

Strengthening Providers of Substance Use Treatment in Los Angeles County

Summary

Substance use and misuse are prevalent in Los Angeles County requiring new models of service provision and management. Under a federal waiver to test innovations in Medicaid, Los Angeles County has established an organized system for providing substance use treatment services. This brief describes information gathered on the organizations participating in the implementation of the new specialty health benefit for substance use disorders. Together with the Insure the Uninsured Project and the L.A. County Substance Abuse Prevention and Control, the California Community Foundation examined 86 providers in L.A. County. Organizations will benefit from general resources, including core operating support and workforce development, as well as provider-specific assistance with revenue cycle management and organizational development. Providers will also benefit from shared learning and benchmarking. The summarized information will be used to support the continued growth and evolution of these nonprofits.

Substance Use in Los Angeles County

Substance use and misuse are prevalent in Los Angeles County. One in five patients in Los Angeles County misuses alcohol or other drugs, impacting approximately 2 million residents¹. Drug overdose is the third-ranked cause of premature death in the County, preceded by homicide and motor vehicle crashes². There were more than 42,000 patients admitted to publicly funded substance use disorder treatment in 2015-16, and over one-third accessed opioid treatment. Common substances that were misused include heroin, methamphetamine, marijuana, alcohol, prescription medications and cocaine. One of every four patients admitted to treatment also had mental illness. Providing appropriate services for affected residents is an important goal in the County.

In July 2017, the Los Angeles County Department of Public Health Substance Abuse Prevention & Control Program (SAPC) launched a new specialty health benefit for low-income adults who have substance use disorders. The benefit is being supported through a federal waiver called the Drug Medi-Cal Organized Delivery System (DMC-ODS). This benefit will provide comprehensive and evidence-based addiction treatment and medically necessary services for Medi-Cal recipients. Implementing DMC-ODS is critical to improving health in L.A. County.

As shown in Appendices A and B, these services are somewhat distributed throughout L.A. County. Darker shading in both figures indicates higher proportions of residents reporting alcohol use (Appendix A) or binge drinking (Appendix B). Data were drawn from the L.A. County Health Survey (2011).

FINANCIAL STATUS

Two out of every five organizations reported deficits in the previous three to five years.

One-half (49%) of the organizations had less than 1 month of cash on hand, 25% had between 1-2.5 months of cash on hand, and 25% had greater than 3 months of cash on hand.

One out of every four organizations reported liabilities exceeding assets in the previous three to five years.

Among these organizations, the average accounts receivable (AR) days was **39** and the median was **80** with a range from 0-1,106 days.

Presented by



July 2018

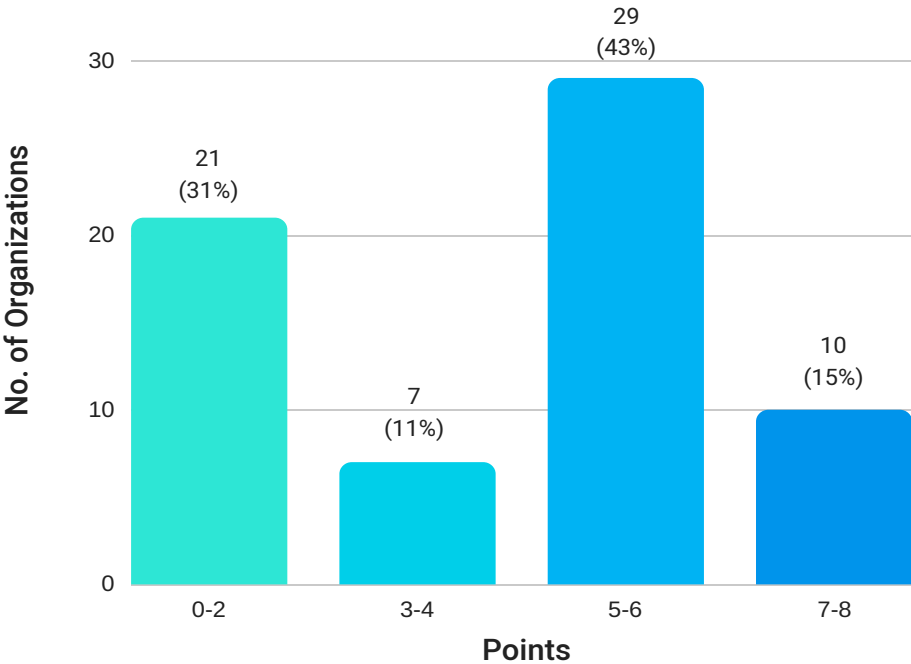
//
**Drug
overdose
is the third-
ranked cause
of premature
death in
L.A. County.**
//

// Existing resources could be supplemented with more provider-specific assistance. //

As part of its current strategic plan ending in 2025, the California Community Foundation is investing in the integration of primary care, substance use, and mental health delivery systems in the most impacted regions of the County. Over the next few years the foundation will focus on supporting DMC-ODS. In order to understand the organizations providing necessary services, the foundation coordinated information gathering with Insure the Uninsured Project and with SAPC. CCF conducted a preliminary scan of the financial status of more than 80 organizations identified as the initial wave of DMC-ODS partners.

The following six indicators of financial sustainability and liquidity were reviewed: break even or surplus budgets over 3-5 years, episodic deficits, no significant diversion of an organization's assets, at least three months of cash on hand, total assets larger than liabilities, and no adverse audit opinion. The ability to bill and receive payment for services was also estimated, i.e., accounts receivable. Data for 67 organizations were abstracted from available 990 forms for 2011-2016 and audits posted on GuideStar. Organizations were grouped into four clusters based on assigned ratings.

Financial Sustainability Rating (N-67)



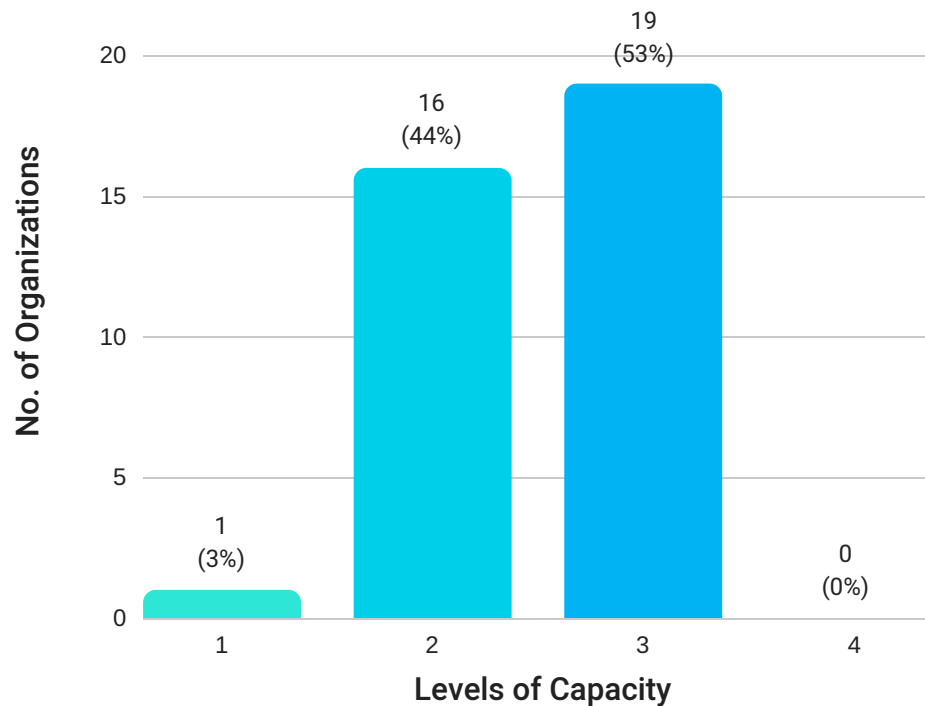
Note. CCF staff reviewed audits and 990s for 67 identified organizations. Points were assigned for break even/surplus budgets, deficits, diversion of assets, cash on hand, assets larger than liabilities, and adverse audit opinions.

Accounts receivable reflects the length of time it takes nonprofits to collect their reimbursement payments³. Among the DMC organizations the average accounts receivable days were 39 and the median was 80 with a range from 0-1,106 days (or 3 years)⁴.

