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MEMORANDUM

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
HEALTH RESOURCES ADMINISTRATION
BUREAU OF HEALTH RESOURCES DEVELOPMENT

TO : Barbara Miller, Management Analyst
Division of Management Policy, OA, HRA

DATE: July 19, 1974

FROM : Chief, Planning and Policy Branch, DCHP

SUBJECT: FY 1976 Staffing Narrative for Health Resources Planning

As you requested on July 15, I have revised and expanded the draft staffing narrative for Health Resources Planning. Because of the current lack of authorizing legislation, it is impossible to make simple output comparisons based on program history. However, it is absolutely clear from the Congressional testimony of the Administration that we intend to enlarge Federal technical assistance, monitoring, and construction program responsibilities. This fact forms the basis for our staffing request. I certainly hope that whatever inadequacy there may be in the quantitative annual output comparisons provided here is not allowed to overshadow the substantive importance of this initiative to our health care delivery system and the economy.

There are two particularly important matters which must be made clear to each office which reviews this request. First, although the H Forward Plan calls for an increase of 38 Health Resources Planning positions in FY 1976 and no increase for FY 1975, this request is for an increase of 68 Health Resources Planning positions in FY 1975 with no further increase in FY 1976. In other words, we do not agree with all of the workload assumptions implicit in the H Forward Plan, and we believe that the Department must plan to staff Health Resources Planning adequately in FY 1975 or else fail to meet the goals of the Administration's program.

Second, this request combines the requirements of the proposed Health Resources Planning Act and the Administration proposal for facilities construction and modernization as described by Dr. Edwards before the Subcommittee on Health, Senate Committee on Labor and Public Welfare on June 14, 1974.

Howard B. Kelly

Staffing Analysis - Narrative Justification

A) Organizational location: Bureau of Health Resources Development, Health Resources Planning

B) Program Title: Health Resources Planning

C) Program Purpose:

The Health Resources Planning Act, as proposed by the Administration, calls for the organization and establishment of local planning bodies, called Health Systems Agencies, to serve specific geographical areas across the country. These areas will be established by the governor of each State, subject to criteria set forth in the statute, and submitted to the Secretary of the Department of Health, Education, and Welfare for approval as Health Services Areas. A Health Service Area will be a geographical region within which there is available a comprehensive range of health services and which is of a character suitable for the effective planning and development of health services.

The Health Systems Agency will be a private, nonprofit organization, legally independent of all other organizations. It will be required to have a governing group composed of leaders from among the five sectors of the health care system. One-half of the members are to be representatives of consumers and government, and half are to represent providers, health educational institutions, and third-party payers.

The HRP program will provide financial support for the development and operation of Health Systems Agencies. In addition, technical assistance funds are authorized to enable agencies to assist the implementation of actions recommended in their comprehensive health plan. No matching funds are required to obtain Federal funds.

A companion part of the HRP program is authorization and support for State regulation of selected aspects of the health care enterprise. Grants would be available to support state efforts to regulate the reimbursement for health services and the extent of capital investment in the health care industry (through carrying out the requirements of Sec. 1122). If a State chooses to administer both regulatory functions through one agency, that State is eligible for a one-time bonus payment of 25 percent of its Federal payment.

The Administration's overall approach to facility construction is one that focuses on targeted assistance to residual areas of need beyond new hospital construction. The original Hill-Burton program was focused on increasing the number and improving the distribution of hospital beds. Today, the supply is adequate and the imbalance in distribution largely corrected. The need now is not for additional beds and hospitals, but for the modernization, including replacement of existing hospitals, and for increased ambulatory care facilities. Such assistance will take the form of direct project grants available to public and private nonprofit health care facilities that, among other requirements, serve large numbers of poor patients and are unable to obtain a loan through the private capital market without Federal capital assistance. The size of the Federal share would be limited and the grantee institutions would be enabled to participate in normal debt servicing arrangements. Project grants would be directed toward the construction of ambulatory care facilities and the modernization of health facilities. No new Federal loans and loan guarantees with interest subsidies will be made, because interest subsidies are generally disproportionately expensive in relation to the benefits received.

D) Explanation of 1974/1975 Staffing Levels and Activities

1. FY 1974.

During FY 1974, the Federal Government provided support for four different programs which had established agencies at the State or areawide level to carry out specific planning activities within the health care system: Comprehensive Health Planning (CHP), Regional Medical Programs (RMP), Hill-Burton, and the Experimental Health Services Delivery Systems (EHSDS). Legislative authority for three of these four programs expired

June 30, 1974, and there is no specific authority for the other program. Recognition of the continuing need to bring the undesirable consequences of the health services marketplace under control, along with the experience gained through these programs, led to the proposal of a new Federal initiative (represented by the Health Resources Planning Act) combining the development of effective localized health resources planning capability with encouragement for State-level regulation of capital expenditures and fees. The long-term goal of this new intervention is to plan and develop an adequate and equitably distributed supply of high quality health care resources and services at reasonable cost.

