HCBS BUSINESS ACUMEN CENTER

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

Step 5: Monitor, Evaluate, and Respond

Keep it on Track

ADVANCING STATES

Contents

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

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For more information, please visit hcbsbusinessacumen.org.

Step 5: Monitor, Evaluate, and Respond

Keep it on Track

Development and implementation of a well-thought out strategic plan sets your business in motion and a well-monitored plan allows your organization to succeed.

In business there are a lot of things that require your attention. How much money your organization makes and how much it spends is monitored through an eye on the revenues and expenses of your organization. Assurance that you meet the minimum standards of your licensure, regulations or contractual obligations are met through compliance oversight and the evidence for how well you provide services is seen through quality measurement.

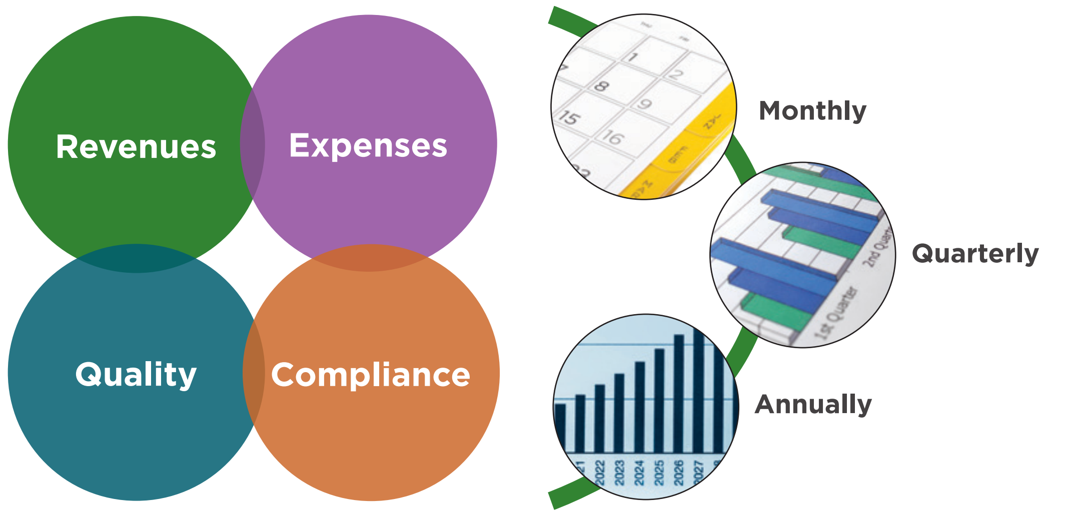
> **"It doesn't matter whether you are pursuing success in business, sports, the arts, or life in general: The bridge between wishing and accomplishing is discipline."** —Harvey Mackay

The operations of any business are not stagnant and things can change very rapidly. Outside factors impact your organization. Payers, utilization patterns, or rules and expectations may change. Internal factors also fluctuate. Staff may overturn, processes may change, or you may launch a new strategy that requires time to get fully implemented. Ultimately, internal and external forces create a tension on your organization that requires constant monitoring. Without a solid monitoring and response system in place, your strategies are at risk of falling off track. If this happens, your organization could quickly find itself in an emergent or costly situation.

When you monitor your business, you are in control of your business. Data provides you the information you need to gain insight into the current status of your operations. Revenue and expenses provide an overview of the fiscal health of your organization. Your ability to meet minimum standards and excel in service delivery are evidenced through systems that demonstrate compliance with rules and regulations and measures that quantify your ability to achieve health or social outcomes. Together these elements demonstrate the overall performance of your organization — how well your organization is able to deliver high quality and sustainable services.

Monitor revenues, expenses, quality, and compliance on a monthly, quarterly, and annual basis.

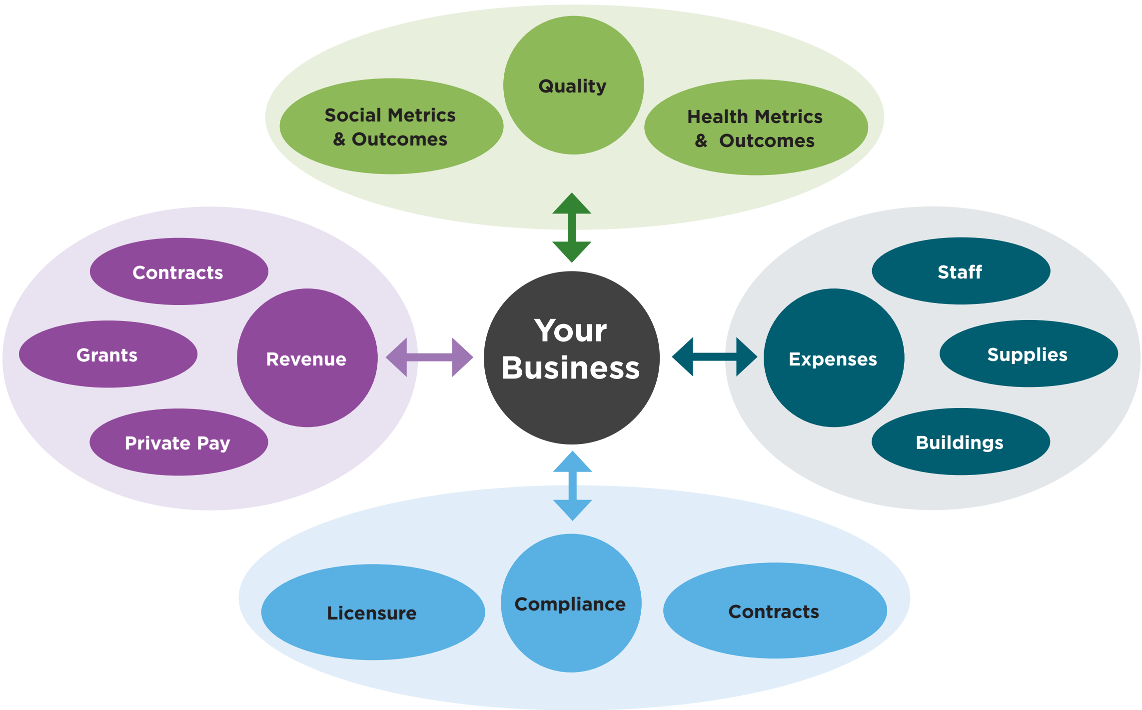
Figure 1: Manage Your Business



Performance refers to both the action or process of carrying out a function and the extent to which the action was successful. As with many businesses, community-based organization (CBO) performance is determined through the efficiency and effectiveness of your organization's operations, such as how well you are able to execute on plans and strategies or how efficiently you use financial and human resources. Performance metrics for CBO operations often focus on transaction counts, timelines, workforce measures like turnover and retention, and financial measures like return on investment and cash flow. **Step 2: Plan** and **Step 3: Stabilize** provide an overview of how to use these types of metrics to make decisions for your business. You may also use these measures to monitor your business.

Compliance, quality and financial and operational performance are interconnected. Compliance is required. Quality is desired. Performance is how you achieve and sustain compliance and high quality while being financially and operationally sound. None of these activities can or should be pursued in isolation from the others.

Figure 2: Monitor the Performance of Your Organization



Your organization may already track information. Common measures that CBOs monitor include:

- Dollars raised
- Membership growth
- Number of visitors
- People served
- Overhead costs
- Cost of services provided
- Quality of life in the population served

New contracts and roles will require your organization to realign what you measure. In addition to the things you want to monitor about your organization, new partners may ask you to monitor things important to them. For example, health plans may ask you to help them track information that will help them monitor the health of the person being served. Hospitalizations, flu vaccinations, or length of inpatient stays in nursing facilities are examples of events that health plans may be interested in. These measures are likely more outcome focused than what you are used to. This module identifies areas in which you should monitor your organization and describes how you can do so.

Things to consider as you review this module:

- What can my financial reports tell me about my current operations?
- How can I monitor my finances so that I can address issues quickly?
- What are the contractual requirements put upon my organization? Do we currently meet them?
- How will we demonstrate the quality of our programming?
- Who is responsible for monitoring our progress?
- What will we do if we are off track?
- How many and what types of systems do we have to track information? Are there too many? Too few?

MEASUREMENT

There is a business adage that states "what gets measured, gets done." Measurement is central to monitoring ongoing compliance, tracking progress toward goal achievement, and assessing performance and quality improvement results. As you identify indicators or measures of compliance, quality, and performance, keep in mind some general considerations about metrics. There are a number of terms that can be confusing. Let's start with measures, indicators, and metrics.

Measures, metrics, and indicators are often used interchangeably but there are some differences. **Metrics** refer to "a system or standard of measurement." A **measure** is "a standard unit used to express the size, amount, or degree of something." A measure provides a distinct description of the current state of the item or action. An **indicator** is "a thing, especially a trend or fact, that denotes the state or level of something." Indicators provide context and evidence to the items being measured. Changes in indicators can be early identifiers of things that will impact the success of your measurement efforts. Measures are precise and replicable. Indicators suggest that something is or may happen and are often presented in a more visual way.

