

TECHNICAL ASSISTANCE REPORT
FOR THE
ACCESS TO RECOVERY GRANT PROGRAM

FINANCIAL MANAGEMENT TOOLS AND OPTIONS
FOR MANAGING EXPENDITURES IN A
VOUCHER-BASED PROGRAM: ROUND ONE
GRANTEE EXPERIENCES

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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 document, *Financial Management Tools and Options for Managing Expenditures in a Voucher-Based System: Round One Grantee Experiences*, addresses, through case study format, the topic of financial management tools for managing expenditures in a voucher-based program. The document compliments the report: *Basics of Forecasting and Managing Access to Recovery Program Expenditures*. It describes the experience of four Round 1 grantees as they managed their voucher expenditures, the issues that arose, and the technical assistance they requested to address these situations:

Grantee #1: Inadequate Information During Implementation Period —The grantee issued vouchers through a cumbersome manual system for a year and a half and then converted to an automated system. While operating in the manual system, the grantee had only expenditure information to manage its grant. The TA consultant provided the grantee with tools to develop a management plan for addressing their grant’s “burn rate” through encumbering funds for each voucher issued, and techniques for projecting percentages of clients who would expend the full encumbrance.

Grantee #2: Inconsistent Service Levels—With the assistance of a contracted administrative service organization (ASO), the grantee issued vouchers statewide for clinical and recovery support services. When expenditures were initially low, the grantee expanded its number of referral sites to increase services. The TA provided assisted the grantee in monitoring expenditures and evaluating ways to tighten its service caps and eligibility requirements to remain within its grant funding for the duration of the grant period.

Grantee #3: Phased-In Implementation —The grantee implemented its ATR grant statewide by gradually opening services to various areas of the state. Because the grant was continuously in a period of expansion, it became difficult for the grantee to project whether the grantee would have enough funds to reach the end of the grant or if too much funding would be available. The grantee was using Government Performance and Results Act (GPRA) data to project, but also had a problem with timely submission of this information. The TA provided the grantee with more realistic budget projects and tools it could use to manage the eligible services to reach its goals.

Grantee #4: Inadequate Range of Management Reports —The grantee provides services to several areas of its State with the assistance of an ASO. The initial contract with the ASO did not include development of the most helpful reports for managing grant burn rate. As with the grantee above, this grantee implemented its grant services gradually throughout its eligible areas. Consequently, the grantee was having difficulty projecting how long its grant funds would last. The TA provided made suggestions for key calculations that would help the grantee project expenditures, as well as some suggestions on how to continue to monitor expenditures.

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).

Financial Management Tools and Options for Managing Expenditures in a Voucher-Based Program

Grantee #1: Inadequate Information During Implementation Period

Context for Technical Assistance

The grantee was awarded a 3-year ATR grant beginning on August 3, 2004, with a total award of more than \$17 million. In its application, the grantee proposed to provide intensive outpatient (IOP) and recovery support services (RSS) to all eligible clients with a primary focus on rural areas of the State. Two significant challenges faced the grantee in initiating the program—a delay in implementing an automated data system by over a year and a half and insufficient numbers of providers, which limited client choice. As a result, client numbers lagged well behind projections. Voucher expenditures were \$83,338 for Year 1 and \$1,203,549 for the first half of Year 2. The grantee was encouraged to address the slow implementation by removing barriers to providers and services to increase grant expenditures and increase the number of faith-based providers.

Vouchers were issued to clients who met certain residency and income criteria, and who had not previously participated in the ATR program. Vouchers were issued from the central ATR office (when in the manual process) and later through the automated data system. Controlling expenditures was very difficult because the ATR program only learned of the provision of service when payment was requested. Encounter data was not tracked during the early implementation phase of the program.

As a result, the grantee worked with providers determining needs of the consumers and enlarging the provider base, expanding and/or adding RSS, adding collateral services, increasing rates and the maximum units of service (especially length of time in housing), simplifying the provider application, providing assessments for RSS separate from the clinical assessment, and allowing RSS assessments to be completed by nonlicensed staff. The grantee marketed to providers, consumers, and courts, while providers expanded service capacity, all of which resulted in significantly increasing the numbers of clients being served and expenditure rates during the latter part of Year 2. The ATR grant's expenditure patterns are indicated in the exhibit below:

Exhibit 1: ATR Grant Expenditure Patterns

Timeframe	Award	Expenditures	Balance
First Year Award	\$5,938,532	\$160,594	\$5,777,938
Second Year Award	\$5,925,988	~\$9,880,000	~\$1,825,000
Third Year Award	\$5,866,013		~\$7,690,000

Nearly all of Year 1 grant award was carried over into Year 2, making the second year funding level \$11,703,926. The grantee had considerable success in removing barriers and expanding services. In the second half of Year 2 through mid-June, 2006 expenditures were more than \$5 million, with the latest monthly rate at approximately \$1.8 million. One of the changes that brought many new providers into the network and increased services was the implementation of

a Web-based data system to replace a cumbersome paper system that prevented providers from participating.

Because expenditures for the ATR program increased so dramatically during the spring of 2006, the grantee requested TA to:

- Define tools that can assist in organizing and managing program and financial data.
- Define options for managing a voucher based program.

Technical Assistance

At a meeting that included the grantee agency director, finance director, ATR project director, treatment director, systems analyst and the business development consultant for the automated data system the agency was implementing, options and tools for managing the ATR program were discussed. Participants agreed that the goals for managing the ATR program were to (1) adhere to the ATR budget, (2) maintain good relationship with the provider community, (3) allow grant funds to be stretched through the end of Year 3 of the ATR grant, (4) reduce the negative impact on provider operations as much as possible, and (5) preserve the practices which result in the best outcomes.

Tools

Together, the group reviewed client service data, provider characteristics, and financial data, including budgets, encumbrances, expenditures, and burn rates. Each participant in the group compiled variables that contributed to the situation, options for maintaining expenditures within budgets, and analysis of data that needed refinement. The group then discussed each participant's proposals and prepared a consensus document of options as well as changes to the automated system that would be required.

