# Implementing Fees-for-Service in CILs: Part 2 of the two-part series

# Presented by Dennis Fitzgibbons on February 17, 2015

# >> TIM FUCHS: Good afternoon, everybody. This is Tim Fuchs with the National Council On Independent Living. I want to welcome you all back to Part II of our fee for service programs at centers for independent living webinar and teleconference. I did not hit my do not disturb so I hope that beep didn't bother you all. This webinar as was part 1 last week is being presented by the new community opportunity center, a national training and technical assistance program of ILRU in Houston. This webinar was organized and facilitated by those of us here at the national down silg on independent living. Support for the presentation was provided by the U.S. Department of Education RSA. Just like last week we are recording today's call and we will take several breaks to take your questions. For those of you on the webinar, that chat box is still available to you as it was last week to ask your questions. If you are on the phone, that code again is star pound to indicate you have a question. You can press that and we'll put you into the queue to ask your your questions. We also have the full screen CART captioning as an option and if you're on that today you can ask your question in the chat box there. I'm logged in there and I'll voice your question during the Q&A breaks. So you can ask questions at any time but we will wait for those breaks to take them. There is a separate new evaluation form for today's Part II call, so please do fill that out. We want to know what you all thought. I think that's the end of my housekeeping announcements. You guys know the drill. You were here last week. Thanks for being back with us and I want to welcome back Dennis Fitzgibbons from alpha 1 to lead us through Part II and we'll get started. Dennis. >> DENNIS FITZGIBBONS: Thank you, Tim. Hi, everybody. As we continue on the discussion here about starting the implementation of fee for services in your center, we want to make sure that you understand your CIL. So next slide on that, please, Tim. Understanding your CIL. You want to know what your CIL's culture or mindset is as an organization. For instance, does your CIL primarily think like a nonprofit agency or like a for-profit business? Is your CIL primarily board led or management led? And if your CIL proactive or reactive? And regarding that proactivity or reactivity, I think that it's in our DNA as CILs to be proactive when it comes to advocacy, but with funding I think many of us tend to be more reactive because funding can always be a big struggle. So our aim here is to apply that same proactive approach to resource development as we do to advocacy. Next you want to know what motivates your organization. That has a lot to do with your strategic planning. It's important to know what your vision is is for your CIL one year, three years, five years from now, et cetera, and what your plan is for expanding Independent Living in your area and for broadening those options you want to have out there for consumers ideally based on consumer input and requests. Next side, please, Tim. So you want to start assessing your CIL's capacity to move forward with this. I think a good place to start is to look at the composition of your Board of Directors and to build a board that has the capacity and leadership to support fee for service ventures. You also want to examine the staff's capacity to support fee for service ventures, which usually is based on skill level and problem solving ability as well as their tendency to be proactive. Then you want to determine whether your present systems support fee for service ventures. Two key areas would be your technology or I.T. systems and information management, as well as your financial and administrative support functions within the organization because fee for service will no doubt require strengthening of both of those functions. Next slide, please, Tim. As you continue to assess that your CIL's capacity, you want to determine if you have adequate resources in house or through contract. Legal resources can be extremely helpful here and certainly necessary as you get into fee for service structures. The same is true for accounting. As you add levels of revenue and expenses and other potential complications, you want to make sure your accounting is strong. I've talked about I.T. and technology. Very important. And engineering here, by engineering I mean more the business planning process and how all the pieces fit together almost from the concept of a fee-based program right up to the reality of implementing it. Marketing is important. You're going to start serving a customer that may be, say, a state agency or a private business. It's a redirection from your direct service to consumers, and now you may be serving consumers still but through a different part of your third party, and so you get the word out about that is extremely important. Your banking relationship is a key factor in moving forward, and hopefully you have a strong one and can build a strong one and keeping that relationship strong will be very important, especially if you run into any rough spots. In addition, another factor are insurances or risk management. I'm sure you have insurance products in place. Your board has board protection insurance. You have various things on your staff whether it's health insurance you offer, Worker's Comp, et cetera. There may be other pieces you need to connect with and your insurance agents should be able to advise you with that. Lastly you want to maintain working relationships with allied or similar organizations and communicate everything in the organization to keep everybody on track. Next slide, please, Tim. Now, building capacity comes next. It's important that CILs that will be or are successful with implementing fee for service activities come in many shapes and sizes. It's not any more realistic or unrealistic to think about your size as either a plus or a minus. It really has more to do with the will and eagerness of your center to get into it. If you want to be in business, our suggestion is you operate your CIL like a business and pay attention to details. Here as we operate at Alpha 1, the fact we concentrate on making sure we operate like a business really raises our attention on the detail piece and increases our pride in the organization as we try to multiply the connections we have in the community. Now, building capacity from the ground up, you want to have a Board of Directors who bring a range of skills, and that may mean recruiting new people to join your board. Our history here has been, over many years, a mix of both consumers, who use some of our programs, or maybe use other people's programs and services, but also people who bring a range of experience from the community, including business people, community leaders, professionals, entrepreneurs and people who can connect you with larger networks. And you'll see an asterisk here which is extremely important. It's just to remember that more than 50% of the board of a CIL must be people with significant disabilities, and this will not change with WIOA. In recent years we've had some advantage here in that we've been able to identify a number of people with disabilities who meet all these categories or one or more of these categories in that they've worked in business, they are community leaders, they have various professional backgrounds, and some entrepreneurial background. So they brought incredible expertise to the board