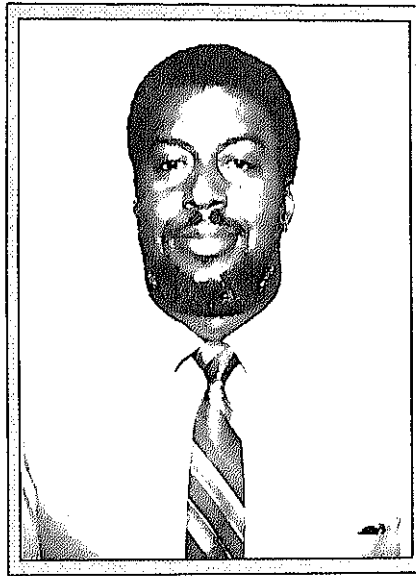


USING PRICE AS A MANAGEMENT TOOL

Patricia M. Shields *and* Mitchell F. Rice



Patricia M. Shields is professor of public administration and political science at Southwest Texas State University, San Marcos, Texas. She holds a Ph.D. in public administration and econometrics from Ohio State University.



Mitchell F. Rice is professor of public administration and political science at Louisiana State University, Baton Rouge. He holds a Ph.D. in government from Claremont Graduate School.

Introduction

After years of growth, human services are in a period of retrenchment. The Omnibus Budget Reconciliation Act and the Gramm, Rudman, Hollings Balanced Budget Amendment are two key examples of cutback legislation which have affected federal funding of human services. Yet, federal cuts have not been uniform across programs. Federally funded cash transfer entitlements have been relatively untouched. Indeed, the major program of this type, Social Security, is a sacred cow even to Gramm, Rudman, Hollings.

Human service cuts have been most profound in programs where individuals receive an identifiable service such as doctor's care (Medicaid) or prenatal nutrition counseling (WIC).¹ Interestingly, these services meet strict theoretical conditions for charging. They have identifiable individual benefits, and it is possible to exclude those who do not pay. If prices or fees are possible, market mechanisms as decision making tools are also possible. Underlying market principles are assumptions about consumers' income. The market on its own fails to provide

goods and services to those who cannot afford them. Early charity organizations and today's modern human service network fill this gap in the market. These organizations rely on non-market values, and by providing services to those who cannot afford them, make government more humane. Hence, a human service pricing system (which covers cost), while possible, may be inappropriate.

Even within these constraints, however, prices and market mechanisms can be useful. Fees generate revenue and supplement falling federal support. Further, they can introduce market signals to the management process and be used to organize and classify cost and demand information. Further, public finance concepts such as merit goods, externalities, and market failures can provide persuasive, conservative arguments for continued governmental funding. Applications of price and market principles will vary according to the characteristic of the service provided. Under some conditions, such as day care licensing, market principles would suggest a self-sufficient fee schedule. In other instances, market frameworks point to ways that private nonprofits can develop their own source revenue to subsidize low income clients.

Since current fee policies are a function of past decisions, this paper will examine ideas and philosophies which influence today's human service pricing mechanism. The unique perspective of

social work will be highlighted and contrasted with traditional finance and economics approaches. Vexing problems in human service fee administration will also be discussed. Finally, the paper will focus on user fees as a management tool for private, non-profit agencies. In this discussion, implications of the exchange triad (client, third party, and agency) will be addressed, and the emerging use of enterprise activities will be explored.

Traditional notions of user fees

Just as fiscal stress has reawakened interest in fees among human service managers, so has it influenced local government administrators. Inflation limitation policies such as Proposition 13 have forced local governments to increase reliance on fees.² Indeed, user fees have proven to be a viable tax substitute. They are now the fastest growing revenue source among local governments. Some cities, particularly in the western part of the country, rely on fees for 30 to 40 percent of their income.³ Cities are drawn to fees for their revenue potential. However, the theoretical literature stresses allocative efficiency as the chief benefit or attraction of public prices or user fees.⁴

