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A review of the implementation of the National Health Planning and Resources Development Act of 1974 involved 15 health systems agencies, 11 State health planning and development agencies, 4 regional centers for health planning, and 4 Department of Health, Education, and Welfare (HEW) regional offices. As of January 1978, only two of eight sets of regulations needed by local and State health planning agencies had been finalized. Delays in providing instructions to HEW regional offices resulted in actions that appear to be inconsistent with initial Bureau of Health Planning and Resources Development guidelines and which may have caused inconsistent implementation of the planning program throughout the country. Organizational problems experienced by the Bureau need to be remedied as soon as possible. Health systems agencies included in the review were concerned with the availability and adequacy of data with which to develop a health systems plan. In passing the 1974 act, the Congress did not provide health systems agencies with any specific authority over Federal health facilities. To specifically exclude Federal facilities from the national health planning program is to impede the ability of the local and State agencies to carry out the responsibilities given them by the Congress. (Author/SU)

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STATEMENT OF  
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BEFORE THE  
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE  
HOUSE OF REPRESENTATIVES  
ON THE  
IMPLEMENTATION OF THE NATIONAL HEALTH PLANNING  
AND RESOURCES DEVELOPMENT ACT OF 1974

Mr. Chairman and Members of the Subcommittee, we are pleased to appear here today to discuss some of the problems we have identified in the implementation of the National Health Planning and Resources Development Act of 1974. Our testimony is based on a review of the program that included 15 health systems agencies, 11 State health planning and development agencies, 4 regional centers for health planning, and 4 Department of Health, Education, and Welfare (HEW) regional offices. Our fieldwork was done between November 1976 and June 1977. A draft report on the review is currently with HEW for formal comments.

## BACKGROUND

On January 4, 1975, the President signed into law the National Health Planning and Resources Development Act of 1974, Public Law 93-641. The act provides for the development of guidelines for national health planning; the establishment of areawide and State health planning agencies to deal with needed planning for health services, manpower, and facilities; and financial assistance for the development of resources.

The act builds on the experiences of the Hill-Burton, regional medical, and comprehensive health planning programs and seeks to combine the best features of these programs into a new national health planning and resources development effort.

The act requires that the country be divided into health service areas that are to be appropriate for the effective planning and development of health services. Health systems agencies, also called areawide agencies, are to be designated in each health service area to improve the health status of area residents; increase the accessibility, continuity, and quality of the health services provided; restrain increases in the cost of providing these services; and prevent unnecessary duplication of health resources. Health systems agencies have governing boards whose membership consists of consumers

providers, and government officials. Consumers are to be a majority not exceeding 60 percent of membership.

State health planning and development agencies have overall responsibility for the health planning activities of the State. State-wide health coordinating councils, organizations with a consumer majority and consisting of representatives of health systems agencies in the State and others nominated by the Governor, advise the State planning agency in carrying out its functions.

To assist HEW in carrying out the provisions of the act, the act requires that centers for health planning be established. The purpose of these centers is to provide technical and consulting assistance to health systems agencies and State planning agencies; conduct research, studies, and analyses of health planning and resources development; and develop health planning approaches, methodologies, policies, and standards.

#### STATUS OF IMPLEMENTATION

Since passage of the act, the country has been divided into 205 health service areas; health systems agencies have been designated in all areas; all State planning agencies have been designated and centers for health planning have been established in each of the 10 HEW regions.

On September 3, 1977, HEW published proposed national guidelines for health planning concerning nine different types

of health services and facilities. As of December 28, 1977, HEW had received more than 55,000 responses--mostly from consumers--to the draft guidelines. Of the over 150 health systems agencies and State health planning agencies that responded, about 20 could be characterized as endorsing the guidelines.

An analysis of responses prepared by an HEW contractor showed that many planning agencies expressed similar overriding concerns such as:

- the guidelines, by imposing nationwide standards, would inhibit local and State initiatives and severely limit planning activities;
- the guidelines were inflexible and arbitrary and especially did not consider the unique needs of rural areas;
- cost containment was the central focus of the guidelines, overshadowing issues such as accessibility to and quality of care; and
- the implementation periods specified in the guidelines were unrealistic because local mechanisms are not in place.