level, and that experience actually makes for greater support of entry into fee for service ventures. In addition, clarifying board roles and responsibilities is always important, whether you do this or not, and to differentiate those roles from staff roles keeps it clear in everybody's mind what your responsibility is to the organization. Next slide, please, Tim. As you continue to build capacity you want to invest in your staff. Just like recruiting new board members or different board members, you may want to recruit additional or new staff that have a range of skills and experience from the for-profit world or the nonprofit world or academia or there could be other places as well. But that brings greater balance and experience and depth to your staffing and you have more flexibility in taking on new experiences that way with fee for service. I would highly encourage paying a livable wage and providing benefits, offering training opportunities and offering leadership opportunity and advancement for staff. Recognizing that most of us have small organizations, it's certainly hard to build career ladders, et cetera, but we even look at opportunity for leadership and advancement as being maybe the next step in their employment history. Maybe it will prepare them to move to another organization, whether it be for-profit or non--profit as a way of advancing their individual career. It's also advisable to recruit a team of outside experts who become familiar with your organization and CIL., its operations and its aspirations. I know I've said this before, but legal consulting, accounting and business consulting are key to giving you the kind of feedback that you really want to keep close to you as you look at opportunities. Next slide, please, Tim. Following on the other pieces you want to integrate fee for services into your CIL's operations. This would include evaluating your agency structure, put it on paper. If you don't have one, developing an organizational chart is extremely helpful. Then determine where fee for service fits best within your organization. It might depend on the service. It might depend whether it's a service or a program. Something we didn't touch on last week is it could be that it's a nonprofit offering or it's a for-profit offering. And then if it's something entirely new, does it warrant a new department within your CIL? An example I shared last week was our adapted driver evaluation program that had been asked for by Maine consumers because it wasn't available in Maine, they were experiencing high costs and inconvenience of having to travel out of state and required us to consider new staffing and wsh do dual licensing in order to do that. Now, we saw this as a component of Independent Living because transportation is so key to independence, especially in a state that's rural, for the most part, like Maine, so it really fits into our Independent Living service program naturally and easily. But it may not. There could be other examples that would -- next slide, please, Tim. As you add any program, you want to make sure you develop and implement organizational policies and procedures. So all of your staff know what to do and how to do it. For instance, in the financial area, you now are going to have a new billing component from whoever is paying you for this new service. If you're billing, you're going to need to be collecting, and this new customer is going to want particular reporting that's specific to this new service. You are financial department may need to find advances on how to get paid when different issues arise in reimbursement. Your service staff is going to have a way of accepting referrals and then dispersing the work of those referrals. You with a want to examine the consumer's ability to pay if they have a role in paying for the service. Boundaries, clarifying roles within the organization who is doing any of these things is extremely important. Making sure nfer one understands the service limits that the new payor is going to pay for specific services that may not fit with your traditional service of a consumer. So you'll need to know where one ends and where the other let's off. Then, of course, you want to maintain your philosophical boundaries. If in fact it doesn't feel good and doesn't seem to fit with your organization, it's probably not something you wanted to get involved with. In addition to the financial reporting, there are probably other documentation pieces that are going to fit into the billing and collecting process. This may require connecting two departments within your CIL or I'm not sure how your setup might be there, but you now might have direct service staff writing notes or documenting certain functions that need to be connected to the financial billing aspect in order to collect the payments. That may be true for other reporting as well. You're going to have financial reporting and you may have service reporting. So making sure that people know their roles in each will be key to keeping these things straight. Next slide, please, Tim. As you continue to integrate fee for service, share procedures so everyone involved is on the same page. It's really strong communication skills internally are key here. Then as you jump into this, determine if cash flow will be a problem. You want to plan for additional expenses because there are some things that no matter how much planning you've done, some new expense can pop up and you want to make sure you have the ability to handle that. You want to know what your billing time lines look like. Is there a lag from the time you submit a bill to the time you're going to be paid? Is it a week, two weeks, a month? In all that time you're going to be continuing to deliver these services, and you want to make sure that the reimbursements are going to come in as smoothly as possible. Once you know the billing time lines, you can still have delays in reimbursement, which can cause real issues around cash flow. So you want to be prepared to deal with those. A line of credit may be the solution. This goes back to your banking relationship and making sure you have the amount available to you that you might possibly need in the worst possible situation. I'll share with you that probably about six years ago with the consumer-directed personal assistance programs we manage here in main the state of Maine, because of a shortfall in the fiscal funding year stopped making reimbursements to providers, which was extremely painful, and it became a case of the squeakiest wheel was getting the most attention. We really had to raise the bar on that because the state of Maine owed us over a million dollars and we had pretty much used up our line of credit. We were able to negotiate an extension with our bank, but we really had to get pretty mouthy with the state in order to get payment taken care of hastily so that we could continue to make sure that the workers, PA -- the personal attendants were getting paid who were working for consumers. Another thing you might consider is a transfer from savings if you have set aside monies and the fund balance. You could use those monies for short-term investments in a project or a program. Again we talked about the need for start-up funds and how to look for those last week. Next slide, please, Tim. Continuing with integrating fee for service, you want to decide at the staffing level if you need a new job description for a particular position. Or maybe if the new activities are not such that you need a new job description. Maybe they could just be added to an existing job