BUDGET AND FINANCE BASICS

Middle managers are increasingly engaged in budgeting and finance, particularly in ensuring that front line staff put into practice the billable service performance expectations required to meet organizational budget and finance goals.

Entire agency budgets are constructed around revenue projections and cost assumptions and calculations. Budget targets are defined service-by-service or program-by-program, including specific performance expectations for each individual staff. The terms may vary: "productivity," "billable units," "service units," "service hours," or "performance expectations." But bottom line, the agency's financial health is directly dependent upon staff (usually clinical) who can generate revenue. The agency's budget is based upon estimating how much revenue those staff can realistically generate. And it is the supervisor's job to make sure staff do so successfully.

Consequently, middle managers should understand three elements that contribute to the agency's budget and financial health.

Three Critical Elements:

1. Revenue
2. Costs
3. Productivity

You don't need to know all the intricacies or details about these elements, but understanding the three elements conceptually will go a long way in helping staff recognize how much productivity matters and how vital they are to an agency's long-term viability.

Revenue

While "revenue" simply refers to money coming in, or the income an agency generates, the truth is behavioral health revenue is quite complex. Revenue comes from a variety of places, takes many forms, and reflects a variety of funding strategies, each of which must be managed differently.

These are behavioral health's most common **Sources of Revenue (or Funding Sources)**:

Public dollars (the vast majority of revenue):

◊ Medicaid is currently the largest funding source or "payer" in almost all agencies, typically 50-80% of revenue
◊ State funds, most often for those without insurance and/or indigent and for specific populations
◊ County or other local funds. Some states funnel state money through county or regional authorities, some counties give agencies money directly, some counties or local entities do both

Private dollars (usually very small amounts of revenue):

◊ Foundations and other private grant making bodies
◊ Fundraising activities
◊ Private insurance
◊ Self-pay

Fee-for-Service: In this strategy, the funding source (e.g. state Medicaid agency, state behavioral health agency, county or regional authority, insurance company, grantor, self-pay) defines an array of services that can be provided, then typically contracts with the agency to provide those services based on the following:

- ◊ Clear service definitions
- ◊ A rate they will pay for each unit of that service
- ◊ Often a maximum amount of total money for that service that the contract will allow

The agency then delivers those services to people who need them, following the service definition and documenting those services in the person's health record. Once the service is delivered, the agency bills the funding source for payment. The agency must make sure they comply with the service definition and billing rules. The agency must also keep track of the total amount billed for that service to ensure it doesn't exceed any maximum total amount specified in the contract.

The funding source typically conducts audits to make sure the agency is delivering necessary services, delivering it according to the service definition, documenting it properly and meeting other related requirements. For example, the case management rate is $65 per service unit, the agency delivers 100 units, the agency bills for and gets paid $6,500; at some point the payer audits health and billing records to make sure the agency complied with all the rules and regulations.

Case Rate: A funding source may contract for a case rate for a specific population or service when there's a common data-driven agreement about a package of services or a typical duration of service. This funding strategy is often used for discrete multi-disciplinary or "bundled" services like targeted case management or an assertive community treatment team (ACTT). The funding source agrees to pay the agency a set amount of money for every person enrolled in that service. The funding source often defines a maximum total amount for these funds (or number of enrollees), similar to how fee-for-service funds can be capped. The funding source will audit to ensure the agency meets the service definition and at the end of the year will make sure the agency actually delivered the services to the number of people for whom cast rates were billed. For example, the case rate for ACTT is $200 per person per month, the agency serves 100 people in ACTT, and so the agency bills and receives $20,000 per month.

Capitation, Per-Member-Per-Month, Pre-Paid Plans: Pre-paid funding strategies are calculated very differently than fee-for-service strategies. Whereas fee-for-service awards payment after the fact for services delivered, pre-paid strategies award agencies upfront for keeping people well and minimizing unnecessary services. The funding source defines a whole population of people and calculates the small percentage of those individuals who may need services at any given time. Then they estimate how much it would cost to serve that small percentage in any given year and derives an average amount of money to ensure those services are available if necessary.

