



HCBS
BUSINESS
ACUMEN CENTER

DISABILITY NETWORK BUSINESS STRATEGIES:
A Roadmap to Financial and Programmatic
Sustainability for Community-Based Organizations

Step 3: Stabilize

Stabilize Your Organization

ADVANCING
STATES 

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BUSINESS ACUMEN describes an organization’s ability to understand and address business conditions in a way that leads to the organization’s desired financial and operational outcomes. For community-based organizations (CBOs) serving people with disabilities, strong business acumen will improve the organization’s ability to sustain or even grow their programs. The HCBS Business Acumen Center is devoted to providing resources to disability-focused CBOs to facilitate successful business practices. The Disability Network Business Strategies Roadmap is one such resource.

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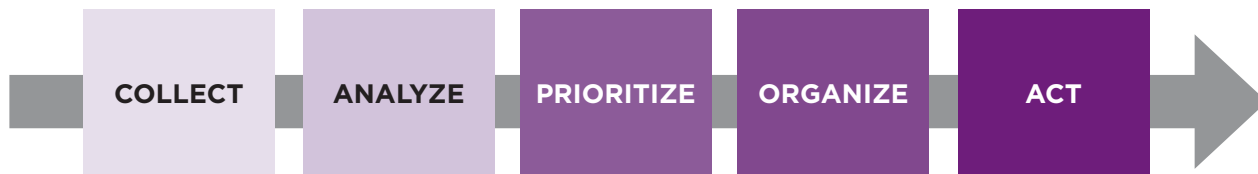
For more information, please visit hcbsbusinessacumen.org.

Step 3: Stabilize

Stabilize Your Organization

In **Step 2: Plan**, of the Disability Network Business Strategies Roadmap, you used the information you gathered through your environmental scan and SWOT analysis to identify opportunities and challenges for your organization. You used that information to develop a strategic and operational plan that you will now use to lead your organization. It is time to Act.

Figure 1: Using Business Intelligence to Build and Implement Your Strategic Plan



Every organization strives to have stable operations. Every business has to operate. It has to function. Organizational stability means many things. It requires that you have control of your finances so that you have enough in revenue to meet current expenses and are able to create savings that can be used to sustain your organization through down periods. Ideally, the financial stability of your organization is such that you are prepared for growth when opportunities present themselves. Organizational stability requires that your business has an employee base who is responsible, reliable, and trained. It means that your business has efficient business processes and uses technology in ways that allow employees to operate as effectively as possible. Ultimately, organizational stability means that your organization operates effectively today and should for the foreseeable future.

Things to consider as you review this module:

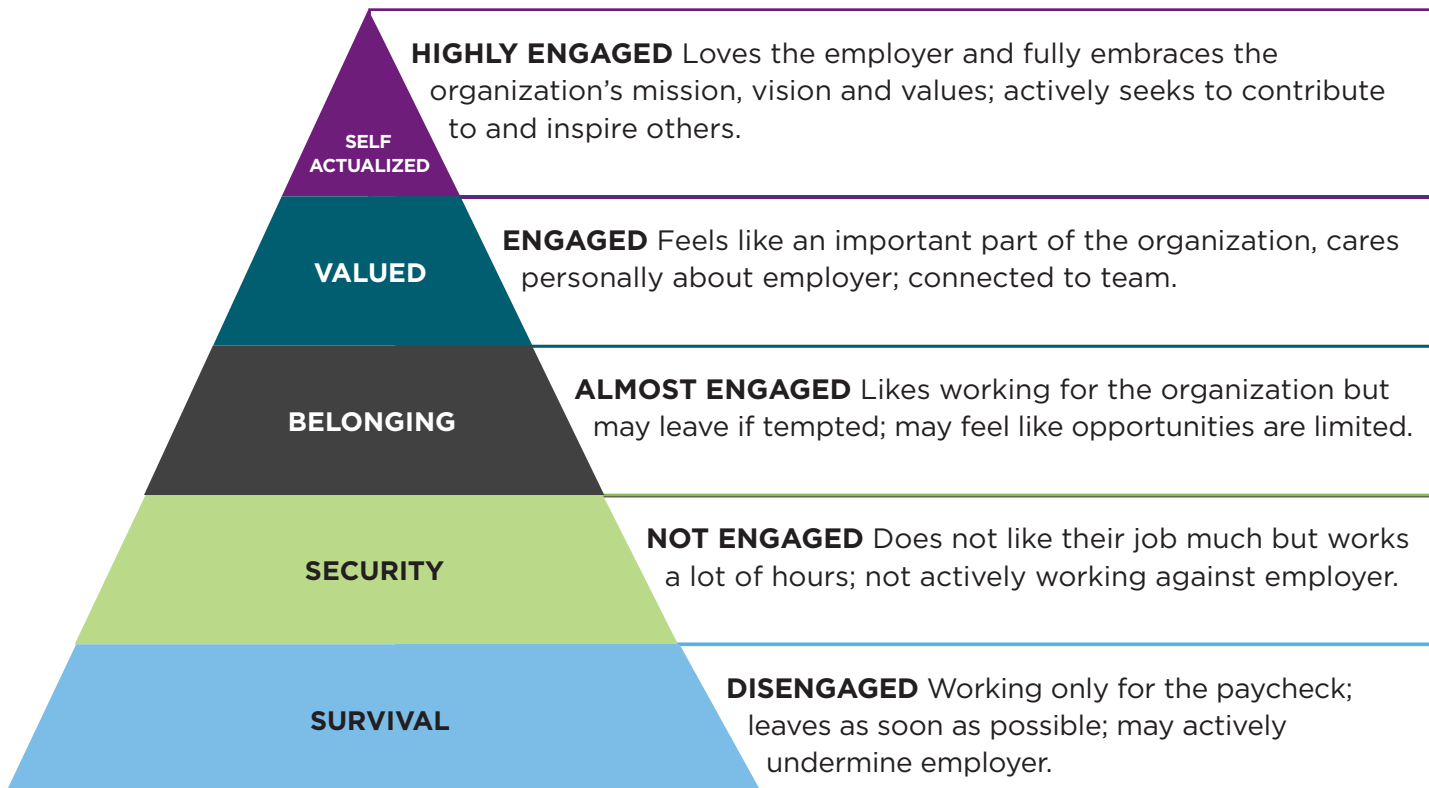
- How stable is your organization today?
 - Consider finances, human resources and operations.
- Do you have control of your finances?
 - Do you understand how you are paid?
 - Do you know where your costs come from?
 - Do your cash reserves and available credit support necessary cash flow?
 - Do you know how to reduce expenses if they are too high?
 - Can your program operate in a deficit? If so, for how long?

HUMAN RESOURCES

Most CBOs agree that their most important asset is human capital. Human capital is the value of the people your business uses to operate your business — it incorporates the skills and capacity of the people you employ. Human capital must meet current business demands, but happy, empowered, engaged, and prepared employees increase your ability to be successful when you grow your business. The key human capital functions in CBOs are the front line staff who conduct day-to-day operations, and the leadership team who provide strategic direction as well as support and direction to the front line staff.

The ideal employee is one who is engaged with your organization. Engaged employees see their role as more than just a job. They care about the success of the organization and want to be a part of that success. [Figure 2: Hierarchy of Employee Engagement](#) illustrates how you can visualize employee engagement like the Maslow hierarchy of needs.

Figure 2: Hierarchy of Employee Engagement



Employee engagement can be defined as the emotional commitment that an employee has for his or her employer, the goals of their employer, and to the people they serve. Employees can be happy or satisfied with their work and still not be fully engaged. Engagement occurs when an employee truly cares both about their work and their company. Engaged employees will take the initiative to go above and beyond in their work. Having engaged employees strongly correlates with better business outcomes.

Survey your employees to learn more about how engaged they are. The **Twelve Questions of Engagement**¹ adapted from the Society for Human Resource Management is a set of validated questions to measure employee engagement.

Twelve Questions of Engagement

1. Do you know what is expected of you at work?
2. Do you have the materials and equipment to do your job right?
3. At work, do you have the opportunity to do what you do best every day?
4. In the last seven days, have you received recognition or praise for doing good work?
5. Does your supervisor, or someone at work, seem to care about you as a person?
6. Is there someone at work who encourages your development?
7. At work, do your opinions seem to count?
8. Does the mission/purpose of your company make you feel like your job is important?
9. Are your fellow employees committed to doing quality work?
10. Do you have a best friend at work?
11. In the last six months has someone at work talked to you about your progress?
12. In the last year, have you had opportunities to learn and grow?

Hire and Retain Staff

Every organization seeks to hire and retain adequate staff in order to run efficiently and demonstrate organizational capacity to potential partners or new payers. Disability organizations require many types of employees. However, it is increasingly difficult for organizations that rely heavily on entry-level employees, such as direct support workers (DSPs), to attract and retain qualified staff. A shrinking workforce pool, the difficulty of the job, low salaries, little opportunity for career advancement and the changing support needs and expectations for people being supported are all reasons why there is turnover and limited availability of DSPs in particular. With this in mind, before you seek new employees, be sure to identify ‘why’ you need more staff. Can you reduce the number of staff you need if you provide additional training to the ones you have? Can you enhance their current skills or build new ones through training or increased responsibility? Can the use of technology minimize the number of staff you need? Innovate whenever possible.

In the publication, *Staff Recruitment, Retention & Training Strategies for Community Human Service Organizations*², the University of Minnesota Institute on Community Integration, noted that, despite significant challenges in the long-term services and supports (LTSS) workforce, CBOs that integrate a package of recruitment, retention and training strategies

¹ <https://www.shrm.org/hr-today/news/hr-magazine/pages/0510fox3.aspx>

² Larson, Sheryl A, Hewitt, Amy S. (2012) *Staff Recruitment, Retention & Training Strategies for Community Human Service Organizations*, Retrieved from https://ici.umn.edu/products/docs/Staff_Recruitment_book/Staff_Recruitment_book.pdf

improve their staff stability. Similarly, organizations that invest in improved systems to hire, train, and manage people can realize a good return on investment (ROI). See **Step 2: Plan** for more information on how to calculate ROI.

You can improve your ability to hire and retain the staff you desire through key activities:

- 1. Human Resource Metrics:** Understand your current employees. Measure staff stability and identify problem areas.
- 2. Target Recruitment:** Improve your ability to attract the candidates you desire.
- 3. Hiring Practices:** Make selective choices that align with the needs of your organization.
- 4. Orient and Onboard:** Prepare new employees for the job.
- 5. Train and Develop:** Professionalize the role to encourage the best employees to stay.
- 6. Incentivize and Recognize:** Reward employees for performance and positive outcomes.

Human Resource Metrics

Measurement allows you to track, monitor and understand trends in your business. This knowledge enhances your ability to address problems in a timely fashion. Human resource metrics that will help you understand the success of the employment practices and policies of your organization include turnover, retention, and average length of tenure. The measurement period for all of these should be meaningful to your organization. Depending on your goals and objectives, you may want to track trends on a monthly, quarterly or annual period. What is key is that you measure what is important to your organization and that you are consistent in doing so. Use the data to identify themes and trends in multiple ways. For example, there may be differences in your availability of employees by part-time or full-time status, job classification, shift, location, or supervisor. The more you analyze the data, the more you will learn. [Table 1: Common Human Resource Measures](#) provides an overview of metrics you may use to understand and manage your staff.

Let us look at [Example 1: Example of Human Resource Calculations](#). Agency ABC began calendar year 2018 with 80 employees. At the end of 2018, Agency ABC had 78 employees on their payroll, 55 of which were DSPs. During that calendar year, 29 DSPs left the agency. The agency filled 23 of those positions with new hires. Of the 29 that left, 18 of them left before they had been there six months.