Consider filling up the gas tank of a car. The metric is gallons. The measure is the exact number of gallons of gas put in the tank which dictates the cost. The car does not show a measurement of how many gallons of gas are in the tank, instead the gauge simply shows how full the tank is: full, ¾, ½, ¼, empty, or somewhere in between. This is the indicator of how far the car can go before it needs more gas.

Measures or indicators are generally compared against something, a standard, target, or benchmark.

- A **standard** is "an idea or thing used as a measure, norm, or model in comparative evaluations." Standards are goals for current performance. For example, if you promised to contact referrals within 48 hours, that is a standard.
- A **target** is a level of performance you wish to attain in the future. It may take time to build up capacity to reach this goal. Eventually, the target shifts and becomes the standard for current performance and no longer a goal for the future.
- A **benchmark** is "a standard or point of reference against which things may be compared or assessed." Benchmarks usually come from outside of your organization. They may represent statewide averages or industry best practices to which you wish to compare your own performance.

METRIC, MEASURE OR INDICATOR?[1]

Metrics refer to a system or standard of measurement.

Measures are a standard unit used to express the size, amount, or degree of something.

Indicators are things, trends or facts, that indicate the state or level of something.

[1] Oxford Dictionary.

Outputs versus Outcomes

Two other terms that can sometimes be confused are outputs and outcomes. An **output** is the amount of something produced by a person, process or organization. An output measure is “a calculation, recording, or tabulation of the results of an activity, effort, or process that can be expressed in numbers (quantitatively).”[2] Outputs are generally easier to measure and quantify than outcomes.

An **outcome** is the way a thing turns out; a consequence. An outcome measure is the result of an activity, plan, process, or program and its comparison with the intended or projected results. Outcomes measurement provides information about a program’s or service’s effectiveness and identifies where improvements are needed. Outcomes measurement can be used in continual program development, and to demonstrate value to funders or other stakeholders.

Leading and Lagging Indicators

Measures and indicators can be leading or lagging. **Lagging indicators** are the things that cannot be measured in real time because there is a time lag before you see the results. Many of the outcomes that you or your payers may be interested in will be lagging measures. An example of a lagging measure is reduced visits to the hospital emergency department.

Leading indicators are the measures of activity and outputs that you can measure along the way, on the premise that your activity and outputs are indicators of progress toward the desired outcome. Because these can be measured in a more current fashion, you can intervene with adjustments quickly if the indicators tell you that you are not making satisfactory progress. Examples of leading measures include things such as medication adherence or adequate fluid intake.

Leading measures can be measured today and may be predictive of a lagging measure. However, it can be difficult to determine that predictive relationship. Work backwards to identify the activities that impact the longer term (lagging) outcomes. Tracking indicators such as missed doctor’s appointments, filled prescriptions, or use of transportation can help a CBO identify what works, what does not work and predict success or failure of the desired outcome. For example, if the desired outcome is to reduce emergency department visits, then ensuring prescriptions are filled, reminding consumers of upcoming doctor’s appointments, and ensuring they have transportation to get to their medical appointments may be good indicators for success. These are things that can be tracked and measured in real time.

[2] www.businessdictionary.com

Example 1: Example of Leading and Lagging Measures

Desired Outcome	Leading Measure	Lagging Measure
To reduce overtime costs by 50% by the end of the fiscal year.	■ Number of new hires per month.	The percentage of reduction in overtime costs.
To generate 25% of total revenue from contracts versus grants by next year.	■ Number of meetings this week or month with potential partners. ■ Number of contract negotiations in progress.	The percentage of total revenue from contracts next year.
To reduce the percentage of the population age 18 to 25 that smokes by 25% by 2025.	■ Number of smoking cessation programs offered this month. ■ Number of individuals attending smoking cessation programs. ■ Number of individuals who report they have stopped smoking 60 days after completion of cessation program.	The percentage of the population age 18 to 25 that smokes in 2025.
To reduce re-hospitalizations among members by 25% by 2025.	■ Number of individuals with hospital transition plans. ■ Number of home visits. ■ Number of meals delivered post-hospitalization. ■ Number of caregiver support respite hours.	The percentage of re-hospitalizations among members in 2025.

Dashboards

In addition to more traditional report formats, dashboards can be a good way to monitor the compliance, quality, and financial measures you identify for your organization. A **dashboard** is a way to display data so that it can be easily understood and analyzed. It is a graphical summary of information that consolidates and arranges numbers, metrics and sometimes performance scorecards on a single screen.[3] It offers a quick, visual update of the status of your key indicators.

You can use web based services, or in-house generated charts and graphs. Whatever method you choose to show your data, make sure that it is readily available with the most current data. Example 2: Example of a Dashboard Spreadsheet and Example 3: Example of a Dashboard with Graphics provide examples of ways data can be displayed in dashboards. The use of data can be fascinating and exciting. As a result, it can be enticing to add measures and dashboards whenever a new need is identified. Utilize a measurement strategy that is selective about which measures you monitor, how many you watch and how frequently (daily, weekly, monthly, quarterly, etc.) you monitor them. It takes effort to maintain data and monitor measures, be sure to balance between the effort it will take to keep the data updated and the degree of value you will gain. An enhanced ability to communicate the status of your organization with your staff, management team and/or board is an example of why you may select specific measures to monitor. It is more important to understand the data you have and use it well, than to have a lot of data that you do not understand or have the time to use.

Dashboards should contain the key measures or indicators that you need to monitor. Identify the key metrics that impact your organization and use that information to determine the best way to display the information. Often dashboards will use visual gauges or color coding to indicate the health of certain measures or indicators. Example 2: Example of a Dashboard Spreadsheet shows items that are on track in green, those that need to be monitored closely in yellow and those that are off track in red.[4]

[3] https://searchbusinessanalytics.techtarget.com/definition/business-intelligence-dashboard
[4] A Nonprofit Dashboard and Signal Light for Boards. July 2009. https://blueavocado.org/board-of-directors/a-nonprofit-dashboard-and-signal-light-for-boards/

Example 2: Example of a Dashboard Spreadsheet

Finance	Target	6 Months	Now
Days of unrestricted cash on hand	45 days	65 days	18 days
Net surplus or deficit YTD compared with YTD budget	Within 25K or better	$42,500 worse than budget	$28,000 worse than budget-to-date
Government funding year-to-date (52% of budget)	Within 3%	$39,000 worse than budget	$3,200 worse than budget, 24 days
Days from end of month to financial statements	24 days	87 days	48 days

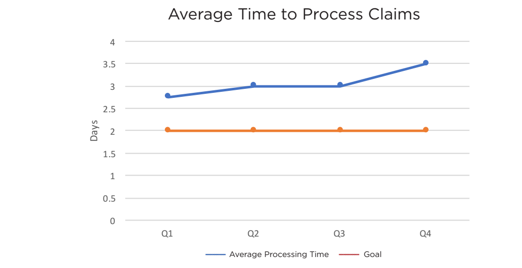
Dashboards and other reports should reflect measures over time so that you can easily identify trends. Graphs can be a great way to do that. Example 3: Example of a Dashboard with Graphics shows various ways in which you can display data.

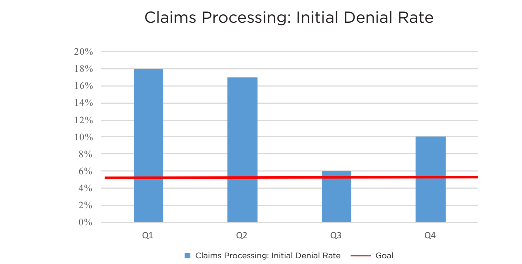
> "It is vital that the finance team prepares daily, weekly, monthly and yearly dashboards to keep all stakeholders informed on the financial progress of the company. Trend analysis should be done regularly. How are the financial indicators faring as compared to last month or last quarter? What are the factors that have played a role in their increase or decrease?"