PROBLEMS EXPERIENCED BY HEW  
IN ADMINISTERING THE PROGRAM

HEW has experienced difficulty in providing its regional offices, health systems agencies, State planning agencies, and State-wide coordinating councils with timely regulations

and guidelines to assist them in implementing the health planning provisions of the act.

As of January 1978, only two of eight sets of regulations needed by local and State health planning agencies have been finalized. Also, as mentioned earlier, the national guidelines for health planning have not been finalized.

Delays have been due primarily to:

--new procedures for finalizing regulations instituted by the former Secretary of HEW. These procedures have been streamlined by the current Secretary.

--organizational problems caused primarily by combining personnel from three former programs to implement the act, and

--an inordinate amount of litigation regarding the act.

As a result, only nine health systems agencies have been able to develop the necessary health systems plans and annual implementation plans required for full designation within the originally prescribed 2-year conditional designation period. Recent amendments to the act (Public Law 95-215) extended the conditional period to 36 months.

In addition, HEW regional offices have had to make policy decisions and augment guidance provided by HEW headquarters, thus creating the possibility that the act or parts thereof are not being implemented consistently throughout the country.

For example, HEW's Denver Regional Office directed the health systems agencies in its region to use an approach that is not consistent with guidelines on health system plan development published by the Health Resources Administration's Bureau of Health Planning and Resources Development in December 1976--almost 2 years after the act's passage.

While the regional approach to plan development is similar to the approach in the Bureau guidelines, it does differ in some significant respects. The Bureau guidelines state that a health systems agency's plans should be based on an assessment of the health status of the population in the health service area whereas the region's approach is for a health systems agency to develop its plans based on an analysis of the health resources in the area. Also, the Bureau guidelines require that the plans cover the entire system of health services and attempt to establish a correlation between the health status of area residents and the results of the health planning activity. In contrast, the region's approach provides for a health systems agency to focus its initial planning efforts on the review

of capital expenditures at the tertiary level of health care-- the level that includes highly sophisticated diagnostic and therapeutic procedures such as complex surgical procedures and x-ray, cobalt, and radium therapy. Using this approach, data collection and analysis is limited essentially to obtaining data pertaining to the tertiary level of the health care system.

According to a regional official the philosophy behind the region's approach is that if health systems agencies are successful in putting a "cap" on cost increases associated with tertiary level care, the funds previously flowing to this level will "filter down" to the primary and other levels of the health care system. The official acknowledged, however, that there can be no assurance that such funds would, in fact, find their way to the other levels of the health care system where they may be most needed.

Each of the three other regional offices we visited also found it necessary to augment HEW guidance, but to a lesser extent. One regional official told us that the Bureau at times took 5 to 6 months to respond to policy questions raised by health systems agencies. Because the Bureau was not responsive, regional officials provided verbal guidance based on their experience with other programs. One HEW regional official told us that the act is probably being implemented in a different way in each of HEW's 10 regions because of delays in receiving guidance.

## Organizational problems

To implement the act, HEW formed the Bureau of Health Planning and Resources Development by combining the personnel of three programs that were eliminated as a result of the act's passage--the comprehensive health planning, regional medical, and Hill-Burton hospital construction programs. Combining these three programs, each having its own organizational and grade level structures, has resulted in employee morale and dissatisfaction problems, employees functioning without approved job descriptions, and poor communication among the various offices and divisions within the Bureau. These problems in turn have contributed to the delays in developing and publishing regulations and guidelines needed by health systems agencies and State planning agencies to implement the act.

A December 17, 1975, internal report prepared by a task force established by the Administrator of HRA stated that divisions and offices within the Bureau were operating as relatively autonomous units, were not coordinating program operations, and that some persons did not know for whom they were working. The report quoted one manager as having received no delegation of authority and no clear definitions of responsibility either for himself or for his work groups.

The Civil Service Commission identified several personnel management problems during a review of HRA in

January 1976. The Commission's May 1976 report stated that "the primary cause of the HRA's position management problems lies with successive reorganizations in which obsolete positions from abolished functions were absorbed intact and encumbered into the new organization." The report concluded that HEW's reluctance to use reduction-in-force procedures in implementing reorganizations resulted in persons whose functions were abolished one or more reorganizations ago being placed at their same grade levels in other organizations.