With those agreements in place, the group examined the data, developed options, and began the design of a spreadsheet to monitor current expenditures and project the impact of various changes. As additional data becomes available, a probability of a client completing a service could be projected and entered into the spreadsheet. An example of the spreadsheet is presented in Exhibit 2. During the discussion, it was suggested that the spreadsheet could be useful to the providers; with adequate training, they could use this same tool to manage voucher obligations (note that obligations can take various forms, including encumbrances and allocations). The final product of the discussions was an options paper to be presented to the agency head for decisionmaking and reference in the coming months as changes are made to the project. The spreadsheet as presented will be refined and used to monitor and project future changes.

The TA session also introduced a technique to the management team: using budgets and encumbrances rather than expenditure rates to limit the project to the services that could be reimbursed within the budgets. Further, through use of the same tools used to monitor the project, the program could project the impact of changes in units of service, burn rates, unit reimbursement rates, etc.

To manage the cash flow, the grantee developed a planned approach that limited the amount of ATR funds a provider could bill on a monthly basis, and placed the decision on access to the

ATR program squarely on the provider, allowing the provider to determine how many clients would be served and what services would be delivered. The grantee established the provider expenditure caps by reviewing the provider billings for April, May, and June of Year 2, averaged these amounts, and determined a percentage funding for each agency. Billing for a month may not exceed the established cap. Funds unused in 1 month are not available to the provider during the following month, and any services provided beyond the expenditure cap are not reimbursable. Providers are also asked to enter encounter data into the automated data system on a daily basis. The ATR program is using its expenditure management tool to monitor that the budget remains on track, and expenditures are to be monitored using a claim batch list. The automated data program is being updated to automatically monitor provider expenditures against the established caps, and the ATR program stands ready to assist the providers with managing cap status.

In addition to establishing the provider caps, the grantee modified some service ranges. For example, recovery support was limited to 30 days; intensive outpatient treatment was limited to 90 days, removing respite care from the list of reimbursable services, limiting the maximum number of recovery support service sessions to 12, and placing additional requirements on providers/services in transitional housing. These program revisions took place at the beginning of August 2006. As the grant funds began to run out, the grantee was advised that further scrutiny will need to occur to ensure that the service costs remain on budget. Staff anticipates a potential need to reduce the length of time a voucher remains open in order to keep from overspending the grant.

Recommendations

The grantee was advised to:

- Use the TDOH Public Information Officer to interact with providers and others inquiring or commenting about changes to the program.
- Use budgets and encumbrances to manage the services authorized by vouchers in the ATR program before the services are provided, rather than by expenditures after the services are provided, when there is the expectation of payment.
- Use budgets and encumbrances to assess the level of detail of assessment, clinical, recovery, and collateral services to stay within budget.
- Use the projected expenditures monitoring tool developed and being tested as part of this process. In addition, train providers to use the projected expenditures monitoring tool. By accumulating the providers' information, the grantee would have a check or additional verification of projections.

Exhibit 2: Projected Expenditures

Service	Budget Year X	Cost	Units	Clients	Encumbrances Subtotal	Burn Rate	Projected Expend.	# of Clients Served
Assessment	\$100,000				\$154,500		\$123,600	
Screening		\$0	1	3,300				
Clinical Assessment		\$65	1	1,800	\$117,000	80%	\$93,600	1,440
Recovery Assessments (new)		\$25	1	1,500	\$37,500	80%	\$30,000	1,200
Clinical	\$2,000,000				\$7,782,000		\$1,945,500	
Aftercare/Continuing Care		\$25	15	2,800	\$1,050,000	25%	\$262,500	700
Intensive Outpatient		\$55	68	1,800	\$6,732,000	25%	\$1,683,000	450
Recovery	\$2,800,000				\$7,179,000		\$2,376,200	
Basic Education		\$30	7	1,000	\$210,000	15%	\$31,500	150
Case Management		\$40	8	3,000	\$960,000	40%	\$384,000	1,200
Drug Testing		\$20	4	3,300	\$264,000	30%	\$79,200	990
Domestic Violence		\$20	10	400	\$80,000	25%	\$20,000	100
Employment Skills		\$20	10	1,000	\$200,000	25%	\$50,000	250
Family Support		\$20	10	1,000	\$200,000	20%	\$40,000	200
Nutritional Support		\$20	10	400	\$80,000	10%	\$8,000	40
Pastoral Support		\$20	10	1,000	\$200,000	25%	\$50,000	250
Relapse Prevention		\$20	10	3,000	\$600,000	20%	\$120,000	600
Recovery Coaching		\$25	8	1,000	\$200,000	25%	\$50,000	250
Recovery Skills		\$20	10	2,000	\$400,000	35%	\$140,000	700
Recovery Social Activities		\$15	10	1,600	\$240,000	25%	\$60,000	400
Respite		\$100	7	500	\$350,000	55%	\$192,500	275
Spiritual Support		\$20	10	1,600	\$320,000	30%	\$96,000	480

Service	Budget Year X	Cost	Units	Clients	Encumbrances Subtotal	Burn Rate	Projected Expend.	# of Clients Served
Transitional Housing		\$20	60	2,000	\$2,400,000	40%	\$960,000	800
Transportation		\$0	500	2,500	\$475,000	20%	\$95,000	500
Collateral	\$100,000				\$590,000		\$81,500	
Basic Needs (BN)		\$150	1	600	\$90,000	20%	\$18,000	120
Basic Utilities (BU)		\$300	1	400	\$120,000	10%	\$12,000	40
Household Establishment (HE)		\$200	1	500	\$100,000	10%	\$10,000	50
Medical (MD)		\$300	1	300	\$90,000	15%	\$13,500	45
Medication (RX)		\$500	1	200	\$100,000	10%	\$10,000	20
Rental Assistance (RA)		\$300	1	300	\$90,000	20%	\$18,000	60
Total	\$5,000,000				\$15,705,500		\$4,526,800	
Data Source (as of date)								
Note: Encumbrances include unexpended funds that were obligated for a specific client, unspent and available for use by other clients after the voucher expired.								