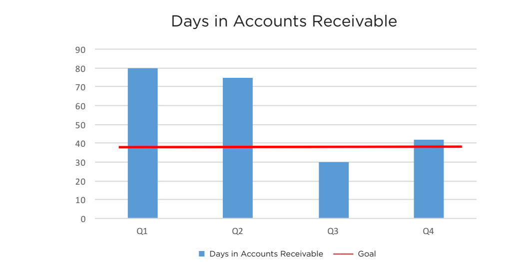
Example 3: Example of a Dashboard with Graphics[5]

Community Based Organization

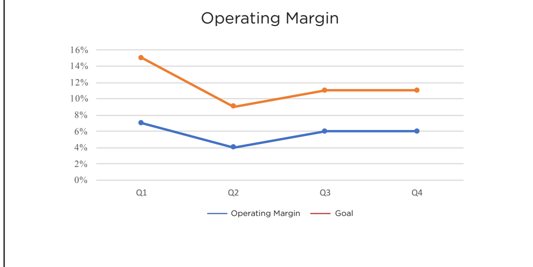
Revenue Cycle Optimization

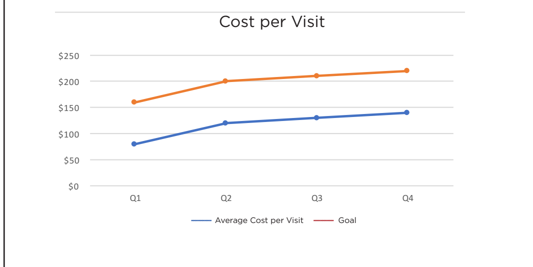


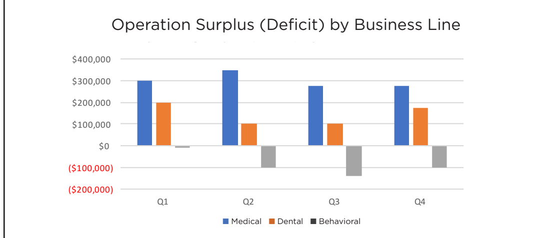




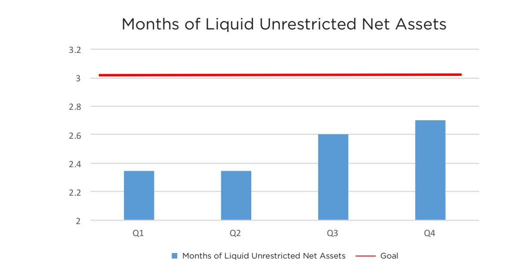
Operating Results

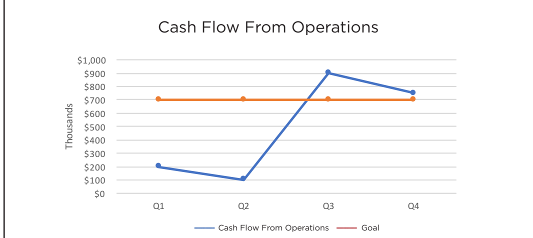


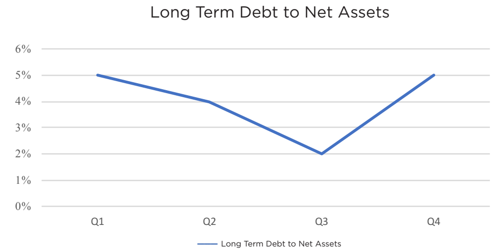




Capital







[5] Models and Components of a Great Nonprofit Dashboard. NonProfit Quarterly. November 2017. https://nonprofitquarterly.org/financial-management-models-of-a-great-nonprofit-dashboard/

Balanced Scorecard

A Balanced Scorecard is another common tool that CBOs use to monitor the quality of their programs including operations, services, and finances. It can be used to help your organization communicate what you want to accomplish, align the daily work with the overall strategy, and prioritize projects, products, and services. A Balanced Scorecard is comprised of four basic questions that when answered provide an overview of key perspectives: customers/stakeholders, internal business, innovation and learning, and financial. The answers to these questions can help organizations understand how their business currently functions.

Key Perspectives and Questions of the Balanced Scorecard

1. **Customer/Stakeholder perspective:** "How do customers and/or stakeholders see us?"
2. **Internal business (processes) perspective:** "What must we excel at?"
3. **Innovation and learning (capacity) perspective:** "Can we continue to improve and create value?"
4. **Financial perspective:** "How does the organization look to its shareholders?"

Balanced scorecards can be used as a monthly tool to monitor the progress your organization is making on specific initiatives. Progress is color-coded as red, yellow and green to show whether you are off-track (red), questionable (yellow), or on-track (green).

Example 4: Example of a Balanced Scorecard

	Lead Person	Indicators	Reporting Frequency	Q1	Q2	Q3	Q4	Fiscal Year Target	Benchmark	Benchmark Source	Comments
Service Delivery	A.	Client Satisfaction Scores	Quarterly	60%	72%	75%	80%	80%	85%	NCI-AD[6]	
	B.	Payer Satisfaction	Quarterly	75%	75%	80%	82%	85%	85%	Corporate Standards	
Quality	C.	Hospitalizations	Monthly	5%	3%	7%	10%	5%	5%	Prior Fiscal Year	
	D.	Critical Incidents	Monthly	2%	4%	2%	5%	3%	3%	Prior Fiscal Year	
Organizational Efficiency and Growth	E.	Intake Process Efficiency	Monthly	80%	85%	90%	95%	95%	95%	Prior Fiscal Year	
	F.	Territory Growth	Monthly	5%	7%	10%	15%	20%	20%	Prior Fiscal Year	
Learning and Innovation	G.	Mentorship Program	Monthly	80%	85%	90%	95%	95%	95%	Completed Mentorship Scores	
	H.	Staff Satisfaction	Quarterly	60%	70%	75%	80%	80%	80%	Prior Fiscal Year	

Legend		
On-Track; Continue to Monitor	**Review Required**	**Off-Track; Action Required**

[6] National Core Indicators-Aging and Disabilities (NCI-AD), https://nci-ad.org/

FINANCES

In **Step 2: Plan**, we described how to monitor cost curves and calculate return on investments. In **Step 3: Stabilize**, we dove deeper into how to manage a budget and discussed the importance of having cash reserves and credit available to support your organization through low periods. To avoid the use of reserves and/or credit, it is critical that your organization monitors its finances on a regular basis. Regular monitoring is critical not only to identify the strategies that will have the greatest impact on your business, but to ensure that activities are going according to plan.

We have previously emphasized the importance of the board in your operations. Since they hold ultimate responsibility for your organization, be sure to maximize your board in financial oversight.[7] Your board should advise, plan and help you make sound decisions on matters such as variances in your budget, new business lines, growth opportunities, or survival techniques. Include the following topics in your board meeting agendas or develop a finance committee to:

- **Establish and follow financial policies**—Consider any current policies and fiscal procedures that could be impacted by new contracts or a move to Managed Long—Term Services and Supports (MLTSS). If your organization is new to managing multiple payers, consider the implications of doing so. The process of billing multiple payers and managing suspended or denied claims can have a significant impact on cash flow. Your organization will need clear policies on how to manage those situations. The board/finance committee members can help you to think through those decision points.
- **Establish formal internal controls**—This is your system for internal checks and balances and safeguards on day to day handling of receipts, billing, timesheets, etc. Some of these processes may need to be modified with the addition of new contracts. It is helpful to review your current controls and garner committee recommendations.
- **Oversee audits**—New payers, such as managed care organizations (MCOs), may have heightened requirements in comparison to what you are used to. Be sure to confer with your accountant at the outset of your new contract to ensure that you have systems in place to provide the necessary information for the audit.
- **Review routine financial statements**—It is essential that you receive frequent financial statements and provide your board with them in a

FINANCIAL DOCUMENTS TO BE FAMILIAR WITH:

Budget: An estimate of income and expenditure for a set period of time.

Income Statement: Reflects the organizations revenues and expenses during a particular period.

Balance Sheet or Statement of Financial Condition: A statement of the assets, liabilities, and capital of the organization at a particular point in time. It details the balance of income and expenditure over the preceding period.

Financial Statement: A formal record of the financial activities and position of a business. Includes both the Income and Balance Sheet.

Audit Report: A formal opinion of audit findings.

[7] Statement of Financial Position. Nonprofit Accounting Basics. 2009. https://www.nonprofitaccountingbasics.org/reporting-operations/statement-financial-position

timely manner. Separate accounting for funds received via contracts with health plans and those that you receive from federal or state funding sources. This may require a more sophisticated accounting structure than you currently have in place, but will be essential for reporting. If your services move into managed care contracts, you will likely experience significant changes in payment patterns. Many CBOs report a longer than accustomed period of time between billing and payment; challenges with suspended or denied claims; increased workload to track and monitor payments against claims; and shifts in cash flow experience.

Financial monitoring requires specific attention. Accountants and financial advisors can provide you with detailed insight, but at a minimum, CBOs should monitor and share with their board, monthly revenues, expenses, trend reports and compare actual expenses to budgeted amounts and past periods. Strong fiscal policies and practices will enable your organization to provide and sustain quality services. If your budget falls out of alignment with expectations, immediately develop a corrective action plan that will bring you back in line.

Revenue and Expenses

The revenue you receive from payers may vary by contract. You will likely negotiate different rates with different payment terms from each payer you work with. Be sure to document the terms of all agreements and monitor revenue flow. Follow up promptly on any outstanding accounts to ensure that your cash flow remains at expected levels. Expense management is essential to effectively manage your operations.