Sometimes the funding source bundles together a full array of services in their calculations, and then the agency manages the person's total wellness, emphasizing those services that help a person sustain recovery and minimize crises. Sometimes the funding source carves out just a few services that the agency must manage for individuals.

Regardless, the funding source pre-pays the agency a set amount of money to manage care, typically called to a per-member-per-month (PMPM) rate; equal amounts are usually paid at the beginning of each month (1/12 of the annual contracted amount, paid the first of each month). The agency is contracted to receive and use those dollars and manage care for anyone in the target population who needs included services. At the end of the year, the funding source and the agency reconcile agency performance to make sure services were, in fact, delivered as needed. The agency often submits reports that itemize services delivery (encounter reporting) rather than submitting a bill. For example, Jefferson County has a population of 40,000; the contracted per-member-per-month rate for behavioral health services for those estimated to need them is $1; at the beginning of each month, the agency receives $40,000 and will be expected to deliver behavioral services to anyone in the target population who needs them.

Allocation: State indigent funds are usually allocated to agencies mirroring a fee-for-service or pre-paid funding strategy. The difference is these funds are typically drawn exclusively from state general funds (rather than the blend of federal, state, and local funds that usually comprise Medicaid spending) and are often more limited. It's easier for these funds to run out before the end of the contract period and agencies must carefully monitor the delivery and billing of these services to make sure they're not delivering services for free (or to manage discretionary funds to cover those services that are not paid for). Auditing and reporting requirements mirror those for fee-for-service and for pre-paid plans.

Grant: Grants can be made by public or private entities, but regardless they are typically a set amount of money for a specific population or service. Funds can be distributed in one lump sum, at set intervals (quarterly or yearly, for example), or in a fee-for-service arrangement. Grant funds usually require periodic reporting about the status of the program as well as how funds are being used. Service audits or encounter reporting can also occur. For example, the county awards an agency a $45,000 grant to deliver substance abuse prevention programs to middle school students and at the end of the year the agency prepares a report that describes activities, outcomes, and actual expenditures.

Costs

Costs can be equally complex in behavioral health in that services vary in setting (home, community, or clinic based) and type of operations (business hours, 24-hour facility or 24/7 availability with variable utilization). In general, calculating the cost of delivering a service typically includes the following variables:

- ◊ **Personnel:**
    - ◊ Salaries
    - ◊ Wages
    - ◊ Employee Benefits
        - ◊ Health Care Benefits
        - ◊ Social Security
        - ◊ Retirement Plan (if agency provides a percentage match for employee contributions)
        - ◊ Unemployment taxes
        - ◊ Life Insurance and Disability premiums

- ◊ **Occupancy:**
    - ◊ Rent for leased space
    - ◊ Depreciation on property that is owned
    - ◊ Utilities
    - ◊ Property insurance
    - ◊ Property taxes
    - ◊ Repairs and maintenance

◊ **Operating Expenses – Day-to-day costs of operating the business or providing services:**

- ◊ Supplies
- ◊ Copying
- ◊ Telephone
- ◊ Computers & other information technology (IT) costs
- ◊ Software licenses
- ◊ Maintenance fees
- ◊ Hardware
- ◊ Desktops
- ◊ Laptops
- ◊ Monitors and peripherals
- ◊ Networking and communication equipment
- ◊ Web services
- ◊ Training
- ◊ Staff development
- ◊ Travel
- ◊ Liability insurance
- ◊ Meeting expenses

◊ **Administrative Expenses also referred to as "overhead" or "indirect" costs.**
These are costs that are vital and necessary to operate a business, but are not directly associated with any specific program or service, and would be necessary whether the business has one program or 100 programs.

- ◊ Executive staff
- ◊ Finance and IT departments
- ◊ Human Resources

◊ **Allocated Costs – Costs for programs and processes that are vital to the delivery of all services but not unique to only one:**

- ◊ Training
- ◊ Billing
- ◊ Best practices – quality assurance
- ◊ Contract management

- ◊ **Depreciation:**
  - ◊ Depreciation is the way a business can account for the cost of a major purchase over a period of time. No program can absorb in one year the cost of buying a major asset (called "capital expenditure" or capital item") such as a building. So the purchase is recorded in the business' books as an "asset" as opposed to charging it as an expense (like salaries, telephone expense, etc.) The capital asset is then "written off" or charged to expenses in subsequent years based upon a "useful life" calculation, which is determined by best practices in the accounting profession (Generally Accepted Accounting Principles [GAAP]).
  - ◊ For example, an agency might purchase a building for $5,000,000. The cost will be charged through the business' operating expenses over the next 40 years at $125,000 per year. This amount is called depreciation.

