
Business Standards

**for Research and
Evaluation Practice**

**A decision-support guide to
establish and sustain a business
model for cost recovery**

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This document was originally developed by Evaluation Services and has been revised to meet the needs of Research Priorities and Implementation (RPI).

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Introduction

About Alberta Health Services– Research, Innovation and Analytics (RIA)

The Alberta Health Services (AHS) RIA Portfolio has a broad mandate to provide consistent and meaningful learning through effective and efficient research and rigorous evaluation. These activities are at the heart of the organization's culture and deliver the fuel that drives consistent high performance and learning.

About Research Priorities and Implementation (RPI)

As part of RIA, Research Priorities and Implementation (RPI) consists of the following expert teams designed to enable and enhance quality patient-oriented research and evaluation.

Engagement, Education and Capacity is a provincial service that develops and delivers research learning opportunities in partnership with academic and provincial research and innovation institutions. Through the Assistant Scientific Directors (ASDs) in the research arm of the Strategic Clinical Networks (SCNs), this operation collaborates with the scientific community to identify and support scientific rigour, best practice, and advancement of research priorities within AHS.

Evaluation Services is a provincial service that supports a rigorous evaluation approach and skill set to support evidence-informed decision making for clients throughout AHS that will help inform and improve practice and patient care.

Knowledge for Change is an evidence-based knowledge translation science. Practice supports include training, academic-quality grant and project support, KT plans, knowledge brokering, synthesis, decision support, and dissemination expertise, including advice on implementation.

Research Facilitation is a provincial service that provides rigorous hands-on expert consultation and support for approved projects pre-submission and post award that have been endorsed by the dyadic leaders for the SCNs and the operational leaders for clinical departments.

Workforce Research and Evaluation is a provincial service that conducts joint research and evaluation projects to inform the effective use of the clinical workforce and the design of integrated collaborative service delivery models.

The RPI team is tasked with enhancing organizational capacity for evidence-based decision making through support of health-related research, innovation, and evaluation projects with:

- Improving way-finding to existing research and evaluation resources
- Providing specialized expertise, such as methodologists, biostatisticians, analysts, and competent evaluators to improve project designs

This resource is a decision-support guide to establish and sustain a standardized business model for cost recovery within AHS.

- Supporting the design of tests for new procedures, care pathways, and innovative technologies
- Advancing the effective uptake of new knowledge into clinical practice
- Increasing capacity for project management and implementation science
- Assessing economic value within the healthcare setting
- Advancing professional ethical oversight and supports for non-research projects
- Establishing a repository of research, evaluation, and quality improvement project across AHS
- Providing opportunities for research capacity building through education and studentships

“The problems that exist in the world today cannot be solved by the same level of thinking that created them.” ALBERT EINSTEIN

A primary catalyst in the design of RPI was to understand and deal with many formidable and persistent barriers faced by healthcare-related researchers wanting to contribute within AHS. RPI supports researchers in translating the priorities of AHS identified by the zones, the SCNs, and the provincial programs into research questions and designs. Through RPI supports, AHS-based investigators are also linked to appropriate academic partners and platforms. A strong foundation of collaboration between academic partners, provincial platforms, and healthcare providers helps to capitalize on individual strengths to achieve improved health outcomes.

The RPI teams provide an opportunity for science and innovation to meet on common ground in the interest of best practice. This challenges the status quo within our health system by incubating ideas and supporting new concepts with evidence. RPI fosters innovation by supporting the application of rigorous, disciplined, and scientific approaches for testing novel ideas and establishing best practices. As a result, innovators, designers, knowledge users, clients, and patients work together to:

- Employ a collaborative approach to designing research and evaluation to ensure the usability of end results
- Deliver services that address the dimensions of quality, including acceptability, accessibility, appropriateness, effectiveness, efficiency, and safety (Health Quality Council of Alberta)
- Foster provincial cross-organizational collaborations
- Demonstrate financial return on investment while providing sustainable capacity-building models, services, and support

Purpose of a Business Model for Cost Recovery within AHS

This resource is a decision-support guide to establish and sustain a standardized business model for cost recovery within AHS. This guide provides the rationale, context, costing formulas, and standard operating processes. Recommendations are based on professional practice and practical experience.