description. And, of course, you want to get input from staff all along the way, because they usually know far better. They are the ones right up on the front lines doing this work. Another example I gave last week was our consultant to disability insurers here in the Portland area. We were doing Independent Living assessments which had been something we had done since almost day one with consumers, and this was a natural fit for us to deliver, but it did require some subtle changes because while all staff were familiar with the service, not all staff were comfortable with the new format of doing this only by phone versus in consumer homes. And there was a little bit of challenge in trying to jump through the hoops that were required by the insurers in terms of reporting and Internet security and we wanted to make sure no matter what we were still going to be able to advocate for consumers we work with who happen to be claimants of these insurers. Next slide, please, Tim. >> TIM FUCHS: All right. We'll take our first Q&A break. Just as a reminder you can press star pound if you're on the phone today or you can type your question in the chat box. I will give you folks about 30 seconds to type out your first questions to Dennis. Again, just a reminder, star pound if you have a question on the phone. Or you can type in the chat. Here is our first question. Dennis, Carolee is wondering, she says this is a little specific, I know, but do you have fee for service suggestions for a CIL with certified work incentives and benefits practitioners on staff? >> DENNIS FITZGIBBONS: That's a great question. I don't have one -- actually, let's see, you can -- if you've got them on staff you can be working and earning those monies through Social Security and I'm not sure about your state VR system, but I think I mentioned last week the center in Marin County, California, that has taken the skill set of people they have on staff who do this work and then applied it to specify -- specifically to breast cancer and expanding the benefit knowledge to include breast cancer resources that they could then work with healthcare providers and consumers and they were -- they are being paid to do that by healthcare providers because they've got a more trusted and connected link with consumers in their area. So they've done a nice job. I would suggest talking to them out there and see how they went about it. I think other centers have done some things, too. I think Independent Living resources in Wisconsin would be another one to talk to. I know the director there is Kathy Noble Iverson. >> TIM FUCHS: Thanks, Dennis. Good examples. If folks are interested, I can put you in touch with Ely at Marin or Kathy an ILRU. I think that may be it but we'll give about 15 more seconds. Star pound for questions on the phone or you can type them in the chat. Okay. There will be two more Q&A breaks, so you'll still have plenty more time, but for now, Dennis, I'm going ahead to slide 12. >> DENNIS FITZGIBBONS: The next step here is to analyze the market that you're about to enter. You want to know what the size is of the potential market, and more appropriately, you want to know the size of the likely market. If it's some type of private business, they more than likely already have a clientele and you want to know if you're serving a segment of that or the potential is for the entire thing, but the more you know from this particular new customer about how many individuals or people you're going to serve here, the better you're going to be able to plan. Also important to know who or what is the competition as you enter this fee for service. Is this venture time-sensitive? Sometimes when you're looking at dealing with a new vendor of some type who wants something from you there can be real time-sensitive issues where they want answers pretty quickly, and it doesn't necessarily offer you opportunity to wait for a board meeting to get approval, to get into it, based on some questions that have come up, and I think this requires some real discussion and sensitivity within your CIL before you jump in here because, as we know, boards can sometimes be slow and deliberate in reaching decisions and fee for service ventures don't really have the luxury of waiting for that kind of a deliberate process. So another board consideration as you go this way. You also want to know if you can meet the vendor's and time line and reporting expectations. I mentioned a while ago one of the reporting expectations wasn't so much reporting but their Internet and I.T. communication requirements were significantly higher than anything we'd experienced before. It took us probably two months before we could meet their requirements for doing that, and we had to give some real thought to how much we were willing to expend both resources and time in order to comply with that, whether it was worth our while. But you do need to know ahead of time what their expectations are across the board. Then you want to know what's the worst case scenario as you get into this. Think thoroughly about this. It helps with your planning and it allows you to set your limits for your CIL and it's an opportunity for you to define your out before getting in. So you may jump into something that's a new service structure but you really need to know at what point you want to get out of a particular agreement and make sure these kind of things are built into agreements and/or contracts so that both parties know what kind of notice is required in order to do so. We have had to do that over the years on a couple of occasions. It's certainly not a comfortable place to be in, but it's also something that I think most businesses understand sometimes things just don't work out. But it's important to have a clear out before you sign on the dotted line to do something. Next slide, please, Tim. Analyzing your costs here are very key to starting to drive toward what you're going to charge for services. Within all of our CILs we have fixed costs, things like utilities, space, hopefully things like insurance and legal, accounting, et cetera. Those things don't change significantly. But there may be new costs here because you're going to be using more of your existing capacity. So some of those costs may bend upwards. You also want to have an understanding of your unit costs, and these costs will fluctuate with the volume avenue business and the activities of that new business. And there are different types of businesses out there that we hadn't talked about before. We look at it two ways here. One is we see some things that we've tried, as we may call a boutique business, a really specialized item. It's like some of the fancy food stores you have in your own town nowadays that have a lot of things that the typical grocery store doesn't have, but it's more of a local thing, small in nature and not sort of statewide or nationwide. On the other hand you've got some large-volume businesses like, say, the local Walmart that sell a lot of everything at lower prices, their profit margin on those things is certainly much much smaller, but they work in volume. So that may be something that's significant to where you move as well. And it's important to remember there will always be new costs as you move forward with this. Thirdly here, contingencies are important. These are some variable costs that you need to be prepared to deal with. An example here is if you had a transportation program and fuel is a variable cost, and right now we're all enjoying lower fuel prices, but two years from now they could be significantly