In government, price is a market mechanism. When citizens pay a price, an immediate link between benefits and costs is established. The payment of a fee is a free expression of an individual's willingness to pay for and support the activity. This link between benefits and costs helps provide information and feedback to public managers and can also help to conserve resources. For example, if water were free, the public would have no incentive to conserve, and demand would be maximized. Heavy water usage might result in low water pressure or shortages which in turn would lead to an expansion of water supply systems. A water price based on use would lead consumers to conserve and thus avoid or delay the purchase of new water treatment plants. Price then is a tool which can be used to regulate the quantity of service demanded by

local citizens. In the water example, price is a cutback mechanism.⁵ Bird maintains that the most important impact of price is not more revenue, rather, less expenditure.⁶ Thus, fees provide a refined indicator of citizen preferences and can help local officials decide what mix of services to provide.

Prices that cover cost are appropriate for government activities if (1) there are clearly identifiable individual benefits (divisible), (2) non-payers can be excluded, (3) few benefits go to those who do not pay, and (4) there are few unacceptable inequalities.⁷ If only the first two characteristics hold (divisibility and excludability), the service is chargeable or a candidate for fee. Most goods supplied in the private sector have all four characteristics. Indeed, when these conditions exist for publicly provided goods, there is often a dual public/private delivery system. Recreational facilities such as tennis courts and golf courses are prime examples. The price of substitutes influences demand; hence, officials should set green fees taking into account the larger market.

In major functions of local government, such as water and sewer, all four conditions for fees are met. These goods are natural monopolies because government either is the sole provider or regulates the sole provider. It intervenes to protect consumers (citizens) from high prices associated with profit maximizing monopolies. An efficient and fair pricing structure for natural monopolies is one which is below the private monopoly price yet high enough to cover cost. Pascal maintains that fees are most appropriate under monopoly conditions.⁸

Certain human service regulatory functions, such as day care licensing, are similar to a monopoly. The "right" to operate "licensed" day care is only given by the state. The monopoly characteristic suggests that financial self sufficiency is possible. The goal of financial self sufficiency, however, may conflict with the overriding goal of safe, healthy statewide child care facilities. If agencies forego the license expense and operate clandestinely, the fee is ineffective.

Another market principle, elasticity of demand, may be useful in evaluating this conflict. When demand is inelastic an increase in fees will increase total revenue generated without a significant fall in licenses issued. Goods are inelastic if they are necessities, have few substitutes, and are a small portion of the budget. Obviously, the day care license as a "right" given by the state has no substitute and is a necessity. The fee must not be so large that it is a significant portion of the facility's budget. A (multiparty) pricing schedule that adjusts for the size of the facility could probably achieve both goals.⁹ However, for small operations, a fee could easily be so high and the risk of detection so low that the provider might forego registration or license. If this is widespread, the goals of safe day care and financial self sufficiency are at odds.

Equity or fairness is one of the most appealing arguments used by advocates of fees. Public prices are fair because individuals who benefit from the service are the ones who pay.¹⁰ Mushkin and Vehorn stress that fees would not be regressive like the property tax.¹¹ For example, a golf course supported by property tax dollars would be paid for by all regardless of income. A low income non-golfer would be excluded from supporting this activity if fees were employed. Further, a self-financed golf course frees up tax dollars to support other government functions — function that may be targeted for the poor.¹²

Many chargeable services provided at the local level fail to comply with the last two conditions for full cost fees. In other words, the service provides benefits to those who do not pay, or there are unacceptable inequalities. Education and libraries are examples of services which benefit the community as a whole. While individuals benefit from their education, society as a whole benefits if there is an educated labor force. Economists use the terms "externalities" and "spillovers" to describe this phenomena. They are also sometime referred to as merit goods.