Productivity

Productivity is essentially the amount of direct service that must be provided to meet or exceed the total costs associated with delivering services. While an agency might use slightly different calculations depending on the predominant funding strategy, the principle is the same: front line service delivery is the engine that ensures an agency will keep its doors open, pay its bills, accomplish its goals, and thrive in the future.

Calculating productivity can be as complex as calculating true costs. An agency factors in many variables, including:

Calculating Available Billable Hours:

- ◊ Calculate the total number of hours of work per full-time equivalent (FTE) employee.
- ◊ Calculate the number of hours per FTE awarded for holidays, leave/vacation, sick/personal leave (subtracted from the total number of hours of work).
- ◊ Estimate the number of hours necessary for non-billable activities, such as non-billable documentation, staffing or meetings, supervision, quality management activity, community meetings, or non-billable travel (subtracted from total number of available work hours).
- ◊ The final number of hours (or percentage of time) becomes the total number of direct service hours available.
- ◊ Break down this total number into FTE specific productivity expectations. Specific numbers may vary depending on the type of service or the intensity of need of individuals served. For example, an outpatient clinician serving individuals with a wide variety of needs may have a higher productivity requirement than a clinician working exclusively with individuals exhibiting chronic, high risk, low engagement patterns.

Align available billable hours per FTE with actual service delivery costs and financial goals so they match.

In other words, productivity reflects:

Financial Goals	=	Available Billable Hours
(Covering costs and having a margin)		(Total and broken down per FTE, percentage of available time and/or specific number of service hours)

KEY FINANCE CONCEPTS

Revenue: For a behavioral health organization, revenue consists of amounts billed for services, grants, and other types of income.

Expenses: Salaries, rent, telephone, and other costs are examples of expenses for a behavioral health organization.

Cash Flow: Cash generated by the business is cash flow, which is different from profitability. Amounts have to be billed and collected to increase cash flow, while paying bills is a decrease in cash flow. Usually used to refer to whether an organization has enough cash on hand to cover their immediate expenses.

Gross Revenue: The word "gross" is usually associated with revenue, where it means the total amount charged or billed.

Net Revenue: The word "net" means a subtotal after some amounts are subtracted. For example, net revenue would be gross revenue less bad debts or discounts for managed care contracts.

Bottom Line: The net income or loss of a program or organization can be referred to as the "bottom line."

Margin: The difference between income and expenses.

Accounts Receivable (A/R): Amounts billed that have not been collected are accounts receivable. Money owed to the organization.

Accounts Payable (A/P): Amounts that are owed but not yet paid are accounts payable. Money the organization owes.

Accrued: The word accrued can apply to either income or expenses and means amounts owed (accrued expenses) or amounts not yet received (accrued income).

Cost: This refers to the actual full cost to deliver a service, including direct and indirect costs. Various methods can be used to determine the cost of an hour of case management or a day of residential treatment, and the cost will be different depending on the methods used. In addition, your state may provide rules for determining costs that do not fully allow for all of the expenses for a service because the state cannot afford to pay full costs. It's important to understand how costs were determined before making decisions on that basis.

Debt: Monies that have been spent and are owed. This is usually from borrowing against a line of credit, but may also be a long-term purchase or lease agreement.

Deficit: When a budget (proposed or actual) has more expenses than revenue.

Fixed Costs: Costs that do not change with changes in volume are fixed costs. For example, rent is a fixed cost since it doesn't change when the amount of services provided changes.

Variable Costs: Costs that change with changes in volume are variable costs. For example, the amount of house paint required changes with the number of houses built, which makes paint a variable cost.

Budget versus actual: Planned expenses compared with real expenses.

