Establishing and Managing Fees-for-Service in Centers for Independent Living

Implementing Fees-for-Service

April 23, 2013

9:15 a.m. – 10:30 a.m.

Presenters:

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Understand Your CIL

- What is your CIL's culture or mindset?
  - Does your organization primarily think like a non-profit agency or like a for-profit business?
  - Is your organization primarily Board led or staff led?
  - Is your organization primarily pro-active or re-active?
- What motivates your organization?

Dennis

Assess Your Organizational Capacity

- Look at the composition of the Board – build a Board that has the capacity and leadership to support fees-for-service ventures.

- Examine the staff's capacity to support fees-for-service ventures.

- Determine whether your present systems support fees-for-service venture:
  – Technology and Information
  – Financial and Administrative

Dennis

Assess Your Organizational Capacity, cont'd.

- Determine if you have adequate resources in-house or through contractors for:
  - Legal
  - Accounting
  - Technology / Engineering
  - Marketing
- Ensure that you have strong banking relationships.
- Establish sound relationships with an insurance agency or risk management agency.
- Maintain working relationships with allied or similar agencies and organizations. Communicate everything!

Dennis

Build Capacity

- CILs that are successful in implementing fees-for-service activities come in many shapes and sizes.

- If you want to be in business, operate your CIL like a business.

- Build Board capacity from the ground up:
  - Recruit Board members who bring a range of skills – successful business people, community leaders, professionals, entrepreneurs, people who can connect you with larger networks.
  - Clarify Board roles and responsibilities and differentiate those roles from staff.

Dennis

Build Capacity, cont'd.

- Invest in staff.
  - Recruit staff with a range of skills and experience from the for-profit world, the non-profit world, academia
  - Pay a living wage and provide benefits
  - Offer training opportunities
  - Offer ladders for advancement
- Recruit a team of outside experts who become familiar with the organization, its operations and aspirations.
  - Lawyers
  - Accountants
  - Business Consultants

Dennis

Integrate FFS Into Your CIL's Operations

- Evaluate agency structure
  - Put it on paper – develop an organizational chart
- Determine where FFS fits best
  - Depends on the service
  - IL service/IL program
  - Something new / does it warrant a new department?
  - Example:
    - Work related benefits assessments
      - 5 Centers in IL
      - 2 Centers in Employment Program
      - 1 Center separate dept. Social Security benefits

Kathie

Integrate FFS Into Your CIL's Operations, cont'd.

- Develop and implement organizational policies and procedures so staff know what to do:
    - Financial
        - Billing
        - Collection
        - Reporting
        - Advances
    - Referrals
    - Contract cancellations
    - Boundaries
    - Documentation
    - Reports

Kathie

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Integrate FFS Into Your CIL's Operations, cont'd. 2

- Share procedures so everyone involved is on the same page.
- Determine if cash flow will be a problem. Plan for:
  - Additional expenses
  - Billing time lines
  - Delays in reimbursement
  - Line of credit
  - Transfer from savings/ investments for short term
  - Need for start up funds

Kathie

Integrate FFS Into Your CIL's Operations, cont'd. 3

- Decide if new job description is similar to others in agency.

- Determine if staff do other things and the new activities are just added to their current job description.

- Get input from staff, workgroups, etc.

  - Example: Comprehensive Community Services (CCS) Skill training

  - Core Service – natural fit

  - Train all IL staff

Kathie

You may be ready to implement Fees-for-Service ventures…

…if you have the fundamentals and organizational capacity issues resolved.

It's on to the **FINANCIAL ISSUES** …

Dennis

Analyze the Market

- What size is the potential market?
- What size is the likely market?
- Who / what is the competition?
- Is the venture time sensitive?
- What is the worst case scenario?