The RPI teams provide a program of services for clients, both within and outside of AHS. The majority of cost recovery within RPI comes from work provided to clients who are external to AHS, such as grant holders, researchers, and

other health-related agencies (e.g., Primary Care Networks, Health Quality Council of Alberta). Supporting external clients is important to AHS because of the shared vested interest in improving the quality of healthcare service and overall health of Albertans. These accomplishments are realized through the contributions of new knowledge generated through research, evaluation, and quality improvement. A business model for cost recovery ensures these services remain cost neutral to the organization.

Evaluation Services has an established internal model of evaluation for AHS. While this operation does provide services for external clients, the majority of work remains with AHS clients. To support the existing mixed-funded model of core and soft-funded positions, this operation also recovers some operating costs from internal clients. An internal model of evaluation for AHS has proven to be a value-added service for the organization because only soft-funded positions and other project-specific costs are recovered. Since the system absorbs certain overhead costs, overall costs related to evaluation are significantly reduced in comparison to rates charged by external contractors. In addition to cost savings, other benefits of an internal model of evaluation include evaluation teams who are sensitive to organizational relationships and norms, and keeping the gained knowledge and insight within the organization since evaluation teams remain in the system after the project is completed. Internal evaluators can also be more tolerant of delays in project timelines caused by extenuating circumstances, such as radical system changes and contracting restrictions. This helps bring evaluation projects successfully to fruition.

Researchers who invest in RPI services will experience improved process times from the beginning of a research concept to post-ethics

approval and implementation. AHS operations in need of RPI services—whether for research or evaluation—can access highly skilled and competent specialists who understand the AHS system and have the capacity to solve the most vexing issues for the healthcare system.

As our services evolve to meet the needs of the organization, this document will be periodically revised.

We welcome and encourage feedback from anyone who uses it.

A decision-
support guide
to establish
and sustain
a business
model for cost
recovery.

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Calculating a Fee Schedule for Projects Internal and External to AHS

Establishing business standards begins with four primary decision points to guide consistent practice:

- Defining the client (internal or external)
- Determining where cost recovery will occur
- Calculating actual costs
- Establishing a fee schedule

Focus, consistency, and support from multi-faceted teams are important to operating an efficient business that is equitable to clients and researchers (individuals who contract these services). RPI has adopted unique approaches to address our business.

As well, AHS Finance understands the complexity of a mixed-funding model and appreciates the importance of a consistent and well-articulated approach to business.

Defining the Client (Internal or External)

RPI services engage with clients who may be internal or external to AHS. Since RPI applies different business approaches for internal and external clients (i.e., projects), it is important to differentiate between the two groups. When long-term business relationships and vested interests are involved, varying options exist determining the status of certain clients¹. Table 1 defines the difference between internal and external clients.

RPI applies different business approaches for internal and external clients

Table 1: Defining Internal and External Clients

Internal Clients	External Clients
<ul style="list-style-type: none"> • Any AHS portfolio or operation • Strategic Clinical Networks (SCNs) 	<ul style="list-style-type: none"> • Separate legal entity • Separate IT systems • May be partially funded by AHS, but has a separate governance structure • Self identifies as external to AHS <p>Examples: Academic institution or municipal school boards; Primary Care Networks; Alberta Health; Health Canada; Health Quality Council of Alberta; Toward Optimized Practice (TOP); community non-profit.</p>

¹ Example of complexity: project is led by an external partner, but AHS is also a major player in the project.

Determining Where Cost Recovery Will Occur

The next step is to decide where cost recovery will occur. A recommended approach is to determine which staffing positions (not individuals) will require cost recovery and which ones will not. Consistency is important to help mitigate the contentious issue of inequitable treatment among AHS clients.

Table 2: Staff Designation

Classification	Provides in-kind services	Provides cost recovery services ²
P5	Director (ES, WRE, RF, EEC)	
P4	Evaluation Lead (ES) Senior Research and Evaluation Consultant (WRE) SCN Leadership Team	Biostatistician (PhD) (RF) Knowledge Translation Scientist (K4Δ) Health Economist (RF)
P3	Evaluation Consultant (ES) Call Centre Manager (ES)	Research and Evaluation Consultant (WRE) Analyst (RF)
P2		Research and Evaluation Coordinator (ES) Clinical Data Analyst (ES)
Administrative Support	Administrative Assistant (MOOS) Administrative Assistant (AUPE) Clerk IV (AUPE)	
T1, T2, T3		Project Assistant (ES) Call Centre Supervisor (ES)
Casual		Health Research Interviewer (ES)
Unclassified		Student (ES, WRE)

AUPE (Alberta Union of Provincial Employees); **EEC** (Engagement, Education and Capacity); **ES** (Evaluation Services); **K4Δ** (Knowledge for Change); **MOOS** (Management and Out of Scope); **RF** (Research Facilitation); **WRE** (Workforce Research and Evaluation)

RECOMMENDATIONS

1. Internal clients may be charged only for the identified staffing positions involved in cost recovery (Table 1). Also recover costs related to travel, transcriptions, and special supplies.
2. External clients are charged for all services, including core and soft-funded staff, and additional costs related to travel and required supplies. Also include an administration fee (see (D) Administration Fees, page 6).

