2018 Annual Report

THE VILLAGE COMMUNITY

OUR MISSION

…is to provide a place where people with disabilities are nurtured and valued; a place where they will be engaged in all aspects of their lives, learning and working alongside their friends, family, and members of the community.

www.TheVillageCommunity.org

How do we ensure that our children and others like them maintain a high-quality and engaging life?

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To Our Membership/Stakeholders

The Executive Board of The Village Community (TVC) is excited to report on our ***fourth full year*** *of operation. 2018 began on shaky ground with significant Medicaid reimbursement rate cuts to our day program, along with the departure of AmeriHealth (which served a majority of the LTSS population). TVC aggressively managed our budget and negotiated a staggered rate reduction so we could better manage the impact to our small program. 2018 saw many small providers close their doors, but TVC was fortunate to end the year on a* ***very strong*** *note.*

This was accomplished via many cost-savings measures and ***extraordinary support*** *from our members' families and amazing staff during a challenging first half of the year. In August 2018 (with the help of a very dedicated and generous family), TVC was able to take our first step into providing 24-hour residential services. While we recognized the significant risk of starting a new program, the board knew that* ***diversifying*** *income sources was necessary to sustain the organization long-term.*

By year-end, our financials were ***trending upward****, reinforcing our decision. Only time will tell what will happen with state and federal Medicaid funding, but TVC will continue to proactively manage this risk and look for long-term solutions. For now, we are* ***extremely optimistic*** *that – in addition to improving the lives of our residential program members – we are back on the road to financial sustainability.*

The Village Community Board is ***incredibly grateful*** *for the generosity and ongoing encouragement of our TVC families and friends. Your financial support helped us keep our footing during a challenging time, and allowed us to identify a long-term solution.*

The following report shares some of the highlights from 2018 and looks ahead to the future of The Village Community.

2018 in Review:

HITS

- ✓ *Mitigated the sudden funding reduction*
- ✓ *Expanded services into Daily SCL*
- ✓ *Exceeded our 2018 financial goals*
- ✓ *Accreditation success*

MISSES

- × *Unable to influence legislative change that would have helped members and providers.*

2018 Operating Highlights

While the first half of 2018 brought many challenges, including an unstable MCO landscape and reduced reimbursement rates, the second half brought a new income source, which is proving to be highly sustainable.

Significant accomplishments in 2018:

- ✓ Mitigated tiered Day Habilitation (Day Hab) cost rate decreases.

  By meeting with numerous legislators and IME administration, TVC was able to negotiate a rate extension for about half of our members (those who are reimbursed through IME on the fee-for-service model, rather than through the MCOs). The exception rate was slightly reduced from our current rate, and would be phased out over time, and an increased rate was not able to be negotiated with the MCOs. Nevertheless, the partial rate extension offered a slower transition to reduced income and allowed us to rethink our business model.

- ✓ Expansion into Daily Supported Community Living (SCL).

  While our business plan did not have a residential component planned for many years, this became a necessary step in diversifying our income stream so that we would not be solely reliant on the Day Hab rate. The state does seem to be more committed to funding residential services through the ID Waiver's Daily SCL rate. So when a parent approached us, looking for a new home for her son, the board determined it was time to take this next big step.

- ✓ Exceeded financial expectations for the year.

  Our 2018 budget was quite conservative, following the sudden and dramatic rate cut that was implemented in December 2017, with very little time to react. During the first half of the year, our financial strategy was focused on:

  1. Maintaining income at roughly 80-90% of previous years by securing the rate extension from IME and by better utilizing our Hourly SCL services. *TVC members often have 1:1 staffing for community activities, volunteer jobs, etc. The new Day Hab tiered rate model does not support this staffing ratio. It is intended to reimburse for a much larger group setting with fewer staff. This is not how TVC operates, which is why the reduced tiered rates would not sustain our program. A combination of Hourly SCL and Day Hab billing would recoup much of the lost funding.*
  2. Cutting costs through reduced hours for part time staff and benefit reductions. *We did not want to be among the many local providers who had to lay off staff, so we were conservative in this area, yet recognized that our single largest expense is direct care payroll.*

  During the second half of the year, our financial strategy was focused on the expansion of services at a more sustainable rate (Daily SCL).

2019 Targets:

OPPORTUNITIES

- *Stabilize income via reliable combination of Day Hab, Daily SCL and Hourly SCL*
- *Explore hiring an exec-level advocate to write grants, lobby our legislators, lead accreditations, fundraise, and do community outreach*

THREATS

- → *Potential additional funding cuts.*
- → *Medicaid privatization (MCO instability, service reductions, and billing difficulties)*

✓ We renewed our CARF 3-year accreditation and received a certification "with Excellence" from DHS.

Amidst the chaos of 2018 rate reductions, cost containment measures, and our foray into residential services, it was time for two major 3-year reviews: one with the CARF accrediting body and the other with the Iowa Department of Human Services. Both reviews went exceedingly well, with TVC receiving extensive praise and encouragement to continue doing exactly what we're doing. Our program has been described as a "model" for other small providers.

A recurring challenge throughout 2018:

✗ We were unable to influence any change during either legislative session of 2018 which would have benefitted members and providers.

