



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

HRD-77-140

9-2-77

SEP 2 1977

X-9



LM103491

B-164031(5)

4 The Honorable Lloyd Bentsen
United States Senate

W The Honorable Harrison A. Williams, Jr. 56700
Chairman, Senate Committee on
Human Resources

3 The Honorable Harley O. Staggers H 2300
Chairman, House Committee on
Interstate and Foreign Commerce

4 The Honorable Edward M. Kennedy R2S 6707
Chairman, Subcommittee on
Health and Scientific Research
Senate Committee on Human Resources

5 The Honorable Paul G. Rogers H 2304
Chairman, Subcommittee on
Health and the Environment
House Committee on Interstate and
Foreign Commerce

6 The Honorable Henry M. Jackson S 6603
Chairman, Permanent Subcommittee on
Investigations
Senate Committee on Governmental Affairs

7 The Honorable Richard S. Schweiker
United States Senate

4 The Honorable Ernest F. Hollings
United States Senate

9 The Honorable Tim Lee Carter
House of Representatives

As part of our responsibility to monitor implementation of the Health Maintenance Organization Act, as amended (42 U.S.C. 300e), we have developed and are enclosing summaries of the status of the Department of Health, Education, and Welfare's (HEW's) grants and loans made under the act as of June 30, 1977.

HRD-77-140

The act authorizes grant funds for feasibility studies and planning and initial development activities, and loans for operational assistance after an organization becomes a federally qualified health maintenance organization.

HEW has provided a total of \$98.6 million in grant and loan assistance under the act to 168 organizations (enc. I). Prior to implementation of the act, 24 of these organizations also received a total of \$7.5 million under sections 314(e) and 910(c) of the Public Health Service Act to develop model health maintenance organizations.

As of June 30, 1977, there were 35 federally qualified health maintenance organizations. As shown in Enclosure II, 28 of these received grant and loan assistance totaling more than \$68 million under the Health Maintenance Organization Act. Of the 168 organizations, 140 have received only grant funds under the act totaling \$30.2 million for the purpose of planning and developing qualified health maintenance organizations.

Eighty-two of the 168 organizations (including 28 that received grant and loan assistance) are considered by HEW to be active grantees, while the remaining 86 are considered to be inactive. Total grant and loan funds received under the act by the active organizations were \$89.2 million. The inactive organizations received a total of \$9.3 million.

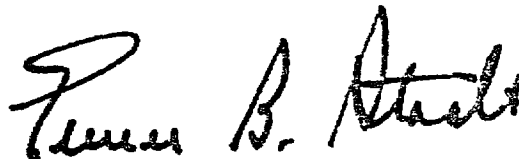
An organization seeking qualified status may initially receive grant funds for either feasibility, planning, or initial development activities. For instance, an organization awarded initial development grant funds does not necessarily mean that it received prior feasibility or planning grant awards. As shown in Enclosure I, 2 of the 19 active initial development grantees received feasibility grants, 10 received planning grants, 6 received both feasibility and planning grants, and 1 received initial development grants only.

Enclosure III shows the status of the 19 organizations which are active initial development grantees. Enclosure IV shows the extent of Federal investment in nine other organizations that have become inactive initial development grant projects.

Section 1314 of the act requires us to evaluate the operations of at least ten or one-half (whichever is greater) of the health maintenance organizations assisted and qualified under the act by December 31, 1976. To comply with this, we have selected 14 of the 27 health maintenance organizations qualified by that date.

The Chairman and Ranking Minority Member of the Subcommittee on Health and Scientific Research, Senate Committee on Human Resources, requested that we issue separate reports on each health maintenance organization evaluation to them and to the Chairman and Ranking Minority Member of the Subcommittee on Health and the Environment, House Committee on Interstate and Foreign Commerce. A report summarizing all of our audits initiated under section 1314 will be submitted to the Congress by June 1978.

The Department of Health, Education, and Welfare will receive a copy of our individual reports and the Civil Service Commission will receive copies of reports on health maintenance organizations participating in the Federal Employees Health Benefits Program.