Table 1: Common Human Resource Measures

Metric	Definition	Calculation
Turnover	<p>The rate at which employees leave their jobs and are replaced over a period of time.</p> <p>This is the most common way in which organizations evaluate their HR stability. Turnover is usually expressed as a percentage.</p>	$\frac{(\text{\# of departures in the measurement period})}{(\text{\# of employees at the end of the measurement period})} \times 100$
Retention	<p>The number of employees who continue to be employed by your organization over a period of time.</p> <p>While turnover measures the amount of “churn” in your workforce, retention measures those that stay.</p>	$\frac{(\text{\# of employees at beginning} - \text{\# of FTE departures})}{(\text{\# of employees at the beginning of the measurement period})} \times 100$
Average Tenure	<p>How long your employees stay with your organization overall.</p> <p>It is the average length of service, usually measured in months, of all of your employees.</p>	$\frac{(\text{sum of \# of months service for all employees})}{(\text{\# of employees})}$
Employees with less than 6 months' tenure	<p>The percentage of separated employees who had six months' tenure or less.</p>	$\frac{(\text{total \# of employees who left before working six months})}{(\text{total \# of employees who left in the calendar year})} \times 100$

Example 1: Example of Human Resource Calculations

Question	Metric	Calculation
What is the agency's total turnover rate?	Turnover	$\frac{\text{\# of departures: 29}}{\text{\# of employees: 78}} \times 100 = 37.2\%$
What is the agency's turnover rate for DSPs?	Turnover for a specific group	$\frac{\text{\# of departures: 29}}{\text{\# of employees: 55}} \times 100 = 52.7\%$
What is the % of DSPs who left before they had worked six months?	Employees with less than 6 months' tenure	$\frac{\text{total \# of employees who left before working six months: 18}}{\text{total \# employees who left in calendar year: 29}} \times 100 = 62.1\%$
What is the agency's overall retention rate?	Retention	$\frac{\text{\# of employees at beginning: 80} - \text{\# of departures: 29} = 51}{\text{\# of employees at the beginning of the measurement period: 80}} \times 100 = 63.7\%$

Turnover can be “internal” – vacancies created by promotions or transfers or “external” – vacancies created by resignations or termination. Turnover may also be “voluntary” – unforced resignations, or “involuntary” – forced separations.

If your organization is experiencing turnover, you already know that it is expensive. The American Network of Community Options and Resources (ANCOR) suggests that it costs between \$4,200 and \$5,200 in direct and indirect costs to recruit, hire, orient, and train a new direct service professional.³ The direct costs of turnover are the time and material expenses you incur. For example, it takes time to post and advertise job openings, interview and select new hires, conduct background checks, and develop and print orientation materials. You must also pay both the new hire and the trainer during the training period. Material costs such as fees, printing and posting advertisements are all connected to this effort. Indirect costs include reduced productivity and lost revenue. Productivity is adversely affected by having employees in training, plus new employees are not as productive in general as established employees. It is possible that your organization may need to turn away consumers due to inadequate staffing, or the volume or quality of work may not meet your expectations.

Example 2: Example of Cost of Turnover

Question	Metric	Calculation
Using Example 1, how much did DSP turnover cost Agency ABC in 2018?	Cost of Turnover	# of departures (29) x cost of turnover per employee (\$4200) = \$121,800

In some cases, turnover is a good thing. Promotions and transfers may be good for your organization. They allow you to advance talented employees, increase job satisfaction and ideally increase the employee’s longevity with your company. Vacancies created by resignations or terminations may also be good. You do not want to keep under or poor performing employees for the sake of having a body on staff. Resignations or terminations of good employees is what you want to avoid.

Turnover expectations may vary throughout the year and in accordance with changes in your organization. For example, if you employ a high percentage of college students, you may find that turnover increases at the beginning or end of the school year. Similarly, if your organization is going through an acquisition or leadership change, you may find that turnover spikes. You may also see turnover increase when the economy is doing well and employees have more options for employment. Regardless, review your turnover expectations at regular intervals so that you can modify strategies that will ensure your ability to achieve your business outcomes.

³ American Network of Community Options and Resources. March 28, 2017. Addressing the Disability Services Workforce Crisis of the 21st Century. <https://carcengage.com/ancor/file/ZuL1zlyZ3mE/Workforce%20White%20Paper%20%20Final%20%20hyperlinked%20version.pdf>.

The NCI Workforce Stability Survey⁴ provides states and providers with dependable state-based information about the workforce. The NCI Workforce Stability Survey measures turnover on a calendar year and can provide your organization with helpful information against which to benchmark the turnover in your organization. The 2017 NCI Workforce Stability Survey revealed that an average of 46% of all DSP positions turned over during the year with state averages ranging from 24% to 63%. Of positions that were turned over, 38% left within the first six months of employment, 21% left between 6 and 12 months of employment and 41% of turnover was from staff who had been employed more than 12 months. You can benchmark against the national data, or against state data if your state participates in the NCI Workforce Stability survey. Visit <https://www.nationalcoreindicators.org/resources/staff-stability-survey/> to see if your state participates.

Target Recruitment

If your organization needs to recruit additional employees, your goal is to get the right people for the right roles. An effective recruitment plan consists of the following steps:

- Develop your value proposition as an employer.
- Communicate your value proposition in clear and understandable ways.
 - In **Step 1: Prepare**, you outlined your mission and vision — include these in your recruitment plan.
- Identify and remove barriers to recruitment.
 - Pay attention to what current employees are saying and address their concerns.
 - Identify and correct inconsistencies between what you say you value and how that manifests in your employment and business practices.
- Implement an expansive marketing strategy.
 - Spread the word to all potential candidate sources.
 - Pay attention to key messages you want to convey.
 - Use existing employees.
 - Use a variety of mediums such as social media, online recruiting platforms, job fairs, relationships with local colleges and universities.
- Evaluate.
 - Monitor and update the plan as needed.

Your organization is likely to compete for employees with other types of employers who pay similar wages, such as retail, restaurants, or manufacturing. However, many people want to work with mission-driven CBOs, or with people with disabilities for reasons beyond pay and benefits. Define your value proposition as an employer and use it in all of your recruiting efforts to help you reach those who share the values of your organization. Disability-focused CBOs offer many tangible and intangible benefits that go beyond wages and benefits:

- A unique or compelling organizational mission and vision.
- Challenging and rewarding work.

⁴ National Core Indicators. (2019). National Core Indicators 2017 Staff Stability Survey Report. Retrieved from the National Core Indicators website: <https://www.nationalcoreindicators.org/resources/staff-stability-survey/>

- Opportunities for customized development or advancement.
- An organizational culture based on empowerment and autonomy.
- A positive work environment.

Interview your current employees to better understand why they work for your organization. Use that information to develop your recruitment value proposition.

- Why did you apply for a job with our agency?
- If you had multiple job opportunities, why did you take this position?
- What benefits mean the most to you?
- What do you value most about working with us?
- Why do you stay employed with us?
- What would cause you to leave?

To get the most honest responses, ask these questions in an anonymous survey, as outlined in **Step 2: Plan**. Identify themes from the responses to articulate the factors that can attract people to your organization. If you receive negative responses or are unable to identify consistent themes, follow-up with focus groups or a second survey with more specific questions. A well-constructed survey can serve a dual purpose to help you identify areas where you can improve employee satisfaction and build the value proposition.

Be intentional with your use of surveys or interviews. If you gather feedback from your employees, you will create the expectation that their feedback will be used. Share results and describe how you will use the information to address any negative areas that arise. This will build trust with your current employees.

With your value proposition in hand, you can begin to recruit employees. Some organizations find that they have the best luck when they cast a wide net when they recruit. With a large number of candidates, this approach allows your organization to determine who the best fit for your organization is. Organizations that take a targeted approach, recruit from the specific areas where they are more likely to reach the people who are prepared to work with their populations. Your current employees may be the best source of qualified referrals, but other, non-traditional sources, such as veterans, senior groups, other people with disabilities, or those who seek jobs because of public assistance requirements may be strong options.

Hiring Practices

Before you can identify the right people, you must understand what the job really requires. Competencies are the specific knowledge, skills and abilities (KSAs) that one must have to perform a job successfully. Knowledge is the body of information and “book learning”; Skill is the applied utilization of that knowledge; and Abilities are the more innate characteristics that a person possesses that are relevant to the role.

Identify the competencies that are required through a job analysis. Consider the range of characteristics that contribute to a person's success in a particular job. What knowledge, skills and abilities do the best employees contain? Technical knowledge or previous experience with a job may make someone good, but it is often their abilities that set them apart.

A frequent hiring mistake occurs when organizations prioritize specific experience over the candidate's potential and transferrable experience. If your organization is unable to find and hire workers who already possess the specific knowledge and skills you desire, it makes sense to prioritize the more innate attributes and then put the people that you hire through a training program that will develop the desired skills.

Interview Process: The interview process should provide you with the information you need to select suitable employees. Structured interviews use open-ended, behaviorally based and situational questions to gain insight into how job candidates will perform in specific situations. The premise of behaviorally based questions is that past behavior is the best predictor of future behavior. Situational questions are based on the theory that intentions are related to actual behavior, which allows one to anticipate or predict behavior using hypothetical situations.

Behaviorally based questions start with the words "Tell me about a time when..."

- "Tell me about a time when your efforts to communicate with someone were ineffective. What was the situation, what did you do and what happened as a result?"
- "Tell me about a time when you advocated for or assisted another person because they were being treated badly by others."

Situational questions use hypothetical situations to draw a candidate out.

- "You and the person with disabilities that you support are at a restaurant. When the waiter comes to take your order, they speak and look only at you. The person you are with can give their own order. What do you say or do?"
- "Jamal, a resident in the group home where you work has expressed how much he misses his mother's cooking and talks about the special dishes he loved as a child. How might you respond to this situation?"

KNOWLEDGE, SKILLS AND ABILITIES

A nurse must acquire **knowledge** in nursing school, and practice **skills** in order to demonstrate competency to apply that knowledge in real situations. Outside of knowledge and skills, other **abilities** a nurse may be expected to possess are the ability to be compassionate, and the ability to maintain a cool head in a crisis. These abilities may be learned to a certain degree but more frequently are innate to each person.

STRUCTURED INTERVIEWS INCLUDE:

Behavioral Based Questions:

Require candidates to describe a situation they have been in.

Situational Questions:

Require candidates to describe what they think they would do in hypothetical situations.

anchors:

Provide benchmarks to evaluate answers to behavioral and situational questions.

Since behaviorally based and situational questions are subjective, “anchors” provide benchmarks to evaluate answers and help create consistency between and among multiple people who conduct interviews. Anchors use examples of the range of answers you might expect from any given question to help interviewers evaluate candidate responses. Anchors are usually scored based on a numerical scale.

Example 3: Example of Anchor Scores

Score	Score Description
5	An excellent response that demonstrates a high level of understanding or behavior with concrete examples to illustrate.
3	A minimally adequate response that uses examples to demonstrate marginally acceptable level of understanding or behavior.
1	A poor response with no examples that demonstrate an acceptable level of understanding or behavior.

Example 4: Example of an Interview Anchor

Score Description	Score	Tell me about a time you had a conflict with a co-worker. What was the issue, what did you do, and what was the outcome of the situation?
Excellent response	5	A co-worker and I disagreed on how to handle a consumer situation. We stepped outside so that we could talk about it one on one. Once we were able to hear each other out, we worked out a solution that we both could live with.
Adequate response	3	I asked my supervisor to provide direction on the best thing to do.
Poor response	1	I just tell them “fine - you just do it your way then and we will see what happens!”