In **Step 3: Stabilize**, we provide tactics on how to use financial information to make decisions for your organization. To monitor your progress, be sure to monitor the trends of both your revenue and expenses. The first place where you may begin is with your financial statement. A financial statement is a formal record of the financial activities and position of a business, person, or other entity. It includes your balance sheet or ‘Statement of Financial Position’ and your income statement. A financial statement provides relevant financial information in a structured manner and in a form easy to understand. It generally includes assets, liabilities, equity, revenue, and expenses. Use your financial statement to compare the period (month, quarter, year, etc.) against the budgeted amount. If the budget and actuals do not align, identify why so that you can create a plan to mitigate future deviations.

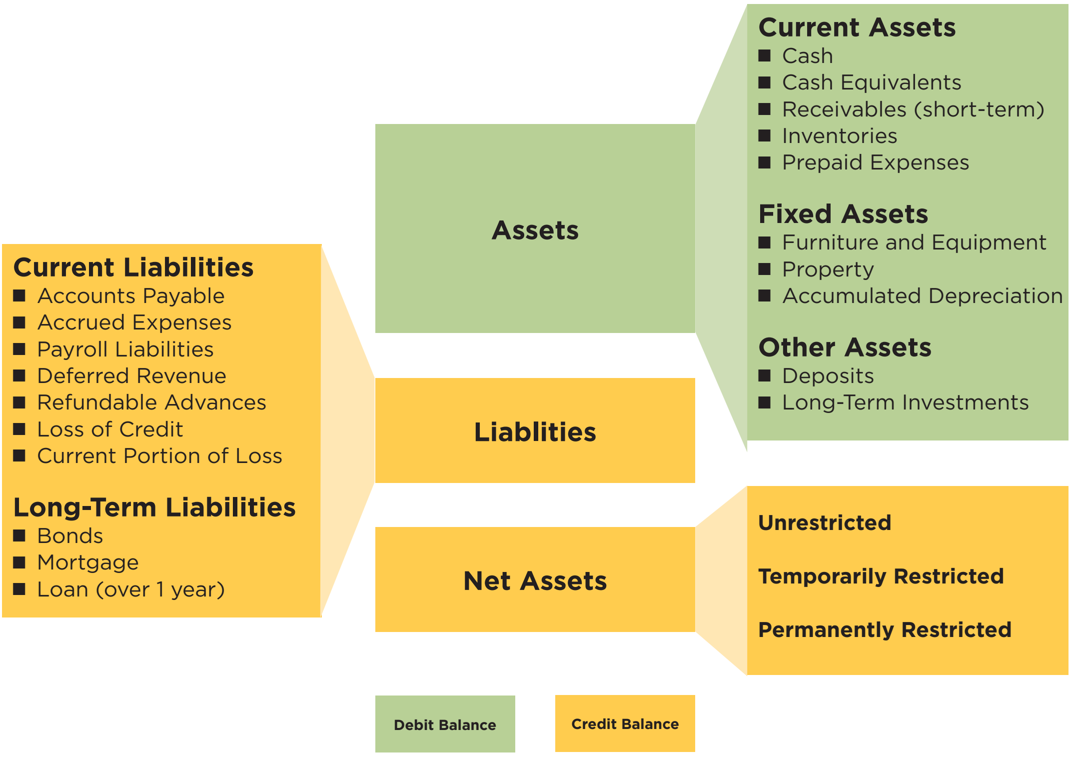
Balance Sheet or Statement of Financial Position
A balance sheet lines up an organization's assets against its liabilities. In the nonprofit world, the balance sheet is often referred to as the Statement of Financial Position.[8]

The Statement of Financial Position reflects the financial status of your organization at a specific moment in time. It is usually prepared at the end of a month, quarter or year.

Review of this document can prompt other questions:

- Are we paying bills on time?
- Do we have cash on hand to pay bills timely?
- Do we have enough in reserve?
- Are we carrying high interest debt?
- How old are our liabilities? How much interest are we paying on them?
- Are we collecting what is owed to us in a timely way?
- Are there property, plant, or equipment expenditures that we need to prepare for? e.g. computers that are too old, building maintenance, expiring leases, or aging HVAC systems.

Figure 4: Statement of Financial Position Diagram



[8] Statement of Financial Position. Nonprofit Accounting Basics. 2009. https://www.nonprofitaccountingbasics.org/reporting-operations/statement-financial-position

Example 5: Example of a Balance Sheet or Statement of Financial Position

Statements of Financial Position

June 30,	2019	2018
Assets		
Cash and cash equivalents	$ 1,374,834	$ 1,062,810
Accounts receivable, net	245,522	89,755
Subcontracts receivable	398,333	245,444
Grants receivable	12,630	58,151
Prepaid expenses and deposits	53,947	52,259
Property and equipment, net	152,321	208,381
Total assets	**$ 2,237,587**	**$ 1,716,800**

Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 470,118	$ 330,881
Deferred revenue	1,049,595	816,685
Deferred assessments	105,065	233,203
Deferred rent liability	92,818	123,768
Total liabilities	**1,717,596**	**1,504,537**
Net assets - unrestricted	**519,991**	**212,263**
Total liabilities and net assets	**$ 2,237,587**	**$ 1,716,800**

Carefully examine costs, profitability, and service mix to gain insight into which services, staff, or items cost your business money and which gain a profit. This information will enable your organization to target its efforts to address issues and mitigate future risk.

Address rising costs when they start to happen. Regular review of financial reports that compare your actual expenditures and income to budgeted amounts can help managers flag problems early on. Do this review at least monthly. Review of 'budget versus actual reports', 'expense monitors' or 'budget variance reports', on a quarterly and annual basis will help you further understand the ebb and flow of expenses or the impact of changes in the environment on your business. Budget variance reports can focus on specific projects, program areas, or ideally both.

If at any point in time, expenses are greater than expected or something has changed with revenue, you will want to understand why and adjust how or where you spend your dollars accordingly. Not all variances are unexpected. For example, your organization may experience known cyclical periods where your revenue is higher or lower dependent on contracts or annual activities. Regardless of reason, be sure to promptly communicate any changes in expectations with all staff who are responsible for or impacted by the change.

Example 6: Example of a Budget Variance Report

	MONTH (JUNE)				YEAR TO DATE (1/1/18-6/30/18)			
Revenue	**Budget**	**Actual**	**Variance**	**% Variance**	**Budget**	**Actual**	**Variance**	**% Variance**
Grants	$-	$-	$0.00	-	$-	$-	$0.00	-
Contracts	$-	$-	$0.00	-	$-	$-	$0.00	-
Donations	$1,250.00	$2,500.00	$1,250.00	100.00%	$7,500.00	$3,050.00	($4,450.00)	-59.33%
Fees for services	$20,833.33	$19,765.00	($1,068.33)	-5.13%	$125,000.00	$107,500.00	($17,500.00)	-14.00%
Sales	$-	$-	$0.00	-	$-	$-	$0.00	-
Endowment	$-	$-	$0.00	-	$-	$-	$0.00	-
Interest income	$-	$-	$0.00	-	$-	$-	$0.00	-
Miscellaneous	$-	$-	$0.00	-	$-	$-	$0.00	-
Total revenue	$22,083.33	$22,265.00	$181.67	0.82%	$132,500.00	$110,550.00	($21,950.00)	-16.57%
	MONTH (JUNE)				YEAR TO DATE (1/1/18-6/30/18)			
Expenses	**Budget**	**Actual**	**Variance**	**% Variance**	**Budget**	**Actual**	**Variance**	**% Variance**
Staff salary and benefits	$16,666.67	$17,425.00	($758.33)	-4.55%	$100,000.00	$101,099.00	($1,099.00)	-1.10%
Rent	$83.33	$83.33	$0.00	0.00%	$500.00	$500.00	$0.00	0.00%
Utilities	$41.67	$42.50	($0.83)	-1.99%	$250.00	$309.10	($59.10)	-23.64%
Insurance	$166.67	$166.67	$0.00	0.00%	$1,000.00	$1,000.00	$0.00	0.00%
Legal, accounting	$1,458.33	$1,458.33	$0.00	0.00%	$8,750.00	$8,750.00	$0.00	0.00%
Equipment	$-	$-	$0.00	-	$-	$-	$0.00	-
Supplies	$83.33	$35.00	$48.33	58.00%	$500.00	$369.00	$131.00	26.20%
Printing and copying	$-	$-	$0.00	-	$-	$-	$0.00	-
Telecom-munications	$625.00	$625.00	$0.00	0.00%	$3,750.00	$3,750.00	$0.00	0.00%
Travel and meetings	$-	$-	$0.00	-	$-	$-	$0.00	-
Marketing and advertising	$125.00	$500.00	($375.00)	-300.00%	$750.00	$500.00	$250.00	33.33%
Staff training/ development	$104.17	$425.00	($320.83)	-307.99%	$625.00	$425.00	$200.00	32.00%
Contract services	$-	$-	$0.00	-	$-	$-	$0.00	-
Other	$-	$-	$0.00	-	$-	$-	$0.00	-
Other	$-	$-	$0.00	-	$-	$-	$0.00	-
Other	$-	$-	$0.00	-	$-	$-	$0.00	-
Total Expenses	$19,354.17	$20,760.83	($1,406.66)	-7.27%	$116,125.00	$116,702.10	($577.10)	-0.50%
Net	$2,729.16	$1,504.17	($1,224.99)	-44.89%	$16,375.00	$(6,152.10)	($22,527.10)	-137.57%

Practical Application—Using Your Budget Variance Report

You are a manager for a non-profit and the Budget Variance report in Example 6: Example of a Budget Variance Report for Program A is part of your monthly reports. What do you note about it?

