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# Vital signs

## For Lewiston mental health service providers, survival means tweaking their business models

**BY BRIDGET HUBER**

When Richardson Hollow, Maine's largest provider of in-home care to people with mental illnesses, closed in September, it sent a ripple of worry through the community of mental health caregivers and their clients.

The Lewiston-based agency's founder and CEO, Linda Hertell, and her business consultant John Turner blamed the state during interviews with local media earlier this fall. They cited stagnant MaineCare reimbursement rates and delays in payment as factors in Richardson Hollow's demise. Hertell declined to comment for this article.

In early November, the Maine Department of Labor filed a lawsuit against Richardson Hollow and Hertell that seeks to recover more than $177,000 in back pay and vacation time plus interest and lawyers' fees for 133 former employees.

Following Richardson Hollow's shutdown, Saco-based mental health care provider Sweetser took on most of the company's clients and hired many of its employees.

Still, many Richardson Hollow employees were out of work and the closure resonated with mental health service providers from around the state. Other Lewiston mental health service providers say they, too, have felt the fiscal crunch, and worry that continued funding cuts could force them to curtail services or even go under.

"No one was surprised when Richardson Hollow went under," says Chris Copeland, executive director of Tri-County Mental Health Services in Lewiston, adding that all health care providers have faced budget cuts in recent years.

Providers have long warned that cutting funding would close programs, says Copeland. Over the last four years, the MaineCare reimbursement for an hour of outpatient care has dropped from $120 to $87, he said.

Still, three Lewiston mental health agencies — Tri-County, Common Ties Mental Health Services, and Alternative Services — have adjusted their business and service models to cope with the increased austerity. They are surviving, at least for now.

PHOTO/DAVID A. RODGERS

*Staying alive: Chris Copeland, executive director of Tri-County Mental Health Services in Lewiston, streamlined administration costs to compensate for state reimbursement cuts*

Meanwhile, problems with the Department of Health and Human Services' billing system to handle reimbursements for MaineCare, the state's Medicare program, caused major delays in repayments to providers. As the agency revamped the problematic payment system that launched in 2005, it began making interim payments to providers, the amounts of which were based on what each provider had been paid in the past. In many cases, providers were overpaid and ended up owing the state money. Since January 2006, the state has been working to recover some $394.3 million in overpayments. Seventy-five percent of the overpayments had been recuperated as of October 12, says DHHS spokesperson John Martins.

### Seeking efficiency

A few years ago, Tri-County found itself in the red, due to decreased grant funding, reductions in reimbursement rates for their services and constantly rising operating costs.

Copeland, along with Tri-County's board of directors and executive team, devised a plan to become more efficient both as a business and a service provider. But Tri-County didn't have much wiggle room when it came to cutting overhead. Copeland said slashing payroll isn't an option for mental health care providers who rely heavily on clinicians to deliver services, often on an individual basis. "Eighty percent of our budget goes to wages and benefits," he says. "We couldn't just cut staff. We needed to find other ways of dealing with [the problem.] Reducing overhead and waste was the starting place."

One of Tri-County's first moves was to place the agency's operations in the hands of business professionals.

Just as he wouldn't put the clinical side of Tri-County's operations in the hands of a business person, Copeland says he felt a person with business expertise could best identify and remedy inefficiencies in the organization's structure.

Craig Owens, Tri-County's operations director, came to the company after two decades at Unum, the Portland disability insurer where he worked in customer services and operations.

Owens says Tri-County is a complex organization that operates multiple programs and sites. He identified inefficiencies in areas such as patient intake, medical records, hiring and employee orientation, then worked to make them more efficient.

Take, for example, patient intake, the process of determining what help a person needs and putting them in touch with the appropriate service. In the past, people who sought Tri-County's services faced multiple steps before they actually saw a clinician, said Owens. The result was a six- to twelve-month waiting list for help with issues ranging from schizophrenia and depression to anxiety and substance abuse. Clinical Director Catherine Ryder says this waiting period was a "black abyss" for those who needed care.

Today, the intake process has been streamlined, and the wait list has been eliminated. The new efficiency allows clinicians to better serve their clients, notes Ryder. "Now, clinicians don't have to worry about operational problems," she says. "They can focus on the people they are working with and attend to service delivery without being called out on a building or billing emergency."

Despite a commitment to increasing efficiency, Copeland says he and other mental health service providers are sometimes seen as economically irresponsible. "There is a perception that we ran into in the Legislature this last session that we are a drain on society, that we are wasteful fat cats," he says.

But while state and local allocations to Tri-County may top $20 million dollars, Copeland says that those who advocate cuts in mental health services funding should realize that investing in these services prevents larger social problems. "People without services are going to be unemployed, in the emergency room, in jail or failing school," he says.

*"In the past, we had been able to serve most everybody, but as grant dollars have dried up it has contributed to less flexibility."*

Craig Phillips, executive director of Common Ties Mental Health Services

It's a reality that Craig Phillips, executive director of Common Ties Mental Health Services, understands. Over the last five years, the grant funding his organization receives from the Maine General Fund has remained stagnant, at just over $183,000 per year, as operating expenses rise. Three-quarters of this money goes to one program, a peer support and recovery center for adults with mental illnesses called 100 Pine Street. Because the services provided at the center are not MaineCare reimbursable, Phillips says he has had to decrease health insurance benefits and retirement plans for workers while asking them to become more productive.

Decreased funding has also affected clients. Today, the agency has a waiting list for some of its services, while two years ago it did not. And, Common Ties Mental Health used to offer help to anyone who knocked on its door. Today, it can only serve people who have a payment source such as insurance or MaineCare. "In the past, we had been able to serve most everybody, but as grant dollars have dried up it has contributed to less flexibility," Phillips says.

## Pinching pennies

The MaineCare billing fiasco was a drain on many mental health agencies around Maine. Dick Willauer, executive director of Alternative Services, a Lewiston-based non-profit providing residential and in-home mental health services in seven counties in central and western Maine, says his organization is funded solely through MaineCare reimbursements, and that the system's computer glitches made it difficult to manage cash flow.

Interim payments helped, but Willauer says MaineCare still owes Alternative Services more than a million dollars — a significant sum for an organization with an annual operating budget under $9 million. "I have no idea when that money will come," says Willauer, who added, however, that he is confident that it will eventually be repaid.

At Alternative Services, sticking to basic business principles has been the key to survival, Willauer says. The agency balances expenditures and income, and continues to work closely with DHHS staff to straighten out its financial situation. Willauer says the agency has also been forced to borrow money, a situation that concerns him. "No one likes to operate with huge deficits, or any kind of deficit, really," he says.

Still, Willauer says the company's conservative approach to growth has helped it maintain stability. "We won't do anything unless we are certain funding is there," he says.

But that did not stop Alternative Services from branching out. Shortly before Richardson Hollow closed, the agency decided to begin offering daily living support services to help clients transition from group homes to independent living. The decision was largely based on the perceived need for the service. But the organization also found itself with a market opportunity following the shutdown of Richardson Hollow, which had been the main provider of those services in the Lewiston area.

So far, the new service is going well, says Willauer, adding that the agency recently hired 14 former Richardson Hollow employees.

Even so, the future remains uncertain, "Every time there's a cut it is more challenging," says Willauer.

For Copeland, the ability to respond to the changing funding environment continues to be crucial. "If we hadn't made changes it would have been Richardson Hollow and Tri-County [out of business.] You either grapple with these issues or you don't exist," he says.

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