The Bureau is currently authorized eight GS-15 positions. As of January 1978, about 3 years since the Bureau was established, 16 GS-15s were employed by the Bureau. In addition, there are 17 Bureau staff members whose job descriptions were not consistent with their duties and who had no specific positions within the Bureau's organization since it was established in March 1975. According to an HEW official, positions could not be found in the Bureau for these persons because they had little or no experience or expertise in health planning.

In September 1977 the Secretary of HEW announced a proposed reorganization of the Public Health Service involving HRA. According to an HRA official, the proposed reorganization will have a limited impact on the management and organization problems being experienced by the Bureau of Health Planning and Resources Development. Also, we were advised

that reduction-in-force procedures will not be used to correct the Bureau's organizational problems. Instead, HEW plans to use its special employee program to find positions for persons whose functions have been abolished.

The development of timely guidelines and regulations has also been affected by 21 law suits filed concerning the act. Only six of these have been settled. Staff normally involved in the regulation development process have been needed to deal with these legal challenges.

PROBLEMS THAT NEED TO BE OVERCOME  
BEFORE ADEQUATE AREAWIDE AND STATE  
HEALTH PLANS CAN BE DEVELOPED

The impact of areawide health systems agencies and State health planning and development agencies in restraining increases in health care costs and improving accessibility to health services cannot be determined because these agencies have been in existence for only a short time. The impact of these agencies in accomplishing these two goals probably will not be known for several years at the earliest.

In order for areawide and State health planning agencies to have an impact on the health care system, meaningful, specific, and thorough areawide and State health plans that are supported by both consumers and providers as well as local governmental entities will be needed. Without such plans and support, areawide and State health planning agencies will experience serious problems in achieving the goals of the act.

At the time of our fieldwork areawide and State planning agencies were limited in their ability to develop the necessary quality health plans. One reason for this is that limited useful data was available on the existing health care system and status of the health of residents.

All of the 15 health systems agencies we visited were experiencing some degree of difficulty in obtaining the kinds of data necessary to develop their health systems plan. At the time of our fieldwork data sharing relationships between health systems agencies and Professional Standards Review Organizations (PSROs) were uncertain. In some cases needed data were not available, current, or in the necessary form.

Also while most of the health systems agencies we visited had either reached data sharing agreements with PSROs or were in the process of developing agreements, officials of health systems agencies anticipated problems in getting useable data from PSROs primarily because of the data confidentiality provision contained in the PSRO enabling legislation. One health systems agency had already been refused data by the PSRO in its area.

The enactment of Public Law 95-142 should correct problems that health systems agencies might encounter in obtaining data from PSROs. The legislation provides that PSROs shall provide aggregate statistical data (without identifying any individual)

reflecting the volume and frequency of services as a means to assist health planning agencies.

Another problem facing areawide and State planning agencies at the time of our fieldwork was the lack of national standards and criteria for health resources and services. In order for health systems agencies to plan for efficient and effective health delivery systems and to make judgments regarding proposed changes to the system, standards and criteria for the various types of health resources and services are needed.

Several health systems agencies we visited indicated the need for national standards and criteria. One health systems agency official told us that until such standards and criteria were available, they would not engage in a review of proposed health services because such review in the absence of standards and criteria could lead to legal actions challenging the basis of the health systems agency's decision. According to the agency's executive director, legal actions could tie up a considerable amount of the agency's resources.

We obtained statistics from several State planning agencies on the approval rate for applications for new institutional services--new health facility construction or establishment of a health maintenance organization or any expenditure by an institution in excess of \$150,000. The approval rate was about 92 percent. We believe that one reason for

the high approval rate is the lack of standards and criteria on which to evaluate these applications.

The need for timely standards and criteria is particularly important when new technology is developed. For example, concern has recently been expressed about the number of computerized tomography (CT) scanners being acquired throughout the country. CT scanners are relatively new radiological devices that are based on the same principles as conventional x-ray techniques but collect and process information using a computer to transmit three dimensional "pictures" of the body. In the absence of standards and criteria, health systems agencies and State planning agencies have little justification to disapprove a hospital's request to purchase one of these expensive (\$400,000-\$700,000) machines. As a result, the health care systems could be absorbing unnecessary numbers of scanners with the effect of increased health care costs. The approval rate on applications to purchase scanners in nine States where we were able to develop data averaged 93 percent.