higher. That needs to be considered and built into the cost of a program. The same might be true for Worker's Compensation costs for home based care workers or for workers in any other kind of program you might develop. Next slide, please, Tim. Moving forward to build your fee structure, you want to factor market projections that you've been looking at with your unit costs, and, again an example might be do you have -- you're going to do a projected 100 units of skills training, you know what your staff costs are, what does 100 units look like? Maybe it's 15 hundred units of skills training? What does that look like in terms of increasing your staffing and all the costs that go with that. So projecting these things, really important to know what you can expect for business. And you want to add in your fixed costs, which stay relatively stable and project your break-even scenarios. You want to look at your best case, your likely case and your worst case so you have a real sense of which direction you're heading here and you can monitor that as you move forward. Next slide, please, Tim. So one way to look at building your fee structure is start with including all the costs specific to your staff. You want to consider all those items. I'm sure you are ook liking at it all the time salary, FICA, Worker's Compensation, unemployment, health insurance, maybe disability or life insurance, vision and dental. Whatever your benefit structure is. At the bottom here is an example. Say your annual total for a staff person is $46,000. Now, if you take that $46,000 and you divide that by the number of hours worked per year in the example here of 2080, that person is costing you $2.16 an hour to be -- $22.16 an hour to be an employee at your center that this then you would would want to take out the holidays and personal leave time available to an employee and you see your available work hours changes to 1800 hours during the course of a year. Next slide, please, Tim. You set aside that figure we had on that previous page and look at additional costs that are staff specific. Especially the adding new staff. You want to know these numbers. So maybe for office space for an employee your cost is 1200. Maybe your computer costs are 1200. These are just example costs. They may be different for you. Some items could be telephone or printing, office supplies, travel costs, liability insurance, training, supervisory time needs to be factored in. In the case of these examples, the subtotal is $16,400. Next slide, please, Tim. So now you have that employee cost. We had 46,000. The additional employee costs of 16,400, which equals a subtotal of $62,400. Now you want to divide that number by the working hours we arrived at less the benefit hours. So that was the 1800 figure we talked about. That means your cost for this particular employee is $34.67 an hour. That's what your cost is now. You may want to factor in your administrative rate. So maybe your administrative rate is 10%. So that would require adding in an additional $3.47. Giving you a new total of $38.14. Again, your costs, what it cost you to have this person work the hours that they're employed for. And it just covers you for break-even. If you were going to take this person and deliver a service and you only charged that amount, then you're not going to make that margin we talked about last week. Remember, no margin, no mission. So you want to add in contingencies and a return. Now, contingencies might be -- that's just those added things you need to plan for, for instance, perhaps a legal issue arises in connection with this particular service, and then you're going to have to pay your attorney. Or maybe you're going to need some extra accounting. So you want to factor in some type of a percentage there. And you want to add in a return on your investment here, which essentially equals profit. What can you take as a small margin of profit added on that to this cost? These numbers are really up to your own consideration within your own organization, but, a suggested thing that we try to look at here is a combination of -- that equals 5% in addition to the total we've reached before. Next slide, please, Tim. Continuing your CIL's financial analysis, you want to know your average employee costs. Then you want to know each specific employee's cost because you're going to have people who don't all earn the same amount of money because someone who has been with you 20 years is probably making a good amount more than someone who has been with you six months. Then what does it cost per day to operate your CIL? This is something that's worth knowing if you don't know that already. Then it's also important to know who within the organization is providing the service that brings in revenue and who in the organization doesn't bring in revenue? For instance, it's unlikely that your financial manager is generating revenue. If that person is generating revenue, then that is a plus for your organization, but it's unlikely. Same thing with administrative people, et cetera. So it's important to realize that there is a smaller number that's supporting the greater number. And the people who are generating revenue support those who don't. Now, there are some fee-based programs we've had that we've referred to as the cash cow here, meaning that they have been so regular in occurrence and so easy to predict that we've been able to use them to support the mission and that has allowed us and enabled us to lower -- to have lower fees in some other related services. So if you can develop a program that you might refer to as a cash cow, it's great. But remember that they don't live forever. Then lastly here it's important to remember how long you are able or willing to sustain loss. It is possible to enter into a venture and it doesn't work out and if you start losing money, you've got to know what your time and ability is to sustain that and your willingness to do so. Then, again, this is a mistake that we've made along the line of our 30-plus years here. We've had a couple times we entered into ventures, we lost money, and I can say that we certainly waited much too long before we made the decision to end that particular service and/or business. Next slide, please, Tim. So some pricing factors continued. You want to know expectations, your own expectations as well as the buyer expectations. Who is assuming risk in this arrangement between you and the buyer? Is it you, your CIL? Is it the buyer? Or is it a shared risk? And are there any contract or market guarantees? The more you can know for sure or close to for sure about the volume and what to expect for revenue and what to expect for your expenses, the better you're going to be able to prepare and project revenues and your costs. Don't forget the rate of return. You want to make sure and remember, no margin, no mission. You've got to make sure you're going to make more than it costs you to deliver this service. Which requires projecting your contingency costs that you factor in with your budget so that you can set your preliminary price points. Over the years we've had programs that were based on hourly rates or they were project-based so that we bid on a particular, oh, set of work to be done and we included all of our employee costs, all our travel costs and other significant costs that were involved with accomplishing this particular project and submitted that as a grand total and then once we were awarded that there might have been some negotiation in the costs, but the fact is you are no longer looking at hourly