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Additional Information Concerning The
Authority Of The Department Of
Health, Education, And Welfare To
Award Grants In Support Of Health
Maintenance Organizations

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

096459
~~701252~~

AUG. 30, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(4)

Dear Mr. Goldwater:

Your letter of April 19, 1972, requested that we provide you with information concerning the Department of Health, Education, and Welfare's (HEW) financial support of health maintenance organizations (HMOs) for fiscal year 1972 and HEW appropriation requests for such support for fiscal year 1973. As requested, the information being presented in this report is the same type of information previously provided in our March 27, 1972, report to you dealing with HEW's fiscal year 1971 support of HMOs.

You also requested our final determination on a legal question discussed in our earlier report regarding the manner in which \$900,000 for certain HMO grants had been financed under the provisions of HEW's 1971 appropriations act. As indicated in our May 19, 1972, letter, we requested additional information from the Secretary of HEW concerning the \$900,000. This information has been received, and we advised you of our decision on July 21, 1972.

HEW SUPPORT OF HMOs--FISCAL YEAR 1972

In fiscal year 1972 HEW continued to support HMO research and development with funds appropriated under the same legislative authorizations used for fiscal year 1971 grants and contracts--namely sections 314(e) and 304 of the Public Health Service Act (42 U.S.C. 246 and 242(b)) and section 1110 of the Social Security Act (42 U.S.C. 1310). In addition, during fiscal year 1972, HEW awarded other grants and contracts under the authorizations contained in sections 513 and 910(c) of the Public Health Service Act (42 U.S.C. 229(b) and 299(j)).

The legislative authorizations used to award HMO grants and contracts in fiscal year 1971, as stated in our March 27, 1972, report and also used in fiscal year 1972 are as follows:

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- Section 314(e) of the Public Health Service Act authorizes the Secretary of HEW to provide grants to any public or nonprofit private agency, institution, or

organization to cover part of the cost of (1) providing services to meet health needs of limited geographic scope or of specialized regional or national significance or (2) developing and supporting, for an initial period, new programs for providing health services.

- Section 304 of the Public Health Service Act authorizes the Secretary of HEW to contract for research, experiments, or demonstration projects for developing new methods, or improving existing methods, of organizing, delivering, or financing health services.
- Section 1110 of the Social Security Act authorizes the Secretary of HEW to make grants to States and to public and other nonprofit organizations and agencies to pay part of the cost of research or demonstration projects which will help improve the administration and effectiveness of programs carried on or assisted under the Social Security Act.

The legislative authorizations used to award HMO grants and contracts in fiscal year 1972 but not used in fiscal year 1971 are as follows:

- Section 513 of the Public Health Service Act authorizes the Secretary of HEW to use up to 1 percent of certain HEW appropriations for evaluation, either directly or by grant or contract, of various HEW programs.
- Section 910(c) of the Public Health Service Act authorizes the Secretary of HEW to support research, studies, investigations, training, and demonstrations to maximize the utilization of manpower in the delivery of health services.

HEW has provided the following fiscal year 1972 financial support for HMOs under the several authorities available for such support.

Public Health Service Act

During fiscal year 1972, the Health Services and Mental Health Administration (HSMHA) awarded 77 grants and 51 contracts totaling about \$15 million under authorizations in this act. In general, grants were awarded for planning and developing HMOs and contracts were awarded for technical assistance to HSMHA in managing and evaluating the HMO program. The grants and contracts were awarded in accordance with the various authorizations in the act, as follows:

- 46 grants totaling about \$3.2 million were awarded in the first half of fiscal year 1972 under section 314(e). (See app. I for a list of the 46 grants.)
- 31 grants totaling about \$4.4 million were awarded in June 1972. Of the 31 grants, 29, totaling about \$4.2 million, were awarded under section 910(c) and two, totaling about \$166,500, were awarded under section 314(e). In addition, about \$41,000 of section 314(e) funds were used to supplement section 910(c) funds for one of the above 29 grants. The 31 grants were continuation grants of either those awarded in the first half of fiscal year 1972 and listed in appendix I of this report or those awarded in fiscal year 1971 and listed in the appendix of our March 27, 1972, report. Because the continuation grants have the same purposes as those already listed, we are providing only the names of the grant recipients and the amount of each of the 31 grants in appendix II of this report.
- 51 contracts totaling about \$7.4 million were awarded in June 1972. The legislative authorizations used to finance these contracts were (1) section 910(c)--for about \$5 million, (2) section 304--for about \$2 million, and (3) section 513--for about \$400,000. (See app. III for a list of the 51 contracts.)

