



ASSESSING THE VALUE OF SMALL GRANTS FUNDS

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John E. Craig, Jr.

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Since 1968, The Commonwealth Fund has maintained a Small Grants Fund (SGF), toward which it has annually set aside a block of funds for small grants approved by the foundation's president rather than the board of directors. As this grantmaking tool demonstrated its value over time, its share of the total grants budget grew to 9 percent, or \$1.6 million, in 2001.

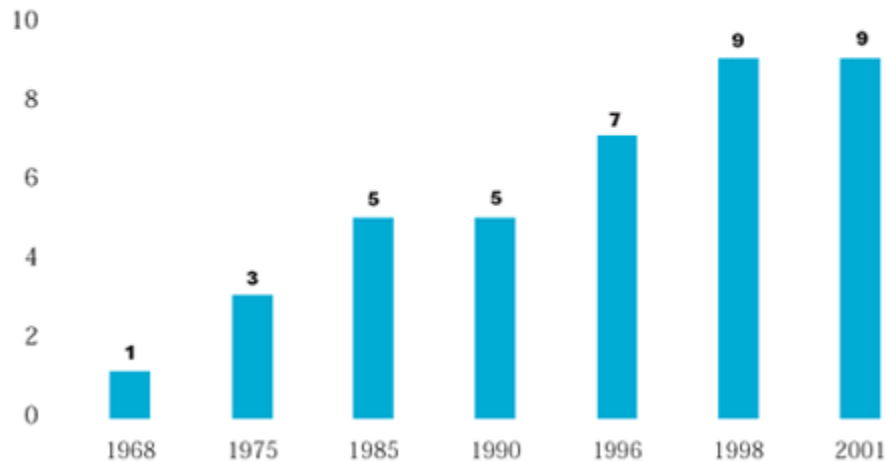
Originally, the SGF was most often used for out-of-program purposes, supporting worthy organizations not otherwise eligible for Fund grants or opportunistically addressing an important issue outside the Fund's principal interests.

In recent years the SGF has come to be more closely tied to the Fund's strategic purposes. By enabling the foundation to move quickly and flexibly to underwrite very targeted work, the SGF has helped to inform major program areas, finance key policy research, communicate program findings, promote discourse on health policy issues, and revisit issues addressed by earlier undertakings. It also has allowed the Fund to respond in a limited way, as it has done historically, to causes outside its primary mission—toward which \$100,000 of the grants fund is expressly designated. Additionally, because SGF awards entail less staff effort in development and administration than do board-approved grants, the program makes possible timely responses to a broader range of requests, especially those that are unsolicited, than would otherwise be feasible.

As the SGF has grown in size and focus, so too has attention to its management. Formal guidelines have been periodically updated to accommodate the continuing evolution of the program. The maximum for an individual award is now set at \$50,000, with the expectation that most awards will be not greater than \$25,000. To help guide the use of funds, the annual SGF budget is provisionally allocated among major Fund programs, and a staff committee chaired by the president meets monthly to review proposals. To assist in the vetting process, a staff member proposing a SGF grant submits a one-page memorandum (accompanied by the grant proposal), summarizing the project's background and activities, enumerating deliverables, and identifying strengths and weaknesses. The foundation's president reviews proposed SGF awards with the board chairman prior to their final approval, and members of the board are informed of awards through an annual report.

The portion of the Fund's annual grants budget allocated to the Small Grants fund (SGF) has grown steadily over the past three decades.

SGF as percent of total grants budget



Three hundred thirty SGF grants totaling \$6.582 million were made between July 1, 1995, and June 30, 2000, the majority of awards being \$25,000 or less. Unlike board-approved grants, the great majority of SGF awards were grantee-initiated (63 percent, compared with 19 percent), and a somewhat larger share of SGF appropriations have gone to New York City organizations (17 percent, compared with 8 percent).