Practice developing anchors in Example 5: Example of an Anchor Development Practice.

Example 5: Example of an Anchor Development Practice

Score Description	Score	You and the person with disabilities that you support are at a restaurant. When the waiter comes to take your order, he speaks and looks only at you. The person you are with can give their own order. What do you say or do?
Excellent response	5	
Adequate response	3	
Poor response	1	

Your organization can develop its own behaviorally based and situational questions based on experiences your staff have experienced. Ask your current employees about situations they have encountered and turn that into a question. They can also help you develop anchors that describe how they would like a peer to respond in those situations. Use [Table 2: Question and Anchor Development Table](#) to practice developing a question and corresponding anchors based on something your organization has experienced. Before you use the new anchors in an interview, be sure to have them reviewed by a human resource professional, attorney or other qualified individual who can ensure that the questions you ask potential employees do not infringe on any individual's rights or violate any laws or regulations.

Table 2: Question and Anchor Development Table

Score Description	Score	Anchor Question:
Excellent response	5	
Adequate response	3	
Poor response	1	

A full sample interview guide and links to sites with competency related structured interview questions is in the Appendix section of this module. There are a wealth of resources in the public domain you can use to develop structured interviews based on validated competencies or skill sets that are desired in specific types of jobs. Your interview and selection processes must comply with all state and federal requirements for equal opportunity and non-discrimination. This toolkit is not intended to address those compliance issues. Please consult legal counsel, or a qualified human resource professional for assistance to ensure compliance with all state and federal employment requirements if you develop a structured interview process that supports the objectives of your organization.

One step of the interview process is to get to know the potential employee. Another is to provide them the opportunity to better understand your organization. Be sure to provide job candidates the information they need to make fully informed decisions about the position you have available. A realistic job preview (RJP) is the honest presentation of activities and challenges typically experienced by workers in specific roles. If potential

employees understand what the job entails, they are more prepared to make an informed decision about whether or not they think it is a good fit for them. One of the reasons that existing employees are good referral sources is that they typically provide an accurate portrayal of the employee experience with the organization. Remember that what they share with the people they refer — typically friends and family — may be both good and bad. This is another reason to be familiar with the experience of your current employees. If they are unhappy, you may have a hard time with new referrals.

RJPs can be formal, in the form of a video or a specialized handout; these tend to be expensive and there is no evidence that formal RJPs generate better results. To provide a less formal RJP, allow plenty of time for the interviewee to ask questions of the interviewer. If the interviewee has none, the interviewer can be prepared to share some “commonly asked questions” or describe a typical day on the job. You may also want to provide candidates with the opportunity to meet with current employees — people who do similar work to the position the candidate has applied for. An accurate job description is also part of an effective RJP. Be transparent about both the positive and negative aspects of the job. Be clear about expectations for working conditions, wages and benefits, and develop a strategy to present that information to candidates in the interview and hiring process.

Thoughtful recruitment practices can reduce early turnover. The hiring process is about making the best match possible between the job and job candidates. Structured interviews and effective RJPs require significant intentional effort, but research has demonstrated that the effort is worth it. Increased retention of good employees is something all employers value.

Orient and Onboard

How you bring new people on board is very important. During this time, they will evaluate your organization and determine whether it is a good fit for them, similar to how you will evaluate their fit within your organization.

New employees typically go through an orientation period to learn the skills they will need on the job, to become familiar with the procedures they will follow and to understand the culture and expectations of their new employer. In addition to the standard paperwork and compliance training, an effective orientation consists of:

- Activities to make a new person feel welcomed.
- Education on workplace mission, values and history.
- An immediate connection to a peer or mentor.
- A realistic preview of new employee stressors and coping strategies.

The concept of “onboarding” refers to the larger effort to make somebody a fully functioning contributor to your organization. Onboarding goes beyond the initial orientation and consists of both formal orientation activities and

the informal socialization that a new employee participates in. Together the formal and informal elements help to make the new employee a part of the team. Follow-up discussions between the new employee and their direct supervisor during and after orientation and the onboarding process will enhance the team environment. It also helps both the employee and supervisor ensure that the new employee has everything they need, whether it be tools, resources or general education.

Make sure that your orientation process aligns with how you presented your organization during the recruitment process. For example, if during recruitment, you placed a high expectation of professionalism in the organization, you will create a credibility gap if, during orientation, everyone the new employee works with acts in an unprofessional manner.

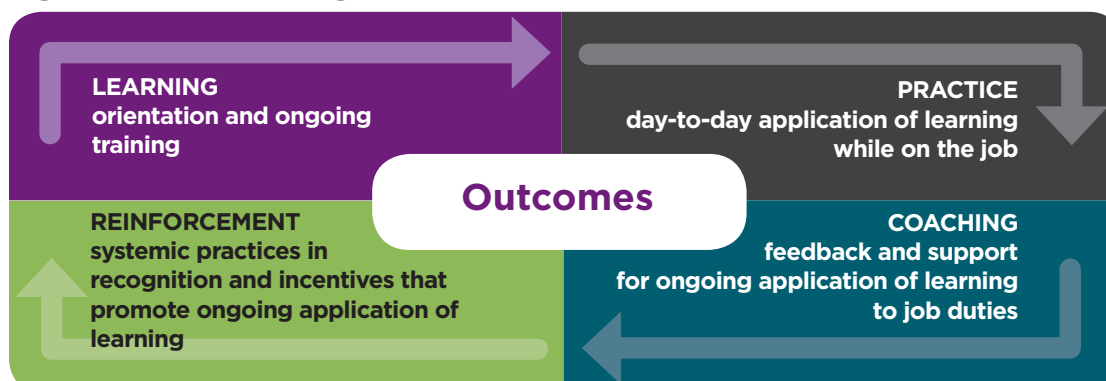
Train and Develop

On the job training often focuses on regulatory or procedural compliance. While necessary, it may not fully equip employees with all of the skills or knowledge that they need in their jobs, and it usually does not include the type of training that will further career development and advancement. Regulatory or procedural compliance training is often measured by the number of hours provided and not by any outcomes associated with that time spent.

As systems shift to person-centered and more consumer-directed supports, new skills are needed and must be developed by employees. Personalized training in the community is more and more common. Technology can assist with this training, but it is less efficient than a group class. Regardless, when done well, personalized training can be more meaningful and lead to better outcomes for the consumer and improved longevity for the employee.

An effective training program is one where employees make the connection between the information provided during training, the work that they do and the anticipated outcomes from the application of the skills and information. Learning achieved through training must be applied and new skills must be practiced. Managers and supervisors need to reinforce this with employees to make those connections.

Figure 3: From Learning to Outcomes



We discussed that workforce challenges mean that you may need to hire people based on their attributes rather than specific job skills. If new employees come to you without experience, your training program must support the development of the necessary job-related competencies to complete the essential functions of the job. Job-related competencies can be assessed on an individual basis with targeted training that promotes development of individual skills.

Some states and Managed Care Organizations (MCOs) have created training and development programs to address workforce challenges with direct support workers. Engage with your state Medicaid agency, provider associations, and MCOs to learn of any pilot opportunities you may want to participate in as you seek to develop your own workforce. In some cases, there are increased training requirements for direct support workers. Specialized training “can lead to a workforce that is more capable of participating on integrated care teams, or providing higher quality, more person-centered care that supports desired outcomes.”⁵ Be aware of any changes to training requirements.

Incentivize and Recognize

People want to feel valued and appreciated. Regular recognition of their contributions and well-designed incentives are ways to make that happen. Recognition is a simple and no cost way to demonstrate that you value the people that work in your organization. Offer sincere thanks for good work or efforts that go above and beyond expectations. Whenever possible, do it in public — through huddles, newsletters, or other regular communication vehicles to strengthen the impact and demonstrate organizational appreciation but, do not delay recognition to simply do it in public. The value of a simple “thank you” cannot be underestimated and should be given when appropriate.

Incentive programs do not need to be complex or costly in order to be effective. Identify the behaviors you desire, and construct a program that incentivizes those behaviors. For example, programs may encourage referrals for new employees, improve attendance rates, or promote other behaviors or outcomes that are rooted in your organizational goals and culture. Gather input from your employees about incentives that are meaningful to them and incorporate that input into your design.

Job enrichment can be a way to recognize the talents of top employees and thus improve retention. Many people like a challenge and want to continue to grow and develop. Job enrichment is the addition of tasks or duties that include higher levels of responsibility and the development of new skills. With new skills and greater responsibility, employees are empowered with increased autonomy. For example, if you cross-train employees to complementary functions, you enrich work, build skills and make your

⁵ Collaborating on HCBS Workforce Challenges in MLTSS Programs. MLTSS Institute. Advancing States and Sage Squirrel Consulting. March 2019. <http://www.advancingstates.org/sites/nasquad/files/Collaborating%20to%20Address%20HCBS%20Workforce%20Challenges%20in%20MLTSS%20Programs%202019.pdf>.

employee more valuable to your organization. Another mechanism is to empower front line workers to provide insight and input in their work and then whenever possible incorporate their ideas in new or updated plans and processes. Reinforce the value that they bring to their work — the value that goes beyond the performance of daily tasks.

Direct service work is generally, low-wage work with little opportunity for advancement which is why it is frequently cited as one of the main reasons for high turnover. Wages and benefits need to be competitive because people do leave jobs when wages do not meet their basic needs. However, employees who feel engaged and empowered, or at least well treated in their work, are less likely to leave because of wages. A culture that recognizes and rewards good work has the potential to overcome the challenge of lower wages. Use performance appraisals to provide structured feedback to your workforce, and possibly pay increases that correspond to their job performance. A well-structured system with well-designed performance expectations, regular feedback, and consistent evaluations by managers can foster engagement and support your business outcomes. A system that is missing any of these elements can be detrimental.

Mentorship programs and professional development opportunities may also improve retention. In the role of a mentor, more advanced employees get the opportunity to develop leadership skills. The mentee benefits from access to a “go-to” resource who directly supports their onboarding experience. You can also provide employees access to trade associations to help professionalize their role and capabilities. For example, the National Association of Direct Support Professionals⁶ offers a certification program for DSPs. The more you enhance the skills of your top employees, the greater the pool of next generation leaders you will have for your organization.

Leadership and Management

The caliber and competency of your leadership and management team will have a strong impact on the ability of your organization to fulfill its mission and vision. All of the strategies outlined will fail if your workforce does not have confidence in their managers and supervisors.

In a 2017 study, Stanford researchers identified seven critical elements of leadership in nonprofit organizations:

- Board Governance
- Funding
- Impact Evaluation
- Strategy
- **Organization and Talent**
- Mission
- Insight and Courage

⁶ National Association of Direct Support Professionals. (2017). Direct Support Professional Certification Guidebook. Retrieved from the NADSP website at: <https://nadsp.org/wp-content/uploads/2017/06/NADSP-2017-Certification-Guidebook-Final-2017.pdf>

People don't leave bad jobs; they leave bad bosses.

According to the study, high performing nonprofits are strong in all seven of these elements. Weakness in even one can prevent an organization from meeting its goals. For the purpose of this discussion, we will focus on 'Organization and Talent'.

The selection process for supervisors and managers must be a structured process that assesses the candidate's key attributes. The University of Minnesota's "*National frontline supervisor competencies: Frontline supervisor structured behavioral interview questions*"⁷ provides a tool CBOs can use to assess the skills of front line supervisors. This tool includes structured interview questions for supervisors based on the competencies one would expect of supervisors.