Variance: The difference between budget and actual is the budget variance. A positive variance means that an organization has performed better than the budget — more revenue or less expense.

Materiality: Concept referring to the significance of a number or an event. An amount is not material to an organization when the amount is not significant based on the size of the organization. For example, $1 would not be material to Microsoft.

Direct Costs: Costs that are directly attributable to a certain program or service are direct costs. For example, salary expenses of case managers would be direct costs of the case management program.

Allocation: A method of spreading costs to different programs or services. Administrative costs have to be allocated to different programs to determine total costs. For example, a portion of the accounting department costs would be allocated to the case management program to determine total costs.

Investment: Organizations can choose to make an investment in a program, by operating it at a loss to develop it for the future or to fulfill its mission. For example, an organization could operate a homeless outreach program at a loss to fulfill its mission of serving the community.

Reserves: Accumulated cash from past years are reserves that can be used for investments or to cover a poor financial year.

Depreciation: A way to charge expenses over a specified time for items that have a value that lasts longer than a year. For example, a computer might be expected to last three years before it would have no resell value, and so would be charged over a three-year period.

EXERCISE: FINANCIAL LITERACY

TASK 1: Understanding the Income Statement and Balance Sheet

1. What is the largest source of revenue for Kirby Behavioral Health Center?

2. Find an example of an immaterial amount of revenue.

3. Find an example of a fixed and a variable cost.

4. Which program has the greatest margin? *(Note: there are two right answers.)*

5. Is Kirby experiencing positive or negative cash flow?

6. Have accounts receivable (AR) increased this year?

7. Give an example of an expense that may be included in accounts payable (AP).

8. Can Kirby afford to give its employees a raise?

Income Statement Kirby Behavioral Health Center

Year Ended June 30

	Total	Community Support	Children & Families	Crisis Services	Management & Administration
Revenue and Support					
County Mental Health Board	624,380	326,777	113,489	127,396	56,718
Medicaid	2,289,152	1,563,298	489,220	116,300	120,334
State Funds	1,811,235	1,290,381	316,778	98,347	105,729
Other Third Party	196,035	45,220	104,829	35,687	10,299
Client Payments	10,830	5,642	1,293	2,058	1,837
United Way	125,000	10,285	84,028	27,844	2,843
Grants	78,500	12,500	46,902	13,098	6,000
Other Revenues	17,320	8,940	2,985	1,993	3,402
Total	5,152,452	3,263,043	1,159,524	422,723	307,162
Expenses					
Salaries	2,545,859	1,612,290	572,928	208,870	151,771
Benefits	650,525	411,977	146,396	53,371	38,781
Payroll Taxes	298,401	188,977	67,153	24,482	17,789
Subtotal Personnel Costs	3,494,785	2,213,244	786,477	286,723	208,341
Professional Fees	175,002	120,751	33,250	14,000	7,000
Rent	165,009	99,005	31,352	18,151	16,501
Depreciation	96,732	58,039	18,379	10,641	9,673
Other Occupancy	85,117	51,070	16,172	9,363	8,512
Transportation	75,992	52,434	14,438	6,079	3,040
Insurance	117,393	81,001	22,305	9,391	4,696
Communications	221,008	134,815	41,992	17,681	26,521
Training	77,004	53,133	14,631	6,160	3,080
Supplies	224,998	155,249	42,750	18,000	9,000
Other	184,553	127,342	35,065	14,764	7,382
Subtotal Other Costs	1,422,808	932,840	270,334	124,230	95,404
Total	4,917,593	3,146,084	1,056,811	410,953	303,745
Excess (Deficit)	234,859	116,959	102,713	11,770	3,417

Statement of Financial Position (Balance Sheet)

