Trust
Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

MEETING AGENDA

Meeting:	Special Full Board of Trustees Meeting
Date:	March 27, 2024
Time:	8:30 AM
Location:	Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference:	(844) 740-1264 / Meeting No: 2632 891 2745 # / Attendee No: # https://alaskamentalhealthtrust.org/
Trustees:	Anita Halterman (Chair), Rhonda Boyles, Kevin Fimon, Brent Fisher, Agnes Moran, John Morris, John Sturgeon

Wednesday, March 27, 2024

		Page No.
8:30	**Call to Order – Anita Halterman, Chair** Roll Call Announcements Approval of Agenda Ethics Disclosure	
8:35	**Approval** • **Arc of Anchorage** **Executive session – (if necessary)** *In accordance with the Open Meetings Act, AS 44.62.310(c).*	4
9:35	**Break**	
9:45	**CEO Annual Performance Evaluation - Executive session** *In accordance with the Open Meetings Act, AS 44.62.310(c).*	
12:00	**Adjourn**	

Additional Documents:

Trust
Alaska Mental Health Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

Future Meeting Dates

Full Board of Trustees / Program & Planning / Resource Management / Audit & Risk / Finance

(Updated – February 2024)

• Audit & Risk Committee	April 24, 2024	(Wed)
• Finance Committee	April 24, 2024	(Wed)
• Resource Mgt Committee	April 24, 2024	(Wed)
• Program & Planning Committee	April 25, 2024	(Thu)
• Full Board of Trustees	May 22-23, 2024	(Wed, Thu) – Ketchikan
• Audit & Risk Committee	July 30, 2024	(Tue)
• Finance Committee	July 30, 2024	(Tue)
• Resource Mgt Committee	July 30, 2024	(Tue)
• Program & Planning Committee	Jul 31 – Aug 1, 2024	(Wed, Thu)
• Full Board of Trustees	August 28-29, 2024	(Wed, Thu) – Anchorage
• Audit & Risk Committee	October 16, 2024	(Wed)
• Finance Committee	October 16, 2024	(Wed)
• Resource Mgt Committee	October 16, 2024	(Wed)
• Program & Planning Committee	October 17, 2024	(Thu)
• Full Board of Trustees	November 13-14, 2024	(Wed, Thu) – Anchorage
• Audit & Risk Committee	January 8, **2025**	(Wed)
• Finance Committee	January 8, **2025**	(Wed)
• Resource Mgt Committee	January 8, **2025**	(Wed)
• Program & Planning Committee	January 9, **2025**	(Thu)
• Full Board of Trustees	February 5-6, **2025**	(Wed, Thu) – Juneau
• Audit & Risk Committee	April 23, **2025**	(Wed)
• Finance Committee	April 23, **2025**	(Wed)
• Resource Mgt Committee	April 23, **2025**	(Wed)
• Program & Planning Committee	April 24, **2025**	(Thu)
• Full Board of Trustees	May 21-22, **2025**	(Wed, Thu) – TBD

Trust
Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

Future Meeting Dates

Statutory Advisory Boards

(Updated – February 2024)

Alaska Commission on Aging

ACOA: http://dhss.alaska.gov/acoa/Pages/default.aspx
Executive Director: Jon Haghayeghi, (907) 465-4879, jon.haghayeghi@alaska.gov

- Quarterly Meeting: TBD

Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse

AMHB: http://dhss.alaska.gov/amhb/Pages/default.aspx
ABADA: http://dhss.alaska.gov/abada/Pages/default.aspx
Acting Executive Director: Stephanie Hopkins, 907) 465-4667, stephanie.hopkins@alaska.gov

- Quarterly Meeting: April 16-18, 2024 / Wasilla

Governor's Council on Disabilities and Special Education

GCDSE: http://dhss.alaska.gov/gcdse/Pages/default.aspx
Executive Director: Patrick Reinhart, (907)269-8990, patrick.reinhart@alaska.gov

- Triannual Meeting: May 30-31, 2024 / Anchorage

Trust
Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508
Tel 907.269.7960
www.mhtrust.org

MEMO

To:	Anita Halterman – Chair, Board of Trustees
Date:	March 27, 2024
Re:	FY24 Focus Area Allocation – Mental Health & Addiction Intervention
Fund Source:	FY24 Crisis Continuum of Care
Amount:	$1,000,000.00
Grantee:	Arc of Anchorage
Project Title:	The Arc of Anchorage Bridge Funding

REQUESTED MOTION:

"The Board of Trustees approves a $1,000,000 FY24 Mental Health & Addiction Intervention focus area allocation to the Arc of Anchorage for the Bridge Funding project. These funds will come from the FY24 Crisis Continuum of Care budget line."

Assigned Program Staff: Eric Boyer

STAFF ANALYSIS

The Arc of Anchorage requests up to $1,000,000 from the Trust as bridge funding for fiscal sustainability so that the agency can maintain its current system of care for Trust beneficiaries. This one-time recoverable grant request would support The Arc moving forward with changes in its business model and lines of service, which will meet its monthly financial obligations into the foreseeable future. If approved, the funds would come from available authority grant funds in the Mental Health and Addiction Intervention Focus Area. Further, if approved by the Trustees, The Arc will repay the Trust in full by March 31, 2025, or sooner, depending on the receipt of Employee Retention Credits (ERC) from the IRS. The Arc is awaiting $1,960,000 in IRS ERC, for which BDO submitted the paperwork on behalf of the agency in January of this year. The Arc had to wait until January 2024 to submit this IRS request due to an IRS-imposed moratorium on applications in the fall of 2023.

Trust funding is needed to cover monthly operational losses that are being incurred as the agency moves to sustainability through the expansion of its business model to include behavioral health Medicaid 1115 waiver services. The Arc needs bridge funding to remain open for business and deliver services to their clients, which are 100% Trust beneficiaries. If The Arc cannot get bridge funding, they will be forced to follow through on their Arc Board decision to issue notices to their beneficiaries, guardians, care coordinators, etc., for their planned closure and dissolution of services. Following these actions, The Arc would cease to exist as an agency.

Due to various factors impacting funding for service, the agency has focused on diversifying its business model over the last several years with the technical assistance funding help of the Trust. Impacting factors include declining grant revenue starting in 2015, home and community-based waiver funding shortfalls, staff rightsizing attempts to meet budgetary shortfalls, the COVID pandemic, and salary increases needed to stay competitive in the marketplace, which placed a further drain on the Arc's endowment.

Agnew::Beck Consulting (A::B) provided consulting assistance to The Arc from 2019 up through October 2020. A::B helped develop a pro forma for The Arc to include residential treatment beds for adult mental health care under the Medicaid 1115 Behavioral Health Waiver. It is through the addition of funding through the Medicaid 1115 Behavioral Health Waiver services that the agency will be able to generate expected revenue that will match expenses, thereby leading them toward financial viability by year's end. The Arc also, through technical assistance from the Foraker Group, considered potential merger possibilities, but none emerged as viable.

The Arc of Anchorage has served Trust beneficiaries who experience intellectual and developmental disabilities (IDD) and behavioral health conditions for the last 65 years. These service lines include habilitative and rehabilitative services and serve over 200 Trust beneficiaries. Once the agency has closed its doors, the coming IRS ERC funds (6-8 months out) will not be enough to start back up from scratch, leaving the Trust beneficiaries without services. If The Arc closes, they will provide advance notice to beneficiaries, guardians, care coordinators, families, and State of Alaska Department of Health (DOH) staff. The Arc has asked other agencies about their current capacity to absorb a transfer of higher acuity beneficiaries into care, and other providers have indicated they are not able to take on care for these individuals that The Arc serves. Many of the ID/DD providers are dealing with workforce issues that impact the ability to absorb or expand service capacity. This environment would put these beneficiaries in situations where their needs are unmet.

In March 2021, A::B completed a study assessing the capacity need for adult mental health residential treatment beds for beneficiaries in Anchorage. The report showed that 105 Adult Mental Health Residential (AMHR) beds in Anchorage are the threshold necessary to meet the need. Currently, there are 45 beds in Anchorage, of which the Arc is meeting a third of that demand. The Arc received grant money from the Trust at the January Program and Planning Committee meeting in 2022 to open an AMHR Program. The program had a protracted launch due to several factors, including workforce recruitment and retention issues, city code planning and zoning delays, enrollment of beneficiaries through Medicaid, and state licensing approval to operate. Two years later, that program is up and running as it was described to the Trust Program and Planning Committee in January of 2022.

This recoverable grant aligns with the Comprehensive Integrated Mental Health Program Plan Goal 7, Services in the Least Restrictive Environment, Goal 7.2, Increase access to effective and flexible long-term services and supports. Budget information: Trustees approved in the FY24 Mental Health and Addiction Intervention Focus Area $4,000,000 (Authority Grant Funds) for Crisis Continuum of Care. Currently, the balance is $1,670,000 and is available due to delays in crisis stabilization start-up projects. If this request is approved, there will be a remaining balance of $670,000 in this budget line.

COMP PLAN IDENTIFICATION

Goal	Objective	Comments
Goal 7 Services in the Least Restrictive Environment	7.2 Long-term services & supports	

PROJECT DESCRIPTION

The following is excerpted from the prospective grantee's application.

PROJECT DESCRIPTION

This recoverable grant request will provide for bridge funding. The Arc is in need of bridge funding to make further programmatic changes and extend program funding until receipt of IRS Employee Retention Credit (ERC) monies. The combination of these will extend the fiscal path of the organization and lead to fiscal sustainability. The grant will be repayable upon the receipt of the ERC credit, which is anticipated to occur within calendar year 2024.

The Arc of Anchorage has been focused on fiscal sustainability for the past eight years, which would allow the continuation of its core mission in the changing landscape of IDD services. Given the population and current client base, the agency determined, with the assistance of Agnew Beck Consulting, that there was unlikely to be a sustainable path forward with the Medicaid rates paid by the state coupled with the current client mix. It was recommended that the Arc expand its services into behavioral health services provided in the 1115 waiver project. The Arc received grant money from The Trust to open an Adult Mental Health Residential (AMHR) Program in January 2022. The Arc staffed up for three project openings; however, delays by the Municipality, Licensing, Enrollment, and other regulatory hurdles significantly delayed the program's opening. As of the 7th of February, the program is up and running with 13 beds (and a waitlist for beds) and is expected to bring in $2.5 m in revenue annually.

We are also working with the Anchorage School District (ASD) and the Division of Vocational Rehabilitation (DVR) in a partnership to provide special needs students with work experience. This program begins March 18th, 2024, and is expected to produce $240K in revenue and serve an additional 80 beneficiaries annually to start.

The Arc has reached out directly to Senior and Disability Services (SDS) to provide acuity payments for two individuals we believe qualify for an enhanced payment rate. In addition, in the last six months, the Community Living Program has been working to recruit clients who can live in our group homes without requiring a major increase in additional staffing. We have successfully added two residents in the past six months.

Unfortunately, while we are making great strides, years of deficits have led to the depletion of our endowment foundation, and The Arc is facing a potential shutdown in the next 90 days. We are asking for $1M of recoverable bridge funding, which will allow us to continue improving sustainability. This funding and the above-mentioned program enhancements will allow The Arc to remain open until (and long after) we receive approximately $2M from the IRS as part of the employee retention credit submitted in January 2024 after the moratorium was announced in September of 2023.

The Arc has approached other funders, banking institutions and State of Alaska entities about support. The Arc and its Board leadership have approached Rasmuson, Alaska Children's Trust, the Department of Health, and the Department of Family and Community Services regarding their current fiscal losses and the need for funding help to remain open. All of these organizations support the work of The Arc but were not able to provide the bridge funding support needed in the short-term. Hence, the request for a recoverable grant from the Trust to meet this need to stay open and serving Trust beneficiaries.

Without this bridge funding grant from The Trust, The Arc of Anchorage will close its service lines, and the oldest IDD provider in the State of Alaska will cease to exist. The number of individuals listed below would have their lives affected immediately.

The following number of active individuals residing in the greater Anchorage area would no longer receive the services that they need.
Individuals Affected in Habilitate Services (some individuals receive multiple service lines)
- Group Home 31 (8 high needs/ medically fragile)
- Supported living/ In-home supports 21 (11 live in Arc-owned Properties)
- Hourly Respite 10
- Daily Respite 10
- Nursing Case Management 4
- Employment services 20 (110 ASD Students)
- Family Habilitation Children 2
- Individual Day Habilitation 56
- Group Day Habilitation 82

Individuals Affected in Re-Habilitative Services
- CRSS 35
- Case Management 35
- Med Management 15
- Psychotherapy 30
- AMHR 15 beds on a 90 or 180-day rotation.

EVALUATION CRITERIA

This recoverable grant aims to provide bridge funding for operations to extend cash requirements for continued operations and improvements identified in the above description. The success of this grant will be measured by financial reporting, the achievements of financial milestones outlined in the attachments to this document, and the continued provision of services to Trust beneficiaries. The Arc will remain at its current capacity for delivering services to Trust beneficiaries, with the plan to increase those services into the foreseeable future.

The Arc will provide the Trust grant administrator and senior program officer with a monthly report on their current status of operations. The report will include updates on the number of beneficiaries served, as well as potential increases in beneficiaries served.

These goals include short-term projects that will lead to a run rate that is break even. Longer-term projects will both create savings and diversify revenue streams outside of our majority

Medicaid fee-for-service currently in place. Examples of this include our work with the Anchorage School District (ASD) and the Division of Vocational Rehabilitation (DVR).

The Arc continually gathers service information on its electronic health record (EHR) and internal financial systems. The financial accounting will provide feedback on progress toward fiscal sustainability. The EHR reporting will determine the levels of service between different service lines and beneficiary types. The goal is to grow and use our limited frontline staff resources strategically focused on fiscal sustainability. In short, this grant affects the services of all current and future recipients of services provided by The Arc of Anchorage.

SUSTAINABILITY

Yes! As outlined in the attachments, the goal of this recoverable grant is to give The Arc enough time to continue its ongoing efforts to achieve fiscal sustainability. The Arc will continue diversifying revenue into behavioral health and community partnerships, such as with the Anchorage School District. Current work from implementing the business model shows increased cash flow and decreased monthly deficits, with a break-even point by the end of the calendar year.

The agency is also actively engaging in creating a donation engine that leverages the goodwill in the community and our nonprofit status to create a more robust revenue line for charitable donations. At that same time, our home and community-based waiver program will be able to continue to serve the population of individuals that we have served since 1957. By continuing to adapt our business to the changing landscape, we can leverage new project revenue to become sustainable in the long term. The Arc will continue to provide these services for Trust beneficiaries in the least restrictive environment and community setting of their choice.

WHO WE SERVE

Without bridge funding, The Arc will close its doors and cease to exist as a service provider. Currently, the agency provides services and support for individuals with intellectual and developmental disabilities and those experiencing mental health disorders. The diverse range of services offered by The Arc caters to a broad spectrum of people, each with unique needs and abilities.

Firstly, individuals with intellectual disabilities and mental health issues benefit significantly from The Arc's programs. The organization focuses on enhancing their life skills, independence, and overall quality of life. Individuals can access educational resources, vocational training, community integration initiatives, and treatment through personalized support plans.

Secondly, families of those we serve find valuable assistance at The Arc. Parents and guardians often receive support in navigating complex systems, accessing educational resources, and developing long-term care plans for their loved ones. The Arc fosters a sense of community among families, providing a platform for sharing experiences and learning from one another. The caregivers and professionals working with individuals with disabilities also benefit from The Arc's services. The organization offers training programs, workshops, and resources to enhance their professional skills, which not only ensures a higher standard of care for those they support but also enhances their interactions with all members of the Anchorage community.

Ultimately, The Arc of Anchorage serves as a crucial hub for a wide range of individuals, families, and professionals, creating a supportive environment that promotes inclusivity, empowerment, and a better quality of life for beneficiaries in the Anchorage community. Without this project, the agency's short-term viability as a robust service provider is in question. The numbers of beneficiaries below would lose Arc services and potentially end up in a more restrictive, costly setting.

Individuals Affected in Habilitate Services (some individuals receive multiple service lines)

- Group Home 31 (8 high needs/ medically fragile)
- Supported living/ In-home supports 21 (11 live in Arc-owned Properties)
- Hourly Respite 10
- Daily Respite 10
- Nursing Case Management 4
- Employment services 20 (110 ASD Students)
- Family Habilitation Children 2
- Individual Day Habilitation 56
- Group Day Habilitation 82

Individuals Affected in Re-Habilitative Services
- CRSS 35
- Case Management 35
- Med Management 15
- Psychotherapy 30
- AMHR 15 beds on a 90 or 180-day rotation.

ESTIMATED NUMBERS OF BENEFICIARIES SERVED EXPERIENCING:

Mental Illness:	70
Developmental Disabilities:	275
Secondary Beneficiaries (family members or caregivers providing support to primary beneficiaries):	150
Number of people to be trained	20
The estimated number of beneficiaries served includes those who receive multiple service lines	

BUDGET

Personnel Services Costs	$837,200.00
Personnel Services Costs (Other Sources)	
Personnel Services Narrative:	The above amount represents a percentage of the cost category the grant will cover direct care staff who provide services to Trust beneficiaries.

Travel Costs	$8,900.00
Travel Costs (Other Sources)	

Travel Narrative:	The above amount represents a percentage of the cost of transportation on reimbursement of day habilitation travel support for Trust beneficiaries and staff.

Space or Facilities Costs	$54,300.00
Space or Facilities Costs (Other Sources)	
Space or Facilities Narrative:	The above amount represents a percentage of the cost for maintenance, utilities, normal building maintenance, etc.

Supplies Costs	$14,000.00
Supplies Costs (Other Sources)	
Supplies Narrative:	The above amount represents a percentage of the cost for supplies needed to maintain the ARC campus and 13 residential homes. On-site program fees, group home food for 24/7 care, items needed in homes for day-to-day operation.

Equipment Costs	$8,000.00
Equipment Costs (Other Sources)	
Equipment Costs Narrative:	The above amount represents a percentage of the cost for minor equipment, software contracts, supportive equipment for beneficiaries (Hoyer lift, i.e.), equipment costs like a dryer, etc.

Other Costs	$77,600.00
Other Costs (Other Sources)	
Other Costs Narrative:	The above amount represents a percentage of the cost for administrative support like contractor fees, BDO auditing, IT services are outsourced, etc.

Total Amount to be Funded by the Trust	$1,000,000.00
Total Amount Funded by Other Sources	

OTHER FUNDING SOURCES

Additional Documents

The Arc of Anchorage Bridge Funding Request, Scenarios, and Proforma

Background

- As the Oldest IDD provider in the state, The Arc of Anchorage has been serving Mental Health Trust Beneficiaries since 1957. The Arc sits on Trust Land.
- In the last calendar year, The Arc has provided services to 253 beneficiaries.
- The Arc is currently serving approximately 205 beneficiaries in Anchorage per month average.
- The Arc employs over 210 people in Anchorage.
- In the last fiscal year, we provided approximately 375,000 hours of waiver services and many more unpaid hours of services (like navigation and case management).
- The Arc Currently employs 210 in Anchorage.

Current Situation

- Since FY 15 the Arc (outside of Covid aid) has been running a significant deficit
- In that time The Arc has depleted its savings held by our foundation.
- In mid-2023, The Arc Engaged with BDO to file for the ERC credit. The work was done and Submitted in January 24. Estimates are from anywhere from 6 to 9 months on when the credit monies will be processed.
- The returns from the credit after fees is expected to be $1.96M
- If The Arc is expected to make all of its obligations with Cash on hand, we will need to cease operations. we expect that will be Later in April.
- On a cash basis without taking into account other liabilities The Arc is expected to have cash last to July.
- The Arc Has significant assets of approximately $5.5M (majority real estate). However, these properties are Group homes, and liquidation would put the most vulnerable out of housing and lead to extreme revenue reductions.

What The Arc Has Done

- We have been transparent with our fiscal situation to both SDS and Department of Health meeting several times with Commissioner Crumb and again with Commissioner Hedberg. During those meetings, we gave a forecast of early to mid-2024 that we would no longer be in business if current conditions remained.
- We have had several meetings with Mental Health Trust staff about ongoing fiscal issues and potential solutions.
- The agency presented at the January 2023 Mental Health Trust Authority Board meeting and forecasted a 12 to 18-month “runway” if the current conditions continued.
- Condensed group home residents and sold real estate assets.
- Lost our line of Credit and other financing options.
- Cut administration staff.
- Engaged Agnew Beck.

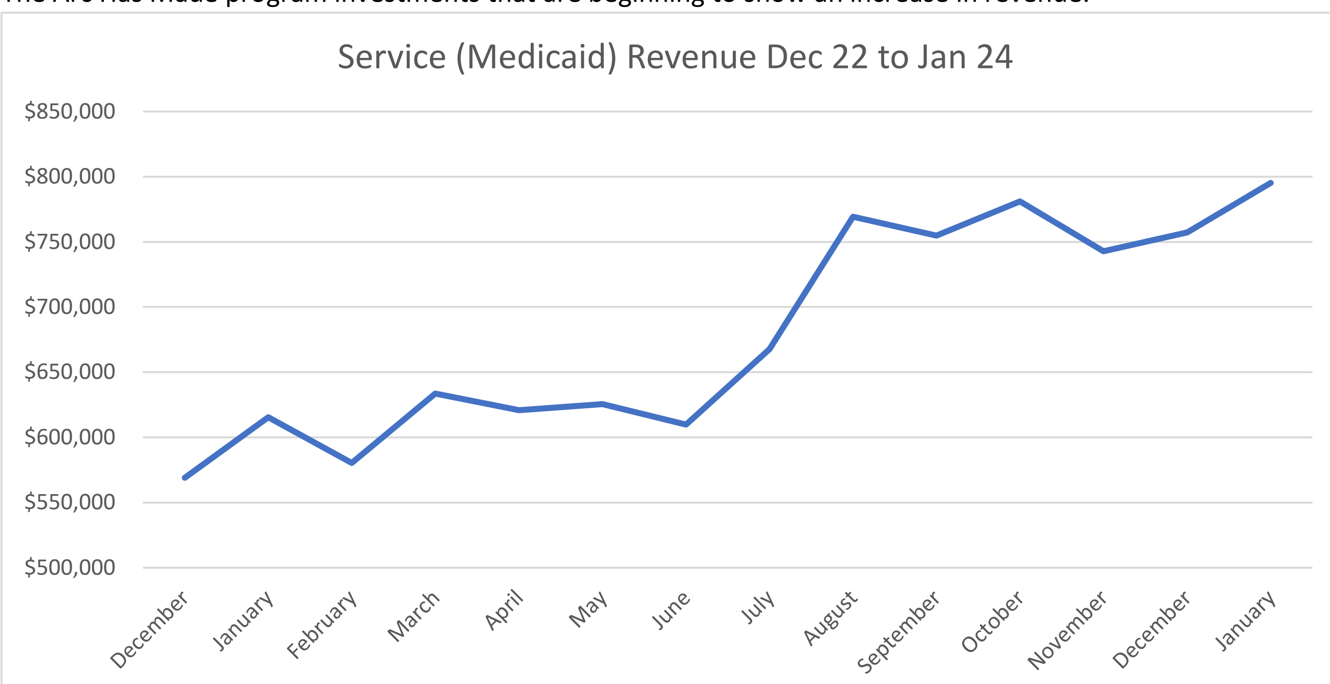
Changes Made for Fiscal Sustainability

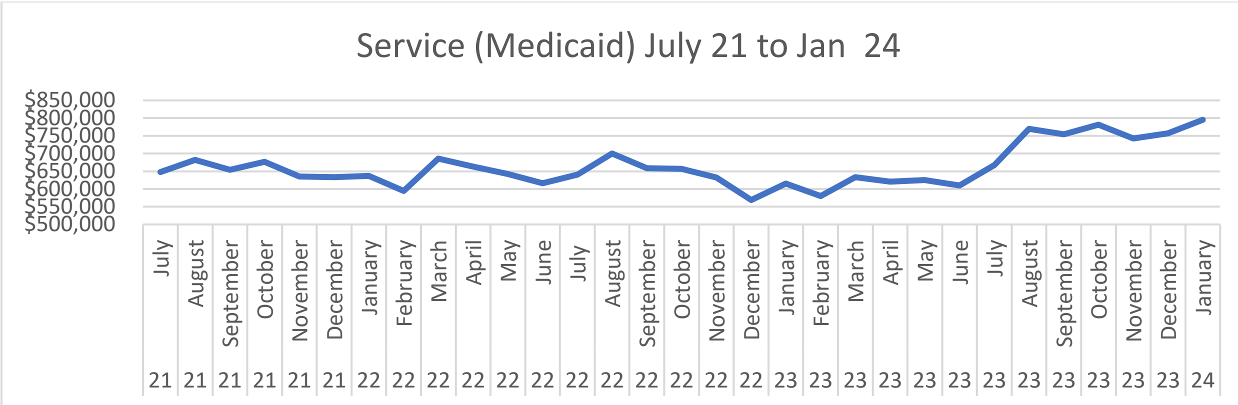
The Arc has been working through how to be sustainable in the changing landscape of IDD services. Given the population and current client base, the agency determined with the assistance of Agnew Beck Consulting that there was unlikely a sustainable way forward with the Medicaid rates paid by the state with the current client mix. It was recommended that The Arc Expand its services into behavioral health services provided in the 1115 waiver project. The Arc received grant money from The Trust to open an Adult Mental Health Residential Program. The Arc Staffed up for three openings. Delays in Municipal, Licensing, enrollment, and other regulatory hurdles significantly delayed the opening of the program. As of the 7th of February, the program is up and running with 13 beds and is expected to bring in $2.5M in revenue annually.

We are also working in conjunction with ASD and DVR in a partnership to provide special needs students with work experience. This program begins March 18th and is expected to produce $175K Net revenue and serve an additional 80 beneficiaries annually to start.

The agency has reached out directly SDS to provide acuity payments for two of our individuals that we believe qualify. In addition, in the last six months, we have had a push to seek out people who are able to live in our group homes without major additional staffing. We have added 2 in the past 6 months.

The Arc Has Made program investments that are beginning to show an increase in revenue.





Scenario One:

Continue the path with no acuity and no repayable grant secured by ERC.

March 15

Send 45-day notices to all individuals and staff that the agency will be closing on April 30. After that, a skeleton staff of 5 to 10 will stay on to complete the dissolution.

The following number of individuals ACTIVE would no longer get the services that they need.

Habilitate Services

- Group Home 31 (8 high needs/medically fragile)
- Supported living/ In-home supports 21 (11 live in Arc-owned Properties)
- Hourly Respite 10
- Daily respite 10
- Nursing case management 4
- Employment services 20 (110 ASD Students)
- Family Hab Children 2
- Individual Day Habilitation 56
- Group Day Habilitation 82

Re-Habilitative Services

- CRSS 35
- Case Management 35
- Med Management 15
- Psychotherapy 30
- AMHR 15 beds on a 90 or 180 day rotation.

Scenario Two:

Continue the path with no acuity and repayable grant secured by ERC.

The following number of individuals ACTIVE would no longer get the services that they need.

- Group Home 5 high needs/medically fragile

Additional individuals served.

- 80 in ASD Employment project
- 9 additional AMHR beds

March 1:

Send 30-day notices to medically fragile homes.

