

Administrative Guidance: Contract Compensation Options

State AT Programs utilize a variety of mechanisms to partner with other organizations in order to deliver State Plan AT activities. These include agreements in the form of contracts, memoranda of understanding, interagency agreements or any other written documents that describe the obligations of both parties (the State AT Program and the partner organization) in providing identified services/deliverables. These typically utilize one of two basic approaches: 1) Period-based cash payment in exchange for satisfactory delivery of agreed-upon services or 2) Piece-rate cash payment (sometimes described as pay for performance) where each delivered service is reimbursed at an agreed-upon price. There may also be hybrid approaches that use features of each. This document provides an overview of these different compensation mechanisms and considerations when selecting a model.

Period-Based Compensation

Period-based compensation agreements specify services and/or work products to be delivered with an associated set payment amount or agreed upon non-cash compensation. The scope and volume of the services to be provided is for a set time period, usually no longer than a year. The agreement can be one-time or may have renewal periods to support longer term implementation. The expected quality of deliverables, outcomes and associated data reporting requirements for the performance period are specified in the agreement. Mechanisms for invoicing for cash payments or receiving non-cash compensation are stipulated (e.g. specific line item invoices are to be submitted quarterly based on an approved line item budget or in the case of non-cash compensation [e.g. equipment provided by the state AT program] data on services delivered is submitted monthly in prescribed forms.)

Example 1: The state AT program has a Memorandum of Agreement with the Communication Sciences and Disorders clinic at the state University, providing the University with two new augmentative and alternative communication (AAC) devices. In return, the University submits required data including performance measures each time a device is demonstrated or loaned.

Example 2: The state AT program has a contract with a center for independent living (CIL) to provide information and assistance, device demonstrations, device lending and device reuse for consumers in the counties it serves. The CIL receives \$25,000 for providing those services and reporting requisite data during the program year.

Unit-Based Compensation

Unit (or piece) rate-based agreements are for individual units of service and/or work products delivered, with an associated payment schedule that specifies a set amount paid for each unit. Services or work products are defined in discreet units. The agreement can be for a specific period or can be open-ended with no set end date, and with provisions to update the discreet unit pricing schedule over time. The expected quality and quantity of deliverables, outcomes and associated data reporting requirements for individual service or work product units are specified in the agreement. Mechanisms for invoicing for cash payments are stipulated (e.g. invoices that identify the number of units delivered for each available service on the piece-rate schedule are submitted on a monthly basis).

For unit-based compensation to be effective (and appealing to potential partners), it must be possible to establish an equitable unit rate for payment that can be consistently measured. For example, many sales people work on commission. If what they are selling is a uniform product, then a single commission rate for each unit sold is equitable. But if the products sold are very different, to ensure equity the commission will typically be based on a percentage of the sale price of the product rather than a single unit rate.

For AT Act activities, the typical unit of measure is based on required elements in the State Plan for Assistive Technology (SPAT) and the Annual Progress Report (APR). However, general APR data elements (like a device demonstration) are not granular enough to support equitable unit-based payments. Even more specific data such as AT type includes a wide range of device complexity within each category which makes it challenging to use these units as a basis for equitable pay. For example, a flat \$50 for each demonstration in the Vision category will result in the same payment for a demonstration of multiple complex screen readers (that could require an hour or longer) as for the demonstration of simple handheld magnifiers that only takes a few minutes. If the unit pay rate established is not equitable, there may be an unintended incentive for the partner to maximize payments by conducting more demonstrations of simple devices and avoiding complex ones. In addition, when using unit-based compensation external factors need to be controlled to ensure all contractors have equitable opportunity to produce. In the case of workers producing or selling a product, this means they have access to the raw materials needed to produce/sell as many products as they can. Applying this to AT Act services is challenging: Population density and demographics, geographic remoteness, transportation availability, and other external factors will likely be highly variable between contractors. As a result, it can be very difficult to ensure that contractors who are paid according to the volume of units delivered have access to the same resources and are not penalized by external factors outside of their control.

Discussion

Some State AT Programs utilize a hybrid type of agreement in which there is a core period-based compensation with additional payments available for provision of units of service above a set threshold or beyond a set scope. This is analogous to the sales person who has a base salary but earns commission in addition. For device demonstration, this might include a traditional 12-month agreement that requires a minimum number of demonstrations be conducted/reported for a specific amount with extra incentive payments available for demonstrations over that target amount and/or for demonstrations delivered in targeted geographic areas of the state, and/or those that include very complex AT devices.

Example: The State AT program contracts with an Easter Seal affiliate to conduct a minimum of 200 device demonstrations for \$10,000 for a year period. For each device demonstration conducted beyond the 200 specified, an additional \$35 will be paid for those that require less than an hour and \$50 for those that require more than an hour.

Regardless of the agreement structure used, it is critical to ensure the quality of the performance/unit outputs. For AT Act activities, this means specifying quality indicators that can be verified through administrative oversight. Again, using device demonstration as an example, this could include specifying qualifications/competencies for individuals responsible for conducting demonstrations of different types of AT, requiring availability of specific types of AT for demonstration, reporting of a range of outcome data, etc.

This document is part of a series of administrative guidance documents developed and produced by the Assistive Technology Act Technical Assistance and Training (AT3) Center funded by Grant #90ATTA0001-01-00 from the Administration for Community Living (ACL). Any opinions reflected herein are solely the responsibility of the authors and do not necessarily represent the official views of ACL.

Last updated September 2017 – www.at3center.net