SAPC Assessment

In addition to the CCF scan, SAPC conducted a capacity assessment among 36 contracted agencies that participated in SAPC's Capacity Building Initiative in February/March 2017. Organizations provided self-reported ratings of capacity in nine primary domains. They included such areas as board governance, leadership, service delivery and impact, and financial and legal management. The agencies were grouped into four levels of capacity according to the assessment. The chart below shows that more than half (53%) of the agencies reported having moderate capacity to implement DMC-ODS.

SAPC Capacity Assessment (N=36)



Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place.

Insure the Uninsured Project (ITUP) Findings

ITUP conducted key informant interviews with L.A. County DMC-ODS providers and consulted with its standing Behavioral Health Workgroup in the County on potential opportunities to support successful provider participation in the program.

ITUP found that although there are existing resources to support provider capacity available through SAPC, the California Institute for Behavioral Health Services, and UCLA Integrated Substance Abuse Programs, existing resources could be supplemented with more provider-specific assistance in the form of:

- One-on-one technical assistance and clinical coaching, including onsite support and assistance to directly address individual provider challenges in implementing the DMC-ODS changes such as services tracking, billing, financial record keeping, and patient screening and medical necessity assessment, and
- Specialized learning collaboratives allowing providers with similar needs and common attributes, to share challenges and best practices on how to manage and improve service delivery.

Focused resources and technical assistance will particularly help smaller providers struggling the most in this complex new environment – while often having the deepest connections to the complex populations and diverse communities they serve. Providers with smaller budgets and fewer staff and numbers of sites also tend to be in low-income communities, and many serve specific ethnic and specialized populations.

ITUP heard that many of the existing technical assistance and learning opportunities combine large and small providers in a way that may make it difficult for single-site smaller providers to focus on the unique issues they face.

DMC-ODS is a significant and necessary transformation of the substance use services system in California.

//
Providers feel
they need
more tools
and resources
to effectively
screen
patients.
//

Making Early Investments to Strengthen Substance Use Treatment Providers

DMC-ODS is a significant and necessary transformation of the substance use services system in California. The implementation of this health benefit is critical to improving access to high quality care for the most vulnerable. According to the CCF financial scan results, most organizations had experienced at least one type of financial sustainability challenge, e.g., deficits in the previous three to five years, less than one month of cash on hand, or liabilities exceeding assets in the previous three to five years.

This preliminary scan of the financial status and areas of ongoing improvement among substance use treatment providers offers opportunities for funders and capacity building assistance providers to:

- Provide core operating support to enable organizations to cover the full costs of implementation of DMC-ODS. Significant implementation preparedness costs are currently being carried by organizations.
- Support change management capacity and skills building for organizations. Enhancing leadership and program staff proficiency with institutionalization of managed care practices will support continued DMC-ODS improvements.
- Support revenue cycle management technical assistance for these organizations. Providing education and learning opportunities among leadership and financial staff will enable these organizations to optimize this new revenue source.
- Support practice re-design for organizations that are assigning new or expanded responsibilities to existing staff, developing new operational flows, or repurposing program components. Program staff may benefit from support to re-examine operations, policies, and procedures to allow clinicians through front-level staff to “practice at the top of their licenses.”
- Convene and coordinate external quality improvement collaboratives. The ability to track individual organizational performance against industry benchmarks is a practice that other managed care systems, e.g., federally qualified health centers, currently practice.

Contacts

Denise Tom

Program Officer, Health, California Community Foundation
(213) 452-6231
dtom@calfund.org

Rose Veniegas, Ph.D

Senior Program Officer, Health, California Community Foundation
(213) 452-6250
rveniegas@calfund.org

Deborah Kelch

Executive Director, Insure the Uninsured Project
(916) 226-3899, x402
deborah@itup.org

Acknowledgments

John Connolly, Ph.D. Interim Division Director, Substance Abuse Prevention and Control at Los Angeles County Department of Public Health

ITUP Behavioral Health Work Group (L.A. County)

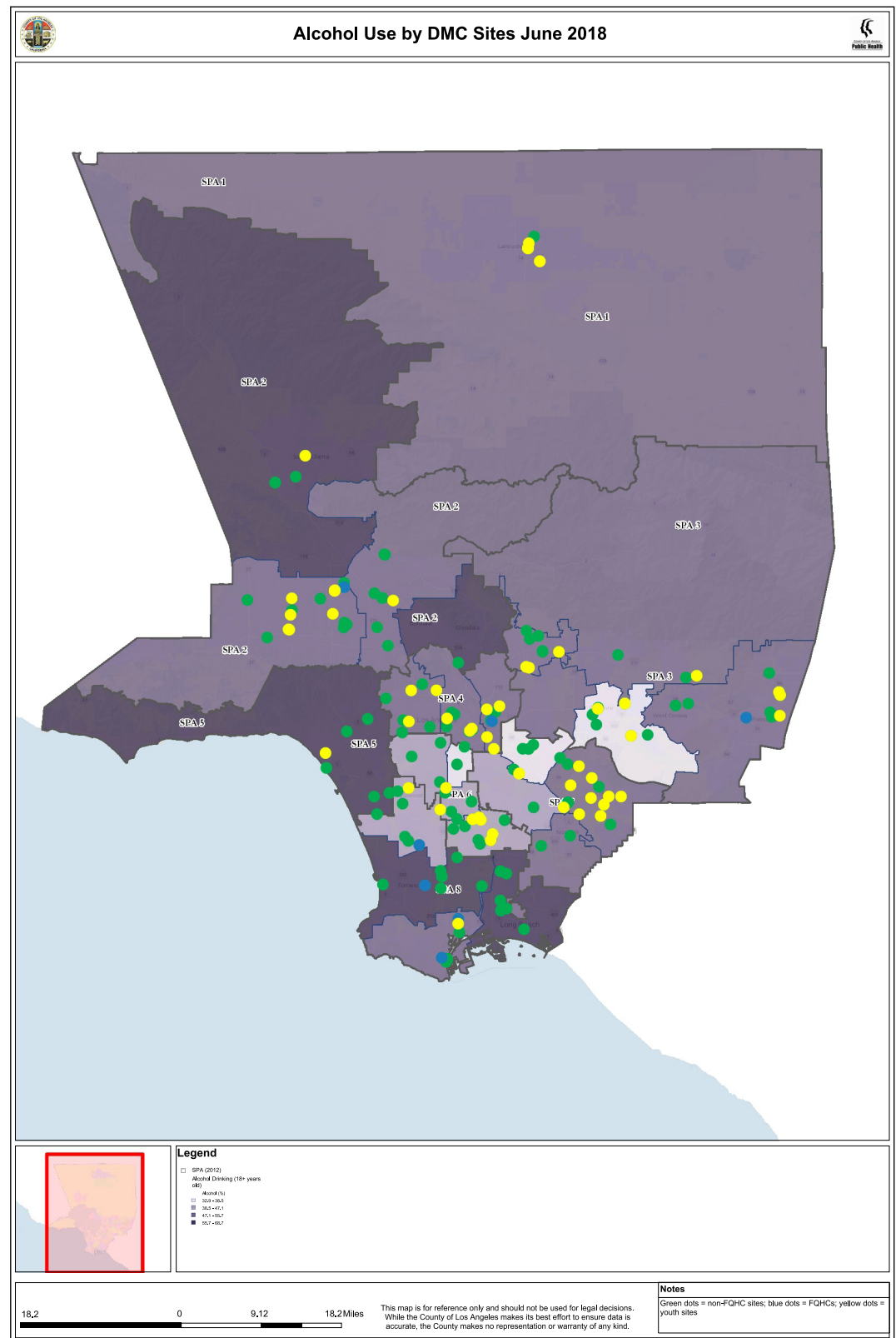
The nonprofits that provided information to CCF and ITUP

- **APPENDIX A** DMC-ODS Sites as of June 2018 by Alcohol Use
- **APPENDIX B** DMC-ODS Sites as of June 2018 by Binge Drinking
- **APPENDIX C** Financial Status and Capacity Assessment Figures