- CHW **2** Medically Fragile Residents
- Old Harbor **3** Medically Fragile residents
- Begin the Process to move OHA & CHW to AMHR

March 18

- Begin ASD/ DVR project 80 Additional beneficiaries/ year

June 1:

- Begin AMHR in Old Harbor

July 15

- Begin AMHR at CHW

This takes us to a loss of around $12K per month from a loss in December of $210 K

From July to December, receive the ERC Monies to repay $1M to MHTA. The second $1M will go to savings and fire systems upgrades to group homes.

See Below Forecast for Scenario Two

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
REVENUES								
Billable Revenue + Contra								
Medicaid	748,557	785,978	824,873	885,618	843,586	888,000	937,721	977,956
Private Insurance	-	-	-	-	-	-	-	-
Self-Pay	-	-	-	-	-	-	-	-
Sub-total Billable Revenue	**748,557**	**785,978**	**824,873**	**885,618**	**843,586**	**888,000**	**937,721**	**977,956**
Medicaid Contra (Denials/Paybacks)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(3,999)
Sub-total Rev + Contra	**744,557**	**781,978**	**820,873**	**881,618**	**839,586**	**884,000**	**933,721**	**973,957**
Grants								
State Grants - Operating	21,219	21,219	21,219	21,219	21,219	21,219	21,219	21,220
Other Grants	-	-	-	-	-	-	-	-
Sub-total Grants	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,220**
Fees for Service								
Rental Income	28,383	28,383	28,383	28,383	28,383	28,383	28,383	28,383
Program Fees	6,752	6,752	6,752	6,752	6,752	6,752	6,752	6,752
Other Fees for Service	10,170	10,170	10,170	10,170	30,170	30,170	50,670	50,670
Sub-total Fee for Service	**45,306**	**45,306**	**45,306**	**45,306**	**65,306**	**65,306**	**85,806**	**85,806**
Other Revenue								
Non-operating revenues	597	597	597	597	597	597	597	7,169
Pick-Up Service	25,711	25,711	25,711	25,711	25,711	25,711	25,711	25,711
Contributions	5,195	5,195	5,195	5,195	5,195	5,195	5,195	5,195
Other Revenue	16,175	16,175	16,175	16,175	16,175	16,175	16,175	16,175
Sub-total Other Revenue	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**54,250**
Total Revenues	**858,759**	**896,181**	**935,075**	**995,820**	**973,789**	**1,018,203**	**1,088,423**	**1,135,233**
EXPENSES								
Personnel & Benefits								
Regular Time	624,355	631,360	624,947	633,973	620,500	633,973	647,910	683,110
Overtime	67,074	67,760	66,536	68,712	66,774	68,712	68,153	68,153
tax and benefits	126,968	128,021	127,164	128,619	126,618	128,619	128,576	128,576
Accrued Leave Adjustment	80,179	81,616	81,131	81,938	80,047	81,938	82,843	82,843
Sub-total Personnel + Benefits	**898,577**	**908,756**	**899,779**	**913,241**	**893,939**	**913,241**	**927,481**	**962,681**
Travel								
Sub-total Travel	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**
Facilities								
Sub-total Facilities	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**
Client + Other Supplies								
Sub-total Client + Other Supplies	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**
Equipment + Renovations								
Sub-total Equipment + Renovations	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**
Other Program Services, Pick-up Services								
Family Habilitation/Respite Stipends	-	-	-	-	-	-	-	
Therapeutic Foster Care Stipend	5,993	5,993	5,606	5,993	5,993	5,993	5,993	5,993
Human Resources	17,972	18,175	17,996	18,265	17,879	18,265	18,550	19,254
IT Consulting and Software	21,729	21,729	21,729	21,729	21,729	21,729	21,729	21,729
Professional Services	18,000	18,000	18,000	18,000	25,000	18,000	18,000	18,000
Other Services + CORE	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Purchases from Partners/Pick-up Service	272	272	272	272	272	272	272	272
Sub-total Other Program + Pick-up Services	**85,965**	**86,169**	**85,603**	**86,259**	**92,873**	**86,259**	**86,543**	**87,247**
Total Expenses	**1,081,734**	**1,092,117**	**1,082,573**	**1,096,692**	**1,084,004**	**1,096,692**	**1,111,217**	**1,147,121**
NET REVENUE	**(222,975)**	**(195,937)**	**(147,498)**	**(100,872)**	**(110,215)**	**(78,489)**	**(22,793)**	**(11,888)**

Scenario Three:

Continue the path with two approved acuity and repayable grant secured by ERC.

No individuals will be displaced.

Additional individuals served.

- 80 in ASD Employment project
- 4 Additional AMHR beds

March 1

- Continue to work on trade for location for additional AMHR

March 18

- Begin ASD DVR project 80 Additional beneficiaries/ year

April 1

- Confirm AMHR location

June 15

Open additional AMHR

July 1

This takes us to a break-even per month from a loss in December of $210 K

From July to December, receive the ERC Monies to repay $1M to MHTA. The second $1M will go to savings and fire systems upgrades to group homes.

See Below Forecast for Scenario Three

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
REVENUES								
Billable Revenue + Contra								
Medicaid	748,557	785,978	824,873	910,566	867,730	912,949	981,233	1,059,189
Private Insurance	-	-	-	-	-	-	-	-
Self-Pay	-	-	-	-	-	-	-	-
Sub-total Billable Revenue	**748,557**	**785,978**	**824,873**	**910,566**	**867,730**	**912,949**	**981,233**	**1,059,189**
Medicaid Contra (Denials/Paybacks)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(3,999)
Sub-total Rev + Contra	**744,557**	**781,978**	**820,873**	**906,566**	**863,730**	**908,949**	**977,233**	**1,055,190**
Grants								
State Grants - Operating	21,219	21,219	21,219	21,219	21,219	21,219	21,219	21,220
Other Grants	-	-	-	-	-	-	-	-
Sub-total Grants	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,219**	**21,220**
Fees for Service								
Rental Income	28,383	28,383	28,383	28,383	28,383	28,383	28,383	28,383
Program Fees	6,752	6,752	6,752	6,752	6,752	6,752	6,752	6,752
Other Fees for Service	10,170	10,170	10,170	10,170	30,170	30,170	50,670	50,670
Sub-total Fee for Service	**45,306**	**45,306**	**45,306**	**45,306**	**65,306**	**65,306**	**85,806**	**85,806**
Other Revenue								
Non-operating revenues	597	597	597	597	597	597	597	597
Pick-Up Service	25,711	25,711	25,711	25,711	25,711	25,711	25,711	25,711
Contributions	5,195	5,195	5,195	5,195	5,195	5,195	5,195	5,195
Other Revenue	16,175	16,175	16,175	16,175	16,175	16,175	16,175	16,175
Sub-total Other Revenue	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**	**47,678**
Total Revenues	**858,759**	**896,181**	**935,075**	**1,020,769**	**997,933**	**1,043,152**	**1,131,935**	**1,209,893**
EXPENSES								
Personnel & Benefits								
Regular Time	624,355	631,360	624,947	639,553	625,900	639,553	678,000	732,560
Overtime	67,074	67,760	66,536	69,939	67,962	69,939	73,400	73,400
tax and benefits	126,968	128,021	127,164	129,640	127,606	129,640	133,100	133,100
Accrued Leave Adjustment	80,179	81,616	81,131	82,691	80,776	82,691	86,536	86,536
Sub-total Personnel + Benefits	**898,577**	**908,756**	**899,779**	**921,823**	**902,244**	**921,823**	**971,035**	**1,025,595**
Travel								
Sub-total Travel	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**	**10,111**
Facilities								
Sub-total Facilities	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**	**61,931**
Client + Other Supplies								
Sub-total Client + Other Supplies	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**	**15,983**
Equipment + Renovations								
Sub-total Equipment + Renovations	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**	**9,167**
Other Program Services, Pick-up Services								
Family Habilitation/Respite Stipends	-	-	-	-	-	-	-	1
Therapeutic Foster Care Stipend	5,993	5,993	5,606	5,993	5,993	5,993	5,993	5,993
Human Resources	17,972	18,175	17,996	18,436	18,045	18,436	19,421	19,421
IT Consulting and Software	21,729	21,729	21,729	21,729	21,729	21,729	21,729	21,729
Professional Services	18,000	18,000	18,000	18,000	25,000	18,000	18,000	18,000
Other Services + CORE	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Purchases from Partners/Pick-up Service	272	272	272	272	272	272	272	272
Sub-total Other Program + Pick-up Services	**85,965**	**86,169**	**85,603**	**86,430**	**93,039**	**86,430**	**87,415**	**87,416**
Total Expenses	**1,081,734**	**1,092,117**	**1,082,573**	**1,105,446**	**1,092,475**	**1,105,446**	**1,155,642**	**1,210,203**
NET REVENUE	**(222,975)**	**(195,937)**	**(147,498)**	**(84,677)**	**(94,542)**	**(62,294)**	**(23,706)**	**(309)**

Adult Mental Health Residential Business Modeling: Key Findings Memo

Prepared for Alaska Behavioral Health, March 2021

Key Findings

Program Demand

Demand for Adult Mental Health Residential service was calculated using available local and national data. Details can be found below and in the modeling tool. Based on the percentage of individuals with mental illness who receive care in specific settings, it is estimated that annual demand for Adult Mental Health Residential care is as follows:

- Anchorage: 271 annual admissions
- Fairbanks: 91 annual admissions

The number of beds needed to meet this demand is calculated by multiplying the number of clients, times the average length of stay and applying an occupancy factor. Average length of stay and occupancy factors can be adjusted in the modeling tool and will affect the total number of beds needed to meet annual admission demand. With an average length of stay of 90 days for Level 1 clients and 180 days for Level 2 clients, and an occupancy factor of 83%, the number of beds needed for Adult Mental Health Residential is:

- Anchorage: 105 beds
- Fairbanks: 35 beds

The Anchorage modeling tool is built to show Alaska Behavioral Health capturing 54 beds, or 52% of the total bed demand for Anchorage. Modeling for 54 beds ensures that the 45 current Alaska Behavioral Health clients eligible for this service have a treatment slot, with additional room for growth.

The Fairbanks modeling tool is built to show Alaska Behavioral Health capturing 32 beds, or 91% of the total bed demand for Fairbanks as additional providers considering this service have not been identified. Provider level demand also considers the scale needed to ensure program financial viability.

Anchorage

Revenue and Expenses

At 83% occupancy and a 70-30 split between Level 1 and Level 2 clients, the four facilities operate sustainably with a net income of $1,241,772. This assumes revenue is 90% Medicaid, 5% Medicare or commercial insurance, and 5% non-resourced.

With the modeled parameters identified above the three 16-bed facilities operate sustainably, with a net income of $431,356 each. At 8 beds, the Juneau Drive facility operates with a net loss of $52,297.

Fairbanks

Revenue and Expenses

At 83% occupancy and a 70-30 split between Level 1 and Level 2 clients, the two proposed Fairbanks facilities operate with a net loss of $144,082. Two 16-bed facilities operate with a net loss of $72,041 each. This assumes revenue is 90% Medicaid, 5% Medicare or commercial insurance and 5% non-resourced.

Business Model Overview

Calculating Prevalence and Program Demand

Demand for Adult Mental Health Residential, a new service in Alaska, was calculated using three steps and sources of data:

(1) The percentage of individuals 18+ experiencing any mental illness in the past year was applied to the community population. (Modeling Tool Reference: 1. Prevalence, Rows 7 and 8)
(2) Second, the percentage of individuals with a mental illness or SUD who received treatment in Alaska, was applied to the total number of individuals 18+ experiencing a mental illness. An escalator of 6% was added to account for increased service availability under the 1115 Wavier. (Modeling Tool Reference: 1. Prevalence, Rows 13 and 14)
(3) Finally, national data was used to identify the number of those with a mental illness who received treatment who received residential care. (Modeling Tool Reference: 1. Prevalence, Rows 16-18).

Of those with a mental illness who receive treatment in a given year, 7% receive treatment in a facility-based setting (inpatient or residential) and of those 7 percent, an estimated 24% receive residential care (Modeling Tool Reference: 1. Prevalence, Row 18). It is this number that drives demand for service throughout the modeling tool.

Assumptions

Revenue

Revenue assumptions are as follows:

- Payer source is 90% Medicaid, with 10% other payer source or non-resourced, as applied to client days. The model is capable of escalating overall revenue from other payers by taking a percentage of Medicaid revenue to integrate private pay and other public payer sources. The percentage is currently set at a 5% escalator for other payers, leaving 5% non-resourced.
- Medicaid rates used in the model are those established in the Alaska Behavioral Health Providers Services Standards and Administrative Procedures for Behavioral Health Provider Services at $601.61/day for Adult Mental Health Residential, Level 1 and $480.26/day for Adult Mental Health Residential, Level 2.
- There is a 5% reduction in revenue, for purposes of billing contingency

Cost

Cost assumptions are as follows:

- 25% indirect applied to non-personnel and personnel expenses to cover administrative and some capital expenses (Modeling Tool Reference: 4. RevExp, Cell B24)
- 25% benefit load; includes holiday pay (Modeling Tool Reference: A-2 Staffing Cost, Cell C24)
- FTEs escalated by 40% to account for 24/7 scheduling for positions that require 24/7 staffing - Floor Staff only in current modeling. (Modeling Tool Reference: A-1 Staffing Levels, Cell G23)

- Staffing costs increased by 10% to account for coverage for five weeks paid time off (Modeling Tool Reference: 4. RevExp, Cell B23)
- Compensation premium of 10% applied to night shift staff (Modeling Tool Reference: A-2 Staffing Cost, Cell C22)
- Compensation based on salaries and incentives provided in Alaska Behavioral Health pro forma
- Facility costs for both contracted and owned facilities are included, based on costs provided by Alaska Behavioral Health.
- Capital costs for renovation of any newly leased or purchased facilities are not included
- Modeling assumes stabilized revenues/costs, roughly year 4 after startup; specific startup costs are not included.

Staffing

Staffing patterns were modeled after those provided in the pro forma provided by Alaska Behavioral Health and generally follow the following parameters:

- Management: All management positions are shared across facilities and are day shift only positions
- Treatment Team: All positions except for floor staff have the ability to share FTEs across facilities
    - RN/MA: 1 position per 15 beds, day shift only
    - Master's Level Clinician: 1 position per 10 beds, day shift only
    - Clinical Associate: 1 position per 10 beds, day shift only
    - Floor Staff: 1 position per 6 beds, 24/7
- Maintenance: Not required for contracted facilities; .25 FTE per facility for facilities owned and operated by Alaska Behavioral Health

To account for additional staffing costs that may be required to staff full time equivalent positions, a cost escalator was added. This was done to account for the limitations in hiring a 0.60 employee, as an example. The calculation for this escalator can be found in the modeling tool: A-1 Staffing Levels, Columns AA and AB. This is then reflected on tab 4. RevExp, Cell C20 and divided out across the number of facilities.

Differences between Models

- It is not assumed that Alaska Behavioral Health will partner with an Assisted Living Facility in Fairbanks. While this option is included as part of the modeling tool, no beds are assigned to this facility as part of the baseline model.
- A 15% cost escalator was added to several variables for the Fairbanks programs:
    - Staffing (Modeling Tool Reference: A-3 Salary Schedule, Column D)
    - Contract Costs (Modeling Tool Reference: A-4 Non-Personnel Exp, Cell C20) Note: Not used in model.
- Facility cost was estimated for Fairbanks, since true cost is unknown (Modeling Tool Reference: A-4 Non-Personnel Exp)
- The facility size and staffing assumptions for the Anchorage-facilities are more clearly identified. As such, the staffing model built out on tab A-1 Staffing Levels is all hard-coded and will require manual changes to each cell if changes to facility size are made. Because the facility size for the Fairbanks facilities is not as well defined, Treatment Team staff positions (RN/MA, Clinician, Clinical Associate, Floor Staff) are ratio-based to allow for ease of adjustment in level of staffing for these positions, based on the number of beds.

Business Analysis and Opportunity Assessment

Final Report | February 27, 2020

Prepared for The Arc of Anchorage by Agnew::Beck Consulting, Inc.

Report amended October 2020
See amended summary report for modifications.

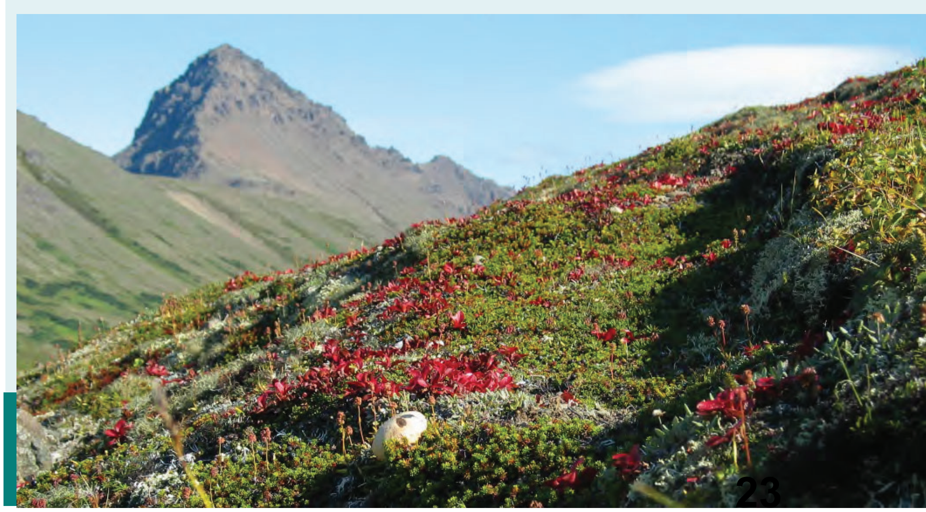
www.agnewbeck.com | 645 G Street, Suite 200 | Anchorage, Alaska 99501 | 907.222.5424

Amendment

Business Analysis and Opportunity Assessment

October 2020 Amendment to the Final Report prepared February 28, 2020

Prepared for The Arc of Anchorage by Agnew::Beck Consulting, Inc.



Financial Model Amendment

From July – October 2020, Agnew::Beck Consulting (Agnew::Beck) worked closely with The Arc of Anchorage's (Arc) Director of Finance to revise the financial model finalized at the beginning of the year. The revision was spurred by the following factors:

1. A calculation error in the original model resulted in a significant reduction in the projected annual net revenue.
2. Process improvements in data management and tracking allowed for the gathering of information that was previously not available.
3. The Covid-19 pandemic altered service operations at The Arc.
4. The Arc chose to focus on maximizing service opportunities and increasing staff billability before increasing program size or adding new services.

The resulting projections cover fiscal year 2021 through fiscal year 2023.

Amended Methodology

Combining information from the model finalized in January 2020 with updates that reflect actuals through June 2021, the revised model provides a month-to-month estimated revenue based on 1) optimized staff billability, and 2) increased utilization of services among current clients. The model uses the stabilized monthly revenue estimates from March to June 2021 to project annual net revenue for the following two fiscal years (Figure 1). The revised model does not show positive net income over that period, however, it does provides a baseline from which Arc leadership can assess the viability of additional changes in any or all of the following areas: service utilization, staff billability, staff compensation and benefits, scheduling improvements, and cost of living adjustments.

Figure 1: Baseline Net Revenue Projections, FY21-23

Baseline Net Revenue Projections The Arc of Anchorage	FY 21	FY 22	FY 23
REVENUES			
Sub-total Billable Revenue	9,583,414	10,158,426	10,158,426
Sub-total Grants	264,186	200,838	153,327
Sub-total Fee for Service	612,524	624,345	628,030
Sub-total Other Revenue	997,865	1,009,284	1,021,274
Total Revenues	11,457,989	11,992,893	11,961,057
EXPENSES			
Sub-total Personnel + Benefits	10,153,087	11,059,936	11,378,861
Sub-total Travel	107,893	111,129	114,463
Sub-total Facilities	613,443	631,846	650,802
Sub-total Client + Other Supplies	218,407	224,960	231,708
Sub-total Equipment + Renovations	139,732	143,924	148,242
Sub-total Other Program + Pick-up Services	1,105,602	1,137,326	1,170,002
Total Expenses	12,338,164	13,309,121	13,694,078
NET REVENUE	(880,175)	(1,316,228)	(1,733,021)

Agnew::Beck and The Arc's Finance Officer identified several options for growth and modeled the fiscal impact of implementing a set of options that the agency could adopt to optimize its service array. This is one of many scenarios that The Arc can evaluate using this interactive financial model to guide its journey toward sustainability.

Optimizing Services

As seen in Figure 1, the net revenue realized from the optimizing staff billability and increasing service utilization alone is not enough to achieve positive net income within the first two fiscal years. To achieve sustainability, The Arc must optimize its service offerings.

Agnew::Beck and The Arc's Finance Officer developed and tested a set of changes within the Community Living Services (CLS) and Behavioral Health Services (BHS) departments which each have strong growth potential. Although changes are modeled for FY 22 and 23 only, the organization should begin implementing these changes in FY21. These changes are described below, and the results of the modeling are included in Figure 2.

Behavioral Health Services

Changes modeled for BHS include:

1. BHS could increase services by serving more clients and/or increasing the client utilization of recommended services. Behavioral health service billing rates for the 1115 Behavioral Health (BH) Waiver Services are higher than those for the Intellectual and Developmental Disabilities (IDD) Waiver but use similar direct staff-to-client ratios.
2. BHS could begin serving adults with acute mental health disorders whose health is at risk while living in the community by opening 10 bed spaces in the currently unused Lionheart and Camelot duplexes. We have modeled these services for the 1115 BH Waiver service called Adult Mental Health Residential (AMHR) Level 2 home. This has been a service previously provided by The Arc.
3. BHS could expand services described in #2 by working with CLS to transition current CLS group home clients in one home to empty rooms in other homes and transitioning the home for use as an AMHR Level 2 home.

Community Living Services

Changes modeled for CLS include:

1. CLS could increase supported living revenue and day habilitation revenue by further increasing service utilization by current and future clients and increasing the number of clients served.
2. CLS could create efficiencies in group home staffing by increasing the use of live-in staff and reducing the use of support staff when possible.
3. CLS could maximize the number of clients in each group living home. These homes can only be sustained by fully using all available bed space, with some vacancy due to transitioning clients. If client acuity requires fewer per home, The Arc needs to find ways to subsidize the loss of revenue. Operating these homes at a loss to The Arc relieves the funder from paying the actual cost of care.

4. The modeling assumes that one of the group homes would transition to house BH clients as described earlier. This would realize a moderate savings from the cost of running this home.

Figure 2: Potential options for increasing net revenue

Potential options for increasing NET revenue	**Increase of modeled change to Arc's net revenue**		
	FY 21	**FY 22**	**FY 23**
Baseline Net Revenue	(880,175)	(1,316,228)	(1,733,021)
Community Living Services			
1. 10% (FY22) + 20% (FY23) increase for supported living and day habilitation revenue (increase utilization or client count)	-	**58,581**	**108,532**
2. Create efficiencies in group home staffing by increasing live-in staff and reducing use of support staff. - Move staffing factor* from 11 to 10 in FY 22 - Move staffing factor* from 10 to 9 in FY 23 **3.** Increase group home services by 20% in FY22 + 30% in FY23 by increasing client count.	-	**478,666**	**950,330**
4. Staff (estimated by Ian at $120,000) and facility savings from transferring one home to BHS (estimated from average FY19). relocate clients to empty rooms in other homes.	-	**143,844**	**143,844**
Behavioral Health Services			
1. 20% (FY22) + 30% (FY23) increase for BHS revenue	-	**124,866**	**183,943**
2. Add new BHS Adult Mental Health Residential Homes - open Lionheart A + B for 6 clients in FY22 - open Camelot A + B for 4 clients in FY23 NOTE: Figures include estimated revenue and costs.	-	**507,430**	**933,421**
3. Open another BHS home by consolidating DD clients from an active group home. Assuming 3 bedrooms. NOTE: Figures include estimated revenue and costs.	-	**184,175**	**184,175**
Adjusted Net Revenue	**(880,175)**	**181,335**	**771,224**

* The staffing factor calculates staff hours from revenue; it is related to the average hours worked per unit per day

Other Options to Consider

As previously noted, this is a sampling of options that the Arc can model to determine the right path to sustainability. Other options to consider include:

1. Open the 2210 Arca apartment as an AMHR Level 1 Home or for Crisis Residential and Stabilization Services, provided through Alaska's behavioral health 1115 waiver services.
2. Increase client counts or find staffing efficiencies for both Community Programs (CP) and Supported Employment Services (SES).
3. Increase service utilization in CP.
4. Increase the use of group habilitation services when offering non-residential services.

5. Increase SES contractual services with the Department of Labor and the Department of Education.
6. Limit annual salary increases. This model currently reflects 3% annual increases for all program staff. No salary increase is modeled for management, administrative or other non-program staff.
7. All Medicaid revenue is based on FY21 rates. It is possible the rates may increase between 1% and 3% annually. Last year, BH rates increased by an average of 2.4%. As Figure 3 shows, the adjusted net revenue with the modeled changes will bring The Arc to fiscal sustainability. Because increases in Medicaid billing revenue cannot be guaranteed, increased costs related to annual cost of living and salary adjustments are not adequately offset.

Figure 3: Adjusted net revenue projections

Adjusted Net Revenue Projections **REVENUES**	**FY 21**	**FY 22**	**FY 23**
Sub-total Billable Revenue	**9,583,414**	**11,302,295**	**11,963,408**
Sub-total Grants	**264,186**	**200,838**	**153,327**
Sub-total Fee for Service	**612,524**	**624,345**	**628,030**
Sub-total Other Revenue	**997,865**	**1,009,284**	**1,021,274**
Subtotal AMHR	**-**	**691,605**	**1,117,596**
Total Revenues	**11,457,989**	**13,828,367**	**14,883,635**
EXPENSES			
Sub-total Personnel + Benefits	**10,153,087**	**11,541,691**	**11,941,038**
Sub-total Travel	**107,893**	**111,129**	**114,463**
Sub-total Facilities	**613,443**	**631,846**	**650,802**
Sub-total Client + Other Supplies	**218,407**	**224,960**	**231,708**
Sub-total Equipment + Renovations	**139,732**	**143,924**	**148,242**
Sub-total Other Program + Pick-up Services	**1,105,602**	**1,137,326**	**1,170,002**
CLS savings by moving home to BHS		**(143,844)**	**(143,844)**
Total Expenses	**12,338,164**	**13,647,033**	**14,112,411**
		-	
ADJUSTED NET REVENUE	**(880,175)**	**181,334**	**771,224**
All Non-Program	**(2,094,628)**	**(2,161,267)**	**(2,189,713)**
Behavioral Health Services	**358,229**	**1,114,769**	**1,521,853**
Community Living Services	**469,791**	**924,592**	**1,213,219**
Community Programs	**258,868**	**168,480**	**114,400**
Support Employment Services	**127,564**	**134,761**	**111,464**

Recommendations and Opportunities

The detailed recommendations identified in the original report should still be considered and addressed, adjusting for timeline and target changes related to revisions in the financial modeling. Focus should be on the following:

1. Meet with program directors to identify the adjustments that could be made to department programming to increase net revenue. Ensure that timelines and targets are identified and monitored.

2. Continue to monitor staff billability with department heads with the goal of maximizing billability as quickly as possible.
3. Continue to monitor and increase service utilization for current clients.
4. Continue to refine program and staff monitoring tools and develop a tool for monitoring behavioral health service authorizations.
5. Continue to create efficiencies in staff scheduling.
6. Review progress reports and data regularly at department and leadership meetings.