Financial Management Tools and Options for Managing Expenditures in a Voucher-Based Program

Grantee #2: Inconsistent Service Levels

Context for Technical Assistance

The grantee was awarded a 3-year ATR grant beginning in August 2004 with a total award of approximately \$22 million. Services proposed in the grantee's application included a full continuum of services, including both clinical treatment (4 types) and 11 types of recovery support services (RSS). Services were initially targeted to a statewide subpopulation of substance-using adults (18 years old and older) documented to have significant barriers to care, service use, and successful treatment outcomes, such as individuals involved in the criminal justice system and women involved in the child welfare system. A referral system specific to these populations was established with specific referring agencies, such as the jail system, drug court, offender reentry, and the State's children and family agency to establish ATR program entry points. When enrollment numbers were very low in the initial implementation year, case managers were placed in each of the regions to educate referral programs and clients on the elements of the program.

Issuance of vouchers was phased in on a regional basis beginning in January 2005 with full implementation occurring by April. In each region, a designated lead agency and coordinator are responsible for coordination and oversight of that region's ATR provider network (e.g., enrolling providers, distributing ATR-related information and program changes to providers). The grantee contracted with an ASO to perform the voucher and financial management responsibilities for the program, and services were initiated using a paper voucher management system. Any provider, lead agency, or case manager can assist an eligible client in making a choice of a provider for an initial assessment. Providers fax request forms to the ASO that authorizes/denies the request and enters the information into an automated data system with approval/denial information communicated through return fax. Vouchers are issued separately for each service requested, and are processed weekly. Providers have up to 60 days after provision of services to submit a claim.

Service expenditures for Year 1 were \$173,647 for just under a full year, and clients numbered 236. To increase the client counts and expenditures, the grantee opened enrollment to accept referrals from anywhere, not just the referral agencies that had been established. The combination of this change and increased familiarity with the ATR program by the original referral points dramatically increased client participation. By June of Year 2, cumulative activity expenditures for the grant had risen to \$10,432,268 with payments for the week totaling \$405,820. Because the program grew so significantly, the ASO was not staffed to handle the volume of invoices, resulting in a backlog of requests for payment. The total amount of these backlogged invoices could not easily be determined. By early September 2006, the grant had spent a cumulative total of \$13,340,142 and at that rate, the program would have run out of funds in January 2007, well before the grant was scheduled to expire. TA was requested.

Technical Assistance

Tools

To facilitate the TA discussion, the grantee developed a spreadsheet based on May 30, 2006, data. The spreadsheet listed each service option available in the ATR program, the average numbers of units that were provided for that service (e.g., one evaluation or 8.4 sessions of intensive outpatient therapy), and the rate for each unit of service, followed by columns for each referral source that included information on the number of admits and the cost. The general population referrals (those not from the originally identified referral sites) were identified as “other.” The last four columns on the spreadsheet totaled the number of services provided and the costs—the first two columns indicating total services regardless of referral point, and the last two excluding the expanded “other” population. Each of the referral columns was totaled to indicate the total admissions and costs for the month, with grand totals appearing under the last four columns. An extension of the last four columns could be added to calculate the average cost of the service across all referral sites. The average cost figure will be very useful in determining whether modifications, such as caps, should be placed on the individual service. An example of the spreadsheet follows as Exhibit 3. This type of spreadsheet is extremely helpful in identifying the services most requested, those that are using the most financial resources, the prime (and less successful) referral sites, which services are not being used, etc. It is a tool that is very insightful and would be useful to management throughout the ATR grant cycle.

The grantee also developed a plan for slowing down expenditures. To alert providers that changes in the ATR program were necessary, a two-step notification was prepared for revising the maximum group size for faith- and peer-based groups downward, capping clothing vouchers at \$50 (slightly under the average cost of this service, as indicated in Exhibit 3), suspending further new provider certifications, and reducing the authorization for case management from six months to three months. These changes took place on June 15, 2006. The second part of the notification addressed changes that would become effective July 1. These program revisions took eligibility for the ATR program back to clients identified through the original referral system, eliminating the “other” referrals from the general population. Two other changes also were proposed—a reduction in the authorization for housing and additional recertification requirements for congregate sober housing. These changes were implemented following telephonic consultation with the TA team.

Following the initial TA consultation, the grantee developed two supplemental tools for managing its financial resources—a Weekly Activity Analysis that listed each individual service in the ATR program and tracked, both by client number and financial resources, the weekly target and progress toward meeting those budgets. A sample of the report is provided as Exhibit 4. The second tool was a Weekly Spending Trend Graph that tracked the average weekly expenditures so that the grantee could monitor how well it was managing its limited resources (Exhibit 5).

Exhibit 3: Spreadsheet of ATR Service Options

SAMPLE—Not inclusive of all services

Services	Average Utilized	Description	Rate	Referral Site #1		Referral Site #2		Other Referral Sites		Total Including Other Referral Sites		Total Without Other Referral Sites	
				Admissions	Cost	Admissions	Cost	Admissions	Cost	Admissions	Cost	Admissions	Cost
Assessment	1	Unit	\$71	7	\$500	23	\$1,643	27	\$1,929	57	\$4,072	30	\$2,143
IOP	8.4	Units	\$96	1	\$96	26	\$2,491	32	\$3,066	59	\$5,652	27	\$2,587
Meth. Maintain	13.98	Units	\$78	1	\$78	1	\$78	93	\$7,224	95	\$7,380	2	\$155
Recovery Hse	1.65	Months	\$2,055	1	\$2,055	5	\$10,275	48	\$98,640	54	\$110,970	6	\$12,330
Res. Long Care	1.95	Months	\$487	7	\$3,409	15	\$7,305	157	\$76,459	179	\$87,173	22	\$10,714
Sober House	1.29	Months	\$573	0	\$0	0	\$0	4	\$2,293	4	\$2,293	0	\$0
Case Mgmt.	20.79	Units	\$11	6	\$63	75	\$788	255	\$2,678	336	\$3,528	81	\$851
Child Care	12	Units	\$10	0	\$0	0	\$0	1	\$10	1	\$10	0	\$0
Clothing	1.28	Units	\$50	13	\$650	64	\$3,200	618	\$30,900	695	\$34,750	77	\$3,850
Vocational	14.16	Units	\$32	3	\$96	7	\$225	113	\$3,632	123	\$3,953	10	\$321
Faith Based	6.05	Units	\$28	3	\$83	32	\$880	384	\$10,560	419	\$11,523	35	\$963
Peer Based	3.41	Units	\$28	3	\$83	4	\$110	137	\$3,768	144	\$3,960	7	\$193
Utilities	1	Units	\$250	1	\$250	3	\$750	57	\$14,250	61	\$15,250	4	\$1,000
Total Per Month				46	\$7,362	255	\$27,744	1926	\$255,407	2227	\$290,513	301	\$35,106