	Last FY	This FY
ASSETS		
Current Assets		
Cash and Cash Equivalents	439,220	411,329
Accounts Receivable (net)	1,472,298	1,317,753
Prepaid Expenses	89,723	144,693
Total Current Assets	2,001,241	1,873,775
Other Assets		
Investments	250,000	250,000
Property and Equipment	2,784,991	2,569,223
Accumulated Depreciation	(834,012)	(812,002)
Other Assets	100,292	125,038
Total Other Assets	2,301,271	2,132,259
TOTAL ASSETS	4,302,512	4,006,034
LIABILITIES		
Current Liabilities		
Accounts Payable	118,567	123,997
Accrued Payroll	145,616	135,693
Other Accrued Expenses	23,999	56,377
Current Portion Long Term Debt	22,500	22,500
Total Current Liabilities	310,682	338,567
Long Term Debt	1,225,000	1,247,500
TOTAL LIABILITIES	1,535,682	1,586,067
UNRESTRICTED NET ASSETS	2,766,830	2,419,967
TOTAL LIABILITIES AND NET ASSETS	4,302,512	4,006,034

TASK 2: Understanding the Community Support Budget

1. Has the community support program experienced a positive or negative variance from budget?

2. What is the largest positive variance?

3. Is the program more or less profitable this year as compared to the prior year?

4. Find an example of an allocated or indirect expense.

5. Find an example of a negative trend from one year to the next.

6. Give three possible reasons why actual Medicaid revenues were less than budget.

7. Give two possible action steps to improve this program's performance in the future.

COMMUNITY SUPPORT BUDGET

Fiscal Year July 1 – June 30

			This Year Actual	This Year Budget	Variance	Last Year Actual
Revenue						
	County		326,777	350,000	(23,223)	345,882
	Medicaid		1,563,298	1,780,000	(216,702)	1,675,906
	State General Fund		1,290,381	1,350,000	(59,619)	1,378,555
	Other Third Party		45,220	38,000	7,220	25,395
	Client Payments		5,642	12,000	(6,358)	3,429
	United Way		10,285	10,000	285	9,565
	Grants		12,500	12,500	0	0
	Other Revenue		8,940	10,000	(1,060)	7,845
Total			3,263,043	3,562,500	(299,457)	3,446,577
Expenses						
	Salaries		1,612,290	1,604,451	(7,839)	1,559,022
	Fringe		411,977	419,011	7,034	401,228
	Payroll Taxes		188,977	181,329	(7,648)	179,665
	Subtotal Personnel Costs		2,213,244	2,204,791	(8,453)	2,139,915
	Professional Fees		120,751	125,000	4,249	121,094
	Rent		99,005	100,000	995	98,111
	Depreciation		58,039	58,039	(0)	56,038
	Other Occupancy		51,070	52,000	930	50,936
	Transportation		52,434	55,000	2,566	54,302
	Insurance		81,001	82,010	1,009	88,203
	Communications		134,815	142,000	7,185	129,398
	Training		53,133	50,000	(3,133)	48,992
	Supplies		155,249	162,900	7,651	185,203
	Other		127,342	131,000	3,658	124,937
	Subtotal Other Costs		932,840	957,949	25,109	957,214
Total			3,146,084	3,162,740	16,656	3,097,129
Excess (Deficit)			116,959	399,760	(282,801)	349,448

EXERCISE: BALANCE THE BUDGET

SCENARIO 1: Your agency is preparing your budget for next year. Due to various funding cuts (rate cuts, loss of state, local, and independent grants, etc.) your proposed budget predicts a loss. You need to figure out how to balance this budget to show a $300,000 reserve margin.

You have been given two spreadsheets to recalculate next year's budget. The first spreadsheet, "This Year's Budget" documents what actually happened financially this past year. The spreadsheet titled, "Next Year's Proposed Budget" is calculated based on the funding cuts.

TASK 1: Senior management has asked middle managers to meet to develop joint budget recommendations to balance the budget and show a $300,000 reserve margin. Budget assumptions are provided below and on the actual budget on the separate pages. Write your final budget recommendations on your flip charts and be prepared to present them.

General Assumptions:

◊ Each staff person costs $85,000 per year including benefits and taxes.

◊ The Indirect / Overhead / Admin line item includes all senior management, quality management, records, finance and billing, human resources, custodial, and other similar non-revenue generating functions. It is calculated at 15% of total revenue for each service. You can't change the 15%, but if your new budget changes revenue, you also need to calculate the new figure for related Indirect / Overhead / Admin.

◊ Medicaid revenues are fee-for-service; rates are listed on the spreadsheet. These rates can't be changed.