Notes

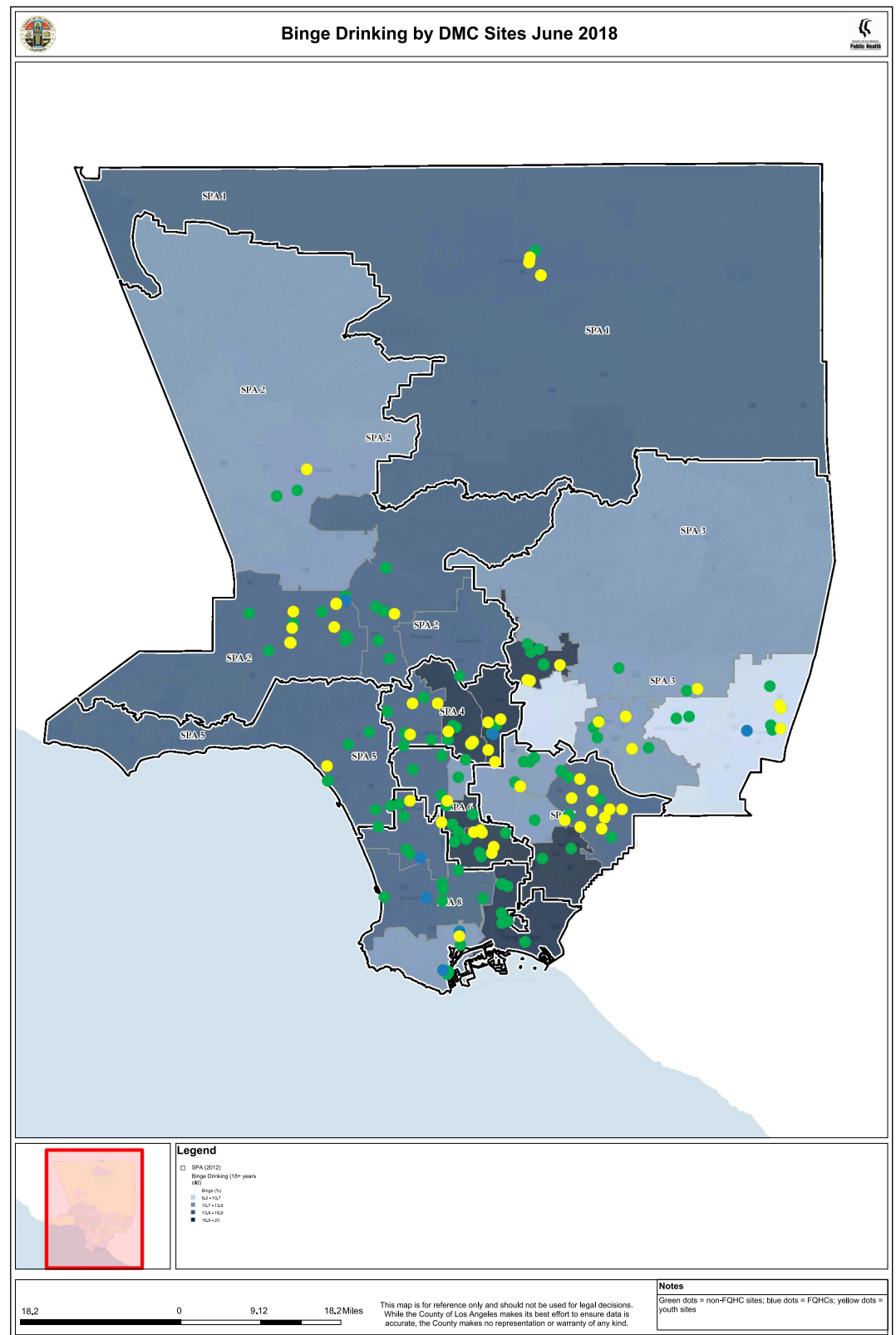
1. SAPC Medical Director's Brief. No. 5 Issue: Substance Use in the Primary Care Setting.
<http://publichealth.lacounty.gov/sapc/MDU/MDBrief/PrimaryCareSUDBriefFinal.pdf>
2. Ibid.
3. For comparison, community health centers, which have operated in a managed care environment under the Affordable Care Act, the recommended accounts receivable range is less than 60 days. Capital Link. California Community Health Centers Financial & Operational Performance Analysis, 2010-2013.
<http://www.caplink.org/images/stories/Resources/reports/Report-Financial-Operational-Analysis-of-CA-Health-Centers.pdf>
4. Source: <http://www.publichealth.lacounty.gov/sapc/HealthCare/CapacityBuilding.htm>

APPENDIX A - DMC-ODS Sites as of June 2018 by Alcohol Use



Note: Green dots indicate sites that primarily provide substance use treatment services. Blue dots indicate sites that provide primary care as well as substance use treatment services. Yellow dots provide substance use treatment services for youth.

APPENDIX B - DMC-ODS Sites as of June 2018 by Binge Drinking



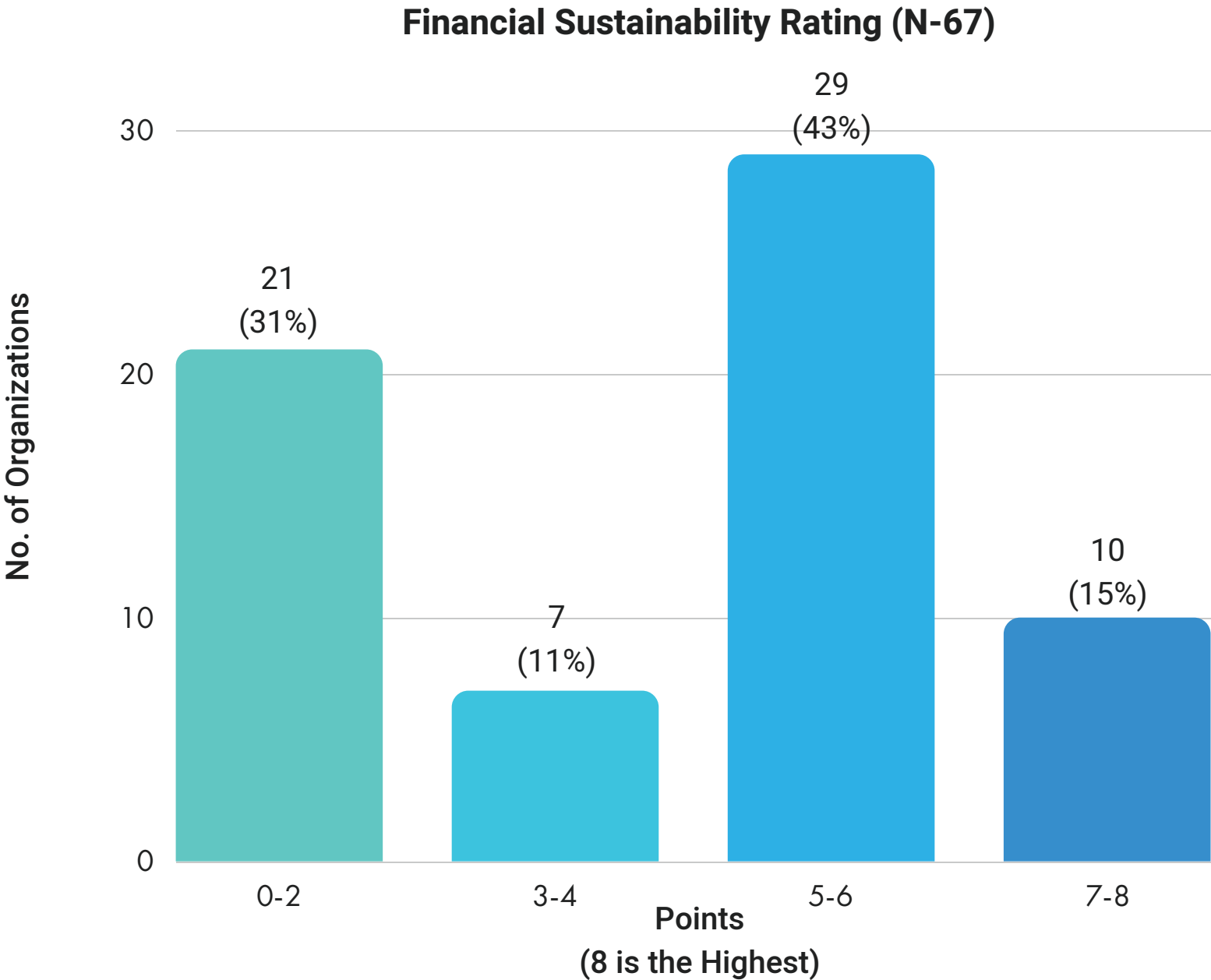
Note: Green dots indicate sites that primarily provide substance use treatment services. Blue dots indicate sites that provide primary care as well as substance use treatment services. Yellow dots provide substance use treatment services for youth.