Exhibit 4: ATR Weekly Activity Analysis

Year 3: Through September 6, 2006 (week 5 of 52 weeks)

Based on Paid Claims

Clinical Services	Year 3 Target	Weekly Target	Weekly Actual	Year 3 Budget	Weekly Budget	Weekly Actual	Year 3 Total
Evaluation	350	7	7	\$26,250	\$504	\$508	\$1,840
Ambulatory Detox	25	0.5	0	\$28,500	\$548	\$0	\$518
IOP	125	2.5	53	\$309,000	\$5,942	\$21,831	\$43,620
Methadone Maint.	150	3	11	\$312,000	\$6,000	\$1,520	\$33,366
Brief Treatment	400	7.7	7	\$280,000	\$5,384	\$732	\$39,641
Cocaine IOP	200	3.8	13	\$1,200,000	\$23,076	\$24,413	\$33,432
Bup Trial	NA	NA	0	NA	NA	\$0	\$369

Duplicated Totals	1,250	24.5	91	\$2,155,750	\$41,454	\$49,004	\$152,786
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Based on Paid Claims

Recovery Support Services	Year 3 Target	Weekly Target	Weekly Actual	Year 3 Budget	Weekly Budget	Weekly Actual	Year 3 Total
Housing	662	13	61	\$2,583,000	\$49,673	\$43,977	\$281,129
Case Management	400	7.7	132	\$336,000	\$6,461	\$18,700	\$66,570
Transportation	895	17	130	\$80,550	\$1,549	\$5,850	\$30,859
Childcare	10	0.2	0	\$3,000	\$57	\$0	\$0
Basic Needs	1,335	25	0	\$324,405	\$6,238	\$0	\$2,766
Vocational/Educational	175	3.4	11	\$315,000	\$6,057	\$4,344	\$45,067
Peer/Faith Based	750	14	199	\$225,000	\$4,327	\$28,871	\$136,144
Utilities	0	NA	6	\$0	NA	\$385	\$2,923
Other	0	NA	0	\$0	NA	\$0	\$4,847

Duplicated Totals	4,227	80	539	\$3,866,955	\$74,362	\$102,127	\$570,305
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Year 3

Total Unduplicated Served Based on Paid Claims Only	Year 3 Target	Weekly Target	Weekly Actual	Year 3 Target to Date	Year 3 Actual	% of actual vs. YTD target
	6,000	115	122	575	527	92%

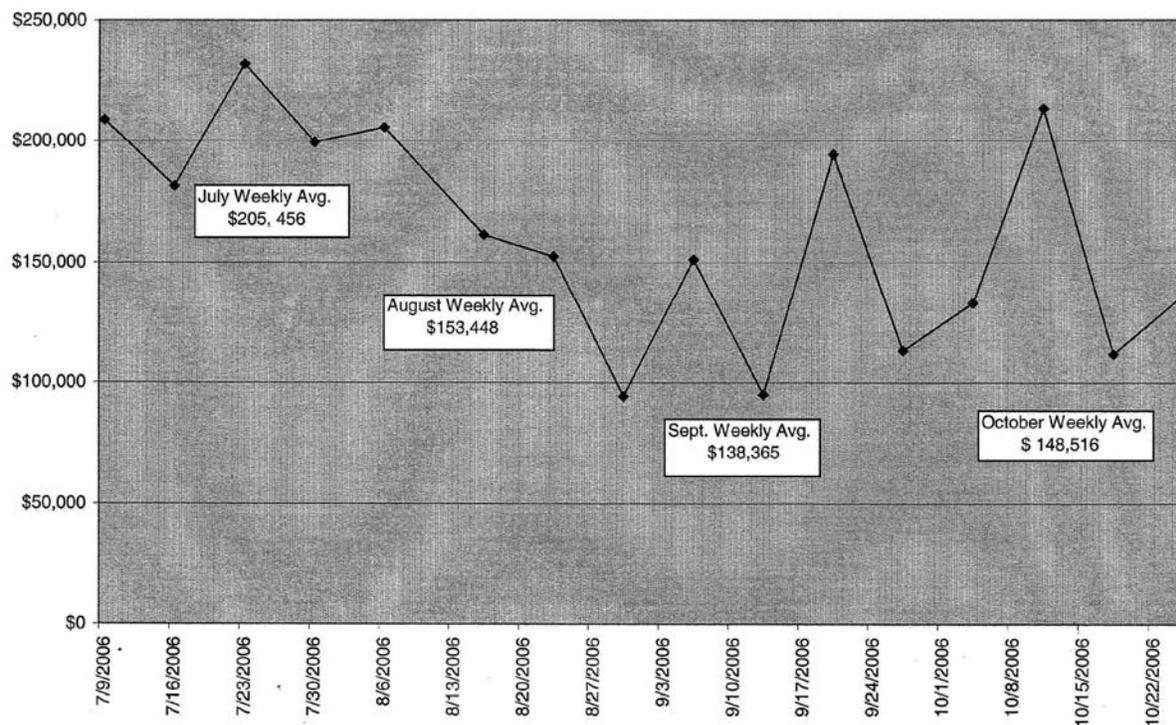
Cumulative Target	Cumulative Actual
17,000	12,275