Like DSPs, there are specific KSAs that are required for managers and supervisors. The University of Minnesota Institute on Community Integration⁸ identified eleven general competencies for front line supervisors in direct care work. These include:

- Explicit familiarity with the role/function they will supervise (e.g. direct support).
- Health, wellness and safety.
- Participant support plan development, monitoring and assessment.
- Facilitating community inclusion across the lifespan.
- Promoting professional relationships and teamwork.
- Staff recruitment, selection and hiring.
- Staff supervision, training and development.
- Service management and quality assurance.
- Advocacy and public relations.
- Leadership, professionalism and self-development.

These core competencies apply to managers beyond DSP supervisors. In essence, managers and supervisors need to be familiar with the role or function they are responsible for, the needs of the people that will be served, industry specific dynamics and have leadership skills including supervisory and management expertise. As with all employee categories, not all current or incoming managers and supervisors will be fully developed in their competency areas. A competency list simply provides a road map for ongoing professional development. A regular training program that addresses each area or one that selectively focuses on key areas with each individual supervisor can be ways to provide and customize training. The more you understand the skills, capabilities and gaps within your leadership team, the more prepared you will be to develop a succession plan.

⁷ Sedlezky, L., Reinke, J., Larson, S., & Hewitt, A. (2013). *National frontline supervisor competencies: Frontline supervisor structured behavioral interview questions*. Minneapolis, MN: University of Minnesota, Research and Training Center on Community Living, Institute on Community Integration.

⁸ Sedlezky, L., Reinke, J., Larson, S., & Hewitt, A. (2013). *National frontline supervisor competencies*. Minneapolis, MN: University of Minnesota, Research and Training Center on Community Living, Institute on Community Integration.

Succession Plan

Experience, commitment to the organization and other institutional knowledge can quickly be lost with unexpected departures from your management team. This can jeopardize the success of your organization if you do not have people ready to step into the work that needs to be done. Succession plans demonstrate that you have developed some bench strength to weather changes without a downturn.

To develop a succession plan:

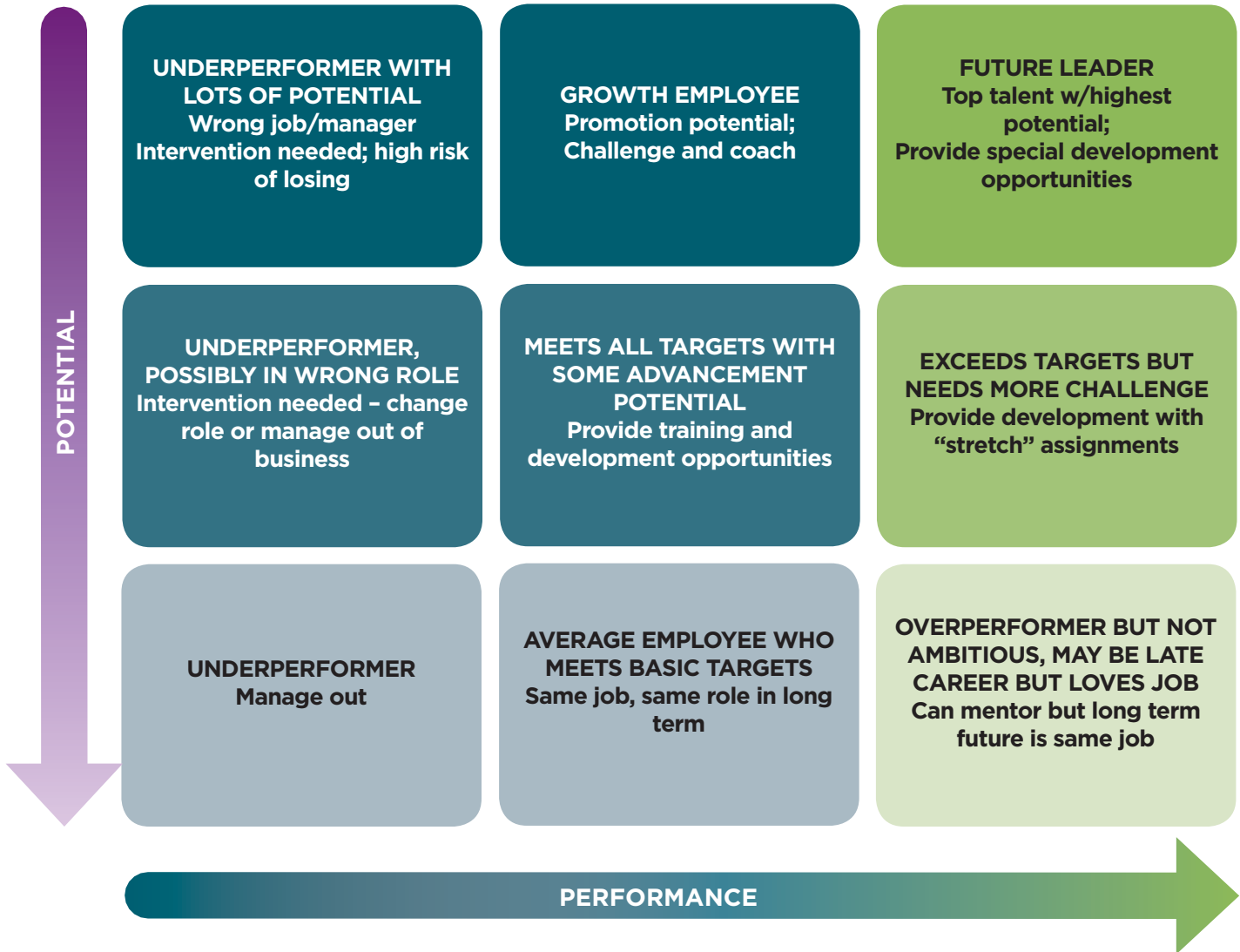
- Assess the competencies of all current staff, their knowledge, skills and abilities.
- Establish development plans based on individualized goals, preferences and abilities.
- Identify your “high potential” employees, those individuals who have the knowledge, skills and abilities to progress quickly.

Create individual development plans for all employees. You may identify specific roles or other increased responsibility for high potential workers. These staff may be on an accelerated and more focused track as part of your effort to build a pipeline of people with the competencies you need.

Figure 4: Nine Box Grid for Succession Planning — Performance and Potential⁹ is a tool that can help you evaluate and prioritize the development needs of your succession plan. In this model, “potential” is the perceived ability and capacity for the employee to grow and develop into higher responsibility; “performance” is based on measures of applied knowledge, skills and abilities on the job.

⁹ Modification of a basic 9 box grid. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/enduring-ideas-the-ge-and-mckinsey-nine-box-matrix>.

Figure 4: Nine Box Grid for Succession Planning – Performance and Potential



Potential is the perceived ability and capacity for the employee to grow and develop into higher responsibility.

Performance is based on measures of applied knowledge, skills and abilities on the job.

BUSINESS PROCESSES

Practices, policies and procedures quickly become outdated if left unchecked. Day-to-day operations can become routine with staff and leadership doing the same thing day in and day out if that is the way that it has always been done. New practices, policies and procedures may be added to the original routine from the development of well-meaning continual improvement practices. There may also be requirements of the state or other entities that require you to operate in a certain way.

A well-rounded improvement practice reviews, modifies and even eliminates practices that are no longer effective, are outdated or simply don't make sense. Without this review, your business may be at risk for inefficiencies, redundancies and increased costs. To set your organization up for success, first make sure that you are currently spending your time and money in ways that are effective and meaningful for your organization. **Step 5: Monitor, Evaluate and Respond** describes how to use a continuous improvement cycle to eliminate duplication, redundancies and contradictory practices.

Work with your state partners when policies impact your ability to be as effective and efficient as possible. Trade associations and professional networks are great places to learn about best or promising processes and practices. Collaboration can expand business opportunities and increase capacity and quality across providers of various sizes and skill sets.

Workflow

Before you can work on improvement, you need to understand the reality of how your business currently functions. You may be aware of areas that need improvement, but there may also be inefficiencies in areas that you are not yet aware of. Map your current processes — like billing, scheduling, payroll, etc. — to identify areas where your organization can improve.

To map business processes:

- Capture all the current steps in the process;
- Document inputs and outputs;
 - Inputs are the things that go into the process, e.g. hours worked in a payroll process, demographic data in a referral process, or assessment data in an intake process;
 - Outputs are the desired outcomes or results, e.g. paychecks in a payroll process, work schedule in a referral process, a completed assessment or service plan in an intake process;
- Document all “touches”;
 - Touches are the points where an individual does something to an input, e.g. adding up the hours on a timesheet, filing a document, entering assessment data in a database, printing a check;
- Make a picture — can be visual or narrative; and
- Keep it simple to make it easier to spot patterns/duplications.

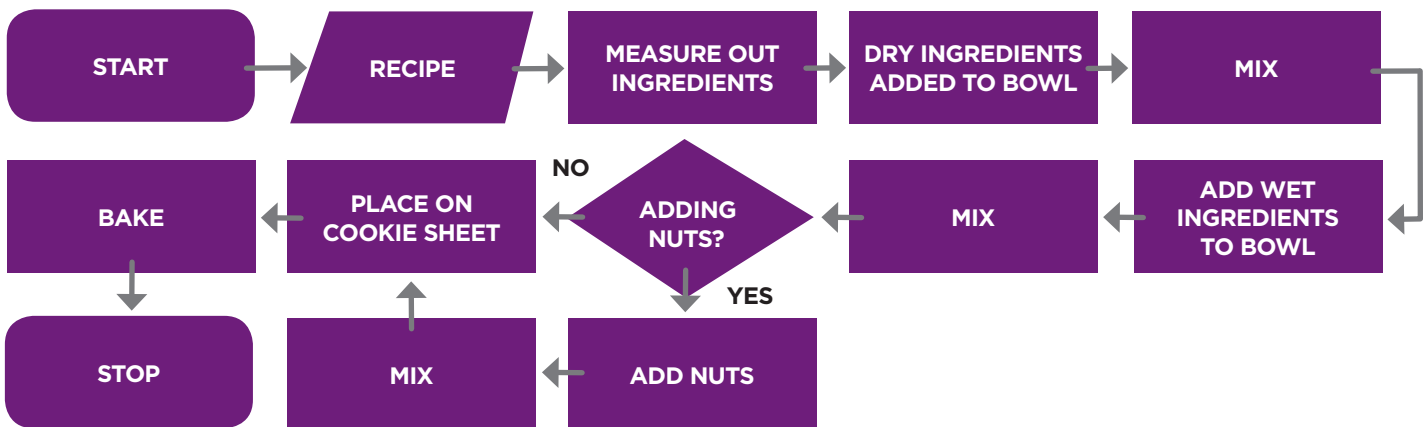
Process maps often take the form of flow charts. You can use a specific program, like Vizio, to create flow charts, but most products (e.g. Microsoft Office: Excel, Word, and PowerPoint) have the shapes and tools you need to create your own flow charts with little effort. You can even use sticky notes to capture the steps with your team before you put them into an electronic format. The most common shapes used in flow charts indicate when a process starts or stops; the specific process step; the point of decisions or options; and data needs or outputs.

Figure 5: Common Flow Chart Shapes



Write out every step used in the process in these shapes. Place them in the order that they occur and then connect lines with arrows to the shapes to represent the path in the process. Let's look at a simplified example:

Example 6: Example of a Flow Chart — 'Making Cookies'



In Example 6: Example of a Flow Chart — 'Making Cookies', the flow appears to be very simple and direct. It demonstrates how these common flow chart shapes are used together. However, in reality, there are more detailed steps. The example goes directly from 'Recipe' to 'Measure Out Ingredients'. It assumes that all of the ingredients have already been collected. What if some of the ingredients are not easily accessible? Let us pretend that the person who wants to make cookies works in a group home where bulk items are stored in a common kitchen next door, but not in the individual's personal kitchen. In this case, the person may need to add in steps, such as 'walk next door', 'collect ingredients' or 'order ingredients for group home' — all of which will inevitably add time to the process. The intent of a flow chart is to understand each of the individual steps in a process. This information can be used to evaluate the current process for efficiency and value. The details of the process are what will help you see the hidden gaps, bottlenecks or other barriers.

