

# Measuring the True Cost of Providing Supported Employment Services in New York City

November 2002

## *Background*

The New York Work Exchange, assisted by the Mental Health Association of New York City, undertook a project to help Supported Employment service providers measure the true cost of providing services in New York City.

The New York Work Exchange believes that the rapidly changing funding environment, combined with the movement towards performance-based outcomes, and the current underfunding of many supported employment programs, make the availability of accurate, comprehensive, scientifically-based data on the costs of providing employment services critical for providers re-negotiating existing employment contracts and trying to broaden their funding base.

This project initially started in response to VESID's announcement in the spring of 2001 of their plans to restructure Supported Employment services and design a new system for payment. VESID established a system for city and state stakeholder groups to provide input on the design of the new program. Providers who hold VESID contracts met at the NY Work Exchange to determine priority issues for individuals with mental illness and to draft suggestions for input. The group identified the establishment of the true cost of service delivery as a high priority item.

The Work Exchange engaged the services of Steve Hessler, a consultant and former VP of Citibank, who has led several costing and process improvement projects at Citicorp. The methodology of the project involved two well-tested techniques: process mapping and staff questionnaires. Originally developed in the for-profit sector, this methodology is easily adapted for use in the non-profit sector.

Linking the cost of staff positions to specific program activities provides participants with a realistic measurement of the costs to a program for providing employment services. Agencies acquire a better understanding of the actual work that is performed and by which staff. It can help them to identify inefficient activities and to develop best practices.

During the past twelve months, eleven NYC mental health agencies participated in this project. Details of the methodology follow.

## **Project Methodology**

### *Process Maps*

The first phase of the project was to determine each of the individual activities ("process steps") that make up the Supported Employment process. In order to determine these "process steps", agency representatives developed "process maps" which detailed the activities performed and what functions performed them. Utilizing flip chart paper, staff created an illustration of the process that showed the sequence of events and the job functions that performed them. A typical map was seven sheets or twenty feet wide. While there were some differences between agencies in the exact steps followed, in general there was a high degree of commonality in the overall process.

### *Questionnaire Development and Completion*

Next a questionnaire was developed to capture all of the process steps in a format that would enable those who perform the activities to record the percent of their time they spend on them. Two questionnaires were developed, one for people who directly perform supported employment activities and one for administrative and support staff. A preliminary questionnaire and instructions were developed and then tested at one agency. Based on the feedback of the test group, the questionnaire was modified and then tested with another agency. The final questionnaires were then distributed to all agencies for completion by their staff.

### *Employee Cost Data*

In order to calculate the "all in" cost of employees, agencies were asked to compile information for each job title that would be completing one of the questionnaires. The information included in the calculation was salary, fringe and an allocation of OTPS and administrative cost. In order to ensure that the cost of the process was not overstated, each agency could make a determination of what OTPS expenses should be allocated to the job title. OTPS and administrative cost were allocated to each job title based on that job title's percent of total agency salaries if the agency provided total OTPS and administrative expense. If the agency provided only OTPS and administrative expense for the Supported Employment program then the allocation was based on the job title's percent of Supported Employment salaries.

### *Clients Served Data*

Each agency was also asked to provide information on the number of clients who passed various milestones in the Supported Employment process. The milestones were:

- Assessed for the program
- Accepted for Training and Job Preparation
- Placed in a job
- Successfully maintained employment and considered rehabilitated
- Clients in Ongoing Support

### *Data Base and Analysis*

The final phase was to create a database for each agency. The percent of time and cost information were entered into the database and cost analysis reports were produced. The data base not only shows the overall cost of the process, but it can also show the cost for individual activities or major categories of activities, such as "Placement" or "Post placement — pre-rehabilitation".

### *Results*

In January 2003 results were sent to participating agencies. The provider agency information was gathered with assurances that it would be treated as confidential as well as proprietary. Therefore, specific agency results are for their exclusive use. The New York Work Exchange anticipates conducting additional data analysis on the aggregate level and will likely release a report in the future.