

Developing the Contract, Contingency Plan, and Relationship Management Plan

By Jamie Almanza

The community-based organization's survival guide for moving into a managed care world.

How does a community-based organization (CBO) go about developing contracts and contingency plans, and managing relationships to succeed in the new managed care world? Let's use Bay Area Community Services (BACS) as an example. A nonprofit

system, overhauling and investing in its infrastructure, and re-engineering its business development strategy so that it complements and leverages opportunities from the Affordable Care Act (ACA), such as value-based care, care coordination, and care transitions.

California agencies selected to participate in the Linkage Lab Academy—a two-year process that I dubbed a “mini-MBA program” for the senior leadership team. The program used curricula from UCLA's Anderson School of Business, as well as world-renowned consultants who work in negotiation, pricing, marketing, quality improvement, and more.

Fast-forward to 2016, and BACS has transformed itself from an \$8 million organization with very little diversified revenue, to a \$22 million organization with a clear path to strategic growth and a new partnership with the healthcare sector. How we got here was not easy, however. It required some major introspection;

BACS is now a \$22-million-dollar organization with a clear path to strategic growth and a new partnership with the healthcare sector.

community-based services agency that for sixty years provided older adults and adults with disabling conditions necessary services so they could thrive, BACS has spent the past five years transforming its traditional service delivery

It all started in 2012, when The SCAN Foundation advertised a Request for Proposals for the Linkage Lab, a program for CBOs aimed at preparing them to partner with the healthcare sector by building business acumen. BACS was one of six

→ABSTRACT This article uses Bay Area Community Services (BACS), a community-based, nonprofit organization, as an example of how to succeed in the new managed care world. BACS has spent the past five years transforming its traditional service delivery system, overhauling and investing in its infrastructure, and re-engineering its business development strategy to complement and leverage opportunities from the Affordable Care Act, such as value-based care, care coordination, and care transitions. | **key words:** *Bay Area Community Services, community-based organizations, managed care, Affordable Care Act*

letting go of significant programs that were part of our mission since the agency's inception; and transforming our workforce and infrastructure to respond to the innovation and accountability required for managed care contracts. The best news—it is not only possible, but is also a reinvigorating process for an agency, its staff, and its customers and funders.

Implementation Steps

There are three major steps an organization needs to consider when transforming itself to work within the managed care environment.

Leadership and vision toward investment in the future

I have worked and consulted in many organizations; the majority were nonprofits, all of which were well-meaning, with admirable missions tailored to community health and wellness. BACS was and is one of those organizations. The difference today is that BACS and its leadership have a methodology for business development, targeted strategy, and infrastructural investment to support contracting with managed care organizations and the healthcare sector. BACS had a strategic plan on paper, it applied for and was awarded many grants, and it recruited and hired individuals that were qualified and dedicated to the social services it provided.



However, BACS was not future-oriented. It had a business model and such a lean infrastructure that it excelled at crisis management, but never could get around to planning and innovation. The result? Contracts and services that repeated the same successes (and challenges) year after year, with the same scarcity mentality embedded in its service delivery system.

Each year, BACS faced these same questions: How many people did you serve? How big is the deficit in that program? How can we serve more people with fewer funds? The major cultural change BACS needed to make was to reverse its thinking, its goal-making, and even how and who it hired. The first item on the to-do list during our Linkage Lab experience: was to decide with our board to sunset our largest and longest-standing social service program—our home and congregate meal delivery program.

This program, one that we provided to the community for more than thirty years, received about 50 cents on the dollar of government reimbursement for the true cost of the program. Yet each year, it was chipping away further and further at our infrastructure and our reserve. It took the Linkage Lab Initiative, an external organizational development process, to help us understand our true costs and conceptualize that just because we are a nonprofit didn't mean that we could not make a profit for our community. Perhaps most importantly, we finally saw that if we did not adapt, we would die. This was a vision that required risk-taking, as we did not yet have another program or contract to replace the congregate meal program.

It also took seeing that the organization's leadership team itself was risk-averse. Through a strategic envisioning process, we changed our leadership team to support our new strategic plan. Once BACS took this leap, it created a vision and investment plan for the future.


Infrastructure toward accountability and growth
BACS started in 1953 and its major growth as an agency ended in the late 1970s. Its infrastructure was antiquated—it did not have sophisticated technological solutions or capacity to collect and analyze data on outcomes and impact of services provided. This was a

major gap in the organization's ability to market services and value in the new managed care world. Over the past three years, BACS overhauled nearly its entire infrastructure, including its data collection and health-care records system, so that it could contract for services and report outcomes in a manner that met new funders' needs.

and upgraded its business infrastructure, the agency was poised to begin the work of marketing its services to healthcare partners like hospitals and health plans. Included in this approach was overhauling our brand, pricing services and packages, and making negotiation a core competency of the organiza-

viduals who need a safe place to recuperate, but do not require an inpatient hospital bed.

Today, BACS, a 63-year-young organization delivering a system of behavioral health, homeless services, and housing, as well as other social-impact services to older adults and other groups, is thriving. Today we do not say yes to any and every funding opportunity and spend resources cobbling together funds to support a program, but instead we are selective, intentional, and entrepreneurial in our business-development practices. We have gone from an organization that chases the dollar to one that is invited to open new and innovative programs in different communities.

And most importantly, we have met our goal of diversifying our revenue and partnering with the healthcare sector to deliver holistic services that determine the health of a person, a community, and a system of care for our elders and their loved ones. Our new program has achieved more than a 90 percent successful outcome for ensuring individuals are not readmitted to the hospital within thirty days of an acute episode of care. 

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During this time, BACS also realized that agency-wide National Accreditation was integral to its success and prepared for and received a National Accreditation for its core services. Also BACS selected a framework for progressive service delivery and performance management and integrated it into its service delivery system. This change did not come without some expense, which was the unintended consequence of staff turnover.

Marketing and

partnership development

After BACS created a vision to diversify its programs and revenue sources, made room for its new strategy to contract with the healthcare sector and develop new business relationships, and successfully invested

tion. This was quite possibly the most difficult part of the transformation.

The biggest lesson as an agency was altering our organizational ego. We thought our services were unique and relevant, and underestimated exactly what type of service a managed care entity or healthcare organization might be interested in purchasing. After approximately ten separate efforts with ten different entities, a realization occurred: it is not what we have to offer, but what our customer needs! This lesson is what enabled BACS to secure a contract with a large hospital system to provide a niche service that drastically reduces unpaid inpatient acute bed days. Our recuperative care program is a short-term, post-acute-stay residential program for indi-