Dennis

Analyze Costs

- Fixed Costs

  Will remain relatively constant no matter the business volume (within reason)

  May be new costs or utilize existing capacity

- Unit Costs

  These costs will fluctuate with the volume of business activities

  Will almost always be new costs

- Contingencies

  Variable costs (examples: fuel for a transportation program, worker's compensation costs for home-based care workers, etc.)

  Dennis

Build a Budget

- Factor market projections with unit costs
- Add fixed costs
- Project Break Even Scenarios
  - Best Case
  - Likely Case
  - Worst Case

Dennis

Build a Budget, cont'd.

- Include all costs specific to staff
    - Salary
    - FICA
    - Workers Compensation
    - Unemployment
    - Health Insurance
    - Disability/life insurance/vision/dental

EXAMPLE: Annual total for person is $46,000.

- $46,000 ÷ 1950 (7.5 days) = $23.59 hour
- Divide by number of hours worked.
- Take out holidays, personal leave time, training time and staff meetings. Available work hours changes to 1540.

Kathie

Build a Budget, cont'd. 2

- Additional costs – staff specific – especially to add new staff
  - Office space – $1,200
  - Computer costs – $1,200
  - Telephone – $600
  - Printing – $600
  - Office supplies – $100
  - Travel – $5,000
  - Liability insurance - $700
  - Training – $3,000
  - Supervisory time – $4,000
  - Sub-Total $16,400

Kathie

Build a Budget, cont'd. 3

- Try to negotiate to be paid for travel time or add into your rate
  - Car costs/personal vs. agency vehicles
  - If more than one staff is providing the service do an average
  - Take into consideration cancellations
  - Documentation time
    - Example-CCS/Skill training
      - Documentation time 15 mins. per contract is built into the authorization
      - Divide total costs: $62,400 ÷ 1540 work hours = $40.52

Kathie

Build a Budget, cont'd. 4

- Consider adding administration rate
  - ILR 12%= $44.36

- What if purchaser isn't willing to pay rate needed?
- What if you have a Cost Allocation Plan?
  - Remove all costs related to FFS

Kathie

Example Budget

CCS/Skill Training – Expansion/New Office
July 2014 – June 2015

Expenses	
Staff 1.5 FTE	46,500
FICA .0765	3,560
Workers Comp	350
Unemployment (self funded)	700
Health Insurance	7,000*
Disability/Life Insurance	750
Subtotal	58,860

*educated guess

Kathie

Example Budget, cont'd.

Expenses	
Recruitment	1,000
Rent	3,000
Maintenance	500
Telephone/Internet	1,000
Postage	300
Printing	500
Supplies	250
Liability Insurance	1,200
Computer Services	1,800
Training	3,500*
Travel	7,500*
SUBTOTAL	20,650
GRAND TOTAL	$79,410

*educated guess

Example Revenues

- CCS/Skill training @ 1000 hrs x $34 = $34,000
- IL FFS   100 hours x $65 =   6,500
- Start up grant   26,000
- IL DHS   12,910

TOTAL $79,410

Kathie

Example Budget #2

CCS/Skill Training – Tomah Office
2015-16 Budget

Expenses	
Staff Costs	60,000
Rent/Maintenance	3,500
Telephone/Internet	1,000
Postage	300
Printing	500
Supplies	250
Liability Insurance	1,200
Computer Services	1,800
Training	1,500
Travel	7,000
TOTAL	$77,050

Kathie

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Example Revenues #2

- CCS/Skill training @ 1,200 hrs x $34.50 = $41,400
- IL FFS   200 hours x $65 =   13,000
- IL Contract   12,650
- Local Foundation   10,650

                              TOTAL $77,050

Kathie

Determine Price Points

- Expectations
  - Who assumes market risk?
  - Are there Contracts or Market Guarantees?
- Rate of Return (No margin – No mission)
- Project Contingency Costs
- Factor with Budget
- Set Preliminary Price Points

Dennis

Look at the Budget over Time - Analyze Cash Flow

- Not everything happens all at once.
- Some costs are front loaded
  - Soft costs (legal and accounting)
  - Technology investments
  - Human resource costs (recruitment / training)
  - Other overhead
- Unit costs track volume growth over time
  - Rate of market penetration impacts revenues and costs
- Identify any lag in revenues versus expenditures
- Identify long and short term cash needs (financing and / or a line of credit)
  - Include cost of capital into budget projections

Dennis

Pay Close Attention to Collections

- Fees-for-service are worthless if they are not paid or collected.

