TECHNICAL ASSISTANCE REPORT FOR THE ACCESS TO RECOVERY GRANT PROGRAM

BASICS OF FORECASTING AND MANAGING ACCESS TO RECOVERY PROGRAM EXPENDITURES

JANUARY 2008

Prepared Under:
The Substance Abuse and Mental Health Services Administration
Center for Substance Abuse Treatment
CONTRACT NO. 277-00-6400; TASK ORDER NO. 277-00-6403

Submitted By:
The American Institutes for Research
Performance Management Technical Assistance Coordinating Center
Access to Recovery support tasks

A Life in the Community for Everyone
SAMHSA
Substance Abuse and Mental Health Services Administration
U.S. Department of Health and Human Services

Acknowledgements

This guide draws heavily from information contained in ATR grantee applications, grantee monthly and quarterly reports to CSAT, and site visit reports. The information in the report was researched, analyzed, and reported by Harriet Lindsay, MBA, Thomas E. Lucking, EDS and Nancy L. Kay .In addition, the following Center for Substance Abuse Treatment ATR staff contributed to the report: Andrea Kopstein, Ph.D., MPH, Chief, Quality Improvement and Welfare Development Branch and Natalie T. Lu, Ph.D., PMP, Senior Public Health Advisor, and Michael Yesenko, MDiv., Public Health Advisor**.** Hal C. Krause, MPA, Public Health Analyst served as the Task Order Officer for the PM TACC Contract.

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This document was prepared under the Center for Substance Abuse Treatment, Performance Management Technical Assistance Coordinating Center, Contract No. 277-00-6400, Task Order No. 277-00-6403; Susan K. R. Heil, Ph.D., Project Director.

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I. Introduction

During the summer of 2007, the Center for Substance Abuse Treatment in the Substance Abuse and Mental Health Services Administration, (SAMHSA/CSAT) tasked its Access to Recovery (ATR) technical assistance contract, the Performance Management Technical Assistance Coordinating Center (PM TACC), to develop a set of resource materials for incoming second-round ATR grantees. The PM TACC prime contractor, the American Institutes for Research (AIR), and their subcontractor, JBS International, Inc., brought to this product-development task the experiential knowledge rooted in service to CSAT and the ATR Round 1 grantees throughout all phases of the first-round grants-- from the pre-application roll-out of the Presidential initiative, to early implementation and sustained operation of the grant programs, to their eventual close-out. SAMHSA/CSAT's selected topics for the resource materials target key issues, barriers, challenges, and decision points that faced the first-round grantees during each of these phases. They are written from the PM TACC contract's experiences with the 15 grantees that broke new ground for the substance abuse field by demonstrating the feasibility of using a voucher model for providing publicly-funded treatment and recovery services.

Some of the newly developed resource materials modify, update, and consolidate technical assistance (TA) reports emanating from the Round 1 grantees' TA experiences. Other products provide syntheses of the Round 1 grantees' experiences related to various topics central to effective and efficient planning, implementation and management of an ATR grant. CSAT has requested that these reports be made available to Round 2 ATR grantees so that the new cohort may benefit from the experience and work accomplished by the initial ATR grant recipients. Below are lists of the available reports.

SYNTHESES

- Access to Recovery Report: Lessons Learned from Round 1 Grantees' Implementation Experiences
- Administrative Management Models: Compilation of Approaches by Initial Access to Recovery Grantees
- Planning and Implementing a Voucher System for Substance Abuse Treatment and Recovery Support Services: *A Start-Up Guide*
- Setting Up a System for Client Follow-Up
- Recovery Support Services
- Case Management
- Summary and Analysis of Grantee Fraud, Waste, and Abuse Activities

TA CONSOLIDATED REPORTS

- Basics of Forecasting and Managing Access to Recovery Program Expenditures
- Compilation of Technical Assistance Reports on Rate Setting Procedures
- Development of a Paper-based Backup Voucher System
- Financial Management Tools and Options for Managing Expenditures in a Voucher-Based System: Round 1 Grantee Experiences
- Motivational Interviewing: A Counseling Approach for Enhancing Client Engagement, Motivation, and Change
- Outreach to Faith-Based Organizations: Strategic Planning and Implementation

- Strategies for Marketing Access to Recovery to Faith-Based Organizations
- Targeted Populations: Technical Assistance Examples

About this TA Report

This report, *Basics of Forecasting and Managing Access to Recovery Program Expenditures,* specifically addresses the basic information a grantee needs to understand in forecasting and managing Access to Recovery Program expenditures. It is not intended to be a stand-alone training manual, but rather a complimentary document to the *Financial Management Tools and Options for Managing Expenditures in a Voucher-Based Program*. Readers who are interested in using these approaches may need to receive additional training (e.g., via TA offered to ATR grantees) before successfully implementing it. In addition, CSAT has also developed other companion documents that can provide further examples and guidance for managing expenditures. They are (a) *Administrative Management Models: Compilation of Approaches by Initial Access to Recovery Grantees*, (b) *Planning and Implementing a Voucher System for Substance Abuse treatment and Recovery Support Services: A Startup Guide*, and (c) *Access to Recovery Report: Lessons Learned from Round 1 Grantees' Implementation Experiences*