The final condition, "few unacceptable inequalities," is the major

stumbling block for general application of fees. Local governments address this in a limited way by having reduced fees for children and the elderly. For example, senior citizens in Tulsa, Oklahoma, can take advantage of a Golden Card and purchase yearly emergency medical service insurance for a fraction of the cost of one emergency run.¹³ Some fees, such as those for recreation centers, are reduced in low income neighborhoods.¹⁴

The increased reliance on fees in local government has generated interest in the "inequality" problem. Recent research suggests extending the sliding scale to a host of government services. Pascal argues for implementation through a local government super-voucher and advocates the use of a means test, already developed in human service programs, as the basis for income information used in the supervoucher plan.¹⁵

The unique nature of chargeable human services

Virtually all human services provided at the local level can be described as chargeable. Human services, however, have unique characteristics that make full scale use of fees inappropriate. First, almost by definition, human service programs cannot be self sufficient. The homeless, for example, need shelter because they cannot pay. These programs are targeted for *low income* citizens. Thus, human services can only be provided through cross subsidization schemes which require a substantial tax base.

Secondly, human services are not like water, sewers, or swimming pools; they tackle a range of problems without defined solutions. The output of human service programs is ill defined. For example, the policy output of methadone programs, family therapy, or halfway houses is unclear. Hence, effectiveness is hard to assess.¹⁶ When outputs are ambiguous it is difficult to relate cost to output. Thus, cost information is ambiguous and difficult to forecast. Without proper cost informa-

tion, efficient fee schedules cannot be developed. Furthermore, publicly provided human services are removed from the typical middle class taxpayer. The public may question the effectiveness of primary education. It is a program, however, that touches a broad spectrum of citizens. On the other hand, a typical middle income citizen probably aspires *never* to use human services such as drug counseling or battered women's centers. In addition, he or she does not have a sense of the time, energy, and resources that effective implementation entails.

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Third, the crisis or emergency nature of some human services makes discussion of a fee inappropriate and inhumane. Under this condition market values are hollow.

Finally, many characteristics of low income, human service clients make application of market principles questionable.¹⁷ Market mechanisms rest on the assumption of informed consumer sovereignty. Price is a key allocation mechanism. Many human services, on the other hand, were initiated with the tacit assumption that clients need help with consumption and other choices. For example, an illiterate eighteen-year-old mother of two probably needs information about effective parenting techniques, birth control, and nutrition. A drug addict may not want to recover, much less know the best treatment modality. A low income spouse of an Alzheimer victim may be overwhelmed and unaware of available services. As a whole, the traditional human service target population has a limited education and poor basic literacy skills.

Conditions discussed above have removed choices about what services to fund (and use) from the consuming

population. As a result, human service providers have had great influence on the mix and implementation of publicly funded social services.¹⁸

Fees: a social work perspective

A significant observation about the fee literature in social work is that it does not discuss or use insights from finance and economics. Social work roots can be traced to religious charity organizations whose mission it was to serve the poor. Price had no place in this context. Furthermore, social work has had an egalitarian tradition. Beliefs such as "every person has an equal right to social benefits" and "all clients have a right to an equal share of available resources" conflict with private sector market principles.¹⁹

Perhaps the best example of the polarity between the two perspectives can be found in the subfield of mental health. Here, fee policy is linked to the teachings of Sigmund Freud. Freud believed that fees had a therapeutic value. Successful treatment, in part, was dependent upon patients paying what they could reasonably afford.²⁰

This orientation represents a "therapeutic model" and places fees in the same category as medicine. Even today the staff in mental health centers have control over individual fee assessment, dispensing it like medicine. When fees became part of the treatment plan, they also became consistent with the philanthropic social work traditions. The strength of this view is demonstrated by its place in the literature. Throughout the 1950s and even into the mid 1980s, much of the fee literature focused on the validity of the fee-as-therapy hypothesis.²¹ Today, this hypothesis in setting fees extends well beyond mental health services.²²

During the 1930s and 1940s as the public sector began serving their traditional clients, some charitable social service agencies began to broaden their clientele base and introduced fees in a limited way.²³ The increased reliance on fees was also coincident with the professionalization of social work. To some

social workers the fee demonstrated not the value of the service itself, but rather the knowledge and skills of the profession.²⁴

The tendency to ignore the revenue and efficiency benefits of fees was probably reinforced by the expanding role of government in programs such as the Great Society. The potential of own source revenue paled when compared with huge federal dollars. In addition, the volatile, changing world of federal grants reinforced this view. Successful grant-funded agencies adapted and provided the latest grant fueled program. Success was also contingent upon meeting as many reimbursable client needs as possible. Aside from being a funding source, grants placed constraints on an agency's fee raising potential. For example, conditions of the grant would often specify that the fee not be above cost.²⁵ In this fiscal environment close attention to cost and price was not rewarded.

