



E000273





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

February 22, 1973

REGIONAL MEDICAL
PROGRAMS SERVICE

TO ALL RMP COORDINATORS AND GRANTEE OFFICIALS

The purposes of this letter are to refine and clarify points in the telegram sent to you on February 1, and to provide you with as definitive information as is possible at this time about (1) current plans for phasing out both individual Regional Medical Programs and the Regional Medical Programs Service in accordance with the Administration's budgets for FY 73 and FY 74; (2) the process by which phase-out plans will be reviewed and the criteria to be employed in review; (3) what additional items of information must be submitted by each Regional Medical Program at the time it submits its phase-out plan; and (4) appropriate regulations and policies for a number of specific issues which many or all Regional Medical Programs face and about which a number of questions have arisen. These topics are discussed below in order.

1. Because no funds for Regional Medical Programs Service have been requested by the Administration for FY 74, a phase-out plan had to be developed by Regional Medical Programs Service for the Office of the Administrator, HSMHA, and a maximum termination date (February 15, 1974) set for the Regional Medical Programs. Immediately on receiving approval from HSMHA for this plan, a telegram was sent to you on February 1 indicating that each region should submit two written plans, one "for phasing out all Regional Medical Programs Service support by June 30, 1973, and a separate plan and set of forms for activities proposed for continuation beyond June 30, 1973, but in no event beyond February 15, 1974."

Following the telegram our staff has received many questions, some of which lead us to believe that possibly some inappropriate interpretations have been placed upon the February 15 date. This is an important matter which I wish to clarify in the event that any region is proceeding upon such an interpretation. The February 15 date is merely the last possible termination date for any Regional Medical Program, in that no Regional Medical Programs Service funds can be expended beyond then for any purposes except where funds

previously were obligated under contracts which subsequently are approved during the forthcoming review of phase-out plans, or where otherwise specifically authorized by Regional Medical Programs Service.

Apart from any consideration of how much money may actually become available for possible redistribution among Regional Medical Programs to support extensions of approved activities beyond June 30, let me emphasize three important points. First, approval by Regional Medical Programs Service for the extension of any proposed activity beyond June 30 depends first and foremost upon the ability of the region to demonstrate fully that any activity identified for Regional Medical Programs Service review is meritorious and meets one or the other of the requirements (#2 or #3) stated in the telegram. Approval will not depend upon whether funds might be available within a Regional Medical Program for its support beyond June 30. (Note: To meet requirement #3 the region will have to provide a written guarantee, or equivalent proof, that continued support will be provided from another source by a date consistent with the needs of the project.)

The second point is that support of program staff beyond June 30 can be given only to the extent that the work to be accomplished within the Regional Medical Programs Service-approved phase-out plan for the region including completion of required final reports, clearly justifies the proposed staff level(s). Although every possible consideration will be given to circumstances which may be unique to a given region, the Administration believes that the February 1 notification of phase-out constitutes reasonable notice to all program elements. In a parallel action and consistent with this philosophy, the Department is requiring a sharp reduction in headquarters staff by this June 30 with further reductions scheduled thereafter.

The third point is that no advance assurance can be made that any region will retain at least its own unexpended balance beyond June 30. All funds unexpended as of June 30 will be available to Regional Medical Programs Service for disbursement or redistribution in a manner to best implement the phase-out of the overall program. Some regions may voluntarily terminate their activities as of June 30, others undoubtedly will be required to do so because of an inability

to meet the criteria set forth for requesting extensions of activities. Thus, in view of the uncertainties, it is our judgment that Regional Medical Programs should realistically consider June 30 or soon thereafter as likely termination dates, with perhaps only the Regional Medical Program under exceptional circumstances continuing its activities into FY 74 for a limited time. In no event can grant funds be used for any purpose, including preparation of final reports, beyond February 15, 1974.

In stating these considerations we in no way are attempting to anticipate either what any given Regional Medical Program's phase-out plan will be or the merit thereof; we do wish to inform you for your consideration at this point in time realistically what we see from our position in HSMHA.

2. General Criteria for Review of Phase-out Plans and Procedure to be Employed.

Each region's plans will be reviewed thoroughly by all appropriate senior professional staff, with individual and overall analyses made of key elements both for individual regions and across the entire program relative to such factors as proposed costs, timetables, staffing levels and justifications for those grant and contract activities which are requested for continuation beyond June 30.

The merit of a region's proposed activities will be determined in the light of whatever information can be obtained from records for that region from Review Committee and National Advisory Council deliberations which bear upon the subject, together with an independent staff assessment of how well the phase-out plan meets the conditions cited in the telegram. It is expected that all the information required to arrive at sound decisions may not be available to us from our records or from a thorough study of your plan. Therefore, should further information be needed telephone calls will be placed and, as deemed necessary by the Director, visits to the regions will be arranged. Visits will be made for specific purposes which will be clearly identified and discussed in advance with the region. In the limited time available we will be required to utilize both our staff and our professional discretion to the fullest extent. Major decisions made by Regional Medical Programs Service as the result of reviewing the plans of the Regional Medical Programs certainly will be subject to review by HSMHA and the Department. Such reviews will be conducted as expeditiously as possible so that decisions can be transmitted to you no later than April 15.