The purpose of this document is to assist grantee administrators in using ATR-specific data based on actual program experience to:

- Revise budgets and accurately forecast expenditure rates for the remainder of the program
- Monitor spending more precisely on a real-time basis to avoid over- or under-spending
- Make any programmatic changes if necessary at this time to ensure appropriate funding allocation

During the first year of the program, and in some cases into the second year, administrators may be concerned that they are not spending their ATR client services delivery funds at a rate they would like. Some may be spending too slowly, while some of these same grantees may discover that, as the ATR program gains momentum within the targeted populations and providers, they are suddenly overspending and may run out of funding prematurely. Other grantees still may be spending below their initial projections and need to find ways to accelerate spending. Some grantees may be on track with their projected rate of expenditures, but still need to look carefully at how they allocate their dollars among services and clients in the final year to be sure of meeting critical program and client goals. Regardless, going into the second and third (final) budget years of the program, grantees need to be reviewing their expenditure levels to determine how they need to allocate or reallocate their remaining funding to meet the objectives of the ATR program at both the grantee and Federal levels.

ATR grantees operate their programs under varying models of program design, each targeting specific geographic areas and certain populations, creating significant variations among programs. However, the financial management concepts and tools presented in this document are designed to be flexible enough to be adapted and applied uniformly by all grantees, regardless of the local model. These concepts and tools can be integrated and standardized for use by regional or district financial administrators, so that a uniform system of planning can be developed across the board. This will assist grantee administrators to track budgets and spending across districts and to assist districts with their planning.

About the ATR Program

ATR is a competitive discretionary grant program funded by SAMHSA that provides vouchers to clients for purchase of substance abuse clinical treatment and Recovery Support Services (RSS). ATR program goals include expanding capacity, supporting client choice, and increasing the array of faith-based and community-based providers for clinical treatment and recovery support services. Key among ATR's goals is providing clients with a choice among qualified providers of clinical treatment and RSS. Under the ATR program, treatment and RSS can be provided by both nonsectarian and faith-based organizations (FBOs).

II. Budgeting and Forecasting Using a Stabilized Operating Budget Model

The best way to monitor and manage dollars for ATR or for any other program is always before they are spent, not after. Staying in control of spending means establishing a good baseline budget model based on current program operating assumptions that project the flow of operating expenditures—on at least a monthly basis—throughout the life of the program. These underlying assumptions should be constantly monitored for variance and updated to reflect realities that will change expenditure patterns. The budget model can also be used to project what will happen to expenditure patterns under varying program conditions, so ATR managers can have plans in place in anticipation of changes.

It is critically important for the ATR program that a financial manager (or managers) be designated to have overall responsibility for constantly monitoring the inflows and outflows of the vouchers and tracking overall spending patterns. The vouchers provided under this program are limited by both time and money and must be managed carefully with client outcomes in mind. Some grantees in the initial round of ATR funding originally were spending too slowly and as a result then concentrated their efforts on rapidly expanding their client, level of service, and/or provider base. They then found the situation rapidly reversing to a position of running out of funds and had to prematurely cut services and vouchers to be able to serve the clients they have. The key to managing the program correctly is to have tools in place to manage and predict the flows in a controlled and rational manner.

A financial manager responsible for constantly monitoring the inflows and outflows of the vouchers and tracking overall pending patters is critical.

A. Developing a Stabilized Operations Forecasting Model

The concept of “stabilized operations” means, in the ATR grant setting, projecting the point in time at which grantees will reach their best estimate of consistent, full-service voucher operations—the time when grantees are providing the optimal targeted level of voucher services to clients, followed then by grantees being able to wind down their level of services and voucher spending by the end of the 3-year program. The initial forecasting model should represent the grantees’ best guess as to the flow of expenditures and services. However, these estimates will typically be subject to change over time either (1) because the initial assumptions were not proven to be correct upon actual experience (for example, the completion rates were not what had been projected), or (2) because of unanticipated changes in external conditions (such as a lack of providers in certain regions or for certain services).

Stabilized Operations

Project the point in time when grantees are providing the optimal targeted level of voucher services to clients and also able to wind down their level of services and vouchers spending by the end of the 3-year grant program.