If a process is particularly complex you can establish a predefined process to represent a complete segment of activities. The details of this sub-process would then be represented in a separate flow chart. Imagine [Example 6: Example of a Flow Chart – ‘Making Cookies’](#) as part of a bake sales flow chart.

In addition to cookies, there would be a similar series of steps to make pies and cakes. All of the individual steps in one flow chart could quickly become overcomplicated and make the process hard to follow. The use of predefined processes can make it easier to see how all of the pieces work together.

Figure 6: Predefined Process Flow Chart Shape



Example 7: Example of a Flow Chart using Predefined Processes – ‘Bake Sale’



Workflows can be used to evaluate internal processes, but also to think through broader strategies you may want to establish. The Aging and Disability Institute webinar, *Business Acumen: Workflow Design*¹⁰ presents systems-level workflow examples for CBOs who seek to work with payers of health services.

Time Study

In order to evaluate a workflow for efficiency, you need to understand how long it takes to complete the process.

- How long does each step take?
- How long should it take?
- How much variance is there between staff and why?

Accurate time study data creates accurate measures of capacity that can be used to set performance expectations and help you allocate indirect costs. Time studies should be a regular occurrence in your organization.

To conduct a time study, you can measure the amount of time it takes to complete each task that is being evaluated or track the number of times the task is completed in a set time period. For instance, you can track the length of time it takes to complete each referral taken by phone in a month and then average those times to get an average intake time for referrals. You may want to do this activity by individual employee if multiple employees

¹⁰ <https://www.aginganddisabilitybusinessinstitute.org/resources/workflow-design/>

do the work. Variances by employee can indicate performance issues or opportunities for efficiencies. If one or more employees have found a more efficient process, identify their best practices and have other employees replicate them. If employees are missing information or lack certain skills or knowledge, you may need to develop new trainings or resource materials. It may also help you better understand the KSAs you need in future employees.

Example 8: Example of a Time Study for Task Completion Time by Occurrence

Occurrence Count	Date	Start Time	Stop Time	Duration (in minutes)	Staff
1	1/5/19	9:15 a.m.	9:35 a.m.	20	Bob
2	1/5/19	9:25 a.m.	9:37 a.m.	12	Jane
3	1/6/19	1:05 p.m.	1:14 p.m.	9	Jane
4	1/7/19	10:45 a.m.	11:00 a.m.	15	Jane
5	1/10/19	9:00 a.m.	9:23 a.m.	23	Bob
6	1/10/19	11:25 a.m.	11:50 a.m.	25	Bob
7	1/11/19	3:55 p.m.	4:13 p.m.	18	Jane
Summary					
		Jane	Bob	Total	
	Total Count	4	3	7	
	Total Time	54	68	122	
	Average Time	13.5	22.67	17.43	

Short repetitive tasks, like timesheet processing or Medicaid billing, might best be measured by the number of times the task is completed in an hour of work on just that task. Again, you may see the variances by employee if multiple employees are responsible for the task. Regardless, once you determine that the process is as efficient as possible and you understand the time it takes to complete, you can establish benchmarks, or standards for employees and, perhaps more importantly, you can quantify your organizational capacity for certain tasks.

Time studies for cost allocation purposes can be quite different. If the focus is on how an individual employee spends their time, then the primary considerations are the frequency of the time study, the duration of the time study, and the interval of time used. For instance, the executive director of an organization might need to do a time study of what they work on by hour (interval of time) for one month (duration) every six months (frequency). People in roles that require tasks to change on a frequent basis, might do a time study every month (frequency) for one week (duration) and track tasks every 15 minutes (interval of time).

Example 9: Example of a Time Study for Task Completion Time Using Occurrence During Specified Time Period

Occurrence Tally	Date	Start Time	Stop Time	Occurrence Count (from tally)	Staff
	1/5/19	9:00 a.m.	10:00 a.m.	25	Bob
	1/5/19	9:00 a.m.	10:00 a.m.	19	Jane
	1/5/19	1:00 p.m.	2:00 p.m.	29	Bob
	1/5/19	1:00 p.m.	2:00 p.m.	44	Jane
	1/5/19	4:00 p.m.	5:00 p.m.	39	Bob
	1/5/19	4:00 p.m.	5:00 p.m.	34	Jane
Summary					
		Jane	Bob	Total	
Total Count		97	93	190	
Total Time (hours)		3	3	6	
Average Per Hour		32.3	31	31.67	

A simple log can be used to track the tasks that an individual person works on. The log should record the task completed and the associated program. These logs can be completed by hand or electronically. Electronic collection makes data analysis easier. Software is available for time studies, but it can also be done with a simple table or spreadsheet. Use drop down lists or pre-defined options for the task and program fields to standardize responses for data analysis.

Example 10: Example of a Time Study to Track Individual’s Time for Cost Allocation

Date	Start Time	Stop Time	Task	Program
1/5/19	8:30 a.m.	8:45 a.m.	call	A
1/5/19	8:45 a.m.	9:00 a.m.	filing	A
1/5/19	9:00 a.m.	9:15 a.m.	visitor	A
1/5/19	9:15 a.m.	9:30 a.m.	call	B
1/5/19	9:30 a.m.	9:45 a.m.	call	A
1/5/19	9:45 a.m.	10:00 a.m.	break	n/a
1/5/19	10:00 a.m.	10:15 a.m.	mailings	B
1/5/19	10:15 a.m.	10:30 a.m.	mailings	B
1/5/19	10:30 a.m.	10:45 a.m.	visitor	A
1/5/19	10:45 a.m.	11:00 a.m.	call	A
1/5/19	11:00 a.m.	11:15 a.m.	call	A
1/5/19	11:15 a.m.	11:30 a.m.	call	B
1/5/19	11:45 a.m.	12:00 p.m.	mailing	A
1/5/19	12:00 p.m.	12:15 p.m.	lunch	n/a

Process maps and time studies work in tandem. In order to evaluate a process for value, you need to ensure that the process meets its intended purpose, that it does not duplicate other efforts and that it is as efficient as possible. Business processes that do not add value divert valuable resources.

Continually evaluate each process and the steps within with the following questions in mind:

- How does the activity contribute to the organization's purpose/goals?
- Can the activity be automated?
- Are the right people in the right roles?
- Are there similarities to other processes?

**TO DETERMINE VALUE,
ASK: 'WHY?'**
**"WHY" is something
done?**
**"WHY" it is done the
way it is?**
**"WHY" should we
continue?**

People learn and understand information in different ways. Flowcharts are a great way to create an image of a process and to review it for efficiency and value. In addition, be sure you have written policy and procedure documents around key business processes. Make them easily accessible to staff and routinely review them for updates. In some cases, additional documentation such as a job aid can be helpful.

Job Aids

A job aid is a document which guides an employee through a function. It typically includes diagrams and/or a brief summary of instructions, such as a checklist, pictures or screenshots. Job aids are intended to be readily accessible guides for staff to use to reduce avoidable mistakes by helping a person remember what to do or be sure that they have completed all of the required steps. Good job aids may reduce training times and can be used to cross train staff so that they can assist in multiple roles as needed. Cross training can be an effective management tool to expand the capacity of your organization and assure that there is coverage for key roles in your organization.

JOB AIDS are devices or tools that allow an individual to quickly access the information he or she needs to perform a task.

Job aids can take several different forms:

- **Checklist** — items or steps to consider or complete;
- **Decision table** — leads you through one or more conditions ("if X is true, and if Y is true...") to arrive at a decision;
- **Flowchart** — similar to a decision table, guides you through multiple conditions or interim decisions to arrive at a final outcome;
- **Procedure** — a sequence of steps required to achieve some result;
- **Reference** — collects and organizes one or more sets of information; and
- **Worksheet** — provides space to record and organize information and can perform mathematical calculations.¹¹

¹¹ <http://www.businessdictionary.com/definition/job-aids.html>

Technology

Technology is everywhere, yet many CBOs continue to rely on paper and pencil to manage their businesses. Technology can be expensive and intimidating. There are systems and programs to address almost any need, yet it takes time, resources and energy to implement. Today's leaders cannot be afraid to use technology in their businesses. Technology can help to automate and improve accuracy in business processes, like payroll, Medicaid billing, financial reports, and health information. It can increase efficiencies in workers and provide data and reports that will help CBOs better monitor their businesses. Current and potential business partners and payers may also require the use of technology to share information. While seemingly simple in today's technological world, there are four key components of technology to be familiar with. Each requires specific consideration in your business:

- Hardware
- Software
- Connectivity
- Data

Hardware refers to physical equipment. This includes computers (both laptops and desktops), portable devices like iPads or other tablets, printers, scanners, servers and network connections (modems and routers), and telephones (both office systems and mobile phones).

Consider the following factors before you purchase hardware:

- Initial investment
- Cost of maintenance
- Ease of use
- Size
- Design
- Ability to meet your organization's needs
- Accessibility for employees with disabilities

Online resources such as consumer reviews can help you make decisions about what hardware to purchase if you do not have professional information technology (IT) support available to your organization. Like with many purchases, the least expensive option is not always the best bargain. Consider ongoing operation costs when making a purchase. For example, replacement ink cartridges for printers can cost much more than the printer within a very short time. If your organization does a lot of printing, you may reduce on-going expenses with a more expensive printer. Costs for routine maintenance and upgrades to hardware must be built into your budget. Rental of a machine on a monthly contract may result in more predictable costs and reduce variations expenses.

If your organization wants to upgrade its hardware, you may be able to look for grants and other resources that focus on technology resources. You may

also be able to purchase used equipment from universities or other large organizations that have a short replacement cycle and sell their surplus equipment at a discount.

Software refers to the programs, applications, and other operating instructions used by a computer whether that is a desktop, laptop, tablet, or even a phone. Software includes operating systems like Windows 10 or Mac OS or Android or Apple IOS. It also includes basic productivity software products like spreadsheets and word processing, such as Microsoft Office. Software packages provide the tools and resources you can use to manage, monitor and administer your services. When you decide what hardware and software packages to purchase, you should be aware of compatibility issues. Some hardware comes with pre-loaded software and some have minimum requirements for hardware and operating systems. Software is also frequently sold as a subscription, where for a regular monthly or annual per user fee, you receive regular updates to the software.

In addition to standard programs such as those found in Microsoft or Mac systems, CBOs may also encounter Electronic Visit Verification (EVV) software, Electronic Health Record (EHR) or similar Electronic Medical Record (EMR) software.

EVV RESOURCES:

- **CMS EVV website** — <https://www.medicaid.gov/medicaid/home-community-based-services/guidance/electronic-visit-verification-evv/index.html>
- **The National Electronic Visit Verification Association (NEVVA)** — <https://nevva.org/>
- **ANCOR — EVV State Implementation Tracker** — <https://www.ancor.org/resources/topics/federal-legislation-and-regulations/electronic-visit-verification-evv>
- **ADvancing States — EVV: Implications for States, Providers, and Medicaid Participants** <http://www.advancingstates.org/hcbs/article/electronic-visit-verification-implications-states-providers-and-medicaid-participants>

The CURES Act of 2016 requires Medicaid programs to implement EVV software: personal care services by 2019 (later delayed to 2020) and home health by 2023. EVV software provides verification that home and community-based services were provided. The system must capture the type of service performed, the individual receiving the service, the individual providing the service, the location of service delivery, and the date of the service as well as the stop and start times¹².

