Funding Formulas
Overview and Examples

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

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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)
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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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A	200,000	0	200,000	0	200,000
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In this example, both states would get equal amounts of funding ($250,000 each) because their "weighted" populations are equal

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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)**
- **$350,000 to allocate based on disease burden**
- **Example weights for disease**
  - 5 for syphilis
  - 1 for gonorrhea

Hypothetical Example of Disease Burden Weights

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B	0	2	0	10	10	10/35	$100,000
C	20	0	20	0	20	20/35	$200,000
Total	20	3	20	15	35	35/35	$350,000

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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

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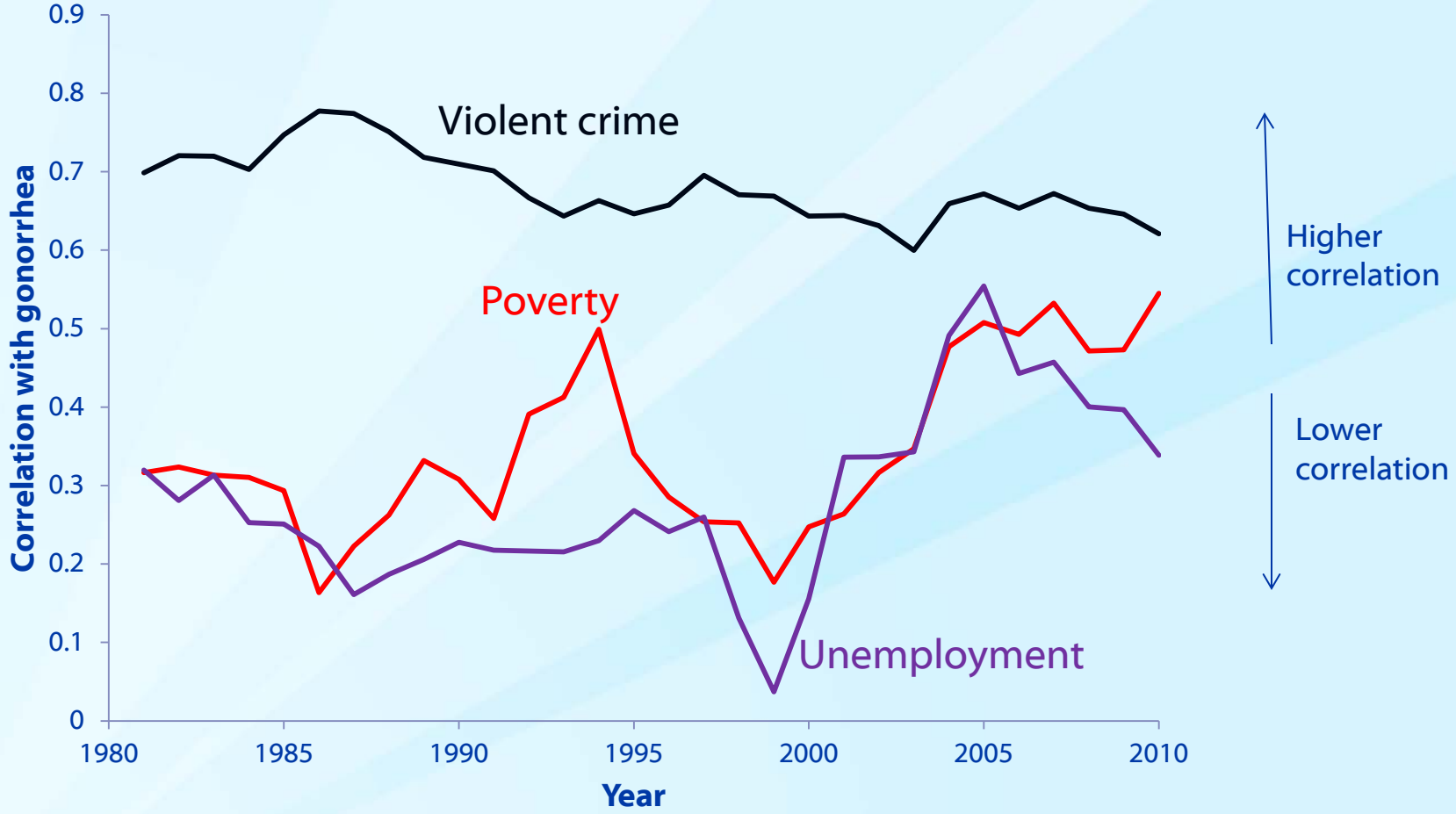
Social Determinants of Health

- **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



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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**
  - Examples were provided on previous slides
    - Population weights
      - General population = 1, MSM = 10
- **Weights can be applied across these factors**
  - Example
    - Population: 30%
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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**
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Questions and Discussion

Thank you

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