² This list is a general guideline. All RPI positions, at times, will provide services at no cost. Variation may occur in determining exactly where cost recovery will occur and is determined project by project.

Calculating Actual Costs

FEE SCHEDULE FORMULA

The following formula provides a guide to determining actual labour costs:

$$\text{Average wage (A) + Benefits (B) + Efficiency rate (C) + Administration fee (D) = Actual Labour Costs}$$

(A) Average Wage

To establish a realistic labour rate, consider actual labour costs in addition to base salaries. To ensure confidentiality and a standard approach, a costing formula is based on the AHS average salary of the staffing group.

(B) Benefits

The average cost of benefits for AHS staff is based on seniority and can range from 18–22% of base salary. AHS Finance recommends calculating overall cost of benefits at 21.9% for regular, part-time, and temporary staff; and 12.6% for casual staff and paid students.

(C) Efficiency Rates

Making accurate estimates of staffing resources requires more than just predicting the required full-time equivalent (FTE) to do the actual work. In any organization, allowances must be made to accommodate non-productive paid work. AHS recognizes that employees do not work 100% of their paid work because of vacation, illness (episodic, short and long term) and other leaves of absence (AHS Manager Workforce Handbook, 2014). From a project management perspective, this list

needs to be expanded to also consider the time that employees are not dedicated to actual project work, including paid breaks, time spent in education and training (selective and mandatory), staff meetings, administrative duties (timekeeping, performance appraisals, one-off requests), and resource development. Effective project management depends on a realistic allocation of resources and managed workloads so that staff can produce quality work and successfully meet their commitments.

The basic AHS rate for non-productive work ranges from 20–30%. The percentage of non-billable hours in project work varies by staff position and the amount of operational responsibility that a position carries. The more operational responsibility expected, the less time spent on completing project work.

One exception to this rule may be with students and project assistants. While often not involved in administrative responsibilities, their efficiency rate may be estimated lower than expected to accommodate for lack of experience and required on-the-job learning.

Factoring efficiency rates into the estimated FTE assigned to project work helps reduce project overrun and shortage of resources before project completion. When costing out resources, estimating somewhat higher is recommended than to have to ask for more resources later in the project. Clients are never charged more than actual costs and invoicing is based on workload tracking reports.

Table 3: Workforce Efficiency Rates

Classification	Role	Efficiency	Calculation ³
P4	Senior Research and Evaluation Consultant (WRE) Biostatistician, PhD (RF) Evaluation Lead (ES) Knowledge Translation Scientist (K4Δ) Health Economist (RF)	70%	Estimated hours x 1.3
P3	Evaluation Consultant (ES) Research and Evaluation Consultant (WRE) Call Centre Manager (ES) Senior Data Analyst (RF)	75%	Estimated hours x 1.25
P2	Research and Evaluation Coordinator (ES) Clinical Data Analyst (ES)	75%	Estimated hours x 1.25
T1, T2, T3	Project Assistant (ES) Call Centre Monitor (ES) Project Assistant (ES)	80%	Estimated hours x 1.2
Other	Health Research Interviewer Student	80%	Estimated hours x 1.1

ES (Evaluation Services); K4Δ (Knowledge for Change); RF (Research Facilitation); WRE (Workforce Research and Evaluation)

Use one of the two approaches to account for non-billable time when completing a cost estimate:

- a. Estimate the total time required and multiply by the workforce efficiency rate (shown in Table 3).

OR

- b. Build the added cost directly into the hourly rate.

(D) Administration Fees

An administration fee covers the cost of items such as office supplies, phone set-up, photocopier maintenance, toner, paper, software licenses, equipment, training, and recruitment.

