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Projected Need for Regional Medical Program Grant Funds - Fiscal Years 1969-1973

As we approach congressional hearings on the legislation extending the authority for Regional Medical Program grants, we believe strongly that the most important objective to be sought in the legislative action is an authorization level for future years sufficient to insure the continued viability of the Regional Medical Programs. The legislative proposal submitted by NIH on October 12, 1967, stated the authorization levels needed through fiscal year 1973 as follows:

Fiscal Year	Authorization (million of dollars)
1969	$100
1970	200
1971	300
1972	400
1973	500

Further information and analysis confirms and strengthens these projections of need.

Projected Operational Grant Awards

The essential component of our projection of needs is the estimate of effective demand for operational grants based on our initial experience with operational grant applications extended to the other Regional Medical Programs and projected to 1973.

This projection of program needs is based on our initial experience with the award of operational grants during fiscal years 1967 and 1968, and the subsequent growth of the first operational Regional Medical Program through supplemental grant awards. This projection is confirmed by information obtained from all Regional Medical Programs during the week of February 12, 1968. However, we should emphasize that the projections given are not requests for funds but estimated awards allowing for reduction of requests by action of the National Advisory Council. A full description of the derivation of the projections is given in a later section of this memorandum.

Projected Operational Grant Awards
Regional Medical Programs
1967-1973
(million of dollars)

	FY 1967	1968	1969	1970	1971	1972	1973
Initial operational award during fiscal year 1967 (4 regions)	6.1	9.2	16.1	21.7	28.2	33.3	40.0
Initial operational award during fiscal year 1968 (20 regions)		40.5	60.8	116.4	157.1	204.2	255.3
Initial operational award during fiscal year 1969 (30 regions)			55.0	77.5	135.5	182.9	237.8
Total effective demand for operational grant awards	6.1	49.7	131.9	215.6	320.8	420.4	533.1

It is obvious that these projections of need give a totally different picture of the future of Regional Medical Programs than the projections included in the Health Memorandum for the Programming, Planning, and Budgeting System. In fact, the divergence is so great that it is our firm conviction that if the PPB projections were translated into authorization ceilings for the next five years the efforts now underway in Regional Medical Programs would fall far short in achieving the program objectives and in many regions the progress already made will be dissipated. The following factors strengthen the force of our conclusion:

1. The requests for funds received by the Division of Regional Medical Programs represent the end product of a regional decision-making process that has set priorities for action and has provided a review of the quality of specific projects being proposed. The grant application represents a selection of the RMP level among the activities to meet patient needs proposed from within the region. The establishment and functioning of this regional decision-making framework, which involves considerable investments of donated time by the participants, can be maintained only if there is a reasonable expectation that their efforts will result in a workable program that can make substantial progress towards their regionally determined health goals.

2. The previous history of this program, including the original HEW cost projection stated during the hearings and the authorization ceilings of P.L. 89-239, have set the expectation levels of the individuals and institutions involved in the Regional Medical Programs. If these expectations are shattered, these groups could legitimately claim that they have been misled by the Federal Government and the resulting disillusion could impede further Federal efforts to stimulate cooperative action in the health field.

3. The magnitude of the challenge represented by the charge to Regional Medical Programs has become more apparent as regions have organized themselves for this effort. The size and difficulty of the initial organizational efforts has delayed movement of the programs into the operational phase, but these same factors contribute to the magnitude of the operational activity that emerges from these organizational and planning efforts. It takes longer to plan and organize a large activity than a small one.

For these reasons, we are absolutely convinced that the authorization ceilings proposed by the Administration during the hearings on extension of the program must approximate the projections provided in this memorandum if Regional Medical Programs are to succeed in accomplishing their role in achieving major national health goals.