- Don't just look at the positive or negative variances for the month. Consider where those numbers are year-to-date.
- Review these reports with your program managers, other members of your leadership team, and your board to draw out observations or questions about the numbers you see.
- You may want to add a column for explanation of variances. Each line with a significant variance will require an explanation. You will need to define what a significant variance is. That might be anything more than 10% plus or minus the budget number.

Examples of Variances:

Revenue from donations for the month is $1,250 or 100% more than budgeted.
Revenue from donations year-to-date is $4,450 or 59% less than budgeted.
Fee for service revenue year-to-date is down $17,500, or 14%.
Salary expenses exceed the year-to-date budget by $1,099 or 1.10%.
Marketing and advertising expenses exceed the monthly budget by $375 or 300%.
- Marketing and advertising expenses year-to-date are $250 or 33% below budget

Staff training and development expenses exceed the monthly budget by $320, nearly 307%.
- Staff training and development expenses year-to-date are $200 or 32% below budget.

- While revenue from donations was up 100% from budget for the month, it remains down nearly 60% year-to-date.
  - Does this month represent a shift in this trend?
  - What did the organization do differently in this month?
- While fee for service revenue is down 14% year-to-date, salary expense, typically a variable cost, is slightly over budget year-to-date.
  - Is revenue down because fewer services have been provided or is there a lag in payment that may explain the shortfall?
  - If there is a lag in payment, are your cash reserves adequate, will you need to use a line of credit to meet your obligations?
  - If it does represent a decline in services provided, you may want to drill down into individual salaries or categories of salaries. Are hours being appropriately reduced in alignment with fewer service hours?
- While marketing and advertising expenses are high compared to the monthly budget, it appears to be the first expenses recorded six months into the year.
  - Is that normal— perhaps, your marketing plan may only include twice a year ad purchases?
  - If it is not normal, does the lack of marketing up to this point in the year play any role in the decline in fee for service revenue?

Review of your budget variance report will also help you identify potential concerns about cash flow.

Highlight on Financial Monitoring—Cash Flow
In **Step 3: Stabilize**, we highlight some measures of financial stability:

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

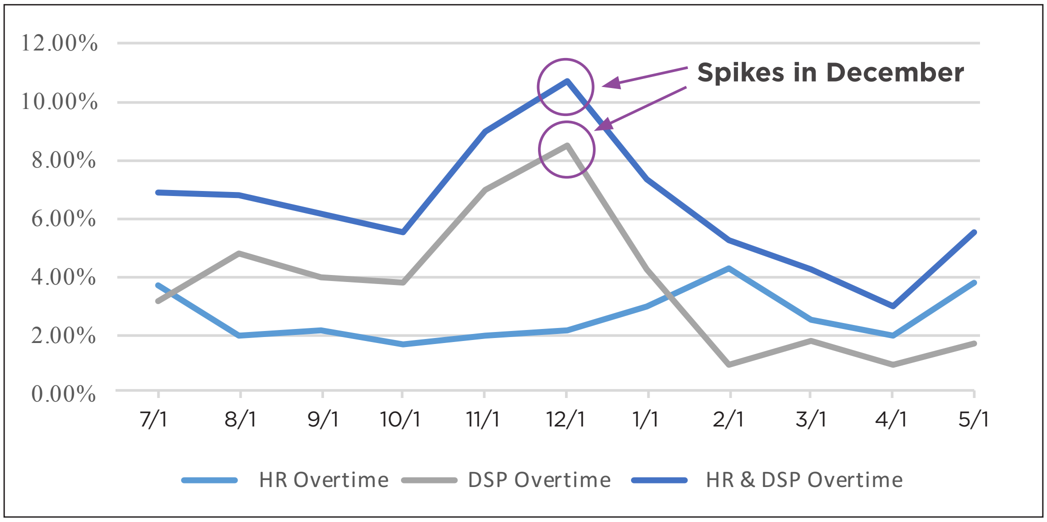
Cash flow refers to "the total amount of money being transferred into and out of a business, especially as affecting liquidity." Liquidity is the availability of cash in an organization. In **Step 3: Stabilize**, cash reserve and credit lines were noted to support good cash flow. Some financial measures associated to cash flow, include:

- Liquidity ratio= $\dfrac{\text{Liquid assets, i.e.cash}}{\text{total liability;}}$
- Days in Account Receivable;
- Cash Reserves;
- Unrestricted cash on hand;
- Lines of Credit; and
- Cash reserves compared to your oganizations goal, e.g. a minimum of three months of operations.

Trend Management
Where expenses are more volatile, you may want to dive even deeper into the data to identify trends. For example, staff expenses are a driving force for many disability—focused CBOs. Overtime expenses may be used strategically to address intermittent variances in need, but is a wasted expense if staffing issues have gotten out of control. Example 7: Example of Overtime Trends provides an example of how you can use data to identify an upward trend in overtime hours. You can see how the overtime hours spiked in December 2018, but then trended downwards after interventions were put into place.

When you use trend data to manage your business, you can identify the driver behind any unexpected deviations and address them accordingly.

Example 7: Example of Overtime Trends



Financial Monitoring Plan

Consistency is the key to any and all monitoring plans. The best way to stay consistent is to have a solid plan that identifies what will be measured, by whom, where the data comes from and who it will be reported to. In **Step 3: Stabilize**, efficiency and effectiveness of business processes was addressed. The results of some of that work may have led you to create benchmarks or targets for various business functions like referral follow up, billing, taking incoming referrals, etc. These are examples of performance indicators that you may want to connect to your financial monitoring plan. If targets for these activities are met, there is a higher likelihood that your organization will achieve your revenue or other financial performance goals.

Develop a financial monitoring plan and share it with all responsible for providing and reviewing the information being monitored.

Example 8: Example of a Financial Monitoring Plan

Functional Area	Metric(s)	How the data is collected	Frequency of Reporting	Person Responsible	Reported to Whom
Staff Management	% of overtime usage	Staff Expense Report	Monthly	Finance Director	Executive Director
Overall Budget	Actuals to Budget	Budget Variance Report	Monthly	Finance Director	Board

COMPLIANCE AND QUALITY

Rules, regulations and laws define many of the expectations that organizations must follow. Compliance with these is the minimum standard for any organization. Quality describes how well something is done and is used to identify areas for needed improvement. You must consider what you and your stakeholders value as you determine what measures you will use to reflect the quality of your services or products. Some of the things required for compliance may also reflect on performance and quality measures. An organization is either compliant with a rule or standard or it is not. Compliance does not allow for comparison or improvement in the same way that quality measurement does.

Compliance and Quality

Compliance is "the state or fact of according with or meeting rules or standards." It is about meeting requirements imposed on a CBO by various legal authorities. Some of the metrics you need to monitor are for the purpose of assuring compliance.

Quality is "the standard of something as measured against other things of a similar kind; the degree of excellence of something." This implies comparison against something: competitors; national or other established standards; and/or customer expectations.

Compliance

CBOs are subject to a number of regulations, rules, laws, and other requirements in order to operate and/or receive certain funds such as Medicaid and/or Medicare. CBOs can face compliance requirements in several areas, including, but not limited to:

- Finance (OMB circulars, IRS, etc.);
- Licensure requirements as applicable;
- Accreditation requirements;
- Medicaid regulations
- Grant requirements (Older Americans Act (OAA), Workforce Innovation and Opportunity Act (WIOA), etc.); and
- Contract requirements.

Financial

Financial compliance is often demonstrated in the completion of an audit. You may have requirements for an independent audit or even a single audit. CBOs are generally subject to financial audits because of the type of organization they are, e.g. a governmental unit, or a 501c(3) organization, or because of where they receive money from, e.g. grants from the federal government or other source.

Audits

An **independent audit** is an examination of the financial records, accounts, business transactions, accounting practices, and internal controls of a charitable nonprofit by an 'independent' auditor.

Single Audits cover the entire organization's financial operations, and are substantially more detailed than a regular independent audit.

An **independent audit** is an examination of the financial records, accounts, business transactions, accounting practices, and internal controls of a charitable nonprofit by an 'independent' auditor.

The Office of Management and Budget (OMB) sets forth federal guidelines for CBOs receiving federal dollars in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements. For example, they require any nonprofit that spends $750,000 or more in federal funds in a year (whether directly or by passing the money on to other nonprofits) to obtain what is referred to as a single audit.