Projection models based on stabilized operations are a critical, time period-oriented forecasting tool used across industries and services. For example, a real estate developer who is planning to construct and lease a new apartment building would project staged leasing of, and therefore a gradual rise in income from, the new apartments. Some apartments would be completely finished and available for rent, while others would still be under construction. Since it may take 6 months or more for all the units to be constructed and leased, the initial projections by month would show an income loss for a period of time, typically reversing to a small positive income for a few months as more units begin to be leased. Finally, as all the units are fully leased, the project should realize a consistent level of positive monthly net income, typically referred to as reaching stabilized operations.

If the apartment units actually lease at a rate below or above projections, the stabilized operating budget is revised to take those changes into account and to change the projected time at which stabilized operations would occur. Action may be taken to lease the units faster, such as promotional rent discounts to increase the interim income. If changes in the operating assumptions occur at any point in the life of the project, the operating model is adjusted to see what will happen to the net income of the project and what other changes may need to be made.

For ATR grantees, developing a stabilized operating forecasting model means projecting expenditures (level of voucher services spending) rather than net income as used in the example above. Also, standard forecasting models typically are spread out realistically on a monthly (or weekly or quarterly, depending on the sensitivity of cash flows to changes) basis. When the initial ATR budgets are developed by grantees in their grant applications, they are typically based on simple annual projections; these budgets show the planned allocation of resources (dollars to be spent and number of clients to be served) for each year in Years 1, 2, and 3 of the grant period. Grantees also develop general budgets for both administrative and voucher (client delivery) services.

Stabilized Operating Forecasting Model

Projecting expenditures on a monthly, weekly or quarterly, basis depending on the sensitivity of cash flows to changes.

This document focuses on the voucher services rather than on the administrative portion of the budget, since the voucher services portion have been more difficult to control and predict over time. The grantees’ voucher services budgets in their original grant applications are based on top level (not very detailed) annual assumptions, typically showing:

- Estimates of the total number of clients to be served
- Units or types of service to be delivered

- Total cost of those services per grant year

Some grantees anticipate the need for a start-up period (similar to the apartment project example) prior to actual client enrollment; these grantees project expenditures for a smaller number of clients in the first year, escalating to a higher number of clients served in Years 2 and 3. Other grantees may not take any start-up time into account and plan to serve an equal number of clients in each year of the 3-year period. The latter scenario is unlikely to occur, since the ATR initiative is new and therefore requires some administrative start-up time, as well as marketing to new providers and recipients before a significant number of clients can be enrolled. Those grantees who do not project a lag in initial first-year spending for client enrollment and services are more likely to underachieve their spending goals for the first year of the grant.

B. Constructing the Model

An automated ATR operating budget model enables grantees to be able to project their best guess at the flow of expenditures at the beginning of the program. More importantly, an automated model also enables grantees to change those assumptions as necessary to keep the program expenditures and levels of service flowing in a smooth manner, with a minimum of disruption to providers and clients.

Constructing a realistic operating budget model for voucher services means carefully thinking through and incorporating a greater number of more complex variables that will affect services. A baseline model can then be constructed using an automated spreadsheet that takes the annual assumptions used in the original grant application and spreads them more realistically, at least by month, over the 3-year life of the ATR grant.

A more detailed monthly (or at least monthly) expenditure projection allows grantees to take into account factors including that there will be time needed for start up, and that they need to wind down the program at a certain point in time to not run out of funding before the ATR grant ends. In the face of uncertain demand for this new time- and funding-limited program, the grantees need to adjust their assumptions carefully over time so that they neither spend the funds too fast nor have too large a balance remaining at the end of the program. The baseline model provides a good framework to project and make adjustments over time.

Grantees need to adjust their assumptions carefully over time so that they neither spend the funds too fast nor have too large a balance remaining at the end of the program.

Table II.1 shows a baseline operating budget template for a sample ATR grantee, constructed in an Excel spreadsheet.

The template is designed to project a realistic path of monthly expenditures for the sample grantee, using the stabilized operations concept. Its built-in formulas are linked to baseline assumptions that can be adjusted instantly to forecast results under different operating assumptions.

This sample grantee scenario starts with the realization that a slower pace of vouchers will be issued in Year 1, assuming that the ATR program goes through an administrative development period before the first clients can be signed up. It also takes into consideration that in Year 3, the program should end its enrollment of new clients well before the end of the fiscal year so that the funding, which has an overall limit, is not exhausted for existing clients.

Some of the detailed program assumptions for the table II.1 baseline operating budget include the following:

- The grantee received a $7.0 million award, 85 percent of which (total grant less allowed administrative costs) would go to clinical and recovery support services (approximately $5.95 million).
- Client assessments would not start until the third month of the program. Clients who are accepted would begin receiving their vouchers and starting services the following month (month 4).
- About 128 clients per month, or 70 percent of those being assessed for the ATR program, would be accepted based on historic data.
- The vouchers would be valid for a 6-month period, during which clients would be expected to complete all services.
- The grantee would be issuing a flat voucher per client of $1,860 per client for various services across the continuum of care.
- This assumed scenario would serve 3,199 clients over the 3-year period.