Year 3

Service Budget	Year 3 Budget	Weekly Budget	Weekly Actual	Year 3 Target to Date	Year 3 Actual	% of actual vs. YTD target
	\$6,022,705	\$115,821	\$151,135	\$579,105	\$723,099	125%

Cumulative Budget	Cumulative Actual
\$18,060,172	\$13,340,142

Exhibit 5: Weekly Spending Trend Graph



Recommendations

The knowledge the grantee gained from developing these tools helped them assess whether they needed to take further action to limit the service delivery system. Because the ASO was working off a backlog of invoices for which the grantee was challenged to assess a value, the grantee had to identify the actual resources available. With the knowledge the grantee had gained by analyzing the weekly cash flow, the grantee anticipated a rough estimate for the value of the backlog. To arrive at a figure for budgeting throughout the balance of the grant, the grantee needed to subtract the estimated value of the backlog. They further had to deduct the value of services that may accumulate during the 60-day grace period for submitting invoices to arrive at an amount of money remaining to be budgeted throughout the balance of the grant. The resulting amount was divided by the number of weeks the grant was to continue providing services to identify the target weekly budget for expenditures. Because the grantee had not been enforcing the 60-day rule for submitting timely invoices, providers were notified that if they were not diligent in submitting claims within the specified 60-day timeframe, their claims would be denied.

Approximately every 6 weeks, the grantee had a conference call with the TA consultants to discuss progress in slowing down the rate of service delivery and expenditures. The reports (Exhibits 3 and 4) were shared with the team, and discussions were held about the current weekly average of expenditures, any backlogs or unusual events that may influence invoicing, and any other actions that may need to be considered in the future. When it appeared that the grantee was moving toward stabilizing the expenditure patterns, the consultation was concluded.

In using this approach to managing the burn rate of the grant, there are miscellaneous tools that can be considered. Some are as follows:

- Always remember that the goal is to facilitate recovery; do not limit a service that may hamper that goal.
- In an open voucher system, it is usually difficult to manage by budgeting on specific line item services. The grantee should anticipate that rebudgets will need to occur when it is determined that a popular service is under budget or a less popular service is overbudgeted.
- In reviewing the ranges of the various services, outliers where a few people received much more service than the average may exist. If the particular service is very expensive, that may be a service to consider capping closer to the average use (or imposing reauthorization if an individual's service needs to be extended beyond the cap).
- Limiting case management by a number of sessions rather than for a length of time, so that as the client progresses through recovery, there is an ability to access this stabilizing service throughout the process.
- Look for services that appear to have minimal demand. These may be areas where cuts or caps can be imposed that will not affect many in recovery.
- Monitor the program for anything that may influence the processing of timely payments. If there is such a delay, it will need to be reflected in the calculations to determine available resources.
- Assess the service roster to identify the most expensive services. Try to identify a means to fund these services through alternate funding sources, such as housing (another housing program), and maintenance (Substance Abuse Prevention and Treatment (SAPT) Block Grant, Medicaid, or State substance abuse program funds).
- Setting shorter time requirements for invoicing makes managing a grant burn rate much easier. Only if the grantee's systems are able to track direct service delivery on a very timely basis should invoicing requirements be set for extended periods.
- Setting voucher life for shorter periods of time also makes it much easier to manage budgets. Regardless of the length established, ultimately funds need to be set aside to fund the services that are "in the pipeline." Also establishing the service percentages (the services most in demand versus those least accessed) is a very useful tool, both in making sure the services are available in the system and in managing the grant.

Financial Management Tools and Options for Managing Expenditures in a Voucher-Based Program

Grantee #3: Phased-In Implementation

Context for Technical Assistance

A 3-year ATR award of \$22+ million was awarded in August 2004 to serve adolescents and women, including pregnant women and women with dependent children, who present with substance abuse concerns and are at or below 200 percent of the Federal poverty level. The ATR program was gradually being implemented throughout the State, beginning in March 2005 in approximately 40 percent of the participating regions. Implementation plans, including expenditure estimates and local budgets, were developed by the regional substance abuse program administrators and, following approval by the State's grantee, were responsible for implementing the local program with statewide management, allocation of funds, and oversight provided by the grantee's headquarters staff.

Through its Web-based data system, the grantee tracks the issuance of predefined bundles of treatment and recovery support services based on the assessed need. Fixed rates per unit of service and maximum numbers of units of service for treatment were established, as well as maximum dollar amounts for RSS and a maximum payment amount per voucher. When a voucher is issued through the data system, the entire amount of the voucher is encumbered (set aside) within the data system. As services are delivered, the provider is responsible for entering the service information into the data system within 3 days of service, and payments are then made to the provider with funds subtracted from the original encumbrance amount. If the client (1) does not initiate services within 30 days; (2) does not report to the next level of care within 14 days; (3) does not participate in a current treatment service for 30 days; (4) completes 6 months of ATR services; or (5) if 6 months have elapsed since issuance of the voucher, the voucher expires. If the voucher expires, the data system automatically de-obligates any remaining funds to be used to fund new vouchers. Over time, information about average lengths of stay and average costs can be used to project how many clients the funding will be able to serve.

During the implementation phase, client participation was low, and in January 2006 the grantee was encouraged to accelerate the spending of ATR grant funds. As a result, the grantee increased the rates for certain services covered by the ATR program in March and again in July 2006. In addition to these rate increases, there were revisions to the service eligibility conditions as follows:

- A. Transitional housing increased from a maximum of 60 days to a maximum of 90 days service.
- B. Maximum reimbursement allowed for recovery support services went from \$2,500 to \$4,000 per 6-month voucher.
- C. Number of days the grantee was willing to allow between the provision of services before the voucher expires was increased from 30 to 60 days.

- D. The minimum number of days between discharge and readmission was decreased from 60 to 30 days.

