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:
Dennis Fitzgibbons
Kathie Knoble-Iverson
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?
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
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
Integrate FFS Into Your CIL’s Operations, cont’d.

• 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** ...
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?
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
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

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff 1.5 FTE</td>
<td>46,500</td>
</tr>
<tr>
<td>FICA .0765</td>
<td>3,560</td>
</tr>
<tr>
<td>Workers Comp</td>
<td>350</td>
</tr>
<tr>
<td>Unemployment (self funded)</td>
<td>700</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>7,000*</td>
</tr>
<tr>
<td>Disability/Life Insurance</td>
<td>750</td>
</tr>
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</table>

Subtotal: 58,860

*educated guess

Kathie
Example Budget, cont’d.

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

*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**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Costs</td>
<td>60,000</td>
</tr>
<tr>
<td>Rent/Maintenance</td>
<td>3,500</td>
</tr>
<tr>
<td>Telephone/Internet</td>
<td>1,000</td>
</tr>
<tr>
<td>Postage</td>
<td>300</td>
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<tr>
<td>Printing</td>
<td>500</td>
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<tr>
<td>Supplies</td>
<td>250</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>1,200</td>
</tr>
<tr>
<td>Computer Services</td>
<td>1,800</td>
</tr>
<tr>
<td>Training</td>
<td>1,500</td>
</tr>
<tr>
<td>Travel</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$77,050</strong></td>
</tr>
</tbody>
</table>
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
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
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
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.
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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