rates. You're looking at trying to project those costs within the whole. It could be a contract that is a set amount. For instance, we have a contract with the state housing organization here in Maine that has to do with home renovations, and it pays us $500,000 a year with 60,000 of that going toward our fees and the rest of it going toward home mods. But it's up to us to efficiently run the program so that the cost of the home mods does not have an impact on lowering that $60,000 fee for our services. So you might have a contract with -- we have another contract that pays us $75 an hour, but it's an unknown number of hours of service that are going to be provided. So in many cases that's up to us in terms of marketing that program to get it out there. We have several agreements with the state of Maine government to deliver services, and those different agreements have different fee scales and rates, depending on the service. So a lot of different things that have to be managed and wrapped into all your billing and reporting structures. And one last thing I would offer for consideration is that working with government is a lot different than working with private business. Government likes to low ball everything, and private business has a better understanding of what it costs to run a business. So if you have the opportunity to enter into an agreement with a private business, don't be sure about increasing your rates accordingly as you begin the discussions. Next slide, please, Tim. So continuing to look at your budget over time, you want to analyze your cash flow. Recognize that not everything happens all at once as you get into this fee for service business. Billing and collecting can be a challenge. There are some times, depending on who you're working with, that you're just for one reason or another, you're not going to be able to collect and you've got to make sure you collect what you write off as a loss and how that impacts the bottom line. As you look at the budget, some costs are front loaded, as we talked about. There are soft costs like legal and accounting. If you're getting into something that requires a technology investment, you need to know what those costs are and factor those costs in. There are human resources costs to recruitment and training of new personnel. And there are other overhead costs that may come up as well. Maybe you need more space. Maybe you need a new location. All these things need to be considered as you try to expand and add these services. Now, further, unit costs, you want to track volume growth over time. The ideal way to begin a program if it's possible is to begin it small and grow, but sometimes a new agreement may require that you're starting with a significant number and you want to really understand how the volume works compared to smaller numbers. You want to identify any lag in revenues versus costs. And identify your long and short-term cash needs, which might require financing or a line of credit, and you want to make sure you include the cost of capital in the budget projections. Those lines of credit do come with a cost, and you should consider that as you look at these budgets and in determining your pricing. Next slide, please, Tim. I can't say this loud enough or often enough. Pay close attention to collections. Fee for services are worthless if they're not collected. Receivables need to be tracked and they need keep an eye on aging receivables and you have to include them in any accounting. Know your payors. No matter who you're getting into contract with or arrangements with, know what they're like to work with. Some of them may be chronically slow with particular programs. Some may be liable to periodic interruptions. For instance, a budget battle at the state level and working with state government, while it can be regular revenue, it also brings all those headaches that come with state government. Especially the budget battles. Those are less likely in the private sector but the private sector has its own nuances. If a company changes its leader at, say, the president level or something like that, usually they come in and they like to change things because they want to make it theirs. So that might have an impact on something you're doing in the private sector. No matter who you're working with, it's important to know who to call when there's a problem, and ideally that calm may be made by you or some other manager within the CIL, but you've got to really know who to call to get that quick action in correcting any of these particular issues. Then lastly here, collection issues must be factored into your budgets and cash flow projections. Next slide, please, Tim. So now you want to put this all together and once the final picture is complete, your organizational capacity will come into play. You want to make sure you have outside eyes look at the financial and operational picture. We talked about this last week. It's key to getting other opinions and outside eyes rather than missing things that you might not see yourself. So that legal and accounting expert, very important, and your bank may be one of your best friends in this process. Make sure they understand what you're doing, how it fits within your organization, whether it's fits with the way they like to do banking, and work with them to secure a line of credit so that you can ensure cash flow and your bill paying. Next slide, please, Tim. So avoiding some of the pitfalls, you want to be realistic about everything. Seek that thorough external analysis I mentioned. In addition to legal and accounting or your banking, there are lots of other folks out there who would be willing to share with you about these things and perhaps you're a member of your Chamber of Commerce. They've got lots of people usually involved with them who are happy to provide that type of look for you. Then I would recommend you protect the proprietary elements of your operations plan and in particular what -- whatever part of your service that is connected to this fee for service. If it's something that's unique to your CIL and you own it, you want to be sure you protected it to the best of your ability. Expect competition as you get in, and competition can cause headaches, but not necessarily. And use that plan we talked about last week. Stick to your plan, but be flexible, as it says next. Plans are only there to help us get going and keep on track, but sometimes we need to change that plan as we move forward. And a reminder that everything you do has got to be understood and supported by your Board of Directors. Because sometimes things can get difficult and you want to make sure that support is still there even in difficult times. Lastly, this is where we began last week, it's very important to maintain the integrity of your core services for your CIL. The idea of fee for service revenues is not to abandon who we are and why we exist. It's really to strengthen that, and the core services have to be paid attention to and still delivered and deliver as strongly as before if not more so. Next slide, please, Tim. >> TIM FUCHS: All right. Our next opportunity for questions. So again that's star pound if you have a question on the phone. Or you can type your question in the chat. Been a great discussion continuing from part I in the chat. I appreciate everybody. There's been a lot of information sharing and peer support. That's great to see. I know -- let's see, shortly after the first break Dennis, Rene was wondering if you might share additional examples of fee for service products you've developed