0 /)
Page 4 - All RMP Coordinators and Grantee Officials

To assist you in preparing your phase-out plans and to assist us in reviewing them prior to arriving at final funding decisions, attached are three sets of requirements we would appreciate your incorporating in your phase-out plans.

Sincerely yours,

Harold Margulies

Harold Margulies, M.D.
Director

Enclosures

REQUIREMENTS FOR THE JUNE 30, 1973 PLANS TO
BE SUBMITTED NO LATER THAN MARCH 15, 1973

Fifteen (15) copies of the following items are to be sent to Regional Medical Programs Service, Room 10-12, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20852:

- 1) Page 1 of Form RMP 34-1
- 2) Page 2 of Form RMP 34-1
- 3) Page 6 of Form RMP 34-1 listing staff on duty and date of departure
- 4) Page 15 of Form RMP 34-1 for each operational project now funded whether or not support is being requested beyond June 30. Include in left hand "Progress" column, information on status of project as of June 30, i.e., completed, terminated without completion, continuation under other auspices, etc. Also when possible, list accomplishments of project.
- 5) Page 16s of Form RMP 34-1 for:
 - a) total budget for your current budget period through June 30, 1973
 - b) program staff budget
 - c) developmental component, if any
 - d) each operational project now funded
- 6) Concise narrative describing overall phase-out plans including information regarding steps taken to comply with equipment accountability, financial reports, record retention, etc. (See Attachment 3 for details.)
- 7) Please list feasibility studies, amount of support under current award and status as of June 30, 1973 (i.e., completed, etc.). If possible, we would appreciate a brief description of the studies. In addition, list central resources, amount of support under current awards and proposed disposition of materials after phase-out.
- 8) Finally, list activities supported under developmental component, dollars invested under current award through June 30, and a brief description.

REQUIREMENTS FOR PHASE-OUT PLANS DUE NO LATER THAN MARCH 15, 1973
FOR FUNDS REQUESTED BEYOND JUNE 30

Fifteen (15) copies of the plan are to be sent to Regional Medical Programs Service, Room 10-12, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20852, and should include:

- 1) Page 1 of Form RMP 34-1
- 2) Page 2 of Form RMP 34-1
- 3) Page 6 of Form RMP 34-1 listing names of any staff for which support is requested, description of functions they will perform and termination date of employment (no later than February 15, 1974). If funds are requested to enable staff to be supported from other sources, include signed agreement regarding future support.
- 4) Page 15 of Form RMP 34-1 for any operational project for which support is requested beyond June 30, state the reason for the request. If it is for requirement #2 outlined in the telegram, state the results predicted, the specific date the project will terminate, and significance of Federal investment (i.e., impact geographically, demographically, and on specific target groups). State when a termination report will be available to Regional Medical Programs Service, and who will develop it. If continuation is requested to enable funding from other sources, indicate source, exact date when other support will commence, and attach necessary documentation that can be verified.
- 5) Page 16s of Form RMP 34-1 for Program Staff Budget attach narrative justification for each line item requested. The same information is required by line item for each project proposed for support.
- 6) A listing of activities by priority proposed for funding beyond June 30 would be helpful to Regional Medical Programs Service.

GRANTS MANAGEMENT POLICIES FOR REGIONAL MEDICAL PROGRAMS PHASE-OUT ACTIVITIES

Historically, it has been the fundamental requirement of grantees to be responsible and primarily liable for both fiscal and administrative operations involved in the management of a Regional Medical Program (See News Information Data--Vol. 6. No. 15S of August 30, 1972). This means specifically that grantees are held accountable for all Regional Medical Programs Service funds awarded, and the Federal Government will continue to hold the grantee fully accountable and responsible for all Federally supported activities under the grant. Therefore, it is assumed that each Regional Medical Program has made the necessary arrangements to safeguard its interests and also the rights of the affiliates by including appropriate provisions in the contracts and agreements as set forth in the existing policy document, NID, Vol. 4, No. 32S of July 10, 1970.

The following set of policies are considered to be most significant regarding accountability in developing a phase-out plan to protect the grantees' interest and that of the affiliates:

1. Lease Costs for Space, Equipment, etc.

OMB Circular A-21, Section J.45.e, provides that rental costs under unexpired leases, i.e., leases for space, equipment, and/or maintenance contracts, etc., are generally allowable if (a) the amount of such rental claims does not exceed the reasonable use value of the property leased for the period of the activity, and (b) the grantee and affiliates make all reasonable efforts to terminate, assign, settle or otherwise reduce the cost of such lease.

2. Equipment Accountability

Grantees are responsible for utilizing equipment purchased with Regional Medical Programs Service funds for continued activities under Title IX of the Public Health Service Act, as amended. The same policy applies to affiliates once title to and accountability for equipment have been transferred to them. Therefore, the following options may be applied and included in the phase-out plans due March 15, 1973. (HEW Grants Administration Manual Chapter 1-410-50A.2.a.).