Strengthening Providers of Substance Use Treatment in Los Angeles County

Appendix C

Financial Status and Capacity Assessment Figures

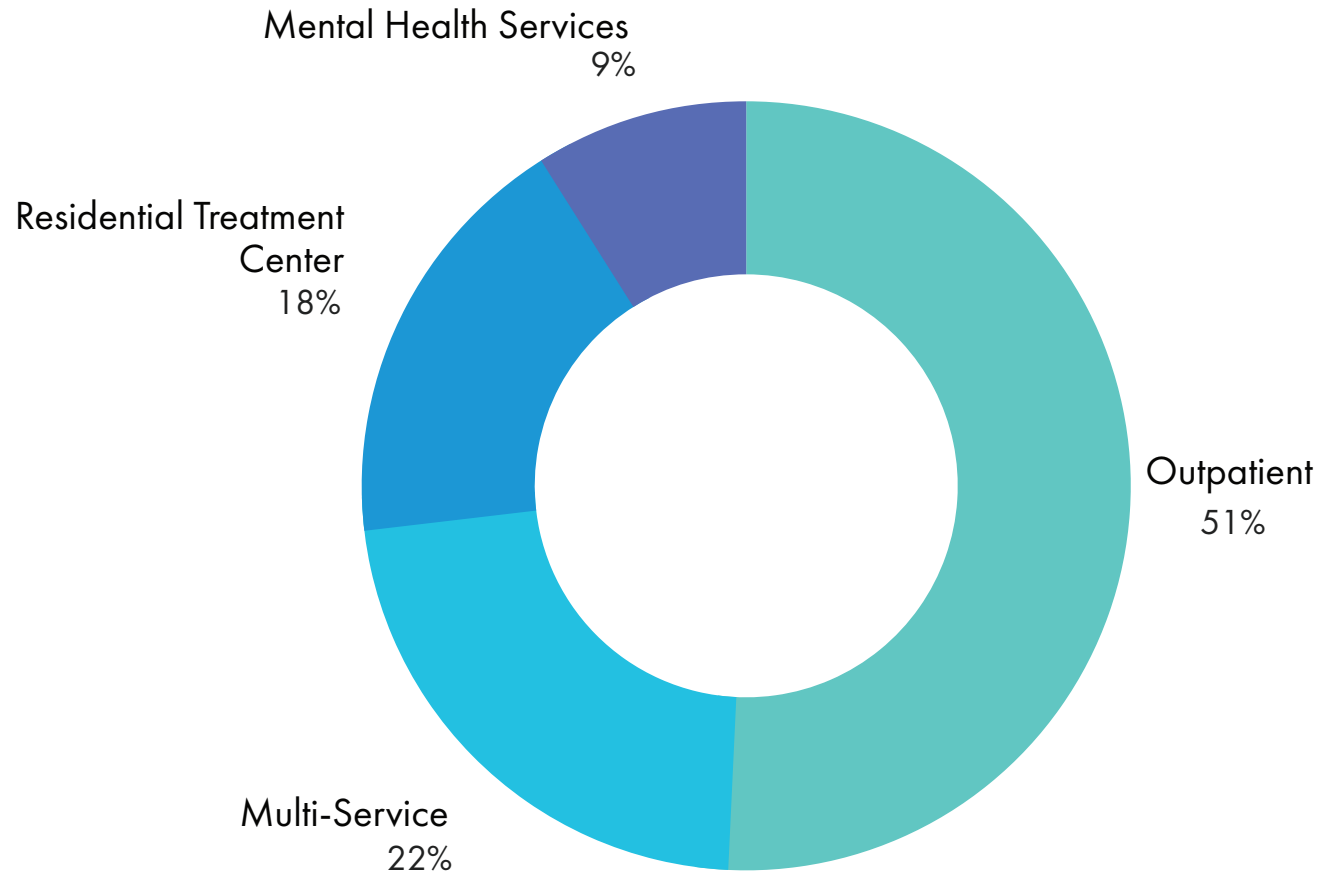
Providers Had Multiple Indicators of Financial Sustainability



Note: CCF staff reviewed audits and 990s for 67 identified organizations. Points were assigned for the domains considered relevant to financial sustainability: break even/surplus budgets, deficits, diversion of assets, cash on hand, assets larger than liabilities, and adverse audit opinions.

Half of Providers Provide Outpatient Services

Level of Care for 67 Drug Medi-Cal Organizations in L.A. County



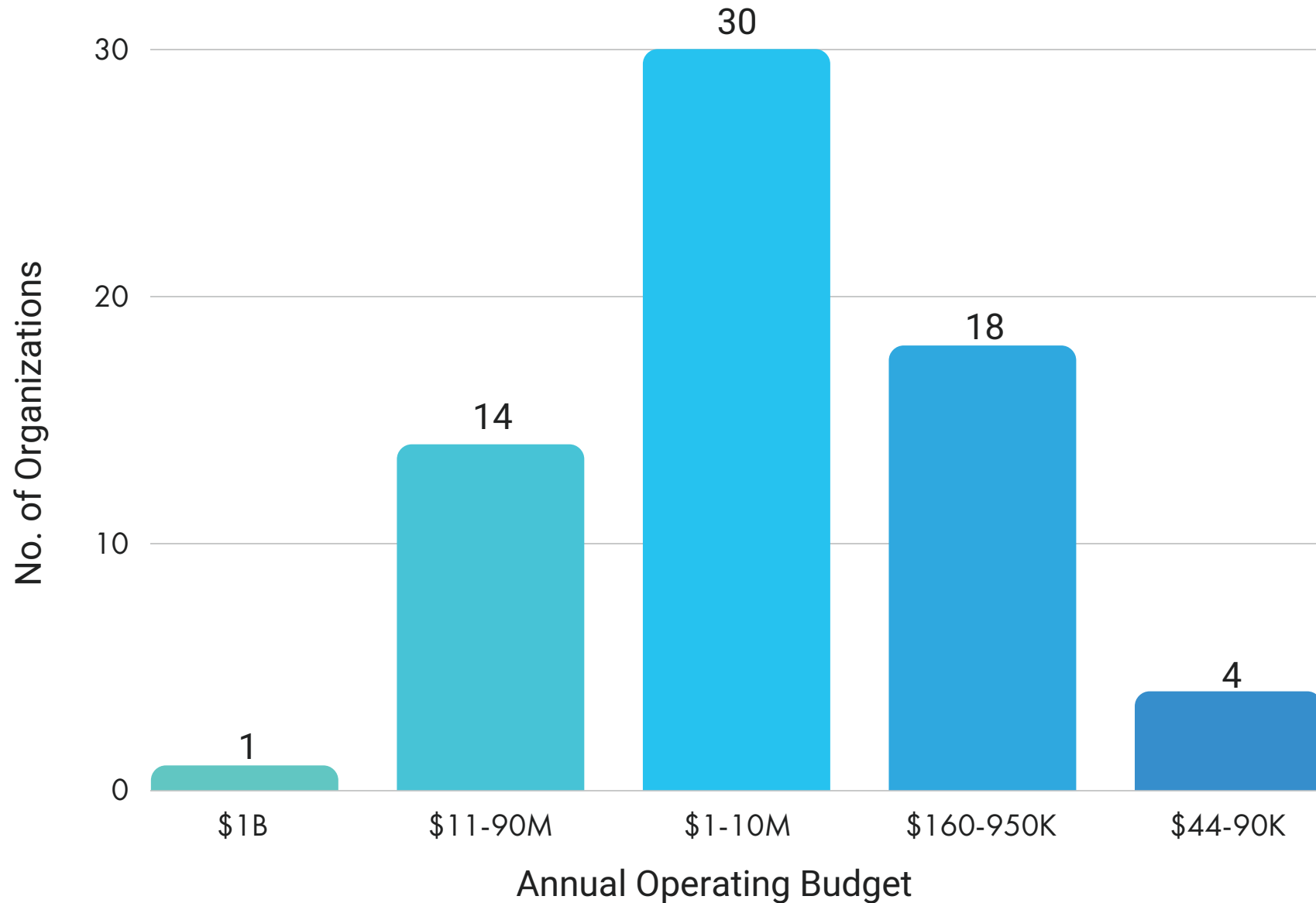
About one-half (51%) of organizations provided outpatient substance use services. These services can include intake, assessment, treatment planning, group counseling, individual counseling, family therapy, patient education, crisis intervention services, collateral services, medication services, safeguarding medications, transportation services, and discharge planning services.