There are no changes to the opportunities identified in the original report.

Contents

Project Purpose and Process

Overview

The Arc of Anchorage (The Arc) is one of nearly 1,000 affiliates of The Arc of the United States which provides services to children and adults experiencing intellectual disabilities, developmental disabilities or mental illness. The Arc provides a variety of services such as supported employment; community programs including the Clubhouse, Recreation Center/Sparc: A Creative Place, and the Community Enrichment Quality of Life (CE/QL) Program; behavioral health services; and, community living services including nursing. The Arc has experienced recent financial losses that stem from a variety of factors including eligibility restrictions for Alaska's Intellectual and Developmental Disabilities Waiver programs, decreases in state-funded grants, the emergence of conflict-free care coordination, and a decrease in Alaska's direct care workforce.

The Arc's Board of Directors have been working closely with staff leadership to identify strategies that improve the fiscal strength of the organization and provide positive client outcomes. The Arc contracted with Agnew::Beck Consulting, Inc. (Agnew::Beck) in September 2019 to help identify options for reaching financial sustainability. The Arc's foundation has been providing resources to offset financial losses to date; however, continued draw on these funds is not sustainable.

Agnew::Beck agreed to work with The Arc as follows to determine how to make its current lines of service sustainable.

- Analyze service delivery, operations and financial strengths and challenges;
- Identify current and potential opportunities and threats to fiscal solvency; and,
- Develop a projection tool for The Arc to use in future program and financial planning.

This summary report details The Arc's current position, outlines the process used by Agnew::Beck, and provides key findings and recommendations for the organization.

Project Background

Methodology

Agnew::Beck Consulting, Inc. (Agnew::Beck) created a financial projection model for The Arc of Anchorage (The Arc) based on information gathered from document reviews and interviews. Featuring an interactive component enabling The Arc to adjust a wide variety of key assumptions related to the provision of services, the model is intended to be used as a predictive tool to guide financial planning and program development over the next few years.

After an initial meeting with The Arc's Board of Directors and key leadership staff/contractors to confirm the focus of the financial modeling and refine the processes to be used, Agnew::Beck began to collect information by (1) reviewing existing documentation related to clients and programming, human resources, financial management and operations; and, (2) interviewing administrators and department directors.

Document Review and Interviews

The analysis included a review of the following documents:

- ***Clients + Programming* |** Client counts and service utilization; program descriptions; consumer surveys; utilization reports
- ***Human Resources* |** FY2019 and FY2020 personnel data for active and terminated staff; staff vacancy report; data related to compensation and benefits
- ***Financial Management* |** Financial statements with department details; financial audits; rental rates; sliding fee scales; Board of Director financial committee reports; property review; documents related to deficit reduction; documents related to Office of Inspector General (OIG) annual compliance and Independent Review Organization (IRO) review;
- ***General Operations* |** Organizational chart; strategic plans; organizational fact sheet; Settlement and Corporate Integrity Agreements; accreditation quality improvement plan; Board of Director information

To initiate the business planning process, Agnew::Beck facilitated a kickoff meeting in September 2019 with The Arc's Board of Directors and key administrative and department staff. During the kickoff meeting, Agnew::Beck facilitated a board and staff review of project purpose, schedule and anticipated outcomes. Agnew::Beck also facilitated an exercise to elicit board and staff input on organizational strengths (S), weaknesses (W), opportunities (O) and threats (T) to financial sustainability.

Also beginning in September of 2019, Agnew::Beck conducted over 22 formal interviews and numerous informal interviews of The Arc staff and contractors. Initial interviews were conducted to learn more about internal processes and to understand the assumptions that shape The Arc's operations. Follow-up interviews were conducted after the baseline model was created to identify adjustments that could be made to foundational assumptions to optimize revenue and reduce inefficiencies. Staff in the following positions participated in one or more of these interviews: Chief Executive Officer, Chief Operating Officer, Finances Officer, Finance Consultant, Human Resource Consultant, Corporate Compliance Officer, Quality Assurance

Officer, Executive Assistant, and the Directors of Behavioral Health Services, Community Living Services, Community Programs, and Supported Employment Services.

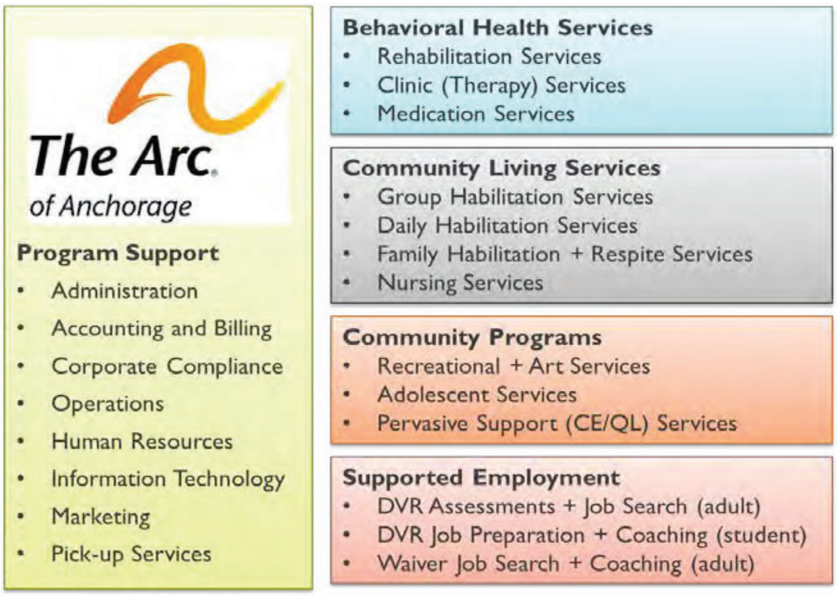
Interviews were also conducted with eight Board Directors. The resulting themes from board and staff interviews, as well as a review of organizational documents, were synthesized into a SWOT analysis and were shared and presented in a PowerPoint presentation to the board and key staff at the October and November 2019 check-ins. SWOT results have also been integrated into the narrative of this summary report. At the November check-in, the Agnew::Beck team also presented the preliminary findings and framework for the financial model. Themes from board interviews are summarized in Appendix A and as part of the attached presentation slides from the October and November check-ins.

On January 17, 2020, Agnew::Beck met with department heads and administrative leadership to review and discuss the draft financial model, and to confirm assumptions and preliminary findings in preparation of presenting the refined model and recommendations to The Arc Board of Directors on January 31, 2020 (see attached slides). On February 21, 2020, select Board Directors met with the Agnew::Beck project manager to share comments, questions and concerns regarding the model and recommendations. The Agnew::Beck considered board input in the development of this final report.

Baseline and Projection Modeling

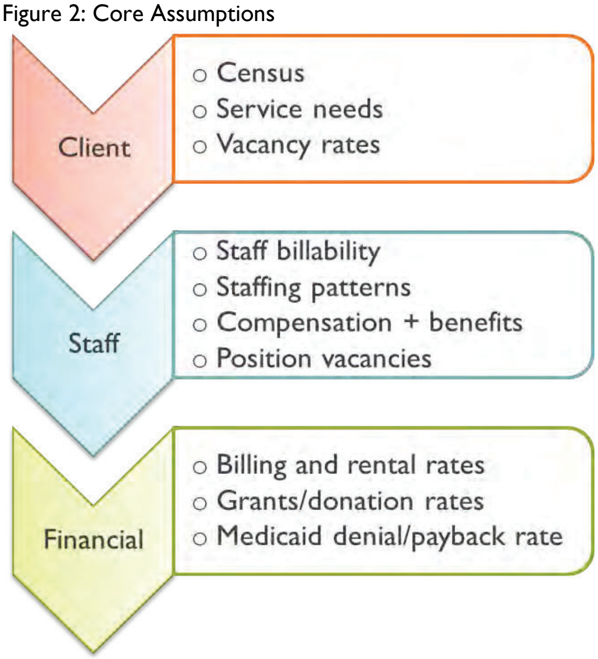
Following the first round of interviews, Agnew::Beck built a baseline financial model. FY2019 financials were consolidated into five key areas: Behavioral Health Services, Community Living Services, Community Programs, Supported Employment and Program Support (see Figure 1). Agnew::Beck staff worked with department directors to model the status quo of each department and to understand program processes, staffing, service gaps and barriers to improvement.

Figure 1: Department Consolidation for Modeling



The model was constructed with the understanding that potential changes in key variables would impact the organization's bottom line. These assumptions were formulated into the model to allow for as needed adjustments when considering possible scenarios. Figure 2 identifies these assumptions. After applying 15% personnel reductions in program support from FY2019, Agnew::Beck staff worked with executive leadership and department directors to identify realistic targets for each variable.

Figure 2: Core Assumptions



Recommendations and Opportunities

Financial model findings and recommendations were presented to The Arc's Board of Directors, Chief Executive Officer and Finance Officer on January 31, 2020. This final report was prepared, and the Interactive Projection Model was transferred to the Financial Officer to further analyze the impact of any additional changes to the set of core assumptions.

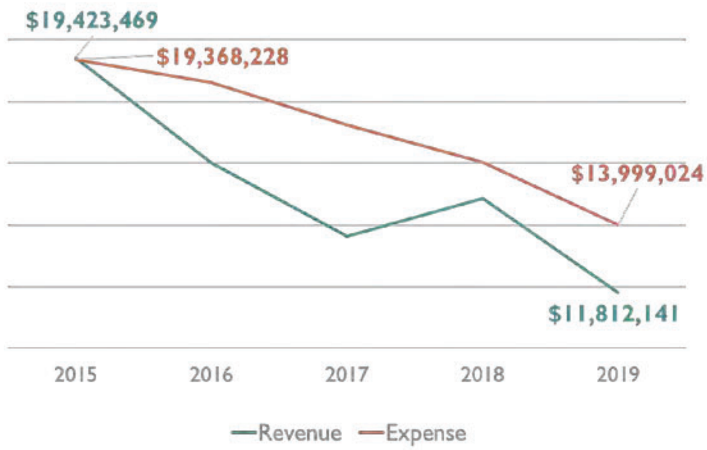
Analysis of Current Position

Current Financial Position

Revenue and Expenses Since 2015

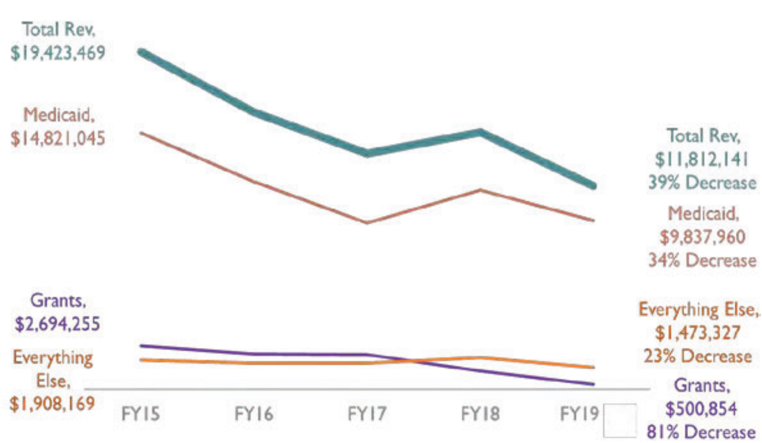
The Arc of Anchorage experienced a 39% decrease in revenues between FY2015 to FY2019 (average of 10% per year), from $19.4 million in FY2015 to $11.8 million in FY2019. Expenses decreased 28% during the same period (average of 7% per year), from $19.4 million in FY2015 to $14 million in FY2019.

Figure 3: The Arc of Anchorage Revenue and Expenses (FY2015-FY2019)



The 10% average annual revenue decrease was caused by an 81% decrease in State of Alaska grant revenue, a 34% decrease in Medicaid revenue, and a 23% decrease in all other revenue (contributions, pick-up services, rental income, espresso shop, interest revenue, and other miscellaneous revenue sources).

Figure 4:The Arc of Anchorage Revenue (FY2015-FY2019)



The 7% average annual expense decrease included a 28% decrease in salaries and benefits and a 26% decrease in all other expenses (supplies, facility expense, equipment/repairs, travel and professional contracts).

Figure 5: The Arc of Anchorage Expenses (FY2015-FY2019)

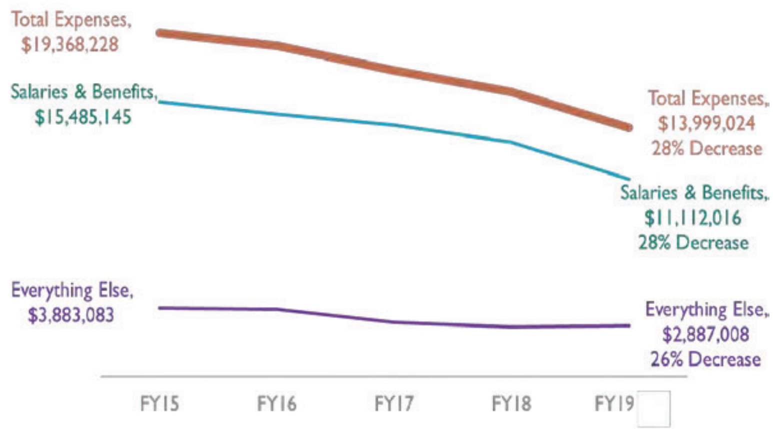
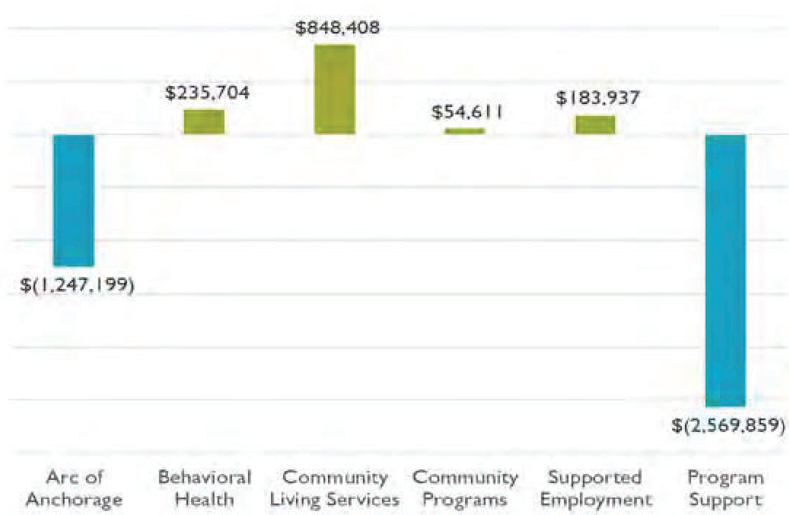


Figure 6 shows The Arc's FY2019 net income; this figure does not include depreciation or funds allocated from The Arc's foundation. It also does not reflect the allocation of shared expenses from program support to Behavioral Health Services (BHS), Community Living Services (CLS), Community Programs (CP), Supported Employment Services (SES), the four direct service programs. These programs operate in the black with shared expenses not allocated. CLS has the highest net revenue with the bulk of billed services related to group home services and individual daily habilitation services.

Figure 6: The Arc of Anchorage FY2019 Net Income



External Factors Influencing Revenue

In 3 ½ years, The Arc went from a $19.4 million organization operating in the black to an $11.8 million organization operating in the red. The 39% decrease in revenue was largely due to changes at the State of Alaska which significantly impacted primary revenue generating programs; changes included:

- Conflict-free case management and the loss of care coordination services which resulted in fewer referrals to Medicaid waiver services;
- Elimination of developmental disability grants;
- Reduction in Division of Behavioral Health grants; and,
- Senior and Disabilities Services capping the number of people enrolled on a Medicaid waiver and reducing the number of service hours available per client.

In addition to State of Alaska changes, there was also increased competition as services reduced. The new service model for conflict-free case management provided consumers a wider array of service providers from which to engage services.

The CLS group homes are one of the main revenue-producing services for The Arc; however, The Arc recently began closing some of the homes to adjust for two key factors: (1) The new service caps reduced the number of new clients eligible for these services and referrals decreased. (2) Across Alaska, a major shortage in line-level direct care providers resulted in fewer applicants for vacant staff positions. The Arc was unable to fill positions required to staff all its homes, so they consolidated residents and closed homes.

Internal Factors Influencing Revenue

During the same period, 2015 to 2019, The Arc was the focus of a Medicaid fraud investigation, stemming from its billing protocols and recent regulatory changes. The substantiation of the charges led to an organization-wide revision to its billing protocols, standardizing of how notes were written, and increasing the level of organizational oversight. This resulted in an increase in administrative personnel costs and a decrease in the number of billable services.

Staff vacancies have created problems for all the direct care programs. The Arc's wages are at the low end of the wage range for similar positions across southcentral Alaska. As such, hiring and retaining staff has been extremely problematic for the organization. Without adequate staffing, the organization is unable to meet the billable service needs of existing clients. Additionally, the lack of staffing inversely increases the amount of overtime hours required to provide existing services.

New staff must engage in a high level of on-the-job training to understand the unique nature of clients served, the service models being used, and the highly individualized programming required for most clients. Learning how to provide services that align with treatment plans, and then how to document these services correctly so that billing can be submitted to Medicaid, takes time that is often not available in organizations with high turnover and low retention rates.

Finally, during this period of major change, The Arc has experienced a relatively new Board of Directors, Chief Executive Office and Finance Officer, a reduced marketing department, and a vacant Human Resource Manager position, which has contributed to a slower response to addressing critical issues.

Key Findings

Achieving Sustainability by FY2021

The financial scenarios presented in Table 1 will bring The Arc to a point of sustainability by the end of FY2021. Sustainability is dependent on the aggressive increase of several key factors: client census, staffing numbers and billability. By conducting several sensitivity tests to the developed financial model, the team learned the number of clients receiving the full complement of recommended services was the key factor driving organizational sustainability. A minor increase in client census during FY2020 and a 13% increase during FY2021 results in sustainability, with a 6% annual increase thereafter. Increasing billability and decreasing missed services due to lack of staffing in FY2020 has a positive impact but is not enough to offset losses due to the need to immediately increase direct care staff wages.

As noted earlier, these numbers do not allocate program support expenses to each department or cost center (a consolidation or grouping of programs and/or services). Per the Finance Officer, the current allocation formula needs to be reviewed and possibly adjusted to more accurately reflect department-specific allocations. That said, at the request of the Board of Directors, Agnew::Beck completed a simple allocation of program support costs to revenue-generating departments by identifying the proportion of revenue each department generated and then allocating that same proportion of program support costs to that department (Table 2). This is a simple method and should be reviewed and discussed by staff leadership to determine accuracy.

Table 1: The Arc of Anchorage, Sustainability by FY2021

FY23 Revenue + Expenses	Behavioral Health Services	Community Living Services	Community Programs	Supported Employment Services	All Programs
REVENUES					
Billable Revenue	2,118,450	10,964,620	3,180,999	1,243,382	17,507,451
Other Revenue	30,199	534,796	131,298	211,378	907,671
Total Revenues	**2,148,649**	**11,499,416**	**3,312,297**	**1,454,760**	**18,415,122**
EXPENSES					
Personnel & Benefits	1,296,021	9,093,671	2,434,666	1,251,162	14,075,520
Other Expenses	48,093	560,229	226,720	15,400	850,442
Total Expenses	**1,344,114**	**9,653,900**	**2,661,385**	**1,266,562**	**14,925,961**
FY23 NET REVENUE	**804,536**	**1,845,516**	**650,912**	**188,198**	**3,489,161**
with program support allocation	**504,505**	**239,774**	**188,393**	**-14,940**	**917,732**
FY22 NET REVENUE	**652,311**	**1,779,927**	**664,903**	**166,331**	**3,263,473**
with program support allocation	**404,214**	**195,420**	**217,032**	**-24,467**	**792,199**
FY21 NET REVENUE	**486,466**	**1,366,574**	**594,738**	**188,387**	**2,636,165**
with program support allocation	**265,851**	**-339,434**	**148,396**	**2,018**	**76,831**
FY20 NET REVENUE	**389,414**	**390,912**	**249,685**	**138,703**	**1,168,713**
with program support allocation	**169,004**	**-1,183,101**	**-192,955**	**-28,156**	**-1,235,208**
FY19 NET REVENUE	**235,704**	**848,408**	**54,611**	**183,937**	**1,322,660**
with program support allocation	**-17,576**	**-910,434**	**-314,478**	**-4,711**	**-1,247,199**

Table 2: Allocation of Program Support

	FY 19	FY 20	FY 21	FY 22	FY 23
Behavioral Health					
% of Program Revenue	10%	9%	9%	10%	12%
Allocation of Program Support	($253,280)	($220,410)	($220,614)	($248,097)	($300,031)
Community Living Services					
% of Program Revenue	68%	65%	67%	64%	62%
Allocation of Program Support	($1,758,842)	($1,574,013)	($1,706,008)	($1,584,507)	($1,605,742)
Community Programs					
% of Program Revenue	14%	18%	17%	18%	18%
Allocation of Program Support	($369,089)	($442,639)	($446,342)	($447,870)	($462,519)
Supported Employment					
% of Program Revenue	7%	7%	7%	8%	8%
Allocation of Program Support	($188,648)	($166,859)	($186,369)	($190,798)	($203,138)

Billable versus Non-billable Services

Because the State of Alaska has eliminated the grant funds that service providers previously used to support service provision, and now expects service providers to bill Medicaid and Medicaid waivers for services, The Arc needs to look at its programs to determine the optimal set of services that prioritize and maximize each department's potential billability. Coincidentally, The Arc should ensure that staff are trained to identify and manage billable opportunities. Although this workforce "culture shift" can be challenging to implement with staff accustomed to the *status quo*, increasing client census without adjusting the ratio of billable to non-billable services will not improve sustainability.

This shift should be implemented immediately and monitored by department and executive leadership. The Arc needs to develop processes to accurately assess staff billability. FY2019 baseline and projections for financial modeling in Table 3 were based on total staff hours and total services billed. Note: billability is not estimated for those services billed by the day (group home services) or by larger time periods (Project Search, Summer Work).

Table 3: Baseline and Projections for Increasing Billable Services at The Arc of Anchorage

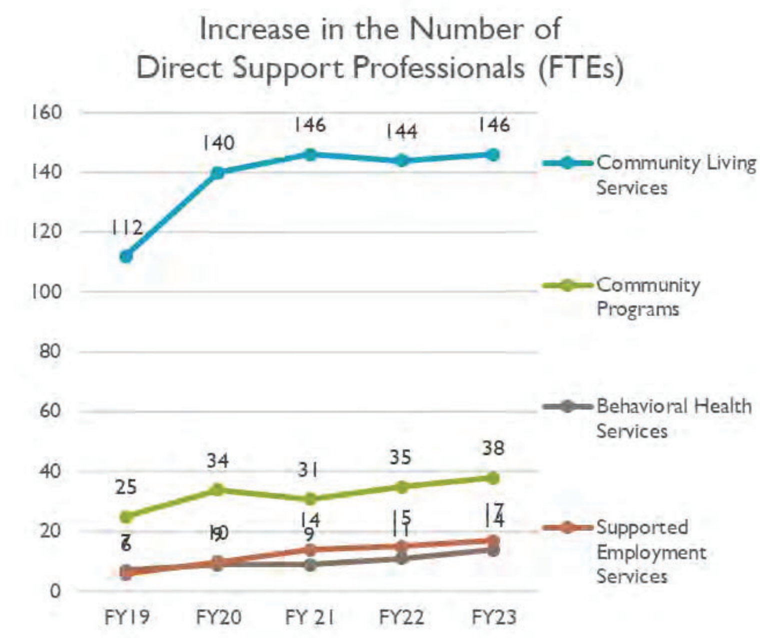
Staff Billability: Baseline + Projections		Baseline	FY20	FY21	FY22	FY23
Direct Support Professionals	Behavioral Health Services	48%	55%	65%	70%	70%
	Community Living Services	37%	50%	65%	70%	70%
	Community Programs	49%	60%	75%	75%	75%
	Supported Employment Services	88%	88%	88%	88%	88%
Clinicians	Behavioral Health Services	13%	45%	55%	55%	55%
Case Managers	Behavioral Health Services	7%	45%	50%	50%	50%

Address Client Service Needs

By FY2019, challenges with hiring and retaining staff resulted in a reduced workforce. As the workforce shrunk, the service needs for existing clients could not be fully met. Many clients addressed unmet needs by engaging services from other Anchorage-based agencies. In order to provide the amount of service projected to be needed, The Arc should immediately begin to increase staffing, especially for Community Living Services shown through this analysis to be the most understaffed.

Figure 7 is an estimate of the number of Direct Support Professional Full-Time Equivalent staff (FTEs) needed to address the service needs of both current and future clients. These numbers are based on the estimated average amount of services per client and the projected staff billability rate. Department directors need to have a better sense of the average amount of services needed for their clients to better estimate additional staff needed to serve an increased census. The financial model projections estimating the average amount of services used per week are based on utilization records and each director's estimates.

Figure 7: Increased Direct Support Professionals

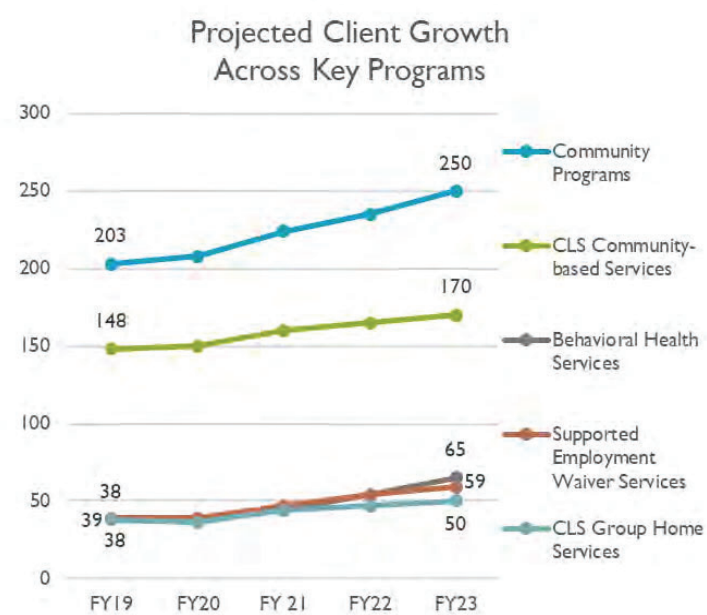


Client Numbers

As stated earlier, sustainability is directly related to increasing the number of clients served. Although the financial model projects a modest increase in clients, increased services are possible across all programs if adequate staffing is available. For most of the departments, increasing census will begin during FY2021. Supported Employment Services can begin increasing census in FY2020 because it is already maximizing billable services per client. In order to ensure job placements, however, the department should hire a Job Development Specialist to begin building a portfolio of potential jobs.

On average, client census is projected to increase 30% by FY2023. Figure 8 reflects estimated census increases for key programs. Community Living Services is broken into its group home services and community-based services. Even though they serve fewer clients than Community Living Services or Community Programs, Behavioral Health Services and Support Employment Services reflect a higher rate of growth than the other programs.

Figure 8: Projected Client Growth Across Key Programs



Because most of The Arc's revenue is currently generated from the Medicaid Waiver which caps the number of eligible clients across the state, the organization will need to step beyond general marketing and outreach and focus attention on building census. This study recommends that The Arc hire a Client Engagement or Referral Specialist to attract new participants to the program. This position would:

- Develop referral relationships with care coordinators and care coordination agencies as well as with hospitals, institutions, and providers serving families, those experiencing homelessness, and those dually diagnosed with substance use disorders or mental health issues; and,
- Explore other revenue generating resources such as third-party insurance or partnerships with referral sources.