Basis for the Projections

Operational experience to date, coupled with recent Regional Program estimates of their future fund "requirements," indicates that the "aggregate effective demand" for RMP grant funds will be as follows:

	FY 69	FY 70	FY 71	FY 72	FY 73
Planning 1/	$ 24.8	$ 12.5			
Operational	$131.9	$215.8	$320.8	$420.4	$533.1
TOTAL	$156.7	$228.3	$320.8	$420.4	$533.1

1/ Continued planning becomes an integral part of operational programs as RMP develops

The principal factors shaping aggregate effective demand are:

- The number of operational Regional Programs; and the salient characteristics of those Regions (e.g., health resources, incidence and prevalence of disease, population).
- Their "demand" for funds as expressed by operational grant requests (i.e., applications already reviewed and approved by the Regional Advisory Group).
- The merits of such proposals in terms of achieving the purpose of the program as determined by the review and approval process (e.g., National Advisory Council).

The grant requests reflect regional judgments and decisions with respect to their particular needs and scheme of priorities, taking into account existing resources and their own state of readiness.

As indicated, projected aggregate effective demand will substantially exceed $100 million in 1969, surpass $300 million by 1971, and reach $500 million or more by 1973. The calculation of these projections is set forth in Table 1. In summary:

- By the end of the current fiscal year, approximately 24 (or slightly less than one-half) of the 54 Regional Medical Programs will have entered the initial operational phase; and by the end of fiscal year 1969, all of the Regions will be operational.

- The aggregate effective demand of the 20 additional Regions that will become operational this year totals about $40 million in their base year (01); and that of the 30 Regions becoming operational in fiscal year 1969, approximately $55 million.

- In extrapolating the initial aggregate effective demand of operational Regions, a growth rate or factor of 50% is indicated in their second year (02); and 75% in their third year (03). A declining growth rate is indicated in succeeding years--04 (35%), 05 (30%), 06 (25%), and 07 (20%).

Several assumptions have been made in the above projections of RMP aggregate effective demand through 1973.

- Regions will become operational during fiscal years 1968-1969 as predicted.

- Operational experience to date, though limited, provides a reasonably valid and relevant basis for gauging the aggregate effective demand for RMP funds over the next 3-5 years. That is:

  - Initial operational grant requests and approvals will roughly follow the pattern established by the first operational awards already made.

  - The "growth rate" will roughly correspond to that already suggested by the first operational programs and the considered predictions of the Regional Programs.

- The level of RMP appropriations during this period will not be so significantly below the aggregate effective demand as to materially alter that demand in succeeding years.

Eight Regions already have been awarded initial operational grants. Applications of 9 others have been submitted and are under review, and a large number of Regions are known to be developing applications. It is anticipated that 7 or 8 of this group will submit their initial operational grant applications in time for them to be acted upon and awards made by June 30 (see Table 2). These operational Regions--the

4 funded in fiscal year 1967 and the 20 that it is anticipated will be funded this year--encompass approximately 45% of the Nation's population.

It is fully anticipated that the remaining 30 Regions will enter the operational phase in fiscal year 1969. A recent survey of all Regional Programs support this estimate as does the general pattern of operational grant submissions to date.

The aggregate effective demand for the base period--20 Regions in fiscal year 1968 and 30 in fiscal year 1969--has been calculated so as to correspond roughly to that reflected by the 8 initial operational awards made to date. (See Table 3) In per capita terms, the aggregate effective demand reflected by these awards comes to nearly $.50; and thus, the first-year amounts for the 20 Regions (population 81 million) becoming operational this year would be $40.5 million, and $55.5 million for the 30 Regions (population 110 million) in fiscal year 1969.