Current fee issues in human services

Human service fee systems will never totally replace revenue lost through federal cuts. There is general agreement in the literature, however, that a well administered fee system is an important revenue source.²⁶ A fair, efficiently administered fee system is the goal of most human service organizations. Much of the current literature focuses on the many barriers to achieving this end. Many problems stem directly from the difficulty in establishing client income. Secondly, fees are often collected in a chaotic and haphazard manner. In many instances fees are negotiated between client and caseworker. This discretion has resulted in a system where clients with equal circumstances (same income, same family size) pay different prices. Finally, human service organizations are often missing the accounting information necessary for an efficient fee system.

Means Tests. Use of means tests leads to some of the most vexing problems and criticism of human service programs.

The nature of social programs makes accurate income information difficult to collect. The sheer number of programs that employ means tests and the volume of people served make control difficult. Problems also occur because eligible clients often change status (employment, marriage, another child, etc.). Inadequate and poorly trained human service staff and high turnover cause additional problems. Further, the typical, poorly educated, low income client may have trouble understanding complex forms. "False, inaccurate and incomplete client reporting" is the largest source of incorrect income information.²⁷

Given the technical problems associated with obtaining reliable income information, it is important that the form

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used to collect this data be understandable to people with low levels of education. Also, the information should be easy to verify and update. However, under these circumstances people have an incentive to hide their correct income level, since a lower income results in a lower fee.²⁸

The Chaotic Collection System. A problem which is perhaps easiest to address is the chaotic, haphazard human service collection system. In pricing mechanisms used in the private sector, the price is established well in advance of the cash transaction. Further, there is a distance between the actual service and the collection system. For example, dental fees are paid at the reception office, swimming charges are paid at the gate, and customers receive monthly utility bills in the mail. Little bargaining between provider and customer takes place. The situation is quite different in many human service agencies.

The history of fee as treatment modality places the case worker (or the service provider) at the heart of the fee setting process. For years administrators paid little attention to the revenue and efficiency benefits of fees. In a way, fee systems were left to run themselves. Individuals (caseworkers) who would naturally be least concerned with administrative details and revenue were a cornerstone of the system. Not surprisingly, when administrators began to pay attention to fees, they found a system in disarray.²⁹ Survey results of Rubenstein et al. summarize many of the problems with existing fee schedules.³⁰ Their survey findings indicate that workers were troubled by a lack of written guidelines for waiving fees. The workers also experienced minimal pressure to bring in fee income, and fee performance evaluations were limited. Perhaps most disturbing was the finding that agencies had little knowledge of their fee income or their capacity to collect fees.

Horizontal and vertical equity

Public finance economists use horizontal and vertical equity as criteria to evaluate the fairness of a tax. Taxes are said to have horizontal equity if individuals with equal incomes pay an equal tax. Vertical equity is a normative concept and takes into account an individual's ability to pay. Individuals with higher incomes should pay higher taxes.

Uniform charges, such as those at parks, achieve horizontal equity and fail the test of vertical equity. Sliding scale human service fees should be designed to assure vertical equity. In their implementation, however, they violate horizontal equity norms. Fee negotiation policies are a source of this equity loss. In the Rubenstein et al.'s survey findings less than one fifth of the respondents were confident that clients with similar circumstances paid the same fee.³¹ In their case study, Prochaska and DiBari found that a client's ability to "talk a good story" was instrumental in determining the fee.³²

Internal costing practices

Fundamental to rational fee policy is accurate and complete cost information. If a fee structure is to help in rational allocation of resources, managers must have access to information about the full cost of services. Full cost information requires more than just knowing direct and indirect costs. An efficient fee schedule should be set using information such as marginal, variable, and fixed cost. Marginal cost is the cost component over which management has most control. It is a critical and under-used concept.