- A. Transfer title to and accountability for equipment to either another grantee, an affiliated institution or other institution that will provide assurance to the grantee that the equipment will continue to be used for activities within the scope of Title IX of the Public Health Service Act, as amended. To effect such transfer, documentation should be made in accordance with the NID, Volume 6, No. 14S dated August 9, 1972.

- B. Present proposal to utilize equipment within the grantee on health-related activities that are within the scope of Title IX of the Public Health Service Act, as amended. Such equipment should be itemized in the phase-out plan.

In the event equipment used in project or program activity is no longer needed for purposes under Title IX by the Regional Medical Program, grantee or affiliate, accountability may be satisfied by either (1) crediting the grant account with an amount equal to the Federal share of the fair market value of the equipment or (2) refunding to the HSMHA proceeds from the sale of the equipment.

Appropriate documentation should be submitted by each Regional Medical Program with the phase-out plan to justify the option selected.

3. Severance Pay

OMB Circular A-21, Section J.36, provides that severance pay is an allowable cost only when it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the institution's part, or (d) circumstances of the particular employment. Regional Medical Programs Service will not consider severance pay an allowable cost unless the basis for payment for any of the four options listed above is a formal written policy or agreement of the grantee institution, which existed prior to the February 1, 1973, notice of phase-out.

4. Required Financial Reports

In addition to the phase-out plans to be submitted by March 15, 1973, the following reports are required to be submitted:

- A. Prior to the submission of the final Reports of Expenditures (1) a report listing all non-expendable equipment and personal property on hand and a request for approval from Regional Medical Programs Service of the proposed disposition of said equipment and property, and (2) a list of all expendable equipment and property on hand with a value of at least \$50.00 with a request for approval from Regional Medical Programs Service of the proposed disposition of such items.
- B. Reports of Expenditure within 120 days after the closing date of the Regional Medical Programs Service grant. (Note: As stated before, grant funds cannot be used for preparation of required financial reports beyond February 15, 1974.)

5. Audio-Visual Policy

Audio-visual materials developed with grant funds may be disposed of as follows: (General Counsel's opinion dated March 15, 1972 and included in General Counsel's Report of March 1972).

- (a) They may be sold by the grantee to a distributing organization,
- (b) They may be retained by the grantee institution, and distributed as appropriate,
- (c) They may be turned over to a Federal distribution center, (i.e., National Audio-visual Center, GSA)

Any royalties or profits realized by grantees on these items must be returned to the Federal Government up to its share of the investment as provided in General Counsel's opinion of March 15, 1972.

6. Records Retention

All records on Regional Medical Program activities must be retained in accordance with existing policy contained in Regional Medical Programs Service Guidelines. Regional Medical Programs should indicate the names and addresses of appropriate personnel to be contacted to determine location of records and to be available should audit questions arise subsequent to (a) termination of Regional Medical Programs Service support, or (b) dissolution of existing organizations funded by Regional Medical Programs Service.

7. Grant-Related Income

All unexpended balances of grant-related income are to be identified as to location and amount and reported as part of the phase-out plans. Plans due March 15, 1973, must contain requests for use of any grant-related income realized or anticipated.

8. Additional Funds Awarded in June 1972 for Specific Projects - (EMS, HSEA, PEDIATRIC PULMONARY)

The provisions of the February 1, 1973 telegram are applicable to all funds awarded the Regional Medical Programs for specific projects under this heading. Therefore, any savings accruing as a result of application of these provisions will either be used to accommodate funding requirements for the programs during phase-out and/or be made available for meeting other needs as determined by Regional Medical Programs Service.

9. Contracts

Although the February 1, 1973, telegram indicates that no new contracts or agreements should be entered into which commit Regional Medical Programs Service funds, this statement has been modified to indicate that contractors may enter into subcontracts during the phase-out period only if (a) the subcontract was part of the

original contract, which is considered essential during phase-out, but which had not been executed prior to February 1, 1973, and (b) the subcontract increases the rate of phase-out activities without additional costs.

10. Required Audits for Regional Medical Programs

It is the policy of Health, Education, and Welfare that fiscal records be maintained for a period of at least five years (Chapter 1-100-20 of the HEW Grants Administration Manual) subsequent to the termination date of the budget period or longer until audit has been conducted and all findings have been resolved. Since most of the grantees for the Regional Medical Programs are under the cognizance of the HEW Audit Agency, that Agency plans to schedule audits as soon as practicable for those financially dependent, non-profit organizations that have been established solely to receive and administer the Regional Medical Program grant.

Regional Medical Programs may schedule independent audits by certified public accountants prior to the termination of the grant provided it is grantee policy. However, the HEW Audit Agency reserves the right to perform an audit regardless of whether an audit has been performed by a certified public accountant.

The Federal Government maintains the right to recover amounts questioned at final audit whether or not the audit is performed prior to the termination of the Regional Medical Program grant.