Providers or MCOs may use state provided EVV systems or selected EVV systems of their own. Provider EVV systems may need to be compatible with the state or MCO provided system for electronic submission of claims through the EVV system. The websites listed in the 'EVV Resources' box maintain current information on EVV implementation across the states.

An Electronic Medical Record (EMR) is an electronic version of what would typically be in an individual's medical "chart", such as medical history, diagnoses, medications, allergies,

¹² ADvancing States. May 2018. "Electronic Visit Verification: Implications for States, Providers and Medicaid Participants". http://www.advancingstates.org/sites/nasuaad/files/2018%20Electronic%20Visit%20Verification%20Report-%20Implications%20for%20States%2C%20Providers%2C%20and%20Medicaid%20Participants_0.pdf.

etc. An EMR is generally used within an organization to eliminate paper and improve internal communication and sharing of information.¹⁴

An Electronic Health Record (EHR) has all of the functionality of an EMR plus more. An EHR electronically stores an individual's medical information along with data from multiple providers. This allows information to be gathered and exchanged across provider organizations. Lab tests, radiology, prescription history, etc. are accessible to all providers authorized to view them. This comprehensive data is used to improve diagnosis and facilitate treatment for the individual.¹³

In practice EMR and EHR are used almost interchangeably. EHR's have many added benefits for providers and individuals over the earlier EMR only systems. The challenge with EHRs is that there are hundreds of different systems on the market. The Centers for Medicare and Medicaid Services (CMS) has encouraged the use of Certified Electronic Health Record Technology, or CEHRT, to standardize data formatting across EHR systems. In addition, there are concerns about privacy issues when it comes to sharing an individual's medical data with all providers. Review Health Insurance Portability and Accountability Act (HIPAA) standards and consult with your IT representative and attorney to ensure that you have the appropriate protections and systems in place if you plan to implement an EHR in your organization.

There is evidence that sharing data improves outcomes. If you currently or will use an EMR or EHR, consider compatibility with current or future payers or partners.¹⁵ If you have a consumer management record and tracking system, make sure that it can “talk” with the payer's system. A Regional Health Information Organization or ‘Health Information Exchange Organization’ may be a valuable resource if one is in your area. These organizations facilitate health information exchange across organizations with the goal to improve the safety, quality, and efficiency of healthcare.

Connectivity refers to how your individual devices access each other or the internet itself. Internet connections today are general broadband connections meaning they are high speed always on connections as opposed to the slower dial up connections that were initially available. There are several types of broadband connections including wireless, cellular, fiber

HIPAA is the Health Insurance Portability and Accountability Act of 1996.

PHI refers to Protected Health Information which includes an individual's health records including identifying information such as name, address, date of birth, age, gender, Social Security number, etc., anything that can identify the individual.

<https://www.hhs.gov/hipaa/for-professionals/index.html>

¹³ Garrett, Peter and Joshua Seidman PhD. EMR vs EHR — What is the Difference? January 4, 2011. Health IT Buzz. <https://www.healthit.gov/buzz-blog/electronic-health-and-medical-records/emr-vs-ehr-difference>

¹⁴ Garrett, Peter and Joshua Seidman PhD. EMR vs EHR — What is the Difference? January 4, 2011. Health IT Buzz. <https://www.healthit.gov/buzz-blog/electronic-health-and-medical-records/emr-vs-ehr-difference>

¹⁵ Certified EHR Technology. Center for Medicare and Medicaid Services website. <https://www.cms.gov/Regulations-and-Guidance/Legislation/EHRIncentivePrograms/Certification.html>

optics, cable, and satellite. Your location will determine what options are available for your office or your staff working in the field. There again may be grants or other special discounts available for non-profits specifically for broadband services. You may be able to pay for technology support to set up networks and connect the internet to printers, scanners, etc. if your organization does not have IT support.

Data refers to the information you collect and store digitally or in hard copy. There are three aspects of data to focus on: collection, storage, and use.

Data collection likely happens at numerous points throughout your business processes. A nurse or other staff person in the field may collect assessment data on a consumer; staff may collect information to invoice or receive data from a payer or other partner who refers a consumer to you. When data is collected, there must be an effort to assure that it is accurately and consistently recorded. Names should be spelled correctly; phone numbers or emails must be carefully captured; and addresses should be consistently formatted for mailing.

Once data is collected, it must be stored. It may be in paper files in filing cabinets but more often, data is digitally stored in computer programs/software or scanned to allow images to be stored on hard drives or the cloud (i.e. online). Whenever you collect and store data, be aware of the kinds of data involved and to what extent your organization has an obligation to protect access to it. If you are a covered entity under HIPAA for example, you have obligations regarding protected health information, or PHI. As an organization you should be aware of the data you collect, how you collect it, how you store it, and how you protect it, particularly data that has legal requirements for safeguarding under HIPAA or other confidentiality requirements.

FINANCIAL MANAGEMENT

A solid financial foundation is critical to any organization's success. Effective management of expenses can mean the difference between the success or failure of any business venture. Revenue must simply equal or exceed expenses. When expense growth outpaces revenue growth, an organization's business model is not sustainable. Good financial reporting can help organizations make informed decisions in a timely fashion.

CBOs can have a variety of legal and financial structures. They may be units of local or county government or 501c3 nonprofits. The structure of your organization will impact the financial regulations under which your organization must operate and may impact the types of financial reporting your organization is required to do. With any structure there are some core elements that should be part of your financial management. In this section we will describe how to categorize and allocate costs across your programs.

Cost Categories

Costs in CBOs frequently come from staff, supplies, buildings and other infrastructure needs. To understand the costs that drive your business, first categorize and allocate them across programs.

Costs are classified in three ways:

- Direct or indirect;
- Fixed or variable; and
- Relevant or sunk.

Direct costs are easily attributed to a specific program or service and are often separated into personnel costs (salaries, fringe, etc.) and non-personnel costs (supplies, fuel, etc.).

Indirect costs, or overhead costs, are not easily attributed to a single program or service and may be tied to multiple programs and often include rent, utilities, general office supplies, depreciation on equipment, insurance, executive director and other salaries, maintenance, telephone, postage and printing, etc.

Fixed costs generally remain constant regardless of the volume of service you provide. This includes things like the salary of a program manager or rent for a congregate meal site.

COST CATEGORIES

DIRECT COSTS:

Expenses that can be easily connected to a specific "cost object."

INDIRECT COSTS:

Expenses that are not connected to a specific "cost object." These costs must be allocated across departments, services or even to the entire company.

FIXED COSTS:

Expenses that remain constant regardless of the volume of service provided.

VARIABLE COSTS:

Expenses that increase or decrease with the volume of service provided.

SUNK COSTS:

Expenses that will be incurred regardless of programs or services started or stopped.

RELEVANT COSTS:

Future expenses that will only be incurred if you provide a certain service or participate in a program.

The Scan Foundation, https://www.thescanfoundation.org/sites/default/files/tsf_cost_categorization_guide_0.pdf

Variable costs increase and decrease with changes to the volume of service you provide. Salaries of direct support workers, food costs of home delivered meals, or fuel expenses for transportation services are all examples of variable costs CBOs might incur.

Relevant costs are future costs that will only be incurred if you provide a certain service or participate in a program. All variable costs are relevant costs. Some fixed costs are sunk costs.

Sunk costs are existing costs that will be incurred regardless of what programs are pursued or what services are provided. The difference between relevant versus sunk costs is an important part of the ROI calculations¹⁶ discussed in **Step 2: Plan**.

Let us look at a potential scenario: Your organization currently owns a transportation van for your day services program. You have been asked to provide transportation services for individuals who need to attend treatment for opioid addiction. You will use the van from the day services program during the mid-day hours and on the weekends for the new contract. This will allow you to maximize the use of the van across two programs. For the new program it is a sunk cost since the van expense was already incurred and will not change with the addition of a new program.

Now, if your organization does develop the new program, part of the van's costs should be allocated to the new program. Since the purchase of a vehicle is not a new expense in this scenario, it is not a relevant cost that should be considered in the decision to start the program. You should however consider the relevant variable costs such as insurance, gas and additional driver time and expenses. If you later determine that your organization needs a second van to operate the new program, the cost of that van would then be a relevant cost.

Example 11: Example of Classification of Costs — Existing Van Used for New Services

	Direct or Indirect	Fixed or Variable	Sunk or Relevant (to the new program)
Existing van	Direct	Fixed	Sunk
Gas	Direct	Variable	Relevant
Insurance	Indirect	Fixed	Sunk
Driver salary	Direct	Variable	Relevant
New van	Direct	Fixed	Relevant

¹⁶ Note: all the costs used to calculate ROI in the Step 2: Plan examples were relevant costs. It is not appropriate to include sunk costs in those calculations.

Cost Allocation

Expenses of all types must be appropriately allocated across projects/ programs. Federal or state agencies that make grants to your organization need to assure that funds are being spent in alignment with the grant's purpose and requirements. In addition to the audit requirements of your grant funders, appropriately allocated costs is critical to the ROI calculations discussed in **Step 2: Plan** and to the rate setting calculations to be discussed.

Some expenses are easy to allocate. For example, travel expenses for your direct service staff who provide a community access service under a Medicaid waiver should be allocated to that program and paid for with income from Medicaid for that service. This would be a direct, variable, and relevant cost for the program.

Other expenses may not be so obvious. Rent is an example of an indirect cost that can get complicated quickly. If you have multiple programs and run all your programs out of a single office space, you may need to allocate space within that office to specific projects. Some personnel may have dedicated space and work for a single program. In this case, you may need to allocate a percentage of your rent expenditure based on the percentage of the space they occupy. If that individual works on multiple programs, you need to refigure how you will allocate those expenses. Common areas such as the reception area where all visitors to your offices are greeted and wait to speak with a member of your team also needs to be accounted for somehow.

There are multiple ways to approach cost allocation, particularly of indirect costs. The important thing is to have a cost allocation plan and adhere to your policies. It is okay to use multiple methods in your allocation plan. The plan should outline how each type of costs incurred will be allocated against your programs. You can find sample cost allocation plans online. For example, the U.S. Department of Education provides a sample at: <https://www2.ed.gov/about/offices/list/ope/trio/allocation-plan.pdf>.

As noted earlier, the easiest costs to allocate to the appropriate program are direct costs. You can clearly identify, quantify, and attribute these costs directly to the program they benefit.

Let us look at another example. Let us say that you have a DSP who only works for Program A: a Medicaid waiver funded program. Their entire salary and any associated fringe benefits is a direct cost to Program A. If that worker also begins to work for Program B: a grant funded program, a

A COST ALLOCATION PLAN is a written summary of how an organization will allocate costs across programs, services, contracts, grants, etc.

The plan should begin with your general approach to cost allocation. Then you should address each category of costs or expenses and explain what methods or procedures will be used to allocate them among cost centers.

Remember you are likely to have different cost allocation methods for different types of costs. It is advisable to include some examples of cost allocation methods as part of the plan.

portion of their time needs to be applied to that program (with less time allocated to Program A). You will need an allocation formula based on staff time for that worker's salary and associated fringe.

Example 12: Example of an Allocation of Indirect Salary Costs by Direct FTE

For simplicity, assume the organization has three programs or units that each have a single funding source:

- Program A: Medicaid waiver funded program where you are a provider paid a fee for units of service;
- Program B: Grant funded program; and
- Program C: MCO contract.