Thus the authority principally used to award HMO grants and contracts during fiscal year 1972 (\$9.2 million of the

\$15 million) was section 910(c) of the act. The activities authorized by section 910(c) are carried out by an HSMHA component which is called the Regional Medical Programs Service and which, among other things, supports grants and contracts that on a regional basis bring together in a common effort the local medical centers, hospitals, and other health-care facilities; health-care providers; and other resources to systematically identify health problems and undertake solutions.

Senate report 92-316--issued by the Senate Committee on Appropriations--concerning HEW's 1972 appropriations, stated, with respect to HMO support under regional medical programs, that one of the most promising potential improvements in the delivery of health care was HMOs, group practice plans, and other adaptations of prepaid health care. The Committee felt that the regional medical programs were perhaps in the best position to contribute effectively to proving such HMO proposals and specifically approved part of the increase in fiscal year 1972 funds over 1971 funds to be used for such purposes.

Social Security Act

Although the Social and Rehabilitation Service (SRS) awarded 15 grants totaling about \$1.1 million in fiscal year 1971 under section 1110 of the act, it awarded only two fiscal year 1972 grants, totaling about \$277,000. These grants were made to the following recipients:

- District of Columbia Department of Human Resources, Washington, D.C. (\$222,000 to evaluate a Group Health Association of Washington, D.C., project involving about 1,000 Medicaid enrollees and to help set up a new center connected with the association).
- Group Health Planning of Philadelphia, Philadelphia, Pa. (\$55,000 to evaluate the problems involved in marketing and in recruiting low-income HMO enrollees).

HEW SUPPORT OF HMOs--
APPROPRIATION REQUESTS FOR
FISCAL YEAR 1973

HEW officials advised us that the amount of support for HMOs in fiscal year 1973 was dependent largely on the future status of HMO legislation pending before the Congress. In HEW's budget justifications we found only one specific dollar request for HMO support for fiscal year 1973. This request was for \$2 million under the authority of section 304 of the Public Health Service Act. HEW justified continuance of HMO research and development under other legislative authorities but showed no specific amounts.

An HSMHA official cited the following bills as those which could affect the fiscal year 1973 HMO support level.

- House bill 5615 and Senate bill 1182 were introduced in the Congress in March 1971 to encourage the establishment and utilization of HMOs, particularly in medically underserved areas. The purposes of the legislation are to be accomplished through grants, contracts, loans, and loan guarantees.
- House bill 11728 and Senate bill 3327⁽¹⁾ were introduced in the Congress in November 1971 and March 1972, respectively. These bills have purposes similar to those of House bill 5615 and Senate bill 1182.

An HSMHA official has informed us that the level of spending in fiscal year 1973 would depend upon whether any new legislation--such as the above--is enacted.

¹ Senate bill 3327 was approved by the Senate Committee on Labor and Public Welfare on June 17, 1972. It provided about \$6.4 billion to be used for HMO planning, development, and operations; quality-of-care control; and medical services. The funds were proposed for use over 3 fiscal years ending June 30, 1975.

On the basis of fiscal year 1973 budget requests and our discussions with HEW officials, HEW plans for support of HMOs in fiscal year 1973 are as follows.

Public Health Service Act

Under section 304 of the act, HEW requested fiscal year 1973 funds of \$2 million for HMO evaluation. According to the fiscal year 1973 budget justification, HMOs will be studied with respect to such factors as enrollment; benefit structure; utilization patterns; monitoring of services, costs, and quality of care; and financing services. The studies will make possible a comparison of HMO costs and efficiency with those of other forms of medical practice organizations.

Section 314(e) project grants provide a means to help upgrade the delivery of health services. Priority for awarding grants is given to comprehensive health service programs which provide primary care and a broad range of ambulatory services through a network of comprehensive health centers to medically underserved urban and rural neighborhoods. For fiscal year 1973, HEW plans to assist the health centers to improve their management capabilities and to assist them to develop financial plans so they may recover increasing amounts of their cost of operation through third-party payments. Where possible, increasing the centers' potential for becoming HMOs or HMO components will be emphasized.

Under section 910(c) the Regional Medical Programs Services is to provide programs aimed at enabling existing health manpower to provide more and better care and training and more effective utilization of new kinds of health manpower. New funds are to be used to plan and develop area health education centers, which will be sources of manpower for HMOs.

Social Security Act

For fiscal year 1973, HEW proposes to direct research under section 1110 toward studies of innovative health-care-delivery systems, particularly HMOs. An HEW official informed

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us that as of May 1972, about \$1.7 million was being considered for fiscal year 1973 support of HMOs under that authority.