Some health systems agencies have experienced difficulty in employing qualified health planning staff. Limited numbers of persons having experience in health planning are available in certain areas and, in some cases, agencies have been unable to offer salaries that would attract individuals to work for them. Also one health systems agency official indicated that qualified persons were reluctant to work for agencies because

of the uncertainty surrounding the continuance of the health planning program.

Several urban health systems agencies told us that their inability to offer salaries competitive with other health professions had seriously hindered them in employing qualified staff. Salaries for executive directors of the 15 health systems agencies we visited ranged from about \$19,300 to \$35,000. Salaries of subordinate staff were generally in the \$13,000 to \$25,000 range.

Another problem that has impeded the progress of health systems agencies and State health planning agencies is the lack of clarity about their respective responsibilities. This problem was particularly apparent in the States we visited that had only one health systems agency. There are 12 States that have single health systems agencies.

Similar functions of areawide and State health planning agencies include:

- developing health systems plans,
- reviewing applications for new health services, and
- conducting reviews of existing health services to determine their appropriateness.

Officials from both areawide and State planning agencies were concerned over potential conflicts and duplication of effort because of their similar responsibilities. HEW has provided little assistance to statewide health systems agencies and their State planning agencies in dealing with this situation.

A State official in a State having only one health systems agency expressed concern over the power the health systems agency can execute through its representation on the State-wide Health Coordinating Council. The council advises the State planning agency and has final approval of the State health plan. The act requires that at least 60 percent of the membership of a council be made up of representatives of health systems agencies in a State; in the case of a State having only one health systems agency, the agency would have a majority on the council.

Another issue needing resolution deals with the role of the health systems agencies with regard to Federal health facilities. The act is silent on this issue. HEW has interpreted this silence as an expression of congressional intent not to provide health systems agencies with jurisdiction over Federal health care facilities.

Generally health systems agency officials did not consider the exclusion of Federal health facilities from their authority to be one of the major problems confronting them. Several, however, stated that to have a meaningful health planning system, Federal health care facilities should be subject to the same restrictions as other health care facilities. The expansion of Federal health care facilities or the purchase of new sophisticated equipment could have a significant impact on the non-Federal system, particularly where the non-Federal system has been providing services to Federal beneficiaries.

Based on discussions with staff and the results of a questionnaire we mailed to governing board members of the 15 health systems agencies we visited, there was little optimism about the success of the health planning program in improving accessibility to health care and restraining increases in health care costs. This is particularly noteworthy considering that the health planning program is relatively new and that under such a circumstance more optimism could be expected.

Provider board members were slightly less optimistic than consumers about health systems agencies restraining health care costs and improving accessibility to health care.

There are many possible reasons for this apparent lack of board member optimism in accomplishing the goals of the act. One is a perceived lack of health systems agencies authority. Over 66 percent of the questionnaire respondents indicated that agencies had less authority than needed to contain health care costs and almost 65 percent felt similarly about agencies' authority to improve access to health care.

These views were shared by officials at several health systems agencies we visited. Some agencies saw their greatest impact would come from project review activities. They believe that this activity could reduce the construction of unnecessary health facilities and the purchase of unneeded expensive medical equipment. One official, however, described the project review

process as "putting a band-aid on the problem of cost escalation" since health systems agencies have no authority over the activities of private clinics and physicians' offices. Also several agency officials told us that too much authority in the project review process is vested in the State health planning agencies. One health systems agency official told us that the project review functions were often meaningless because the State health planning agency had final approval and that such State decisions were often made without regard to the health systems agency's recommendations. Another agency official said that the greatest benefit his agency can provide at the present time is to educate the public in the availability and use of the health care system and solicit the involvement of the community in health planning through sub-area councils.

Health systems agency officials noted that the act does not provide authority over health manpower distribution or the purchase of expensive medical equipment by physicians, both of which can impact on the cost and accessibility of health care. One official said that agencies should have hospital rate review authority in order to have a positive influence on health care costs.

