



disabilityrights | WISCONSIN



CITIZEN ACTION OF WISCONSIN

## Issue Paper #4: Supplanting of Funds

### Introduction:

ABC for Health, Citizen Action of Wisconsin, and Disability Rights Wisconsin have joined forces to express our concerns about the Medical College of Wisconsin and the University of Wisconsin School of Medicine and Public Health's stewardship over the public health resources designated for the benefit of the people of Wisconsin. The Wisconsin United for Health Foundation (WUHF) Board will meet to review a Legislative Audit Bureau Report that raised serious questions and validates longstanding concerns about the oversight and the designated use of these public resources. Our agencies have concerns about the schools' current system for distributing the Blue Cross-Blue Shield conversion funds-the money that is supposed to represent Blue Cross-Blue Shield's payback to the people of Wisconsin as part of the company's 2001 conversion to a for-profit entity. The purpose of the funds is to promote public health initiatives that will benefit the people of Wisconsin. However, the recent Legislative Audit Bureau Report suggests that these funds were periodically used to benefit their own institutions, rather than the public's health.

### **I. The Medical School Endowments Failed to Adequately Enforce Their Prohibition Against Using Conversion Funds to Supplant Other Funds**

A decade ago, Blue Cross Blue Shield (BCBS) of Wisconsin converted from a nonprofit health insurance provider to a for-profit business. As part of the conversion, Insurance Commissioner Connie O'Connell required that BCBS pay back to the public the more than \$600 million that the company had accrued as a result of its tax-exempt status. According to the Commissioner's Order, the purpose of these funds was to "promote public health initiatives that will generally benefit the Wisconsin population."<sup>1</sup>

The Commissioner assigned the task of administering this \$600<sup>2</sup> million of public money to Wisconsin's two medical schools, the Medical College of Wisconsin and the University of Wisconsin School of Medicine and Public Health. The Commissioner did not give the funds to

---

<sup>1</sup> Final Order of the Commissioner of Insurance Re: Blue Cross & Blue Shield United of Wisconsin, Case No. 99-C26038, p. 30. Available at <http://oci.wi.gov/bcbsconv/bcbsdec.pdf>.

<sup>2</sup> The original conversion value was estimated at \$250 million. Stock value fluctuations since 2000 have increased the total amount of the conversion funds.



the schools as a gift; instead, she explained that “the conversion funds are best viewed as public capital charged with a particular purpose.”<sup>3</sup> The Commissioner’s Order charged the medical schools with overseeing the conversion funds and allocating the money to projects that promote Wisconsin’s public health.

The Order specifies that the medical schools cannot use conversion funds to supplant other funding sources, internal or external to the schools. The Order states,

[T]he funds may not be used to supplant funds or resources that are available from other sources. The medical schools, for each proposal approved, and for each program funded, must make a written determination that the application of the funds will not supplant other resources that may be available to accomplish the same purpose.<sup>4</sup>

The Commissioner and the WUHF Board trusted the medical schools to comply with this prohibition against supplanting without strict oversight. The schools have betrayed that trust and violated the Commissioner’s Order. The Legislative Audit Bureau’s report reveals that the schools are violating the supplanting rule. The schools appear to supplant two types of resources: (1) the schools’ operational budgets; and (2) federal and private funding for medical research. Without effective oversight and enforcement, it is likely that the schools will continue to violate the supplanting prohibition.

**a. Supplanting Operational Budgets**

The audit report, repeating an observation made by ABC for Health and Wisconsin Citizen Action years ago,<sup>5</sup> noted that some grants appear to supplant the medical schools’ operating budgets. The audit bureau finds it likely “that faculty recruitment, the development of

---

<sup>3</sup> *Id.*

<sup>4</sup> Final Order of the Commissioner of Insurance Re: Blue Cross & Blue Shield United of Wisconsin, Case No. 99-C26038, p. 30. Available at <http://oci.wi.gov/bcbsconv/bcbsdec.pdf>.

<sup>5</sup> See Memorandum from Bobby Peterson, ABC for Health, Inc. and Darcy Haber, Wisconsin Citizen Action to Members of UW Medical School OAC and WUHF Board Members Re: RFP Commentary (Sept. 30, 2003)(on file with author).



degree programs, and equipment purchases that could be considered part of the school's core responsibilities would have been funded at least in part from other sources.”<sup>6</sup>

Some of the largest noncompetitive grants awarded by both schools fund these core medical school responsibilities. For example, Medical College of Wisconsin allocated almost \$7.4 million for establishing MA and PhD programs in Public and Community Health. Below are the key medical education and research grants, out of the 40 reviewed by the Audit Bureau, that fund core medical school activities.