Each of the changes provides for increased spending, as reflected in Exhibit 6.

Exhibit 6: Monthly Expenditures

Month	Payments
February 2006	\$366,048
March 2006	\$540,903
April 2006	\$538,544
May 2006	\$632,941
June 2006	\$707,206
July 2006	\$1,033,267

Because the grantee has a 3-day time limit for providers to enter and invoice service information, the ATR program does not have much of a lag in identifying unanticipated payments. Vouchers are issued for 6 months, so under the current configuration, issuance of vouchers is possible until the end of February 2007 if the ATR program continue to have available funding.

Client assessments have been fairly consistent for the preceding 5 months, and the ATR project director anticipated that they would reach their client target number by either the end of August or early September 2007. Exhibit 7 shows the monthly completed assessments.

Exhibit 7: Monthly Completed Assignments

Month	Assessments Completed
February 2006	544
March 2006	826
April 2006	728
May 2006	860
June 2006	837
July 2006	864

The grantee recognized that it needed to focus efforts on client retention, but the reporting capabilities of the Web-based data system at the time of the TA did not include standard reports to monitor retention and completion. The ATR program used GPRA data for that purpose, but because they also were having difficulty getting providers to submit GPRA data, anticipating retention and completion was very subjective. To further complicate the situation, the grantee was planning to move maintenance and further development of their Web-based system from its current vendor to a university setting. That transfer would not occur for 2 months, delaying further report development.

The grantee's ATR award for the third year was \$7,499,016. If approved, the grantee anticipated having a carry-forward balance of approximately \$5.7 million, for a total of approximately \$12.3 million for voucher issuance (\$13.2 million, minus \$821,000 in administration expenses). The grantee's fiscal director anticipated that provider claims would consistently reach more than

\$1 million per month and could possibly reach up to \$2 million per month if cost containment strategies were not implemented. TA was requested to help slow the burn rate (rate of expenditures) down so that the grant funding would reach until the end of the grant cycle.

Technical Assistance

Recommendations

The TA consultant made the following recommendations:

- A. The grantee was cautioned that making too many changes in the program too rapidly make it difficult to assess the effects of each change. The March and July rate and coverage changes appeared to have increased the rate of expenditure beyond that intended. However, making too many subsequent corrections that affect the provider community would result in an unstable system, and such changes should be avoided. Time should be taken to assess service use and provider systems to try to limit the number of necessary corrections (preferably to one and no more than two).
- B. Efforts should be made as soon as possible to develop ad hoc or standard reports that will provide retention and completion rate information by covered service for use in calculating expenditure burn rate projections. The information in the data system was preferable by far as it accurately reflects what is happening in the program. GPRA and Substance Abuse Treatment and Block Grant (SAPT) data were either incomplete or inappropriate/not reflective of this service system and population. Without factual information, it would be extremely difficult for the fiscal director to develop an accurate burn rate projection.
- C. Monitor the number of vouchers that are issued to ensure that provider recruitment does not exceed the average number of vouchers issued during the past 6 months. If this number exceeded the current average by a significant amount, action to modify the rates and coverage would be required on a more imminent timeframe.
- D. Begin to develop a prioritized list of options that could be taken to reduce expenditures, such as identifying services that could be capped or eliminated, in which outcomes would not be substantially affected. The program would need to be able to access data currently in the data system. As mentioned earlier, using the GPRA data was a poor substitute for ATR data because the grantee was having difficulty encouraging timely submissions of GPRA data. The idea of reducing the program only to recovery support services, as presented by the grantee, may be appropriate and should be given serious consideration. The grantee may wish to consider placing a cap on the total value of a voucher, particularly if the overall changes involve limiting the vouchers to recovery support services only near the end of the grant.
- E. The grantee should focus on the program as it existed, and not take any action that would extend timeframes for services or for the voucher. No additional “growth” should occur in the program.
- F. As the data system contained current data, the fiscal director might develop a spreadsheet as described in the Center for Substance Abuse Treatment’s (CSAT’s) draft guidance document entitled *Basics of Forecasting and Managing Access to Recovery (ATR) Program Expenditures* to document the ATR program expenditures to date. No

less often than biweekly, the director should monitor the current expenditure rates. After October 1, monitoring activity should occur weekly.

- G. Prepare to modify the ATR program rate and service coverage using the prioritized list discussed above. As a rough projection, Exhibit 8 is an expenditure budget that would provide stabilized expenditure targets across the remainder of the grant.

Exhibit 8: Projected Expenditures

Month	Expenditure Budget
August 2006	\$1,295,400
September 2006	\$1,295,400
October 2006	\$1,295,400
November 2006	\$1,295,400
December 2006	\$1,295,400
January 2007	\$1,295,400
February 2007	\$1,295,400
March 2007	\$1,079,068
April 2007	\$862,736
May 2007	\$646,405
June 2007	\$430,073
July 2007	\$213,741
August 2007	\$0
Total	\$12,299,823

Beginning in March 2007, the expenditures should have decreased by approximately one-sixth from those in February because, if the expenditures were on target, no new vouchers would be issued (voucher has 6-month life), and this declining path should continue through the end of the grant.

Rate and coverage changes would be need to be made if the actual expenditures deviate from the above expenditure budget; the amount of the divergence would indicate the action that would need to occur. For example, if the expenditures are over the budget path by a significant amount, a significant change in coverage and/or rates would need to occur. Tracking the retention and completion rates would help determine where changes should occur.

- H. Give the provider system as much advanced notice as possible that changes are going to occur. If the actual expenditures were somewhat similar to those projected in Exhibit 8, the grantee could hold off making corrections until the system settled down from the rate and coverage changes that occurred in March and July. If expenditures were significantly higher than the budget, every effort should be made to gather the retention by service information needed to make reasonable adjustments, and plan to make the changes no later than November.
- I. If the grantee had significant concerns about the expenditures deviating significantly from the spend-down budget identified above, the grantee was advised to request telephonic TA to provide burn rate oversight and consultation.