Assessing the Effectiveness of the Fund's Small Grants Fund

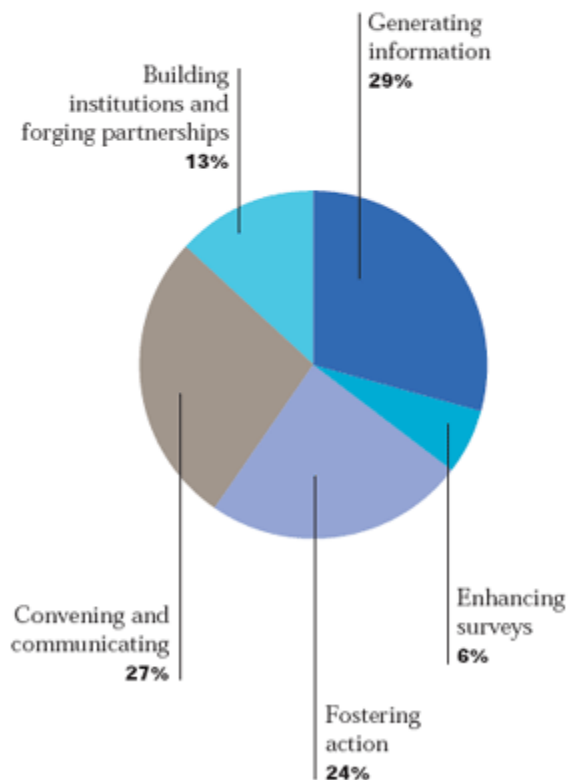
In keeping with its policy of assessing its effectiveness as a grantmaker, the Fund decided this year to undertake a five-year review of SGF awards, modeled on a performance-rating system developed for board-level grants last year. The assessment encompassed 300 SGF projects that had been completed by June 2001, representing a total of \$5.768 million in grants.

The project began with a scoring process, during which the responsible program officer and the Fund's president rated each grant independently and confidentially and provided annotations and other comments to explain their scores. Performance was rated on a five-point scale: 1—disappointing; 2—below expectations; 3—met expectations; 4—above expectations; 5—exceptional. The Fund's executive vice president analyzed the data.

The most obvious weakness of the assessment methodology was the lack of participation of external assessors—a shortcoming at least partially offset by the use of multiple staff scorers with different institutional perspectives. A major reason for not using outside consultants was the challenge any independent assessor would face in acquiring the necessary knowledge for making informed decisions on the performance of 300 grants in an array of fields. More important, since the aim of the Fund’s periodic assessment of grantmaking performance is “improving, not proving,” participation by staff in the exercise was viewed as reinforcing in a positive way the foundation’s performance-driven, accountability-oriented culture.

Projects funded through the SGF can be categorized according to their primary activity or objective, with "generating information" and "convening and communicating" accounting for the largest shares.

Percent of SGF grants, by objective



Summary data show that the great majority of small grants met or exceeded expectations and that relatively few were genuinely disappointing. Significantly, the overall performance record for SGF awards was very similar to that of the 204 board-level

grants assessed in 2000, suggesting that the Fund performs about as well in making small grants as it does in making larger, board-approved grants.

Achieving Primary Objectives

The uses and impact of the SGF are best examined by looking at the performance of projects grouped according to five primary objectives: generating information, enhancing surveys, fostering action, convening and communicating, and building institutions and forging partnerships. Grants on average exceeded expectations in every category.

Projects aimed at generating information achieved very substantial returns. Indeed, the sense of the assessors was that the Fund often derives as much or more from such projects as from larger analytic grants by “buying at the margin”—for example, by leveraging other governmental or private funding or exploiting a data base or simulation model created by other sponsors.

Information-generating grants have been a major source of Fund reports, which the Fund uses to disseminate highly topical information effectively and efficiently. One particularly productive use of the SGF has been to generate a synthesis of the literature on an important topic, then publish it in an accessible format that caters to the needs of busy policymakers. Perhaps because peer-reviewed journals are more likely to publish new studies than reviews of existing knowledge, syntheses in any given field tend to be in short supply. Those made possible by the SGF have enabled the foundation’s staff and experts to get up to speed rapidly in fields under consideration for program work. Further, syntheses that pull together a range of viewpoints and insights have often proved more powerful than any single study in providing guidance to decision-makers.

As an example of an information-generating project, a \$24,970 grant in 1998 to the Children’s Hospital of Los Angeles Foundation supported Michael Regalado, M.D., and Neil Halfon, M.D., in producing a literature review of existing knowledge about the effectiveness of early childhood screening and interventions to improve the development of at-risk children. Their work produced both a Fund report and a journal article and is shaping the Fund’s new Program on Child Development and Pediatric Care and other efforts.

Another example of the value of information-generating grants was pathbreaking work by Alan Dobson at the Lewin Group, Inc., to answer the longstanding question of the extent to which the higher costs of teaching hospitals are attributable to their special

mission. With a \$25,000 grant in 1997, Dobson provided the first-ever estimates decomposing teaching hospital costs into basic costs of care, extra costs arising from social missions (teaching, research, specialized care, and indigent care), and “inefficiency,” taking into account patient case-mix and geographic variation in labor costs.