Open Beds in Group and Supported Living Homes

The number of clients in each group home is impacted by the client mix. Matching personalities and unique client needs may reduce the potential number of clients in each home. Since each home is staffed for 100% capacity, The Arc should fill the homes whenever possible. At the start of this financial modeling, the homes were 73% filled. This, combined with vacancies that occur with client transitions, set the annual baseline vacancy rate at 37%. To become sustainable, the program needs to reduce this rate (modeled at 16% in FY2023) by increasing the pool of clients who could potentially fill open beds, allowing for better matching among clients. Additionally, the pool of homes was reduced by four during FY2019. These homes need to be brought back into the mix of group homes with The Arc providing group habilitation services for each resident.

The Arc has four supported living units that house residents with developmental and/or behavioral health needs. With a total capacity of 13 rooms across these homes, the units are only 38% occupied. Like the group homes, client matching is a factor in this low occupancy. Three of the four homes have one resident paying rent; the fourth home has 2 residents paying rent. Although the rent received by these residents is only a small portion of the organization's overall revenue, The Arc is currently subsidizing these services for specific clients. There may be other ways to use these rooms through developing partnerships with organizations who are seeking housing for their clients.

Staff Vacancies

To bring staffing to the recommended levels for FY2020, The Arc will need to (1) increase The Arc's base salaries for its key direct service positions; and, (2) refocus its recruitment activities to include partnerships with educational systems and work training programs. The Arc's FY2019 pay for direct support professionals falls about 21% below the average salary of similar workers across southcentral Alaska[1]. Similarly, case managers fall about 15% below the average, and clinicians about 4%. In order to attract and retain quality staff, The Arc needs to offer a competitive wage.

The financial model presents a scenario that increases both the direct support professionals and the case managers to slightly over the weighted mean for Southcentral Alaska. Because of a severe shortage of behavioral health clinicians, however, the pay was projected at 35% over the weighted mean. In the model, these pay increases are allocated over a two-year period. The Arc should determine the actual rates of increase it can manage and implement these increases to both recruit new staff and retain current staff. In addition to these initial increases, The Arc should plan to maintain regular cost of living or performance-based increases. Note: Modeling did not include an analysis of how these raises should be allocated. It only provides for 3% per year across all positions, beginning in FY2020.

Staffing Patterns and Schedules

In FY2019, less than 40% of the staff at The Arc are full time, and most of the part-time staff are direct service professionals, supported employment specialists, or live-in life coaches. During FY2019, 48% of the part-time workers terminated employment while only 23% of the full-time workers terminated employment. This high rate of turnover is not only costly in terms of onboarding new staff, it has a negative impact on employee morale and productivity. This analysis did not identify The Arc's cost to hire replacement workers, nor did it model the indirect costs of turnover such as missed opportunities to generate revenue, knowledge lost, or training costs. The Arc would benefit from setting a goal of increasing staff retention and tracking indicators to determine progress. Ongoing analysis of why staff leave will help focus areas for improvement and increase retention of staff in direct service positions. The use of exit interviews or surveys can be a valuable tool in this analysis.

As mentioned in relation to client service needs, scheduling staff and clients has been challenging. Now that The Arc has an electronic scheduling system, staff schedules will become less variable. Directors may find

[1] 2018 Salary & Benefits Report, The Foraker Group, Anchorage, Alaska, December 2018, pp. 25-27.

more opportunity for consolidating part-time positions into full-time positions. The Arc also needs to explore staffing patterns in group homes and using live-in staff more frequently. Perhaps clients with a need for night awake staff could be housed together, allowing more homes to function with only a live-in staff member sleeping through the night.

Because direct service staff are frequently shared across departments, The Arc will benefit from an efficient method of tracking staff hours across departments if it continues the practice of cross-department staffing. It is possible this report can be generated from the payroll software; however, The Arc may need to request the construction of such a report from the vendor. Similarly, live-in staff often work as direct support professionals, but again, the hours identified in the existing report could not be broken down across departments and positions.

Shifting Organizational Culture

Shifting the internal culture of The Arc to one that embraces the attitudes, beliefs and actions needed to realize this change is key to successfully developing a sustainable organization where all staff are focused on providing the full array of necessary services to clients and to serving more clients in the community who will benefit from Arc services and supports. The Arc must develop a culture that is deeply mission-driven; one in which every staff person seeks to extend services and supports to reach clients who may be hard to find and hard to serve. This can be a revitalization refining of the mission and a refocusing on sharing The Arc's staff skills and facilities with more people who need them and doing that in a sustainable way.

Summary: Recommendations + Opportunities

The following recommendations are based on a scenario that maintains current programming, moderately increases client census, and ensures services are fully staffed. Further opportunities to facilitate implementation are also identified. The Board of Directors and The Arc leadership team need to assess each of these recommendations, using the interactive financial model to adjust assumptions as needed. The team should prioritize its final recommendations and develop action plans with strong timelines and oversight for each one. We recommend that both the Board of Directors, leadership and department directors participate in the prioritization and high-level action planning activities to ensure comprehensive input and buy-in. Finally, the team should monitor the implementation of these plans, adjusting them as needed to ensure interim targets are met.

Recommendations

Client-focused Recommendations

Increase billable services and decrease services that are not billable

- In FY2020, increase the amount of billable services provided and documented and reduce the provision of services that are not billable.
- Review current billable and non-billable services provided in each department and determine the optimal set of services that prioritize and maximize potential billability.
- Train and discuss billability with staff to ensure everyone understands the services that can be billed and know how to document these services.
- Develop a tool for monitoring individual and department goals.

Increase the number of clients served and maximize the hours of service for each client

- In FY2021, begin increasing census beyond current client numbers for Community Living Services, Community Programs, and Behavioral Health Services.
- In FY2020, hire a Job Developer for Supported Employment Services to identify potential job opportunities in the community.
- Develop a system to track the service needs of your clients to obtain a solid estimate of staffing needs. This will ensure The Arch have the staffing needed for projected growth.
- In FY2020 and FY2021, with increased staffing and potential jobs in place, begin increasing census beyond current client capacity for Supported Employment Services.
- Explore opportunities for improving the matching process of clients in Community Living Services group and supported living homes to maximize the use of potentially available rooms. Also explore opportunities to maximize the use of live-in staff without using night awake support.

Staff-focused Recommendations

Increase number of direct service staff

- In FY2020 and FY2021, review and adjust direct service wages to match or exceed the FY2018 median wages for southcentral Alaska.
- Refocus recruitment activities using the Human Resource Specialist; include partnerships with educational systems and work training programs.
- In FY2020, hire staff needed to address the service needs of current clients.
- Beginning in FY2021, hire and retain the staff needed to manage census increases.

Create and implement efficient staff schedules

- Continue implementation of the new staff scheduling software.
- Increase opportunities for full-time employment through creative scheduling.
- If sharing staff across departments continues to be a viable practice, develop a report that will track staff hours across the departments and programs. This will be helpful to accurately identify program staffing needs and staff billability rates.
- Explore opportunities to reduce the non-reimbursed staffing costs of the two medical group homes.

Increase staff retention

- Improve onboarding, training and engagement of newly hired staff.
- The scenario modeled provides for regular cost of living increases; determine appropriate wage rate increases based on staff performance and longevity.
- Develop processes to better understand reasons for staff termination using exit surveys or interviews.

Organization-wide Recommendations

Monitor the implementation of identified program changes

- Ensure that systems are in place to monitor implementation progress.
- Review progress reports and data regularly at department and leadership meetings.
- Dedicate board agenda time for regular progress reports on implemented changes.
- Collaboratively address any challenges and celebrate successes.

Allocation of shared expenses

- Review current system for allocating expenses, identifying and implementing any needed changes. This report provides a simple example method for allocating program support expenses across revenue generating departments and related programs, but the appropriate method should be discussed and decided on by The Arc leadership.

Opportunities

The Arc has a wealth of internal and external opportunities to develop supports and partnerships to help meet its goals for sustainability. This section provides a description of some promising opportunities for The Arc to review and explore.

Internal

Staff

- The newly hired **Human Resource Specialist** provides necessary expertise and an opportunity to step up efforts to recruit and retain quality staff to support the growth projections recommended by this study. As a human services organization, the people of The Arc, its staff, board members, volunteers and peers, are the product your business is selling. In order to provide quality services and achieve efficiency and effectiveness targets, The Arc needs to recruit, cultivate and retain excellent workers. Increasing the wages for Direct Service Professionals, who provide the crucial services in-person to The Arc's clients, facilitating efficient work with the scheduling app, moving more people into full-time employment, and finding ways to acknowledge and value their work, will draw excellent people to The Arc and help to retain and grow their skills and value.
- Recruiting and hiring a **Client Engagement or Referral Specialist** will re-position The Arc as a key provider serving people in our community with complex needs. The Arc has a very important skill set and capacity understanding how to work with people who have Intellectual and Developmental Disabilities and/or behavioral health issues. The Arc understands that with the appropriate daily supports provided by caring partners, people with complex needs can and do live fulfilling and healthy lives in their communities of choice. In the past, prior to the state and federal changes that precipitated The Arc's decline in revenues and client census, The Arc did not need to market its services beyond some very dependable channels. Now, the landscape has changed with competition increased on all fronts, as detailed in this report; this requires The Arc to take a new approach to reaching out to community partners, forging new and different partnerships, and identifying clients who will benefit from The Arc's programs and services. With Medicaid expansion, as described below, more people have a payer source with which to purchase health services, particularly behavioral health services, and this new position can ensure that The Arc is a go-to partner for clients and providers seeking quality services.
- With the consolidation of some key staff leadership positions, one person is now filling the functions of the Operations Manager and the Finance Officer. While this consolidation is prudent in order to contain program support costs, it is very important for The Arc to support this new dual-position and ensure the support and retention of this key position. As The Arc uses the financial modeling tool to refine the targets identified through this study, considering a support position to the combined Operations Manager and Finance Officer, and for the executive team as a whole, may be necessary and should be strongly considered.

Board

- Initiating, driving and taking ownership in this business analysis has provided The Arc Board of Directors the opportunity to learn more about the organization's programs and services and unique niche in the Anchorage provide community, and to also engage with administrative and department leadership. It has resulted in a useful tool that staff leaders can use to set appropriate targets and monitor progress towards those targets. The resulting department/programmatic dashboards offer a clear and concise mechanism for providing updates to the board, and to staff, if desired, to ensure that all levels of the organization are working as a close team towards sustainability. This **team-approach** is critical for The Arc to adjust its culture, as described above, and to provide the positive, collaborative effort to meet interim targets and achieve the ultimate goals of sustainability. Many factors must come together to achieve this transformation, and this will only occur with close teamwork between staff leaders, board members, staff and The Arc's clients and supporters. The Arc must advocate to address the external factors that are impacting its sustainability and strengthen and support its internal structures and team members who are critical to achieving sustainability.

- The Arc's Board of Directors has many new members who have not been fully oriented to understand The Arc's business environment, its role and services. Additionally, many board members are new to the role of board member of a non-profit organization and many are not very familiar with the health and human services sector. To build the capacity of the Board of Directors to help board members play a strong and supportive role as The Arc works towards sustainability, the following training and capacity building topics should be covered. These can occur during normal board meetings, or as part of special work sessions. The important element is to ensure the trainings are high quality and provide ample time for board members to discuss and apply learnings to the current and future situation of The Arc:
    - Organizational orientation: provide a clear and comprehensive board member orientation to all new board members, and on an annual basis to all board members. Ensure all board documents are accessible and up to date through a web-based document library.
    - Board training topics:
        - Board member role and responsibilities
        - Implementation of board best practices
    - Increase diversity of the board to provide a broader range of expertise. Areas to consider include background in human resources, health and human services, consumer and/or family advocate, fundraising and development. The composition of a board of directors should reflect the diversity of the broader community; intentionally identifying and recruiting directors from a wide range of racial, cultural, age, gender, and other identities will strengthen The Arc's position in the community and widen the networks from which it can pull support.

External

- Because The Arc is a very experienced organization with a deep skill set in critical services that are needed in our community, there are many external supports that can help transition to sustainability. The Alaska Mental Health Trust Authority's ("Trust") beneficiary groups include Alaskans experiencing mental illness, developmental disabilities, chronic alcohol or drug addiction, Alzheimer's disease and related dementia, and traumatic brain injuries; The Arc serves Trust beneficiaries through its programs. Maintaining an open and ongoing relationship with Trust program officers is critical. Some of the possible supports that the Trust could offer The Arc include:

    - Grant funding to support transition time to sustainability;
    - Technical assistance to support the staff and board with implementation;
    - Advocacy on critical changes to state and federal requirements that affect The Arc;
    - Participating in innovative pilot projects, particularly that focus on Direct Service Professional workforce development.

- Develop new partnerships with health care organizations that are currently focused on addressing behavioral health and other complex care needs of their patients and clients. Some of the Anchorage-based organizations that could provide referrals and potentially other forms of partnerships with The Arc include:
    - Providence Health + Services Alaska, particularly the social work team at Providence Medical Center and the discharge planners who are often seeking appropriate discharge from the acute care units; also, Providence Extended Care skilled nursing facility that may also be seeking appropriate discharge for patients.
    - Catholic Social Services, particularly the medical respite program at Brother Francis Shelter, and the shelter in general who often identify clients with complex needs who also require housing; additionally, the Refugee Assistance & Immigration Services (RAIS) program may provide a source of entry-level workforce.[2]
    - Southcentral Foundation's behavioral health program in their Primary Care clinic, and Child and Family Developmental Services.[3] This program is composed of an interdisciplinary team which will include developmental-behavior pediatric providers, speech and language therapists, occupational therapists, physical therapists, board certified behavior analysists, and behavior health providers. This team seeks to collaborate in providing a wide range of supportive care to children and families with developmental and behavioral needs.
    - Optum Alaska, the new Administrative Services Organization serving Alaska's Medicaid program for behavioral health services, is a key partner for identifying appropriate referrals to The Arc. Staff leadership should be exploring the new requirements and developing relationships with Optum as they build a provider network in Alaska.[4]
    - Alaska VA Healthcare System supports veterans in Alaska. The VA Supportive Housing program serves veterans experiencing homelessness, often aggravated by experiencing a disability and/or behavioral health issue. This program could offer client referrals to The Arc or be interested in partnerships to serve veterans in need.[5]
- Re-invigorate relationships with navigation, case management and care coordination entities:
    - The All Alaska Pediatric Partnership launched Help Me Grow as a statewide resource to families with concerns about child development. The Arc should ensure it is included as a

[2] https://www.cssalaska.org/our-programs/refugee-assistance-immigration-services/

[3] https://www.southcentralfoundation.com/services/cfds/

[4] https://alaska.optum.com/content/ops-alaska/alaska/en/providers.html

[5] https://www.alaska.va.gov/

resource and develop an ongoing referral relationship with Help Me Grow care coordinators.[6]

    - Aging and Disabilities Resource Centers statewide provide a No Wrong Door approach to connecting elders and people with disabilities with appropriate services. The Anchorage ADRC is operated by the Municipality of Anchorage,[7] and the Mat-Su ADRC is operated by LINKS.[8] Both of these organizations are key referral sources for The Arc and must be engaged to identify new clients.
    - Care Coordinators are the critical link between people experiencing disabilities and services. The Arc must develop relationships with care coordinators to ensure appropriate referrals. With the federal requirement of conflict-free case management, care coordinators are more often independent providers than associated with an agency. The Alaska Care Coordination Network provides a connection to a large group of care coordinators. The Arc should join the Facebook group and become engaged with this entity to connect with care coordinators around Alaska.[9]
- Connect with high school, vocational education, and higher education programs to develop a workforce pipeline for The Arc. Anchorage has several potential partners for The Arc to offer specialized training or other support to develop appropriate workers. The Arc could potentially become a training site for front-line workforce.
    - King Tech High School in Anchorage offers certificate programs that would feed into The Arc's workforce.[10]
    - Lower Yukon School District recently launched the Kusilvak Academy in Anchorage focused on Career and Technical Education opportunities for its students, including entry into health care careers.[11]
    - UAA Social Work Program offers a range of degree options, many of which require practicum learning. This could be a good opportunity for The Arc to identify clinical staff and to offer on-site learning.

---

[6] https://helpmegrowak.org/providers/

[7] https://www.muni.org/departments/health/PHIP/ADRC/pages/default.aspx

[8] http://linksprc.org/

[9] https://www.facebook.com/groups/383087491737742/

[10] https://ak02207157.schoolwires.net/Page/8243

[11] https://lysd.org/kusilvak-academy/

Appendix A: Key Themes from Board Member Interviews

Overarching

- New board members, most joined since May 2019.
- Minimal board member orientation and training.
- Most would like to learn more and better understand The Arc's organizational mission and services; there is a strong desire to better inform roles and abilities to better lead/serve the organization.
- Some feedback indicates the need for better information about The Arc's operations and finances.

Organizational Development

- Need for clearer metrics and financial reporting.
- Perception that staff are over capacity and basic functions are not being covered.
- Need clearer wage/salary structure for staff.
- Some lack of clarity with mission statement.
- Different perceptions about board vs. staff roles.
- Concern about pursuing new lines of business: timing and mission alignment.
- Opportunities for improved efficiencies through better use of technology.
- Perception of unnecessary overhead: manual, staff-heavy processes; meeting-heavy; management by consensus.

Market/Community Need

- Competition has increased.
- Need to identify The Arc's unique niche.

Board Development

- Need for board capacity building:
    - Organizational orientation
    - Board training opportunities
    - Clarity of roles, expectations
    - Implementation of best board practices
- Some differences in perceptions within board, and between board and staff – opportunity for improved, more consistent, standardized communication and teambuilding.

Staff Development

- Staff evaluations are not happening or not timely.
- Some misalignment of staff skills with roles.
- Perception of uneven staff workloads and need for increased staff expertise in some areas.
- Desire to better support leadership/increased confidence that translates to clear recommendations.
- High turnover as well as many staff cuts. (Loss of institutional and historical knowledge; high turnover lowers staff morale even more.)
- Direct Support Professionals recruitment is perceived as hard, but existing tools may not be getting maximized.

Finance and Leveraging

- Salaries are perceived as high when compared to revenue
- Need to continue maximizing potential of Direct Support Professionals.
- Cost saving efforts to date are perceived as having small impact.
- Need to stay current on billing to help with cash flow.
- Available revenues should determine level of service.
- Openness to partnerships, even potentially a merger, if alternative is closing doors.

The Arc of Anchorage

Business Analysis + Opportunity Assessment Project

Status Check-In Meeting

October 16, 2019 – REVISED

Engage Plan Implement AGNEW ::BECK

Project Purpose – Review

GOALS

- **Improve The Arc of Anchorage's sustainability** to ensure services and advocacy will continue long into the future.

HOW

- Conduct an analysis of **current operations and financial position**.
- Identify **improvement strategies and opportunities** for Board of Directors and leadership.
- Develop a **process and tool (model)** the Board and leadership can to determine strategies to achieve **financial sustainability and positive outcomes** for **your clients and their families**.

Project Purpose – Review

Identify

- Key service delivery and **fiscal/resource management strengths and challenges** within The Arc.
- Current and potential **opportunities** for:
  - **program development**
  - **process and policy modifications**
  - **staffing changes**
  - **fiscal resources**
- Internal and external **threats to fiscal solvency**

Produce

- **financial models for up to three scenarios for reaching financial sustainability**.
- A **tool the board and staff** can use to **strategically plan for future changes**.

Project Timeline – Review

The Arc of Anchorage Business Analysis and Opportunity Assessment				
Schedule of Project Tasks **September 1, 2019 - December 31, 2019**	**Sept 2019**	**Oct 2019**	**Nov 2019**	**Dec 2019**
TASK 1. Project Management + Initial Kick-Off Meeting	●			
TASK 2: Current Operations Analysis		■	■	
TASK 3. Identify Current + Future Opportunities		■	■	
TASK 4. Board + Leadership Meetings		●	●	
TASK 5. Financial Model Development			■	■
TASK 6. Summary Report			■	■

● = meeting or workshop (in person) ■ = product or deliverable

Work-to-Date

- **Interviews**
  - Completed: CEO, COO (2), Compliance Officer, Finance Officer (2), Quality Assurance Officer, Acting HR Director, Executive Assistant
  - Planned: 3^{rd} interview with COO and 2^{nd} interview with CEO
- **Data Collection/Review** – going well; have and continuing to receive client, program and financial data.

SWOT – Strengths

- **Longevity** – We've been here for 62 years!
- **Self advocacy**
- Breadth of **services** offered on and offsite
- **Person-centered** services; individual comes first
- Identified/shared **mission, vision, core values**
- **Desire/commitment to improve** – identified and addressing internal challenges/processes
- Long-term, **loyal client base** – individuals and families

SWOT – Strengths

- **Long-term, talented staff**, joyful employees
- Building **cohesive teams**
- **Positive organizational culture**
- Amazing **homes**
- Own our property – **zero debt**, **potential revenue generators**, **space** for other services/needs
- Create and encourage **new partnerships**
- **Resourceful**

SWOT – Weaknesses

- **Financial/funding challenges**
  - Medicaid investigation
  - Reduction in service delivery: amounts of authorized service, rates, and number of waiver recipients
  - Vacancies in homes
- **Staffing challenges**
  - Scheduling challenges
  - Lack of succession planning
  - Recruiting and hiring enough DSPs
  - No wage increases in last three years
- **Internal communication**, especially in light of high paced external changes and pressures

SWOT – Weaknesses – REVISED

- **Fragmented business systems** – too many and separate; in some cases, no documentation
- **Unsustainable infrastructure** – aged equipment, technology, vehicles

SWOT – Opportunities

- Name **recognition**
- **Expanded and diversified funding**
  - Medicaid Section 1115 Waiver – paves the way for more behavioral health treatment options for Alaskans
  - More ISA funding
  - Private pay
  - Legacy gifts
  - Homes – use in a different way
- **Partnerships** with other agencies and groups
  - Mergers, acquisitions
  - Peer-to-peer fundraising
- Broadening services to **meet gaps/market demand** – example: combined DD/BH services

SWOT – Threats

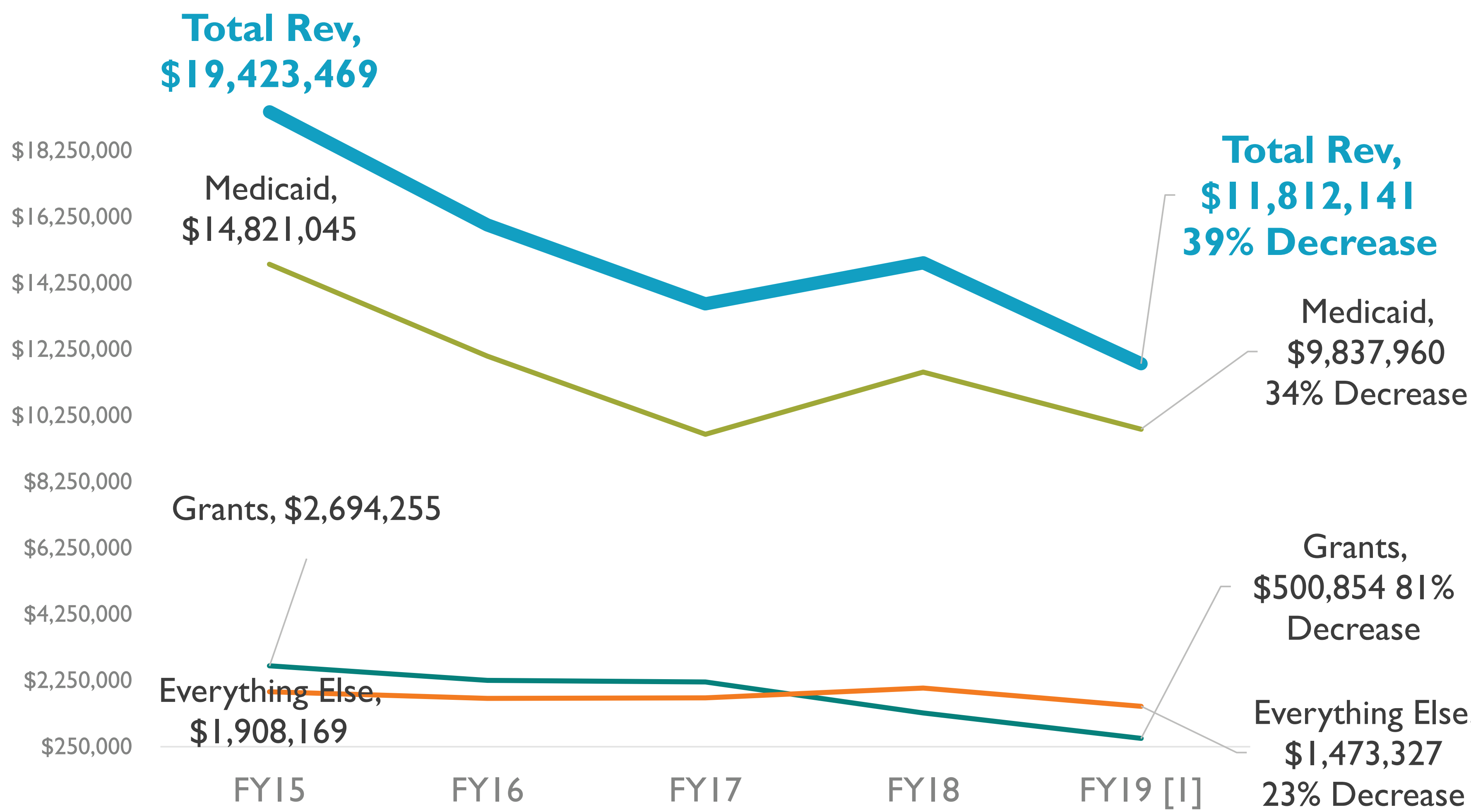
- **Public perception** of Medicaid investigation and potential for another investigation
- **Political, economic and social uncertainty**
  - Leadership changes at State of Alaska
  - Medicaid and other cuts, caps on services and waivers, rate changes, grant loss
  - Decreased population and unclear picture of community need
  - Job requirements and regulatory changes across the board
- **Workforce shortage/crisis** and **employee fatigue**
- **Cost of living** and **cost of care**
  - Healthcare costs for employees

SWOT – Threats

- **Sister agencies and competitors vying for same small pool of DSPs** especially in family habilitation
- **Crime**
    - Malicious entities/cyber attacks
- **Climate and environmental challenges**

39% Decrease in Revenues Since FY15 – REVISED

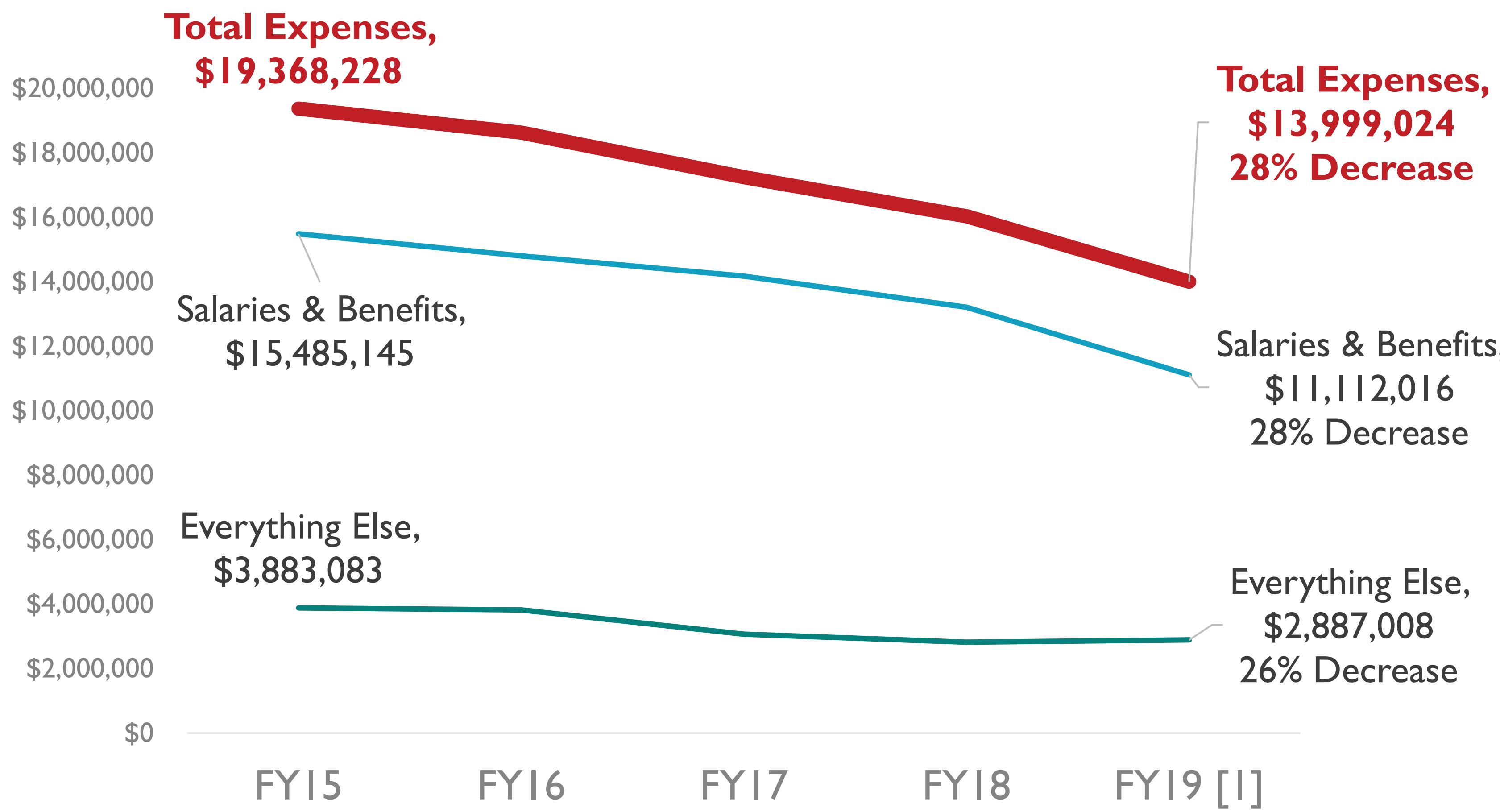
10% decreases in revenues per year on average



Everything else includes contributions, pick-up services, rental income, espresso shop, interest revenue, other fees for service. FY19 is unaudited.