RECOMMENDATIONS

1. External projects may be charged up to 10% of the total cost for human resources. Flexibility in setting the rate is advised, especially if the total estimated amount for salary is substantial. The administration fee can be detailed separately in the cost estimate, but consider building this additional fee into the hourly rate.
2. Internal projects that are episodic in nature (for example, completed within one or two years) are not charged an administration fee.
3. Internal projects that provide temporary contracted positions are charged 2% administration fee, not to exceed \$3,000 per year.

³ The set efficiency rate determined for Evaluation Service staff is based, to a certain extent, on actual workload tracking records. It seems to be working well for us.

HOURLY CONTRACTS

Contracted work may involve long-term commitments (from project inception to conclusion) or short-term commitments (piece work involving tasks such as data extraction, analysis, and creation of knowledge management plans). Regardless of the time commitment, all work is invoiced at an hourly rate. Using time-tracking

software is important to ensure billing accuracy, especially when staff are allocated to multiple, concurrent projects. Table 4, Fee Schedule, lists the hourly rates.

When external researchers contract Research Facilitation, they are charged the current industry rate for services. This avoids undercutting competitors and attracting unnecessary business into RPI.

Establishing a Fee Schedule

The final step is to establish the fee schedule based on the presented formula. The following fee schedule includes the workforce efficiency rates as described in Table 3.

Table 4: Fee Schedule

Classification	Fee Schedule		
	Position	Internal Cost	External Cost
P5	Director	In-kind (\$125 value)	\$125 ⁴
P4	Knowledge Translation Scientist Health Economist Biostatistician	In-kind (\$80 value)	\$125 ⁵
	Evaluation Lead Senior Research and Evaluation Consultant	In-kind (\$70 value)	\$77
P3	Senior Data Analyst	\$60	\$77 ⁶
P3	Evaluation Consultant Call Centre Consultant	\$60	\$66
P2	Research and Evaluation Coordinator Clinical Data Analyst Survey Support Analyst	\$50	\$55
MOOS & AUPE	Administrative staff	\$50	\$55
T3	Call Centre Monitor/Shift Supervisor	\$36	\$40
T2 T1	Project Assistant	\$34	\$38
Unbanded	Student	\$28	\$30
Casual	Health Research Interviewer	\$26	\$26

⁴ Fee schedule is based on current industry standards.

⁵ Fee schedule is based on current industry standards.

⁶ Fee schedule is based on current industry standards.

Cost Estimating for Temporarily Contracted Positions Within AHS

When a client engages RPI to hire and manage an individual to support a project, a different costing strategy may be considered only if the client understands and is willing to absorb the risk involved with supporting that position. The client needs to understand the nature of efficiency rates and risk including:

- 1.0 FTE does not equate to 2022.75 hours of actual work per year depending in the calculated actual productive hours
- Absences due to vacation, sick time, and short-term medical leave will not be replaced

To recuperate RPI's non-compensation budget required to support those employees, an administration fee is recommended.

- The formula used by Evaluation Services and Workforce Research and Evaluation:

Actual wage + Benefits (B) + Administration fee (2% or max \$3,000)

- The formula used by Research Facilitation:

Actual wage + Benefits (B) + Administration fee (15%)

A condition of an agreement with the client must also include that the cost of that position is subject to change at any time during the contract period to accommodate a contractual salary increase. If the client is not willing to absorb the risk, then an hourly rate is used for the cost estimate.

Understanding More About Risk

The art of creating a realistic cost estimate requires considering the real and potential risks to providing services and meeting financial goals by year-end. Understanding the types of risk that exist within AHS is important to determining the time and resources required. The following circumstances present factors that contribute to a heightened level of complexity with AHS initiatives and illustrate implications that may affect the services provided by different RPI operations.

Providing Service Within Highly Complex Environments

Complex environments are defined as systems with a large number of interacting and interdependent elements in which there is no central control. Such situations are often connected with innovation and must become emergent and dynamic to meet the realities in complex environments. Complexity of the environment is not just an inability to simplify and focus (Patton, 2008). While RPI resources and support can and often do help to sort out and reduce chaos related to improvement and innovation efforts, additional resources are required to effectively manage the level of existing or anticipated complexity. Instead of ignoring or denying that complexity exists, planning for this reality early allows for allocating appropriate resources effectively.

The AHS environment is vulnerable to constant flux and subject to cycles of radical system

change. As an internal model of service within the organization, remaining flexible and tolerant of change is essential to effective service delivery. Being mindful of the complexity of the clients' environments helps inform decisions about creating a realistic cost estimate.