Staff	Program A	Program B	Program C
Receptionist	1 FTE Allocated based on FTEs	1 FTE Allocated based on FTEs	1 FTE Allocated based on FTEs
Office Staff	12 FTEs 100% allocated to program	6 FTEs 100% allocated to program	2 FTEs 100% allocated to program

Staff Composition:

- A receptionist answers the phone and greets visitors to your office; their salary is classified as an indirect cost that benefits multiple programs; The cost allocation plan for your organization says you will allocate the receptionist's salary based on full-time equivalent staff (FTEs) directly allocated to programs; You have 20 total FTEs directly allocated to the three programs:
 - 12 receive calls and see visitors regarding Program A;
 - 6 receive calls and see visitors regarding Program B; and
 - 2 receive calls and see visitors regarding Program C;

The receptionist's salary (with fringe benefits) is \$30,000. To calculate their allocation to the three programs, you must understand the percentage of full-time equivalents allocated directly to each program. The calculation to do so is:

$$\frac{\text{FTEs working on Program (A, B or C)}}{\text{Total FTEs}}$$

Allocation of Indirect Salary Costs by Volume	Total FTEs (by program)	Total FTEs (organization)	Ratio (Program total divided by organization total)	Receptionist's Salary Expense	Allocation of Receptionist's Salary (Ratio multiplied by Salary)
Program A: Medicaid Waiver	12	20	.6	\$30,000	\$18,000
Program B: Grant	6	20	.3	\$30,000	\$9,000
Program C: MCO Contract	2	20	.1	\$30,000	\$3,000

If a telephone answering services is used in conjunction with or in place of a receptionist, the allocation might be made the same way, based on FTEs.

There are some expenses that are directly associated with staff time. For example, the more people working in Program A, the more telephone use, the more travel costs, the more printing costs, etc. will be associated to that program. In those situations, you may want to use a cost allocation formula that is based on FTE “full time equivalent” percentages.

Example 13: Example of an Allocation of Indirect Salary Costs by Call Volume

Alternatively, calls and visitors could be tracked, and allocations could be made based on actual volume or usage. This method might be more accurate if Program A receives far fewer calls and visitors than Program B for whatever reason. Based on FTEs, Program B would only be charged for a third of the receptionist costs under the FTE allocation option. Records show that:

- There are 300 visitors and calls for Program A each month;
- There are 600 visitors and calls for Program B each month; and
- There are 100 visitors and calls for Program C each month.

Based on this actual volume, his salary (with fringe benefits) of \$30,000, would be allocated as follows:

$$(\text{Program's call volume}) \times \text{indirect costs} = \text{amount allocated to Program}$$

Allocation of Indirect Salary Costs by Volume	Total Visitors and Calls (by program)	Total Visitors and Calls (organization)	Ratio (Program total divided by organization total)	Receptionist's Salary Expense	Allocation of Receptionist's Salary (Ratio multiplied by Salary)
Program A: Medicaid Waiver	300	1,000	.3	\$30,000	\$9,000
Program B: Grant	600	1,000	.6	\$30,000	\$18,000
Program C: MCO Contract	100	1,000	.1	\$30,000	\$3,000

These two allocation methods have very different results for this indirect cost:

Allocation of Receptionist's Salary	Program A: Medicaid Waiver Funded Program	Program B: Grant Funded Program	Program C: MCO Contract
Based on FTEs	\$18,000	\$9,000	\$3,000
Based on actual volume	\$9,000	\$18,000	\$3,000

Neither method is wrong per se, but one may be a more accurate reflection of the contribution by program for this cost. Your allocation plan is where you consider the pros and cons and determine the method you will use with each type of cost.

Let us do another series of examples on cost allocation. Rent may be a direct or indirect cost. In some cases, rent expense is directly associated to a program; for example, a program that provides congregate meals and rents a location dedicated to the meal program. That rent expense is a direct cost to that program. However, if you have a central office that provides administrative

Example 14: Example of Allocation of Indirect Rent Expense by Square Footage

Assume the following facts:

- Monthly rent is \$1,500;
- Total square footage is 650 sq. ft.;
- 150 sq. ft. is common space to be allocated across programs;
- 150 sq. ft. is dedicated to Program A;
- 250 sq. ft. is dedicated to Program B; and
- 100 sq. ft. is dedicated to Program C.

First determine the amount of rent expense that is a direct expense versus an indirect expense to the three programs:

	Square Footage	Total Square Footage	Ratio (square footage for program divided by total square footage)	Total Rent Expense	Rent Expense (ratio multiplied by rent expense)
Common Space — Indirect Rent Expense	150	650	.23	\$1,500	\$345
Space Dedicated to Programs — Direct Rent Expense	500	650	.77	\$1,500	\$1,155

Now, allocate the \$1,155 in direct rent expense to the three programs based on the square footage assigned to each program:

Allocation of Direct Rent Expense by Square Footage	Assigned Square Footage	Total Assigned Square Footage	Ratio (program's assigned square footage divided by total assigned square footage)	Total Direct Rent Expense	Allocated Direct Rent Expense (ratio multiplied by rent expense)
Program A: Medicaid Waiver	150	500	.3	\$1,155	\$346.50
Program B: Grant	250	500	.5	\$1,155	\$577.50
Program C: MCO Contract	100	500	.2	\$1,155	\$231

services for the meal site and other programs, then you will need to allocate the rent expense for the central office across all programs or cost centers.

Even with only one office location, you may have space dedicated to specific programs (direct program cost) as well as common space (indirect program cost). In addition to the direct rent costs being charged to each program, you would need to allocate a portion of the rent for the common space to each program. You could do that by FTE, or, you could use total budget dollars versus the budget of each program, or you could compare the actual square footage used by each program.

Example 14: Example of Allocation of Indirect Rent Expense by Square Footage

Now, allocate the \$345 in indirect rent expense to the three programs based on the square footage assigned to each program:

Allocation of Direct Rent Expense by Square Footage	Assigned Square Footage	Total Assigned Square Footage	Ratio (program's assigned square footage divided by total assigned square footage)	Total Direct Rent Expense	Allocated Direct Rent Expense (ratio multiplied by rent expense)
Program A: Medicaid Waiver	150	500	.3	\$345	\$103.50
Program B: Grant	250	500	.5	\$345	\$172.50
Program C: MCO Contract	100	500	.2	\$345	\$69

Summary of Allocation by square footage:

Total Allocation of Rent By Square Footage	Program A: Medicaid Waiver Funded Program	Program B: Grant Funded Program	Program C: MCO Contract
Direct Rent Costs	\$346.50 (30% of \$1,155)	\$577.50 (50% of \$1,155)	\$231 (20% of \$1,155)
Indirect Rent Costs	\$103.50 (30% of \$345)	\$172.50 (50% of \$345)	\$69 (20% of \$345)
Total Rent Costs	\$450	\$750	\$300

Example 15: Example of Allocation of Indirect Rent Expense by FTE

- There are 25 total FTEs in the organization;
- There are 5 FTEs that are unassigned to a program;
- There are 12 FTEs assigned to Program A;
- There are 6 FTEs assigned to Program B; and
- There are 2 FTEs assigned to Program C.

Just as in Example 14, first determine the amount of rent expense that is a direct expense versus an indirect expense to the three programs:

	FTEs	Total FTEs	Ratio (program FTEs divided by total FTEs)	Total Rent Expense	Rent Expense (ratio multiplied by rent expense)
Shared FTEs — Indirect Rent Expense	5	25	.2	\$1,500	\$300
Assigned FTEs — Direct Rent Expense	20	25	.8	\$1,500	\$1,200

Now, allocate the \$1,200 in direct rent expense to the three programs based on the FTEs assigned to each program:

Allocation of Direct Rent Expense by FTEs	Assigned Square Footage	Total Assigned FTEs	Ratio (program's assigned square footage divided by total assigned FTEs)	Total Direct Rent Expense	Allocated Direct Rent Expense (ratio multiplied by direct rent expense)
Program A: Medicaid Waiver	12	20	.6	\$1,200	\$720
Program B: Grant	6	20	.3	\$1,200	\$360
Program C: MCO Contract	2	20	.1	\$1,200	\$120

Example 15: Example of Allocation of Indirect Rent Expense by FTE

Now, allocate the \$300 in indirect rent expense to the three programs based on the FTEs assigned to each program.

Allocation of Indirect Rent Expense by FTEs	Assigned FTEs	Total Assigned FTEs	Ratio (program's assigned FTEs divided by total assigned FTEs)	Total Indirect Rent Expense	Allocated Indirect Rent Expense (ratio multiplied by indirect rent expense)
Program A: Medicaid Waiver	12	20	.6	\$300	\$180
Program B: Grant	6	20	.3	\$300	\$90
Program C: MCO Contract	2	20	.1	\$300	\$30

Summary of allocation of rent by FTE:

Allocation of Rent By FTE	Program A: Medicaid Waiver Funded Program	Program B: Grant Funded Program	Program C: MCO Contract
Direct Rent Costs	\$720 (60% of \$1,200)	\$360 (30% of \$1,200)	\$120 (10% of \$1,200)
Indirect Rent Costs	\$180 (60% of \$300)	\$90 (30% of \$300)	\$30 (10% of \$300)
Total Rent Costs	\$900	\$450	\$150

Example 16: Example of an Allocation of Indirect Rent Expense by Budget

- The organization's total budgeted revenue is \$457,000;
- Program A's budgeted revenue is \$265,000;
- Program B's budgeted revenue is \$117,000; and
- Program C's budgeted revenue is \$75,000.

With this allocation option, all rent would be allocated as an indirect cost to each program based on percentage of total budgeted revenue.

Allocation of Direct Rent Expense by Budgeted Revenue	Program's Budgeted Revenue	Total Budgeted Revenue	Ratio (program's revenue budget divided by total revenue budget)	Total Rent Expense	Allocated Direct Rent Expense (ratio multiplied by direct rent expense)
Program A: Medicaid Waiver	\$265,000	\$457,000	.58	\$1,500	\$870
Program B: Grant	\$117,000	\$457,000	.256	\$1,500	\$384
Program C: MCO Contract	\$75,000	\$457,000	.164	\$1,500	\$246

Summary of allocation of rent by budget:

Allocation of Rent by Budget	Program A: Medicaid Waiver Funded Program	Program B: Grant Funded Program	Program C: MCO Contract
Direct Rent Costs			
Indirect Rent Costs	\$870 (58% of \$1500)	\$384 (25.6% of \$1500)	\$246 (16.4% of \$1500)
Total Rent Costs	\$870	\$384	\$246

Summary of rent allocation alternatives:

Rent Cost Allocation	Program A: Medicaid Waiver Funded Program	Program B: Grant Funded Program	Program C: MCO Contract
By Square Footage	\$450	\$750	\$300
By FTE	\$900	\$450	\$150
By Budget	\$870	\$384	\$246

In the case of rent, there is an argument that square footage is most representative of actual usage by each program. However, consider a situation in which you have a much larger percentage of common space, i.e. a much greater percentage of indirect rent expense. The square footage might not at all reflect a benefit to or use by each program. In this case, FTEs might better represent the correct allocation of costs.

Budget is generally the least desirable option to allocate expenses by as it does not reflect anything about the actual use of space. Also, if your budget numbers end up considerably off at the end of the year, your allocation throughout the year would have been off as well.

