HOWARD CENTER
Help is here.

Michael Davis, Director
Green Mountain Care Board
89 Main Street
Montpelier, VT 05620-3101

January 8, 2016

Dear Mike,

The following narrative outlines the FY2016 budget for Howard Center (HC). It describes budget assumptions, processes, and the context within which the budget was developed. This document, in conjunction with the responses to questions, should provide a sound introduction to our budget.

A. INTRODUCTION

Vermont's Agency of Human Service's Department of Mental Health (DMH) provides direct services by contracting with private, non-profit providers called Designated Agencies (DA). DMH designates a DA in each geographic region of the state as responsible for ensuring needed services are available through local planning, service coordination, and monitoring outcomes within their region. In addition, the Department of Aging and Independent Living (DAIL) is responsible for similar expectations serving individuals with Developmental Disabilities. Howard Center is the DA for mental health and developmental disabilities for Chittenden County as well as a Department of Health (DOH) preferred provider of substance use disorder services.

As a designated agency, Howard Center, Inc. has a statutory responsibility to meet all of the developmental and mental health services needs of our region within the limits of available resource. As a result, the scope of Howard Center services includes:

- 24 hour crisis response
- Outpatient services for children and adults
- Substance Abuse Treatment for adolescents and adults
- Case Management Services
- Developmental Disability Services – Developmental Services, Choices for Care/Long-Term Care, Personal Care, Residential
- Mental Health Treatment – Children's and Adult Residential, Mentoring, Independent Schools, Severe Mental Illness

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- School based services and Independent Schools – Therapeutic school services
- Employment Services
- Medical/psychiatric care and consultation
- Consultation for community partners

It is critical to note that in both statutorily mandated and other services it has been one or more designated agencies which have stepped in when the state has been confronted with natural and other private business disasters which requires the immediate assumption of often challenging and complex program and client support services. The unanticipated closure of The Vermont State Hospital and the closure of a private medication-assisted treatment program with 170 patients left without care or notice are only two examples. It is this mutuality of mission and commitment which makes the designated agency and state relationship so meaningful.

B. EXECUTIVE SUMMARY - BUDGET

Howard Center's FY16 budget is tied to directly to the agency strategic plan with a primary objective to increase staff compensation. As such, in addition to making difficult decisions to close or reduce much valued programs because of substantially inadequate funding, significant efforts were made to contain and/or reduce expenses wherever possible as well as to enhance revenue to shift all additional available resources to compensation.

Revenue is generated through many mechanisms including grants, contracts, case rate, fee for service, waiver, and donations. Funders are varied and include private insurance, courts, state departments (DCF, DAIL, ADAP, Corrections, DMH, DVHA,VR), education/local schools, federal, private donors, foundations, towns, United Way, and self-pay. Payment mechanisms, documentation and compliance requirements, and reporting/outcome requirements are as varied and diverse as are the combinations of funders and mechanisms.

The FY16 budget shows just under a 1% increase year to year. The revenue budget assumed a 0.875% annual Medicaid increase (1.75% effective 1/1/16)* , caseload increases (capacity) for Developmental Services, no cuts to current funding, and improved staff retention.

The expense budget assumes the same year to year increase as revenue (just under 1%) while absorbing a 3% increase on fringe expense budget (includes 10% on health insurance), a 2% increase to base compensation, and 1% onetime compensation for length of service. Agency administration rate is 8.79% of expenses. Significant effort to reduce and/minimize all other costs to prioritize compensation as well as constrain expenses to correspond with limited reimbursement rate increases. This was achieved by targeted reduction in program capacity (program closure), planned new service delivery models, 4.1% reductions in FTEs, increased productivity expectations, and increased caseloads. This also results in a budget with zero budgeted margin despite continued balance sheet concerns, specifically related to days of operating cash on hand.

**Note: Subsequent to this plan: the legislature only approved an annual Medicaid rate increase of .22%; reimbursement rates for Group Therapy received a 75% reduction; and ABA rates received a 60 % reduction.*

C. OVERALL NET PATIENT REVENUE BUDGET TO BUDGET INCREASE

The net patient revenue increase from FY15 budget to FY16 budget is 1% which is comprised of increased Medicaid rates, increased rates in non-Medicaid fees, and modest increases in service delivery (utilization).