Growth rates of 50% to 75% respectively in the second and third years were employed since available data provides good evidence that the aggregate effective demand will more than double in the first three years. For example, the projected second-year increase for those 4 Regional Medical Programs which were awarded their initial operational grants in fiscal year 1967 is roughly two thirds. (See Table 4) This increase reflects the fact, expected to be typical, that initial operational awards represent only the first stage of the operational program. The expectation of stepwise development is stated in the Division of Regional Medical Programs' Guidelines. All Regions were recently surveyed as to their estimated annual fund requirements during the period 1969-73. A comparison of the estimated third-year requirements for those 8 Regions which already have first-year operational programs underway shows an anticipated third-year need that is nearly double their first-year level of funding. (See Table 7) Thus, the growth rates applied would appear, if anything, to "understate" the aggregate effective demand.

Because there is little or nothing in the way of a relevant data base and since regional "predictions" three or four years hence are doubtless less reliable indicators of aggregate effective demand, forecasting growth rates for succeeding years is far more difficult. Regional "predictions" do suggest decline in the growth rate in the fourth and fifth years, but there is no indication that a sharp leveling off will occur and a "plateau" reached until the sixth or seventh years at the earliest. Thus, a rate declining to 20% in the seventh year has been used. Such a percentage increase, it might be noted, perhaps comes close to what cost-of-living increases, population growth, and similar factors might require.

Additional Growth Factors

A number of other important factors which are likely to influence the future development of Regional Medical Programs during the 5 years ahead are not specifically encompassed by the projections described in this memorandum since the projections are based on extrapolations from current RMP experience. This is not the place for a full discussion of these factors yet a brief mention of some of the more important provides a better sense of the framework of the problems of the organization and delivery of health services into which Regional Medical Programs are being projected:

1. Regional Medical Programs came into being because of the identification of the gap between the level of care being made possible by the advance of medical knowledge and the actual care being delivered to most of the population. With the continued development of medical science and the full realization of our still limited experience with a sizable medical research establishment, the next 5 years are likely to witness important advances in medical capabilities that will need to be implemented into the broader health-care system. Many of the major medical research activities already underway, such as the artificial heart-myocardial infarction research program, the virus-leukemia program, and others, are deliberately intended to create the kind of medical advance that could logically be implemented through the Regional Medical Programs.

2. The initial operational activities of the Regional Medical Programs now underway do not affect equally all of the population groups and geographical areas within the Region. Most of the Regions are developing subregional frameworks for planning and action, which will insure the extension of RMP activities to all areas of the Region over time. However, the initial operational grants do not reflect in any case the full coverage of the population of a Region. This underestimation of the ultimate magnitude of an RMP is further accentuated by the slower progress in developing RMP activities for specific population groups which raise particularly difficult health-care problems, such as the population of the "urban core." The ultimate involvement in effective action of the full array of health resources within a Region and the extension of the benefits of the program to the total population, which is its ultimate objective, could expand the scope of Regional Medical Programs beyond that reflected in these projections.

3. The particular needs for improvement in the organization and delivery of health services for which the Regional Medical Program mechanism is well designed will become more clearly evident in the coming 5 years. The need for improved mechanisms of ambulatory care, for example, and

the relationship of those mechanisms to the broader health-care system will be a particular challenge for the Regional Medical Programs as they attempt to relate the full capability of a Region for high-quality health services to the array of needs within that Region. The pressures from the rising costs of medical care will also lend greater emphasis to improvements in the efficiency and effectiveness of the health-care system with more attention to the interrelationships of the specialized elements of the system.

4. There will be a cross-fertilization of ideas and proven developments among Regional Medical Programs as each of the Regional Medical Programs develops. The potential of the Regional Medical Programs learning from each other in the development of effective programs was demonstrated impressively at the recent Conference-Workshop on Regional Medical Programs attended by over 800 persons. This Conference-Workshop was the first full-scale example of the ability of Regional Medical Programs to learn from each other. This factor is inadequately represented in the first operational activities, which have risen primarily from ideas within the particular Region's capabilities.