Comptroller General
of the United States

Enclosures - 5

STATUS OF ACTIVE AND INACTIVE HEALTH MAINTENANCE ORGANIZATIONS

AWARDED GRANTS AND LOANS THROUGH JUNE 30, 1977

Grantees	Total			Active grantees			Inactive grantees		
	Number	Amount		Number	Amount		Number	Amount	
		HMO act	314(e)/910(c) (note a)		HMO act	314(e)/910(c)		HMO act	314(e)/910(c)
Grants only:									
Feasibility	66	\$ 3,237,939	\$ -	3	\$ 157,793	\$ -	63	\$3,080,146	\$ -
Feasibility to planning	38	6,800,288	112,375	31	5,641,611	112,375	7	1,158,677	-
Feasibility to planning to initial development (note b)	6	6,283,951	-	6	6,283,951	-	-	-	-
Feasibility to initial development (note b)	2	1,442,309	-	2	1,442,309	-	-	-	-
Planning	7	1,147,224	249,600	1	273,807	-	6	873,417	249,600
Planning to initial development (note b)	12	8,529,091	512,818	10	6,756,393	512,818	2	1,772,698	-
Initial development (note b)	9	2,808,467	2,023,680	1	316,357	245,384	8	2,492,110	1,778,296
Subtotal	<u>140</u>	<u>30,249,269</u>	<u>2,898,473</u>	<u>54</u>	<u>20,872,221</u>	<u>870,577</u>	<u>c/86</u>	<u>9,377,048</u>	<u>2,027,896</u>
Grants and loans:									
Feasibility to initial development to qualified	2	4,400,000	-	2	4,400,000	-	-	-	-
Feasibility to planning to initial development to qualified	2	6,963,106	-	2	6,963,106	-	-	-	-
Planning to initial development to qualified	11	33,886,929	1,028,262	11	33,886,929	1,028,262	-	-	-
Initial development to qualified	<u>d/13</u>	<u>23,102,554</u>	<u>3,663,276</u>	<u>13</u>	<u>23,102,554</u>	<u>3,663,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>28</u>	<u>68,352,589</u>	<u>4,691,538</u>	<u>28</u>	<u>68,352,589</u>	<u>4,691,538</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>168</u>	<u>\$98,601,858</u>	<u>\$7,590,011</u>	<u>82</u>	<u>\$89,224,810</u>	<u>\$5,562,115</u>	<u>86</u>	<u>\$9,377,048</u>	<u>\$2,027,896</u>

a/Refers to section 314(e) and Regional Medical Program 910(c) of the Public Health Service Act, used to fund health maintenance organization projects prior to passage of the Health Maintenance Organization Act of 1973 (Title XIII, Public Law 93-222). Funds were provided to 24 of the 168 organizations.

b/See Enclosures III and IV for status of initial development grantees as of June 30, 1977.

c/According to HEW program officials, 22 inactive grantees are privately pursuing qualification.

d/Includes Foundation Health Plan whose loan application for \$700,000 is still under review. (See enc. II.)

ENCLOSURE I

ENCLOSURE I

QUALIFIED HEALTH MAINTENANCE ORGANIZATIONS RECEIVING FEDERAL

GRANTS AND LOANS THROUGH JUNE 30, 1977

<u>Region</u>	<u>Organization</u>	<u>Section 314(e) and RMP 910(c) of the Public Health Service Act</u>	<u>Health Maintenance Organization Act of 1973</u>			<u>Approved loan assistance</u>	<u>Total assistance (note a)</u>
			<u>Feasibility grant</u>	<u>Planning grant</u>	<u>Initial development grant</u>		
I	Connecticut Family Health Care Bridgeport, Conn.	\$ 382,384	\$ -	\$ 103,492	\$ 967,550	\$ 2,500,000	\$ 3,953,426
I	Community Health Care Center Plan, New Haven, Conn.	-	-	-	362,461	2,090,000	2,452,461
I	Rhode Island Group Health Association, Providence, R.I.	-	50,000	-	1,000,000	2,000,000	3,050,000
II	Central Essex Health Plan East Orange, N.J.	257,828	-	93,145	951,462	2,178,000	3,480,435
II	Group Health Plan of New Jersey Guttenberg, N.J.	-	45,000	125,000	1,000,000	2,478,000	3,648,000
II	Health Care Plan of New Jersey Moorestown, N.J.	-	-	124,995	721,174	1,771,000	2,617,169
II	Rutgers Community Health Plan New Brunswick, N. J.	-	-	125,000	1,000,000	2,000,000	3,125,000
II	Capital Area Community Health Plan, Albany, N.Y.	-	-	112,300	983,104	1,832,000	2,927,404
II	Genesee Valley Group Health Association, Rochester, N.Y.	546,650	-	-	298,500	2,500,000	3,345,150
II	Westchester Community Health Plan White Plains, N.Y.	-	-	114,902	1,000,000	2,500,000	3,614,902
III	Georgetown University Community Health Plan, Washington, D.C.	296,223	-	-	884,251	1,982,000	3,162,474
III	Penn Group Health Plan, Inc. Pittsburgh, Pa.	524,105	-	-	602,439	1,000,000	2,126,544
III	Health Maintenance Organization of Pennsylvania, Elkins Park, Pa.	-	42,906	108,235	663,965	2,500,000	3,315,106
IV	Florida Health Care Plan Daytona Beach, Fla.	443,450	-	-	124,456	2,058,000	2,625,906
IV	Health Care of Louisville Louisville, Ky.	b/59,700	-	120,566	142,000	1,475,000	1,797,266
V	North Communities Health Plan Evanston, Ill.	-	-	-	403,618	1,250,000	1,653,618
V	SHARE Health Plan St. Paul, Minn.	-	50,000	-	450,000	850,000	1,350,000
V	Marion Health Foundation Marion, Ohio	216,122	-	-	344,179	681,000	1,241,301
V	Group Health Cooperative of South Central Wisconsin Madison, Wis.	-	-	250,000	1,000,000	2,500,000	3,750,000