Cutback management not only generates a search for revenue, it also increases concern over cost. This concern has been discussed as a weakness in human service costing methodology. Donabedian stresses the link between cost and price and argues that price influences cost through its impact on demand or use.³³ Further, the growing concern over the need for better cost information among practicing administrators is highlighted in a study by Peterson et al. who found that almost 80 percent of the executive directors in their sample were spending more time modifying financial "information systems to obtain more/better information on cost/services provided."³⁴

Changing points of view in human services

The uncertain fiscal environment has resulted in an openness within human services to new ideas. One source of new ideas is the private sector. Social work literature is now including relatively new topics common to private market analysis such as allocation mechanisms, rationing systems, and marketing.³⁵

Marketing is particularly relevant to public pricing policy, because it focuses upon the notion of exchange. In the private sector, price facilitates exchange by establishing a monetary value. Proponents of marketing principles want to change the focus or point of view within the social work profession. This new point of view is evident when Ferriary and Garove advocate viewing

clients as customers.³⁶ Others want to broaden the client base by actively going after middle class client/customers. Di-Guillo even challenges traditional social work equity notions by arguing that traditional equity concerns have had the consequence of "excluding the full cost customer."³⁷ This in turn resulted in excluding the agency from charging above cost and developing own source revenue.

Private, nonprofit organizations are chiefly responsible for delivery of local human services. As a whole, private nonprofits are a diverse set of relatively small decentralized agencies. They are more flexible than large cumbersome bureaucracies and hence have a greater ability to adapt and change. These agencies, while not private firms, have characteristics similar to private firms. They also have significant assets such as an existing service delivery mechanism, management and accounting system, a fund raising apparatus, a chargeable service, and dedicated employees. Such agencies are in a relatively good position to use price and market principles in meeting the challenge of federal budget cuts. In this environment survival may depend upon their ability to adapt market principles to new circumstances. Indeed, the economist points to the weeding out of inefficient firms as a benefit of competition.

Private nonprofits

Today's private, nonprofit human service organization is heavily dependent on government. A recent survey of nonprofit organizations revealed that government contributions were greater than all private giving combined.³⁸ The findings also point out that most of these organizations were created since 1960, a period of relatively plentiful government grants and contracts.

Grantsmanship was an entrepreneurial activity critical in their birth and survival. In an arena of plentiful grants, human service managers focused primarily on programmatic aspects of planning. Until recently, their planning rarely included careful consideration of

the fiscal resources needed to execute the plans. Most NPOs (nonprofit organizations) belong to the "God-will-provide" school of fiscal planning.³⁹

The plentiful environment of grants and contracts has changed. Hence, nonprofit organizations have had to improve their financial management skills. In this context price as management tool is useful. There is, however, a major stumbling block in applying pricing principles. Price is designed to facilitate two party exchange. Among private, nonprofit human service organizations, however, exchange is often a three party process (client, agency, third party funder). This makes application of pricing principles more difficult.

The exchange triad: client, agency, and third party

Marketing principles revolve around the notion of two-party exchange. Taken as a whole, private, nonprofit organizations have sometimes been referred to as the third sector. They function between the poles of the private and public sector. The exchange triad (agency, client, and third party) aids in defining fundamental differences between private firms and organizations in the third sector.

Firms operating in the private sector generate income through selling goods and services to customers. Human service agencies, on the other hand, must take into account the wishes and demands of third party funding sources. At times the third party is actually the dominant player. Third parties can be classified as federal, state or local government and/or private insurance companies.⁴⁰ In the private sector both business and customer enter freely into the exchange process. Both feel better off or no exchange would occur. Price is the rationing device which automatically includes cost and willingness to pay information. When a third party enters the picture this simple and efficient exchange symmetry breaks down.