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cc: Mr. Gorham
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TABLE 1

PROJECTION OF RMP AGGREGATE EFFECTIVE DEMAND
(in millions)

FY67:	4 Regions at 01 level (Base)	$6.2
	TOTAL	$6.2
FY68:	4 Regions at 02 level ($6.2 x 1.5)	$ 9.2
	20 Regions at 01 level (Base)	40.5
	TOTAL	$ 49.7
FY69:	4 Regions at 03 level ($9.2 x 1.75)	$ 16.1
	20 Regions at 02 level ($40.5 x 1.5)	60.8
	30 Regions at 01 level (Base)	55.0
	TOTAL	$131.9
FY70:	4 Regions at 04 level ($16.1 x 1.35)	$ 21.7
	20 Regions at 03 level ($60.8 x 1.75)	116.4
	30 Regions at 02 level ($55 x 1.5)	77.5
	TOTAL	$215.6
FY71:	4 Regions at 05 level ($21.7 x 1.3)	$ 28.2
	20 Regions at 04 level ($116.4 x 1.35)	157.1
	30 Regions at 03 level ($77.5 x 1.75)	135.5
	TOTAL	$320.8
FY72:	4 Regions at 06 level ($28.2 x 1.25)	$ 33.3
	20 Regions at 05 level ($157.1 x 1.3)	204.2
	30 Regions at 06 level ($135.5 x 1.35)	182.9
	TOTAL	$420.4
FY73:	4 Regions at 07 level ($33.3 x 1.2)	$ 40.0
	20 Regions at 06 level ($204.2 x 1.25)	255.3
	30 Regions at 05 level ($182.9 x 1.3)	237.8
	TOTAL	$533.1

TABLE 2

OPERATIONAL REGIONS - ACTUAL AND ANTICIPATED
(By June 30, 1968)

FY67 - 4

Awarded (4)

- Albany
- Intermountain
- Kansas
- Missouri

FY68 - 20 (est.)

Awarded (4)

- Rochester
- Tennessee Mid-South
- Washington-Alaska
- Wisconsin

Pending Review (9)

- California
- Central New York
- Metropolitan D.C.
- Mountain States
- New Mexico
- North Carolina
- Oregon
- South Carolina
- Western New York

Applications under Development or Anticipated (13)

- Alabama
- Central Ohio
- Connecticut
- Georgia
- Hawaii
- Indiana
- Iowa
- Michigan
- Northeastern Ohio
- Northern New England
- Northlands
- Oklahoma
- Texas

TABLE 3

INITIAL OPERATIONAL GRANTS
(Awarded to Date)

Region	First Year Grant Award	Population (in millions)
Albany	$ 915,000	1.9
Kansas	$1,077,000	2.3
Intermountain	$1,748,000	2.2
Missouri	$2,494,000	2.2
Rochester	$ 255,487	1.3
Tennessee Mid-South	$1,630,304	2.7
Washington-Alaska	$1,032,003	3.4
Wisconsin	$ 541,434	4.2
TOTAL	$9,693,228	20.2

TABLE 4

ESTIMATES OF SECOND-YEAR FUNDING OF FIRST FOUR OPERATIONAL REGIONS

(Rounded to nearest thous.)

(1) First Year Grant Award	(2) Region	(3) Supplementals Approved	(4) Supplementals Pending	(5) Supplementals Anticipated	(6) Second Year Est. Base	(7) Total Second Year
$ 919,000	Albany	$ 4,000	$ -	$ 160,000	$ 919,000	$1,180,000
1,791,000	Kansas	-	445,000	2,000,000	1,076,000	2,299,000
1,076,000	Intermountain	247,000	-	800,000	1,791,000	2,439,000
2,494,000	Missouri	387,000	1,252,000	880,000	2,494,000	3,954,000
$6,280,000		$637,000	$1,692,000	$3,840,000	$6,280,000	$10,482,000

NOTE: Total second Year (col. 7) computed on the basis of continuation of the actual initial First Year Award (col. 1) at that same level (col. 6), plus supplements already Approved (col. 3), plus 50% of Pending (col. 4) and Anticipated (col 5.) supplements. Anticipated supplements are based upon a recent telephone survey. Past experience indicates that amount actually requested exceeds such "predictions". (See Table 5.) Furthermore, approvals of both initial and supplemental operational grant applications has been approximately 60% of the amounts requested. (See Table 5.) This gives a projected increase for these Regions of $4.2 million or 67% over their first year totals.

