



# Guidelines on Supplanting

Even though foundation grants make up a small percentage of annual health spending in the U.S., they can have a significant impact on health. By supplementing the private and government funding of healthcare, health research, and public health, foundation grants provide an important opportunity to implement new and innovative solutions to today's health challenges. However, the impact of these grants would be much less if organizations lost current funding from other sources when they received a new grant from a foundation. For this reason, Montana Healthcare Foundation (MTHF) funds should not be used to supplant other funding sources. Moreover, according to Montana law, MTHF funds may not be used to supplant government funds. This brief explains MTHF's requirements to prevent the supplanting of other sources of funds.

## Background

MTHF was established in 2013 as a private foundation to receive the proceeds of the Blue Cross Blue Shield of Montana sale pursuant to the Montana Health Entity Conversion Statute (Mont. Code Ann. 50-4-701 et. seq.). MTHF's purpose is to conduct charitable, scientific, and educational activities that improve the healthcare and health of all Montanans. MTHF will provide between \$2 million and \$8 million annually in grants and related charitable activities. As such, MTHF represents an important new resource to address the health problems facing Montanans.

### **Pursuant to Section 50-4-720(1)(c), M.C.A., MTHF funds may not be used to supplant government funds.**

Federal, tribal, state, and local government funds make up a significant and essential component of health system funding in Montana, as in all states. For example, government agencies such as local, state, and tribal health departments control the spread of communicable diseases and provide disease prevention programs, restaurant and water inspections, and other essential services using state and local government funds and federal grants. The University of Montana and Montana State University, community colleges, and tribal colleges rely on state and federal grants and other government funding to conduct health research and develop community-focused programs to address identified needs. Non-governmental entities such as nonprofit hospitals, mental health centers, and community health centers receive state funding, federal grants, and revenue from state and federal insurance programs to provide medical services. These and other government-funded health care and research activities comprise a large and critically important part of Montanans' health

system. If the availability of MTHF funds were to lead to decisions that reduce the other resources that are currently available for Montanans' health, MTHF's impact would be lessened. MTHF's investments will yield the maximum returns if they supplement, rather than supplant, programs and services already in place and those with other potential funding sources. For this reason, MTHF will implement grantmaking practices to ensure that MTHF funds do not supplant other funding sources but are instead used to supplement or enhance present funding levels.

Supplanting could, in theory, occur under several circumstances, for example:

- A grant from MTHF could be used by a government agency, university, or nonprofit organization to replace government funds that support an existing program, facility, or service.
- A grant or the potential for a grant from MTHF could be used by a government agency or elected officials as justification for withdrawing funding for an existing program, facility, or service.
- A government agency or elected officials could use the potential for a grant from MTHF as a reason not to fund a proposed new program, facility, or service.
- A grant or the potential of a grant from MTHF could lead non-governmental funders to decide not to fund a new program or to de-fund a current program.

## Practices to Avoid Supplanting

To prevent the supplanting of government funds in these and other instances, MTHF implements the following practices during the grant application, grantmaking, and grant management process:

### **Before A Grant Application Is Invited or Accepted**

MTHF educates stakeholders regarding the requirement for MTHF funds to supplement, rather than supplant, other funding sources.

### **During The Grant Application Process**

1. We require MTHF funds to support new work or expand in specific ways upon currently funded work. To receive grant funding, organizations will be asked to demonstrate that the work to be carried out is either:
  - a. A new program, facility, or service that has not been previously funded by a government agency or
  - b. An expansion of an existing program, facility, or service currently funded by a government agency but for which the proposed grant will

accomplish specific health objectives that cannot be achieved with the current level of funding.

2. We require that applicants for MTHF funds:
  - a. Verify that no other sources of funding are available for the proposed activities or
  - b. Disclose any other potential sources of funding, and verify that the award of MTHF funds will not cause these funds to be reduced or withdrawn, and
  - c. Provide a budget and budget narrative that includes other funding sources for related activities and detail how MTHF funds will be used to supplement any additional funding that may contribute to the proposed project.

### **Grant Provisions and Grant Management**

MTHF grantees will sign grant agreements that provide MTHF the authority to oversee the implementation of each grant-funded activity and allow MTHF to rescind grant funds if the terms of the grant agreement are not fulfilled. Specific provisions to prevent supplanting will be included in each grant agreement, including:

1. Grantees must represent and warrant that the activities to be carried out using MTHF funds are not mandated by law and that government-appropriated funds will not be decreased or diverted for other uses because of the availability of these funds.
2. Grantees must represent and warrant that MTHF funds shall be used only to supplement and, to the extent practical, increase the level of funds made available from governmental sources.
3. The grant agreements will also require that a grantee must return the MTHF grant funds if:
  - a. A grantee uses any of the funds for any purpose other than the specific work to be conducted as identified in the agreement unless such use is approved as a modification of the grant agreement and does not supplant government funds or
  - b. If other governmental funding sources for the proposed work become available during the grant term.

MTHF will actively manage each grant to ensure compliance with these provisions. Grant management activities will include regular phone calls, periodic site visits, and



review of required semiannual budget and narrative reports. Such reports must include an enumeration of any changes in funding available for the activities to be carried out under the grant.