Development of Performance Standards

In previous years health planning agencies operated with little substantive guidance from the Department, causing confusion on purpose and function among the agencies. During those years, certain common functional elements were identified which, if performed, have a positive impact on the agency's effectiveness. At the same time there has been increasing emphasis to focus the broad mission of health planning on controlling unnecessary duplication of services and facilities thus impacting on rising health care costs and helping to develop a more rational system for health care delivery. During FY 1974, performance standards for health planning agencies were developed and promulgated.

Assessment of CHP Agencies

By FY 1974, fifty-six (a) agencies and 150 (b) agencies had achieved the planning stage and were fully operational. Little indepth evaluation had been conducted to identify major problems. Similarly, little direction or assistance had been provided by the Department to enable agencies to more effectively deal with and solve problems which confront them.

To correct this lack of assistance, a management study was conducted to inventory the capability of agencies nation-wide. The results of the study were used to (1) develop regional priorities and sequence for indepth assessment; (2) identify major categories of technical assistance required; and, (3) provide a basis for legislative recommendations.

The Regions assessed 206 agencies using a standard methodology. This assessment involved team site visits composed of Federal staff and (a) and (b) agency personnel. Major agency problems were identified and recommendations made on their solutions. Each assessor participated in a training workshop to fully understand the performance standards and assessment methodology. The use of multi-disciplinary teams, composed of practitioners in health planning as well as Federal staff, added objectivity to the process and provided cross transfer of knowledge

within the health planning field.

Finally, in conjunction with the steps above, a technical assistance strategy was developed and implemented. Such assistance consisted of both one-on-one and generic assitance (training, manuals, etc.). An evaluation protocol was also developed to measure the impact of this process on the performance of the agencies.

Capital Expenditures Review

In 1973, the Secretary of the Department of Health, Education, and Welfare transferred full responsibility for administration of Section 1122 to the Comprehensive Health Planning Service. Its successful operation demanded that Regions, agencies and providers get good guidance for all aspects from procedures to evaluation.

All participating and affected groups were given an opportunity to shape the nature of the regulations, procedures, criteria statements, guidelines, training programs, monitoring systems, and evaluation.

These participating groups included (to varying degrees) SSA, AACHP, providers, Regions, SRS, MCH, 314(a) and 314(b) Agencies, Hill-Burton Agencies, and other selected Federal units.

During FY 1974, regulations were developed and published, and agreements were negotiated with 39 States.

Regional Medical Program

During FY 1974, staff efforts of the Division of RMP were principally directed towards the :

1. Allocation and Award of Grant Funds to RMPs:

   This entailed two quarterly allocations, made essentially on an entitlement basis, and award of grant funds to the 53 RMPs in the first half of the fiscal year. Subsequent to release of the impounded FY 1973 funds and the remaining unapportioned 1974 funds, which totalled roughly $114 million, this involved a full-scale review, using an outside peer group, of applications for both new and continuation activities that will permit the RMPs to continue through June 30, 1975.

2. Pilot Arthritis Center Program:

   A special program initiative was undertaken pursuant to a Congressional appropriations earmark with respect to the planning and development, through the RMPs, of such centers. Grants totalling $4.3 million were awarded late in the fiscal year, which permitted the funding of pilot arthritis center programs in 27 Regions.

3. Program Monitoring and Assistance:

   DRMP staff continued to monitor activities of the 53 RMPs during the year and to provide such management, technical and other assistance as was requested or diminished staff made it possible to extend.

4. Policy Development and Communication:

   Considerable time was spent in shifting from phase-out to interim

continuation. Earlier policies had to be rescinded or modified, previously existing policies reinstituted, and new guidelines developed, particularly as it related to the use of the released FY 1973 and 1974 funds.

5. HRP Implementation:

DRMP staff participated with the staff from the CHP and Hill-Burton programs in various working groups concerned with planning for the new program.

Hill-Burton Program

The Division of Facilities Utilization administered the award of previously impounded FY 1973 funds in addition to amounts appropriated for FY 1974. These included the Hill-Burton grants for construction or modernization of public and voluntary non-profit facilities. These grants were matched from local sources, usually non-governmental. In addition, DFU staff operated the new Hill-Burton loan and loan guarantee program. This program provided loan guarantees with interest subsidies to private non-profit agencies, and direct loans to public agencies, for modernizing or constructing health care facilities.