28% Decrease in Expenses Since FY15 – REVISED

7% decreases in expenses per year on average



Everything else includes supplies, facility expense, equipment and repairs, travel and contractual. All expense categories have decreased. FY19 is unaudited.

Emerging Headlines – Finances

Why the decreases in revenue? Potential combination of reasons:

- **Conflict-free case management** rules – loss of care coordination service and fewer referrals to waiver services provided by Arc
- Elimination of **DD grants**, reduction in **BH grants**
- Fraud investigation led to a **reputation challenge** in the community and **reduced referrals**
- **SDS capped** number of **waivers**
- **SDS has reduced** number of **service hours**
- **Value Village** – partner for past 30 years, used to bring in $1 million annually; now **more competition, saturated market**
- **Group homes** – market now saturated, only 50 people coming off the waitlist a year
- Looking ahead – expected **5% rate reduction** across the board

Emerging Headlines – Finances

Expenses

- **Salaries and benefits:** From **$15.5 million in FY15** to **$11.1 million in FY19**
  - Have **cut leadership positions**, but lose institutional knowledge and create compliance risks; cuts happening without complete picture of past/current status, and related opportunities
- Workforce
  - **Many part-time workers** working **overtime** due to open positions
  - Good **benefits,** but **PT workers do not qualify**, results in turnover that adds to expenses – training, ramp-up time, quality control

Emerging Headlines – Workforce

CHALLENGE – Recruiting and Retaining Direct Service Providers in Market

- **Hope Community Resources** – **similar deficits**, making **similar changes**, have also seen an **increase in part-time workers**, also **implementing online scheduling tool**
- **Cindy and Vic's** – **for-profit** group home operator, **smaller scale**, providing **incremental raises, training tied with raises**
- **The Arc** – competing against other providers:
  - wages – generally lower
  - opportunity for advancement currently stalled:
    - no longer giving merit raises because of financial deficits;
    - do have a tiers-based pay framework tied to skills/professional development, but again, on pause because of financial deficits

Emerging Headlines

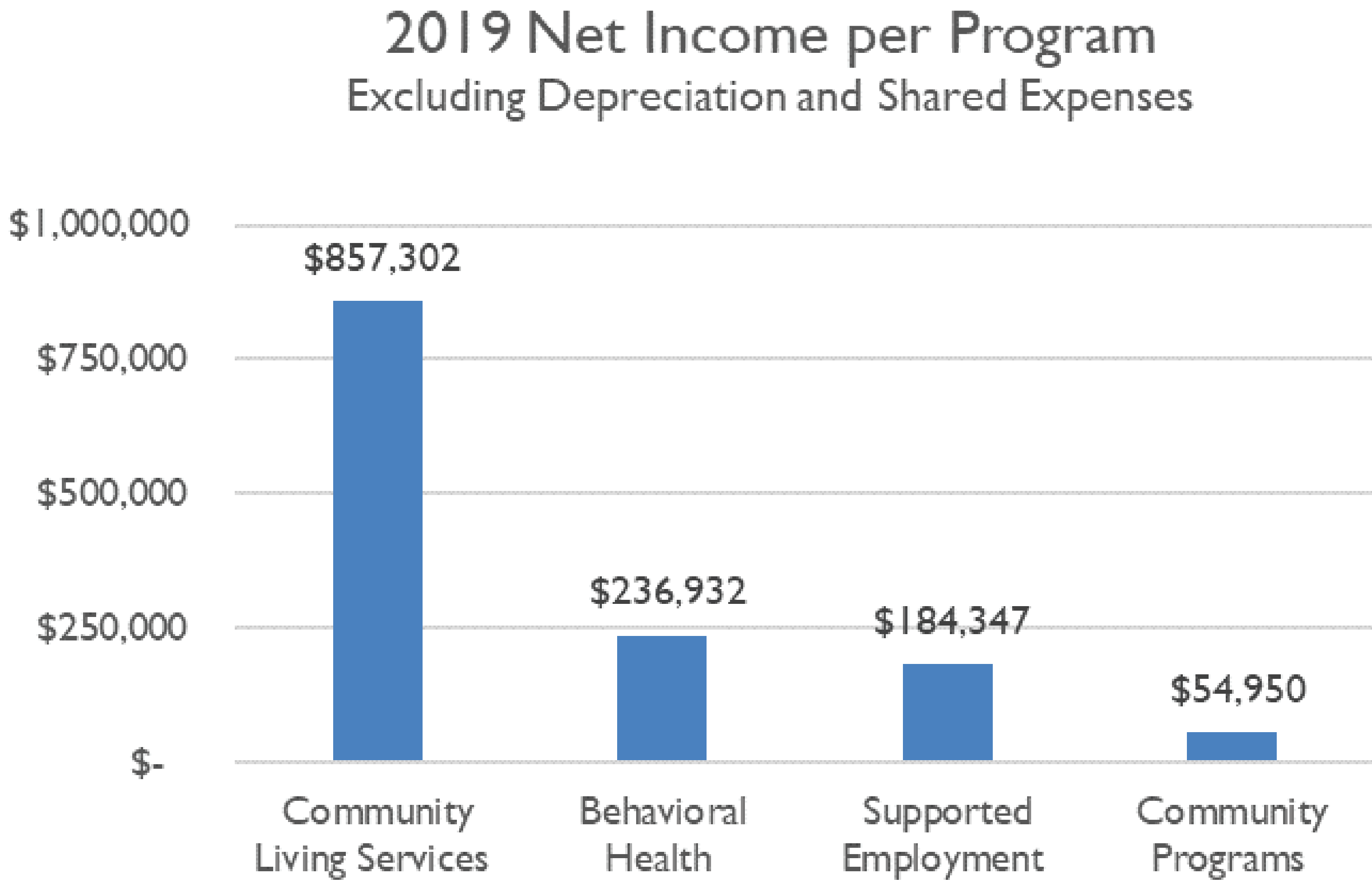
Administrative/Business Practices

- Actively working on improving documentation
  - Additional staff to ensure accuracy of documentation
  - Engaging scheduling and billing functions of EHR

Other Factors Impacting Success

- Increased competition – Hearts and Hands of Care
- Community perception and time needed to rebuild The Arc's reputation

Emerging Headlines – Core Programs



Community Services
Residential Services
Nursing

Recreation Center
Art Center
Afterschool Program

Next Steps – Oct through Nov 22

- Conduct board member interviews.
- Continue with data gathering and staff interviews.
- Build program level models for high-impact programs.
- Identify key findings to optimize program models by maximizing revenue and reducing inefficiencies. *Examples:*
  - Increase number of clients
  - Optimize group home census
  - Increase group therapy encounters
- November 22nd – Facilitate modeling session with board and staff to identify feasible scenarios.

Next Steps

The Arc of Anchorage Business Analysis and Opportunity Assessment				
Schedule of Project Tasks **September 1, 2019 - December 31, 2019**	**Sept 2019**	**Oct 2019**	**Nov 2019**	**Dec 2019**
TASK 1. Project Management + Initial Kick-Off Meeting	●			
TASK 2: Current Operations Analysis		■	■	
TASK 3. Identify Current + Future Opportunities		■	■	
TASK 4. Board + Leadership Meetings		●	●	
TASK 5. Financial Model Development			■	■
TASK 6. Summary Report			■	■
● = meeting or workshop (in person) ■ = product or deliverable				

- **October:** Update + Review of Preliminary Analysis – **DONE!**
- **November:** Review of Financial Models + Other Findings/Recommendations

The Arc. of Anchorage

Business Analysis + Opportunity Assessment Project

Status Check-In Meeting #2

November 22, 2019

Engage Plan Implement AGNEW ::BECK

Agenda

- Review project **purpose, schedule and work to date**.
- Share and discuss:
  - Key themes from **board member interviews**
  - Preliminary findings from **current operations (position) analysis**
  - Overview of **financial modeling**
- Confirm **next steps**

Project Purpose – Review

GOAL

Improve The Arc of Anchorage's sustainability to ensure services and advocacy will continue long into the future.

HOW

- Conduct an analysis of **current operations and financial position**.
- Identify **improvement strategies and opportunities** for Board of Directors and leadership.
- Develop a **process and tool (model)** the Board and leadership can use to identify strategies to achieve **financial sustainability and positive outcomes** for **your clients and their families**.

Project Purpose – Review

Identify:

A. Key service delivery and **fiscal/resource management strengths and challenges** within The Arc
B. Current and potential **opportunities** for:
   - **program development**
   - **process and policy modifications**
   - **staffing changes**
   - **fiscal resources**
C. Internal and external **threats to fiscal solvency**

Produce:

- **Financial models for up to 3 scenarios for reaching financial sustainability**
- **Tools board and staff** can use to **strategically plan for future changes**

Project Schedule – REVISED

The Arc of Anchorage Business Analysis and Opportunity Assessment						
Schedule of Project Tasks **September 1, 2019 - February 28, 2020**	**Sept 2019**	**Oct**	**Nov**	**Dec**	**Jan 2020**	**Feb**
TASK 1. Kick-off Meeting; Ongoing Project Management	●					
TASK 2: Current Operations Analysis		■	■			
TASK 3. Identify Current + Future Opportunities			■			
TASK 4. Board + Leadership Meetings		●	●		●	●
TASK 5. Financial Model					■	■
TASK 6. Summary Report					●	● ■

● = meeting or workshop (in person) ■ = product or deliverable

Work to Date

Interviews (complete)

- Staff: 12 staff; 22 interviews
- Board members: 8

Data Collection/Review (in process)

- Building program-level models for high-impact programs
- Identifying key findings to optimize program models by maximizing revenue and reducing inefficiencies

Board Member Interviews: Key Themes

Board Member Interviews: Key Themes

<u>Overarching</u>

- **New board members**, most joined since May
- **Minimal** board member **orientation and training**
- Most would like to learn more and better understand about The Arc's organizational mission and services – **strong desire to better inform role and ability to better lead/serve the organization**
- Some feedback indicates **need for better information** about The Arc's **operations and finances**

Board Member Interviews: Key Themes

Organizational Development

- Need for **clearer metrics** and **financial reporting**
- Perception that staff is over capacity and **basic functions** are **not being covered**
- Need **clearer wage/salary structure**
- Some lack of **clarity with mission statement**
- Different perceptions about **board vs. staff roles**
- Concern about pursuing **new lines of business**: timing and mission alignment

Board Member Interviews: Key Themes

Organizational Development (continued)

- Opportunities for improved **efficiencies** through **better use of technology**
- Perception of **unnecessary overhead**: manual, staff-heavy processes; meeting-heavy; management by consensus

Market/Community Need

- **Competition** has increased
- Need to identify The Arc's **unique niche**

Board Member Interviews: Key Themes

<u>Board Development</u>

- Need for board capacity building:
  - Organizational **orientation**
  - Board **training** opportunities
  - Clarity of **roles, expectations**
  - Implementation of **best board practices**
- Some differences in perceptions within board, and between board and staff – opportunity for **improved, more consistent, standardized communication and teambuilding**

Board Member Interviews: Key Themes

Staff Development

- **Staff evaluations** not happening/not timely
- Some **misalignment** of staff **skills with roles**
- Perception of **uneven staff workloads**, need for increased staff expertise in some areas
- Desire to **better support leadership/increased confidence** that translates to clear recommendations
- **High turnover** as well as many **staff cuts**
- **DSP recruitment** perceived as hard, but existing tools may not be getting maximized

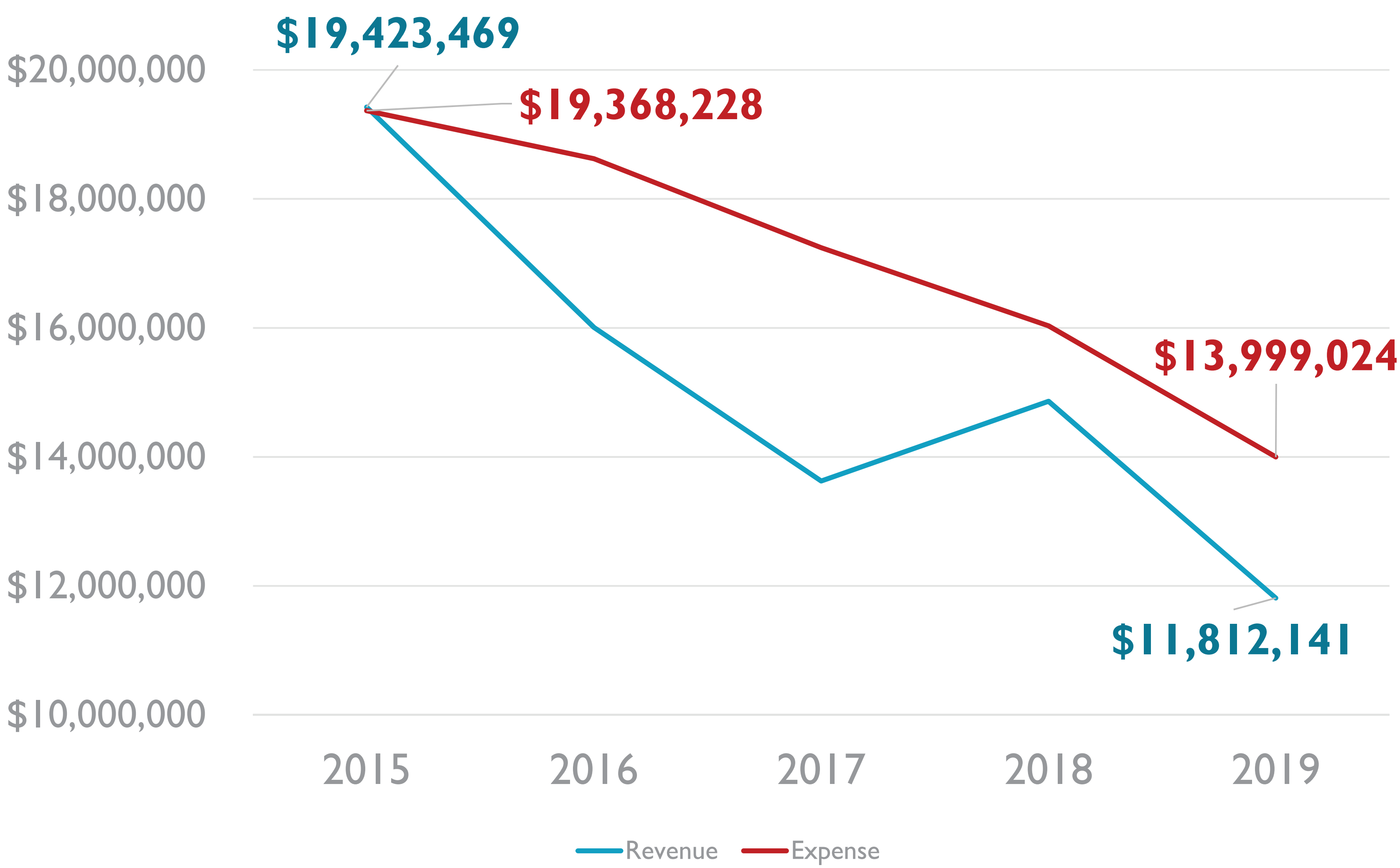
Board Member Interviews: Key Themes

Finance and Leveraging

- **Salaries** perceived as high vs. revenue
- Need to **maximize DSP potential**
- **Cost savings efforts** to date are perceived as having **small impact**
- Need to get/stay current on **billing**
- Available **revenues** should **determine level of service**
- Openness to **partnerships**, even potentially a merger, if alternative is closing doors

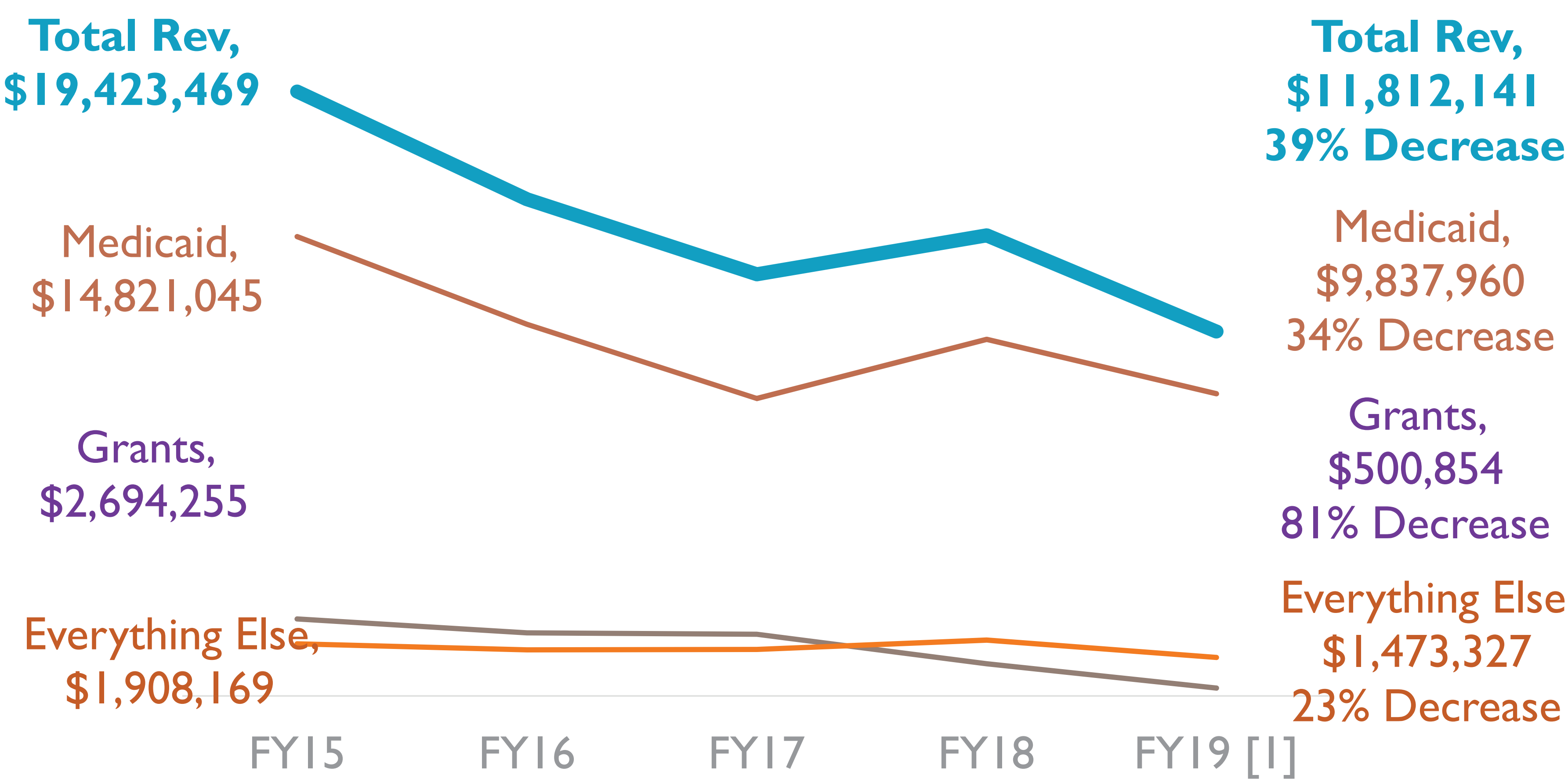
Analysis of Current Position

Revenue vs. Expense Since 2015 – REVISED



Decrease in Revenues Since FY15 – REVISED

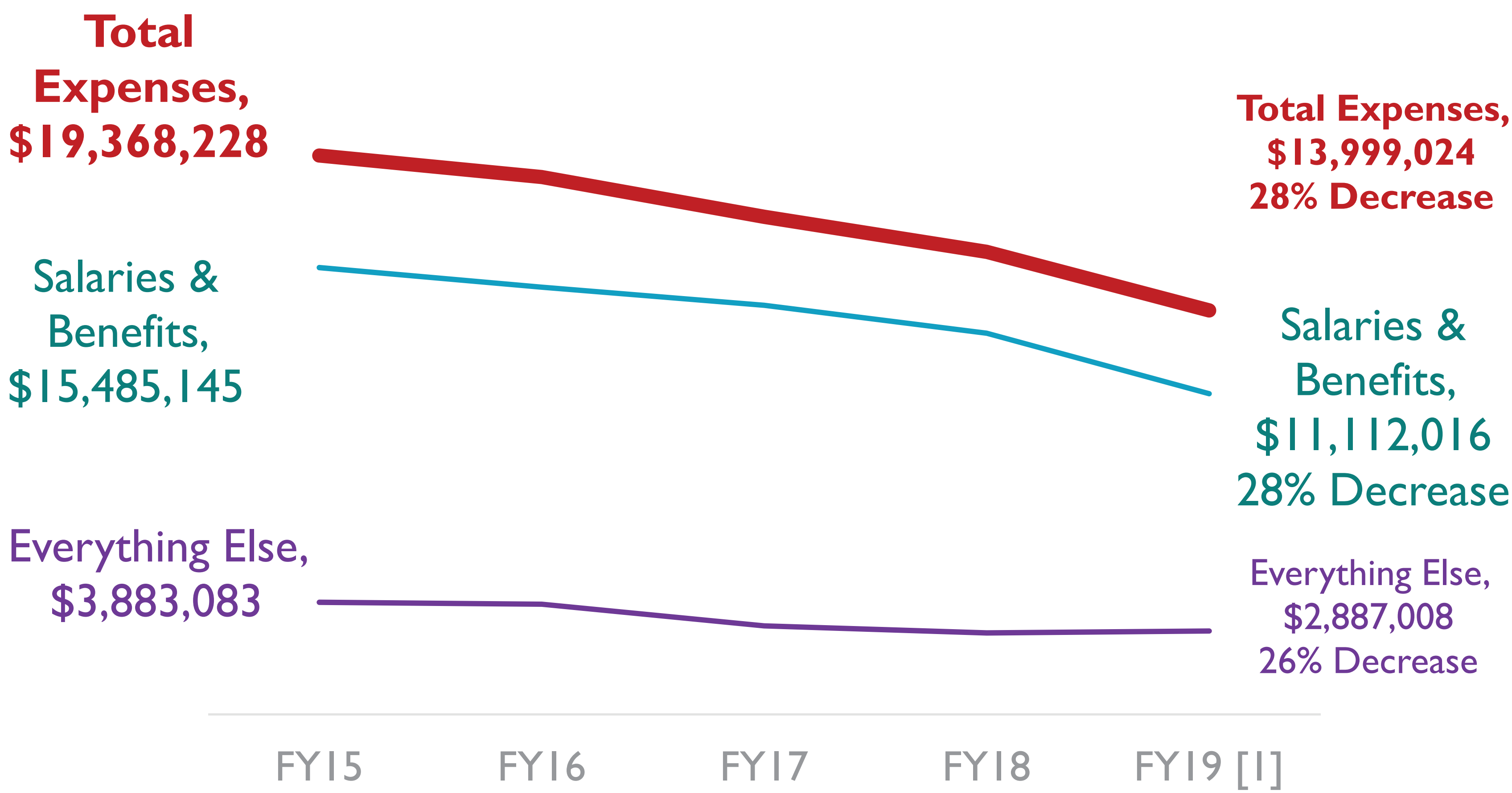
10% decreases in revenues per year on average



Everything else includes contributions, pick-up services, rental income, espresso shop, interest revenue, other fees for service. FY19 is unaudited.

Decrease in Expenses Since FY15 – REVISED

7% decreases in expenses per year on average



Everything else includes supplies, facility expense, equipment and repairs, travel and contractual. All expense categories have decreased. FY19 is unaudited.