Financial Management Tools and Options for Managing Expenditures in a Voucher-Based Program

Grantee #4: Inadequate Range of Management Reports

Context for Technical Assistance

A 3-year grant of \$20+ million was awarded in August 2005 to a grantee planning to implement the ATR program incrementally in five selected areas of a State. The program targets clients involved with drug courts and other criminal justice systems, adults who are uninsured and involved with the child welfare system, and those with co-occurring disorders. ATR service funds were allocated to each of the five areas, but managed at the grantee level.

The grantee contracts with an ASO to manage the voucher program through its Web-based data system. Providers submit client application information into the data system, and personnel from the ASO notify the provider by telephone if the voucher issuance is approved. One voucher with a lifespan of 1 year is issued per client, regardless of the number of services provided. When services are provided, providers enter the data into the Web-based system, which is used by the ASO to develop a provider invoice. In its contract with its ASO, the grantee included development of a limited number of management reports, however, those the grantee is receiving are not very helpful in managing the grant's burn rate.

Client enrollment began in July 2005. Because of the implementation delays, Year 1 client service numbers were low, so the grantee revised its initial admission criteria by liberalizing client access and the ability of clients to receive transitional housing services without participation in corresponding treatment. The revised criteria and rapid expansion of the provider pool were prime factors in client participation of between 18 percent and 82 percent per month increases from July 2005 through May 2006 (see Exhibit 9). By September 2006, monthly expenditures were approaching \$2 million, and the ATR program expected that rate to continue through the last quarter of the calendar year. Because the program did not have sufficient funds to maintain this rate through the final year of the ATR grant, TA was requested.

Technical Assistance

As mentioned before, the grantee had included limited reporting capabilities to manage the program in its contract with the ASO. However, the grantee had not planned or requested that the ASO develop reports specific for managing the grant burn rate. At the TA visit, the ASO has the ability to produce a number of reports that provides information about the ATR program, including:

- Area Summary Totals Report (see Exhibit 9)
- Summary Billing Report (by area)
- Invoice for Unit Rate Payments
- ATR Billing Detail Report
- Summary Billing Report (area, agency, service)

Exhibit 9: ATR Direct Service Expenditures—July 2005–August 2006

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006
District 7 Expend											\$48,615
Total Clients GTD										31	61
Area A Expend				\$ 5,430	\$9,849	\$15,331	\$28,638	\$49,962	\$76,646	\$122,681	\$157,939
Total Clients GTD				11	15	36	43	102	133	154	127
Area B Expend		\$616	\$6,841	\$ 9,021	\$8,156	\$22,708	\$29,827	\$44,550	\$76,239	\$100,090	\$171,696
Total Clients GTD		2	16	11	14	32	30	68	81	155	176
Area C Expend						\$2,059	\$8,950	\$10,885	\$16,941	\$31,062	\$45,669
Total Clients GTD						5	11	18	46	100	95
Area D Expend						\$2,790	\$19,154	\$34,921	\$48,944	\$46,093	\$63,154
Total Clients GTD						6	38	74	64	90	71
Area E Expend	\$1,354	\$24,922	\$35,313	\$52,527	\$61,186	\$64,502	\$69,005	\$73,994	\$171,754	\$225,465	\$258,993
Total Clients GTD	6	33	31	39	49	47	39	94	150	197	199
Total Monthly Expenditures	\$1,354	\$25,538	\$42,154	\$66,978	\$79,191	\$107,390	\$155,574	\$214,312	\$390,524	\$525,391	\$746,066
% Increase in Expenditures		1786.12%	65.06%	58.89%	18.23%	35.61%	44.87%	37.76%	82.22%	34.53%	42%
Total Clients GTD	6	35	47	61	78	126	161	356	474	727	729
Increase in Clients		29	12	14	17	48	35	195	118	253	2
% Increase in Clients		483.33%	34.29%	29.79%	27.87%	61.54%	27.78%	121.12%	33.15%	53.38%	0.28%

Source: Central Florida Behavioral Health Network

Realizing that the contract with the ASO did not have enough report generating resources, the grantee was in the process of adding more capability to the contract. However, the grantee needed to use the information that was available to it at the time to attempt to reduce the cash flow that it was experiencing.

Tools

At the TA session, the ASO produced some preliminary data from their system that had not yet been reviewed or validated by the grantee staff.

- The average voucher amount was \$2,118. (This was computed by dividing the sum of total dollars committed on current open vouchers by the total number of open vouchers. The ASO system did not keep a history of what was committed originally once a voucher was closed.)
- Average expenditure per all closed vouchers was \$1,131.
- For vouchers that result in successful interventions (four clean urine tests prior to discharge), the average expenditure was \$2,305 (Code 1 on the GPRA discharge list).
- For closed vouchers that provided transitional housing, the average expenditure for transitional housing was \$955.
- Thirty-two percent of all dollars were used for transitional housing (total of housing dollars divided by total dollars spent on closed vouchers).
- The average length of a voucher for all closed vouchers was 90 days. The length of stay was based on GPRA admission to GPRA discharge date.
- Closed vouchers that resulted in successful discharges were open 116 days on average.
- Closed vouchers that resulted in unsuccessful discharges were open 91 days on average
- Closed vouchers that resulted in administrative discharges were open 78 days on average
- Clients utilized approximately 60 percent of their voucher amounts prior to discharge from the program (based on all current open vouchers where amounts committed and spent are available).

Meeting participants used these statistics for purposes of identifying options for decreasing the rate of ATR expenditures.

Grantee staff determined that despite the rapid acceleration in expenditures and the impending exhaustion of ATR funding, the desire was to keep the ATR program operational through September 30, 2007. Staff was concerned that if the grant monies were exhausted too quickly, the recovery support infrastructure that has been developed as a result of ATR funding would not be able to sustain itself until the initiation of State funding. Therefore, to the best extent possible, the grantee desired the ATR program to remain operational for another year.

