

IL-NET

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Establishing and Managing Fees-for-Service in Centers for Independent Living

Business Relationships: Vendor and Contracts / Agreements

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1:30 p.m. – 3:15 p.m.

Presenters:

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Business Relationships – An Overview

Establishing Fees for Service Business Relationships



- Any business relationship is shaped by enterprise design and initiation:
 - Response to a Request for Proposal or Grant Opportunity with a government, non-profit or for-profit entity
 - Contract with a public or private entity to provide services
 - Partnership with another entity
 - Business start-up or acquisition
- Each of these are fees-for-service opportunity, but each will have a distinct form based on the business relationships

Dennis

Request for Proposal / Grant Sourced Fees for Service Enterprises



- Typically non-negotiable financial and programmatic reporting requirements, usually specified in the original RFP – by applying and accepting the award, you are committed to these requirements.
- Measure reporting requirements against capacity, to determine if you need to add staff, technology or outside support to meet contract. Will you need to develop these to support fees-for-service ventures?
- These are real costs of doing business and must be included in budgeting and program operations.

Dennis

Contract Based Fees-for-Service Enterprises



- May be negotiable in terms of both performance expectations and financial and programmatic reporting.
- If payments for services is based on a performance metric (units sold, units of service delivered), insure organizational capacity to link performance and billing.
- These are real costs of doing business and must be included in budgeting and program operations.

Dennis

Partnership Based Fees-for-Service Enterprises



- Should be highly negotiable in terms of both performance expectations and financial and programmatic reporting, depending upon the ownership terms of partnership.
- Performance, payment, risk allocation and benefit distribution should all be included in a partnership agreement.
- Partnerships based on clearly articulated agreements of roles, responsibilities, risk and benefits are best.

Dennis

Start-up / Acquisition Based Fees-for-Service Enterprises



- Performance expectations and financial and programmatic reporting are internally driven, providing measurements that will shape strategies and decisions.
- Internal business metrics must drive business decisions.
- Enterprise should be modeled in order to provide benchmarks.
- Exit strategy should be a part of the initial enterprise design.

Dennis

Building Business Relationships – Process and Specifics

Steps to Become a Vendor

- Establish a process for seeking opportunities to contract. (Internet sites, newspapers)
- Respond to RFPs and other known solicitations for service.
- Network to identify needs for service that fit CIL's core competence and mission.
- Respond to potential contractor's process to establish CIL as a vendor:
 - write a proposal
 - provide letters of reference from other CIL business relationships
 - provide a budget of estimated costs and/or establishing CIL's ability to meet any data collection/reporting requirements

Dennis

Initiating Contracts / Agreements

- Request for Proposal Response / Grant Award
 - Standard Contract offered by Grantor
- Contract with a public or private entity to provide services
 - Will vary from rigorous Standard Contract to a less formal Memorandum of Understanding
- Partnership with another entity
 - Should be negotiated between the parties
- Business start-up or acquisition
 - Internal benchmarks

Dennis

Typical Terms for Contracts / Agreements



- Funding amount or reimbursement rate
- Definition of unit of service
- Reporting requirements
- Staff training requirements
- Background check requirements
- Notice of service termination
- Confidentiality
- Communication contacts
- Billing process/mistake/rebilling process
- Timeframe
- Budget, if applicable
- Detailed responsibilities

Terms for Contracts / Agreements, cont'd.



- Contracts typically contain lots of other info
 - Anti-terrorism
 - Lobbying
 - Litigation
 - Civil Rights compliance
- Read and understand contract before signing

Kathie

Billing Processes Vary

- Billing processes vary:
 - Simple invoice with hours, rate, and total
 - Documentation for each contact must accompany billing
 - Bill directly to a 3rd party – WPS-Children’s waiver with assessment
 - Bill directly to Medicaid
 - Can’t bill until successful outcome
- No matter what the process be sure staff and accountant understand it!
 - Provide oversight/monitoring

Kathie

Barriers to Consider

- Untimely contracts/months after start date
- Complications in billing
- Staff turnover/have depth/don't lose expertise
- Too many/ not enough referrals
- Poor communication by contractors

Kathie

Avoid Potential Barriers

- Assign new responsibilities resulting from new contracts.
- Make sure staff have ability to assume responsibilities in a timely manner.
- Establish and / or maintain an accounting system that allows for accurate recording of costs related to any new contracts, both direct and indirect.
- Organize a method for triggering the fulfillment of billing and / or reporting requirements resulting from new contracts in a timely manner.
- Fulfill responsibility of any In-Kind contribution offered during the contracting process and being able to establish a monetary value for such In-Kind contribution.

Dennis

Avoid Potential Barriers, cont'd.

- Establish a method for monitoring total spending against contract funding to avoid any over or under spending that may be of concern.
- Evaluate ability to meet cash flow needs while awaiting reimbursement when contract is reimbursement based.
- Retain records and support costs or fee-based units charged to contracts.

Dennis

Integrate New Fees-for-Service Programs



- Business planning must measure core competence and staff capacity against requirements for any new enterprise.
- New business fits within mission of CIL – therefore the fit of fees-for-service enterprise should be evaluated before business relationship is finalized.[outside of mission can work]
- Fees-for-service enterprises should be integrated into company financials as a new cost center with the tracking of both direct and indirect costs. Cost allocation methods are applied to new contracts in a manner consistent with established contracts.
- Communication with staff, Board, and constituents is essential.

Dennis

Manage Staff Changes Resulting from New Fees-for-Service Programs



- Communication and buy-in is essential – share as much information as possible given the limitations that may be imposed by competition or proprietary relationships
- Set clear expectation about staff roles and responsibilities.
- Measure and evaluate implementation and make adjustments as needed.

Dennis

Upgrade Finance/Accounting Procedures



- Assess current situation
 - Part/full time
 - Bookkeeper vs. accountant
 - Software used effectively?
 - Audit results
 - Get outside opinion
 - Program data collection system in place

Kathie

Upgrade Finance/Accounting Procedures, cont'd.



- Identify what will change
 - More billing at end of month (10%)
 - Tracking costs related to services
 - Monthly reports for internal use
 - Need separate timesheet/MyCIL report
- Think about future needs
 - What will be needed 1-2 years from now?
 - Make changes with future in mind

Kathie

Upgrade Reporting Capacity

- Evaluate current reporting capacity – financial / programmatic and the linkage between the two systems.
- Enhance ability to track costs to specific contracts together with general and administrative costs whenever such enhancements are worth the cost of upgrades

Dennis

Reporting and Data Collection Vary

- Make sure you have necessary infrastructure
- Make sure staff understand requirements
- Provide correct and timely reports
- Provide oversight/monitoring

Kathie

Examples of Each Type of Fees-for-Service Business Relationship

Request for Proposal / Grant Sourced Fees-for-Service Enterprises



- Consumer-Directed Personal Attendant Services
- Critical Access

Dennis

Contract Based Fees-for-Service Enterprises



- mPower
- Return to Life

Dennis

Partnership Based Fees-for-Service Enterprises



- The Rolling Edge (original incarnation of Alpha One medical)
- Renegade

Dennis

Start-up / Acquisition Based Fees-for-Service Enterprises

- Access Consulting
- Adaptive Driver Training
- Alpha One Medical
- Renegade

Dennis

For more information

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