Another 18% included residential treatment or mental health services. Residential treatment (or rehab) is a live-in health care facility providing therapy for substance abuse, mental illness, or other behavioral problems. Mental health services include mental health, substance use treatment and supportive services.

Another 22% provided multiple services youth support, prevention, and outpatient or residential substance use services. The remaining 9% provided mental health services in addition to outpatient or residential substance use services.

One-Third of Providers Had Budgets Under \$1 Million

Annual Operating Budgets



One-third (33%) of the organizations had budgets below \$1 million per year, 45% had budgets between \$1-10 million, and 22% had budgets greater than \$11 million.

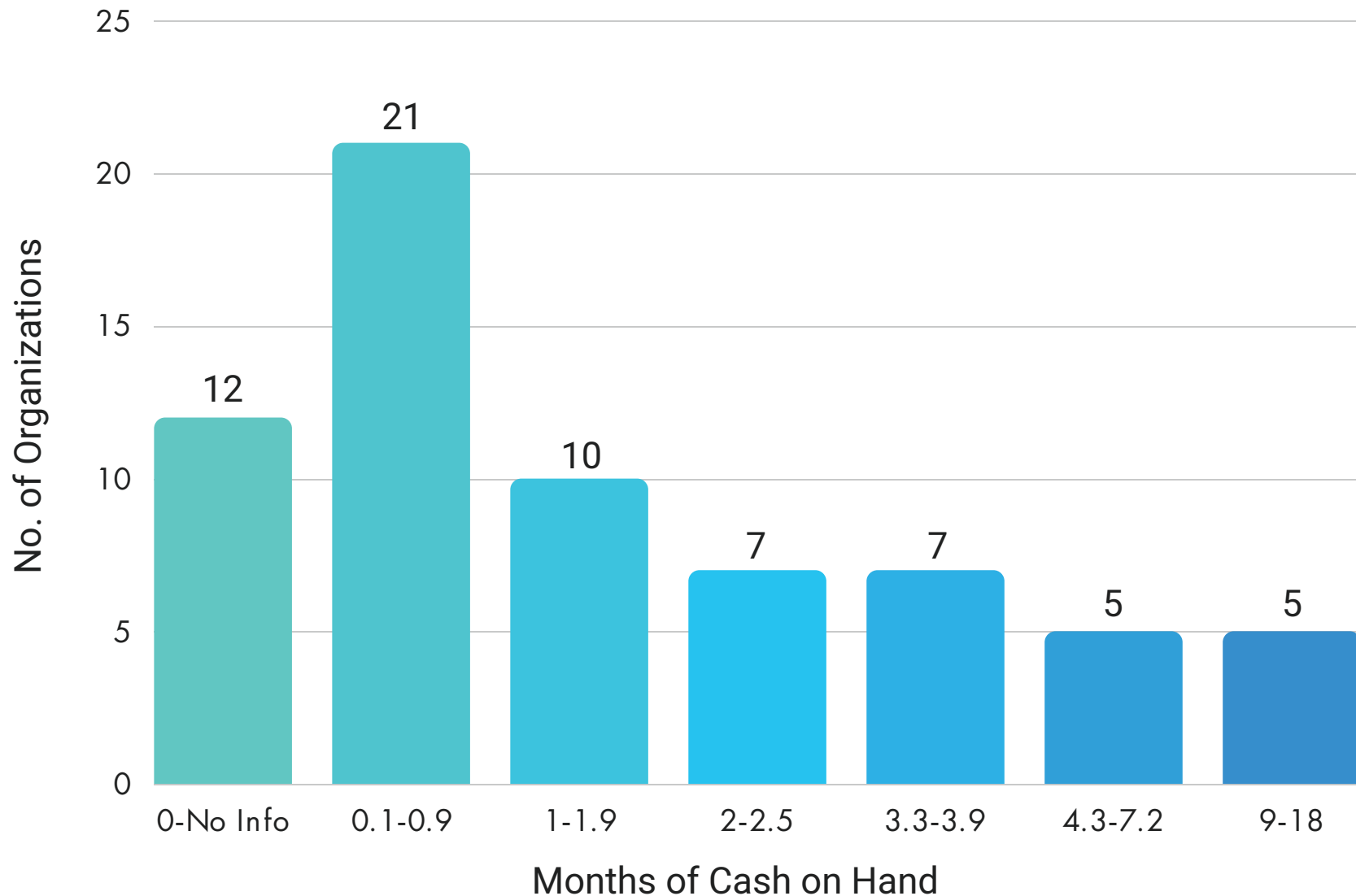
More Than Half Broke Even or Had Surplus Budgets

Break Even/Surplus Budget Over 3-5 Years



Half Had Less than One Month of Cash on Hand

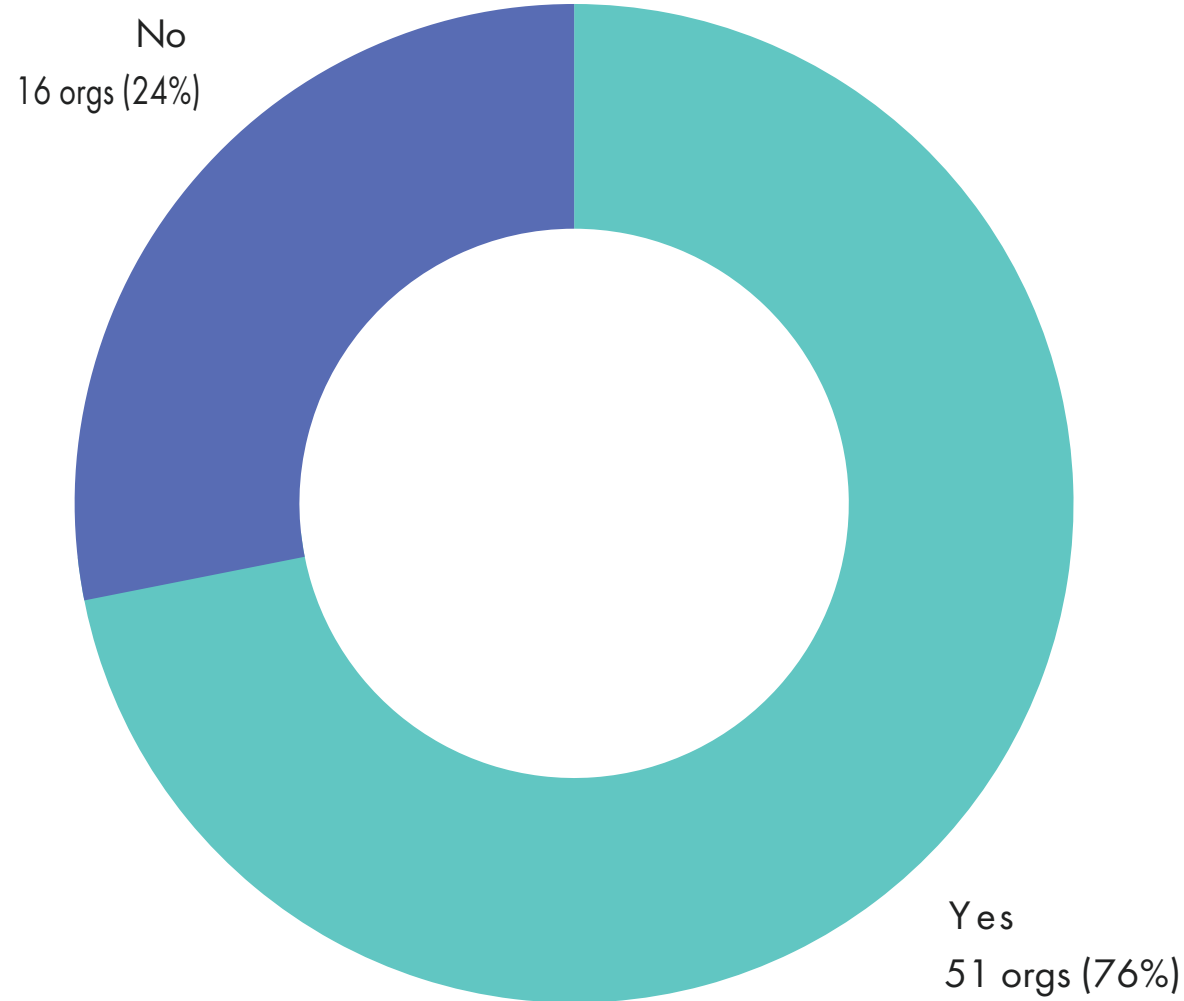
Months of Cash for 67 Substance Use Organizations in L.A. County



One-half (49%) of the organizations had less than 1 month of cash on hand, 25% had between 1-2.5 months of cash on hand, and 25% had greater than 3 months of cash on hand.