It is also assumed that a typical client would enter the program at a higher treatment service level and step down to less intensive services. Therefore, it is estimated that the average client would utilize $500 of the total voucher per month for the first 2 months of their program, and $215 per month for the remaining 4 months.

Table II.1: Sample Stabilized Operations Budget Projection (Voucher Services Only)

	Month												
Year 1	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**TOTAL**
Clinical/ Recovery Support Services													
New Clients Receiving Vouchers					128	128	128	128	128	128	128	128	1,024
Monthly Clients Served (duplicate count)					128	256	384	512	640	768	768	768	
Monthly Cost Per Client					$500	$500	$405	$358	$329	$310	$310	$310	
Total Monthly Expenditure					$64,000	$128,000	$155,520	$183,040	$210,560	$238,080	$238,080	$238,080	$1,455,360
	Month												
Year 2	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**TOTAL**
Clinical/Recovery Support Services													
New Clients Receiving Vouchers	128	128	128	128	128	128	128	128	128	128	128	128	1,536
Monthly Clients Served (duplicate count)	768	768	768	768	768	768	768	768	768	768	768	768	
Monthly Cost Per Client	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	
Total Monthly Expenditure	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$238,080	$2,856,960
	Month												
Year 3	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**TOTAL**
Clinical/Recovery Support Services													
New Clients Receiving Vouchers	128	128	128	128	128								**640**
Monthly Clients Served (duplicate count)	768	768	768	768	768	640	512	384	256	128	0	0	5,760
Monthly Cost Per Client	$310	$310	$310	$310	$310	$272	$215	$215	$215	$215			
Total Monthly Expenditure	$238,080	$238,080	$238,080	$238,080	$238,080	$174,080	$110,080	$82,560	$55,040	$27,520	$0	$0	**$1,639,680**
									TOTAL CLIENTS SERVED:				**3,200**
									TOTAL EXPENDITURES:				**$5,952,000**

This example illustrates how this sample grantee made some carefully thought-out, underlying, detailed assumptions and decisions, based on realistic time periods, prior to developing a useful operating budget model.

- The model projects services and spending on a monthly, as opposed to annual basis, giving a much clearer picture of how spending would flow in real time.
- The model anticipates a start-up period before clients could be enrolled.
- The grantee made an initial decision to limit the issuance of vouchers at a stabilized number of 128 clients per month; if client demand and completion rates held steady, this grantee could then adequately serve existing clients and ration the funding steadily across the 3-year program.
- For the same reasons, the model ends new enrollment 6 months prior to the end of the last fiscal year, so that all existing clients can be served.

C. Using the Model to Forecast

This sample grantee is, of course, not able to be certain as to the validity of all the initial assumptions, and knows that there are other variables that can affect the budget. For instance, this grantee assumes that all clients will complete each level of service and that demand levels will continue at their historic projected rate. The grantee also assumes a fairly aggressive start-up time, with a full stabilized level of 128 clients starting to receive services in the fourth month. This was the "best case" scenario. Any changes, such as clients not completing any or all of the services as projected, could significantly shift the projections.

However, because the grantee develops this budget using an interactive electronic spreadsheet (such as Excel), the grantee knows that the managers can (and should) run several scenarios with different assumptions to show what the spending patterns can look like under different conditions. By changing any or all of the assumptions in the operating budget, the managers can quickly see what may happen to their budget over time if some variables change. This will enable them to have alternative plans already in place for unexpected developments, so they can be proactive rather than reactive in adjusting the ATR program.

Equally important, this automated budget can be used during the life of the program to forecast spending scenarios at any point in time, enabling ATR managers to keep up with or ahead of any changes in conditions or assumptions. A grantee can layer in many other detailed assumptions, including costs by service modality, completion rates, allocations to subdistricts and regions, and other variables that meet local program guidelines. The grantee can modify the assumptions and formulas in the original model to include, for example:

- Projections by region (this sample grantee had three operating districts)
- Completion rates by type of service
- A cumulative spending line to project cumulative spending at any point in time

Grantees who are trying to increase or decrease their ATR spending pace are encouraged to use this type of analysis to project realistically what can happen under different scenarios. If a grantee is trying to reduce the pace of spending, for example, then options to be considered can include capping or ending new client enrollment, limiting offered service level categories entirely, or reducing the amount of services available within a given level of service. While these are all ways of reducing the pace of expenditures, they may have very different actual impacts on the pace of spending. Running each new assumption through the projected operating budget will help quantify the impact.