Under a third model information-generating grant, a 1997 award of \$24,495, Jon R. Gabel (then at KPMG Peat Marwick, LLP) found that employers were not using NCQA quality data and concluded that the health insurance market is driven by cost, not quality. This finding led the Fund to shift strategy from informing employers and consumers about the quality of plans (through report cards, for example) to working with managed care plans and health care providers to improve quality.

Surveys are a major tool of the Fund, used for defining issues and giving them visibility and for shaping the work of national programs and the views of influential policymakers. One conclusion of the five-year assessment was that the most successful SGF-funded survey projects have been those that pursue ideas that extend the reach of board-approved survey projects, thereby achieving greater mileage at relatively low cost. SGF grants also make possible add-ons to surveys sponsored by other organizations (for example, by increasing the sample size to generate findings regarding a particular population or by adding a set of questions addressing an issue important to the Fund). Here again, “buying at the margin” has been very productive. SGF grants also underwrite analysis of Fund surveys by external experts and finance correction of unanticipated problems in the design, conduct, or analysis of major Fund surveys.

A model example of the use of the SGF to enhance Fund-sponsored survey work was a \$28,000 grant in 1998 to Louis Harris and Associates, Inc., for a project directed by Katherine Binns. This grant expanded the scope of the Fund’s second women’s health survey (funded under a board-approved grant of \$261,000) to provide information on men’s health. By increasing the sample of men and lengthening the men’s questionnaire, the Fund was able to produce a landmark survey exploring gender differences in patient–physician interactions and raising awareness of men’s health issues. The resulting report on men’s health received widespread attention in the media. In another case, a \$25,000 grant to the University of Pennsylvania in 1998 supported Linda H. Aiken in producing a major survey-based international study of nursing—the International Hospital Outcomes Study. The Fund’s grant accelerated the launch of this \$2.8 million project by bringing together research teams from Canada, England, Germany, Scotland, and the United States at an early stage.

In generating information that increases understanding of issues or adds to the body of knowledge in specific areas, the Fund hopes over the long term to help create an environment conducive to practical improvements in the health care and health insurance systems. Within the limits of its resources and opportunities, the Fund also seeks to foster action more directly. It uses the SGF for this purpose in two principal ways: to support quick analysis when a window of opportunity for legislative change occurs; and to respond to innovative ideas for private-sector change. SGF grants of these types are sometimes risky, but the payoff—particularly taking into account the small dollar amounts expended—is often high.

Among projects fostering public policy action, the reviewers cited a \$19,360 grant in 1999 to the Center on Budget and Policy Priorities, which underwrote Cindy Mann's exploration of options for expanding Medicaid coverage of adults in New York State. Mann's timely and unique analysis of the cost of covering low-income parents under New York's Medicaid program attracted interest from the media and state policymakers and contributed to the enactment of Family Health Plus, passed by the state legislature in 2000 to extend coverage to low-income adults. As another example, a 1998 grant of \$14,000 to the Urban Institute enabled Barbara Gage to analyze the impact on Medicare beneficiaries of 1997 federal Balanced Budget Act (BBA) cuts in home health care payments. Gage's work provided numbers that helped inform amendments to the BBA in 1998 that reversed some of the cuts—the only major legislation in health during that year.

The roster of SGF grants fostering private action or the direct improvement of public programs proved also to be a rich one. To cite just two examples, a grant of \$22,320 in 2000 enabled the Foundation on Accountability to pilot test its Promoting Healthy Development Survey, a tool for assessing the adequacy of child development services in pediatric practice, in Maine; and a \$25,000 grant to the Actor's Fund of America in 1998 helped create a Web site on low-cost sources of health insurance for artists. Characterized by one reviewer as “the little project that could,” the latter project achieved significant cofunding and is helping a large group of people find low-cost health insurance.

SGF projects aimed at convening and communicating often involve the sponsorship of meetings, which accomplish several objectives: informing those in a position to effect change; convening people who share a common concern and thereby

helping mobilize coalitions; and raising the visibility of Fund work with media, business leaders, health leaders, and policy officials.

Among the SGF-sponsored convening and communicating activities, meetings conducted by the Alliance for Health Reform have been especially productive. Attended by approximately 300 people per session and made possible by SGF awards beginning in 1995 (now funded by board-level grants), these congressional briefings have been an excellent outlet for the Fund's work, particularly on Medicare but also on academic health centers, quality of care, and the uninsured. In a different area, a \$14,560 SGF planning grant to the University of Sydney in 1998 allowed Jane Hall (the Fund's representative in Australia for Harkness Fellows in Health Care Policy) to organize the first annual Australia/New Zealand health services research conference. This was followed by a \$39,000 SGF grant in the same year to help underwrite the conference, which was attended by more than 300 researchers and policymakers. The payoff from the conference has been very substantial: applications for Harkness Fellowships increased as a direct result, and promising relationships were established with key government officials and scholars. Convening grants have also been useful to the Task Force on the Future of Health Insurance by enabling regional gatherings of experts and policymakers to discuss workable solutions to health insurance problems.