Section 402 of the Social Security Amendments of 1967 (42 U.S.C. 1395b-1) authorizes the Secretary of HEW to develop and engage in incentive reimbursement experiments under titles XVIII and XIX¹ of the Social Security Act. Under this section, physicians, organizations, and institutions can receive reimbursement for services in any manner mutually agreed upon between the Secretary of HEW and the physicians, organizations, or institutions, to demonstrate the effect of incentive-type reimbursement on the efficiency and economy of health services without adversely affecting the quality of such services.

A Social Security Administration (SSA) official informed us that although, as of June 30, 1972, no contracts for the study of HMO-type projects had been awarded pursuant to section 402, negotiations for two such contracts were nearing completion. These contracts, which should be awarded shortly, are estimated to total \$550,000 and will cover 3-year periods. The contractors and the estimated amount of each contract are as follows:

Kaiser Foundation Health Plan, Oakland, Calif.	\$500,000
Group Health Cooperative of Puget Sound, Seattle, Wash.	<u>50,000</u>
Total	<u>\$550,000</u>

¹Titles XVIII and XIX of the Social Security Act established the Medicare and Medicaid programs, respectively. These programs provide certain groups of eligible persons with protection against the costs of health-care services.

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SSA officials contemplate that two additional contracts may be awarded for HMO experimentation, but we were informed in June 1972 that the estimated amounts of such contracts have not yet been determined.

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We trust that the foregoing information is responsive to your request. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,



Deputy Comptroller General
of the United States

The Honorable Barry Goldwater, Jr.
House of Representatives

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C3 5.01100

APPENDIX I

46 GRANTS AWARDED DURING FISCAL YEAR 1972
 BY HEW FOR RESEARCH AND DEVELOPMENT OF
 HEALTH MAINTENANCE ORGANIZATIONS PURSUANT TO
 SECTION 314(e) OF THE PUBLIC HEALTH SERVICE ACT

<u>Recipient</u>	<u>Amount of grant</u>	<u>Description</u>
Maricopa Foundation for Medical Care, Phoenix, Ariz.	\$ 80,000	This foundation, sponsored by the Maricopa County Medical Society, provides services through commercially insured plans to 65,000 persons. Through the HMO grant, the foundation plans to offer prepaid services to its subscribers and will closely cooperate with the Office of Economic Opportunity (OEO) health network in the same area.
Department of Family and Community Medicine, College of Medicine, University of Arizona, Tucson, Ariz.	125,000	This university-sponsored HMO will serve an urban (Model Cities) and rural population of 350,000 in Pima County. The estimated enrollment is 50,000 to 60,000 people.
Contra Costa County Medical Service, Martinez, Calif.	101,000	This hospital-based group operates a health delivery system for the medically indigent in Contra Costa County. The intent of the grantee is to expand its health services on a prepaid basis to groups other than those currently served. The area's population is 2,000,000.
John Hale Medical Society, Inc., San Francisco, Calif.	25,000	This sponsor represents the black physicians in San Francisco who plan an HMO geared to the medically underserved, 75 percent of whom are title XIX beneficiaries. Initial enrollment emphasis will be on the 85,000 residents of the Western Addition and Haight Ashbury communities, mostly black.
St. Joseph's Hospital, San Francisco, Calif.	25,000	This hospital, which has 200 beds and 70 physicians, is planning an HMO with 40 of the hospital staff physicians.
University of California, San Francisco, Calif.	156,349	This combined university and physician medical society HMO will serve the San Francisco Bay Area. It expects to begin HMO operations 12 months after the start of the award.
Health Services Alliance of San Jose, Inc., San Jose, Calif.	31,500	The purpose of this project is to develop a centralized HMO model emanating from a hospital and an ambulatory-care center. The original grant has been supplemented to expedite the marketing program.
Watts Extended Health, Inc., Los Angeles, Calif.	193,983	This administrative, umbrella-type HMO plans to serve the Watts area. A high percentage of the area's population is living at the poverty level.
University of Colorado Medical Center, Denver, Colo.	84,434	This medical-school-based HMO will serve the Denver metropolitan area and outlying towns with a population of 1,164,000. The grant proposes to determine if an HMO is feasible and, if so, which type of organization best fits the medical school structure.
Poudre Valley Foundation for Medical Care, Fort Collins, Colo.	25,000	The foundation is planning an HMO in Larimer County, with a population of 89,600. Its goals are to reach both urban and rural areas, and it will have two hospitals participating. There are 61 physicians, 90 percent of the area's total, who formed the foundation.
Rocky Mountain-Grand Junction County Medical Society, Grand Junction, Colo.	20,000	This project proposes to develop a medical-society-foundation-based HMO in a rural area which covers 30,000 square miles and has a population of 175,000.
Bridgeport Hospital, Bridgeport, Conn.	72,225	This 483-bed inner-city community teaching hospital, affiliated with Yale University, is developing a hospital-based prepaid group practice model HMO in the central Bridgeport metropolitan area. The service-area population is 310,000. About one-fourth of all families are living at the poverty level.
Medical Society of Delaware, Wilmington, Del.	25,000	This project is to determine the feasibility of establishing a statewide HMO that could serve all of Delaware's 548,000 residents. The HMO would coordinate the services of physicians working out of their individual offices and would operate a central office to aid patients on a 24-hour basis. The HMO would continually reevaluate the services and promote improvements.
Metropolitan Atlanta Foundation for Medical Care, Inc., Atlanta, Ga.	85,000	The primary objective is to plan and develop a program which, at the end of the planning year, will provide the mechanism for implementation of a foundation-based HMO. The purpose of the foundation will be to dispense services from physicians' offices on a prepaid basis. The services would be directed mainly toward Government employees and beneficiaries of Government programs. Studies of marketing, financing, and organization will be made.
Hawaii Medical Service Association, Honolulu, Hawaii	125,000	This insurance-based recipient was founded in 1936 to market comprehensive health plans emphasizing outpatient services. Grant funds will help develop an umbrella HMO and will help market the HMO plan as an option to the recipient's present service plans. It now provides service to over 70 percent of Hawaii's total population of 768,000. The plan will serve isolated island groups, as well as urban centers, through scattered group practices within the HMO.
CMA-HMO Incorporated, Chicago, Ill.	98,840	CMA is now composed mainly of ambulatory-care facilities; that is, three existing clinics, one clinic to open shortly, and one in the conceptual stage. It will become associated with Illinois Masonic Hospital and will provide comprehensive medical care to an estimated 30,000 families in the inner city of Chicago to begin with. It has a long-term goal of 100,000 families.