Projects That are Highly Innovative and/or Developmental

The project is innovative in nature—the approach is new and emergent as it evolves. The project plan is non-linear, dynamic and adaptive, and has a high level of uncertainty. The RPI investigator must centre on situational sensitivity while being responsive and adaptable. The evaluation approach is developmental: planning and designing are never really completed because the approach must adapt to ever-changing needs while the initiative evolves. The RPI service provider must integrate with project teams to remain well-informed and adapt the work accordingly over time.

- **Risk:** Difficulty managing workloads if the RPI team has multiple commitments
- **Impact:** Very difficult to predict (with any certainty) the need for future resources since the project scope evolves
- **Response:** Provide dedicated human resources to accommodate the need and intensity of the project. Plan generously to accommodate the inevitability of project creep.

Environments Vulnerable to Constant Flux and Radical System Changes

The project is impacted by organizational factors. Such circumstances may be due to organizational restructuring, provincial budget constraints contributing to lost resources, or a lack of realistic understanding of the complexity of the project and its related planning. Decision making within the organization slows down or stops; the normal flow of incoming work to RPI does the same. New projects are not initiated; current projects are cancelled. Active project timelines are impacted and future start and end dates are undetermined. The RPI service commitment schedules are pushed back and may overlap with other established commitments.

- **Risk:** Serious disruption to providing service and project management
- **Impact:** Inability to raise adequate revenue during the fiscal year equates to the inability to sustain soft-funded positions and the loss of skilled staff
- **Response:** While it is not RPI's intention to make a profit, forecasting surplus is important to safeguard against shortfalls

Initiatives Lacking Foundational Planning

The project lacks considerable foundational documentation that decreases the feasibility of the project. Examples include project plans, project charter, logic models, implementation plans, business plans, and grant proposals that articulate measurable goals objective and expectations. Evaluability can be improved by RPI staff by supporting clients in developing their strategic plans.

- **Risk:** Increased difficulty in developing assessment and analysis strategies with efficiency when proper planning is not in place

- **Impact:** Additional resources are required to raise the feasibility of the project
- **Response:** Allocate additional resources to support development work or reassess expectations of the project commitment and timelines

Working with Complex Collaboratives

The RPI service is required to interact with different levels of management, government, and staff who may have conflicting expectations about the project. This requires more resources.

- **Risk:** Shortfall of allocated resources because the planning process requires much more time
- **Impact:** Implications for successful workload and time management
- **Response:** Allocate additional resources and forecast realistic timelines

Project Scope

A number of factors can impact the complexity of a project. Consider these factors when estimating costs and required resources:

- Multiple sites (facility, program, or units of operation)
- Multiple evaluation teams (in-house and/or casual contracted staff)
- Geographic assignment (multiple communities, zones, or provincial)
- Level of intensity (depth, breadth, and type of approaches used)

It is not uncommon for projects to be modified slightly after the planning phase in response to the local environment. However, it is also typical for projects to experience uncontrolled change or continuous growth, referred to as

creep. Managing project creep is important for successfully completing work on time and within the allocation of resources.

- **Risk:** Shortfall of human and financial resources; extended end dates
- **Impact:** Impossible to manage workload; work accumulates; staff burnout; loss of job satisfaction
- **Response:** Clearly articulate the terms of service in a formalized approach (work agreement, memorandum of understanding, or contract). Renegotiate the terms with the client to acquire additional resources and extend deadlines.

Retrospectively Planned Investigations

Investigations (evaluation or data analysis) that are planned at the end of the lifespan of an initiative typically pose many limitations and service outcomes may fail to meet the expectations and needs of the client⁷.

- **Risk:** Heavily dependent on required resources and are difficult to estimate
- **Impact:** Not only does this type of work have the potential to risk the reputation of the service provider (evaluator, analyst, KT scientist), but compressed schedules often restrict the timely delivery of results. Potential for applying results are usually low, reducing the true value of investment and benefit to AHS.

- **Response:**

- i. Inflate the cost estimate to accommodate the inevitable overrun. Adding 15–25% to the total estimate is not unreasonable.
- ii. Avoid becoming involved in this type of project.

Demand for Preferential Treatment

The AHS funding client believes that their project is a high priority for the organization and demands pro bono service. In most cases, the complaint is escalated quickly to the VP level, project planning has not been done well and is retrospective, and the expectation for service delivery is unrealistic. If the VP agrees to accommodate the request for pro bono work, the RPI service must accommodate.