The real focus in projecting a specific and time-oriented stabilized operations budget is to structure disciplined financial- and service-oriented thinking at both the grantee and subgrantee levels. It is a thoughtful activity that structures the pattern of grant expenditures in the most productive way for financial managers but, even more importantly, in the most productive way for clients. Because ATR funding is limited, there needs to be a reasoned analysis of how to cap enrollment and services over time—both at the outset of the program and during the program—to allocate the existing resources in a rational manner that best serves clients.

If, at the outset of the ATR initiative, grantees had imperfect historic information to predict accurate spending patterns, they should now have better information to enter into their model for predicting spending during the third year of the program.

Forecasting Spending Scenarios Enable ATR Managers -

- **to keep up with or ahead of any changes in conditions or assumptions**.
- **to project realistically what can happen under different scenarios**.

The real focus in projecting a specific and time-oriented stabilized operations budget is to structure disciplined financial- and service-oriented thinking at both the grantee and subgrantee levels.

D. Looking at Variances

Using their stabilized operating budget projections, grantees are able to compare actual performance to budgeted performance; this will allow grantees to analyze operating trends and make changes as necessary.

By tracking expenditure and utilization data on a continual and timely basis, preferably with automated reports, a grantee can make program adjustments before a crisis occurs. The only way to accurately project how to spend the remaining program funds is to take into account current and historic data. On the basis of such data, grantees need to be continually prepared to revise their projections and their program policies if necessary. It is critical not to be caught by surprise and be forced to make hasty changes that could adversely affect clients and ATR program outcome goals at both the local and Federal levels.

Analyzing Client and Overall Expenditure Data

ATR specific historic data should be collected and measured against time-specific periods and against budget through standard reports, on at least a monthly basis. The ability to use this type of analysis for client and expenditure data is dependent on the availability of accurate and complete data, both through the ATR Web-based Electronic Information System (EIS) and the grantees' financial management systems. While these systems may not be perfect, and some manual tracking may need to be done, most grantees over time should be able to capture the most important data elements described in this section. If not, designing a variance report will point out where data collection systems need to be enhanced.

There is no single or "correct" way to analyze client and expenditure data. The level of detail depends on the grantee's own program and needs, and can include:

- Detail by service modalities for treatment and recovery services
- Detail by regions and subgrantees
- Detail by facility or provider
- Detail by type of client

The most important concept is for grantees to make sure that they are capturing the data they need, on a time appropriate basis, and analyzing it routinely to make program adjustments.

Client Data Example

A sample template table that tracks client intake statistics is shown in table II.2. The table shows a snapshot in time at the end of the second fiscal year of the ATR program and captures just one area of important ATR client data: the numbers and ratios of ATR clients who are screened and assessed compared to those who actually receive vouchers to enter treatment and recovery services based on their assessments. The table is a summary chart (not showing all levels of detail) designed to enable top program managers to assess the status of client assessments and admissions to the voucher program in real time. Standard use of this template, which shows actual monthly data in comparison to cumulative and annual expenditures or cumulative and annual client data statistics, enables managers to make program decisions and to see where further analysis or changes need to be made.

This table is designed to demonstrate how regularly produced, time-oriented variance reports can assist in program analysis and spending control. Various program data should be analyzed by comparing the current and recent months' statistics to the:

- Budget for the year and/or for the entire grant period
- Cumulative actual data for the year
- Cumulative program to date

For example, the statistics in table II.2 show how the sample grantee reviews the current statistics shown in this table for variances, and realizes that there are the following deviations in some projected client statistics:

- Overall, with only 1 month remaining in the second fiscal year, the total number of vouchers issued during the year is only at 78 percent of the amount projected for the entire year. This grantee is, at this point, underspending the program's projected allocation for the second year. The grantee has already taken into account underspending for the first year, which occurred due to a longer than expected start-up period, by revising the second- and third-year goals upward to reach the original cumulative 3-year targets.

- The managers can see from the comparison data that their overall targeted numbers of clients screened and assessed do not deviate too much from projections.

- However, the managers see at a quick glance that the total vouchers issued (ratio of clients entering the program after assessment) is only at 72 percent of assessments, rather than the 82 percent projected, leading to a shortfall in the total number of vouchers issued that may be difficult to make up by the end of the fiscal year.

Regional analysis of total vouchers issued shows that Regions 1 and 3 are on target, but Region 2 is well under its projected number of total vouchers issued, with only 48 percent of projected vouchers actually issued for the year.

