25,000	n.a.	12,500	n.a.	0		
Subtotal	250,000	275,000	200	118,750	150	76,875	100	35,000		
New State Agencies										
1. Planning	50,000	60,000	56	25,000	56	25,000	56	25,000		[n.a.]
2. Rate Review	25,000	(3)	32	12,100	32	12,100	32	12,100		
Subtotal	75,000	60,000	n.a.	37,100	n.a.	37,100	n.a.	37,100		
Existing Agencies (4)										
1. State CHP Agencies (5)			56	16,000	56	20,300	56	20,000	56	20,000.
2. Areawide CHP Agencies (5)	[	(1)]	218	18,100	218	26,200	218	27,500	240	30,020
3. Regional Medical Programs			53	17,100	53	25,400	53	64,200	53	83,500
4. EHSDS			17	1,100	17	2,300	17	2,610	0	0
Subtotal			344	52,300	344	74,200	344	114,310	349	133,520
Facilities Assistance Program										
1. Formula Grants to States	125,000	275,000		125,000		125,000		125,000		197,200
2. Loans & Loan Guarantees	(1)	27,000		27,000		27,000		27,000		0
3. Project Grants	125,000	(3)		125,000		125,000		125,000		0
Subtotal	250,000	302,000		277,000		277,000		277,000		197,200
Technical Assistance Program										
1. Centers for Health Planning		13,000	10	7,560	5	3,560	5	3,560	n.a.	n.a.
2. Planning Methods Contracts	[(2)]	(2)	45	7,000	20	3,000	10	2,000	45	7,000
3. National Information Center		(2)	1	960	1	960	1	960	0	0
Subtotal		13,000	n.a.	15,520	n.a.	7,520	n.a.	6,520	n.a.	7,000
Program Management (5)										
1. Personnel Comp. and Benefits	[	(2)]	439	12,924	355	12,504	301	12,116	287	11,755
2. Other Objects			n.a.	10,356	n.a.	10,056	n.a.	9,779	n.a.	9,674
Subtotal			n.a.	23,280	n.a.	22,560	n.a.	21,895	n.a.	21,429
TOTAL	575,000	650,000	n.a.	523,950	n.a.	495,255	n.a.	491,825	n.a.	359,149

650,000

(1) Authorizes "such sums as may be necessary."
(2) No specific authorization.
(3) No authority.
(4) H.R. 16204 authorizes the use of not to exceed the lesser of four percent of the outstanding balance of allotments under part A of title VI of the PHS Act or $100,000 for administration of the State facilities program (Hill-Burton agencies).
(5) Does not include amounts to be obtained from Trust Fund account in connection with transitional administration of Section 1122 of the Social Security Act.
(6) Does not include amounts necessary for National Health Policy Council or Radiation Health and Safety provisions.

n.a. Not applicable.