1 of 4 Providers Had Liabilities Exceeding Assets

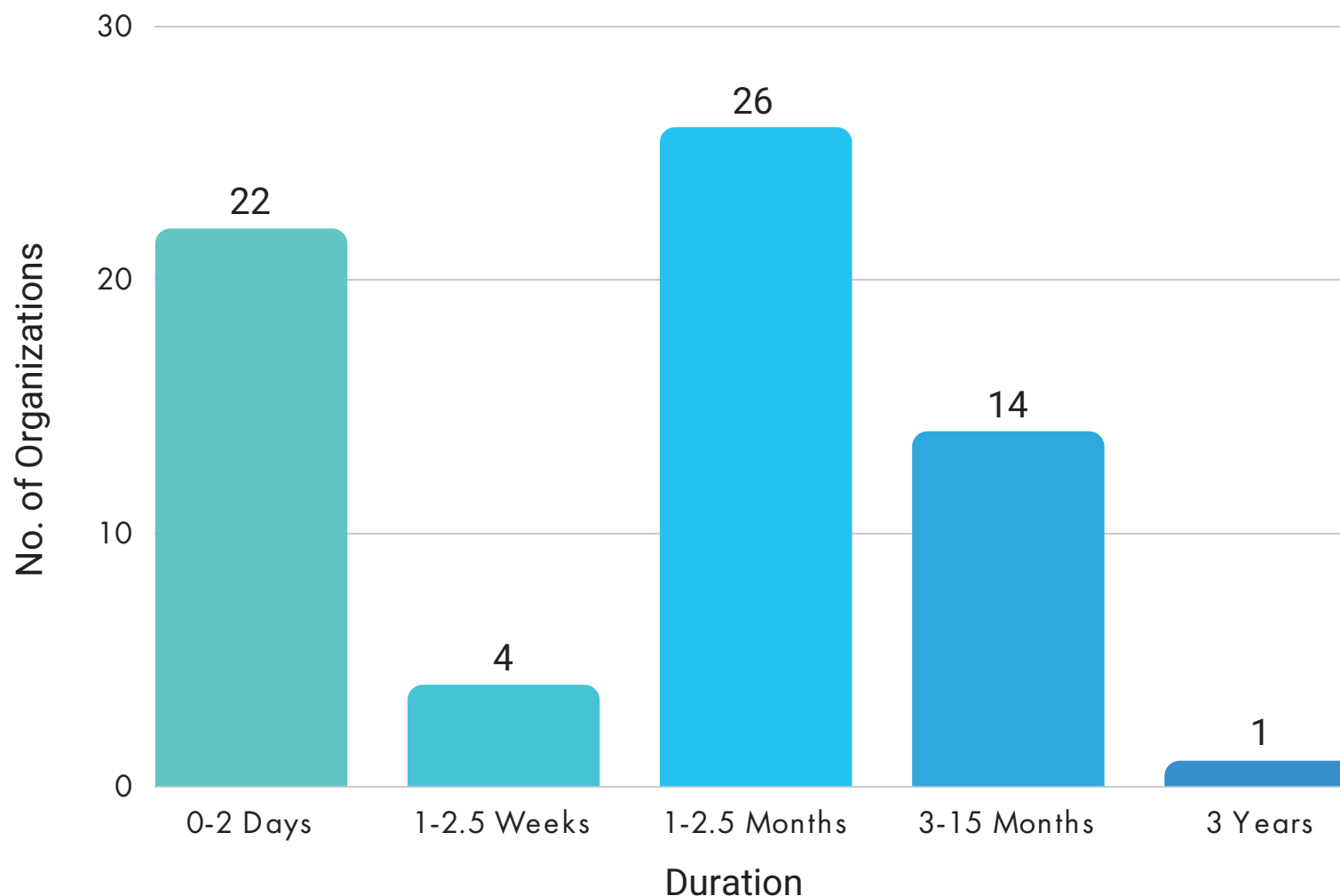
Assets Greater than Liabilities over 3-5 Years



One out of every four organizations reported liabilities exceeding assets in the previous three to five years for which data were available in GuideStar.

Average Accounts Receivable Days was 39

Accounts Receivable Duration

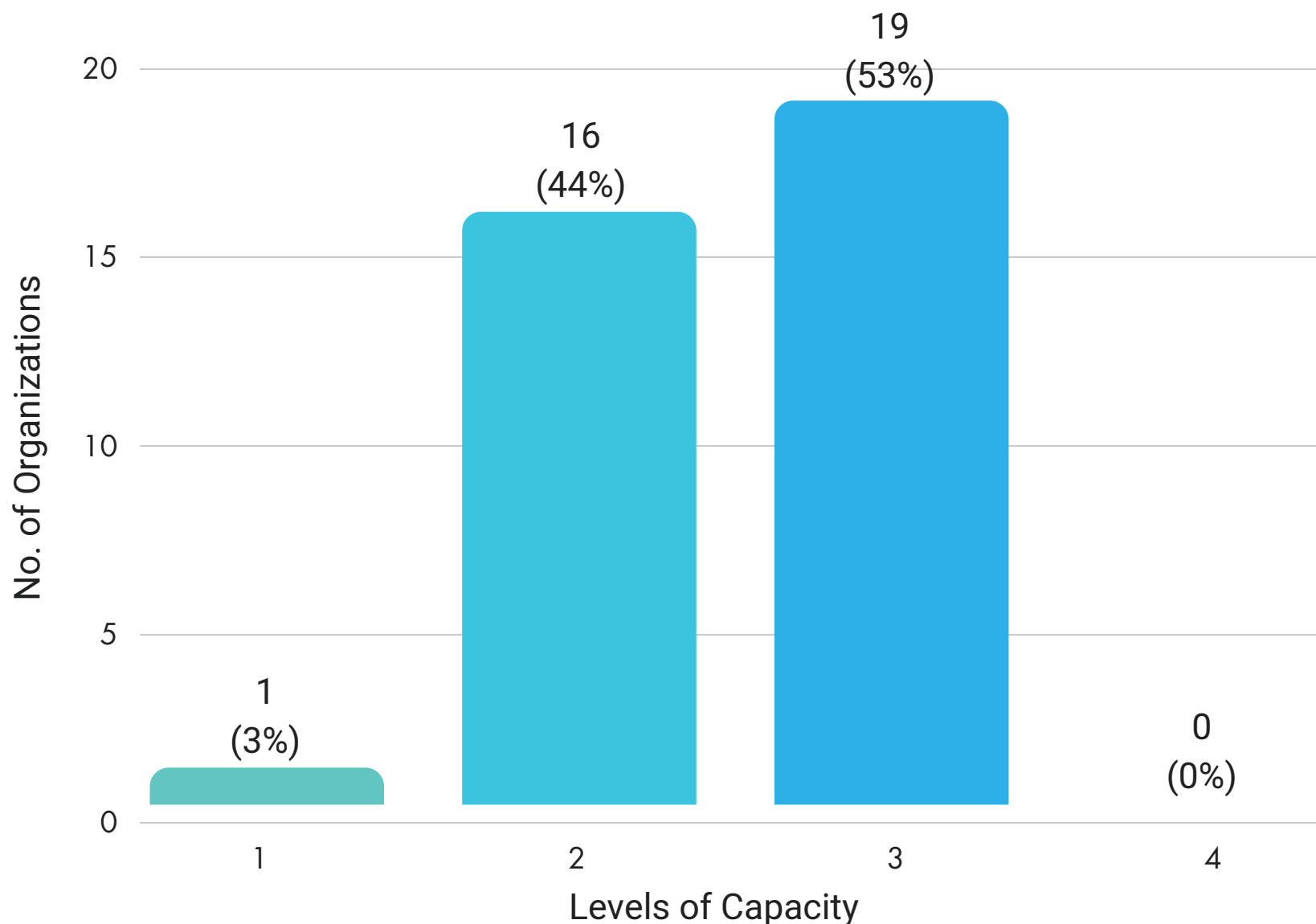


Note: Among the DMC organizations the average accounts receivable days was 39 and the median was 80 with a range from 0-1,106 (or 3 years). In comparison, community health centers which also provide behavioral health services have a median accounts receivable of 36 days.

