Funding Formulas
Overview and Examples

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Considerations for the FY2014 STD Program FOA Funding Formula
Division of STD Prevention Webinar

August 30, 2012
Overview

- Rationale for formula-based funding
- Purpose of the webinar
  - Gain input on factors to include in the formula and implementation of the formula
- Describe elements under consideration
  - Factors to include and why
  - Potential adjustments and why
- Provide generic examples of how a funding formula would work
- Discussion and follow-up
Rationale for Formula-based Funding

- Goals of formula-based funding
  - Fairness of resource allocation
  - Allocation of funds to align with burden of disease

- Development of formulas is preliminary
  - Potential factors to include in formulas
    - Population, burden of disease (actual or expected), social determinants, & quality of program
  - Potential adjustments to funding formulas
    - Funding minimum (floor), caps on increases and decreases in funding, phase-in of new funding allocations
Funding Formulas

Potential Factors to Include in Formulas
- Population
- Burden of Disease
- Social Determinants of Health
- Quality of Program

Potential Adjustments to Funding Formulas
- Funding minimum (floor)
- Maximum reductions and increases in funding
- Phase-in of new funding allocations
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- **Potential Factors to Include in Formulas**
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Population

- Funding can depend on size of population and subpopulations
- Examples of subpopulations:
  - Ages 15-19
  - Ages 15-44
  - MSM
  - People living with HIV
- Population groups can be weighted according to DSTDP priorities
Hypothetical Example of Population Weights

- 2 states (A & B)
- $500,000 to allocate based on population
- Example weights for population
  - 1 for overall population
  - 10 for MSM
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In this example, both states would get equal amounts of funding ($250,000 each) because their “weighted” populations are equal.
Funding Formulas

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  - Population
  - Burden of Disease
  - Social Determinants of Health
  - Quality of Program

- **Potential Adjustments to Funding Formulas**
  - Funding minimum (floor)
  - Maximum reductions and increases in funding
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Burden of Disease

- Funding can depend on burden of disease
  - Chlamydia
  - Gonorrhea
  - Syphilis

- STDs can be weighted according to DSTDP priorities
  - Higher weight on syphilis in females would reflect priority of congenital syphilis
  - Higher weight on syphilis in males would reflect priority of MSM
  - Higher weights on chlamydia would reflect priority of adolescents and young adults, reproductive health
Hypothetical Example of Disease Burden Weights

- 3 states (A, B, C)
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Burden of Disease

- Burden of disease can also be based on “expected” burden rather than “actual burden”
- Example of expected burden based on racial distribution of population
  - Gonorrhea rate =
    - % white x (national rate in whites) +
    - % black x (national rate in blacks) +
    - additional populations
Funding Formulas

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Potential Adjustments to Funding Formulas
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Social Determinants of Health

- Funding formulas could include measures of social determinants, such as:
  - Poverty rate
  - Number of people in poverty
  - Violent crime rate
  - Number of violent crimes
  - High school graduation rate
State-level correlation of gonorrhea and three social determinants of health

- Violent crime
- Poverty
- Unemployment

Higher correlation: Violent crime
Lower correlation: Poverty, Unemployment
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Quality of Program

- Funding formulas could allow for project areas to receive additional resources to reward quality
  - Based on quality of application or other factors

- Competition for additional funding could be stratified
  - For example: small states, medium states, large states, and cities
    - So that smaller states do not compete with larger states
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Funding Formula Weights

- **Weights can be applied within these factors**
  - Examples were provided on previous slides
    - Population weights
      - General population = 1, MSM = 10

- **Weights can be applied across these factors**
  - Example
    - Population: 30%
    - Burden of Disease: 40%
    - Social Determinants of Health: 20%
    - Quality of Program: 10%
Funding Formula Weights

- **Weights can be applied within these factors**
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- **Weights can be applied across these factors**
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Reminder: All examples presented today are for illustrative purposes only
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Minimum funding

- **Tiered system (multiple floors)**
  - Example: 3 levels (low, medium, high) based on population or burden of disease

- **Single floor (applied to all)**
  - Example: All project areas are guaranteed of receiving at least $200,000
Maximum reductions and increases in funding

- Maximum reduction in funding
  - Decreases in funding can be limited
    - Example: a “cap” of 25% can be applied so that every project area’s formula-based funding allocation is equal to at least 75% of their pre-formula allocation

- Maximum increase in funding
  - Increases in funding can be limited
    - Based on maximum percentage gain or maximum absolute gain
Phase-in of new funding allocations

- New funding allocations can be phased-in over a number of years
  - Example: A reduction of funding of 20% could be phased-in over 4 years:
    - 5% in year 1, 10% in year 2, 15% in year 3, & 20% in year 4

- New funding allocations could be delayed
  - Example: Formula-based funding is implemented in year 2 to allow 1 year of preparation for funding changes
Summary

- Goals of formula-based funding
  - Fairness of resource allocation
  - Allocation of funds to align with burden of disease

- Development of formulas is preliminary
  - Potential factors to include in formulas
    - Population, burden of disease (actual or expected), social determinants, & quality of program
  - Potential adjustments to funding formulas
    - Funding minimum (floor), caps on increases and decreases in funding, phase-in of new funding allocations
Questions and Discussion

Thank you

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