SUPPORT OF LOCAL GOVERNMENTAL, COMMUNITY  
AND PROFESSIONAL GROUPS TO HEALTH PLANNING

The involvement of local consumers, providers, and government officials in the health planning system is provided

through their memberships on governing boards. The support of the health planning activities directed by agency governing boards, particularly the approval and support of the health systems plan, by local consumers, health professional groups, and by local governmental entities is needed if health systems agencies are to be successful in achieving the goals of the act.

We asked representatives of consumer organizations, health organizations, and local governments in the health service areas we visited to give us their opinions regarding the success they felt health systems agencies would have in achieving the goals of the act. Generally, the results of these contacts indicate that at the time of our fieldwork agencies had not yet achieved needed credibility in the community and had not gained the confidence and support of the above groups.

Some of the concerns regarding health systems agencies brought to our attention were

- agency staffs in general had no real knowledge of the operation of the health care system.
- agencies seemed to be dedicated to the destruction of the existing health care system.
- agencies were not accountable to the people and thus should not be making decisions that elected officials should be making.

- health providers will dominate and control agencies thus reducing their effectiveness in controlling costs.
- methodologies needed to measure cost, availability, accessibility, and quality of health care have not been developed.
- agencies do not have enough power to contain health care cost and improve accessibility.
- the goals of containing health care costs and improving accessibility to the health care system conflict with one another.
- medical standards and criteria are the responsibility of medicine, not agencies.
- agencies reviewing and commenting on new projects will not be an effective means of containing health care costs.
- savings attributable to preventing the construction of unnecessary health care facilities or the acquisition of unneeded equipment may be offset by the costs associated with preventing such expenditures.

A number of groups we talked to had not yet formulated opinions and were waiting to see what happens in the next year or two. They acknowledged that health systems agencies will experience difficulties in having an impact on the health care system without the support of the consumer, provider, and local governmental entities.

EFFECTIVENESS OF REGIONAL  
CENTERS FOR HEALTH PLANNING

The act requires HEW to establish regional centers for health planning to assist it in providing technical and consulting assistance to health systems agencies, State health planning agencies, and State-wide Coordinating Councils. The four regional centers for health planning agencies we visited had made limited progress in assisting health planning agencies because of (1) difficulties in identifying technical assistance needs of planning agencies, (2) delays in issuance of HEW regulations, (3) lack of receptiveness of planning agencies to center assistance, and (4) inappropriate requests for assistance.

The amount of assistance provided health systems agencies varied among the four regional centers for health planning we visited. Each, however, was behind schedule. One center had visited only 3 of the 16 total health systems agencies and State health planning agencies in its region and had provided very limited assistance. The other three centers were somewhat more active.

Officials at one center cited the HEW delays in providing guidelines as a reason for lack of assistance to areawide and State agencies. A center official noted that centers are not policy-making organizations and thus cannot develop needed criteria and guidelines.

One of the functions of the regional centers for health planning is the training of health systems agencies' board members. The governing board makes decisions regarding new project applications and is generally responsible for the activities of the agency. It would appear that consumer board members particularly need assistance in understanding the health care system, the act, the functions and responsibilities of health systems agencies, and the relationship between areawide and State agencies, coordinating councils, and other planning organizations in the health service area.

Our questionnaire to agency governing board members indicated that many consumer board members lacked knowledge regarding the health care system. Over 30 percent of the questionnaire respondents indicated consumers had little or no such knowledge. If consumers are to be able to participate on an equal basis with more knowledgeable providers, training and education programs need to be provided.

The regional centers for health planning have not been successful meeting this need although each of the four centers we visited had conducted some governing board training sessions. Again our questionnaire provided some insight into the success of the centers in assisting agency governing board members. While 25 percent of the respondents rated their experiences with the regional centers for health planning as being good or very good, 44 percent indicated they had no contact with the centers.

Officials and staff at many of the health systems agencies and State health planning agencies we visited were not enthusiastic about the assistance received so far from regional planning centers. A group of health systems agencies in one region had advised the planning center that their assistance had not been responsive to their requests. Several health systems agencies expressed the opinion that the regional planning center staff was not more qualified or knowledgeable in the health planning field than their agency staff.

Some health systems agencies, however, thought the concept of having regional planning centers was good and that they offered a good potential source of assistance.

