

**PROPOSED FUNDING METHODOLOGY  
AND ALLOCATION PRINCIPLES  
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**Definitions:**

*Funding Methodology* - The formula used to calculate an allocation.

*Funding Allocation* - The amount of funding distributed as a result of a funding methodology formula.

**Finance System Principle:**

**Public health funding is a shared responsibility of federal, state and local government.**

Study Group Recommended Principles:

1. Funding methodologies and allocations are developed jointly by DOH and LHJs so that both perspectives, operational and regulatory, are reflected. This recognizes that the state generally has funding and information and the locals know how to implement in their communities.
2. Communication is a joint responsibility of DOH and the LHJ.

**Finance System Principle:**

**Federal, state and local funds can be used most effectively when restrictions are few, while still maintaining accountability for public health outcomes.**

Study Group Recommended Principle:

3. When there is funding flexibility, evidence of effective program strategies is required to assure accountability. A logic model or list of options for program strategies should accompany allocation decisions.
4. Options to consider when funds are unrestricted:
  - Allocate based on population
  - Allocate based on what is needed to meet the PHIP standards
  - Allocate based on other requirements (e.g., legislative intent, etc.)

## **Finance System Principle:**

**State and federal sources should be allocated based on regularly updated, well-defined/documented/communicated, measurable characteristics.**

### Study Group Recommended Principles:

#### Methodology:

5. Impact of the methodology on the allocation must be considered when developing or changing a methodology. Also, a methodology should be reviewed for unintended consequences, both positive and negative.
6. Review programmatic strategies in light of available dollars, allocation and effectiveness of strategies.
7. Purpose of funding must link with the methodology. For example:
  - Specific population → Specific target
  - Capacity/broad population focus → Statewide population target
8. When developing a methodology formula, one must consider which is appropriate: incidence (rate) v. prevalence (number of people affected).
  - On a regular basis, it is expected that number of at risk population will be the initial consideration
  - It is appropriate to use rate when:
    - There is a rapid change in incidence
    - The trend is unusual enough to cause concern
  - In some cases, incidence needs to be considered as well as prevalence, particularly when the evidence shows that something unusual is going on.

#### Allocation:

9. Use available assessment data at onset of allocation review:
  - Develop picture of what is happening with the issue being considered
  - Open up the discussion with advisors re: interpretation of data (e.g., "what does this mean?")
  - With new funds, look at current picture and consider how to proceed for the most effective use of the new funds.

#### Advisors:

10. Gather input using advisors to guide:
  - Decision-making should have consensus as a goal
  - methodology and allocation options for consideration
  - Program strategies that are appropriate for the amount of funding
  - Technical expertise should include program & technical experts as well as current or potential contractors & DOH staff

Regular Updates:

11. Schedule a methodology review every 10 years at a minimum or when:
  - There are major changes in the funding
  - There are major changes in data elements of formula
  - Changes in federal requirements
  
12. Schedule an allocation review every biennium to include new data as available, unless there are substantial changes in funding that require immediate action. For example:
  - The allocation is based on census data
  - The allocation is based on population updates from state
  - There is volatility in the data elements of the methodology. For example:
    - Income information
    - Property tax valuation
    - Disparities
  
13. If methodology is going to change, synchronize any changes with the budgeting process, if possible.
  - If LHJs are losing funds (an environment of decreasing resources):
    - Limit the impact in the first year when possible by phasing in change
    - Consider a "trigger," or a set percentage that will require any changes to be phased in over time to lessen the impact (not to exceed 3 biennium)
    - Implementation plans should say how future fund reductions will be planned
  
  - If LHJs are gaining funds (an environment of increasing resources):
    - Freezing the funding level for LHJs that are above the recommended amount while increasing other LHJs funding to their target is the best approach for allocating changes in funding.
    - It is recommended that this strategy be used a maximum of three biennium before re-examination of this approach. It may be necessary to shift funds rather than freezing funding levels while adjusting others upward.
  
14. When there is a difference between the funding target and current allocation, the goal should be to bring all LHJs to their targeted allocation. Adjustments in funding should be phased-in over time to reach targets. The magnitude of the difference between target and actual allocation may drive the decision on whether or not to change the methodology and/or the timeframe for balancing the allocations.

Communication:

15. Provide an opportunity for all affected by the allocation to be involved and 'heard,' both in the development of the methodology as well as the allocation updates including:
  - Being invited to make comments before a decision is made
  - Seeking flexibility in use of funds

- Acknowledging when there is no flexibility and why not
- Responding to comments/acknowledging comments

16. Funding methodology and allocation process should be a participatory, transparent and understandable process.

**Finance System Principle:**

**Financial incentives should exist to encourage partnerships that result in less costly and most cost-effective public health service.**

Study Group Recommended Principles:

17. If funds are insufficient to be effective when allocated among all LHJs statewide, consider:

- Not distributing statewide
- Coordinating funding with other programs with similar goals
- Leveraging funds (e.g., common outcomes or statement of work)
- Reviewing flexibility
- Reviewing strategies
- Seeking more funding and new partners
- Regional strategy or collaborations to deliver program to all locations
- Building in program evaluation only in areas with sufficient population to be statistically significant or merge data to create a larger whole instead of individual local health jurisdiction (this may reduce the reporting burden for the program)

18. State funds allocated for a specific program should be sufficient to implement that program and meet program-reporting requirements unless otherwise directed by statute or agreement. It is understood that costs for program implementation can vary from LHJ to LHJ. However, it should be an ongoing goal to keep the cost to evaluate the program and fulfill reporting requirements and data collection at an average of less than 15 percent of the available funding. Thus, 85 percent of funds would be available for programmatic workplans, not data collection or reporting. It is **not** assumed that audits or further data collection by LHJs would be required to obtain this percentage, but rather through input and communication with LHJs.

19. Contract deliverables, program and reporting requirements, must be consistent with the allocation. Consider if the resources available for the allocation cover the costs of delivering the services and meeting the requirements.