Again, each method is valid. Specify in your cost allocation plan how you will allocate costs for various types of expenses. Review the methods and type of expenses your organization will incur to determine the best method for your organization. The SCAN Foundation offers a Cost Categorization Guide to help standardize how CBOs account for costs.¹⁷ They also offer a project budget and financial planning worksheet CBOs can use to establish a budget which is a key tool in financial stability.¹⁸

Budget

The budget for your organization is the primary financial tool that you will use to plan, monitor and control the finances of your organization. Consider the budget a living document that can be adjusted to changes in circumstances, such as revenue streams. The annual budget process is an opportunity to plan for how you will sustain your organization in its current capacity as well as how you will plan for new areas of growth or development. When you develop your budget, consider how it will be made accessible and meaningful to everyone who must adhere to it. When you share the budget with those who impact it, you create a shared responsibility with them. You can enhance employee engagement when you help all staff, including front-line staff understand how the organization works and how their role impacts the success of the business.

The budget reflects the financial decisions you have made for the coming year and guides your decisions throughout the year. A budget statement might look like [Example 17: Example of a Budget Statement](#).

¹⁷ Cost Categorization Guide. The SCAN Foundation. https://www.thescanfoundation.org/sites/default/files/tsf_cost_categorization_guide_0.pdf

¹⁸ Budget and Financial Planning Workbook Instructions. The SCAN Foundation. https://www.thescanfoundation.org/sites/default/files/tsf_budget_planning_workbook_instructions_0.pdf

Example 17: Example of a Budget Statement

Revenue	Total	Program A - Medicaid Waiver Funded Program	Program B - Grant Funded Program	Program C - MCO contract
Grants	\$100,000	\$-	\$100,000	\$-
Contracts	\$75,000	\$-	\$-	\$75,000
United Way	\$-	\$-	\$-	\$-
Donations	\$20,000	\$15,000	\$5,000	\$-
Fees for services	\$250,000	\$250,000	\$-	\$-
Fundraisers and events	\$2,000	\$-	\$2,000	\$-
Endowment	\$-	\$-	\$-	\$-
Interest income	\$-	\$-	\$-	\$-
Miscellaneous	\$-	\$-	\$-	\$-
Total cash revenue	\$447,000	\$265,000	\$107,000	\$75,000
Total in-kind revenue	\$10,000	\$-	\$10,000	\$-
Total Revenue	\$457,000	\$265,000	\$117,000	\$75,000
Expenses	Total	Program A — Medicaid Waiver Funded Program	Program B — Grant Funded Program	Program C — MCO contract
Staff salary and benefits	\$350,500	\$200,000	\$85,000	\$65,500
Position	\$-	(these could be listed individually or by functional area or on a different document)		
Position	\$-			
Rent	\$1,500	\$1,000	\$350	\$150
Utilities	\$750	\$500	\$175	\$75
Insurance	\$3,000	\$2,000	\$700	\$300
Legal, accounting	\$25,000	\$17,500	\$5,000	\$2,500
Equipment	\$5,000	\$-	\$5,000	\$-
Supplies	\$1,250	\$1,000	\$-	\$250
Printing and copying	\$500	\$-	\$-	\$500
Telecommunications	\$10,000	\$7,500	\$1,500	\$1,000
Travel and meetings	\$1,050	\$-	\$1,000	\$50
Marketing and advertising	\$1,500	\$1,500	\$-	\$-
Staff training/development	\$2,775	\$1,250	\$1,275	\$250
Contract services	\$17,000	\$-	\$17,000	\$-
Other	\$-	\$-	\$-	\$-
Total cash expenses	\$419,825	\$232,250	\$117,000	\$70,575
In-kind				
List item	\$-	\$-	\$-	\$-
List item	\$-	\$-	\$-	\$-
Total in-kind expenses	\$-	\$-	\$-	\$-
Total Expenses	\$419,825	\$232,250	\$117,000	\$70,575
Revenue over Expenses	\$37,175	\$32,750	\$-	\$4,425

The budget is a key foundation document for financial reports. In terms of the financial stability of your organization, there are some common measures you can use:

- Actual versus budget expenditures;
- Cash reserves;
- Credit availability; and
- Balance sheet — assets versus liabilities.

A **COST CENTER** is “a defined area, machine, or person to whom direct and indirect costs are allocated.”¹⁹

See **Step 5: Monitor, Evaluate and Respond** for more detail on how to monitor your budget. To enable you to monitor your budget, you must first accurately track costs and appropriately allocate them to the appropriate cost center. Cost centers can be set up in multiple ways. In the cost allocation examples, we use a simple organizational structure based on three programs that each have a single payer or funding source. Your organization may have multiple funding sources for any given program. Financial reports will likely need to be organized in multiple ways so that managers can effectively monitor their programs and funders can see that you have met requirements.

For example, let us assume that Program B: Grant program is now funded by two different grants. Each grant fund will require that you track finances, and appropriately allocate expenses to their grant. In **Example 12: Example of Allocation of Indirect Salary Costs by Direct FTE**, it was determined that \$9,000 of the receptionist’s salary should be allocated as an indirect cost to Program B. If Program B has two grants involved, you will need to allocate the \$9,000 expense between the two grants. There are 600 visits or calls recorded for Program B. You need to know how those calls are split between the two grants (the ratio), in order to allocate the \$9,000 in indirect salary expense.

Example 18: Example of Allocation of Indirect Salary Costs between Funding Streams

Allocation of Indirect Salary Expense by Volume	Program’s Budgeted Revenue	Total Calls for Program B	Ratio (program’s revenue budget divided by program’s total calls)	Total Indirect Salary Expense	Allocated Indirect Salary Expense (ratio multiplied by salary expense)
Program B: Grant #1	150	600	.25	\$9,000	\$2,250
Program B: Grant #2	450	600	.75	\$9,000	\$6,750

¹⁹ <http://www.businessdictionary.com/definition/cost-center.html>

Cash Reserves

Through your budget process, you will want to determine the amount of cash reserves you want to sustain. Cash reserves are the dollars your business keeps on hand to meet short-term and emergency needs.²⁰ The amount of money you keep in reserves will be determined by the stability of your revenue streams and your ability to adjust spending in response to lost revenue. Many non-profit organizations try to keep a minimum of six months expenses in reserve. In your policy on cash reserves, describe what amount you will maintain (usually a factor of monthly expenditures, i.e. 2 months, 3 months), how you will track the funds, and how you will use your reserves. The National Council of Nonprofits offers resources to help you establish a cash reserve policy.²¹ To set a cash reserve target, you must understand the risk factors associated with your revenue sources and your expenditures and plan accordingly.

Ask yourself the following questions to determine reserve needs:

Revenue:

- How stable are your revenue streams?
- Are you dependent on one or two primary revenue sources?
- If you receive grants how likely is it that you will continue to receive those monies in the next budget cycle?
- How promptly do you receive payments?
- If you rely on fundraising, how stable is that income?
- Do you rely on just a few large donors?
- Are there things that could impact donations — e.g. bad publicity, or an economic downturn in your area?

Organizational capacity:

- How easy is it for you to adjust spending in reaction to loss of revenue?
- What is the importance of your organization in your community particularly in crisis situations?
- To what extent will economic downturns increase demand for your services?
- Are there spending commitments made for longer than one year?
- How much debt does your organization carry?
- How much downsizing can you do and how quickly, and still provide services?

Engage your board when you develop or review a policy for cash reserves. Additionally, understand any requirements from your payers. Some payers will require in their contracts with you that you have a certain dollar amount in reserves as assurance that your business can sustain payment cycles.

²⁰ <https://www.investopedia.com/terms/c/cash-reserves.asp>

²¹ Operating Reserve Policy Toolkit for Nonprofit Organizations. National Center for Charitable Statistics, Center on Nonprofits and Philanthropy at the Urban Institute, and United Way Worldwide. September 2010. https://www.giarts.org/sites/default/files/Operating-Reserve-Policy-Toolkit_1stEd_2010-09-16.pdf.

Credit

Similarly, some organizations maintain lines of credit to access cash quickly. A solid cash reserve can mitigate the need for a credit line, but access to credit can be critical in unforeseen circumstances or emergencies. It can provide assurance that you will be able to meet payroll and other financial obligations timely. Credit is never ideal and does result in additional costs as interest on borrowed funds and other fees can quickly add up. Engage your board and your accountant to develop a policy about how you will secure and use credit if you want to obtain a credit line for your organization. It is helpful to do this during times of stability, rather than in the midst of an emergency. A good practice is to review or establish policies as part of your regular annual budgeting process.

CONCLUSION

Through well-developed and well-implemented policies and procedures, you can build efficient and effective operational controls that will help ensure the stability of your operations. The more stable your current operations are, the more prepared your organization will be to further grow or develop its services into new territories, with new payers or new consumers.

RESOURCES

The HCBS Clearinghouse (hcbs.org) contains resources about the development of business relationships between community-based organizations that serve persons with disabilities and health plans and other integrated health services. To explore more resources related to business acumen for disability organizations, visit hcbs.org and conduct a keyword search for the topic you are interested in or use the general term “business acumen” to see all related topics.

APPENDIX

The following templates can help you and your team organize your thoughts, ideas and processes as you stabilize your organization’s current operations:

- Sample Interview Guide
- Anchor Development
- Common Flow Chart Shapes

Business Acumen for Disabilities Grant

The Business Acumen for Disabilities Grant is provided by the Administration for Community Living (ACL) to ADvancing States in collaboration with national partners.²¹ The HCBS Business Acumen Center is dedicated to providing resources to sustain disability organizations. To learn more, visit hcbsbusinessacumen.org

²¹ Grant Partners include: ADvancing States, American Association on Health and Disability (AAHD), American Network of Community Options and Resources (ANCOR), MERCER Health & Benefits, National Association of State Directors of Developmental Disabilities Services (NASDDDS), National Council on Independent Living (NCIL), National Disability Rights Network (NDRN), Sage Squirrel Consulting, and the University of Minnesota – Institute of Community Integration.

Sample Interview Guide

(All questions should be asked of all candidates in same order; probing or follow up questions may be asked as needed.)

Candidate Name _____

Interview Date _____

Position _____

General Questions (These should be job-related general knowledge questions – avoid weird non-related questions like “if you were a tree, what kind of tree would you be?”)

1. Tell us/me a little bit about yourself.
2. Why are you applying for this position?
- 3.
- 4.

Structured Questions (Write these in advance and identify what competency or KSA that is being evaluated.)

Question: (sample questions and competency areas can be found in links below)	
Competency Area:	
Rating Value (circle)	Behavioral Examples/Representative Response
1	(example demonstrates inadequate or inappropriate behavior or knowledge – or no specific examples given)
3	(specific example(s) that demonstrate minimally acceptable behavior or knowledge)
5	(specific example(s) that demonstrate superior knowledge or behavior)
Notes: (notes should be job-related and not refer at all to protected information such as gender, family status, religion, race, national origin)	

(add as many questions as needed)

Total Score (add scores from all questions above)

<p>Additional Notes: (notes should be job-related and not refer at all to protected information such as gender, family status, religion, race, national origin)</p>
--

Ensure time is left for candidate to ask questions about the job.

Links to competencies and sample behavioral questions:

<https://rtc.umn.edu/docs/interview.pdf>

<https://www.shrm.org/resourcesandtools/hr-topics/behavioral-competencies/critical-evaluation/pages/behavioral-competencies-interview-questions.aspx>

https://www.nationaladvocacycampaign.org/sites/default/files/ancor_dsp_structured_behavioral_interview_questions.pdf

Anchor Development
Example of Anchor Scores

Score	Score Description
5	An excellent response that demonstrates a high level of understanding or behavior with concrete examples to illustrate.
3	A minimally adequate response that uses examples to demonstrate marginally acceptable level of understanding or behavior.
1	A poor response with no examples that demonstrate an acceptable level of understanding or behavior.

Question and Anchor Development Table:

Score Description	Score	Anchor Question:
Excellent response	5	
Adequate response	3	
Poor response	1	

Common Flow Chart Shapes





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