- **Risk:** Shortfall of raising enough revenue to cover the cost of soft-funded staff
- **Impact:** Resources allocated to other projects are displaced to accommodate this demand; workload increases along with staff burnout and low morale
- **Response:** Involve Senior Executive in deciding whether or not to accommodate

⁷ Retro projects are common to evaluation.

Priority Setting for RPI Services

When demand for RPI support exceeds the operation's capacity, a logical response is to reserve resources for the best possible opportunity to add value back to the organization. The process of setting priorities may vary from one RPI operation to another. Table 5 shows priority setting related to evaluation.

Table 5: Priority Setting for Evaluation

Focus	Item	Consideration	Exceptions
Organizational priorities	How do we determine work that the organization rate as high priority? ISSUE: Priority themes are often too broad to effectively limit demand.	High priority areas for research and evaluation are identified through the: <ul style="list-style-type: none"> • AHS Service Plan • Research Road Map • SCN Sustainability Framework • RPI Operations Plan • HQCA and Alberta Health recommendations Business planning includes reviewing all priority listings and setting annual priorities for RPI.	Exceptions may occur by being sensitive to the local context and responding to unique and emerging needs, as required. The RIA Senior Executive Team sanctions new priority areas.
Purpose, Intention & Utility (Based on E. Vedung, 2005)	What impact does underlying intent have on the value of the project?	Types of projects to support Process: evaluation involvement enhances program's strategic decision making and defining impact Instrumental: evaluation knowledge is used directly for decision making and applied to practice Interactive: evaluation results are part of evidence-informed decision making (one source of knowledge needed by decision makers) Conceptual: evaluation provides scrutiny and deeper understanding of project and influences how people think, even if results are not transformed into practice	Types of projects to avoid or rate as a lower priority Any of the following types could likely emerge as a retrospective project. Mechanical: solely to comply with funding requirements; no intent to apply results; requests are usually last minute Legalization: evaluation process used to legitimize decisions that are already made by unscrupulous managers Tactical: evaluation process used as a tactical strategy to gain time and avoid responsibility
Evaluability Initial examination of a project to decide whether an evaluation can be executed reliably and credibly	Capacity	Ability of the evaluation team to handle scope and expected timelines	
	Feasibility	Having enough resources to provide meaningful results; evaluating at the optimum time; extent of existing political pressure to demonstrate outcomes before it is possible Projects with poorly designed, ill-conceived plans that are unlikely to succeed and bring value to AHS	

Focus	Item	Consideration	Exceptions
	Utility	Client willingness to work collaboratively and apply results when evaluation is complete; upfront vs. retrospective planning helps ensure utility and usability	
	Readiness	Assessment of clear, specific, prioritized, and measurable goals and absence of BHAGs ⁸ Level of project management; organizational development	Developmental approaches; project where the evaluability assessment work helps project become prepared for evaluation
Desirability	Reputation of client	Successful practice depends on clients who are reasonable and willing to collaborate with evaluators. This organization maintains zero tolerance towards abusive behaviour and reserves the right to terminate an established working agreement when a client presents inappropriate and abusive behaviour. Consider existing negative reputations as a serious risk.	
	Subject matter	Background experience, training, and personal interest of the evaluator	

Research Facilitation uses Table 6 to establish priorities for providing service.

Table 6: Priority Setting for Research Facilitation

Project Type	Priority Level for Projects WITH Funding	Priority Level for Projects WITHOUT Funding
SCN or AHS research, knowledge translation, evaluation, quality improvement (identified as a priority)	High (Cost Recovery)	High (In-Kind)
SCN or AHS research, knowledge translation, evaluation and quality improvement (not identified as a priority)	Medium (Cost Recovery/Revenue Generating)	Medium (Cost Recovery)
External research	Medium (Cost Recovery/Revenue Generating)	Low

⁸ BHAGs: **B**ig **H**airy **A**udacious **G**oals usually generated for the sole purpose of securing funding and almost always unrealistic. 😊
(Patton, 2008)

Making Cost Recovery Work

Any surplus revenue is transferred into the organization's general revenue at the end of fiscal year. Therefore, a business model for cost recovery within AHS must operate without a contingency plan and the security of accumulated resources from which to draw on in the event of a shortfall. Forecasting a small but comfortable profit margin is recommended throughout the operating year.