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<u>Recipient</u>	<u>Amount of grant</u>	<u>Description</u>
Bedford Medical Center, Bedford, Ind.	\$ 20,000	Bedford Medical Center is composed of a group practice of 15 physicians adjacent to a 1-year old, 117-bed general hospital serving 200,000 persons around the county seat of Lawrence. The grant will help set up a Kaiser-type organization using mainly existing resources.
Rural Health Associates, Farmington, Maine	33,000	This group is presently developing an HMO for the poor under a million-dollar OEO grant. Under this HMO grant it proposes to extend these OEO efforts to the middle and working classes. There are approximately 29,000 individuals living within the service area of the proposed HMO.
Detroit Health Facility, Inc., Detroit, Mich.	25,000	This physician-oriented foundation's goal is to establish an HMO network in Detroit. The foundation stems from the Model Neighborhood Comprehensive Health Programs.
Mercy Hospital-Street Memorial, Vicksburg, Miss.	85,000	This will be a hospital-based HMO with inpatient facilities consisting of 220 beds and a clinic which adjoins the hospital. The clinic consists of office space and examining rooms for 30 clinic physicians who serve on the hospital staff. Also adjacent to the hospital is a progressive-care unit (20 beds). The service area has a population of more than 50,000.
Model Cities Department, City of Kansas City, Kansas City, Mo.	100,000	The Kansas City Model Cities Department is planning to develop an HMO to serve the metropolitan area's population of 507,000.
Hospital Center at Orange, Orange, N.J.	85,105	This HMO will be established as a part of the Hospital Center at Orange, which serves a population of 193,000. The focus of service will be on the inner-city, low-income area. The enrollment in the HMO is expected to reach 10,000 persons the first year.
Jonathan Pitney Medical Associates, Ventnor, N.J.	68,725	This project seeks to support an HMO to service the Greater Atlantic City area and the surrounding offshore communities. Base population is 176,000 (24 percent elderly) with a fourfold increase during the summer. Seasonal economy accounts for a very high poverty index. This project is sponsored by a physicians group which has as its objective the development of an areawide comprehensive, health-care service.
Lovelace-Bataan Medical Center Presbyte- rian Medical Services, Albuquerque, N. Mex.	24,920	This combined urban-rural HMO in northern New Mexico and southern Colorado anticipated becoming operational by June 1972. The supplemental funds were requested to expedite the operational phase. The HMO is expected to serve Metropolitan Albuquerque, as well as Anglos, Chicanos, and Indians in an area of sparse population and poor transportation in northern New Mexico.
New Mexico Health Care Corp., Albuquerque, N. Mex.	25,000	This physician-hospital organization will develop an HMO to serve the Albuquerque area (population 380,000). There are two cooperating hospitals in the area: St. Joseph Hospital and Presbyterian Hospital Center. The services will be aimed at all segments of the population with emphasis toward low-income groups.
Long Island Jewish Medical Center, New Hyde Park, N.Y.	84,641	This 450-bed Jewish Medical Center proposes to develop a hospital-based prepaid group practice model HMO in the urban area of Queens, Nassau, and Suffolk Counties. The population of the area comprises lower socioeconomic and middle classes. Estimated enrollment is 15,000 to 17,000 the first year, 17,000 to 20,000 the second year, and 20,000 to 25,000 the third year.
Health Organization of Wyoming County, Warsaw, N.Y.	25,000	This organization plans a hospital-sponsored HMO serving Wyoming County, with a population of 37,000. The three primary objectives are (a) the development of two health centers beyond the two existing centers, (b) the development of an ambulatory-care exchange between the centers, and (c) the development of a comprehensive health-care plan for the area.
University of North Carolina at Chapel Hill, Chapel Hill, N.C.	125,000	This university-based proposed HMO will service the Chapel Hill township and surrounding area, which have a population of approximately 90,000 and an anticipated HMO enrollment of approximately 69,000. Expected enrollees represent all income groups. There are three health centers (one of which is in operation now). North Carolina Memorial Hospital and faculty members of the University Medical Center will render their support as needed.
Blue Cross of North Dakota, Fargo, N. Dak.	25,000	This insurance company plans to investigate HMO feasibility in the Bismark-Mandan area with a population of 50,000. The HMO model which will emerge may be transposable to other areas.
Columbus Health Care Plan, Inc., Columbus, Ohio	25,000	This physician group practice in Columbus hopes to enroll 20,000 persons in a health delivery network in Franklin County.
Marion Health Foundation, Inc., Marion, Ohio	25,000	This physician-based, nonprofit Health Care Corporation plans to become fully operational as an HMO by June 1973 in Marion County, Ohio, which has a population of 100,000 composed largely of rural farmers. The city of Marion has two hospitals which serve 38,000 residents, many of whom are blue-collar union workers.
Northeastern Ohio Health Care Foundation, Youngstown, Ohio	115,000	This is an effort to start an HMO in Youngstown, sponsored by various unions and consumer groups. The unions have indicated an HMO need and represent 40,000 employees. The objective is to enroll between 20,000 and 30,000 persons by July 1973.
Emanuel Hospital, Portland, Oreg.	100,000	This hospital group will sponsor an HMO targeted at the Model Cities residents in Portland. The hospital has 474 beds for acute care, 80 beds for extended care, four self-care beds, and 85 bassinets. This, the largest voluntary hospital in Oregon, serves Portland, Multnomah County, and many adjacent areas. The emphasis will be toward the poor.
Gelsinger Medical Center, Danville, Pa.	126,000	This large multispecialty medical clinic in rural central Pennsylvania has operated for years as a fee-for-services clinic. It now wishes to convert to an HMO, which it feels will better serve the area's population (228,000). The early target enrollment is approximately 5,000 persons. Emphasis will be on reduced cost of health care, consumer education, prevention, and treatment.