The successful firm meets the needs of customers. The wrong product or the

right product at the wrong price will not sell. Further, the competitive environment insures that the firm will introduce production efficiencies. In the long run, those who do not will fall. When a third party funder enters the picture, management must be attuned to needs and demands of both funder and client. In this system, the service is directed at the client, but a third party pays the price. When government is the third party, funding is often provided through a contract. Under some contracting

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agreements, government pays by a unit of service arrangement. For example, government may reimburse day care on a monthly basis for each child served. From the provider's perspective, this cost reimbursement system is similar to a fee.

For some services, government is virtually the sole source of revenue. Services to the developmentally disabled are illustrative. As a whole, this group is among the nation's poorest. Many agencies that target this group rely almost exclusively on government subsidization (i.e., Medicaid funded residential services). Government as sole funder possesses something akin to monopoly power. In this position, government can specify what it is willing to pay and providers must meet the price. If the service is provided free of charge, clients will behave as if price is zero, and pressure for service (demand) will be maximized. Government, on the other hand, has limited resources and will fund only some of those seeking the services. Hence, rules and regulations specified by the funding source serve to ration subsidized human services. This is a frustrating environment since time, energy, and money must be spent determining who is eligible for what service.

When an agency operates in this environment, rules and regulations have a profound effect on the facility's financial and management information system.

Contract reimbursement systems can influence the type of client served. When a uniform fee system is specified there is an incentive for facilities to accept the cheapest and easiest to serve clients.⁴¹ For example, a client with a single handicap may be preferred to one with multiple handicaps. Clearly, the tie between fee policy and contract reimbursement schemes is an area ripe for further investigation.

Aside from government, insurance companies provide third party support for some human services. Mental health and drug and alcohol treatment are key examples. Insurance companies are more closely linked to client's interests than government. After all, they compete for customers in the market. Hence, the exchange triad is less complex. Insurance company policy, however, is not without its impact. Changes in deductibles or co-payment plans can change the effective price to the client. This, in turn, can affect demand or the number of clients seeking service.⁴²

When agencies attract clients who have insurance (working poor), they should make every effort to collect this revenue. Given the limited emphasis on fee revenue, the chaotic collection system, and the limited number of clients with insurance, it is not surprising that some agencies have been less than aggressive in pursuing insurance revenue.

Revenue centers

Aside from controlling expenditures through their impact on demand, fees can be used to restructure organizational and financial systems. One such organizational structure is the revenue center. As the name implies, revenue centers link fee revenue with an individual service. A revenue center is a public organizational entity that produces services that it either sells to the public through a fee mechanism or

sells to the central administration through contract. Revenue centers are similar to an enterprise fund in public administration and profit centers in large corporation: They conduct a host of selected functions, operate in a simultaneous fashion, and collect various types of revenue. Their performance can be assessed on a bottom-line basis. An effective revenue center is self-supporting or produces a small profit.⁴³

Revenue centers have proven themselves useful in cities. In a pilot study, the Rand Corporation found that revenue centers in St. Paul proved successful; St. Paul's Traffic and Lighting Revenue Center reduced annual General Fund requirements by \$2.5 million. The Division of Parks and Recreation Revenue Center generated a \$250,000 surplus.⁴⁴ Clearly, revenue centers offer both cost-containment and revenue-generation potential.

Revenue centers have potential applications in human services. They would make it possible for private fee, insurance and government dollars to be combined and organizationally linked to the service they are supporting. In this way revenue centers can encourage the use of market principles and the associated management efficiencies. Also, the revenue center framework should encourage organizational evolution and adaptation. The human service agency that uses revenue centers should be better equipped to meet challenges of the strained fiscal environment. Practices, such as charging above cost for some to subsidize others, make more sense in this environment. Also, branching out into enterprise activity should be easier.

Conclusion

Most human services provided at the local level are "chargeable services." Thus, insights from the market can be used in management decisions. The fee literature in human services, however, has not recognized this link. Perhaps as never before, human service managers are open to new ideas and uses for fees. Survival in the fiscally strained 1980s

and 1990s may require that many human service organizations rely more heavily on fees.