ENCLOSURE II

ENCLOSURE II

Region	Organization	Section 314(e) and RMP 910(c) of the Public Health Service Act	Health Maintenance Organization Act of 1973			Approved loan assistance	Total assistance (note a)
			Feasibility grant	Planning grant	Initial development grant		
VII	Community Group Health Plan (Prime Health) Kansas City, Mo.	-	\$ -	\$ 112,381	\$ 1,000,000	\$ 2,273,000	\$ 3,385,381
VIII	Choice Care Health Services Fort Collins, Colo.	298,600	-	-	258,497	728,000	1,285,097
VIII	Colorado Health Care Services, Inc., Denver, Colo.	-	-	-	528,895	1,413,000	1,941,895
VIII	Rocky Mountain Health Maintenance Organization, Grand Junction, Colo.	323,286	-	-	192,937	332,000	848,223
IX	Foundation Health Plan Sacramento, Calif.	312,633	-	-	580,395	(c)	893,028
IX	Health Alliance of Northern California, San Jose, Calif.	328,350	-	120,486	601,738	2,342,000	3,392,574
X	GEM Health Association Boise, Idaho	-	-	124,634	1,000,000	1,747,000	2,871,634
X	Portland Metro Health Plan Portland, Oreg.	284,800	-	-	455,188	2,500,000	3,239,988
X	Sound Health Association Tacoma, Wash.	417,407	-	-	304,738	1,228,000	1,950,145
	Total	<u>\$4,691,538</u>	<u>\$187,906</u>	<u>\$1,635,136</u>	<u>\$17,821,547</u>	<u>\$48,708,000</u>	<u>\$73,044,127</u>

a/As of June 30, 1977, 35 health maintenance organizations were federally qualified. Three of the 35 were approved for loan assistance only totaling \$5,977,000, while 4 received no Federal financial assistance. Twenty-eight received grant and loan assistance of \$68.3 million under the act.

b/Grant awarded to the University of Kentucky Research Foundation, which used portion of funds to help establish Health Care of Louisville.

c/Foundation Health Plan requested \$700,000 in loan assistance, but as of June 30, 1977, no decision had been made by HEW.

STATUS OF ACTIVE INITIAL DEVELOPMENT GRANTEESFOR QUALIFICATION AND LOAN ASSISTANCE

Active initial development grantees	Qualification activities				Loan activities			
	Submitted application	Date received	Status	Date qualified or denied	Submitted application	Date received	Amount requested	Status
Fallon Community Health Plan Worcester, Mass.	no	-	-	-	no	-	-	-
Crossroads Health Plan East Orange, N.J.	no	-	-	-	no	-	-	-
Community Health Plan of Suffolk Stony Brook, N.Y.	no	-	-	-	no	-	-	-
Manhattan Health Plan New York, N.Y.	yes	11/01/76	in process	-	yes	11/04/76	\$1,800,000	withdrawn
Metro Baltimore Health Care Baltimore, Md.	no	-	-	-	no	-	-	-
Prince Georges Health Services Foundation Hyattsville, Md.	no	-	-	-	no	-	-	-
Greater Delaware Valley Health Care Foundation Ardmore, Pa.	no	-	-	-	no	-	-	-
Anchor Organization for Health Maintenance Organization Chicago, Ill.	yes	1/02/77	in process	-	no	-	-	-
Comprehensive Health Services of Detroit, Inc. Detroit, Mich.	no	-	-	-	no	-	-	-
Health Central, Inc. Lansing, Mich.	yes	3/31/77	in process	-	yes	3/31/77	2,498,000	in process
Group Health Plan of S.E. Michigan Detroit, Mich.	yes	11/08/76	in process	-	yes	11/09/76	2,500,000	in process
Health Maintenance Organization of Baton Rouge Baton Rouge, La.	no	-	-	-	no	-	-	-
Group Health of El Paso El Paso, Tex.	yes	5/02/77	in process	-	yes	5/17/77	1,310,590	in process
Metroplex Health Plan, Inc. Fort Worth, Tex.	no	-	-	-	no	-	-	-
San Luis Valley HMO Alamosa, Colo. (note a)	yes	6/03/76	in process	-	yes	6/01/77	900,000	in process
Los Padres Group Health San Luis Obispo, Calif.	no	-	-	-	no	-	-	-
Pacificare, Inc. Los Angeles, Calif.	no	-	-	-	no	-	-	-
Southern L.A. Community Health Plan Los Angeles, Calif.	yes	5/25/76	in process	-	yes	7/07/76	877,380	b/denied
Health Care Alternatives Spokane, Wash. (note c)	yes	3/24/77	in process	-	yes	3/24/77	2,266,000	in process

