

Delivering solutions in the IL field for over 37 years



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Presents...***



Fees-for-Service Accounting in CLs: Budgeting and Setting Rates

May 20, 2015

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Analyzing Costs and Setting Rates for Service—Setting the Stage

- Is pursuing FFS feasible?
- Is the service something organizations will be willing to pay for?
- Is Financial Start Up Support Available?
 - Start Up Grants – HUGE advantage
 - Can the current cash flow support the start up?
 - Non grant Investors available for the program?

Setting Rates

Setting rates for service is a collaborative effort between executive, program, and finance directors.

Expect to recalculate a rate multiple times before a final rate is acceptable.

Analyzing Costs and Setting Rates for Service—Think Ahead

- Obtain Start Up Grant
- Start thinking FFS on Day 1 of the Grant Period
- Research and become aware of:
 - Similar programs in the community
 - Prevalent rate for the service
 - The uniqueness of your program
 - Things you would do differently now that you have actual experience

Analyzing Costs and Setting Rates— Convert to Numbers

Converting plans, ideas and assumptions to numbers

- Use the grant budget as the starting point
- Revise the grant budget based on actual experience
- Make intelligent assumptions

Analyze Costs

- Fixed Costs
 - Will remain relatively constant no matter the business volume (within reason)
 - May be new costs or utilize existing capacity
- Variable Costs
 - These costs will fluctuate with the volume of business activities
 - Will almost always be new costs

Use Grant Budget as Starting Point



	Original Grant Budget	Revised Grant-FFS Budget
Direct Program Costs:		
Program Director	40,000	40,000
Program Staff	120,000	150,000
Program Staff Benefits	48,000	57,000
Rent	10,000	10,000
Workers Comp Insurance	5,000	5,000
Liability Insurance	2,000	2,000
Start Up Costs	4,000	1,000
Utilities	6,000	6,000
Supplies	3,000	3,000
Travel	9,000	15,000
Total Direct Program Costs	247,000	289,000
Program Support Costs:		
Support Staff and Benefits	50,000	50,000
Other	25,000	25,000
Total Program Support Costs	75,000	75,000
Total Program Costs	322,000	364,000

Questions?

Determine Minimum Program Costs

- Determine the minimum costs of the program
 - Minimum costs are those costs that must be added/incurred to offer the program – also called incremental costs.

Determine Minimum Program Costs, cont'd.

	FFS Budget	FFS Minimum Costs
Direct Program Costs:		
Program Director	40,000	40,000
Program Staff	150,000	150,000
Program Staff Benefits	57,000	57,000
Rent	10,000	5,000
Workers Comp Insurance	5,000	5,000
Liability Insurance	2,000	2,000
Start Up Costs	1,000	1,000
Utilities	6,000	3,000
Supplies	3,000	1,500
Travel	15,000	15,000
Total Direct Program Costs	289,000	279,500
Program Support Costs:		
Support Staff and Benefits	50,000	
Other	25,000	
Total Program Support Costs	75,000	0
Total Program Costs	364,000	279,500

Include all costs specific to staff

- Salary
- FICA
- Workers Compensation
- Unemployment
- Health Insurance
- Disability/life insurance/vision/dental

Additional costs – staff specific – especially to add new staff



- Office space
- Computer costs
- Telephone
- Printing
- Office supplies
- Travel
- Liability insurance
- Training
- Supervisory time
- Start-up costs
- Any new cost that will be incurred by offering the program

Calculate Available Billable Hours

- Calculate available billable hours

Calculate Available Billable Hours, cont'd.

Total Available Hours Calculation - per staff member	
hours per day	7.5
hours per week	37.5
Number of weeks per year	52.0
Total Hours(maximum)	1,950.0
less benefit time:	
Holidays	82.5
Sick Time	75.0
Vacation	112.5
Total benefit time	270.0
Total Hours available to program - per staff member	1,680.0

Calculate Billable Hours, cont'd. 2

Total Hours available to program-per staff member	1,680.0
Number of Program Staff	5.0
% of time available to bill	70%
Number of Hours for Program Staff	5,880.0
Program Director	1.0
& of time available to bill	50%
Number of Hours for Program Staff	840.0
Total Hours available to bill	6,720.0

Questions?

Determine Program Billable Rate

Total Program Costs	364,000
	Divided by
Billable Hours	6,720
Program Rate	\$54.17

Analyzing Costs and Setting Rates— Calculate Minimum Billable Hours

- Calculate required minimum billable hours

Minimum Program Costs	279,500
	divided by
Program Rate	\$54.17
Minimum Billable Hours	5,150

Cash Flow Considerations

- Type of customer that will utilize services
- Not everything happens all at once.
- Some costs are front loaded
 - Soft costs (legal and accounting)
 - Technology investments
 - Human resource costs (recruitment / training)
 - Other overhead
- Unit costs track volume growth over time
 - Rate of market penetration impacts revenues and costs
- Identify any lag in revenues versus expenditures
- Identify long and short term cash needs (financing and / or a line of credit)
 - Include cost of capital into budget projections

Monitor Collections

Fees-for-service are worthless if they are not paid or collected.

- Establish policy before providing service
- What is the customer's cash source? Know your payers – some may be chronically slow (certain programs), some may be liable to periodic interruptions (budget battles).
- Plan on having bad debts
- Receivables should be tracked, and aging receivables must be included in any accounting.
- Collection issues must be factored into budgets and cash flow projections

Put it All Together

Once the financial picture is complete

- Have outside eyes look at the financial and operational picture.
 - Legal and accounting experts
- Take it to the bank
 - Secure a line of credit to insure cash flow

Questions?

Contact

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Wrap Up and Evaluation

Please click the link below to complete an evaluation of this program:

<http://www.surveygizmo.com/s3/2057602/CIL-NET-Webinar-Evaluation-May-20-2015>

New Community Opportunities Attribution



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