Analysis of Current Position: Revenues

- In 3.5 years, **went from a $19.4M organization operating in the black with a healthy margin** to an $11.8M organization operating in the red

- **39% decrease in revenues** due largely to **State changes** impacting primary revenue generating programs:
  - Conflict-free case management: loss of care coordination service and fewer referrals to waiver services
  - Elimination of DD grants
  - Reduction in BH grants
  - SDS capped number of waivers, reduced # of service hours

- **Competition increased on all fronts:**
  - Smaller non-profits, separated care coordination, for-profit entities, furniture pick-up
  - Consumers now have many more choices
  - Fewer consumers with Medicaid funding to pay for services

Analysis of Current Position: Revenues

- **Group homes** are one of The Arc's main revenue generating programs:
  - Currently ~60-75% occupied
  - Fewer individuals funded to pay for these services
  - Own and operate additional properties (not group homes), currently not producing much revenue but could become revenue generators
- Looking ahead: expected **5-15% Medicaid rate reduction** across the board and unspecified grant reductions

Analysis of Current Position: Expenses

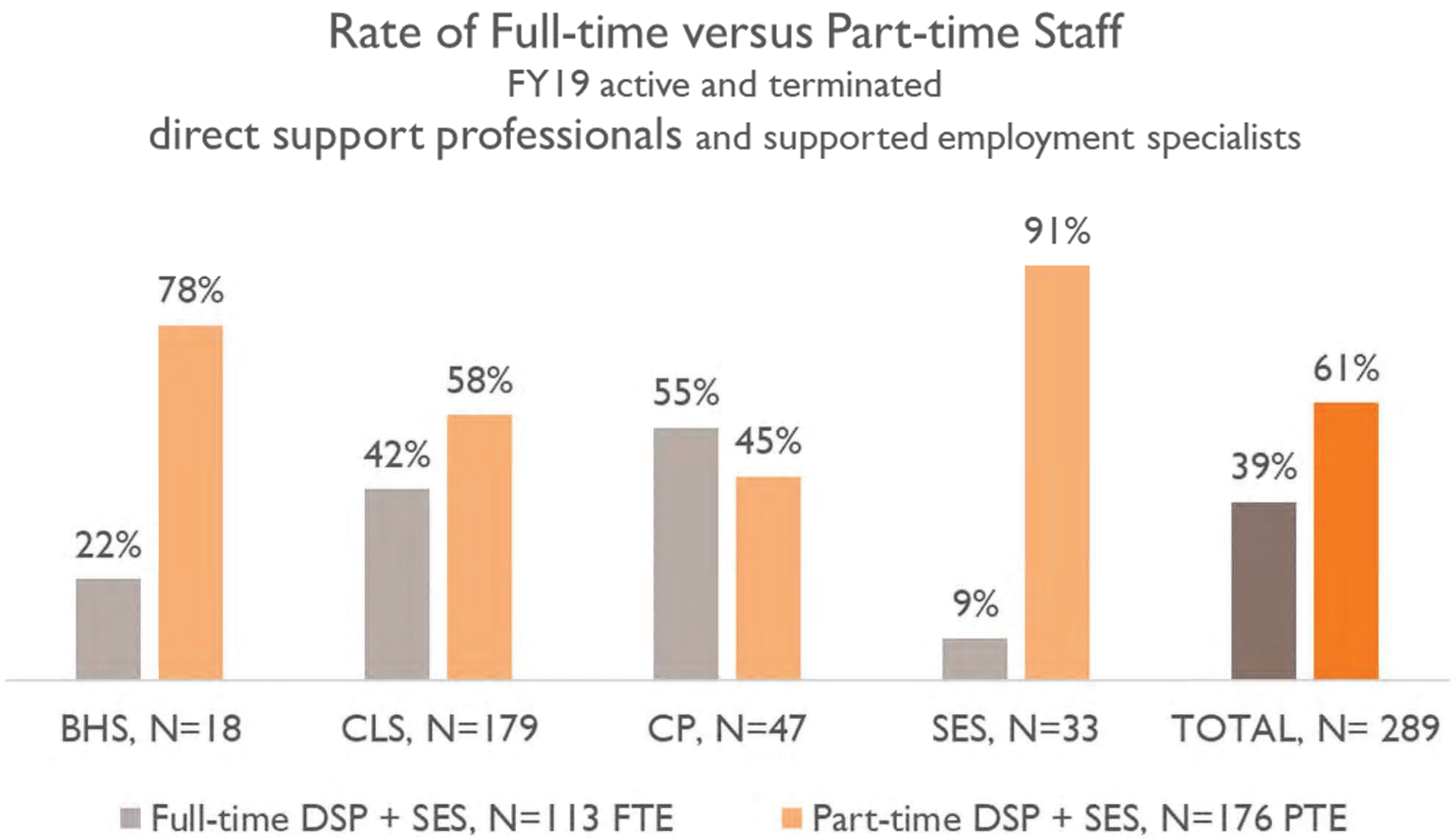
- **Salaries and benefits**: from $15.5 million in FY15 to $11.1 million in FY19
  - **Ratio consistent**: 79% of total expense across years
- **Billable revenue depends on available workforce**
  - Cuts must not limit revenue generation or create compliance risks
  - Rapid reduction in staff necessary to reduce expenses, but also produced some chaos and impacted organizational functioning and communications
- Coincided with Medicaid fraud investigation, further complicating picture internally and externally

Analysis of Current Position

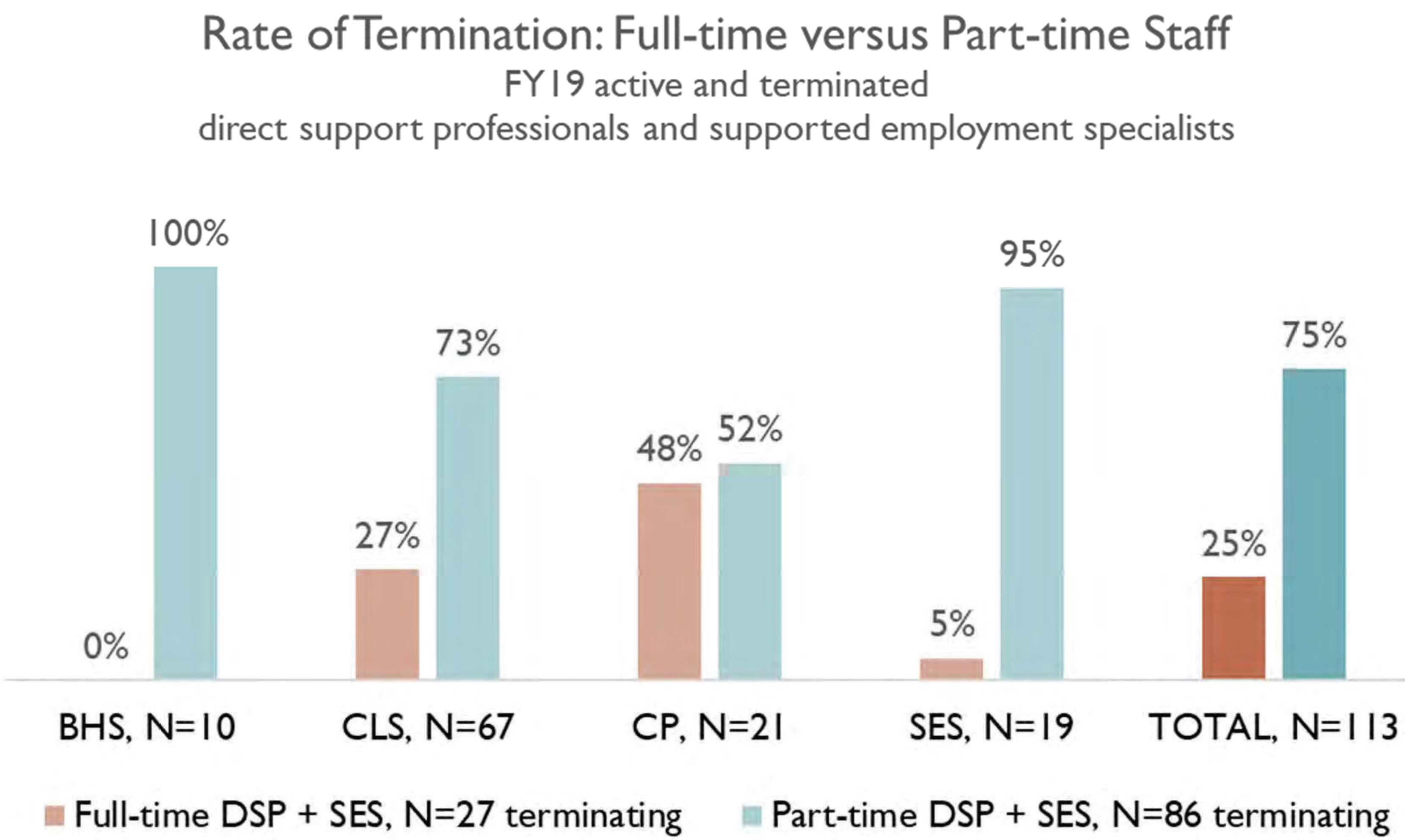
The Arc depends on Direct Service Workers to deliver billable program services. Anchorage is losing population (20,000 outmigration in past 5 years) and with increase players in the market there is more competition for this workforce.

- Pay starts at around $14/hour and benefits are available only to full-time employees
- Many part-time workers working overtime due to open positions
- New scheduling system should help
- No longer giving merit raises; tier-based compensation on pause because of financial deficits

Rate of Part-time vs Full-time



Turnover of DSPs, Part-time vs Full-time



Analysis of Current Position: Processes

- Actively working **on improving documentation** to ensure full billing for services
  - Analysis is identifying current vs optimized utilization and billing by program to enable department leaders to understand current utilization and identify realistic targets for optimization
- The Arc uses a robust system to **ensure complete and compliant documentation** and avoid pay-backs or investigations; this increases the cost of the service and is necessary for billing. We recommend combining and streamlining some functions to increase efficiency.
- The Arc is **activating the scheduling and billing functions of the EHR**, which will increase efficiency

Overview of Financial Modeling

Arc FY 19 Financials by Cost Center

	Total	ADMIN	SHARED VEHICLES (PROGRAM)	SHARED FACILITIES (PROGRAM)	PICK-UP SERVICES	SUPPORTED EMPLOYMENT	COMMUNITY PROGRAMS	BEHAVIORAL HEALTH	COMMUNITY LIVING SERVICES	CLOSED HOUSES	OUTSIDE RENTALS	CLOSED COST CENTERS
REVENUES												
Medicaid								-				
Medicaid								-				
Medicaid	**10,205,293**		-		-	749,877		853,935				-
Total Medicaid	10,205,293	(32,389)	-	-	-	749,877		853,935				-
Medicaid Contra		-		-	-			-				
Medicaid Denials	(190,589)	(18,822)	-	-	-	(15,086)		(79,461)				-
Medicaid Paybacks	(70,403)	-	-	-	-	(30,759)		(330)				-
Total Medicaid Contra	(260,992)	(18,822)	-	-	-	(45,845)		(79,791)				-
Total Medicaid	9,944,301	(51,211)	-	-	-	704,033	1,441,417	774,144	7,075,919	-	-	-
Total Grants	500,854	10,794	-	-	-	30,193	74,524	301,657	83,686	-	-	-
Fees for Services		-		-	-	-	-	-	-	-	-	
Total Rental Income	495,264	-	-	2,450	6,000	410	-	-	348,522	106,104	22,800	8,978
Total Program Fees	66,712	-	-	-	-	-	66,682	-	-	-	-	30
Other Fees for Services		-		-	-	-	-	-	-	-	-	-
Contracted Services	74,973	-	-	-	-	74,973	-	-	-	-	-	-
Maintenance Fees for Service	15,468	-	-	-	-	-	-	-	4,112	2,976	8,379	-
Labor Fees for Service	3,553	-	-	-	-	-	-	-	1,663	-	1,890	-
Fees for Services	35,291	-	-	-	-	35	-	-	35,256	-	-	-
Total Other Fees for Services	129,284	-	-	-	-	75,008	-	-	41,030	2,976	10,269	-
Total Fees for Services	691,260	-	-	2,450	6,000	75,418	66,682	-	389,553	109,080	33,069	9,008
Total Non Operating Revenues	280,664	276,964	3,700	-	-	-	-	-	-	-	-	-
Total Other Revenues	778,987	218,152	-	-	486,313	61	761	313	17,662	1,596	-	54,129
Total REVENUES	**12,196,066**	**454,698**	**3,700**	**2,450**	**492,313**	**809,705**	**1,583,384**	**1,076,115**	**7,566,820**	**110,676**	**33,069**	**63,136**
EXPENSES												
Total Personnel & Benefits	11,119,028	1,981,657	-	223,925	105,191	611,620	1,334,071	803,789	6,011,683	-		47,092
Total Travel	147,068	2,291	-	-	-	656	75,614	8,235	60,281	-		(10)
Total Facilities	578,229	89,344	-	177,055	3,020	907	25,212	5,886	186,434	79,211	9,677	1,485
Total Client & Other Supplies	257,669	31,238	-	7,996	2,141	714	65,215	568	114,615	30,421	-	-
Total Equipment & Renovations	131,711	20,767	20,100	12,815	20,384	5,365	19,588	84	23,379	9,239	-	(10)
Total Other Program Services	1,177,234	722,240	30,908	7,425	13,840	6,095	9,072	26,266	316,496	3,566	458	40,105
Total Purchases, Pick-Up Svc	32,326	-	-	-	32,326	-	-	-	-	-	-	-
Total EXPENSES	**13,443,265**	**2,847,535**	**51,008**	**429,216**	**176,902**	**625,358**	**1,528,773**	**844,829**	**6,712,888**	**122,436**	**10,134**	**88,662**
NET REVENUE	**(1,247,199)**	**(2,392,836)**	**(47,308)**	**(426,766)**	**315,411**	**184,347**	**54,611**	**231,286**	**853,932**	**(11,760)**	**22,935**	**(25,526)**

The Arc FY 19 Financials by Cost Center

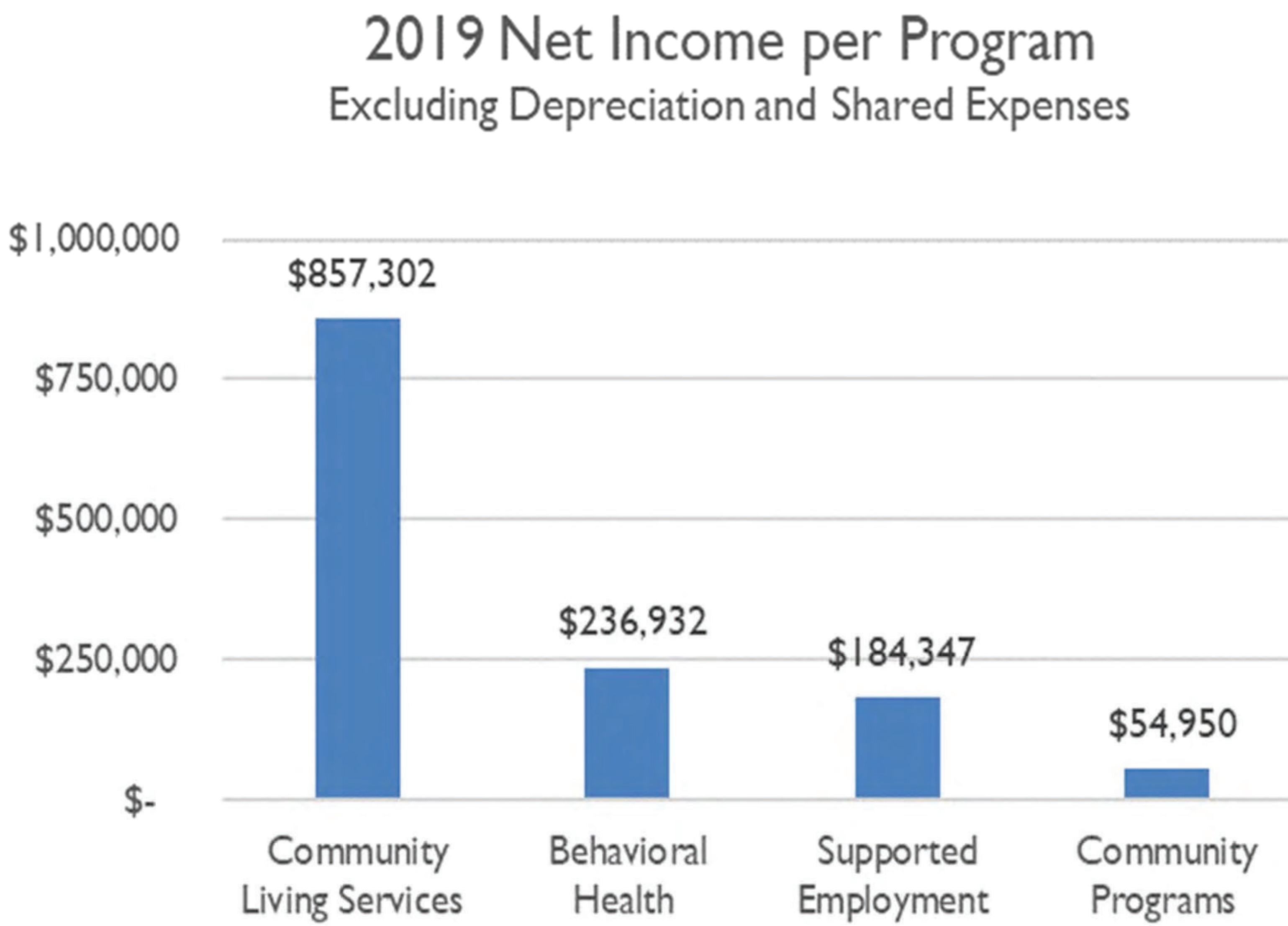
Key Findings:

- **All programs operating with net income = $1,662,522** Pick-up Services, Supported Employment, Community Programs, Behavioral Health, Community Living Services, and Outside Rentals
- **Administrative, Vehicles and Facilities**, shared across programs = ($2,866,911)
- Closed cost centers and houses = ($37,286)
- Total deficit = ($1,247,199)

The Arc FY 19 Financials by Cost Center

<u>Objectives for Analysis and Modeling:</u>

- Community Living Services, Behavioral Health, and Supported Employment generate most of Arc's revenues
  - Behavioral Health and Supported Employment have greatest potential to increase net income
  - Community Living Services is largest, but most constrained by DHSS program changes and market competition; Pick-up Services also constrained
- For each of these program areas, we are working with The Arc staff to:
  - Model status quo of each program area and components
  - Identify current revenue, cost and utilization
  - Identify realistic targets for optimizing each program
- Then, work backwards to administrative and overhead costs:
  - Identify a realistic margin for each program area that can support administrative and overhead costs
- Then, ask whether amount of administrative and overhead that Arc can afford is adequate to responsibly operate programs?


2019 Net Income per Program
Excluding Depreciation and Shared Expenses
$1,000,000
$750,000
$500,000
$250,000
$-
$857,302
$236,932
$184,347
$54,950
Community Living Services
Behavioral Health
Supported Employment
Community Programs

Community Living Services
FY19 *Utilization*

Community Living Services: Billable Services	FY19 Actual Utilization	FY19 Potential Utilization IF FULLY STAFFED	Client vacancy and "No Show" Rates	FY19 Adjusted Potential Utilization	Potential Hours NOT Billed	Rate of underutilization attributed to lack of staff or other staffing issues
GROUP HOME HABILITATION SERVICES	40 clients	**This is initial data used to build out the model. We will be reviewing and adjusting this data with department directors.**				
Group Home Habilitation - Adult	14300 days	14600 days	0%	14600 hours	300 hours	**2%**
OTHER HABILIATION SERVICES	148 clients					
Family Habilitation - Adult	2012 days	4052 days	10%	3646 days	1634 days	**40%**
Family Habilitation - Child	1118 days	2701 days	10%	2431 days	1313 days	**49%**
Supported Living Habilitation - Adult	13262 hours	18470 hours	15%	15700 hours	2438 hours	**13%**
In-Home Habilitation (under 18)	4224 hours	9235 hours	15%	7850 hours	3626 hours	**39%**
Day Habilitation - Individual	25204 hours	60260 hours	30%	42182 hours	16978 hours	**28%**
Day Habilitation - Group	916 hours	1847 hours	30%	1293 hours	377 hours	**20%**
RESPITE SERVICES	148 clients					
Respite - Hourly	8214 hours	24960 hours	30%	17472 hours	9258 hours	**37%**
Respite - Daily	100 days	166 days	30%	116 days	16 days	**10%**
NURSING OVERSIGHT AND CARE MANAGEMENT SERVICES	30 clients					
Nursing - Oversight Care Management - Local	852 hours	977 hours	10%	879 hours	27 hours	**3%**
Nursing - Oversight Care Management - Non-local	278 hours	799 hours	10%	719 hours	441 hours	**55%**
ANNUAL REVENUE						

Community Living Services
Projected Billable Revenue

Community Living Services: Billable Services	Medicaid Rate*	Medicaid with 5% Proposed Cut	FY2020	% of clients needing services (assumes program is fully staffed)	# of units / course	Medicaid Rate*	Medicaid with 5% Proposed Cut
GROUP HOME HABILITATION SERVICES			**This is initial data only used to build out the model. We will be reviewing and adjusting this data with department directors.**				
Group Home Habilitation - Adult	$324.78 per day	$308.54 per day	365.0 days/year	100%	365.0	$ 118,545	$ 112,617
OTHER HABILIATION SERVICES							
Family Habilitation - Adult	$122.93 per day	$116.78 per day	365.0 days/year	8%	365.0	$ 3,365	$ 3,197
Family Habilitation - Child	$153.76 per day	$146.07 per day	365.0 days/year	5%	365.0	$ 2,806	$ 2,666
Supported Living Habilitation - Adult	$43.72 per hour	$41.53 per hour	8.0 hours/week	30%	416.0	$ 5,456	$ 5,183
In-Home Habilitation (under 18)	$43.72 per hour	$41.53 per hour	8.0 hours/week	15%	416.0	$ 2,728	$ 2,592
Day Habilitation - Individual	$43.92 per hour	$41.72 per hour	9.0 hours/week	87%	468.0	$ 17,882	$ 16,988
Day Habilitation - Group	$30.76 per hour	$29.22 per hour	12.0 hours/week	2%	624.0	$ 384	$ 365
RESPITE SERVICES							
Respite - Hourly	$25.68 per hour	$24.40 per hour	12.0 hours/week	27%	624.0	$ 4,331	$ 4,114
Respite - Daily	$307.27 per day	$291.91 per day	14.0 days/year	8%	14.0	$ 344	$ 327
NURSING OVERSIGHT AND CARE MANAGEMENT SERVICES							
Nursing - Oversight Care Management - Local	$91.76 per hour	$87.17 per hour	1.0 hours/month	55%	12.0	$ 606	$ 575
Nursing - Oversight Care Management - Non-local	$364.68 per hour	$346.45 per hour	1.0 hours/month	45%	12.0	$ 1,969	$ 1,871

Community Living Services: Properties

Program	# of Homes	# of bedrooms	# Licensed For	Potential Capacity	Current Count	Potential monthly room and board (sliding fee)	Actual monthly room and board, (sliding fee)	Averge monthly rate per home	% Filled
Group Homes	14.75	55	51	**50**	**36**	$ 37,370	**$ 26,907**	**$ 1,824**	72%
Supported Living Homes	3	10	0	**10**	**4**	$ 7,474	**$ 2,990**	**$ 997**	40%
Behavioral Health Homes	1.25	4	0	**4**	**2**	$ 2,990	**$ 1,495**	**$ 1,196**	50%
Assets Rental / HUD Properties	3	0	0	**0**	**0**	$ -	**$ 2,400**	**$ 800**	0%
Monthly Total		**69**	**51**	**64**	**42**	**$ 47,834**	**$ 33,791**		
Annual Total						**$ 574,007**	**$ 405,492**		
No Current Clients	5	15	0	**14**	**0**	$ -	**$ -**		

Group Home Staffing Models

Group Home Staffing Models		Model 1 live-in, sleeps there (7 days)		Model 2 live-in, sleeps there (5 days); 8/8 with night staffing (2 days)		Model 3 live-in, sleeps there (5 days); single shift (2 days)	
Group Home Staffing	Daily Pay + Benefits	days per week	annual staffing cost	days per week	annual staffing cost	days per week	annual staffing cost
Live-in staff, no night staff	$ 312	7	$ 113,477	5	$ 81,055	5	$ 81,055
8/8 staffing + night staff	$ 593	0	$ -	2	$ 61,647	0	$ -
Single shift DSP	$ 508	0	$ -	0	$ -	2	$ 52,840
Full-week live-in (1st 40 hrs)	$ 312	0	$ -	0	$ -	0	$ -
Full-week live-in (40+ hours)	$ 370	0	$ -	0	$ -	0	$ -
SINGLE HOME ANNUAL COSTS			$113,477		$142,702		$133,895

Group Home Staffing Models		Model 4 8/8 staffing (7 days)		Model 5 single shift (7 days)		Model 6 live in person as Home Alliance Coordinator	
Group Home Staffing	Daily Pay + Benefits	days per week	annual cost	days per week	annual staffing cost	days per week	annual staffing cost
Live-in staff, no night staff	$ 312	0	$ -	0	$ -	0	$ -
8/8 staffing + night staff	$ 593	7	$ 215,765	0	$ -	0	$ -
Single shift DSP	$ 508	0	$ -	7	$ 184,941	0	$ -
Full-week live-in (1st 40 hrs)	$ 312	0	$ -	0	$ -	5	$ 81,055
Full-week live-in (40+ hours)	$ 370	0	$ -	0	$ -	2	$ 38,454
SINGLE HOME ANNUAL COSTS			$215,765		$184,941		$119,509

Group Home Realignment

		Model 1		Model 2		Model 3		Model 4		Model 5		Model 6			
		live-in, sleeps there (7 days)		live-in, sleeps there (5 days); 8/8 with night staffing (2 days)		live-in, sleeps there (5 days); single shift (2 days)		8/8 staffing (7 days)		single shift (7 days)		live in person as Home Alliance Coordinator			
	total homes	# of homes	annual staffing cost	# of homes	annual staffing cost	# of homes	annual staffing cost	# of homes	annual staffing cost	# of homes	annual staffing cost	# of homes	annual staffing cost	total staffing costs	cost savings
FY 20: Current Use of Homes	13	2	$226,954	0	$ -	0	$ -	6	$ 1,294,588	5	$924,706	0	$ -	$2,446,247	
FY 21:	13	3	$340,431	1	$ 142,702	0	$ -	5	$ 1,078,823	3	$554,823	1	$ 119,509	$2,236,289	$209,959
FY 22	13	3	$340,431	2	$ 285,404	0	$ -	4	$ 863,059	2	$369,882	2	$ 239,018	$2,097,794	$348,454
FY 23: Transitioned Use of Homes	13	4	$453,908	2	$ 285,404	0	$ -	3	$ 647,294	1	$184,941	3	$ 358,527	$1,930,074	$516,173

Behavioral Health Services
FY19 Utilization

Behavioral Health Services: Billable Services	FY19 Actual Utilization	FY19 Potential Utilization IF FULLY STAFFED	Client vacancy and "No Show" Rates	FY19 Adjusted Potential Utilization	Potential Hours NOT Billed	Rate of underutilization attributed to lack of staff or other staffing issues
INITIAL + ONGOING SERVICES	38 clients	**This is initial data used to build out the model. We will be reviewing and adjusting this data with department directors.**				
Alaska Screening Tool	7 units	8 units	n/a	8 units	1 units	**8%**
Client Status Review, Intake	46 units	114 units	n/a	114 units	68 units	**60%**
Integrated BH Assessment	36 units	76 units	n/a	76 units	40 units	**53%**
CLINIC SERVICES						
Psychotherapy: Individual	585 hours	1778 hours	30%	1245 hours	660 hours	**37%**
Psychotherapy; Group	137 hours	213 hours	30%	149 hours	12 hours	**6%**
Psychotherapy: Family with or without Client	11 hours	49 hours	30%	35 hours	24 hours	**48%**
MEDICATION SERVICES						
Comprehensive Medication Services	179 units	274 hours	30%	192 hours	13 hours	**5%**
REHAB SERVICES, DAILY RATES						
Case Management	264 hours	1087 hours	15%	924 hours	660 hours	**61%**
Therapeutic BH Services, Individual Child	728 hours	1186 hours	15%	1008 hours	280 hours	**24%**
Comp. Comm Support Services, Individual Adult	7393 hours	11263 hours	15%	9574 hours	2181 hours	**19%**
Recipient Support Services	376 hours	593 hours	15%	504 hours	128 hours	**22%**
ANNUAL REVENUE						