- **Faculty recruitment**

- MCW: Cancer Center Faculty Recruitment (noncompetitive, \$750,000)
- MCW: Clinical and Translational Science Institute (noncompetitive, \$2,867,000)
- MCW: Master's Degree in Public and Community Health (noncompetitive, \$2,596,700)
- MCW: PhD Program in Public and Community Health (noncompetitive, \$4,778,100)

- **Development of degree programs**

- MCW: Clinical Research Infrastructure (noncompetitive, \$1,159,500)
- MCW: Master's Degree in Public and Community Health (noncompetitive, \$2,596,700)
- MCW: PhD Program in Public and Community Health (noncompetitive, \$4,778,100)
- UW: Master of Public Health Degree Program (noncompetitive, \$1,954,900)

- **Equipment purchase**

- MCW: Biocore 3000 Universal Approach to Ligand-Protein (competitive, \$327,800)
- MCW: Clinical and Translational Science Institute (noncompetitive, \$2,867,000)
- MCW: Core Equipment for Biotechnology Research (noncompetitive, \$1,155,600)
- MCW: Translational Neuro-Oncology Research Program (noncompetitive, \$1,000,000)
- UW: Human Proteomics Program (noncompetitive, \$1,767,200)

Faculty recruitment, development of degree programs, and equipment purchases are basic medical school operating expenses and should be paid for with the schools' operational budgets, not with public funds.<sup>7</sup>

**b. Supplanting Federal Research Funding**

In addition, many research projects funded by both schools appear to supplant available federal funding for medical research. The National Institutes of Health and other agencies

---

<sup>6</sup> Legislative Audit Bureau of Wisconsin, *An Evaluation: Medical Education, Research, and Public Health Grants*, Report 10-6, p.90 (May 2010). Hereinafter “Report 10-6.”

<sup>7</sup> *Id.*



provide ample funding for basic science and medical research relating to health issues of national concern.

The following projects could likely have received funding from federal programs<sup>8</sup>:

- **MCW research grants**

Early Detection of Alzheimer's Disease Using Functional MRI (competitive \$250,300)

Genetic Analysis Initiative for Individualized Medicine (noncompetitive, \$500,000)

Pharmacogenomics Core Facility (noncompetitive, \$510,200)

Role of Dysregulated Endocannabinoid Signaling in Bipolar Disorder (competitive, \$150,000)

Translational Neuro-Oncology Research Program (noncompetitive, \$1,000,000)

- **UW research grants**

Human Proteomics Program (noncompetitive, \$1,767,200)

Individualized Stroma-Targeting Therapy in Breast Cancer (competitive, \$300,000)

Relationship between Asthma and Obstructive Sleep Apnea (competitive, \$100,000)

Role of Ikaros in Cellular Proliferation (competitive, \$100,000)

Treatment of Vitamin D Insufficiency (competitive, \$100,000)

The NIH Reporter indicates that federal programs fund many projects on Alzheimer's disease, individualized medicine, pharmacogenomics, bipolar disorder, neuro-oncology, proteomics, breast cancer therapies, asthma, sleep apnea, the role of Ikaros, and vitamin D insufficiency.

Researchers should seek federal funding for projects of national interest. The conversion funds should not support research projects that duplicate the efforts of NIH-funded investigations at other institutions.

Likewise, many of the public health grants issued by the schools overlap significantly with existing federal and private funding. Because of the availability of various targeted grants from the NIH, the Agency for Healthcare and Research Quality, the Indian Health Service, the Nathan Cummings Foundation, and the W.K. Kellogg Foundation, the following projects could likely have received funding<sup>9</sup>:

- **UW public health grants**

---

<sup>8</sup> See attached Appendix at *infra*, p.7-6.

<sup>9</sup> See attached Appendix at *infra*, p.7-6.



Ho-Chunk Nation Culturally Trained Preventive and Supportive Care Project (competitive, \$25,000)

Tribal Academic Partnership for American Indian Health (noncompetitive, \$286,600)

Wisconsin Population Health Fellowship Program (noncompetitive, \$2,012,000)

Planning Grant to Reduce Health Disparities within LGBT Populations in Wisconsin (competitive, \$25,000)

Continuing Public Health Education (non-competitive, \$560,300)

- **MCW public health grants**

Developing Strategies: Improving the of Health of LGBT People of Color (competitive, \$50,000)

Using Social Networks to Increase HIV Testing in Vulnerable Populations (competitive, \$443,500)

Saber Para La Gente/Knowledge for the People (competitive, \$50,000)

Development of a Hispanic Health Patient Navigator Project (competitive, \$49,000)

Conversion funds should not be used supplant available funding.<sup>10</sup> Instead, they should only support projects that focus on prioritized Wisconsin health issues. Appropriate research projects include those that investigate health issues and problems of access endemic to specific Wisconsin populations. When projects investigate issues of national concern, such as cancer, obesity, or Alzheimer’s disease, they should do so from a Wisconsin-specific perspective. Investigators should ask how these health issues are affected by local environmental and cultural factors.