Single Audits cover the entire organization's financial operations, and are substantially more detailed than a regular independent audit. A Single Audit requires higher levels of testing by the independent auditor to establish that:
- The financial statements are presented fairly and accurately and in accordance with federal cost principles;
- The organization has an adequate internal control structure, and;
- The organization is in compliance with any special government regulations/laws that apply to the specific federal funding stream.

There may also be specific state regulations about audits for CBOs, particularly not-for-profits. Seek legal and financial counsel to assure you meet all audit requirements. The National Council of Non-Profits[9] can be a helpful resource.

Licensure or Certification
State laws may require that CBOs hold certain licensure or certifications in order to provide services. There are rules and regulations that accompany these designations. Consult your regulatory agency for detail on these provisions.

Accreditation
Accreditation is an official certification that an organization can obtain once they meet standards set by an external entity. Accreditation requirements vary, but most will require evidence that your organization meets and maintains compliance with the accreditation standards. Some CBOs pursue accreditation to drive quality; whereas some states or managed care organizations require accreditation as a part of their contract. The National Committee for Quality Assurance[10] (NCQA), CARF International[11] (formerly the Commission on Accreditation of Rehabilitation Facilities) and the Council on Quality and Leadership[12] (CQL) are three examples of accrediting bodies.

Program/Service Definitions
Medicare or Medicaid or other payers like Veterans Association (VA), Programs of All-Inclusive Care for the Elderly (PACE), and others may define what activities or tasks are to be included in a program or service definition. They may also define such things as service initiation time limits, utilization management, and training requirements for staff.

Grant Compliance
CBOs may receive state and/or federal dollars through grants awarded by state and federal human service agencies or transportation agencies, etc.

9 https://www.councilofnonprofits.org/nonprofit-audit-guide/what-is-independent-audit
10 www.ncqa.org
11 www.carf.org
12 www.c-q-l.org

These may include longer term funding like OAA, and/or WIOA, or shorter term demonstration grants, like Money Follows the Person (MFP) or falls prevention or chronic disease self management programs, etc. These grants will come with their own requirements for administration of the program and use of the dollars.

Contract Compliance

Certain contractual relationships will have strict standards around compliance. Medicaid MCOs for instance have to comply with federal and state requirements, many of which may be passed to CBOs through contract requirements. In order to ensure that your organization fully understands what is required of your organization and even why MCOs ask you to do certain things, it can be helpful to familiarize your organization with federal and state requirements for Medicaid managed care contracts prior to signing an agreement.

Staying Compliant

To assure compliance, start with an inventory of all the requirements you are subject to and how you measure and monitor them. In some cases, regulators will conduct surveys, audits, or other reviews to validate compliance. An MCO might require you to submit proof of compliance with specific policies and procedures along with billing for services, such as Electronic Visit Verification (EVV) reporting or timesheets. You need to create data collection, reporting, monitoring and interpretation processes to build compliance into your operations.

Example 9: Example of an Inventory of Compliance Requirements

Regulation Source	Standard	Metric(s)	How the data is collected	Frequency of reporting	Person Responsible for reporting	Reported to Whom
Personal services agency license	All direct support staff must have a background check completed before their first shift.	Number of staff with a background check prior to first shift/ Number of staff hired	Orientation documentation	Monthly	Direct support staff supervisor	Human resources
MCO contract	All referrals must be contacted within 48 hours.	Number of referrals contacted within 48 hours/Number of referrals	Intake System Documentation	Monthly	Referral Coordinator	MCO

Example 9: Example of an Inventory of Compliance Requirements provides an outline of how you can organize the requirements your organization is subject to meet as well as how you will demonstrate your performance. Your inventory of compliance requirements must be reviewed regularly. Be

very specific when you develop your inventory. You can use the inventory to reference requirements and note changes should they occur. Include citations to contract clauses, state laws or provider manuals so that it is clear to anyone reviewing the inventory where the requirement comes from. Furthermore, keep a schedule of when regulations are reviewed. Contract renewal dates are a good time to check those requirements for any changes. A review on a semi-annual/annual schedule can be useful for Medicaid or Medicare updates as provider manuals are usually updated according to this schedule. It is also helpful to sign up for provider bulletins or trade association newsletters and legislative updates as these resources will help you stay on top of any changes to the regulations under which you must be in compliance.

If you ever have any questions about compliance rules or regulations, go directly to the entity that you work with and ask for clarification. Also make it a practice to review the source of the regulation whether that be a manual, an administrative rule (state or federal), a state or federal statute, a licensure, or accreditation guideline.

Penalties

The consequences of non-compliance can vary and may include:

- Loss of license;
- Fines;
- Decertification as a Medicaid provider;
- Breach of contract; and
- Recoupment of claims.

If you become aware of an issue of non-compliance, it will be important to address it right away and make any necessary corrections and notifications. Review the regulations involved to understand what corrections and notifications need to be made. If there is no reporting requirement, it is critical to address the non-compliance internally and assure compliance going forward. If there is a reporting requirement, then the first course of action will be to self-report the finding to the appropriate agency with a corrective action plan that describes how you will get back into compliance.

Again, your contract partners and other regulators will monitor compliance in different ways. There may be regular reporting requirements. There could be desk audits or reviews during which they request specific documentation to validate compliance. There may be formal surveys or reviews as well. The regulation that describes compliance requirements usually contain the actions necessary to address non-compliance findings. Dependent on the regulations involved and the degree and severity of the non-compliance, a regulator may offer a few options to address the compliance issue once identified. The regulator may issue a warning and allow you to make a correction or complete a record; or, in many cases, the regulator may require your organization to develop, implement and effectively complete a corrective action plan. A corrective action plan is similar to the corrective action, or work improvement plans you may use with employees who have performance or compliance issues.

A corrective action plan, sometimes called a CAP, will contain the following information:

- Description of the non-compliance;
- Identification of what corrections are required:
- Due date for completion; and
- Description of the verifiable steps the non-compliant organization will take in order to become compliant.

The regulator will typically complete the first three items. The steps or plan to correct and address the non-compliance will be your responsibility as the non-compliant entity. If you have to do a corrective action plan, be specific and address the issues directly. Be careful not to over promise. It will be important to meet the deadline on the plan and accomplish each required element. Sometimes the successful completion of the plan will help you avoid other consequences of non-compliance. In other situations you may still be fined or have claims recouped in addition to the completion of the corrective action plan.

There is a lot of effort that goes into assuring compliance. This is particularly true in heavily regulated environments. Involvement with health care and Medicaid and other federal and state funded programs introduces extra elements of compliance to a CBO's world. You cannot ignore the responsibility of compliance. However, it should never become your focus. Becoming overly fixated on compliance can cause you to miss opportunities for new business or opportunities to improve your organization's performance and really drive quality. Compliance is the minimum. Every organization must be compliant with the rules and regulations placed upon itself to operate. Quality is where your organization can differentiate itself from others.

Quality

The word "quality" can mean different things to different people. CBOs might often think about quality as the quality of life that their services bring to the consumers they serve. Quality to a healthcare payer or provider will have a more clinical connotation such as the number of emergency room visits prevented or improvement in diabetes management. As a CBO, you must think about quality from the perspective of all stakeholders or partners, including service recipients, staff, contract partners, and other funders. As you develop the programming for your organization, consider how you impact the outcomes that are important to the mission of your organization as well as the outcomes important to all of the payers you work with.

Measures for home and community-based services are relatively new and untested compared with measures seen in healthcare. Still there are a number of important initiatives to note as you consider quality measures for your organization. Your organization will want to ensure that you are familiar with applicable quality standards and measurement tools.

The National Quality Forum[13] (NQF) was created in 1999 by a coalition of public- and private-sector leaders. In 2016 they published some suggested quality measure domains for home and community-based services (HCBS). They noted that healthcare measures are much more mature and developed than in HCBS.[14]

Table 1: NQF Home and Community Based Services Quality Measure Domains[15]

Measure Domain	Description
Service Delivery and Effectiveness	The level to which services and supports are provided in a manner consistent with a person's needs, goals, preferences, and values that help the person to achieve desired outcomes.
Person-Centered Planning and Coordination	An approach to assessment, planning, and coordination of services and supports that is focused on the individual's goals, needs, preferences, and values. The person directs the development of the plan, which describes the life they want to live in the community. Services and supports are coordinated across providers and systems to carry out the plan and ensure fidelity with the person's expressed goals, needs, preferences, and values.
Choice and Control	The level to which individuals who use HCBS, on their own or with support, make life choices, choose their services and supports, and control how those services and supports are delivered.
Community Inclusion	The level to which people who use HCBS are integrated into their communities and are socially connected, in accordance with personal preferences.
Caregiver Support	The level of support (e.g., financial, emotional, technical) available to and received by family caregivers or natural supports of individuals who use HCBS.
Workforce	The adequacy, availability, and appropriateness of the paid HCBS workforce.
Human and Legal Rights	The level to which the human and legal rights of individuals who use HCBS are promoted and protected.
Equity	The level to which HCBS are equitably available to all individuals who need long-term services and supports.
Holistic Health and Functioning	The extent to which all dimensions of holistic health are assessed and supported.
System Performance and Accountability	The extent to which the system operates efficiently, ethically, transparently, and effectively in achieving desired outcomes.
Consumer Leadership in System Development	The level to which individuals who use HCBS are well supported to actively participate in the design, implementation, and evaluation of the system at all levels.