Behavioral Health Services
Projected Billable Revenue

Behavioral Health Services: Billable Services	Medicaid Rate	Medicaid Rate with 5% cut	FY2020	% of clients needing services (assumes program is fully staffed)	# of units / course	Medicaid Rate	Medicaid Rate with 5% cut
INITIAL + ONGOING SERVICES			This is initial data only used to build out the model. We will be reviewing and adjusting this data with department directors.				
Alaska Screening Tool	$40.93 per screening	$38.88 per screening	1.0 screening/course	20%	1.0	$ 8	$ 8
Client Status Review, Intake	$42.15 per review	$40.04 per review	3.0 per year	100%	3.0	$ 126	$ 120
Integrated BH Assessment	$480.76 per assm't	$456.72 per assm't	2.0 per year	100%	2.0	$ 962	$ 913
CLINIC SERVICES							
Psychotherapy: Individual	$124.84 per hour	$118.60 per hour	1.0 hours/week	90%	52.0	$ 5,843	$ 5,550
Psychotherapy; Group	$49.94 per hour	$47.44 per hour	32.0 hours/year	18%	32.0	$ 280	$ 266
Psychotherapy: Family with or without Client	$127.57 per hour	$121.19 per hour	1.0 hours/week	3%	52.0	$ 166	$ 158
MEDICATION SERVICES							
Comprehensive Medication Services	$77.25 per visit	$78.25 per visit	1.0 visits/month	60%	12.0	$ 556	$ 563
REHAB SERVICES, DAILY RATES							
Case Management	$96.38 per hour	$91.56 per hour	1.0 hours/week	55%	52.0	$ 2,756	$ 2,619
Therapeutic BH Services, Individual Child	$88.13 per hour	$83.72 per hour	10.0 hours/week	6%	520.0	$ 2,750	$ 2,612
Comp. Comm Support Services, Individual Adult	$84.38 per hour	$80.16 per hour	10.0 hours/week	57%	520.0	$ 25,010	$ 23,759
Recipient Support Services	$36.04 per hour	$34.24 per hour	2.0 hours/week	15%	104.0	$ 562	$ 534
ANNUAL REVENUE						**$ 39,019**	**$ 37,103**

Supported Employment

FY19 Utilization

Supported Employment Services: Billable Services	**FY19 Actual Utilization**	**FY19 Potential Utilization IF FULLY STAFFED**	**Client vacancy and "No Show" Rates**	**FY19 Adjusted Potential Utilization**	**Potential Hours NOT Billed**	**Rate of underutilization attributed to lack of staff or other staffing issues**
DVR FUNDING		**This is initial data used to build out the model. We will be reviewing and adjusting this data with department directors.**				
Job Search		hours	30%	hours	hours	
Project Search		hours	30%	hours	hours	
Summer Work Program		hours	30%	hours	hours	
WAIVER FUNDING	54 clients	38 clients				
Supported Employment - Individual	13742 hours	17690 hours	15%	15037 hours	1295 hours	**7%**
Supported Employment - Group	1528 hours	2808 hours	30%	1966 hours	438 hours	**16%**
COST PER COURSE OF TREATMENT						

Supported Employment
Projected Billable Revenue

Supported Employment Services: Billable Services			**FY2020**	**% of clients needing services (assumes program is fully staffed)**	**# of units / course**	**Rates**	**Rates**
DVR FUNDING	**DVR Rates**		**This is initial data only used to build out the model. We will be reviewing and adjusting this data with department directors.**				
Job Search	$85.00 per hour		.0 hours/year		0.0	$ -	$ -
Project Search	$400.00 per client		.0 per year		0.0	$ -	$ -
Summer Work Program	$400.00 per client		.0 per year		0.0	$ -	$ -
WAIVER FUNDING	2019 Waiver Service Rates	**2019 Waiver Service Rates (5% decrease)**	54 clients	38 clients		**2019 Waiver Service Rates**	**2019 Waiver Service Rates (5% decrease)**
Supported Employment - Individual	$49.68 per hour	$47.20 per hour	7.0 hours/week	90%	364.0	$ 16,275	$ 15,461
Supported Employment - Group	$34.80 per hour	$33.06 per hour	10.0 hours/week	10%	520.0	$ 1,810	$ 1,719
COST PER COURSE OF TREATMENT						**$ 18,085**	**$ 17,181**

Community Programs Services

FY19 Utilization

Community Programs: Billable Services	FY19 Actual Utilization	FY19 Potential Utilization IF FULLY STAFFED	Client vacancy and "No Show" Rates	FY19 Adjusted Potential Utilization	Potential Hours NOT Billed	Rate of underutilization attributed to lack of staff or other staffing issues
		This is initial data used to build out the model. We will be reviewing and adjusting this data with department				
REC CENTER	116 clients					
Day Habilitation - Individual	3887 hours	9561 units	50%	4781 hours	894 hours	**9%**
Day Habilitation - Group	13279 hours	32663 units	30%	22864 hours	9585 hours	**29%**
Annual Revenue Per Client						
SPARC	63 clients					
Day Habilitation - Individual	1196 hours	3555 units	30%	2488 hours	1292 hours	**36%**
Day Habilitation - Group	6520 hours	19377 units	30%	13564 hours	7044 hours	**36%**
Annual Revenue Per Client						
CLUBHOUSE	6 clients					
Day Habilitation - Individual	1384 hours	2059 units	20%	1647 hours	263 hours	**13%**
Day Habilitation - Group	1211 hours	1685 units	20%	1348 hours	137 hours	**8%**
Annual Revenue Per Client						
CE/QL	14 clients					
Day Habilitation - Individual	12032 hours	21840 units	30%	15288 hours	3256 hours	**15%**
Annual Revenue Per Client						

Community Programs Services

Projected Billable Revenue

Community Programs: Billable Services	**2019 Waiver Service Rates**	**2019 Waiver Service Rates (5% decrease)**	**FY2020**	**% of clients needing services (assumes program is fully staffed)**	**# of units / year**	**2019 Waiver Service Rates**	**2019 Waiver Service Rates (5% decrease)**
			This is initial data only used to build out the model. We will be reviewing and adjusting this data with department directors.				
REC CENTER			116 clients				
Day Habilitation - Individual	$43.92 per hour	$41.72 per hour	7.0 hours/week	23%	364.0	$ 3,620	$ 3,439
Day Habilitation - Group	$30.76 per hour	$29.22 per hour	7.0 hours/week	77%	364.0	$ 8,661	$ 8,228
Annual Revenue Per Client						**$ 12,281**	**$ 11,667**
SPARC			63 clients				
Day Habilitation - Individual	$43.92 per hour	$41.72 per hour	7.0 hours/week	16%	364.0	$ 2,478	$ 2,354
Day Habilitation - Group	$30.76 per hour	$29.22 per hour	7.0 hours/week	84%	364.0	$ 9,461	$ 8,988
Annual Revenue Per Client						**$ 11,939**	**$ 11,342**
CLUBHOUSE			6 clients				
Day Habilitation - Individual	$43.92 per hour	$41.72 per hour	12.0 hours/week	55%	624.0	$ 15,073	$ 14,320
Day Habilitation - Group	$30.76 per hour	$29.22 per hour	12.0 hours/week	45%	624.0	$ 8,637	$ 8,206
Annual Revenue Per Client						**$ 23,711**	**$ 22,525**
CE/QL			14 clients				
Day Habilitation - Individual	$43.92 per hour	$41.72 per hour	30.0 hours/week	100%	1560.0	$ 68,515	$ 65,089
Annual Revenue Per Client						**$ 68,515**	**$ 65,089**

Next Steps

- Complete board interviews **(done)**
- Schedule next board meeting **(between Jan 27 – Feb 7)**
- Complete data gathering from staff **(almost complete)**
- Finalize program model of status quo **(almost complete)**
- Identify key findings, optimization strategies; refine with staff:
    - Model optimizations for each program
    - Identify administration and overhead possible
    - Determine whether administrative and overhead is adequate
- Draft and finalize summary of findings and recommendations
- Transition modeling tools to Arc staff for ongoing use

The Arc.
of Anchorage

Business Analysis and Opportunity Assessment

Board and Leadership Presentation

January 31, 2020

Engage Plan Implement AGNEW::BECK

Agenda

- Review project purpose, process and schedule
- Share and discuss:
    - Current financial position
    - Financial model and path to sustainability
        - Methodology
        - Key findings and recommendations
- Confirm next steps

Project Purpose & Process

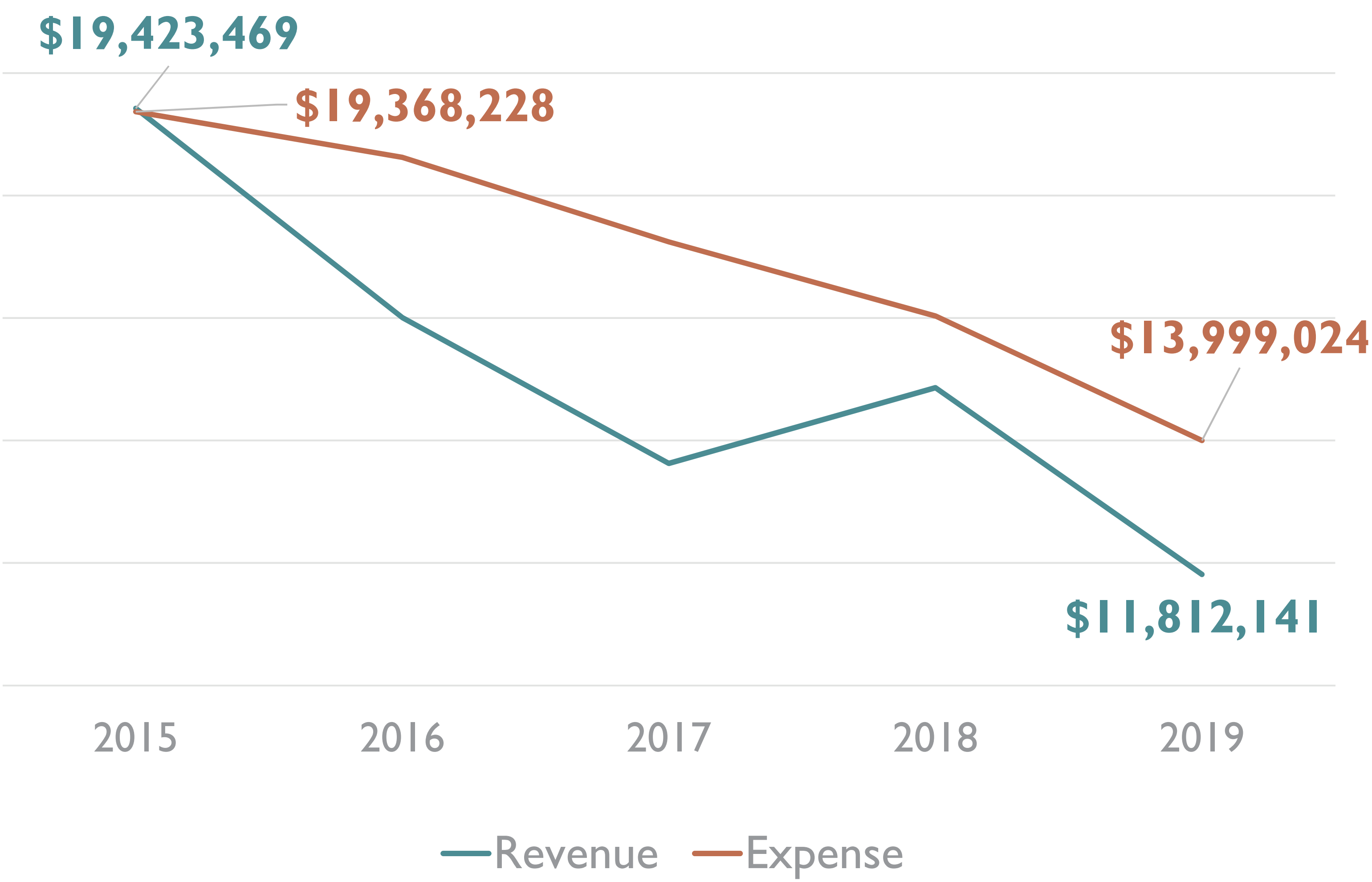
Project Schedule, Revised

The Arc of Anchorage Business Analysis and Opportunity Assessment						
Schedule of Project Tasks **September 1, 2019 - February 28, 2020**	**Sept 2019**	**Oct**	**Nov**	**Dec**	**Jan 2020**	**Feb**
TASK 1. Kick-off Meeting; Ongoing Project Management	●					
TASK 2: Current Operations Analysis		■	■			
TASK 3. Identify Current + Future Opportunities			■			
TASK 4. Board + Leadership Meetings		●	●		●	
TASK 5. Financial Model					■	■
TASK 6. Summary Report						● ■

● = meeting or workshop (in person) ■ = product or deliverable

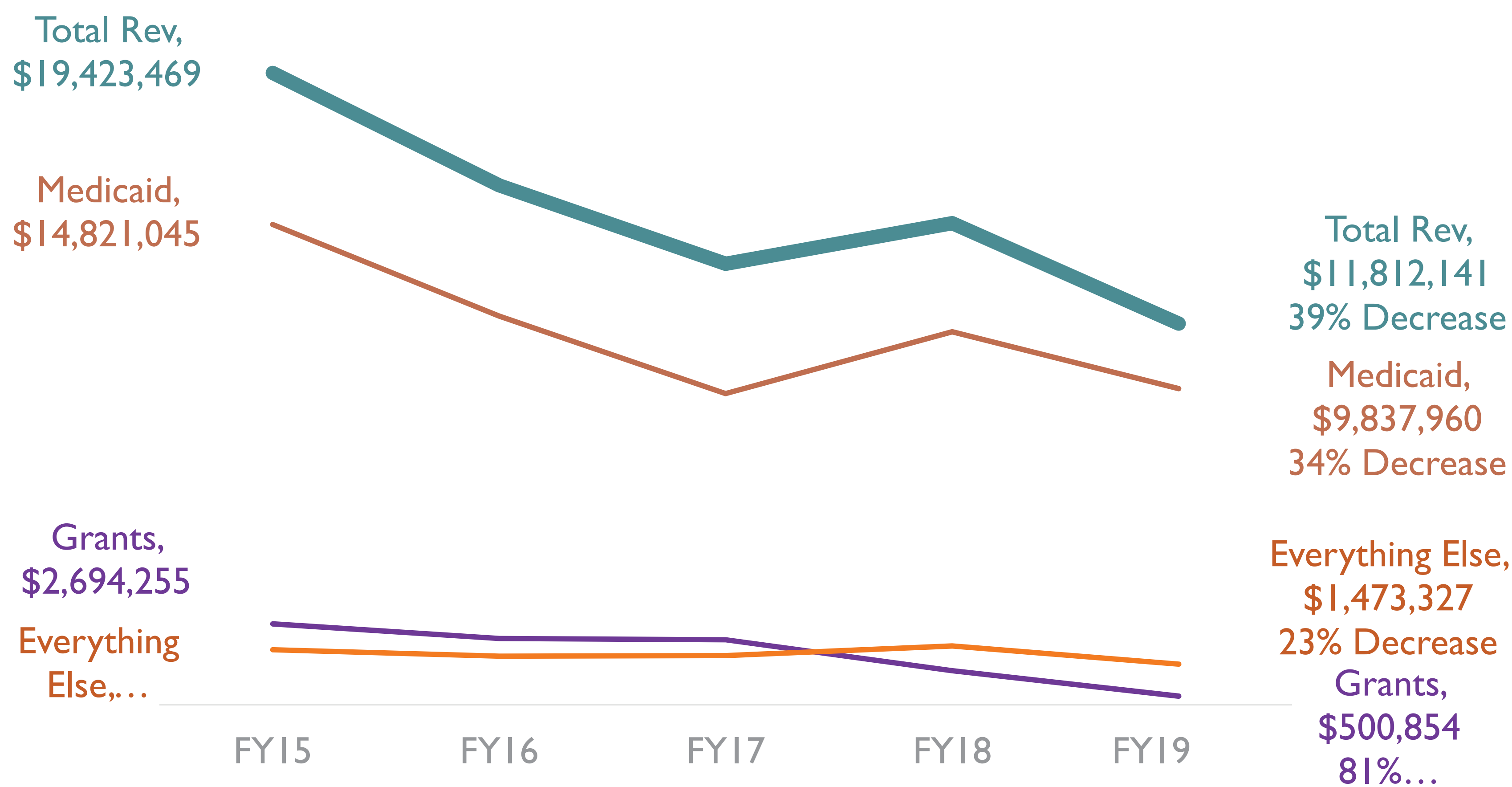
Analysis of Current Position

Revenue vs. Expense Since 2015



Decrease in Revenues Since FY15

10% decreases in revenues per year on average

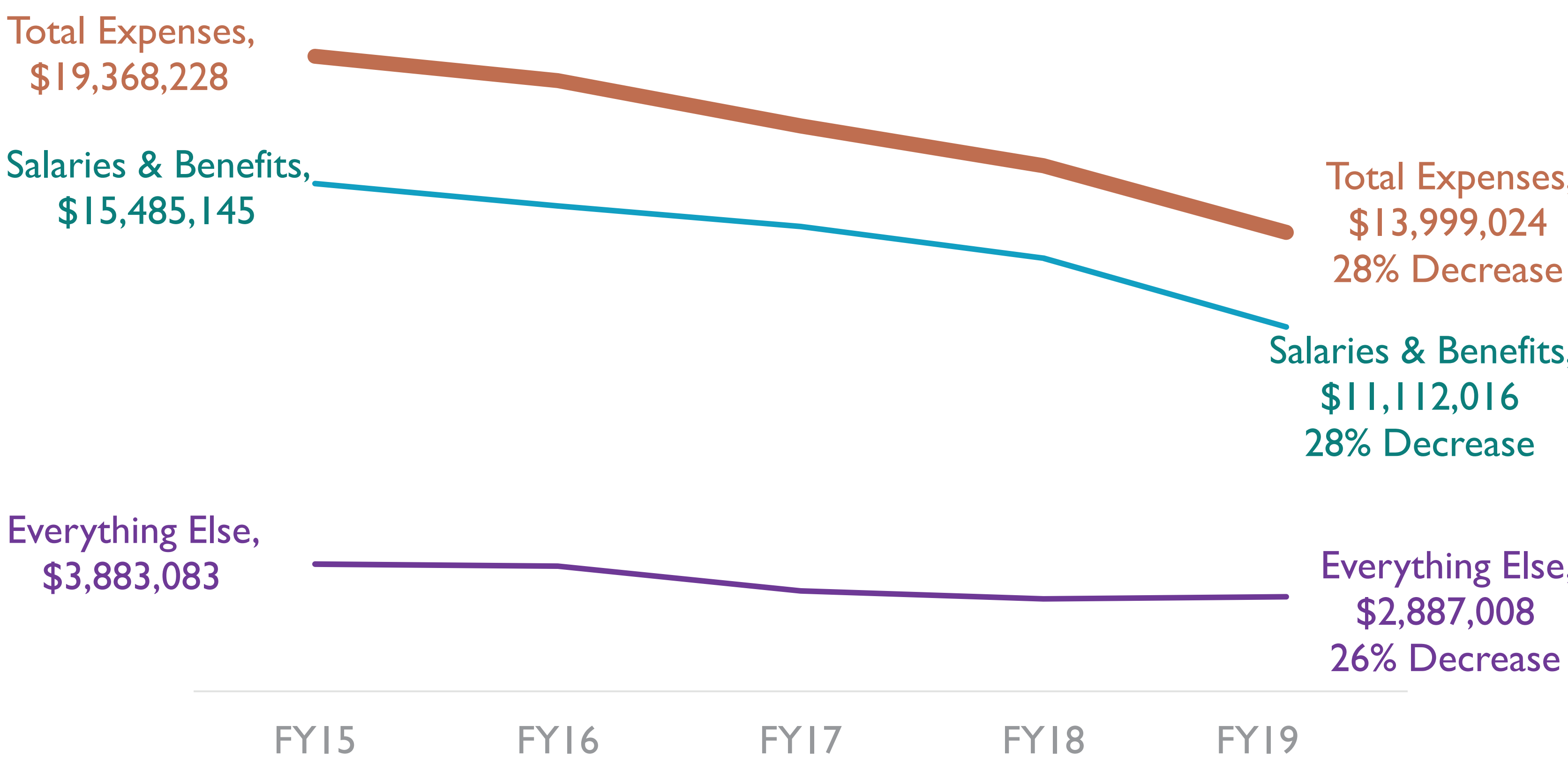


"Everything Else" includes contributions, pick-up services, rental income, espresso shop, interest revenue, other fees for service.

FY19 is unaudited.

Decrease in Expenses Since FY15

7% decreases in expenses per year on average

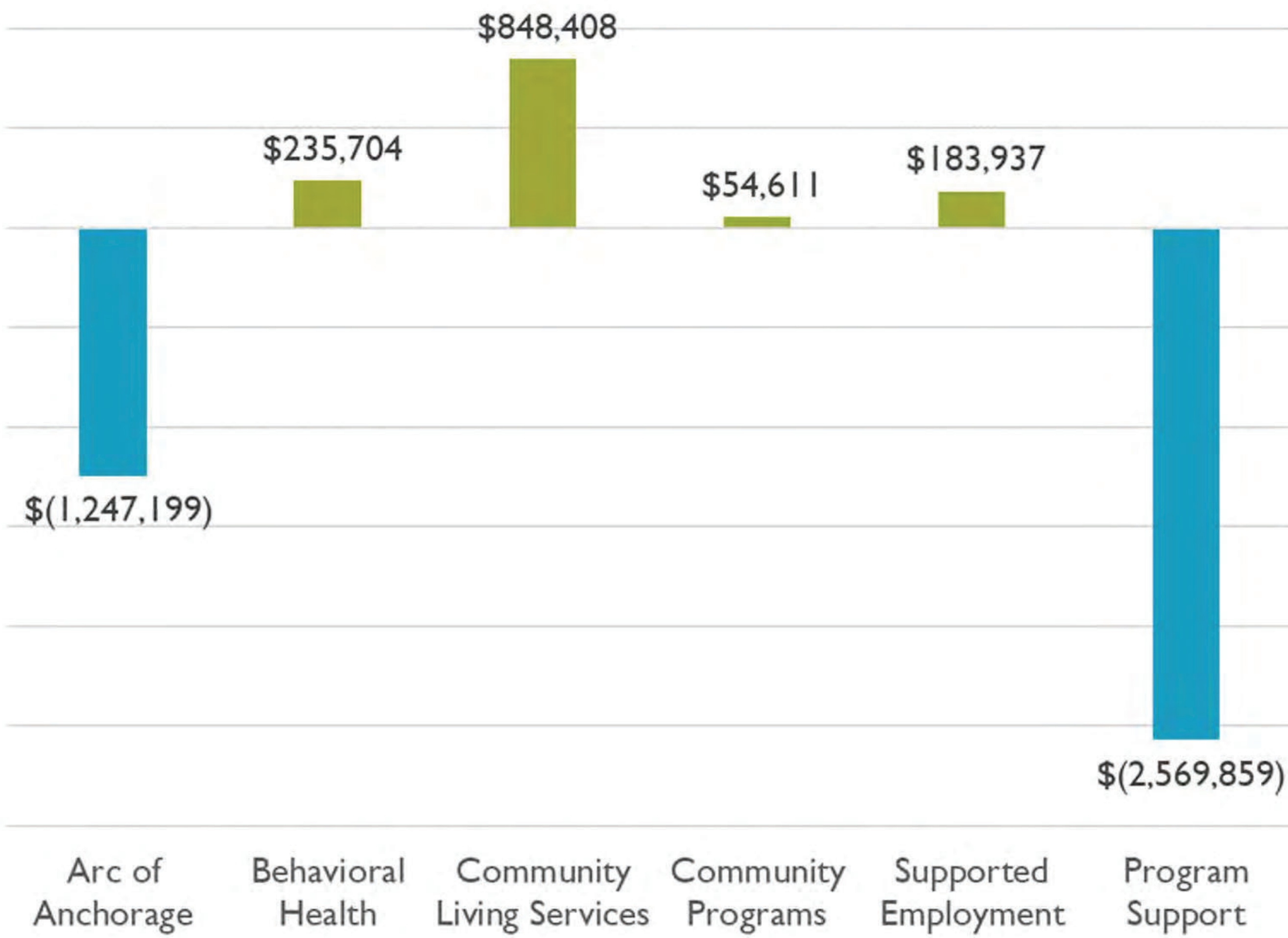


Everything else includes supplies, facility expense, equipment/repairs, travel and contractual. All expense categories have decreased.

FY19 is unaudited.

2019 Net Income

Excluding depreciation and shared expenses



Analysis of Current Position: Revenues

- In 3.5 years, went from a $19.4M organization operating in the black with a healthy margin to an $11.8M organization operating in the red.
- 39% decrease in revenues due largely to State changes impacting primary revenue generating programs.
- Competition increased on all fronts.
- External factors coincided with Medicaid fraud investigation, further complicating picture internally and externally.