Table II.2: Sample ATR Program Summary—Client Intake Data

Date: June 30, 2007										
	Last 3 Months						**Cumulative 2006 Fiscal Year (FY) Data (August 2006–August 2007) Second Program Year**			**Cumulative Actual Program to Date (August 2005–June 2007)**
	June 2007		**May 2007**		**April 2007**					
Client Statistics	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Actual**	**Budgeted**	**Cumulative Actual to Date (August 2006–June 2007)**	**Total FY 2007 Budgeted Assumptions**	**Actual vs. Budget (1 month remaining in FY) Numbers and Percentage**	**Total to Date**
Number of Clients Screened							1,975	2,200	–225 clients (under) (90% of projected)	
Number of Clients Assessed							1,679	1,870	–191 clients under) (90% of projected)	
Ratio of Screening to Assessments							85%	85%	85% (on target)	
Total Vouchers Issued (clients entering into services after assessment)							1,202	1,536	–334 clients (under) (78% of projected)	2,466
Ratio of Clients Entering Program to Assessments							72%	82%	(10% under projected)	
Total Vouchers Issued							1,202	1,536	–334 clients (under) (78% of projected)	
Region 1							460	482	–22 clients (under) (95% of projected)	
Region 2							337	695	–358 clients (48% of projected)	
Region 3							365	359	+6 clients (over) (102% pf projected)	

The managers ask for a report query (if reports are totally automated), providing a greater level of detail for Regions 1, 2, and 3. If the reporting function is not automated, the data may be collected from the Web ATR system or other reporting system and entered into the spreadsheet. The summary chart provides a level of detail only for vouchers issued by region, but not for numbers of clients screened and clients assessed by region. The more detailed report may show that Region 2 is (1) not screening as many clients as expected, (2) not assessing as many clients as expected, and/or (3) facing a situation in which clients who are assessed are not deemed eligible or are not choosing to enter the ATR program. The managers may choose to enter those more detailed line items for each region as a permanent addition to the client intake statistics summary, since this is an area of variation that they feel they should have been tracking more regularly.

If Region 2 is experiencing problems, the grantee will be able to work with regional administrators to explore and correct any deviations from budget and to provide technical assistance if necessary. The regional managers should be provided with and encouraged to use the same reporting templates and to keep track of the same data as the main grantee, if they are not doing so already.

The above example and template chart are intended to show just one small example of a variance analysis. Actual and budgeted expenditures in dollars and percentages, as well as client statistics that are related to expenditures, can be shown in different reports using the same template. The key for ATR grantees is to monitor their expenditures continuously—at least monthly—against all their baselines (budgeted, cumulative year to date, and cumulative program to date). Grantees need to do this to make sure that they are not experiencing any unexpected spending volatility and that they are on track within the 3-year time and funding allotments for the ATR program.

The key for ATR grantees is to monitor their expenditures continuously—at least monthly—against all their baselines (budgeted, cumulative year to date, and cumulative program to date).

As discussed in the next section, grantees should use a variance chart to keep track not just of total spending, but of the various important detailed elements concerning voucher dollar expenditures, including:

- Dollar Value of Vouchers Issued
- Dollar Value of Vouchers Expired (with remaining funds)
- Dollar Value of Accrued Provider Expenditures
- Dollar Value of Provider Claims Paid

E. Special Considerations for Voucher Expenditure Accounting

The use of a good stabilized budget forecasting model can prevent sudden swings in the operating budget, since grantees know where they are going in their overall spending pattern and are able to adjust the level of services accordingly. However, in the short term, tracking actual expenditures has proven difficult for some grantees. This occurs in part because there is no guarantee that ATR voucher clients will utilize all of the services offered or complete their treatment and recovery plan.

Tracking Actual Expenditures

Tracking actual expenditures has proven difficult for some ATR grantees, in part because there is no guarantee that ATR voucher clients will utilize all of the services offered or complete their treatment and recovery plan.

Administrators know that funds set aside for a particular client must be obligated (not available for other clients) in the tracking system, but that these funds may remain unexpended. The unused portion of an obligated voucher can only be returned to the pool of uncommitted grant funds and used for other clients when that voucher has expired in accordance with local system policies, as based on specified voucher expiration periods.

This is not true for all voucher programs. The largest Federal Government voucher program is the Section 8 housing subsidy from the U.S. Department of Housing and Urban Development (HUD), which provides billions of dollars to individual recipients who are then free to choose the apartment community in which they would like to live. The HUD program has been so well established over several decades, and the demand for subsidized housing has been so strong, that there is always a waiting list of hundreds of thousands of recipients across the country. HUD Section 8 program administrators can be virtually assured that all the vouchers they issue will be used, and used immediately, so they really do not have to plan for reobligating unused funds on any kind of continual basis. It is entirely possible that, over time, a program providing vouchers for substance abuse and recovery services, such as ATR, also will become quite popular as clients and providers become accustomed to it.