13 https://www.qualityforum.org/Home.aspx

14 Quality in Home and Community-Based Services to Support Community Living: Addressing Gaps in Performance Measurement. National Quality Forum. September 2016. http://www.qualityforum.org/Publications/2016/09/Quality_in_Home_and_Community-Based_Services_to_Support_Community_Living__Addressing_Gaps_in_Performance_Measurement.aspx

15 Quality in Home and Community-Based Services to Support Community Living: Addressing Gaps in Performance Measurement. National Quality Forum. September 2016. http://www.qualityforum.org/Publications/2016/09/Quality_in_Home_and_Community-Based_Services_to_Support_Community_Living__Addressing_Gaps_in_Performance_Measurement.aspx

The National Committee for Quality Assurance[16] (NCQA) is an independent non-profit founded in 1990 that initially offered accreditation to health plans and then expanded that to healthcare providers. NCQA offers an accreditation program for long-term services and supports (LTSS) service coordination and case management to CBOs and health plans.[17] NCQA also owns the Healthcare Effectiveness Data and Information Set (HEDIS®) which is widely used by health plans to demonstrate their performance on quality across six domains. In 2019, HEDIS® added a set of LTSS measures designed to assess whether health plans providing or coordinating LTSS are delivering high-quality, person-centered care.[18] The set of four measures evaluates quality of assessment, care planning and care coordination for organizations providing LTSS. Your organization may be able to help health plans improve their results on these measures.

National Core Indicators[19] (NCI®) and National Core Indicators — Aging and Disabilities[20] (NCI-AD™) are survey tools used in some states to measure individual experience in HCBS programs. These are statewide surveys generally administered to a random sampling of participants. As a result the data is usually not provider specific. You can use the results of these quality measures to demonstrate your level of performance against statewide data.

The original NCI® survey started in 1997 and is targeted to developmental disabilities programs. The NCI® survey focuses on employment, rights, service planning, community inclusion, choice, and health and safety.[21] In 2013, work began to adapt the NCI® survey tool for aging and disability programs with the first surveys occurring in pilot states in 2014. The NCI-AD™ survey focuses on service planning, rights, community inclusion, choice, health and care coordination, safety and relationships.[22] Both the NCI® and NCI-AD™ websites provide information on participating states including their survey results.

Additionally, in 2014, CMS awarded nine states Testing Experience and Functional Tools (TEFT) grants to test quality measures and tools in Medicaid HCBS. One part of the TEFT project tested the Functional Assessment Standardized Items (FASI) measures among individuals receiving HCBS. FASI measures were focused in the following domains:

- Self-care items;
- Functional mobility items;
- Ambulation mobility;
- Wheelchair mobility items;
- Instrumental activities of daily living (IADL) items;
- Assistive device items; and
- Living arrangements, availability of assistance, and caregiver assistance items.[23]

16 https://www.ncqa.org
17 https://www.ncqa.org/programs/health-plans/long-term-services-and-supports/
18 http://store.ncqa.org/index.php/catalog/product/view/id/3419/s/hedis-2019-technical-specifications-for-ltss-organizations-epub/
19 https://www.nationalcoreindicators.org/
20 https://nci-ad.org/
21 https://www.nationalcoreindicators.org/about/
22 https://nci-ad.org/
23 FASI 2017 Field Test Final Report. Centers for Medicare and Medicaid Services. March 2018. https://www.medicaid.gov/medicaid/ltss/teft-program/functional-assessment-standardized-items/index.html

Create your Measurement Plan

Similar to the oversight you will do for compliance and finances, you will also want to create a plan for how and what additional metrics you will use to monitor the quality of your organization.

Example 10: Example of an Inventory of Quality Measures[24]

Measure Source	Standard	Metric(s)	How the data is collected	Frequency of reporting	Person Responsible for reporting	Reported to Whom
NCI-AD™ [25]	Proportion of people who are able to participate in preferred community activities	# of clients/# able to participate in preferred community activities	Activity Reports	Annually	Manager	Board of Directors
NCI-AD™	Proportion of people who are involved in making decisions about their everyday lives	# of clients/# involved in making decisions about their everyday lives	Care Plan Reports	Annually	Manager	Board of Directors
NCI-AD™	Proportion of people whose support staff come when they are supposed to	# of clients/# who report staff come when they are supposed to	Client Survey/ Staff Reports	Annually	Manager	Board of Directors
NCI-AD™	Proportion of people who have a paid job	# of clients/#who have a paid job	Care Plan Reports	Annually	Manager	Board of Directors
HEDIS® [26]	LTSS Successful Transition after Long-Term Institutional Stay	# of clients admitted from a long-term institutional stay/# of clients who remain in the community for at least 60 consecutive days	Client Admission/ Retention Reports	Annually	Director	MCO

[24] The examples provided here are for demonstration purposes only. Standardized measures have very specific criteria. See the original measure developer for detail information on measure specications. Modification and use of standardized measures in another manner are for comparative descriptions only and do not qualify as reportable data.

[25] https://nci-ad.org/

[26] https://www.medicaid.gov/medicaid/managed-care/downloads/ltss/mltss_assess_care_plan_tech_specs.pdf

CONTINUOUS QUALITY IMPROVEMENT

"There is always space for improvement, no matter how long you've been in the business."
—Oscar De La Hoya

Continuous quality improvement is a management philosophy that organizations use to reduce waste, increase efficiency, and increase internal (employee) and external (customer) satisfaction. It is an ongoing process that evaluates how an organization works and implements ways to improve its processes.[27] Continuous quality improvement often looks at the outcomes from the effort to identify how and where to make additional improvements.

Continuous quality improvement activities have many benefits:

- Assures compliance, improves quality, and maximizes performance;
- Prevents excessive attachment to the status quo;
- Keeps the bar high through stretch goals for performance and quality;
- Creates a team and empowers people to do the work.

Consider how or where your organization wants to improve. You might want to improve quality in services; increase efficiencies to maximize staff resources or reduce waste in expenditures; or improve your ability to demonstrate your value to a current or potential payer. Clearly identify the outcomes that you want to achieve.

In **Step 2: Plan**, we shared an example of a driver diagram that shows the relationship between the overall goals of the project and the primary and secondary drivers that impact the successful implementation of that goal. A program logic model is similar in that you must first identify your long-term outcomes (overall goals) and the components that will help you attain that goal.

Example 11: Example of a Program Logic Model: Process Elements

PROCESS		
Resources/Inputs	**Activities**	**Outputs**
Employment is an identified state priority	Research State / MCO deliverables	Promotional "Pitch Package"
CBO has an established apprenticeship program	Prepare descriptive materials on your program	MOUs with participating High School and Vocational Rehabilitation
High School counselor or Vocational Rehabilitation relationships	"Socialize" opportunity to work with the MCOs with the High School or Vocational Rehabilitation staff	Description of referral flow
MCO interest in supporting apprenticeships	Describe how referrals from health plan would work	Proposed funding agreement
Referral mechanism	Identify the resources you will put in, and what our organization needs from the MCO	Support services proposal
Existing funding	Identify support services and how MCO could augment	
Transportation assistance		

[27] https://study.com/academy/lesson/what-is-continuous-quality-improvement-definition-process-methodologies.html

When used together, Example 11: Example of a Program Logic Model: Process Elements and Example 12: Example of a Program Logic Model: Outcomes present a logic model that can be used to map out the outcome measurement process and help document resources or inputs, activities, outputs, and immediate, intermediate, and long-term outcomes. A logic model can help you identify the performance indicators that are crucial to your organization's or program's outcomes. In these examples, it is assumed that the CBO has a program that the MCO would like to partner with. To develop the logic model, first identify the long-term outcomes (the change you want to see), then work backwards to identify the resources you need to get there.

Each column has a specific purpose:

- **Resources/Inputs**: Identify any and all available resources. Transfer the pertinent resources to the logic model.
- **Activities**: Try to align the activities to the resources needed to accomplish them. Align the content flow horizontally from left to right so users can see how things are related.
- **Outputs**: The physical, tangible items that will result from the work.
- **Immediate outcomes**: First 'wins'. For example, executed agreements, processes, referrals, increased enrollment.
- **Intermediate outcomes**: 'Wins' that take some time to develop. For example, completion of programs, graduation, sustained employment, better health outcomes.
- **Long-term Outcomes**: Final goal.