#### SUMMARY

In summary, Mr. Chairman, the organizational structures, health systems agencies, State health planning agencies, State-wide coordinating councils, and regional centers for health planning are in place and operating throughout the country. A number of problems, however, need to be overcome before these organizations will have a significant impact on the rising cost of health care and the need for improved accessibility to quality care.

HRA's Bureau of Health Planning and Resources Development must act to finalize regulations and provide adequate guidance to the HEW regional offices as quickly as possible. Delays in providing instructions to the regions resulted in decisions being made regarding the implementation of the health planning

act which appear to be inconsistent with initial Bureau guidelines. Moreover, these delays also may have caused inconsistent implementation of the planning program throughout the country.

The organizational problems experienced by the Bureau need to be remedied as soon as possible to insure the orderly implementation of the health planning program.

The large amount of litigation regarding the act has tied up Bureau personnel and resources and has been responsible for some of the delay in implementing the health planning program. Resolution of the various legal challenges to the act and the way it is being implemented could have a significant impact on the program.

Overall, there appears to be little doubt that the problems experienced by the Bureau have contributed to the delay in implementing the health planning program and has delayed the time period required for health systems agencies to achieve full designation and become fully operational.

The health systems agencies included in our review were concerned, as were their predecessor local comprehensive health planning "B" agencies, with the availability and adequacy of data on which to develop a health systems plan. The recent legislation regarding sharing of PSRO data with health systems agencies should help considerably.

Health systems agencies were being hampered in conducting project review because of a lack of final standards or criteria on which to make decisions. HEW's slowness in developing guidelines has delayed the preparation of health systems agencies' plans. In our opinion, national standards and criteria are essential to the orderly development of areawide and State health plans. Such standards should be finalized as soon as possible so that agencies can use them as a basis for developing health systems plans and annual implementation plans.

Concern about the adequacy of salaries and whether the health planning program will be continued has hampered health systems agencies in their ability to attract qualified staff. The job faced by the agencies is at best a difficult one; without adequate staff it may well be an impossible one.

In those States having only one health systems agency there is obvious confusion over the agency's responsibilities as opposed to those of the State health planning agency. This situation exists in 12 States. We see no need for having a State health planning agency and and health systems agency which covers the entire State.

We suggest that the Congress consider expanding the provisions of section 1536 of the act to allow more States to have only a State health planning agency and require that

there be a minimum of at least two health systems agencies in all other States.

In passing the National Health Planning and Resources Development Act of 1974 the Congress did not provide health systems agencies with any specific authority over Federal health facilities. Since these facilities are an important part of our national health resources and serve many millions of persons, it is difficult for agencies to disregard them. If the health planning program is to become the vital force that Congress expects it to become and have a major impact on containing costs and improving accessibility to health care, then we believe the institutions created to achieve those objectives must interact with all parts of the health care system. To specifically exclude Federal facilities from national health planning program, in our opinion, is to seriously impede the ability of the local and State health planning agencies to carry out the responsibilities given them by the Congress.

We believe that Congress should consider amending the act to provide for health systems agency and State health planning agency reviews of proposed projects involving Federal health facilities and require their recommendations regarding the appropriateness of the projects be sent to the cognizant Federal agencies. Federal agencies should be required to provide these recommendations along with their

written responses to any congressional committees before any decisions are made to authorize and/or fund a project.

The extent to which health systems agencies will be successful is largely dependent upon their board members and their attitudes. Recognizing that their task is not an easy one, we were disappointed to see the relatively low level of optimism expressed by health systems agencies' board members in achieving the goals spelled out in the act. In some respects, board members seem to feel they are faced with impossible and sometimes conflicting objectives.

If health systems agencies are to achieve their objectives, they must have the support of local governments, community and professional groups, private health care providers and various others working in the health care field. As could be expected, this support has been slow in developing and many look upon the health planning agencies with distrust and suspicion. We believe it is vital for agencies to establish their credibility in the health care field as soon as possible. The longer this process takes, the less likely success will be achieved. Consequently, we believe HEW should stress the importance of each health systems agency developing positive relationships with all who are active in the health care field.

If fear and mistrust can be successfully overcome, then health systems agencies will have a much greater chance of succeeding.

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Mr. Chairman, this concludes our statement. We shall be happy to answer any questions you or other Members of the Subcommittee may have.