2. FY 1975

During FY 1975, considerable effort will be devoted to developing the national network of locally-based planning agencies and statewide regulation programs as well as providing transitional technical assistance to existing planning agencies and supporting the continued operation of existing State regulatory agencies (Section 1122). The specific materials required for designation of geographic areas, selection of agencies, provision of technical assistance, development of an automated management information system, and administration of existing Federal responsibilities during transition period will be developed. In addition, guidance to regional offices will be provided.

Program activities during FY 1975 will be largely organizational. Health service areas will be designated in all areas of the country, and a majority of the Health Systems Agencies will be selected. Performance standards and program guidelines will be promulgated, and considerable technical assistance will be provided to agencies seeking to become Health Systems Agencies.

As a result of various projects begun in FY 1974, major gaps in health planning technology will have been clearly identified by the middle of FY1975. A program of targeted research aimed at closing gaps in the state of the art will be initiated through a small number of well defined projects which are vigorously monitored. Technical Assistance projects will be implemented to

raise health planning and regulatory practice to standards limited only by the state of the art and available resources.

In addition, substantial efforts will be required to administer grants and contracts made under FY 1974 and earlier authorities for each of the expiring programs. This includes frequent program interaction with 274 State and areawide Comprehensive Health Planning agencies, 53 Regional Medical Programs, 19 Experimental Health Services Delivery Systems, each State Hill-Burton agency, and with the multitude of individuals and Federal , State local, and private organizations which are affected by these agencies. These efforts will extend into FY 1976 in the case of certain projects initiated by local Regional Medical Programs; and, in the case of Hill-Burton, residual construction grant efforts will be needed through FY 1980, and residual loan guarantee efforts will be required for many years beyond that. During FY 1975, final plans will be developed and first steps will be initiated for the orderly phaseout of these agencies and the transition to the new planning agency network of those agencies which meet the required qualifications.

E) Explanation of 1976 Staffing Level and Activities

By FY 1976, some form of national health insurance is likely to have been enacted. It is critical to the national interest and the interests of the Federal government that an adequate Health Resources Planning program be in place to serve as the foundation for eliminating unnecessary duplication, providing improved access to care, controlling costs, and targeting assistance to health care facilities and services which meet real needs in local communities.

At the local level, many planning agencies will have published official areawide plans and they will have begun to approve technical assistance awards which foster the implementation of those plans. At the State level, regulatory activity will be increased considerably with the application of controls enviisoned as part of the various national health insurance proposals, and the extension of State regulatory legislation.

At the Federal level, it is essential that an adequate staff be assembled to provide the leadership and management necessary to insure the effectiveness of this program. The health care industry will be consuming approximately $100 billion per year from our economy; and it is clear that the Federal government cannot hope to improve, regulate or change this system without providing the minimum staff necessary to cope with the size and complexity of the issues involved.

The requested staffing level of 355 permanent positions does not include approximately 40 Regional Office positions funded under other authorities which have been assigned major responsibilities for health planning and facilities construction programs. Those 40 positions must continue to be so assigned in addition to the positions described here.

During FY 1971, when the three major predecessor programs (CHP, RMP, and Hill-Burton) were administering programs similar in complexity to those proposed for HRP, they had a combined authorization of 589 positions, of which 449 were filled. For FY 1972, the comparable figures are 460 authorized and 417 filled. Even in FY 1973, when funds were impounded and the programs were to be phased out, there were 349 authorized positions, of which 304 were occupied at year-end.

The above comparisons provide a useful perspective to the current request for 355 positions. We cannot successfully meet the increased Federal responsibilities required by the proposed legislation with the same staffing level required to administer the predecessor programs during what was intended to be the final year of operation for both Regional Medical Programs and Hill-Burton. In fact, this request is far below the combined level authorized when those two were fully operational, and it only exceeds the level authorized when funds were first impounded by 6 positions (2 percent of the total authorization).

In our preliminary planning, in preparation for the enactment of legislation, various working groups have outlined the major activities to be undertaken. These activities or sub-programs are described in Table I, below. Naturally these estimates will be refined once legislation is enacted.

State and Local Planning Program

During FY 1975, the thirty-three headquarters staff will be heavily engaged in the development of policy, guidelines, and regulations related to agency selection, board composition, agency functions, and performance standards. The thirty-six Regional office staff will be focusing their efforts on the designation of geographic areas, the selection of agencies, and the negotiation of agreements with both State and local agencies. Regional office and headquarters staff will also be sharing the responsibility for assisting existing agencies in their efforts to make the transition from their previous operations to those required under Health Resources Planning.