- Receivables should be tracked, and aging receivables must be included in any accounting.

- Know your payers – some may be chronically slow (certain programs), some may be liable to periodic interruptions (budget battles).

- Collection issues must be factored into budgets and cash flow projections

Dennis

Put it All Together

Once the financial picture is complete, organizational capacity comes into play …

- Have outside eyes look at the financial and operational picture.
  - Legal and accounting experts
- Take it to the bank
  - Secure a line of credit to insure cash flow

Dennis

Avoid the Pitfalls

- Be realistic about everything
- Seek a thorough external analysis
- Protect proprietary elements of your operations plan
- Expect competition
- Use your plan
- Be flexible

Dennis

A Case Study

About Consumer-Directed Personal Assistant Services

- Skills training, care management, assessment, and financial services to enable individuals with a disability to live independently in the community.

- CD-PAS serves individuals with a disability who want to direct their own home-based supportive services.

Dennis

Program Arc Consumer-Directed Personal Assistant Services

1979   Consumer-Directed Personal Assistance Services (CD-PAS) program for people with disabilities who are competitively employed is piloted.

1980   Home-Based Care Program for Elder and Adults with Disabilities is institutionalized after successful pilot program.

1986   Consumer-Directed Personal Attendant Program added as a Medicaid Waiver option.

1996   Consumer-Directed Personal Attendant Program added as a regular Medicaid Program option.

2002   CD-PAS programs are moved from Bureau of Elder and Adult Services in Department of Human Services to Bureau of Rehabilitation Services in the Department of Labor.

2004   CD-PAS Programs moved back into the Department of Human Services. The relocation and the budget cuts are approved by the Legislature.   Dennis

Shaping the Marketplace Consumer-Directed Personal Assistant Services

- Alpha One was instrumental in advocating for the original pilot program and all the subsequent program expansions.

- Alpha One secured an exclusive role in program management via statutory language authorizing the program.

- Alpha One was initially a "one-stop" provider for consumers encompassing the assessment, skills training, care management, and fiscal agency for all participating consumers.

- Since the program grew incrementally, Alpha One was able to grow incrementally as well maintaining a strong sense of the costs associated with managing the program.

Dennis

Nothing Lasts Forever
Consumer-Directed Personal Assistant Services

- Based on its consistent track record, Alpha One was able to negotiate and maintain a cost plus contract that set rates based on an audited actual cost of delivering the program + a contingency factor + a guaranteed return.

- Administrative and policy changes led to new rules that replaced the "one-stop" approach with separate functions, significantly reducing Alpha One's involvement and resultant revenues. New unit cost contract implemented.

- Similar new programs developed with services delivered by competing entities.

- Conflicts between Alpha One and the administering agency lead to relocations of the programs between state Departments.

Dennis

Lessons Learned
Consumer-Directed Personal Assistant Services

- Being involved in program design together with the incremental growth of the program enabled Alpha One to adequately project costs and develop capacity over time.

- State program rules drove staffing requirements including the addition of many credentialed professionals (RNs, OTs, COTAs). As a result Alpha One had to establish a wholly owned subsidiary to manage staff for the program and stay within the guidelines for staff / Board of a CIL to include more than 50% persons with disabilities.

- There are many ways for market dominance to be undermined and there is always someone looking for a share of a lucrative market.

- External factors (like questionable program operations in other states) can change rules or expectations and fundamentally alter operations.

Dennis

For more information

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