and also she would like to know if any of them have been with state entities. >> DENNIS FITZGIBBONS: Yeah, actually I'm happy to share other examples and yes they have been with state entities. We currently have, let's see -- we do a lot of work with the state department of Health and Human Services where we actually operate -- administer three Consumer-Directed personal assistance programs. We work as a -- we have an agreement to work in the nursing home transition money follows the person program. We won a bid to be the housing coordinator within that program. We had two or three recent agreements to deliver webinars in collaboration with the state agency -- area agencies on aging. Those are just a few examples of the health and human service agreements we've had or do have. We have an agreement with the Department of Education currently, which is related to assistive technology. We have an agreement with the Department of Labor for the delivery of Part B services in the state of Maine. And we have a -- an agreement with the state housing authority, and we have three agreements with different economic and community development agencies, including the state agency. So a lot of involvement in agreements at the state level, as you can see. Things that have been outside that level, like I said, we've worked with three different disability insurance organizations over the year, the private sector. We've had a couple of for-profit organizations we've started on our own. And we've had various and sundry different agreements at other places, too. We've worked with the state -- not the state. I'm not even sure where this one came from, but we actually had an agreement to design the observatory on the highest suspension bridge in North America -- actually it was through D.O.T. That was done by the architect that we have on staff. Our architects have had many private contracts over the years to work with private businesses or government, not only in Maine, but in various places in the country. So -- those have usually been project-based. So there have been a lot of different examples that way. And they're all challenging and all can be interesting and they can also have a lot of difficulty at time. So they bring a mixed bag of things but it's all been worthwhile and helps us stretch as an organization. >> TIM FUCHS: Great examples. Thanks, Dennis. Carolee is wondering if you can recommend pro bono or low cost, of course, consultant who can help with market analysis, projections, price points, break-evens, et cetera? Would someone like NFC do this, any other who can volunteer or offer low-cost marketing consultation? >> One group that we used here that helped us a lot with one of the for-profit ventures was working with score, which is the retired business professionals, we just kind went into their office one day and -- in Portland, which is the next city over, and we tried to describe to them what we were doing, it took them about half an hour to understand who we were and what we wanted to do. But once they knew it all and understood it, they were a great resource to us and well worth tapping into if they're available in your area. I don't remember what the SCORE acronym stands for but has to do with the retired executives. That's one source. I know ILRU on a couple occasions has used some marketing professionals to deliver trainings, and if those folks are still available, maybe ILRU can connect all of us with those names. I'm trying to think of the names but they're not coming to me. Maybe NCIL might have references on that, too. >> TIM FUCHS: We could certainly help. Sorry, I didn't mean to cut you off, Dennis. >> DENNIS FITZGIBBONS: That's okay. We've actually -- getting someone who knows marketing on your board would be something I would suggest that way. The more you can pack your board with people who have expertise and ideally they've got a disability, of course, but those people are out there, and I think they're an untapped resource. Then, of course, you get that low cost or no cost great advice you're looking for. >> TIM FUCHS: Good. Part II of Carolee's question is the one everyone wants to know. Can you provide examples of programs that have been cash cows in particular? >> DENNIS FITZGIBBONS: Actually my last part of my presentation is going to be a walk-through of our cash cow here, but -- that example is Consumer-Directed Personal Assistance Services. It's been a multi-pronged way of generating revenue for us here in Maine. It's enabled us to expand services and expand our reach across the entire state and, of course, it's enabled us to serve far more consumers than we would have if we hadn't done that. >> TIM FUCHS: Good. Okay. Great. Roberta question has a question about different kind of resources. She wants to know have you ever started one of your programs with completely new staff or do you usually have someone on staff who is already qualified to provide the new service? >> DENNIS FITZGIBBONS: That's a good question. We have -- the only time that I can recall starting with new staff was one of our earliest programs that started around 1980 which was the adapted driver evaluation program that required us to have someone with that occupational therapy and driver education certification, but since that time -- well, I take that back. The Consumer-Directed services have also required that we employ people with either a nursing and/or occupational therapy background as well. So those have proven to be challenging in the world that doesn't value the medical model. It was something we had to address as an organization, hiring people who come trained that from model and I would say that has -- it's worked out well for us. We've had to retrain them, though. >> TIM FUCHS: Good. Thanks. Sharon from ILRU just posted some of the resources that we have developed under the IL NET project together with ILRU. Now, those are more marketing trainings, per se. I know that's not exactly what Carolee asked for, but we did -- we worked together on finding the presenters for that. A number of them came from within IL. They may not be able to come out and work intensely owe contract with your center, but it may be just the kind of peer support that you're looking for. So, anyhow, if you would like any more information about those presenters, we would be happy to put you all in touch. I'll give just about 10 seconds. I don't see any additional questions. Again, if you want to type a question in the chat or press star pound on the phone, give just about 10 seconds, and remember we will have another final Q&A at the end. >> DENNIS FITZGIBBONS: Tim, can I add to the question that Roberta asked? >> TIM FUCHS: Yeah, of course. >> DENNIS FITZGIBBONS: The second part was to usually have someone on staff already who is qualified. The second part is now we do over years we've tried to play to our strengths and our strengths are our existing staff we believe and we invest a lot of time and energy as you all do in bringing people on who have a disability or maybe don't have a disability, but in either case, you're training them in our philosophy, how we look at the world in Independent Living, and then you look at that staffing and you look at a potential service that you could add and you have a chance to say, you know, I know so and so would be really good at this, and so you don't have to start from scratch and staffing up for something. It does put a little strain maybe on what they're already doing, but that's a little easier to replace with new staffing than it is getting new staffing on for something