ATR grantees have to track voucher expenditures on many levels, all of which provide different views of the pattern of expenditures, for different analytic reasons, and are important to varying degrees. Part of the key to analyzing expenditure patterns for the ATR program is to understand the difference between a cash basis accounting system, where expenditures are recorded when invoices are actually paid, and an accrual system in which expenses are recognized as they are incurred rather than when they are paid. The accrual method will give ATR administrators a much better picture of actual spending patterns than a cash basis accounting system can. This is because of the significant time delay that often occurs between when an ATR provider supplies a voucher unit of service and when the provider actually gets paid, as well as when and where this payment is recorded in the cash accounting system.

An Accrual Accounting System Method is Preferred

The accrual accounting system method will give ATR administrators a much better picture of actual spending patterns than a cash basis accounting system can. In an accrual system expenses are recognized as they are incurred rather than when they are paid. In a cash basis accounting system expenditures are recorded when invoices are actually paid

Sources for Expenditure Reporting

For most grantees, the ATR grants management process is integrated with the conduct of standard Government financial management functions related to grant and other funding management. For reporting purposes, and for some tracking and forecasting purposes, there are several financial management sources and processes that will give grantees varied snapshots of their expenditure patterns.

Table II.3 below shows several different sources of record for expenditure information, as well as different types of spending that must be tracked by grantees. The table briefly highlights each measure and how it can be used. For grantees, thinking within this structure will provide a framework for truly understanding the ATR expenditure process; it will also lay the groundwork for more accurate program tracking and forecasting.

Table II.3: Sources for Expenditure Reporting

1. **State-Level and Federal-Level Accounting Reports** (officially recorded ATR drawdowns and expenditures)	• Grantees must periodically report actual drawdowns of ATR funds to CSAT and must reconcile the State and Federal accounting systems when closing down the program. • However, State- and Federal-level accounting systems are not reliable for tracking and forecasting levels of expenditures for true operating purposes. • States differ from each other in their accounting and disbursement systems; for example, systems may pay providers out of general funds well before requesting an ATR drawdown, which will show a large balance remaining when in fact the funding has already been spent.
2. **Budgets**	• Budgets are by nature projections and should never be used to report actual expenditures. • Operating budgets should be updated at least monthly to take into account what has actually occurred in the last month or last time period as a basis for predicting the next budgeted time period.
3. **ATR Vouchers Issued**	• Each voucher committed to a client represents a funding obligation and is an important expenditure benchmark. Vouchers obligated should be tracked at least weekly.

4. Accrued Provider Expenditures	• Accrued expenditures represent actual services that have been rendered by providers against a voucher, whether or not they have been paid for on a cash basis. • Accrued expenditures are the most important measure for grantees to track their actual expenditure rates and, if expenditure patterns are volatile, should be tracked at least weekly. • Accrued expenditures can be tracked through actual invoices or through more frequent, informal reporting by providers. The latter method is better if the grantee requires invoices on a monthly or less frequent basis.
5. Provider Claims Paid	• Provider claims paid represent cash out of the system after an invoice is received and paid. Provider claims paid are an important cash measure of expenditures and should be tracked in operating projections as often as they are recorded in the payment system. • Cash payment of claims typically lag at least 2 weeks to 30 days or more behind services rendered, so claims paid will understate expenditure patterns if the grantee is in a volatile spending pattern. • Accruals are a better method of judging grantee real expenditures and obligations at a particular moment in time.
6. Vouchers Expired (with remaining funds)	• Unspent funds that have been set aside but then expire because a client did not complete all or a portion of the voucher are returned to the funding pool. This is an important measure of how much funding is still available.

III. Improving the ATR Voucher Management Process

Most grantees transition to a smooth operating model that facilitates positive outcomes for clients in achieving the required outcome measures. Most use case managers who help clients throughout the process and ensure higher utilization and completion rates. Grantees also make substantial efforts to reach out and enroll new providers, including faith-based providers—a major focus of the ATR initiative—and to make sure that potential clients are aware of the availability of the ATR vouchers.

In the meantime, especially for grantees who find themselves in a volatile (suddenly shifting) expenditure pattern, it may be advisable to review and revisit their voucher issuance, claims payment, and claims invoicing processes to reflect actual program experience.

A. Voucher Issuance and Expiration Rate Options

The grantees vary considerably among each other on such program rules as (1) how long vouchers were valid prior to expiration, (2) voucher termination conditions, (3) what services are included in each voucher (flat/bundled for a range of services or single/unbundled for each individual service), and (4) other factors. The time from voucher issuance to expiration is one example of the wide variation across grantees. In one ATR program using an unbundled voucher system, clients were required to present their voucher for a given level of service within 30 days before the voucher is scheduled to expire and to transition to the next level of service within 14 days or the voucher will expire. At the other extreme, a second program gives clients up to 1 year to present and utilize a voucher before it would expire.

Shorter voucher expiration periods and tight termination policies make managing program expenditures easier.

