

Oregon Mental Health Archive

Trillium fights for lost revenue – State changes making life difficult

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Oregon's largest children's mental health service provider is reeling from a \$2 million blow to its budget.

Trillium Family Services has laid off 30 workers, shuttered an inpatient program, and is making an aggressive play for private commercial contracts to offset a \$2.6 million reduction in government funds.

The Portland-based agency's losses can be traced to an overhaul of the system that funds mental health services for children. The changes went into effect in October 2005.

Trillium isn't just wringing its hands in the face of a budget shortfall that represents 11 percent of its 2007 budget. The agency is acting more like a business, said Trillium CEO Kim Scott. It's diversifying its revenue, stepping up contract negotiations for payment rates and initiating a flexible staffing model based on patient volume. Despite a trying financial environment, the organization managed to serve more children than ever last year — 8,600 in 2006 compared with 6,900 in 2005, thanks in part to aggressive private fundraising.



Trillium CEO Kim Scott is acting more like a businessman these days.

The new state funding model for mental health, called the Children's Change Initiative, created a system like the one in place for adult mental health care. Under that system, providers earn a fixed monthly payment for providing all contracted services for a patient. Providers take on more financial risk with this system than under a fee-for-service model.

In practice, the Children's Change Initiative eviscerated the system under which residential care providers were guaranteed a certain volume of business from the state, and created new competition among providers for state contracts. Mental health agencies are also seeing delayed payments since the change. Trillium's time between billing and the receipt of cash has doubled from 45 to 90 days since the initiative was passed, Trillium CEO Scott said.

Trillium is not the only provider battered by state funding changes, although it has been hardest hit locally due to its size and service concentration in residential care. The agency formed in 1998 through the merger of the Parry Center for Children of Portland, The Children's Farm Home in Corvallis and the Waverly Children's Home in Portland. It added a fourth residential campus in Bend in 2004.

Portland providers Morrison Child and Family Services, Albertina Kerr Centers and ChristieCare were also hit by six-figure budget shortfalls for the fiscal year ended June 30, 2007. All suffered losses which could be traced to fewer government dollars for kids' mental health programs. Morrison, Albertina Kerr and Trillium rank among the top 20 largest nonprofits in the state.

Although the nonprofits appear to be serving about as many kids as they were before the statewide funding change, it has prompted a tough shift in the business climate for mental health agencies and forced many to rethink their service offerings and funding models.

The funding losses would have caused more damage to services if nonprofit mental health agencies in Oregon were paying their staff market wages. Oregon nonprofit mental health service providers are paying psychology professionals about 30 percent below-average wages reported in the Oregon 2004 Wage Information index. The nonprofit wage for a mental health counselor with a bachelor's degree was \$10.93 an hour, according to a 2005 study by MCPP Healthcare Consulting of Seattle. Providers blame a paucity of funding increases from the Legislature for lagging wages.

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The idea behind the October 2005 change was to improve local delivery of mental health services and to eliminate the need for families to travel long distances for care. The model also emphasizes outpatient services over residential care.

Nonprofit leaders are now spending their time soliciting private donations and seeking contracts with higher-paying commercial health plans. They are also working harder to drum up referrals.

Trillium, for example, has begun to market its services directly to primary care physicians, school counselors, first responders like police officers and hospital emergency department personnel. The agency has also successfully forged new contracts with private health plans. These contracts are critical for financial stability because the plans pay hundreds more each day for residential care than the state does. Trillium more than doubled its revenue from commercial health plans to \$3.2 million in 2007, from \$1.5 million in 2006.

The terms of commercial insurance contracts have sweetened since the passage of Oregon's mental health parity law on Jan. 1. Parity requires group health insurance policies to cover chemical dependency and mental illness treatments to the same level as other medical conditions. Many children with mental health needs are covered under their parents' commercial health plans.

Trillium leaders are now emphasizing customer service for kids and families – important because families have new choices about where they get their care. One of the toughest “business” realities of the new funding model, however, is that the community-based programs encouraged under the Children's Change Initiative are money losers. Of the 13 nonresidential care programs run by Trillium last year, one operated with a modest margin. None of the other 12 covered even their direct costs.

Faced with these realities, Trillium cut \$1.2 million from its operating budget during the past year through layoffs, consolidations and by closing a 13-bed residential program in Corvallis. Trillium has also retooled its approach to donor development. Instead of focusing on events to bring in donor dollars, Trillium is trying to attract big individual donations. It has also created a new governance structure, doubling total board membership to 67 and establishing three separate boards across the state.

Trillium's leaders hope the new governance structure will help cultivate more local fundraising, and sweeten relationships with the newly empowered mental health organizations that now pay for much of children's mental health care in Oregon.

Many area mental health agencies are hurting

Morrison Child and Family Services, a \$20 million Portland agency focused on mental health care for kids, lost \$500,000 in the fiscal year ended June 30, 2007, compared with a \$1.1 million loss for the prior year. In fact, the agency has lost money for most of the past eight years largely due to lackluster funding from the Legislature.

Morrison's leaders trimmed its losses last year partly by transferring operations of a money-losing 20-bed residential program called Edgefield to the social service agency Albertina Kerr Centers. It also closed an outpatient office on Southeast Powell Boulevard and eliminated 20 positions through hiring freezes, layoffs and a management reorganization.

Although the agency focuses mainly on outpatient services, its CEO is concerned that the state's declining interest in funding residential care could breed problems later.

“I have watched three states go through mental health system changes,” said Morrison CEO **Tia Gray Stecher**. “If the system does not plan for the beds it will need, we will end up in a crisis later on.”

About half of Albertina Kerr Center's \$33 million budget is dedicated to kids' programs, including several residential behavioral health centers.

The agency finished the year about \$100,000 in the red, mostly because of shortfalls in mental health programs, and has increasingly subsidized state funding shortfalls for those programs through fundraising and through its reserves. The agency also had a \$150,000 loss in 2006.

“We feel a commitment to the public sector and those in need, but we also have to pay the bills and keep the lights on,” said Albertina Kerr's 17-year CEO **Christopher Krenk**.

Although the Lake Oswego-based mental health agency ChristieCare has not yet closed its books for the year, Executive Director **Lynne Hume Saxton** estimates it will see a six-figure loss.

“There's no question that people involved in mental health services right now are facing serious challenges going forward,” said Hume Saxton.

The nonprofit's budget is \$11 million for 2007, up from \$9.1 million in 2006. It serves about 1,000 children and families each year. The agency did not experience a net loss in 2005-2006.

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