¹ Capital Link. California Community Health Centers: Financial & Operational Performance Analysis, 2013-16.
<http://capitallinksblog.blogspot.com/2018/05/new-report-examines-financial-and.html>

More Than Half Have Moderate Level of Overall Capacity

SAPC Capacity Assessment (N=36)

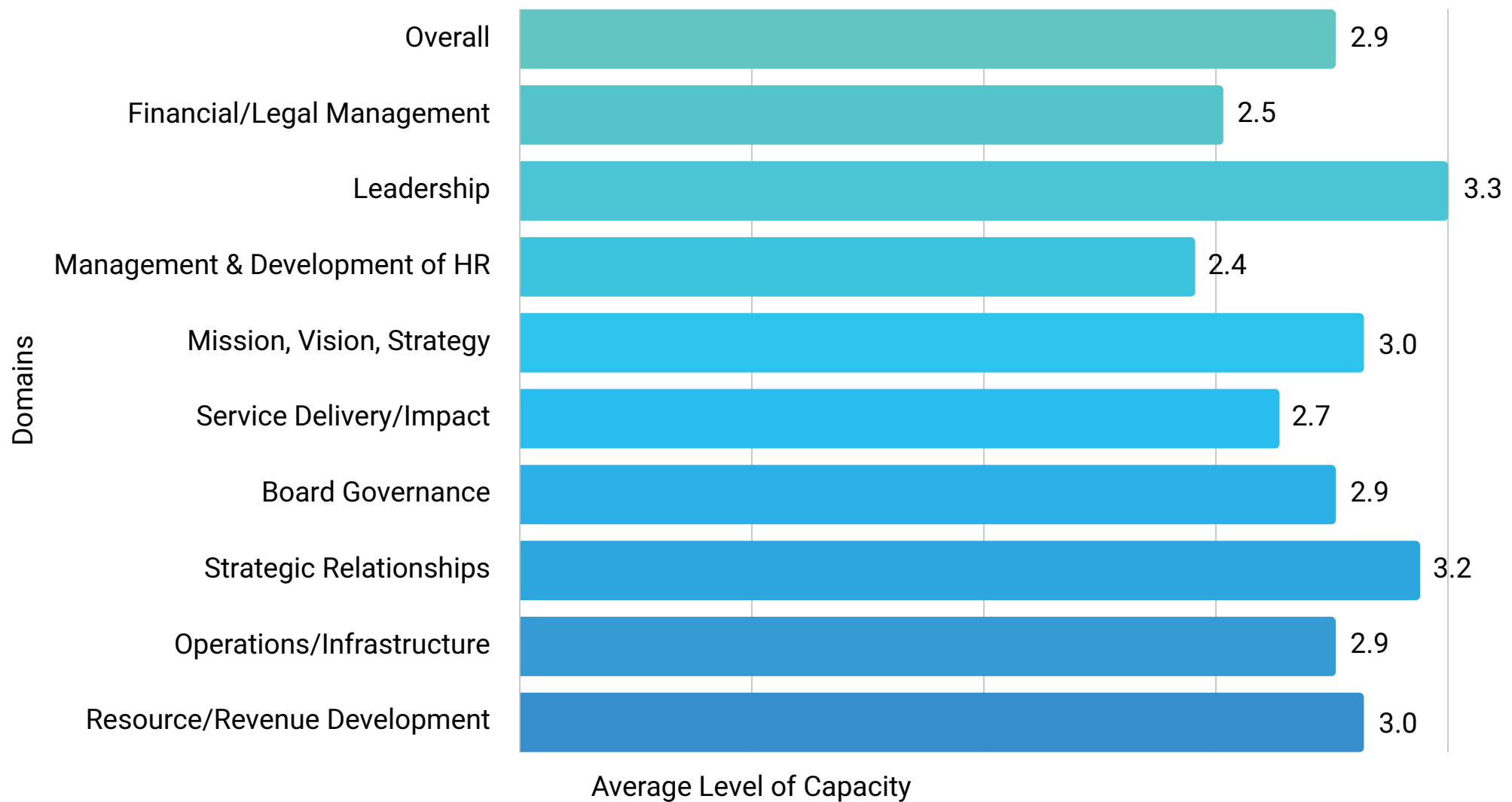


Source: L.A. County Department of Public Health Substance Abuse Prevention and Control Program.

Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place

Average Capacity Ratings Were Highest in the Domains of Leadership and Strategic Relationships

Levels of Capacity: Overall and by Domains

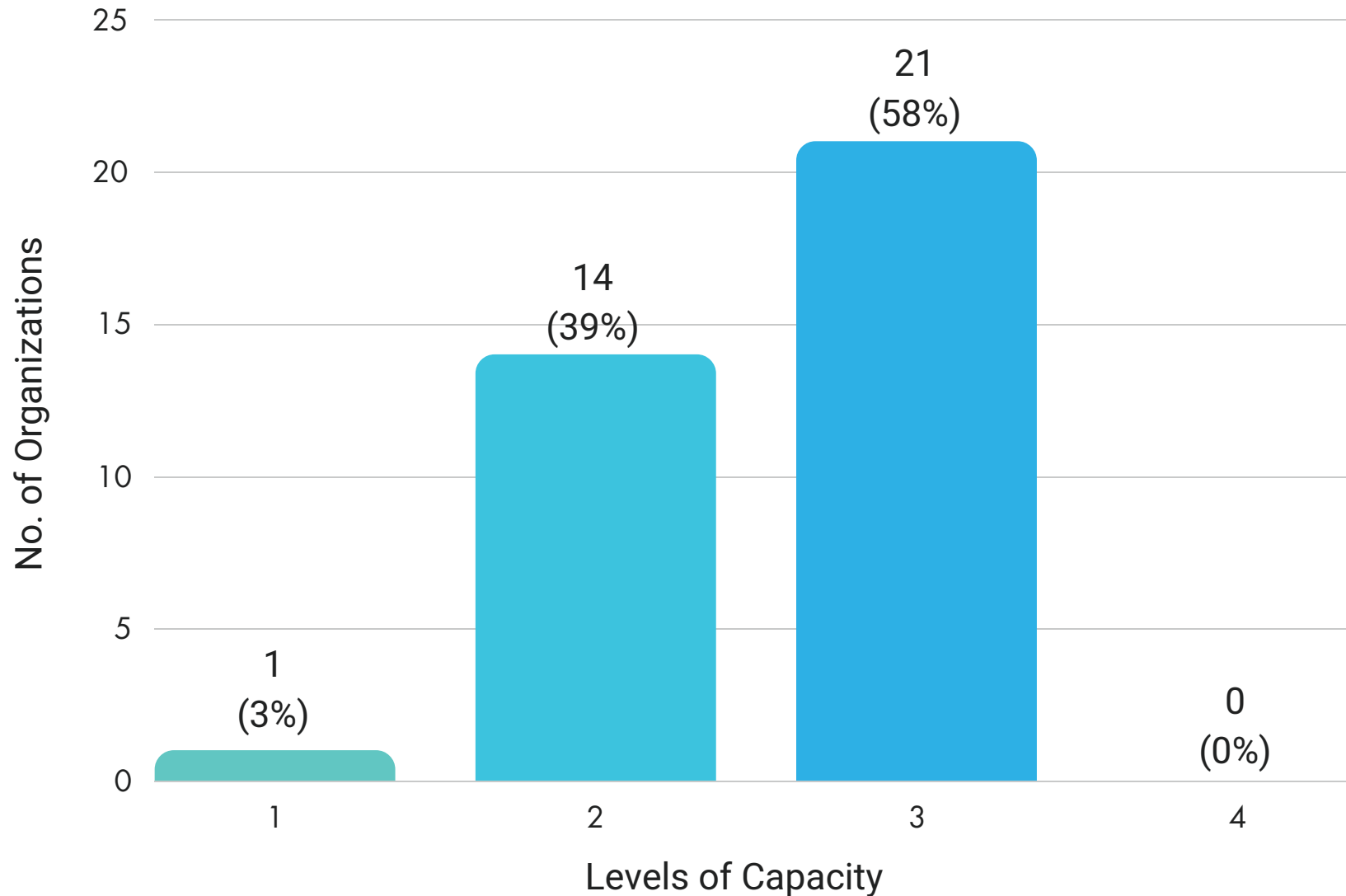


Source: L.A. County Department of Public Health Substance Abuse Prevention and Control Program.

Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place.