In a 1997 *Harvard Business Review* article exploring what foundations can learn from venture capitalists, Christine W. Letts and coauthors argued that "foundations need to find new ways to make grants that not only fund programs but also build up the organizational capabilities that nonprofit groups need for delivering and sustaining quality." The SGF enables the Fund to help build institutions and forge partnerships through support that is not always tied to specific products but advances the foundation's agenda. A model example was a 1996 grant of \$25,000 that helped assure the success of New York City's Primary Care Development Corporation, which is building primary care capacity in underserved New York City communities.

Serving Special Functions

The SGF serves two special functions that cut across all objective categories: directly supporting Fund programmatic work (15 percent of total SGF appropriations) and mobilizing talented new investigators (43 percent).

SGF grants provide direct support for Fund programmatic work in three principal ways: developing programs and larger projects; maximizing the benefit of board-approved

projects; and monitoring and evaluating programs and larger projects. Developmental activities include meeting with experts to explore new directions, planning major efforts, and commissioning health policy surveillance work to identify issues likely to be on the front burner for legislative action. An example of the use of the SGF in developing Fund programs was a \$46,692 planning grant in 2000 to the American Association of Homes and Services for the Aging, led by Robyn Stone. This grant made possible a quicker start of the Fund's support of the evaluation of the Wellspring model for promoting quality improvement in nursing homes.

SGF grants to maximize the effectiveness of larger projects are used to finance small but significant add-ons, unforeseen work needed to bring large projects to completion, or special communications work. Exemplary of such grants was a 1997 award of \$31,800 to ICF Incorporated to develop a slide-video presentation for orienting staff at the Healthy Steps for Young Children intervention and comparison sites. The videos helped explain the Healthy Steps approach and gain the confidence of pediatricians and administrative personnel.

Notable program assessment work financed from the SGF included follow-up evaluations of the Fund's nursing home restraints-reduction program, conducted by Deborah Lewis-Idema (\$25,000 in 1996) and Catherine Hawes (\$24,879 in 1997). The latter confirmed the power of the intervention but concluded that sustained reduction in the use of restraints would require not only clinical interventions, but also more effective regulations and education.

Because they demand a high level of expertise and experience, board-approved projects tend to be led by established investigators whose work is well known. Even so, the foundation seeks to keep its doors open to new talent, a policy fostered by the goal that 20 percent of major program appropriations will support projects directed by new investigators. The SGF is regarded as a low-cost way of opening the doors even wider—and with 43 percent of SGF projects led by investigators new to the Fund, it seems to be serving that purpose. The average performance score of grants fostering new talent was found to be high, and in a number of instances project directors who proved their worth through a SGF grant have gone on to conduct larger projects.

An example of how the SGF helps identify new investigators and bring their work into the public eye was a \$25,000 grant in 1999 supporting Karla L. Hanson at New School University to examine patterns of health insurance coverage within families.

Hanson’s well-timed work made the case that uninsured family members should have an opportunity to obtain coverage under the same program serving other members of their family (for example, parents of children enrolled in Medicaid or CHIP, caregivers of disabled Medicaid beneficiaries, or dependents of Medicare beneficiaries). Publication of her findings in *Health Affairs* assured the visibility of her work and helped draw attention to an issue ripe for action.

A survey of the 100 largest private foundations in the United States indicated that about half give their chief executives discretionary authority over a portion of their funds, a policy similar to that used by the Fund.

Guidelines for discretionary grantmaking	Percent of responding foundations	Average share of discretionary grant dollars as percent of total appropriations
CEO has discretionary authority similar to the Fund’s	52	8
All or most grantmaking at the discretion of the CEO or staff, with the board setting policy and strategy	15	95–100
No discretionary authority granted to the CEO	32	0

Of the 33 large foundations with CEO discretionary authority similar to the Fund's, approximately two-thirds set the maximum amount of a discretionary grant at \$50,000 or less.