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<u>Recipient</u>	<u>Amount of grant</u>	<u>Description</u>
Health Service Plan of Pennsylvania, Havertown, Pa.	\$ 165,000	This program, with organizational structures, operating concepts, contracts, and benefit schedules patterned after the Kaiser Plan, will ultimately be available on a dual-choice basis to all residents of the Greater Philadelphia area, with a population of 4 million. The program will incorporate both prepaid group practice and fee-for-service medical care. This will establish an areawide delivery system, making use of existing facilities, services, and manpower.
Community Health Association of Western Pennsylvania, Pittsburgh, Pa.	200,000	The Community Health Association of Western Pennsylvania is a coalition of major unions with support of the University of Pittsburgh Medical Center. The service area of western Pennsylvania has a population of 4.2 million. There are large numbers of Medicare and Medicaid patients in the area which do not receive adequate medical care. The expected initial enrollment is 20,000, rapid expansion being expected as new servicing centers are opened.
HMO South Carolina, Inc., Charleston, S.C.	25,000	This recipient plans to establish an HMO in the community designed to fully utilize existing facilities and medical personnel. The service area is composed of Berkeley, Charleston, and Dorchester Counties and has a population of 350,000, of which half live in rural areas, half the population live at the poverty level, and half the population are under 19 years of age.
South Carolina State Board of Health, Columbia, S.C.	25,000	The Governor of South Carolina initiated this action to study the feasibility of a statewide HMO. This project is directed at the improvement of the health of the people by cooperative participation of the State government and major providers of health services.
El Paso Hospital District, El Paso, Tex.	25,000	This hospital intends to develop an HMO to serve a predominately Mexican-American population.
Galveston County Coordinated Community Clinics, La Marque, Tex.	25,000	This family-oriented HMO planning grant is to explore the possibility of an HMO in the Galveston area. It began as a neighborhood health center approach to community health services.
Scott and White Memorial Hospital, Temple, Tex.	25,000	This hospital, foundation, and clinic combination includes 110 physicians and 308 beds and has 50 years' experience in prepaid medical care. The target area is Bell County, where an attempt to reach a broader, heterogeneous population for HMO activity will be made.
Ogden Clinic Foundation, Ogden, Utah	66,000	This clinic-based HMO plans to enroll between 25,000 and 30,000 people in this clinic-served area which has a population of 200,000. Its goal is to have an enrollment which is composed 25 to 30 percent of poor people.
Group Health Association of Utah, Salt Lake City, Utah	35,000	The objective is to develop the consumer component of an HMO structure to serve the Provo to Ogden Wasatch Front area which has a population of 1,000,000. This project cannot stand alone; it is one segment of the areawide HMO to become operational by December 1972. The project will enroll 5,000 persons initially.
Bainbridge Medical Center, Bainbridge Island, Wash.	25,000	This is a small physician group plan to establish an HMO in an outpatient clinic in a rural area--an island in north Kitsap County--which had a population of 28,000. The island's inhabitants are of a diverse ethnic mix.
Northern Pacific Beneficial Association Hospitals, Inc., Puget Sound Hospital, Tacoma, Wash.	96,200	This is a hospital-sponsored HMO with a target population of 450,000 in Pierce County. It has previous experience in prepaid medical care. Two large unions are working with the recipient.
Wyoming Health Service Co., Inc., Cheyenne, Wyo.	50,000	This is a foundation-sponsored group with good local support to develop an HMO in Wyoming. The area is rural Sweetwater County, which has a population of more than 20,000. The area is underserved medically. Physicians and hospital groups will participate in the program.
Total	<u>\$3,204,222</u>	