Cost estimates are just that—an estimate of resources that may be required. Since clients have a need to reserve budgets for upcoming services, it is better to estimate initially a bit high than too low. Asking clients later for more resources to cover overruns can be difficult.

Tracking actual hours worked for a project is an important part of professional practice. Without tracking hours, project managers cannot monitor estimated resource utilization, forecast overrun and negotiate additional budgets, control creep, and accurately bill clients for only the actual hours of service provided.

AHS Finance discourages the practice of advanced billing at the beginning of the project. Clients are invoiced on a payment schedule as specified in the work agreement or contract. The recommended best practice is billing actual services quarterly to offset an accumulated deficit in functional centre accounts.

Work Terms

Establishing a clear understanding of the contracted work terms is an important business

standard that helps to support positive working relationships and successful completion of work. As described in Table 1, AHS clients are designated as either external or internal. Depending on the type of client, three different types of agreements may be used by RPI: Contracts, Memorandums of Understanding, and Work Agreements.

CONTRACTS

Formal contracts are legally binding documents that are always used with external clients who have a legal entity (Table 1). While external clients often have their own contract templates, AHS prefers to use its own. While a formal AHS contract addresses important business concerns, a recommended practice is to attach specific details to the contracted work as an appended schedule. This may include project timelines, deliverables, deadlines, operating principles, and estimated budgets. Finalizing a contract can be a lengthy process. The Contracting, Procurement & Supply Management (CPSM) representative can provide a time estimate for completing contracts.

MEMORANDUMS OF UNDERSTANDING (MOU)

An MOU is also used with external clients who are not part of a legal entity (Table 1). As with contracts, AHS prefers to use its own template. As with contracts, it is recommended to append a schedule of work-related details to the MOU. Finalizing an MOU can be a lengthy process. The CPSM representative can provide a time estimate for completing MOUs.

To initiate a contract or MOU, complete a “Request for a Contract” and submit it to AHS CPSM.

The request form is available on InSite:

<http://insite.albertahealthservices.ca/cpsm.asp>
Click “Contract Requisition”

WORK AGREEMENTS

Work agreements are used with clients who are internal to AHS (Table 1). Since individuals within the organization cannot sue one another, the work agreement cannot be a legally binding document. However, that does not diminish the value of work agreements in providing a business structure; clear understanding of the expected deliverables, responsibilities, and processes to address; and how to mitigate possible issues. Customize the RPI Work Agreement template to meet the needs of the project work. As a recommended standard of practice, collaborate with clients to establish the terms of the work agreement. RPI Work Agreement templates are customized to individual operations.

Invoicing

INVOICING FOR INTERNAL PROJECTS

When invoicing internal clients, request a journal voucher (JV) transfer from the client’s AHS Functional Centre to your own. To do this, make a request to RPI’s Business Advisory Services (BAS) representative and provide the following information:

- Dollar amount to be invoiced, with salary costs and other expenses listed separately
- Functional Centre from where the JV transfer is originating
- Functional Centre to where the JV transfer will be received

- Copy of the signed work agreement

Journal vouchers are completed quarterly or at the end of shorter term contracts. The successful transfer will appear after the 10th day of the following month in the Management Reporting (MR) system. Reconcile the transfer of funds to ensure that you have received the correct amount and that payment has been transferred into the appropriate location within your MR system. Your Senior Financial Analyst can help resolve any issues.

INVOICING FOR EXTERNAL PROJECTS

Invoicing external project clients requires Finance to create a formal invoice. The first step is to retrieve and complete a Provincial Invoice Request form from Insite:

<http://insite.albertahealthservices.ca/frm-18331.pdf> Click “Provincial Invoice Request”

Mail the completed form to Accounts Receivable (AR) in Calgary through the interoffice mail system. AR generates and issues the invoice; receives payment from the client; posts the invoice, effectively showing revenue in your home MR functional centre; and ensures the payment is deposited directly to your MR account. Payment can take up to eight weeks. As with internal JV transfers, follow up to reconcile the correct payment amount and that the payment has been deposited into the appropriate location within your MR system. Your Senior Financial Analyst can help resolve any issues.

Available Resources

The following templates are available to support RPI business standards processes:

- Work Agreement Template
- Staffing Positions Spreadsheet Template
- Project Revenue Report Template
- Quarterly Financial Review Template
- Workload Tracking Tool
- AHS Priorities Summary List
- Priority Setting Rating Tool

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