The failure of the medical schools’ to enforce sufficient supplanting prohibitions is especially appalling given their initial insistence that no public health funding will be given to organizations in cases where such funding might supplant other funds that “are or might even be potentially available” (the words of Oversight and Advisory Committee, aka, OAC, member Pat Remington)<sup>11</sup>. Instead of following the OCI order and applying that strict supplanting prohibition to research and education grants as well, the schools applied the weak supplanting prohibition from the research and education grants to public health grants as well.

---

<sup>10</sup> Final Order of the Commissioner of Insurance Re: Blue Cross & Blue Shield United of Wisconsin, Case No. 99-C26038, p. 30. Available at <http://oci.wi.gov/bcbsconv/bcbsdec.pdf>.

<sup>11</sup> Letter from Bobby Peterson, Public Interest Attorney for ABC for Health, Inc., to Wisconsin United for Health Foundation, Attn: Chairperson Benjamin Brancel, p.4 (Feb. 10, 2004) (on file with author).



The Insurance Commission must develop enforceable language on supplanting of current or otherwise available funding. And the schools must face consequences for failing to adhere to supplanting rules. The schools must uniformly follow a strict prohibition on supplanting: grant seekers should indicate on their applications for funding (1) why their project is a priority for the people of Wisconsin, and (2) that they have investigated other funding sources and found no other funding available for the project. Supplanting prohibitions are standard operating procedure in the grant making community. Protestations otherwise by the medical schools' should be viewed with great skepticism.

**About the Coalition Agencies:**

ABC is a Wisconsin-based, nonprofit, public interest law firm dedicated to linking children and families, particularly those with special health care needs, to health care benefits and services. Citizen Action of Wisconsin is an issue-focused coalition of individuals and organizations committed to achieving social, economic, and environmental justice and Disability Rights Wisconsin is a private nonprofit organization designated by the Governor to ensure the rights of all state citizens with disabilities through individual advocacy and system change.

**For more information or to respond to this paper, contact ABC for Health, Inc.:**

Bobby Peterson (608) 261-6939 ext. 201 (office) or (608) 444-7197 (cell)  
Brynne McBride (608) 261-6939 ext. 210 (office) or (608) 279-2426 (cell)



**Appendix: Table Detailing Alternative Funding Sources**

Proposal Area	Other Potential Funding Program	Source
<b>Community Partnerships</b>	<a href="#">Alzheimer's Disease Program Grants</a>  <a href="#">Health Program Grants</a>	Helen Bader Foundation  Alan Cummings Foundation
<b>Center for the Advancement of Urban Children</b>	<a href="#">Social and Demographic Studies of Race and Ethnicity in the United States</a>	National Institutes of Health
<b>Center for AIDS Intervention Research</b>	<a href="#">Global Health Program grants</a>  <a href="#">Secondary Analysis of Existing Alcohol and HIV/AIDS Data Sets</a>	Bill & Melinda Gates Foundation  National Institutes of Health
<b>Women's Health Initiative</b>	<a href="#">Women's Mental Health in the Pregnancy and Postpartum Period</a>  <a href="#">Research Grants</a>	National Institutes of Health  Wisconsin Women's Health Foundation
<b>Firearm Injury Center</b>	<a href="#">Research on Children Exposed to Violence</a>	National Institutes of Health
<b>Health Policy Institute</b>	<a href="#">Knowledge Integration Across Distributed Heterogeneous Data Sources</a>  <a href="#">Health program grants</a>	National Institutes of Health  Public Welfare Foundation
<b>Injury Research Center</b>	<a href="#">Research Centers in Trauma, Burn and Perioperative Injury</a>	National Institutes of Health



<b>Research Priorities: Cardiovascular Disease</b>	<a href="#">Unrestricted Cardiovascular Research Grants</a>	Bristol-Myers Squibb Foundation
<b>Research Priorities: Cancer</b>	<a href="#">High-Impact Pilot Studies in Cancer Biology</a> <a href="#">Exploratory Studies in Cancer Detection, Diagnosis and Prognosis</a>	National Institutes of Health  National Institutes of Health
<b>Research Priority: Neuroscience</b>	<a href="#">Unrestricted Neuroscience Research Grants</a> <a href="#">Neuroscience Cluster Awards</a> <a href="#">Human Brain Project Phases I &amp; II</a>	Bristol-Myers Squibb Foundation  National Science Foundation  National Institutes of Health
<b>Library Services</b>	<a href="#">Internet Access to Digital Libraries</a> <a href="#">Information System Grants</a>	National Library of Medicine  National Library of Medicine