Note: Source, HEW.

APPENDIX II

CONTINUATION GRANTS AWARDED
 DURING FISCAL YEAR 1972 BY HEW
 FOR RESEARCH AND DEVELOPMENT OF
 HEALTH MAINTENANCE ORGANIZATIONS
 PURSUANT TO SECTIONS 910(c) AND 314(e)
 OF THE PUBLIC HEALTH SERVICE ACT

<u>Recipient</u>	<u>Amount of grant</u>
Florida Health Care Plan, Daytona Beach, Fla.	\$ 208,000
Health Facilities Research, Inc., Port Charlotte, Fla.	103,828
Group Health Foundation, Rochester, N.Y. (note a)	334,110
Blue Cross of North Dakota, Fargo, N. Dak.	120,300
Shawnee Region Health Maintenance System, Inc., Carbondale, Ill. (note b)	50,000
Montefiore Hospital and Medical Center, New York, N.Y.	63,408
HMO South Carolina, Inc., Charleston, S.C.	112,440
South Carolina State Board of Health, Columbia, S.C.	121,764
Consumer Cooperative Group Health Plan, Saint Paul, Minn.	100,000
Group Health Cooperative of Puget Sound (Olympia), Seattle, Wash.	66,500
Mt. Sinai Hospital, New York, N.Y.	145,975
Cuyahoga County Hospital, Cleveland, Ohio	90,000
Alamosa Community Hospital, Alamosa, Colo.	180,578

^a Shown as Blue Cross/Blue Shield in appendix I of the March 27, 1972, report.

^b Shown as Carbondale Health Plan in appendix I of the March 27, 1972, report.

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<u>Recipient</u>	<u>Amount of grant</u>
Health Services Alliance of San Jose, Inc., San Jose, Calif.	\$ 219,850
Lutheran Hospital of Southern California, Los Angeles, Calif.	290,855
Harvard Community Health, Inc., Boston, Mass.	191,224
Georgetown University, Washington, D.C.	29,312
Matthew Thornton Health Plan, Inc., Nashua, N.H.	21,375
Abnaki Health Council Claremont, N.H.	161,136
Marion Health Foundation, Inc., Marion, Ohio	115,000
Abraham Lincoln Memorial Hospital, Lincoln, Ill.	20,000
Detroit Health Facility, Inc., Detroit, Mich.	70,000
Lovelace-Bataan Medical Center & Presbyterian Medical Services, Albuquerque, N. Mex.	188,255
New Mexico Health Care Corp. Albuquerque, N. Mex.	224,600
John Hale Medical Society, Inc., San Francisco, Calif.	208,104
Nassau Medical Services Foundation, Garden City, N.Y.	110,000
Bexar County Medical Foundation, San Antonio, Tex.	122,340
Rocky Mountain-Grand Junction County Medical Society, Grand Junction, Colo.	210,036
Poudre Valley Foundation for Medical Care, Fort Collins, Colo.	163,427
Medical Care Foundation of Sacramento, Sacramento, Calif.	190,367
Foundation of Medical Care - Sonoma County Santa Rosa, Calif.	<u>169,461</u>
Total	\$4,402,245