Fees, however, are not the solution to the human service fiscal dilemma. Many human service programs are an in-kind transfer of resources. It is impossible to make money if your mission is to give services away to those who cannot afford them. However, fees as prices are useful as a management tool and in allocation decisions. It is one of many responses to funding cuts.

Notes

1. See U. S. Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1986*. (Prepared at the request of the Senate Committee on Appropriations, Washington, D.C., February 1985).
2. For two perspectives on the use of fees in government see William C. Coleman, *A Quiet Revolution in Local Government Finance: Policy and Financing State and Local Government*. (Washington, D.C.: National Academy of Public Administration, Occasional Papers #1, 1983) and Anthony Pascal et al., *EBBF: A Guide to Installing Equitable Beneficiary-Based Finance in Local Government* (Santa Monica, CA: Rand Corporation, June, 1984).
3. See Pascal et al., *EBBF*, p. 2.
4. See, for example, Selma J. Mushkin, "An Agenda for Research." In S. J. Mushkin (ed.) *Prices for Public Products* (Washington, D. C.: The Urban Institute, 1972): 421-448; Richard Bird, *Charging for Public Services: A New Look at an Old Idea* (Toronto, Canada: Canadian Tax Foundation, 1976); and Pascal et al., *EBBF*, 1984.
5. For a more detailed discussion of price as a cutback tool see Patricia M. Shields, "Cutting Back by Charging More: Or What Public Administrators Should Know About the Demand for Their Products." (Paper presented at the National Conference of the American Society for Public Administration, Denver, Colorado, April, 1984).
6. Bird, *Charging For Public Services*, p. 233.
7. On these points see Patricia M. Shields, "User Charges in Human Services: Overcoming Fiscal Decline." In Robert Agranoff (ed.), *Human Services on a Limited Budget* (Washington, D.C.: International City Management Association, 1983).
8. Pascal et al., *EBBF*.
9. For discussion of multiparty pricing see Celia Morgan, "Pricing Policies for University Health Centers." (Paper presented at the Annual Meeting of the Southwestern Society of Economists, Dallas, Texas, March 1982) and Edward E. Zejac, *Fairness or Efficiency: An Introduction to Public Utility Pricing* (Cambridge, MA: Ballinger Publishing Co., 1978).
10. This point is made by Bird, *Charging for Public Services*, p. 9.
11. Selma J. Mushkin and Charles L. Vehorn, "User Fees and Charges." *Governmental Finance* (November 1977): 42-48.
12. Pascal et al. *EBBF*.
13. On this point see James Stucker, "User Fees for Emergency Medical Services." In Anthony Pascal (ed.) *Exploring Benefit-Based Finance for Local Government Services: Must User Charges Harm the Disadvantaged?* (Santa Monica, CA: Rand Corporation, July 1984).
14. See Shields, "User Charges in Human Services," p. 9.
15. Pascal et al., *EBBF*.
16. For a discussion of these points see Richard Frank, "Rationing of Mental Health Services: Simple Observations on the Current Approach and Future Prospects." *Administration in Mental Health* 13 (Fall 1985): 3.
17. This point is advanced by John D. Young, "Reflections on the Root Causes of Fraud, Abuse and Waste in Federal Social Programs." *Public Administration Review* 43 (March/April 1983): 1.
18. See Frank, "Rationing of Mental Health Services," p. 24.
19. See J. F. Diguillo, "Marketing Social Services." *Social Casework* 65 (April 1984): 227-234.
20. See Janice Prochaska and Peter Dibari, "Toward A Fundamentally Fair Fee System: A Case Study." *Administration in Social Work* 9 (Summer 1985): 49-58, and P. Balch et al. "Fees and Therapy: Relation of Source Payment to Course of Therapy at a Community Mental Health Center." *Journal of Consulting and Clinical Psychology* 45 (1977).
21. See, for example, H. Levin, "A Reappraisal of Fee-Charging." *Social Casework* 44 (November 1963): 508-514; A. Goldberg and D. C. Kovac, "A New Concept of Subsidy in Determining Fees for Service." *Social Casework* 52 (April 1971): 206-210.
22. See Prochaska and Dibari, "Toward A Fundamentally Fair Fee System," p. 52.
23. See B. McMillan and James Callicut, "Fees for Counseling Services: Why Charge Them?" *Administration in Mental Health* 9 (Winter 1981): 100-122.
24. See McMillan and Callicut, "Fees for Counseling Services," p. 102.
25. See Shields, "Public Pricing," p. 177.
26. See, for example, McMillan and Callicut, "Fees for Counseling Services;" Prochaska and Dibari, "Toward A Fundamentally Fair Fee System;" and H. Rubenstein, and et al., "Implications for Administrative Practice of Fee Systems Based on Client's Ability to Pay: The Results of A Survey." *Administration in Social Work* 9 (Summer 1985): 37-48.
27. See Young, "Reflections on the Root Causes of Fraud, Abuse and Waste," p. 364.
28. This point is made by Shields, "User Charges in Human Services," p. 179.
29. See Prochaska and Dibari, "Toward A Fundamentally Fair Fee System;" Shields, "User Charges in Human Services;" Rubenstein et al., "Im-