◊ State, County / Local, and Grants revenues are grant funds.

◊ Productivity levels for clinical services are indicated for each program or department. Productivity is calculated based on 1,800 total available hours.

◊ The total revenues for each service reflect only Medicaid revenue.

EXERCISE: BUILDING A BUDGET

Your organization, Happy Valley Kids Services, has been approached by your funding authority to develop new intensive in-home services in two contiguous counties, one rural and one mixed rural and suburban. Key elements of the service definition include the following parameters:

- ◊ Team-based service for children and adolescents who, due to serious and chronic symptoms of an emotional, behavioral, and/or substance use disorder, are unable to remain stable in the community without intensive interventions
- ◊ Clinical rehabilitation interventions available 24/7/365
- ◊ Goals include reduce presenting psychiatric or substance abuse symptoms, crisis response, linkage to community services and resources, and prevent out-of-home placement for the child
- ◊ Services are typically provided in the youth's living environment, with a family focus, and include but are not limited to the following interventions:
  - ◊ Individual and family therapy
  - ◊ Substance abuse treatment interventions
  - ◊ Develop and implement a home-based behavioral support plan with the youth and his or her caregivers
  - ◊ Psychoeducation, which imparts information to the recipients, families, caregivers, and/or other individuals involved with the recipient's care about the recipient's diagnosis, condition, and treatment
  - ◊ Intensive case management
  - ◊ Arrange for psychological and psychiatric evaluations
  - ◊ Crisis management

<u>TASKS</u>:

1. Make a list of information you will need to develop a budget, along with potential sources of the information.
2. Create a spreadsheet that lists all possible revenue and expense categories for this program.
3. Discuss as a group other factors that may cause the budget process to be more complex than the simple model in this exercise.

THIS YEAR'S BUDGET		Total	24/7/365 Crisis Services	Assessment & Intake	Outpatient	Assertive Community Treatment Team	Peer Support	Special Projects
Revenues								
	Medicaid	6,468,120	1,249,920	1,209,600	2,721,600	1,287,000		
	State general fund	1,232,000	545,000	215,000	242,000	230,000		
	County/Local	408,000	63,000	45,000			300,000	
	Other third party	92,000		15,000	62,000		15,000	
	Self-Pay	64,000		10,000	54,000			
	Grants	150,000						150,000
	Other	25,000						25,000
Total		8,439,120	1,857,920	1,494,600	3,079,600	1,517,000	315,000	175,000
Expenses								
	Salaries, Benefits & Taxes	4,335,000	680,000	850,000	1,530,000	850,000	255,000	170,000
	Occupancy	744,700	147,300	132,000	173,400	243,000	31,500	17,500
	Telephone	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Computers / IT	297,880	58,920	52,800	109,360	57,200	12,600	7,000
	Training	223,410	44,190	39,600	82,020	42,900	9,450	5,250
	Travel	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Supplies	74,470	14,730	13,200	27,340	14,300	3,150	1,750
	Professional Fees	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Other	74,470	14,730	13,200	27,340	14,300	3,150	1,750
	Subtotal Other Direct Costs	6,196,750	1,048,250	1,180,000	2,113,500	1,307,500	333,750	213,750
	Indirect / Overhead / Admin (15%)	1,265,868	278,688	224,190	461,940	227,550	47,250	26,250
Total		7,462,618	1,326,938	1,404,190	2,575,440	1,535,050	381,000	240,000
Net Margin		976,502	530,982	90,410	504,160	(18,050)	(66,000)	(65,000)
Productivity			62%	60%	70%	65%	45%	
FTEs		51.0	8.0	10.0	18.0	10.0	3.0	2.0
Medicaid Rate per Hour of Service			$140.00	$112.00	$120.00	$110.00	$100.00	