Approximately 60% of the annual revenue increase results from the assumption of a 0.875% increase on certain Medicaid Reimbursement Rates as well as on state grants and contracts. (Note: What was actually approved was a 0.22% increase).

School Contract revenue increased as a result of increased costs and increased Medicaid match rates, both of which are components of the school contract rate calculation.

D. PAYER MIX AND REIMBURSEMENT

The FY16 revenue budget includes first party revenue (self-pay client fees) of $224k making up .25% of planned revenue. Approximately 4% of agency clients are self-pay.

The FY16 revenue budget includes commercial insurance revenue of $983k reflecting 1.1% of total revenue. A year to year increase of 0.9% in budgeted revenue reflecting increased capacity in ABA work. No rate increase is budgeted.

The FY16 budget includes $71.6M in Medicaid revenue reflecting 80% of budgeted revenue. This is a year to year budgeted increase of 0.60% primarily related to the budget 0.875% reimbursement rate increase.

State Contracts and Grants comprise 13% of budgeted revenue at 11.9M. This is a 2% budgeted increase year to reflecting some reimbursement increases (tied to the Medicaid rate increases).

Non-Medicaid Fees are budgeted for FY16 in the amount of $2.9M reflecting 3.25% of budgeted revenue. This is a year to year budgeted increase of 15.5%. This increase is primarily attributed to increased rates and contracts (utilization) for services purchased by local school districts.

Federal Contracts & Grants are essentially level funded and reflect no change in utilization or funding for services provided through Probation and Parole.

Local & Other represent 1% of budgeted revenue and is comprised of private donations, foundations, and fundraisers.

E. CAPITAL BUDGET INVESTMENTS

Howard Center currently owns 18 properties (149,931 square feet), has lease agreements for another 35 (110,135 square feet), and has agreements for another 10 locations all totaling 282,059 square feet. With the exception of two properties, all of these locations provide a base for service provision to clients. In addition, Howard Center staff provide client services in over 50 local schools and childcare centers, the emergency room, on Church Street and surrounding areas, and in primary care offices. The array and quantity of individual locations reflect the array of what and where services are needed by clients including clinic based, court house, corrections, family centers, group homes, public schools, agency operated independent schools, and administrative offices.

The average age of properties owned by the agency is 67 years. The FY16 capital plan reflects minimal necessary maintenance but does not meet the standards for agency properties nor recommended or best practice cycles for maintenance due to limited resources.

SUMMARY

The proposed FY16 plan is a responsible budget that represents a reasonable point in time projection of anticipated revenues and expenses to accomplish our agency mission. The assumptions contained in the budget are realistic and derived from current obligations and good faith indications. State funding projections, in particular, but not exclusively, are reflective of the most current information available at the time. It is possible, if not probable, that national and state realities will require budget flexibility and adjustment, perhaps major, during the course of the year.

If the organization were at optimum financial heath, we would be able to achieve three key goals: (1) market level compensation for staff at all levels of the organization, (2) adequate capital investments in infrastructure and (3) sufficient operating cash. These key foundational areas in turn would result in a stable, skilled workforce that provide services in appropriate and supportive facilities while utilizing efficient and productive systems and technology platforms. Meeting these goals will positively impact service delivery and Howard Center's ability to meet the needs of our clients and community.

As we strive for this vision, we struggle with how to best utilize resources that are not sufficient to maintain the current level of service and programming offered. To ensure consistent and quality service provision, we must attract and retain qualified staff. Compensation is the organization's top priority. Tools to achieve include: minimizing other costs, increasing expectations on staff, assessing the feasibility of terminating inadequately funded services and programming, and exploring entrepreneurial opportunities that pose limited risk and that have the potential to generate positive net revenue and at the same time is consistent with our mission.

We look forward to further discussion and answering any questions you and the board have.

With best regards,

Sandra McGuire
Chief Financial and Operations Officer