plications for Administrative Practice of Fee Systems;" and McMillan and Callicut, "Fees for Counseling Services."

30. Rubenstein et al., "Implications for Administrative Practice of Fee Systems." The survey was sent to 31 agencies in 10 states. Individuals in 26 agencies responded. The caseworker sample size was 210. Twenty-six executive directors were interviewed.

31. Rubenstein et al., "Implications For Administrative Practice of Fee Systems."

32. Prochaska and DiBari, "Toward A Fundamentally Fair Fee System," p. 52.

33. See Avedus Donabedian, "Some Thoughts on Cost Containment and the Quality of Health Care." *Administration in Mental Health* 13 (Fall 1985): 5-14.

34. R. Peterson et al., "Cutback Management Activities in Community Mental Health Centers." *Administration in Mental Health* 13 (Winter 1985): 112-125. The original survey was sent to 26 CMHMR centers in Washington state. Sixteen executive directors responded to the survey (pp. 115-116).

35. See, for example, Carl Cohen, "Should Mental Health Services be Retained? A Philosopher's Perspective." *Administration in Mental Health* 13 (Fall 1985): 30-33; Richard Frank, "Rationing of Mental Health Services: Simple Observations of the Current Approach and Future Prospects." *Administration in Mental Health* 13 (Fall 1985): 22-29; Joseph J. Packa and Mary E. Guy, "Marketing to Survive: the Challenge of the Eighties for Nonprofit Organizations." *New England Journal of Human Services* (Winter 1985): 28-33; and Isaac W. Ferniary and William E. Garove, "Marketing and Community Mental Health Centers." *Administration in Mental Health* 10 (Spring 1983): 162-169.

36. Ferniary and Garove, "Marketing and Community Mental Health Centers," p. 165.

37. DiGuillo, "Marketing Social Services," p. 229.

38. See "How the Nonprofits are Coping with Changes." *The Urban Institute* 13 (Fall 1983): 13-15.

39. These points are discussed in Regins Herzlinger, "Managing the Finance of Nonprofit Organizations." *California Management Review* 21 (Spring 1979): 62.

40. For further discussion see Frank, "Rationing of Mental Health Services," p. 24.

41. In Texas, for example, ICF/SMF and ICF/MR facilities are funded through Title XIX. Here a uniform fee of median cost plus 7 percent is used. Interview with Executive Director of the Texas Association of Private ICF/MR providers.

42. On this point see Donabedian, "Some Thoughts on Cost Containment and the Quality of Health Care," p. 8 and Frank, "Rationing of Mental Health Services," p. 26.

43. See Pascal et al., *EBBF*, p. 10.

44. Advisory Commission on Intergovernmental Relations. *Intergovernmental Service Arrangements for Delivering Local Public Services: Update* 1983 (Washington, D.C.: ACIR, 1985).