brand-new. >> TIM FUCHS: Good advice. Oh, one more question from ReneE. What would you consider to be your for profit focus areas, Dennis? >> DENNIS FITZGIBBONS: I would say most everything. We're not going to take something on that we don't have some type of margin on because you can't keep the lights on if you don't have those revenues to pay for those added costs. The costs always go up. It's rare that costs go down. So you always want to have an eye toward imha you're going to -- what you're going to bring in with a service whether it's old or new. I'll deal with a little more of that with the cash cow discussion that follows, but I think that making sure you have some margin there no matter what you're doing is key to keeping the doors open and the lights on. >> TIM FUCHS: Good. Okay. Like I said, we'll have one more Q&A break but for now I'm going to go to Slide 25 so Dennis can start the case study. >> DENNIS FITZGIBBONS: Okay. The home stretch. So Consumer-Directed Personal Assistance Services. I know you all know what those are. Here we've looked at these following things that we've delivered over the years. It's included skills training, which is a core service, obviously, care coordination, assessment, and payroll services to enable individuals with a disability to live independently in the community. He it's a natural fit. What could be more important to Independent Living than consumers getting those services so that they can stay independent and out of institutions. Then second, CD-PAS serves individuals with disability who want to direct their home-based services. Again, it's that consumer control they're directing. So it's pure IL in our opinion, and we've ridden this service now for 35 years in one way or another. Next slide, please, Tim. This slide looks at the program arc for these services over the years. We began in 1979 with a pilot program. If you remember I recommended whenever you can start small. The pilot program enabled us to prove to the state of Maine, which was using state funds, not Medicaid funds, just state funds, to deliver these services to the people in the pilot. It turned out to be a model at the national level in many ways. And then one year later, based on the success of that 15-person pilot, the state embarked on the home-based care program for elders and adults with disabilities. And this program split between Alpha 1 serving the adults with disabilities and the AAA's serving elders. As we went forward with several years of success with the state-funded program, then the '80s came along during the Reagan administration for those of you who remember, waivers were born, and we were very eager and interested in getting the state to apply for a waiver here in Maine so that people could stay out of nursing homes or leave a nursing home. Now we were successful then in 1986 with getting the state to apply for the waiver, which started in '87, and again that program started small but built up to a high amount of people -- I can't remember the year when we hit that high amount -- but 350 people. In 1996, 10 years later, we were successful after another 10 years of advocacy, working with the state to add the optional benefit for personal care services, and that was added again in 1996. The state was extremely leery about doing that because it wasn't a limited amount of people like in a waiver. By adding it to the state Medicaid program they were really afraid of what they called woodwork effect. They just thought that thousands of people were going to come out looking for this service and didn't ever really amounted to that number of people over the years. It was a fairly -- we had significant growth in the first year or two, but after that r it really leveled off and in hefer significant growth for quite a long time. -- never had significant growth for quite a long time. In 2002 we started -- early on we had support from policymakers, people at the department of -- different departments who were involved, advocates. It was just a very positive and easy climb over the first decade and a half to get where we were. But come the early 2000s the relationship soured for a variety of reasons. If you remember last week I said it's all about relationships. Well, it's true, whether they're good or bad. In this case, when they went bad, they went bad, and we went through a period of about six years it took to rebuild that relationship, and one of the things that happened in that six years was that the programs moved from the department of human services to the bureau of rehab services at the Department of Labor in Maine. For two years there they didn't really get much attention. And then because relationships were still rocky, they were moved back to the department of human services in 2004. But it was a rocky period for those years between 2002 and 2008. And then during those years, what had been the cash cow, we were barely squeaking by because of some of the ways things had changed pep but we stayed with it through that time because it's so connected to our mission. Next slide, please, Tim. But -- I want to sort of back up a little bit here and talk about shaping the marketplace, because this is an area we have a real impact from an advocacy level early on to get these things going. It started with advocating for the pilot program. And it continued with the subsequent program expansions. One of the things we were able to do early on was secure an exclusive role in the program management by a statutory language authorizing the program in Maine law. In fact, we enjoyed a so-called monopoly on this until the early 2000s. It was such a monopoly that the language actual will he describing the provider in state law was the description of a CIL in federal language. So the competition was extremely narrow, as you might imagine. Since we are the only CIL in Maine. Now, initially we were a one-stop provider. We provided the assessment of consumer need, we pro provided the skills training to teach them how to manage and train with workers, we provide the care coordination and provided the payroll orifice cull agency service, and we were paid different fees for all those different services. The best thing about this time thing was that in '79 with the pilot all the way up to 1996 with the addition of the optional programs, we enjoyed incremental growth, which enabled slow growth and allowed management of the program costs right along. We had no bumps along the way. It really was extremely easy to manage these programs. When it was the state program originally they actually advanced us the program to manage the program each month so we didn't have to invest in any of our own monies in the program. When Medicaid became involved it didn't work that way. Then there was a two-week lag period instituted there. So we would deliver the service and we wouldn't get paid until two weeks after the service. So you've got to be able to manage that kind of payment structure. But all in all, all these things, with the slow growth and regular growth, established regular revenue within the organization that enabled us to broaden our staffing and to really look at other needs across the state without worrying about where funding was coming from because the funding here was significantly more than our Part C funding that we received from the federal government. Next slide, please, Tim. Now, adapting to significant change with these programs was a boon for us that brought both opportunity and challenge. Before things went sour with the state we were able to negotiate what we called -- what's