In FY 1976 many of the policy formulation and agency selection functions will continue, and there will be additional program demands placed on Federal staff.

For the forty-two headquarters staff this will include the operation of a national monitoring system designed to provide the information feedback essential to program evaluation, planning, and control. The sixty regional office staff will be conducting site visits, agency budget reviews, grants management, and regional technical assistance programs to insure that the operations of individual agencies in the State and local planning program are consistent with program objectives and regional requirements.

Table I. Major Activities

	Central Office		Regional Office	
	FY 75	FY 76	FY 75	FY 76
State and Local Planning	33	36	42	60
Regulatory Activities	24	26	28	40
Planning Technology/Technical Assistance	36	39	0	0
Facilities Construction/Modernization	43	43	65	55
Residual Functions	20	12	20	0
Program Direction and Administration	24	24	20	20
	180	180	175	175

Regulatory Activities

The program of review of capital expenditures under Section 1122 of the Social Security Act will expand somewhat in FY 1975. The present 39 States participating in the program will probably increase by three to four. We assume the level will remain approximately the same in FY 1976.

The Administration has proposed, as an additional means of containing rising health care costs, a program of rate review. This would be voluntary with the States, and we estimate that 20 States will participate in FY 1975 and 40 in FY 1976. The rate review and capital expenditures review programs will be coordinated with existing programs for review of applications for Federal funds, which will continue to be performed by the new Health Systems Agencies. For FY 1975, twenty-four headquarters staff will be required for administration of these programs, and twenty-six will be needed in regional offices for review, monitoring, and assistance to the review agencies. During FY 1976 a minimum of twenty-six headquarters staff and forty regional office staff will be needed to administer the expanded program.

Planning Technology and Technical Assistance

Major efforts in the development of planning technology will be made in FY 1975, building on the initial efforts of FY 1974. Through contracts and grants, as well as by staff efforts, the "tools" of health planning will be developed or refined: criteria and standards for determining the need for specialized health care services; techniques for development of health plans for areas; model data sets for specialized planning; etc.

As these methods and standards are developed, the technical assistance staff will disseminate them to health planning agencies. While headquarters staff will provide a modest amount of one-to-one technical assistance, their major effort will be in activities which will assist all agencies. These include preparation of manuals; packaging of slide presentations; distribution of bibliographies, abstracts and published materials from a national health planning information center; and administration of contracts for specialized technical assistance. The staff of thirty-six headquarters staff needed in FY 1975 will rise slightly to thirty-nine in FY 1976 as the newly established Health Systems Agencies draw increasingly on general technical assistance resources. Assistance to individual States and local agencies will be provided by Regional office staff who are included in other sub-program categories.

Facilities Construction/Modernization

While not included in the Planning bill, the Senate has before it a separate Construction bill sponsored by Senator Kennedy. In broad outlines it provides for Federal grants, loans, and loan-guarantees for specific projects. There is no State agency and the present Hill-Burton formula is abandoned.

The Administration has testified in favor of a program along the lines of this bill, but limited to direct Federal project grants. To implement this program, $100 million has been requested. It is estimated that approximately $50 million of this would be for the modernization of targeted hospital facilities, $40 million would be for ambulatory care facilities, and the remaining $10 million would be applied toward modernization of high risk long-term care facilities, either as part of a general hospital or of free-standing nursing homes.

The great majority of these positions are required in connection with ongoing Federal responsibilities for the Hill-Burton program which carries a three year standard period for obligation of appropriated funds. Staff for this program would be engaged in financial analysis, grants management, architectural and engineering review, State agency monitoring, hospital consultation, training, and program management.

In addition, certain architectural and engineering functions performed by State agencies under the earlier program will have to be performed by the Department under the new program.

Residual Functions

During FY 1975 it will be necessary to employ a minimum of twenty headquarters staff and twenty regional office staff in the administration of resources, grants, and contracts which resulted from previous CHP and RMP legislative authorizations. During FY 1976 these requirements will be reduced to ten headquarters positions.

Residual functions associated with Regional Medical Programs are mainly the result of the need for proper stewardship of Federal Funds. Local RMPs will be operating throughout FY 1975, and some of the projects they fund will be operating in FY 1976.

A minimal grants management function is required at headquarters to process expenditure reports and other financial documents. In

addition, during FY 1975 various program functions will be performed in connection with the review of applications for previously impounded FY 1973 funds.

