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Independent Living Research Utilization

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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 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. 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 ÷ 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee cost</td>
<td>$46,000</td>
</tr>
<tr>
<td>Additional employee costs</td>
<td>$16,400</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$62,400</td>
</tr>
<tr>
<td>Divide by work hours</td>
<td>$34.67 per hour</td>
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<tr>
<td>Add admin. rate (10%)</td>
<td>$3.47</td>
</tr>
<tr>
<td>Total =</td>
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</tbody>
</table>

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:


Contact:
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