known as a cost-plus contract with the rates based on our actual audited financials from the previous year of delivering the programs for the state. Plus a contingency factor and a guaranteed return. So we were able to build this -- we delivered the program at the cost we proved to the state that it cost us to deliver it and that 5% figure I mentioned before, we had a 3% contingency and a 2% return that equaled the 5%, and this is when the cash cow was at its height because at that point we had -- I don't remember the numbers exactly, but it probably would have been 600 consumers statewide with thousands of hours per week being delivered and the rate was based on the hourly rate. So -- and the annual revenue at the time for this program alone was over $10 million. So if you look at $10 million and a guaranteed return and contingency of 5%, it's the kind of money that helps keep the mission flowing and gives you a chance to sustain other programs that may be not enjoying the same type of reimbursement. And certainly helps sustain the core services and everything else that comes with the federal Part C grant. Now, administrative and policy changes led to new rules replacing the one-stop approach which is where things started to get a little difficult. We had always been the assessor of people getting into the program. That function was taken away from the organizations that had it and a third party started doing that to avoid the thought that any provider was sort of feathering their own nest and maybe assessing people for needs that weren't accurate. We weren't really doing that, but it was a battle we couldn't win and didn't want to fight. So it did change things significantly with we stopped doing the assessment piece. At the same time a new unit cost contract was given to us without negotiation, it was a take it or leave it thing because of the sour relationship, and we struggled with that contract for several years. In addition to that, similar new programs developed with services delivered by competing entities. So we no longer had that monopoly here in the state of Maine for Consumer-Directed services and that was a significant change as well. So we went through, as I said, nearly 20 years of steady growth, regular income, with monies we could put back into Independent Living services, and then we hit a point of six years or more where we struggled to get by because of the significant changes that were pushed upon us because of a sour relationship that developed. Next slide, please, Tim. So what are some of the lessons we learned here? We know that involvement in program design allowed us to have incremental growth which enabled capacity to develop as we went. So it just reinforces if you can start smaller and build it gives you time to really think through what you need to do in terms of staffing, in terms of all staffing you need to make sure you get this right. We also learned there are many ways for a market segment to be undermined as I described here. There's always someone looking for a share of a market. You know, when people started to realize that this was strengthening now for one as an organization, there were other nonprofits that thought that they could do the same and they wanted part of that market segment. And that just reinforces there is always someone looking for the share of a mawsht, and that doesn't matter whether you're selling computers or hamburgers or home-based care services or anything else. There's someone out there. Then there are external factors that may change rules or expectations and alter operations. All these were factors. Federal and state rules changed, since the day whses we started these programs, there was hardly any kind of rule in place around home care services. And there weren't even immediate kaidz home care services at the time. As we delivered what's known now as fiscal intermediary services we just thought we were doing payroll services. Now there are lists of all the different types of models, the different types of rules, the different types of programs. They just multiplied exponentially around federal government and state government rules. It's hard to keep up with. And it's hard to keep up with the expectations that govern those things. If you watched -- I'm sure many of you are aware of the Department of Labor ruling on wage and overtime protections for workers, the subsequent ruling by the District Court judge that vacated that ruling. There's now an appeal. Those things have significant impact on this model as well. So all these factors really have had an impact in the last few years of how these programs are managed and overseen by us, but also how we have to report and interact with the state funded agency. Next slide, please, Tim. That brings us to the last question period. >> TIM FUCHS: All right. You guys know the drill by now. You can press star pound if you're on the phone. Or you can type your question in the chat. And we've got plenty of time. So don't be shy if you've got a question for Dennis. We'll give it about 30 more seconds. Here's a question from Carolee. She's wondering, would you say there are different fee for service considerations for Part B and Part C centers? >> DENNIS FITZGIBBONS: Not that I'm aware of, no. I think that either way you're looking at IL philosophy and you're looking at the core services. So unless there's some kind of arrangement for the Part B center that has added state regulation that's over and above federal regulation, but otherwise I don't envision there is anything significant there. And I think both centers, whether they're funded by Part B or C or both can successfully enter into fee for service programs. >> TIM FUCHS: Okay. Thank you. We'll give it a few more seconds before we wrap up. Again, thanks to all of you for -- that have been so active in the chat. It's been fun to watch those conversations happening kind of complementing what Dennis is talking about, sharing your own experiences and questions. That's what it's there for. No one is typing and there is nothing pending on the phone so I'm going to begin to wrap up here with our evaluation form here on Slighted 32. You can see that evaluation. That is specific to Part II, today's call. So please do fill that out. If you participated in a small group today, that's great, but I hope that each of you as individuals will fill out the eval so you can share your thoughts. If you didn't fill out the evaluation for part 1, remember that was in the confirmation for part one, you can still fill that out. I hope you fill that out. Dennis has been generous enough to share his email here if you have questions for him. Then my email is very simple, it's just Tim@NCIL.org, and I'm always happy to take your questions from these webinars, whether it's in a few hours or a few months. Please let us know how we can help. Like came up with marketing, we have trainings on all variety of topics and everything is archived and saved, so it's a great resource for you or new staff that you might have. So I want to thank you, Dennis, for putting together this two-part presentation. This is fantastic. I really appreciate your time. This is a great intro to fee for service for centers, and we really appreciate it. I want to thank all of you as well for taking time to be a part of these two trainings with us. Don't forget those online resources we have from the on-site training that Dennis did with Kathy Noble Iverson and Kathy Davis last year. A lot more detail for these programs. Anyway, thanks to all of you. Have a wonderful afternoon. Bye-bye.