Note: HEW

APPENDIX III

51 CONTRACTS AWARDED BY HEW FOR
HMO PROGRAM: TECHNICAL ASSISTANCE PURSUANT TO
SECTION 910 (c), 304, AND 513 OF
THE PUBLIC HEALTH SERVICE ACT

<u>Recipient</u>	<u>Amount of contract</u>	<u>Description</u>
The American Rehabilitation Foundation, Minneapolis, Minn.	\$ 130,000	To perform research, consultation, and technical assistance services for HSMHA and to key organizations in the private sector in a manner that will make the products of the contractor's efforts available to the greatest number of potential HMOs.
Martin E. Segal Co., New York, N.Y.	90,994	To provide to HMO developers throughout the country actuarial consultation and written reports as directed by HSMHA.
Kappa Systems, Inc., Arlington, Va.	57,500	To develop the methodology for, and to carry out an evaluation of, the monitoring and technical assistance functions of HMOs. This will essentially involve evaluation of the resources and strategy being used by HMOs to foster their development.
Health Resources Associates, Inc., Bowie, Md.	78,540	To develop the methodology for, and carry out an evaluation of, the marketing and enrollment strategies used by HMO grantees and to pay particular attention to their efforts to enroll low-income and medically underserved groups.
Sociometrics, Inc., Silver Spring, Md.	8,857	To perform functions and tasks which will enable the contractor to provide to HMOs the necessary report and recommendations on the development of the mechanism for assessing the effect of minority community involvement in the HMOs.
National Medical Association Foundation, Washington, D.C.	199,640	To establish an Office for Health Maintenance Organization which will assist individuals and organizations in the establishment of organized health-care-delivery systems. The contractor will use its newly created Office to render general assistance to, and to work toward the establishment of, three HMOs.
American Association of Medical Clinics, Alexandria, Va.	200,000	To plan and carry out activities directed toward the development of at least five HMOs by identifying the major factors and forces which impede or advance the development of medical clinics to HMO status.
Litton Biometrics, Inc., Bethesda, Md.	149,888	To implement and evaluate a marketing model in an HMO environment.
Medical Group Management Association, Denver, Colo.	69,790	To establish an information and data center on the management aspects of HMOs and to give special emphasis to the group practice model.
Association of American Medical Colleges, Washington, D.C.	329,571	To plan and carry out activities directed toward the development of at least five HMOs in university medical centers.
American Association of Foundations for Medical Care, Stockton, Calif.	197,260	To plan and carry out activities directed toward the development of at least five HMOs and to identify the major factors and forces which impede or advance the development of Foundations for Medical Care to HMO status.
Harvard University, Cambridge, Mass.	245,000	To develop a list of potential organization for the development of Health Maintenance Organization Data Demonstration Centers.
ABT Associates, Inc., Cambridge, Mass.	68,299	To develop a model that can be used to project HMO characteristics for management planning and evaluation purposes.
Aspen Systems Corp., Pittsburgh, Pa.	18,500	To update the digest of State laws affecting HMOs and medical group practice plans of both the prepaid and fee-for-service models. Pending Federal legislation and indexes for statutes and cases will be included and will be updated through March 1, 1972.
Penobscot Bay Medical Center, Rockport, Maine	(a)	To perform the planning tasks and carry out the developmental activities leading to the operational status of an HMO.
Community Health Centers Foundation, Salt Lake City, Utah	100,500	To assemble, analyze, select, and document information critical to the development of HMOs in the area. Emphasis is to be placed on the effective developmental support of those organizations already identified as potential HMOs.
Maryland Health Maintenance Commission, Inc., Baltimore, Md.	300,000	do.
Genesee Region Health Planning Council, Rochester, N.Y.	147,901	do.
Health Resources Associates, Inc., Bowie, Md.	60,890	To develop an evaluation plan to assess the performance of HMOs in the period during which they build enrollment.
Geomet, Inc., Rockville, Md.	163,093	To develop criteria for evaluating selected HMOs.
Geomet, Inc., Rockville, Md.	90,832	To develop an evaluation methodology for HMOs.
Sociometrics, Inc., Silver Spring, Md.	50,000	To set up a guide for the development and evaluation of arbitration panels for the resolution of enrollee disputes arising in HMOs.