TABLE 5

ANTICIPATED AND ACTUAL OPERATIONAL GRANT REQUESTS

Region	Indicated	Actual	
California	$1,200,000	$3,500,000	
Central New York	320,000	251,775	
District of Columbia	800,000	696,328	
Mountain States	100,000	206,913	
New Mexico	180,000	634,974	
North Carolina	1,000,000	1,570,067	
Oregon	200,000	179,242	
Rochester	210,000	359,985	
Tennessee Mid-South	2,400,000	3,059,872	
Washington-Alaska	1,000,000	1,234,293	
Subtotal	$7,410,000	$11,693,449	(158%)
Kansas (Supplement)	$2,400,000	$ 446,671 a/	
Missouri (Supplement)	1,100,000	1,251,818	
Subtotal	$3,500,000	$1,698,489	(49%)
TOTAL	$10,910,000	$13,391,938	(123%)

NOTE: Based upon a telephone survey of all Regional Programs made in early October 1967, it was estimated that 34 initial and 13 supplemental operational grant proposals would be submitted by June 30, 1968, with 20 of these submissions scheduled to take place by February 1, Twelve of the 20 were actually submitted by that date. While submissions have been slower than was indicated, the amounts actually requested exceed those "predicted" by the regional respondents at the time of the survey.

a/ Region has since indicated that it plans to submit another supplemental request for $2 million later this year.

TABLE 6

OPERATIONAL GRANT AMOUNTS REQUESTED AND AWARDED

Region	Requested	Awarded	
Initial:			
Albany	$1,702,423	$ 918,665	
Kansas	2,811,072	1,076,600	
Intermountain	2,238,315	1,790,603	
Missouri	4,326,996	2,493,841	
Rochester	279,040	255,487	
Tennessee Mid-South	3,033,514	1,630,304	
Washington-Alaska	1,290,919	1,032,003	
Wisconsin	541,434	541,434	
Subtotal	$16,223,713	$9,738,937	(60%)
Supplemental:			
Albany	$ 2,845	$ 2,845	
Intermountain	798,480	247,520	
Missouri	387,000	394,062	
Wisconsin	99,215	88,715	
Subtotal	$1,297,040	$733,142	(57.4%)
TOTAL	$17,520,753	$10,472,079	(59.7%)

TABLE 7

PROJECTED THIRD-YEAR OPERATIONAL FUND REQUIREMENTS FOR SELECTED REGIONS
(Rounded to the nearest thousand)

Region	First Year Grant Award	Third Year Fund Requirements	Projected Increase Amount	Per Cent
Albany	$ 918,000	$3,155,000	$2,236,000	243%
Intermountain	1,790,000	4,200,000	2,410,000	135%
Kansas	1,076,000	4,400,000	3,323,000	309%
Missouri	2,493,000	6,000,000	3,506,000	141%
Rochester	255,000	2,300,000	2,045,000	802%
Tennessee Mid-South	1,630,000	3,000,000	1,370,000	84%
Washington-Alaska	1,032,000	2,600,000	1,568,000	152%
Wisconsin	541,000	4,000,000	3,549,000	640%
TOTAL	$9,739,000	$29,655,000	$19,126,000	197%

NOTE: There is a strong correlation between those Regions projecting significant increases in their third year requirements and those with small initial operational grants in per capita terms, e.g., Wisconsin (13¢), Rochester (21¢), and Kansas (49¢). Application of the aggregate effective demand "formula" for these same 8 Regions indicates a third-year fund requirement of $25.6 million.