Analysis of Current Position: Revenues

- Group homes are one of The Arc's main revenue generating programs
- Possible 5-15% Medicaid rate reduction across the board and unspecified grant reductions
- Billable revenue depends on available workforce

Analysis of Current Position: Staff

- The Arc depends on direct support professionals and employment specialists to deliver billable program services.
- Anchorage is losing population (20,000 outmigration in past 5 years); with increase players in the market, there is more competition for this workforce.
- Salaries and benefits: from $15.5 million in FY15 to $11.1 million in FY19

Financial Modeling & Sustainability

Departments and Programs

Behavioral Health Services
- Clinic Services
- Medication Services
- Rehabilitation Services

Community Living Services
- Group Habilitation
- Family Habilitation
- All Other Habilitation
    - Supported Living
    - Day Habilitation Services
    - Respite
- Nursing Services

Community Programs
- REC Center/SPARC (Over 16)
- Clubhouse (Age 12-16)
- CE/QL (Pervasive Support)

Supported Employment
- DVR
    - Assessments + Job Search
    - Project Search (Under 18)
    - Summer Work (Under 18)
- Medicaid
    - Waiver Job Search and Work

Program Support
- Administration
- Finance
    - Accounting + Billing
    - Operations
    - Pick-up Services
- Marketing
- Information Technology
- Human Resources
- Corporate Compliance

FY 19 Actuals

FY19 Financials	The Arc of Anchorage	Program Support and Admin	Behavioral Health Services	Community Living Services	Community Programs	Suppported Employment Services
REVENUES						
Billable Revenue + Contra	9,944,301	(51,211)	774,144	7,075,919	1,441,417	704,033
Grants	500,854	10,794	301,657	83,686	74,524	30,193
Fee for Service	691,260	170,992	10,452	368,126	66,682	75,008
Other Revenue	1,059,651	1,040,854	313	17,662	761	61
Total Revenues	12,196,066	1,171,428	1,086,567	7,545,393	1,583,384	809,295
EXPENSES						
Personnel + Benefits	11,119,028	2,357,865	803,789	6,011,683	1,334,071	611,620
Travel	147,068	2,281	8,235	60,281	75,614	656
Facilities	578,229	364,041	11,268	176,800	25,212	907
Client + Other Supplies	257,669	82,564	965	108,211	65,215	714
Equipment + Renovations	131,711	83,594	84	23,079	19,588	5,365
Other Program + Pick-up Services	1,209,560	850,942	26,521	316,930	9,072	6,095
Total Expenses	13,443,265	3,741,287	850,863	6,696,985	1,528,773	625,358
NET REVENUE	(1,247,199)	(2,569,859)	235,704	848,408	54,611	183,937

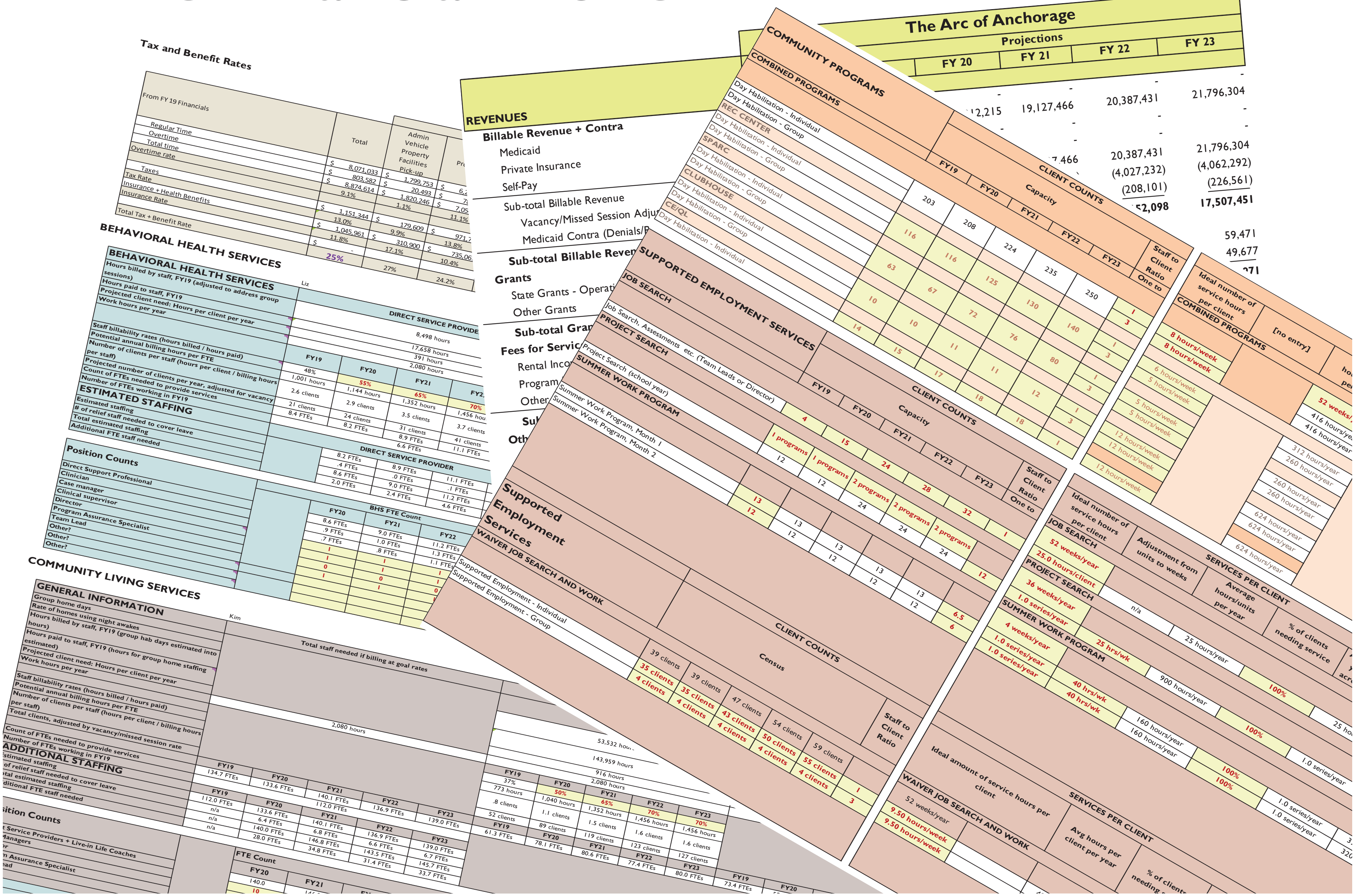
Developing the Model

- Our modeling **started with FY19 financials**.
- We worked with **program directors** to **model the status quo of each program** and **understand program gaps and barriers to improvement**.
- We identified **variables that could impact sustainability** …

Client census	# of staff	Billing rates
Staffing patterns	Missed sessions	Group home management
Rental rates	Grants/Donations	Cost of living adjustments
Wage adjustments	Overtime rates	Staff benefits
Plans of Service	Contracts	Medicaid denials and paybacks

- … and built these variables into the model, providing **a simple way to adjust most variables**.
- After applying personnel reductions in admin/program support (15% from FY19), we worked with executive leadership and program directors to **identify realistic targets for each variable**.
- **Each variable can be adjusted to impact your "bottom line."**

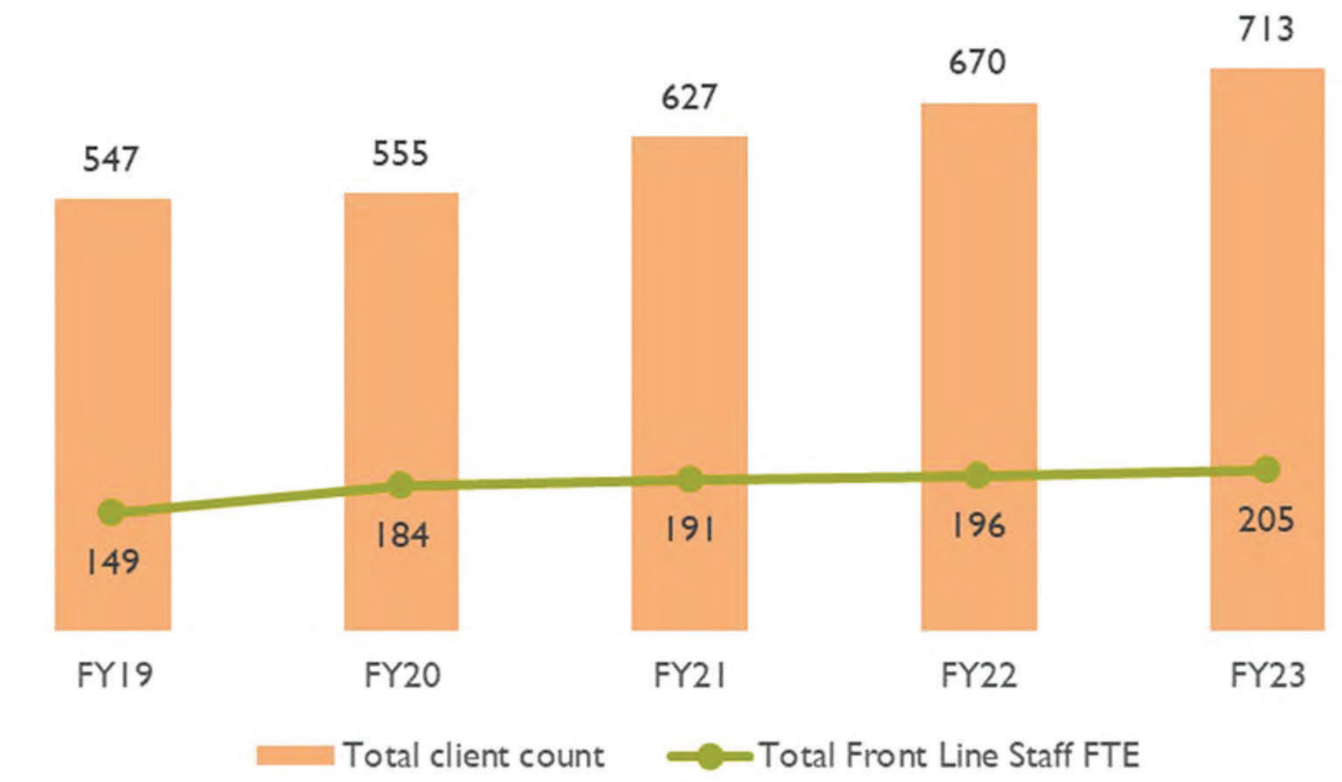
The Financial Model



Key variables, optimized by 2023

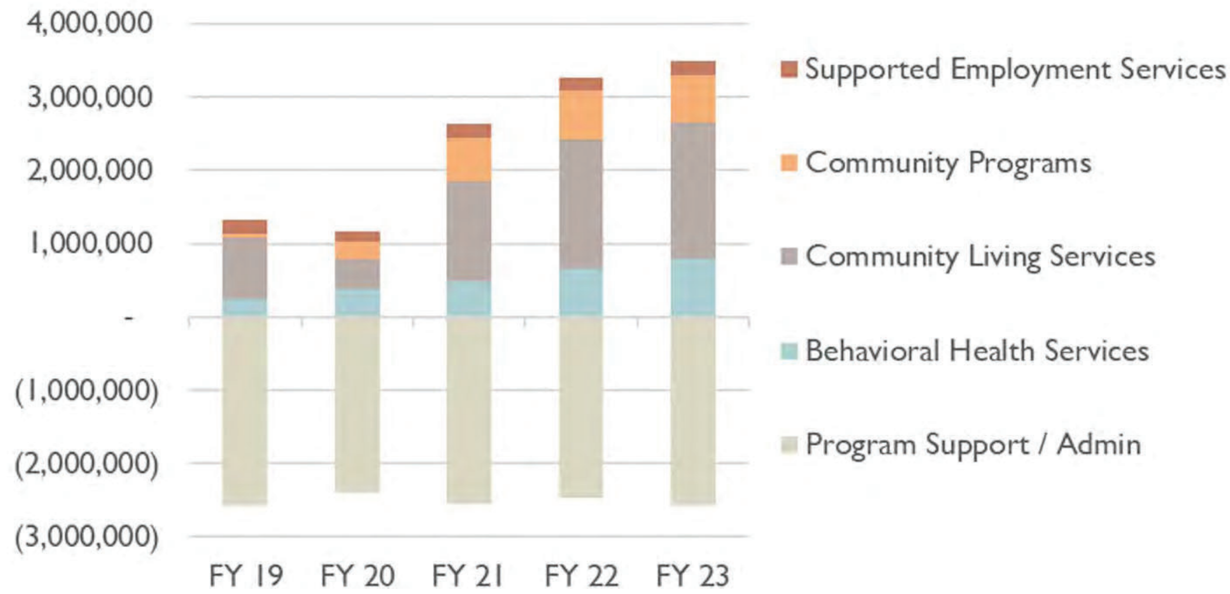
	Averages across all programs
Increase the number of clients served	from 547 to 713
Decrease the "missed session" rate (understaffing and client no shows)	from 31% to 12%,
Maintain low client turnover	from 13% to 11%
Decrease length of time it takes to fill vacant spaces	from 37 days to 20 days
Increase wages to competitive level	19% for DSPs; 17% for CMs; 29% for Clinicians
Increase staffing to expand services	From 149 FTEs to 205 FTEs
Increase staff billability	From 47% to 68%
Decrease overtime and transition times between clients	30% decrease in overtime hours for group homes

Client and Staffing Increases



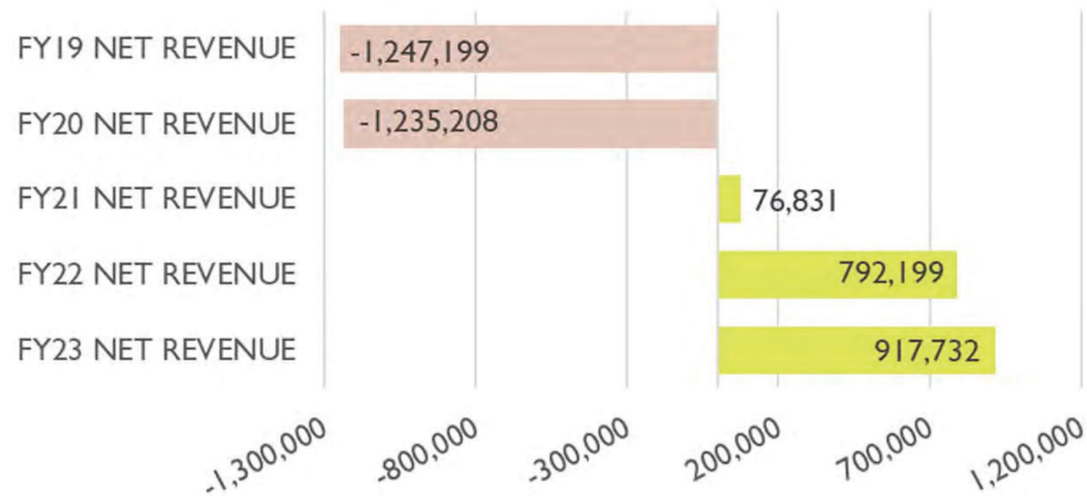
- During FY20, frontline staffing increases will address additional service needs for current clients.
- From FY21 through FY23, frontline staffing increases will address increased client census.

Net Revenue FY19-FY23



Key Takeaways

- **Increase in census drives sustainability**
  - Minor increase during FY20; 13% increase during FY21 results in sustainability; 6% increase thereafter
- Increasing billability & vacancy substantially in FY20 has a positive impact; **without increased census, its not enough to offset losses.**



Net Revenue: Achieving Sustainability by FY21

FY23 Revenue + Expenses	Behavioral Health Services	Community Living Services	Community Programs	Supported Employment Services	All Programs	Program Support + Admin	The Arc of Anchorage
REVENUES							
Billable Revenue	2,118,450	10,964,620	3,180,999	1,243,382	17,507,451	0	17,507,451
Other Revenue	30,199	534,796	131,298	211,378	907,671	983,814	1,891,485
Total Revenues	2,148,649	11,499,416	3,312,297	1,454,760	18,415,122	983,814	19,398,936
EXPENSES							
Personnel & Benefits	1,296,021	9,093,671	2,434,666	1,251,162	14,075,520	2,145,103	16,220,622
Other Expenses	48,093	560,229	226,720	15,400	850,442	1,410,141	2,260,583
Total Expenses	1,344,114	9,653,900	2,661,385	1,266,562	14,925,961	3,555,244	18,481,205
FY23 NET REVENUE	804,536	1,845,516	650,912	188,198	3,489,161	-2,571,429	917,732
FY22 NET REVENUE	652,311	1,779,927	664,903	166,331	3,263,473	-2,471,274	792,199
FY21 NET REVENUE	486,466	1,366,574	594,738	188,387	2,636,165	-2,559,333	76,831
FY20 NET REVENUE	389,414	390,912	249,685	138,703	1,168,713	-2,403,921	-1,235,208
FY19 NET REVENUE	235,704	848,408	54,611	183,937	1,322,660	-2,569,859	-1,247,199

OVERALL: Next Steps for The Arc

1. Hire an Outreach/Marketing Coordinator that will work with leadership to develop and implement an outreach and marketing campaign to recruit staff and engage new clients.
2. Reduce part-time positions when possible.
3. Shift the culture of the organization to one that embraces increased productivity.
4. Implement processes to track and monitor key factors – billability, vacancy.
5. Keep wages above market median.

Position	Arc Average FY19 Salary		Foraker Weighted Mean	% increase over weighted mean	Arc Proposed AVERAGE Salary		
	Annual	Hourly			Annual	Hourly	% difference
DSP	$ 31,540	$ 15.16	$ 38,200	**102%**	$ 38,964	$ 18.73	**19.1%**
CM I	$ 38,235	$ 18.38	$ 43,969	**105%**	$ 46,167	$ 22.20	**17.2%**
Clinician I	$ 46,332	$ 22.28	$ 48,083	**135%**	$ 64,912	$ 31.21	**28.6%**

Source: Foraker 2018 Salary Study

Financial Modeling & Sustainability

by Department Breakdown:

Dashboard

Revenues & Expenses

Recommended Next Steps

Behavioral Health Services: Dashboard

Variable	FY19	FY23
Number of Clients Served	38 clients	65 clients before vacancy applied
Staff Billability	DSP: 48% billability Clinician: 13% billability Case Manager: 7% billability	DSP: 70% billability Clinician: 55% billability Case Manager: 50% billability
Missed Session Rate (services not provided due to staffing shortage and/or client "no shows")	24% missed session	15% missed session
Vacancy Rate (calculated from the **Turnover Rate** and **Length of Time to Fill Open Spot Rate**"	4% vacancy 40% turnover; 40 days to fill	3.5% vacancy 52% turnover; 24 days to fill
Increase Wages to competitive levels	Increase wages to be closer to Foraker average	
Increase Front Line Staff to expand service	7 FTE (DSPs)	14 FTE (DSPs)

Note: The combination of the missed session rate and the vacancy rate is applied to gross billable revenue to adjust it downward. A Medicaid denial/payback factor is also used to reduce billable revenue.

Behavioral Health Services: Revenue & Expenses

Behavioral Health Services					
	FY 19	FY 20	FY 21	FY 22	FY 23
REVENUES	actuals				
Billable Revenue	774,144	900,869	1,204,466	1,619,970	2,118,450
Grants	301,657	253,392	126,696	63,348	-
Fee for Service	10,452	14,092	22,539	30,125	30,199
Other Revenue	313	-	-	-	-
Total Revenues	1,086,567	1,168,353	1,353,701	1,713,444	2,148,649
EXPENSES	-	-	-	-	-
Personnel + Benefits	803,789	732,705	820,958	1,014,672	1,296,021
Travel	8,235	8,482	8,736	8,999	9,269
Facilities	11,268	11,606	11,954	12,313	12,682
Client + Other Supplies	965	965	1,117	1,371	1,651
Equipment + Renovations	84	87	90	92	95
Other Program Services	26,521	25,095	24,380	23,686	24,396
Total Expenses	850,863	778,939	867,235	1,061,132	1,344,114
NET REVENUE	235,704	389,414	486,466	652,311	804,536

Behavioral Health Services: Next Steps

% of income from services provided in FY19	
82%	Support Services *(Primary service provided was comprehensive community support services for adults)*
12.5%	Clinic Services *(Primary service was individual psychotherapy)*
3%	Case Management Services
2.5%	Medication Management Services

- Ensure all ***current*** clients are receiving the level of services they need to manage their service needs by using 8 DSP FTEs and increasing DSP billability to 55% and case manager + clinician billability to 45%.
- Review CBHC criteria for providing clinic and rehab services and ensure staff are documenting all billable services.
- Prepare to increase clients in FY21

Community Living Services (CLS): Dashboard

Variable	FY19	FY23
Number of Clients Served	226 clients	258 clients before vacancy applied
Staff Billability	DSP: 37% billability	DSP: 70% billability
Missed Session Rate (services not provided due to staffing shortage and/or client "no shows")	29% missed session	14% missed session
Vacancy Rate (calculated from the **Turnover Rate** and the **Length of Time to Fill Open Spot Rate**)	0.8% vacancy* 5% turnover; 50 days to fill	0.3% vacancy* 5% turnover; 22 days to fill
Increase Wages to competitive levels	Increase wages to be closer to Foraker average	
Increase Front Line Staff to expand service	112 FTE (DSPs)	139 FTE (DSPs)

* These are averages across group habilitation, family habilitation, all other habilitation and nursing services.

Note: The combination of the missed session rate and the vacancy rate is applied to gross billable revenue to adjust it downward. A Medicaid denial/payback factor is also used to reduce billable revenue.

CLS: Revenue & Expenses

Community Living Services					
	FY 19	FY 20	FY 21	FY 22	FY 23
REVENUES	actuals				
Billable Revenue	7,075,919	7,966,041	10,014,615	10,445,331	10,964,620
Grants	83,686	-	-	-	-
Fee for Service	368,126	359,315	434,793	478,511	514,917
Other Revenue	17,662	18,192	18,738	19,300	19,879
Total Revenues	7,545,393	8,343,548	10,468,146	10,943,142	11,499,416
EXPENSES	-	-	-	-	-
Personnel + Benefits	6,011,683	7,336,047	8,479,318	8,615,386	9,093,671
Travel	60,281	62,090	63,952	65,871	67,847
Facilities	176,800	182,104	187,567	193,194	198,990
Client + Other Supplies	108,211	104,397	114,593	119,894	123,766
Equipment + Renovations	23,079	23,772	24,485	25,219	25,976
Other Program Services	316,930	244,227	231,655	143,650	143,650
Total Expenses	6,696,985	7,952,636	9,101,571	9,163,215	9,653,900
NET REVENUE	848,408	390,912	1,366,574	1,779,927	1,845,516

CLS: Next Steps

% of income from services provided in FY19	
64%	Group Home Habilitation Services
29%	Other Habilitation Services + Respite *(Primary service provided was Day Habilitation Services - Individual)*
1%	Nursing Services

- Ensure all ***current*** clients are receiving the level of services they need to manage their service needs using 140 DSP + Live-in FTEs and increasing DSP billability in non-residential services to 50%
- Reduce the number of empty rooms in group homes and supported living homes.
- Reduce group home costs by increasing use of live-in staff with no night awake support and/or using single-shift staffing when possible.
- Reduce time spent transitioning between clients.
- Prepare to increase clients and staff in FY21.

Community Programs: Dashboard

Variable	FY19	FY23
Number of Clients Served	203 clients	250 clients before vacancy applied
Staff Billability	DSP: 49% billability	DSP: 75% billability
Missed Session Rate (services not provided due to staffing shortage and/or client "no shows")	49% missed session	15% missed session
Vacancy Rate (calculated from the **Turnover Rate** and the **Length of Time to Fill Open Spot Rate**)	4% vacancy* 22% turnover; 60 days to fill	2% vacancy* 22% turnover; 5 days to fill
Increase Wages to competitive levels	Increase wages to be closer to Foraker average	
Increase Front Line Staff to expand service	25 FTE (DSPs)	36 FTE (DSPs)

* These are averages across group habilitation, family habilitation, all other habilitation and nursing services.

Note: The combination of the missed session rate and the vacancy rate is applied to gross billable revenue to adjust it downward. A Medicaid denial/payback factor is also used to reduce billable revenue.

Community Programs: Revenue & Expenses

Community Programs					
	FY 19	FY 20	FY 21	FY 22	FY 23
REVENUES	actuals				
Billable Revenue	1,441,417	2,277,941	2,640,608	2,966,856	3,180,999
Grants	74,524	-	24,589	49,177	49,177
Fee for Service	66,682	68,407	73,580	77,111	82,121
Other Revenue	761	-	-	-	-
Total Revenues	1,583,384	2,346,348	2,738,777	3,093,144	3,312,297
EXPENSES	-	-	-	-	-
Personnel + Benefits	1,334,071	1,895,158	1,933,639	2,210,479	2,434,666
Travel	75,614	77,883	80,219	82,626	85,105
Facilities	25,212	25,969	26,748	27,550	28,377
Client + Other Supplies	65,215	68,407	73,580	77,111	82,121
Equipment + Renovations	19,588	20,175	20,781	21,404	22,046
Other Program Services	9,072	9,072	9,072	9,072	9,072
Total Expenses	1,528,773	2,096,663	2,144,039	2,428,242	2,661,385
NET REVENUE	54,611	249,685	594,738	664,903	650,912

Community Programs: Next Steps

% of income from services provided in FY19	
56%	Day Habilitation – Individual
44%	Day habilitation – Group

- Ensure all ***current*** clients are receiving the level of services they need to manage their service needs by using 34 DSP FTEs and increasing DSP billability to 60%.
- Consider ways to increase group services, if possible.
- Reduce time spent transitioning between clients and/or class sessions
- Increase client engagement to maximize the average number of hours clients participate in classes.
- Prepare to increase clients and staff in FY21.

Supported Employment Services: Dashboard*

Variable	FY19	FY23
Number of Clients Served	80 clients	140 clients before vacancy applied
Staff Billability (supported employment specialists)	SES: 88% billability	SES: 88% billability
Missed Session Rate (services not provided due to staffing shortage and/or client "no shows")	27% missed session rate	8% missed session rate
Vacancy Rate (calculated from the **Turnover Rate** and the **Length of Time to Fill Open Spot Rate**)	9% vacancy rate* 12% turnover; 30 days to fill	5% vacancy rate 3% turnover; 15 days to fill
Increase Wages to competitive levels	Increase wages to be closer to Foraker average	
Increase Front Line Staff to expand service	6 FTE (DSPs)	16 FTE (DSPs)

* These are averages across DVR assessments/job search, project search, summer work program waiver job search and work

Note: The combination of the missed session rate and the vacancy rate is applied to gross billable revenue to adjust it downward. A Medicaid denial/payback factor is also used to reduce billable revenue.

Supported Employment: Revenue & Expenses

Suppported Employment Services					
	FY 19	FY 20	FY 21	FY 22	FY 23
REVENUES	actuals				
Billable Revenue	704,033	776,126	957,689	1,119,941	1,243,382
Grants	30,193	-	-	-	-
Fee for Service	75,008	108,362	185,878	197,778	211,378
Other Revenue	61	-	-	-	-
Total Revenues	809,295	884,487	1,143,567	1,317,719	1,454,760
EXPENSES	-	-	-	-	-
Personnel + Benefits	611,620	731,635	940,606	1,136,376	1,251,162
Travel	656	676	696	717	739
Facilities	907	935	963	991	1,021
Client + Other Supplies	714	735	757	780	803
Equipment + Renovations	5,365	5,526	5,692	5,863	6,039
Other Program Services	6,095	6,278	6,466	6,660	6,799
Total Expenses	625,358	745,785	955,180	1,151,387	1,266,562
NET REVENUE	183,937	138,703	188,387	166,331	188,198

Supported Employment: Next Steps

% of income from services provided in FY19	
89%	Supported Employment Habilitation Services (Job Coaching)
11%	DVR Programs *(Primary program is Project Search, a school-based program)*

- Hire job developer to prepare for more clients in FY21.
- Ensure all ***current*** clients are receiving the level of services they need to manage their service needs by using 9.9 SES FTEs.
- Prepare to add an additional summer work program in FY21.
- Prepare to increase job coaching clients and staff in FY21.

Big Picture: Next Steps

For Agnew::Beck, by February 29, 2020:

- Develop and submit a brief summary report to accompany this presentation.
- Transition Financial Model.

For The Arc Board and Staff:

- Revisit and prioritize recommended agency-wide and program next steps – develop action plans with leads, timelines and system for tracking progress (e.g., dashboard for each department, by program).
- Dedicate board agenda time for regular progress reports (e.g., dashboards) and opportunity for collaboratively addressing challenges and/or specific ways the board can support staff in sustainability plan implementation.
- Identify specific tools for increasing board capacity and engagement.
  - Orientation that includes " department and program cafes" w/staff.
  - Training on roles and responsibilities with focus on advocacy, fiduciary and fundraising duties.