Example 12: Example of a Program Logic Model: Outcomes

OUTCOMES		
Immediate Outcomes	**Intermediate Outcomes**	**Long-term Outcomes**
Verified state interest in employment priority Meeting with MCO and indicated interest MOU with High School for referrals to program; agreements with Vocational Rehabilitation Negotiations on funding agreement and signatures Negotiations on support services funding agreement	MCO meets identified priorities for employment MCO and CBO finalize agreement; metrics, measures and indicators identified Participating High Schools and Vocational Rehabilitation' referral pathway is functional; students referred and enrolled MCO members enrolled; % successful completion; % employed; lagging measure of better health outcomes being tracked Reduced absenteeism as a result of transportation supports (%)	Successful apprenticeship program that meets the needs of an MCO to fulfill their state contract for identified employment priority Success is graduation, employability and better health

The data that results from outcome measurement will help you both understand and communicate the effectiveness of your programs. In addition, it can be used to identify key gaps and weaknesses that need to be addressed. Use this data to correct the course if the progress toward your goals are not on track.

Whatever your organization is focusing on, there are a number of ways in which your organization may monitor and test change in efforts to improve your quality. Most methods build on four basic steps:

- Monitor;
- Measure;
- Adjust; and
- Repeat.

One of the most well-known methods for continuous quality improvement is the Plan-Do-Study-Act (PDSA) cycle.

Plan-Do-Study-Act (PDSA) Cycle

PDSA cycles are a method that your organization can use to test a change concept. A change concept includes the actions you will take to make improvement. Through this method, you learn from experience. You plan an action, you do the action, you study the results and you act accordingly. Did the results go as planned? If so, maybe you simply continue the new procedure. If they did not, then you may need to see what, where and why things went wrong and repeat the cycle.[28] PDSA cycles are a tool that helps organizations work through organizational change in a structured and methodological manner. It provides a structure that allows for continuous feedback on a new process. This allows organizations to identify and change the process if something is not working as expected. As the acronym describes, the cycle works in four phases:

Figure 3: Plan-Do-Study-Act Cycle

[28] https://qi.elft.nhs.uk/wp-content/uploads/2015/03/pdsa.jpg

1. **Plan** — process is designed or revised to improve results.
2. **Do** — design is implemented and the performance measured.
3. **Study** — assessment and measures are reviewed and the results are used to make decisions.
4. **Act** — takes those decisions and uses them to improve the process, if necessary.

In any plans that you develop, be specific and identify the person responsible for each part of the plan, the resources that will be required, and the specific action steps, deadlines, and anticipated results or improvements. Once your efforts have been implemented, measure the outcomes again to compare, evaluate changes over time, and update plans accordingly.

Outcomes Management Case Study:

In 2006 the National Council on Independent Living (NCIL) created an Outcomes Measures Task Force to build a standardized national effort to measure and improve program outcomes with the aim of focusing on outcomes management in Centers for Independent Living (CILs) across the U.S. The Task Force identified the activities conducted by CILs and what they are trying to achieve (the outcomes), and then identified a set of immediate, intermediate, and ultimate outcomes as reflective of the broader independent living community. Once all the outcomes were identified, the Task Force (in consultation with the independent living community) determined the outcomes to prioritize:

- Persons with disabilities have skills/knowledge/resources to support their choices.
- Persons with disabilities are more independent.
- Persons with disabilities get the information they need.
- Persons with disabilities advocate for increased community supports.
- Barriers, problems identified.
- A consumer agenda for change exists.
- Decision-makers act on our agenda.
- Methods and practices promote independence.

For each of the eight outcomes, one or more measurable indicators were developed. The indicators were measured in five separate ways and two field tests were conducted.

The goal of this project was to identify and measure progress on specific outcomes and use that information to identify weaknesses, identify possible improvements, attempt to implement those improvements and re-measure the outcomes. This project was also valuable for determining an outcomes management process for CILs, and the task force identified several key questions and next steps for incorporating outcomes into CILs' annual performance reports, training CILs in outcomes management, and further developing a process for using outcomes information to improve services.

Additional information can be found in the full report at: http://www.advocacymonitor.com/wp-content/uploads/2012/10/4-6-12NCILOMTFReport.pdf

> **“Understand that quality is not an act — it’s a habit.”**
> —Aristotle

Culture of High Performance

High performance and high quality do not happen accidentally. They are the result of intentional and ongoing behavior. As we mentioned earlier, compliance, quality and financial and operational performance are interconnected. Performance is how you achieve and sustain compliance and high quality while being financially and operationally sound. It is how your organization performs overall. Quality and performance in a CBO begins with the organization’s culture. Organizational culture is the “spirit” and dominant set of ideals and beliefs that motivate and guide the actions of all members of a group — a natural way of behaving — based on shared beliefs.[29] Culture sets expectations. The culture of an organization is the foundation that will help your organization establish and sustain real quality and high levels of performance. A “culture of high performance” is an environment in which employees follow established guidelines; see others taking quality-focused and company-approved actions; hear others talk about quality and the culture of their organization; and feel quality all around them.[30]

For a Cornell study[31] on high performing organizations, “high performance” was defined as “an organization that achieves better results than those of its peer group over a longer period of time, by being able to adapt well to changes and react on these quickly, by managing for the long term, by setting up an integrated and aligned management structure, by continuously improving its core capabilities, and by truly treating its employees as its main asset”. The study describes the activities and cultural characteristics of high performing organizations.

High performing organizations:

1. Empower people and give them freedom to act. Decision making is devolved to individuals with the autonomy to act within clearly defined boundaries.
2. Establish clear, strong and meaningful core values that are shared widely in the organization.
3. Develop and maintain a performance-driven culture. They have a healthy dissatisfaction with the status quo and a drive to excellence in all things. Agreements are achieved through discipline in execution and a commitment to resilience.
4. Create a culture of transparency, openness and trust. Leaders demonstrate integrity and openness in their dealings with others and they make sure that people have the opportunity to be heard.

29 https://www.nasddds.org/uploads/files/230_Staugaitis_and_Lauer.pdf
30 https://hbr.org/2014/04/creating-a-culture-of-quality
31 Kim, J. & Bang, S. C. (2013). What are the top cultural characteristics that appear in high-performing organizations across multiple industries? Retrieved August 12, 2019 from Cornell University, ILR School site: http://digitalcommons.ilr.cornell.edu/student/38/

5. Create a shared identity and sense of community by "uniting the tribe". They nurture a caring and cohesive culture and reduce politics by establishing a true meritocracy.
6. Develop an adaptive culture focused on long term success, striving for agility and constant renewal.

Similarly, the characteristics of a culture of quality as identified by Forbes and the American Society for Quality (ASQ) include, but are not limited to:

- Clearly visible, engaged and unwavering senior management support for quality initiatives.
- Clearly articulated vision and values.
- Active and ongoing engagement with customers to continually identify and address current and evolving needs.
- Clearly stated quality goals.
- Performance expectations for all individuals throughout the organization that clearly link to quality goals.
- Appropriate incentives — monetary or recognition-based. Incentives must be meaningful to the person receiving the reward. **Step 3: Execute** provides additional guidance on employee recognition.

You will notice that these lists overlap in many ways. Performance and quality go hand-in-hand. Create a culture of both quality and performance in your organization in order to ensure that quality improvement efforts work the way that you would like them to. To do so, you will need to find a way for your organization to be agile enough to respond to changes in your environment while still meeting all compliance requirements placed upon your organization.

CONCLUSION

A system that allows you to consistently and effectively monitor your organization allows you to be in control of your business. The more you understand the fiscal and programmatic data of your organization, the more able you will be to address changes, mitigate negative outcomes and sustain your organization.

RESOURCES

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

APPENDIX

The following templates can help you and your team document your findings and ideas as you monitor, evaluate and respond to the strategic initiatives of your organization:

- Leading and Lagging Indicators
- Balanced Scorecard Template
- Inventory of Compliance Requirements
- Inventory of Quality Measures

Business Acumen for Disabilities Grant

The Business Acumen for Disabilities Grant is provided by the Administration for Community Living (ACL) to ADvancing States in collaboration with national partners.[32] The HCBS Business Acumen Center is dedicated to providing resources to sustain disability organizations. To learn more, visit hcbsbusinessacumen.org

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

Leading and Lagging Indicators

Desired Outcome	Leading Indicators	Lagging Indicators

Balanced Scorecard Template

Category	Lead Person	Indicators	Reporting Frequency	Q1	Q2	Q3	Q4	Fiscal Year Target	Benchmark	Benchmark Source	Comments
	A.										
	B.										
	C.										
	D.										
	E.										
	F.										
	G.										
	H.										

Legend		
On-Track; Continue to Monitor	Review Required	Off-Track; Action Required

Inventory of Compliance Requirements

Regulation Source	Standard	Metric(s)	How the data is collected	Frequency of reporting	Person Responsible for reporting	Reported to Whom

Inventory of Quality Measures

Measure Source	Measure	Metric(s)	How the data is collected	Frequency of reporting	Person Responsible for reporting	Reported to Whom

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