Maximum individual grant	Percent of foundations allowing CEO some discretionary authority
\$500,000 and above	9
\$250,000–\$499,999	6
\$100,000–\$249,999	6
\$50,001–\$99,999	9
\$50,000	33
\$25,001–\$49,999	12
\$25,000	12
Under \$25,000	12

Peer Foundations’ Small Grants Programs

To put its own Small Grants Fund in context, the foundation also examined comparable policies and practices among its peer foundations. A telephone survey of the 100 largest foundations in the United States found that they fall into three categories with respect to small grants programs: very large foundations (typically those with \$1 billion or more in assets), where very often the board sets policy and strategy and leaves decisions on most individual grants to staff; foundations that, like the Fund, require board approval of most grants but give the chief executive some grantmaking authority; and foundations requiring board approval of all grants.

Fifty-two percent of the responding foundations follow practices similar to the Fund’s. Within this group of 33, the average share of annual appropriations over which the chief executive has authority is 8 percent, close to the Fund’s 9 percent allocation. The maximum award ranges from \$15,000 to \$500,000, but the most common maximum is the same as the Fund’s: 11 of the 33 foundations allowing limited discretionary authority have maximums of \$50,000.

Generalizations about the uses to which this very diverse group of institutions put small grants have to be made with care. Survey responses indicate, however, that most of

the Fund's peers also use small grants primarily to advance the foundation's principal program interests while leaving some flexibility to address special opportunities outside major programs, much as the Fund does.

The group of 21 large foundations that do not allow small grants includes a few well-staffed foundations like the Fund. Most, however, are foundations with limited staff, where the board essentially functions as staff and meets frequently to make decisions. Thus, comparisons with the Fund's peer foundations indicate that its grantmaking practices are well within industry standards.

Lessons for Small Grants Funds

The five-year review of the performance of the Small Grants Fund suggests a number of lessons for using this mechanism effectively. Most important, the current policy of tying the aims of the Fund's SGF directly to those of its major programs has produced truly impressive results. The SGF is not an ancillary but an instrumental tool for achieving the Fund's goals and would likely be so for any foundation with a clearly defined mission and focused programs.

The SGF has been used to particularly good effect in commissioning expert analyses of surveys conducted by the Fund (or occasionally surveys sponsored by other organizations), and it can be used aggressively to exploit data-rich surveys and extend their shelf-life.

An orientation toward projects and a focus on deliverables have yielded strong results, but the SGF experience also demonstrates the value of providing core support to new or existing organizations. This suggests that the Fund should be more open to providing modest core support without requiring a specific product when an organization shows great promise, has excellent leadership, and fills an important niche in the Fund's fields of interest.

SGF awards to support meetings and conferences have been very productive. However, events in which the Fund has a role in shaping the agenda and which provide opportunities for the foundation's grantees or staff to present Fund work are most beneficial.

Although it primarily serves strategic purposes, the SGF has helped the Fund achieve goals on a variety of fronts, particularly those of remaining open to ideas from

many sources, supporting new talent, taking risks, and being able to respond quickly to requests when timing is critical. Setting aside a portion of the SGF for projects outside the Fund's program areas helps assure desired flexibility and the ability to take advantage of special opportunities with potentially high impact. Even so, experience indicates that an allocation of 6 percent of total grants funds for out-of-program purposes is sufficient.

The management and oversight practices now in place for the SGF are working well, and the program has a high degree of accountability. The five-year review, however, revealed several areas where further tightening of administrative and monitoring practices would be beneficial. These include tying grant payments to receipt of deliverables (the normal practice for board-level grants) when deemed appropriate, summarizing the accomplishments of each completed SGF grant, and taking steps to assure that communications opportunities are not missed. In particular, the review cited the adverse effects of program officer turnover on effective monitoring of SGF grants and called attention to the need to reassign responsibility for SGF grant portfolios when such turnover occurs.

Conclusion

As with board-level grants, periodic comprehensive review of small grants, including performance scoring, can be carried out expeditiously by staff or consultants with working knowledge of a foundation's work. Such a review helps assess the overall impact of small grants, in absolute terms and relative to that of board-level grants. It also provides feedback on the productivity of different types of small grants; identifies strengths and weaknesses of decision-making, administrative, and monitoring processes; assures staff that their performance in managing small awards is recognized; and helps assess the appropriate funding level for the SGF program.

Writing in *To Improve Health and Health Care 2000, The Robert Wood Johnson Foundation Anthology*, Steven A. Schroeder, M.D., cites that foundation's commitment "to letting the public know, in as objective a manner as possible, what we do and why we do it." By publishing the results of its Small Grants Fund review, the Fund hopes to advance its own commitment to public accountability.