More Than Half Have Moderate Level of Capacity in Mission, Vision & Strategy

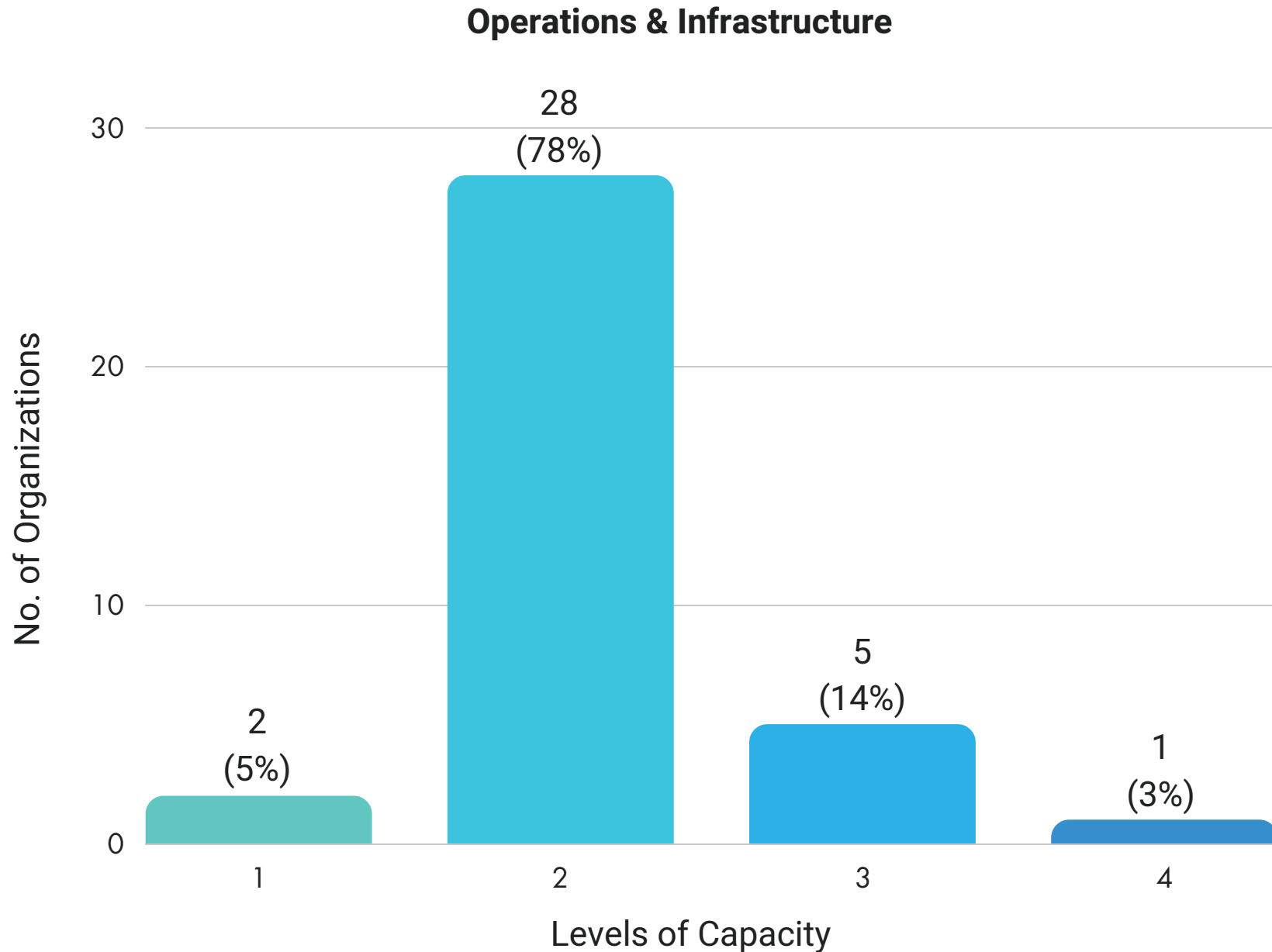
Mission, Vision & Strategy



Source: L.A. County Department of Public Health Substance Abuse Prevention and Control Program.

Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place.

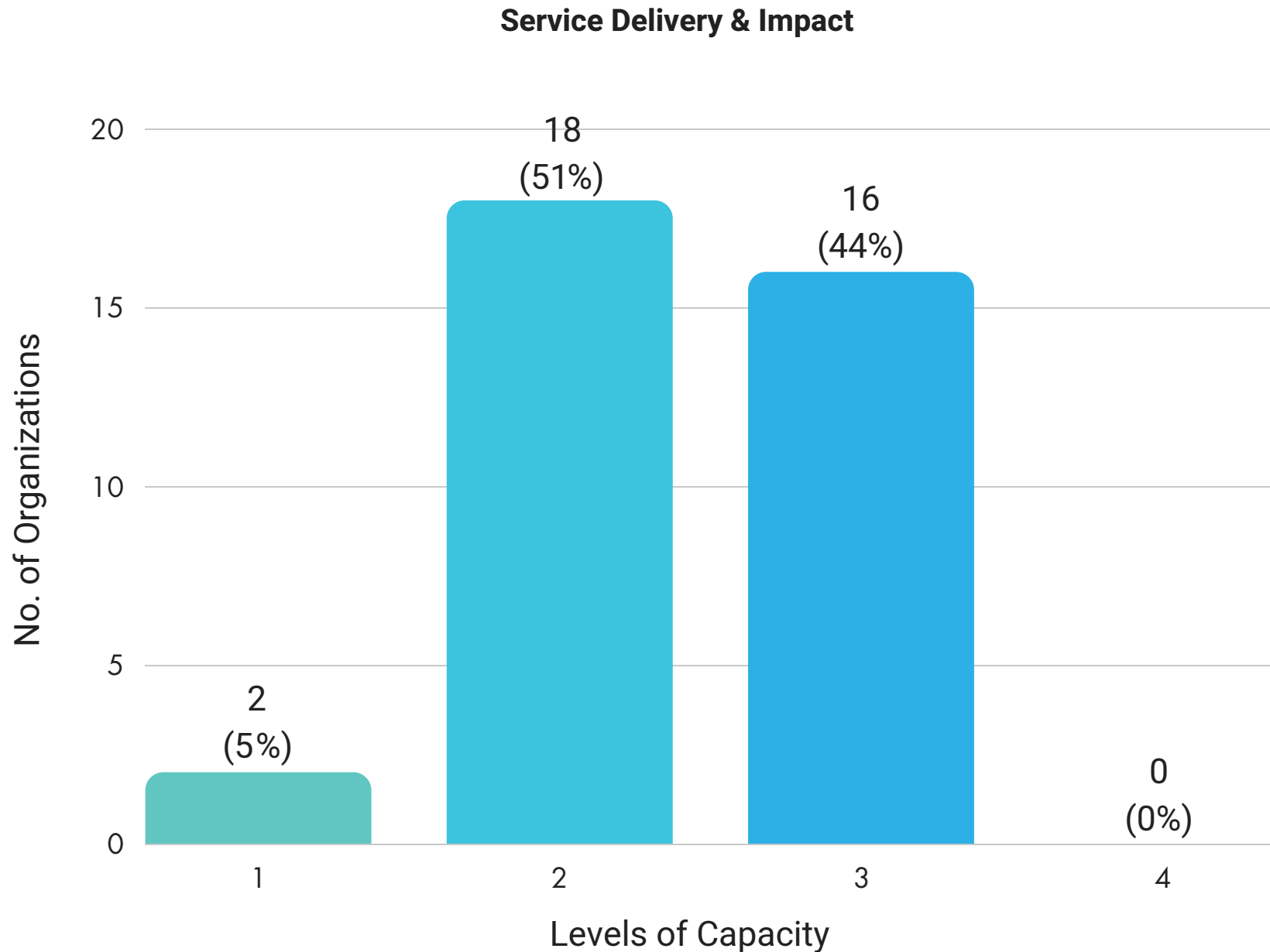
More than 75% Have Basic Capacity in Operations & Infrastructure



Source: L.A. County Department of Public Health Substance Abuse Prevention and Control Program.

Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place.

Majority Have Basic to Moderate Capacity in Service Delivery & Impact



Source: L.A. County Department of Public Health Substance Abuse Prevention and Control Program.

Note. Level 1 = clear need for increased capacity; Level 2 = basic level of capacity in place; Level 3 = moderate level of capacity in place; and Level 4 = representing a high level of capacity in place.