a/Submitted new application for qualification on 2/22/77.

b/Denied on 1/19/77. Application resubmitted on 1/24/77 and currently under review.

c/Applied for qualification under the name "Group Health Cooperative of Greater Spokane."

STATUS OF INACTIVE INITIAL DEVELOPMENT GRANTEES
FOR QUALIFICATION AND LOAN ASSISTANCE

Inactive initial development grantees	Qualification activities			Loan activities					
	Submitted application	Date received	Status	Date qualified or denied	Submitted application	Date received	Amount requested	Status	Date approved or denied
Valley Health Plan Amherst, Mass.	yes	5/13/77	in process	-	no	-	-	-	-
Southshore Health Plan Atlantic City, N.J. (note a)	yes	10/20/75	denied	5/26/76	yes	11/06/75	\$ 487,000	denied	5/26/76
Union Health Services, Inc., Chicago, Ill.	no	-	-	-	no	-	-	-	-
Michigan Health Main- tenance Organization Detroit, Mich.	yes	12/13/76	in process	-	no	-	-	-	-
Lovelace Bataan Health Program	no	-	-	-	no	-	-	-	-
Albuquerque, N. Mex.	yes	1/03/77	in process	-	no	-	-	-	-
Utah Group Health Plan Midvale, Utah (note b)	yes	5/22/75	withdrawn	-	yes	9/02/75	180,000	denied	11/18/75
Sweetwater Health Services Rock Springs, Wyo. (note c)	no	-	-	-	no	-	-	-	-
Health Care Federation San Francisco, Calif.	yes	5/18/76	in process	-	no	-	-	-	-
Ross-Loos Wealth Main- tenance Organization Los Angeles, Calif.	yes	3/01/76	denied	9/03/76	yes	3/08/76	1,359,200	denied	9/30/76
New Communities Health Assoc. and New Community Service Corp. Houston, Tex. (note d)	yes	3/01/76	denied	9/03/76	yes	3/08/76	1,359,200	denied	9/30/76

a/Reapplied for qualification and loan assistance on 6/17/76 and was again denied both on 7/06/76.

b/Applied as part of Family Health Program, Long Beach, California on 1/03/77.

c/Reapplied for qualification on 8/01/75 and again denied on 11/18/75.

d/Reapplied for qualification on 9/17/76 and again denied on 9/30/76.

GAO EVALUATIONS OF HEALTH MAINTENANCE ORGANIZATIONSREQUIRED BY SECTION 1314 OF THE ACT

Under the Health Maintenance Organization Act, as amended October 1976, GAO is required to review ten or one-half (whichever is greater) of the organizations qualified as of December 31, 1976. At the request of the Chairman and Ranking Minority Member of the Subcommittee on Health and Scientific Research, Senate Committee on Human Resources, separate reports on each evaluation will be issued to them and a report summarizing all of our audits initiated under section 1314 will be submitted to the Congress by June 1978.

WORK IN PROCESS

- Sound Health Association - Tacoma, Wash.
- Community Health Care Center Plan, Inc. -
New Haven, Conn.
- Florida Health Care Plan, Inc. - Daytona Beach, Fla.
- Portland Metro Health, Inc. - Portland, Ore.
- Rhode Island Group Health Association, Inc. -
Providence, R.I.
- North Communities Health Plan, Inc. - Evanston, Ill.
- Rocky Mountain Health Maintenance Organization, Inc. -
Grand Junction, Colo.
- Genesee Valley Group Health Association -
Rochester, N.Y.
- Health Care of Louisville, Inc. - Louisville, Ky.
- Health Services Plan of Pennsylvania - Philadelphia, Pa.
- Penn Group Health Plan, Inc. - Pittsburgh, Pa.
- Colorado Health Care Services, Inc. - Denver, Colo.
- Health Alliance of Northern California, Inc. -
San Jose, Calif.
- Community Group Health Plan (Prime Health) -
Kansas City, Mo.