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

Business Relationships: Vendor and Contracts / Agreements
April 23, 2013
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.
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.
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.
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
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
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
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.
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.
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.
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
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.
Reporting and Data Collection Vary

- Make sure you have necessary infrastructure
- Make sure staff understand requirements
- Provide correct and timely reports
- Provide oversight/monitoring
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
Start-up / Acquisition Based Fees-for-Service Enterprises

• Access Consulting
• Adaptive Driver Training
• Alpha One Medical
• Renegade
For more information

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