APPENDIX III

<u>Recipient</u>	<u>Amount of Contract</u>	<u>Description</u>
Aspen Systems Corporation, Pittsburgh, Pa.	\$ 87,541	To assist HMOs in developing systematic monitoring and surveillance of State legislative activity and of State and Federal court decisions on prepaid group practices.
A. T. Kearney, Inc., New York, N.Y.	86,490	To assist developing HMOs in the necessary financial planning leading up to operational status, in conducting cash flow analyses, and in the development of the capitation rates.
System Sciences, Inc., Bethesda, Md.	74,849	To develop for HMOs a system of data acquisition and data processing, adaptable to the varied organizational and benefit structures of HMOs.
Macro Systems, Inc., Silver Spring, Md.	208,968	To develop a financial management information system capable of producing all necessary Federal and State financial data required under law or contract. In addition, the system will be capable of producing the necessary financial data for internal control over all operating departments.
ABT Associates, Inc., Cambridge, Mass.	197,322	To provide short- and long-term on site consultative services to individuals, projects, or organizations who are seeking to create or operate an HMO.
Arthur Young & Co., New York, N.Y.	223,655	do.
Kappa Systems, Inc., Philadelphia, Pa.	206,756	do.
The Health Management Group, Inc., Atlanta, Ga.	220,831	do.
Peat, Marwick, Mitchell & Co., Chicago, Ill.	226,742	do.
Texas Instruments, Inc., Dallas, Tex.	300,976	do.
Peat, Marwick, Mitchell & Co., Kansas City, Mo.	299,881	do.
Kappa Systems, Inc., Denver, Colo.	231,176	do.
Health Management Systems, Inc., San Francisco, Calif.	191,955	do.
Arthur Young & Co., Seattle, Wash.	225,000	do.
Group Health Association of America, Inc., Washington, D.C.	195,672	To provide personnel to meet with interested groups to explore the implications of developing an HMO.
Geomet, Inc., Rockville, Md.	80,769	To undertake a 1-year program aimed at major potential financial backers of HMO development in the private sector, such as investment bankers, commercial bankers, pension and welfare trust funds, philanthropic foundations, and major corporations.
Kappa Systems, Inc., Arlington, Va.	61,865	do.
A. T. Kearney & Co., New York, N.Y.	73,700	do.
American Public Health Association, Washington, D.C.	78,100	To develop the alternatives for, and evaluate the costs and effectiveness of inclusions of, mental, dental, and drug benefits in addition to other medical services in developmental HMOs.
Research Triangle Institute, Research Triangle Park, N.C.	60,073	To conduct an in-depth study of the impact of the HMO in up to three communities.
California Council for Health Plan Alternatives, Burlingame, Calif.	151,900	To develop, field test, and distribute nationally an objective, validated rating technique and/or health education and health information guide. The guide is to be used by individual fiduciary agents and others who purchase health care for organized groups to assist them in making rational choices when selecting among alternative health-care plans and health-insurance plans for these groups.
EMSCO-Engineering and Management Sciences Corporation, Woodland Hills, Calif.	60,000	To develop and implement a financial management training seminar which will acquaint existing HMO grantees, contractors, and other interested parties with the various aspects of financial management within a prepaid group practice.
Small Business Administration, Washington, D.C.	249,850	To provide technical assistance to HMOs in consumer education and grievance procedures.
Mount Sinai School of Medicine of the City University of New York, New York, N.Y.	24,500	To provide a clear, concise analysis which will include a historical study of consumer participation in the Yorkville Health Insurance Plan in New York.
Small Business Administration, Washington, D.C.	420,870	To develop the necessary educational materials to assist an HMO in marketing its plan to members of the community.

APPENDIX III

<u>Recipient</u>	<u>Amount of contract</u>	<u>Description</u>
University of Washington, Seattle, Wash.	\$ 118,000	To develop a health status index to monitor the level of health in HMOs and other health-care-delivery systems.
The Education & Development Corporation, Washington, D.C.	8,785	To provide a clear, concise review of the nature and advantages of HMOs through a sound slide film presentation.
Group Health Association of America, Inc., Washington, D.C.	199,000	To plan and carry out activities directed toward the development of at least five HMOs.
Harvard School of Public Health, Boston, Mass.	39,681	To provide an in-depth examination of the medical malpractice issue as it affects HMOs.
Total	<u>\$7,367,912</u>	

^aThis contract was extended in fiscal year 1972 at no cost to the Government.

NOTE: Source, HEW.