To meet this objective, participants determined that it would be necessary to aggressively manage the number of vouchers issued for the next 12 months. They agreed that controlling the issuance of vouchers was the primary tool that grantee staff had to ensure that the grant can realized its stated objectives. Because of the complexity of the ATR reimbursement structure, the grantee and the ASO staff would need to carefully manage the number of vouchers issued and

the voucher amounts over that span to ensure that appropriate quantities of services were being authorized throughout the remaining life of the project

In addition to limiting the number of vouchers that would be issued each month, meeting participants discussed alternative actions that the grantee could implement in order to slow down the ATR expenditure rate, including the following:

- Rationing vouchers by area
- Restricting ATR to fewer geographic areas
- Restricting the number of new providers
- Reducing the number of methadone doses provided in a single voucher to the amount required for 90 days
- Limiting methadone maintenance services to one 90-day episode
- Requiring clients to engage in services at least once in every 14-day period in order to continue participating in the ATR program
- Allowing only one voucher per client
- Requiring clients utilizing transitional housing services to engage in treatment at least once in every 14-day period in order to continue participating in the ATR program
- Discontinuing assessments beyond a certain date

Grantee staff decided to begin rationing vouchers by district and shortening the life of vouchers immediately.

Expenditure Forecasts Are Based on Average Cost and Utilization Statistics

In order to properly plan for the amounts and types of services that the grantee's ATR program could provide with remaining funds, the grantee and the ASO staff needed to develop reports and analytical techniques that support management decisionmaking. In particular, better tools for assessing (1) client demand for services, (2) voucher issuance rates, (3) service mix, (4) client utilization rates, (5) client completion rates, and (6) voucher expiration rates were needed. As indicated above, the grantee and the ASO were in the process of determining what information needed to be extracted from the data systems to support management decisions.

TA participants agreed that in the absence of detailed analytical reports, the basic data introduced above would be used to estimate how many vouchers could be issued and how much money could be expended during the final year of the grant. Exhibit 10 presents the computation of the amount of vouchers that the grantee could issue over the remaining life of the grant. Key components of this methodology were the average expenditure per client and the average utilization per voucher. The amount of money that the grantee expected to be available for new vouchers equals the sum of uncommitted funds (unvouchered) plus the expected amount of funds that would be made available due to underutilization of previously committed funds. It should be noted that the 60 percent utilization estimate was based on then currently open vouchers. This figure may have been lower than the actual number because the method used by the ASO to compute the amount was not based upon closed vouchers.

Exhibit 10, Estimate of Access to Recovery Available Funds, presents a simplified methodology that the grantee could use to estimate the number of vouchers that could be issued through the end of the ATR program. Using the data supplied by the ASO, the table assumes that the average expenditure per voucher is \$1,131 and the estimated utilization of each voucher is 60 percent. \$2,000,000 was currently available for vouchers and the ASO expected \$2,840,000 to be available as the result of deobligations of currently committed funds. In total, the ASO staff estimated that approximately \$4,840,000 would be available for obligation and subsequent expenditure over the next year. By dividing the total amount of estimated available funding by the average expenditure per voucher, the grantee could conclude that there was enough funding remaining to support the issuance of 4,279 more vouchers, or 356 per month. Of course, if more clients stayed engaged in the program for longer periods of time, reduced funds would be available.

Exhibit 10: Estimate of Access to Recovery Available Funds—25 Sep 06

**Estimate of Access to Recovery Available Funds
25-Sep-06**

Uncommitted Direct Service Funds on 9/25/06	\$	2,000,000
Total Outstanding Commitments on 9/25/06	1	\$ 7,100,000
Estimated Utilization Percentage	1	60.00%
Estimated Utilization Amount		<u>\$ 4,260,000</u>
Estimated Deobligations		<u>\$ 2,840,000</u>
Estimated Funds Available for Vouchers		\$ 4,840,000
Estimated Average Expenditure per Voucher	1	1,131
Estimated No. of Vouchers To Be Issued 9/28/06–9/30/07		4,279
No. of Months Remaining in Grant		12
Estimated # of Vouchers To Be Issued Monthly		356

The grantee staff intended to ration the remaining vouchers by area. Although the methodology used to estimate the amount of funds available and the number of vouchers that could be issued was rudimentary, it was the best mechanism currently available to the grantee and the ASO staff understood that more comprehensive data could provide for more sophisticated analyses.

Recommendations

The following recommendations were offered to the grantee.

- Validate the ASO methodology for determining the average cost and utilization rate.
- Monitor key statistics on a monthly basis and make adjustments to estimates as necessary—recompute the average expenditure per voucher and the voucher utilization rate on no less than a monthly basis to ensure that the assumptions used in expenditure estimates are still

meaningful. If these figures change considerably, the grantee will have to revise the estimates in order to determine the amount of funding available for the remainder of the project.

- Expand or contract voucher issuance based upon revised estimates—as the estimated average expenditure per voucher and the estimated voucher utilization rate change, the grantee could make changes to the methodology used to allocate vouchers to the areas. The grantee could expect to continue revising these estimates until the end of the ATR grant.
- Provide the ASO with report specifications—the grantee staff could improve their ability to manage ATR program expenditures by (1) identifying the most critical information that is needed to manage the program, (2) working with the ASO to develop the appropriate reports to provide that information, (3) obtaining those reports on a timely basis, and (4) utilizing those reports to guide the grantee in managing the rate of voucher issuance.

If it was necessary to take steps beyond limiting the number of vouchers that would be issued and the length of time the voucher was live, the following were additional suggestions on modifying the service mix and eligible populations.

- Identify current service levels by type of service to assess impact of change on clients.
- Assess the impact on program effectiveness if caps or deletions of a particular service were implemented.
- Assess client choice capabilities in each area to determine if it was appropriate to cap provider enrollment.
- Evaluate reasons for client dropouts to better determine what impact service requirements would have if they continue in care.
- Assess effect of reducing the poverty level criteria from 250 percent of the Federal poverty level.
- Consider the effect of narrowing the scope of the population served.
- Officially recognize nonpayment of psychiatric evaluations in policy documents.