Finally, the 218 areawide CHP agencies and 56 State CHP agencies will require monitoring, policy clarification and technical assistance throughout FY 1975. In FY 1976, current plans would require only that recovery of Federal assets be completed and final expenditure reports be submitted.

Program Direction and Administration

At headquarters, this category would include the Office of the Director of the program as well as the staff concerned with administrative management. Twenty-four staff are needed for these functions in FY 1975 and this figure would not be expected to change in FY 1976.

In the regional offices, these would include the branch heads and their clerical support. Twenty staff would be needed in FY 1975 and twenty in FY 1976.

Major Program Impacts and Outputs

The proponents of a Comprehensive Health Insurance Plan and other national health insurance proposals widely acknowledge the need for a comprehensive approach to protect all Americans against the rising costs of medical care to assure adequate access to care and to improve medical care quality. The benefits, cost-sharing, and reimbursement methods of most health insurance policies promote such major problems as overuse of hospital services, under-

utilization of preventive services and outpatient care, and excessive rates of inflation. Strong measures must be taken to place any system of national health insurance within a framework of effective local planning, capital expenditures review, reimbursement regulation, and quality control in order to moderate and cure cost increases, services shortages, and improper use of services.

Under the Administration health insurance proposal, State agencies would determine reimbursement rates, subject to Federal guidelines, for all covered services. States would be required to consult with both providers and consumers in establishing these rates. Furthermore, under this proposal, any State participating in the health insurance plan must also implement a program of capital expenditures review as authorized by Section 1122 of the Social Security Act. If a health care facility makes an unapproved capital expenditure, it becomes ineligible to receive reimbursement for services under any Federally-sponsored program. The crucial administrative role in these determinations will be played by local Health Systems Agencies and State Agencies supported in part by the Federal Health Resources Planning program.

In addition the planning agency network will provide a focus for rational planning for services, facilities and manpower. As a result of a sound planning process, unnecessary duplication of facilities and services will be identified and prevented. Technical assistance grants and contracts will be used to stimulate needed services as well as to allow for redirection of existing resources.

The increase from a level of $175 million in FY '75 to $205.1 million in FY '76 for Health Resources Planning reflects our basic assumptions about the rate of implementation of this new program. We are assuming that even if the legislation passes early in FY '75, it will not be possible to have Health Systems Agencies started all across the country during the same fiscal year. Some will of necessity start in FY '76.

In addition, since most of the new agencies will be in the organizational stage during FY '75, a very small amount of funds is included for Technical Assistance Grants and Contracts in FY '75 ($2.5M). By FY '76, however, these agencies will be developed enough to begin implementing sections of their comprehensive plans. Thus, we have established a level of $12 million for such grants and contracts in FY '76.

The two other areas of increase are tied to the number of agreements with States to carry out certain regulatory functions. Projected expenses for capital expenditures review and associated planning (Section 1122) will rise from $12 million in FY '75 to $14 million in FY '76.

In the case of rate review agreements, we are estimating that 20 States will be involved in the program in FY '75 at a cost of $6 million. In FY '76, 40 States are expected to have started such programs at an expanded level of activity and a budget of $16 million.

Thus, in sum, the $30.1 million increase reflects the following basic assumptions and related costs with regard to the rate of implementation.

	FY '75	FY '76
Number of Health Systems Agencies (HSA)	130	150
	$42.9M	$49.5M
Number of HSA Technical Assistance Grants & Contracts	125	600
HSA TA Awards	$2.5M	$12.0M
Number of State agreements for capital expenditures review	40	40
Cost of Agreements	$12M	$14M
Number of State rate review agreements	20	40
Cost of Rate Review agreements	$6M	$16M
Planning Technology and TA Projects	$5M	$7M
Direct Operations	$6.6M	$6.6M
Sub-Total Funding Required	$75.0M	$105.1M
Facilities Construction/Modernization	$100.0M	$100.0M
Total Funding Required	$175.0M	$205.1M

Major outputs of the Health Resources Planning program are summarized in the following table.

AGENCY HRA

DATE July 19, 1974

Organizational Unit	Output Unit Description	FY 75 Number of Units Produced	FY 75 Manpower Required FTP	FY 75 Manpower Required TOTAL	FY 76 No. of Units Projected	FY 76 Manpower Required FTP	FY 76 Manpower Required TOTAL
Health Resources Planning							
	Health Systems Agencies (HSA)	130			150		
	HSA Technical Assistance Grants and Contracts	125			600		
	State Agreements for Capital Expenditure Review and Associated Planning	40			40		
	State Rate Review Agreements	20			40		
	Facility Project Grants	33			33		
			355	395		355	395