Vouchers with long billing timeframes and/or long shelf lives increase the level of difficulty for managing program expenditures. Grantees with programs that have a fairly long voucher expiration period and lenient termination policies may want to consider accelerating the expiration timing of vouchers and tightening their conditions for voucher expiration. These changes could:

- Provide clients with more incentives to utilize and complete services
- Improve client outcomes through higher utilization
- Enable the grantee to more closely monitor spending by reducing the time that obligated but unspent funds remain outstanding
- Free up unused and underutilized funds for other clients

Automatic checks or imbedded edits in the voucher management system can help control the overspending.

All grantees need to judge their policies based on their current clinical and fiscal experience with the program as the program progresses, but they should consider a tightening of expiration timing and conditions. In addition, most previous ATR grantees have implemented an automatic check or imbedded edit into their Web ATR or other systems that limits the amount of funding that can be encumbered once a voucher is issued or once they have reached a predetermined allocation for that time period (by total, or by region or provider as appropriate). This is a good way to make sure that the grantee is controlling the allocation of vouchers so that the program does not overspend.

B. Provider Invoicing and Payment Policy Options

In the first round of ATR grantees, the timing of required submission of invoices also varied considerably by grantee, from a 7-day requirement (weekly) for submission of provider invoices to a 60-day requirement. Some grantees required no intermediate reporting by providers for services rendered except for the invoice. In contrast, at least one grantee required that providers report, through the Web ATR system, every 3 days on what services were rendered during that time.

Consider

- Requiring both reporting of services and invoicing on a relatively short-term basis
- Implementing different invoicing procedures depending upon the type and reliability of the provider
- Incentive payments, faster payments and/or prospective payments for responsible providers

To maintain spending control and to monitor the availability of funds against a particular voucher, it is preferable for grantees to require both reporting of services and invoicing on a relatively short-term basis. So as not to burden the provider unduly with too frequent invoicing requirements, a grantee may want to consider using a combination system, as mentioned above. In this system, the provider reports weekly through the Web ATR system all services that have been rendered, which allows the grantee to keep track of services provided on an accrual basis (as mentioned in section 2 of this document). The provider submits an actual invoice on a biweekly or bimonthly basis. Some providers may actually prefer to invoice more frequently in order to get paid sooner.

The invoicing procedures may also depend on the type and reliability of the individual provider. Several grantees require new, nontraditional providers who do not have established accounting procedures and systems to submit their invoices through a lead agency; this lead agency is responsible for the coordination of care.

In addition, grantees may want to consider incentive payments, faster payments, or even prospective payments for responsible providers who fulfill their financial reporting and invoicing requirements and also demonstrate positive client outcomes. Likewise, some grantees are considering protocols that will penalize providers who do not comply with billing and financial reporting requirements.

C. Changing the Mix of Services and Enrollment

A significant change in the mix of services may require approval by the Substance Abuse and Mental Health Services Administration (SAMHSA), since the original grant approvals are focused in part on serving a definite number of clients during the grant period. With limited funding, there are only two real choices:

- Serve more clients with lower cost and less intensive services
- Serve fewer clients with higher cost and more intensive services

Although grantees try to project the level of spending per client to guarantee that a certain number of clients would be served during the ATR program, their experience may not match projections. This would especially pertain if the grantees did not have shorter term expiration policies and other rationing measures in place. Grantees who initially plan to use unbundled vouchers (a voucher used to fund a single type of service) that could serve an individual client across the spectrum of care may be finding it difficult to project and control expenditures because clients may then be using more higher intensity and higher cost services (e.g., inpatient care) than projected.

If grantees are **overspending** their grant funds, they may have to consider:

- Capping total enrollment
- Reducing their target population
- Eliminating some service levels entirely
- Reducing the amount of services provided within a given service

If **underspending** is occurring, grantees may want to consider expanding their target populations and services. In either situation, grantees will want to use their stabilized budget operating model to quantify the expected impact of such changes on their expenditure patterns carefully, prior to making any changes.

Caution!!

Too many changes or too drastic of a change in a service system, can create considerable confusion and dissatisfaction among providers. If change is necessary – give the affected participants as much notice as possible, explain the changes fully and provide an opportunity for discussion and comment before implementation.

A word of caution about implementing changes in the service mix—making too many changes or too drastic of a change in a service system, particularly one that is working with a new category of service providers, e.g., recovery support services and/or faith based- or community-based providers, can create considerable confusion and dissatisfaction among providers. The fewer interactions of this nature, the better the program will operate. If a change becomes necessary, give the affected participants as much advance notice of the impending change as possible. Be sure to explain the changes fully and provide an opportunity for discussion and comment before implementation of the changes. This will give the participants an opportunity to identify issues that may arise or just provide an opportunity to vent. Circumstances may also be uncovered that warrant a second review to the proposed revisions before implementation is appropriate.