NEXT YEAR'S PROPOSED BUDGET		Total	24/7/365 Crisis Services	Assessment & Intake	Outpatient	Assertive Community Treatment Team	Peer Support	Special Projects
Revenues								
	Medicaid	5,966,460	1,071,360	1,155,600	2,268,000	1,228,500	243,000	
	State general fund	937,000	410,000	185,000	142,000	200,000		
	County/Local	78,000	40,000	38,000				
	Other third party	92,000		15,000	62,000		15,000	
	Self-Pay	45,000		10,000	35,000			
	Grants							
	Other							
Total		7,118,460	1,521,360	1,403,600	2,507,000	1,428,500	258,000	
Expenses								
	Salaries, Benefits & Taxes	4,335,000	680,000	850,000	1,530,000	850,000	255,000	170,000
	Occupancy	744,700	147,300	132,000	173,400	243,000	31,500	17,500
	Telephone	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Computers / IT	297,880	58,920	52,800	109,360	57,200	12,600	7,000
	Training	223,410	44,190	39,600	82,020	42,900	9,450	5,250
	Travel	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Supplies	74,470	14,730	13,200	27,340	14,300	3,150	1,750
	Professional Fees	148,940	29,460	26,400	54,680	28,600	6,300	3,500
	Other	74,470	14,730	13,200	27,340	14,300	3,150	1,750
	Subtotal Other Direct Costs	6,196,750	1,048,250	1,180,000	2,113,500	1,307,500	333,750	213,750
	Indirect / Overhead / Admin (15%)	1,067,769	228,204	210,540	376,050	214,275	38,700	
Total		7,264,519	1,276,454	1,390,540	2,489,550	1,521,775	372,450	213,750
Net Margin		(146,059)	244,906	13,060	17,450	(93,275)	(114,450)	(213,750)
Productivity			62%	60%	70%	65%	45%	
FTEs		51.0	8.0	10.0	18.0	10.0	3.0	2.0
Medicaid Rate per Hour of Service			$120.00	$107.00	$100.00	$105.00	$100.00	

EXERCISE: IMPLEMENTING THE BUDGET

SCENARIO 1: Because you have so successfully recommended a way to balance the budget, your CEO has asked you to lead the implementation effort. Consequently, you need an initial plan.

TASK 1: Please define the following:

OBJECTIVES Brainstorm then prioritize 3-6 key objectives to implement the budget successfully	**INDICATORS / ACCOUNTABILITIES** Identify key indicators / accountabilities that will tell you if objectives are being met

<u>TASK 2</u>: Brainstorm and prioritize potential impacts for employees (internal impacts) and consumers (external impacts):

Employees – Internal Impacts:

Consumers & Families – External Impacts:

Other External Stakeholders – External Impacts:

Based on this impact analysis, outline a communication plan for each group that includes key communication points and a timeline for communicating:

EXERCISE: FEE-FOR-SERVICE PRODUCTIVITY

Total Work Hours	2,080	
Personal Leave Hours	200	
Holiday Hours	80	
Available Hours	**1,800**	
Productivity Rate	65%	
= Billable Hours	1,170	
Average Billing Rate	$65	
Revenue per Clinician		**$76,050**
Salary	$45,000	
Benefits (30%)	13,500	
Other Overhead (50%)	22,500	
Total Personnel Cost		**$81,000**
Net (Loss) Per Clinician		($4,950)

SCENARIOS:

What would happen to the net per clinician if productivity decreases to 54 percent?

What would happen to the net per clinician if productivity increases to 70 percent?

What factors might influence productivity for an outpatient clinician?

EXERCISE: FIXED REIMBURSEMENT PRODUCTIVITY SCENARIO

Consumers receiving case management services	200
Average hours of service (annually) per consumer	52
Total annual case management service hours	10,400
Available annual hours per case manager	1,800

<u>SCENARIO 1</u>: If you have a productivity rate of 55 percent:

How many total service hours are available per employee?

How many case managers (in FTEs) would you need to hire?

<u>SCENARIO 2:</u> If you have ten case managers (10 FTEs) on staff, what productivity rate would they need to have to meet the service needs of this population (without adding more case managers)?

EXERCISE: MEASURING PRODUCTIVITY

TASKS: What are some strategies for measuring productivity in the following situations?

1. Staff in a residential or group home, where fees are paid on a per night (per diem) basis for residents.

2. Human resources staff?

3. Peer Support Specialist?

4. Supported Employment staff?

5. Billing staff?

6. Data entry staff?