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

Part II: Implementing Fees-for-Service in Centers for Independent Living

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Understand Your CIL

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

Assess Your CIL's Capacity

- Look at the composition of the Board – build a Board that has the capacity and leadership to support fee-for-service ventures.
- Examine the staff's capacity to support fee-for-service ventures.
- Determine whether your present systems support fee-for-service venture:
 - Technology and Information
 - Financial and Administrative

Assess Your CIL's Capacity, cont'd.

- Determine if you have adequate resources in-house or through contract:
 - Legal
 - Accounting
 - Technology / Engineering
 - Marketing
 - Banking
 - Insurance agency or risk management agency.
 - Maintain working relationships with allied or similar agencies and organizations. Communicate everything!

Build Capacity

- CILs that are successful in implementing fee-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.

*Remember that more than 50% of the board of a CIL must be persons with significant disabilities. This requirement does not change with WIOA.

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 leadership opportunity and advancement
- Recruit a team of outside experts who become familiar with the organization, its operations and aspirations.
 - Legal
 - Accountant
 - Business

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:

Adapted Driver Evaluation

Maine Consumers asked for service

Not available in Maine—overnight costs

Staffing and dual licensing

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

- Develop and implement organizational policies and procedures so staff know what & how to do
 - Financial
 - Billing
 - Collection
 - Reporting
 - Advances
 - Referrals
 - Consumer ability to pay
 - Boundaries
 - Documentation
 - Reports

Integrate FFS Into Your CL'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. 3



- Decide if new job description is needed
- Determine if the new activities can just be added to the current job description.
- Get input from staff

Example: Consultant to Disability Insurers (LTD/STD)

Long Time Service – natural fit

- IL staff familiar with service
- Staff uncomfortable with format
- Straddling two worlds
- Advocating for consumers

Questions?

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?
- Can you meet buyer timeline and reporting expectations?
- What is the worst case scenario?

Analyze Costs—the Basics

- 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.)

Build Your Fee Structure

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

Build Your Fee Structure, 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 \div 2080 = \22.16 hour
- Take out holidays, personal leave time. Available work hours changes to 1800.

Build Your Fee Structure, 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

Build Your Fee Structure, cont'd. 3

Employee cost	\$46,000
Additional employee costs	\$16,400
Sub-total	\$62,400
Divide by work hours	\$34.67 per hour
Add admin. rate (10%)	\$3.47
Total =	\$38.14

Add in contingency

Add in return

Your CIL's Financial Analysis

- Know your average employee costs
- Know each employee's costs
- What does it cost per day to operate your CIL?
- Know who brings in revenue and who doesn't
- The revenue generators must also support those who don't
- "Cash cow(s)" support mission allowing lower fees in related services
- How long are you able/willing to sustain loss?

Pricing Factors

- Expectations
 - Who assumes market risk? You, buyer, shared
 - Are there Contract 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
 - Growth rate of customers impacts revenues and costs
- Identify any lag in revenues versus costs
- Identify long and short term cash needs (financing and / or a line of credit)
 - Include cost of capital into budget projections

Pay Close Attention to Collections

- Fees-for-service are worthless if they are not 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)
- Know who to call
- Collection issues must be factored into budgets and cash flow projections

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
- Must be understood and supported by Board
- Maintain the integrity of CIL core services

Questions?

A Case Study

Consumer-Directed Personal Assistant Services



- Skills training, care coordination, assessment, and payroll 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 home-based supportive services.

Program Arc Consumer-Directed PAS

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

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

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

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

2002 CD-PAS programs are moved from 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.

Shaping the Marketplace

Consumer-Directed Personal Assistant Services

- Advocated for the pilot program and all the subsequent program expansions.
- Secured an exclusive role in program management via statutory language authorizing the program.
- Initially a “one-stop” provider. Assessment, skills training, care coordination, fiscal agency.
- Incremental growth enabled slow growth and management of the program costs.
- Established regular revenue

Adapting to Significant Change

Consumer-Directed PAS

- Alpha One negotiated a cost plus contract w/rates based on audited actual cost of delivering the program + a contingency factor + a guaranteed return.
- Administrative and policy changes led to new rules replacing “one-stop” approach with separate functions reducing our involvement and revenues. New unit cost contract
- Similar new programs developed with services delivered by competing entities.

Lessons Learned

Consumer-Directed PAS

- Involvement in program design and incremental growth enabled capacity to develop.
- There are many ways for a market segment to be undermined
- There is always someone looking for a share of a market
- External factors may change rules or expectations and alter operations.
 - Federal and state rules
 - Other state models
 - Growing regulation

Questions?

Wrap Up, Evaluation, and Contact Information

Please *click the link below* to complete your evaluation of this program:

<http://www.surveygizmo.com/s3/1990770/Fees-for-Service-in-CILs-Part-2-February-17-2015>

Contact:

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