Though we met with many senators and representatives from our area and from across the state, we were unable to successfully advocate for rate increases, policy exceptions, updates to Iowa Code, or administrative rules changes. We attended MCO reviews, public forums and committee meetings, and we invited legislators and administrators to meetings at TVC. We created a "one-pager" at the request of a republican representative, and combined with the on-site meeting, were able to negotiate some temporary relief for TVC alone. But we were unable to influence systemic local, regional, or statewide change. November 2018 election results do not leave us with much hope for the 2019-20 legislative sessions, but we will continue to advocate with the hope of influencing some incremental changes.

Looking Ahead

The Executive Board's priorities for 2019-20 are to continue to look for and capitalize on opportunities while anticipating and mitigating threats, such as:

Opportunities:

- Optimizing our budget while continuing delivering exceptional programs.
- Stepping up our work with legislators and administrators.

  Consider creating an executive level position to advocate on behalf of providers, our members, and their families. This person would also fundraise, write grants, and lead accreditation activities. (This was a CARF recommendation around succession planning, given that our exec and admin activities are currently 90+% volunteer.)

Threats:

- → Mitigating funding/reimbursement issues.

  Our increased rate extension will expire in June 2019, and while there are no additional cuts planned, we have seen how quickly these decisions are made. In addition, the MCO environment seems unstable. We will continue to manage these risks as we have done previously.

2018 Financials

Summary: A difficult first half – with reduced budget projections and aggressive cost savings measures – turned into a relatively healthy year financially, thanks to extremely generous donations, a temporary and partial rate extension for Day Hab, and new/increased income from Daily and Hourly SCL services.

Financial Highlights

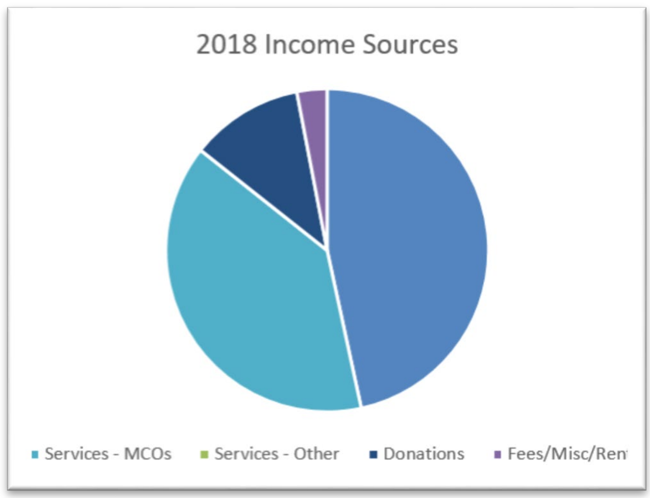
Our 2018 financial operations benefitted from diversified services (to offset Day Hab cuts).

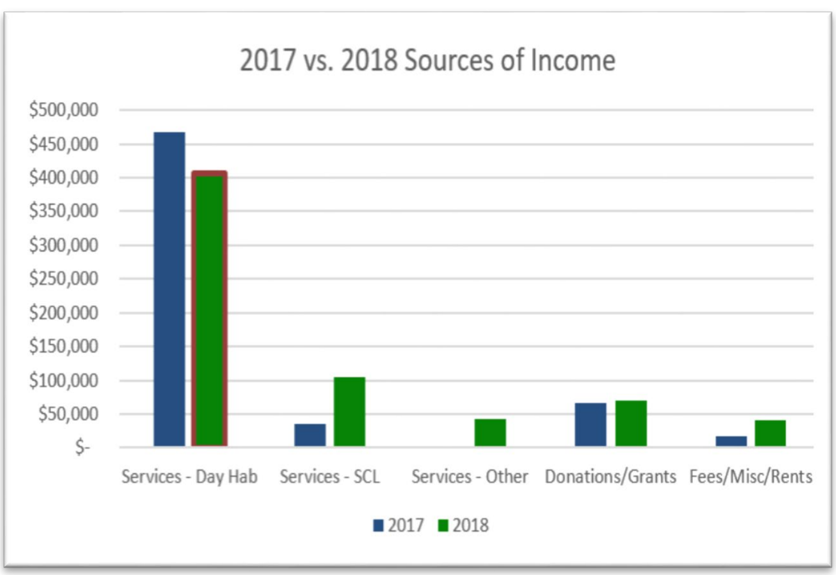
- Income from services ↑ 2% *(while Day Hab reimbursements fell 13%, this was offset by other income)*
- Income from donations ↑ 6% *(thanks to another generous donation of $20K+ for our new property)*
- Net income (- depreciation) ↑ 198% *(largely due to cost reductions and efficiencies)*
- Equity ↑ 90%

2018 Income Sources

The graph on the right displays 2018 income sources as a percentage of total funding.

TVC remains highly reliant on MCOs for timely and complete reimbursement. This continues to be an issue with MCOs unable to consistently pay in full and on time. For this reason, the TVC Board has had to amend our financial policy, significantly increasing minimum cash reserves to avoid borrowing to make monthly payrolls. The Board continues to advocate for legislative change in 2019-2020 that would be beneficial to providers and our members and families.





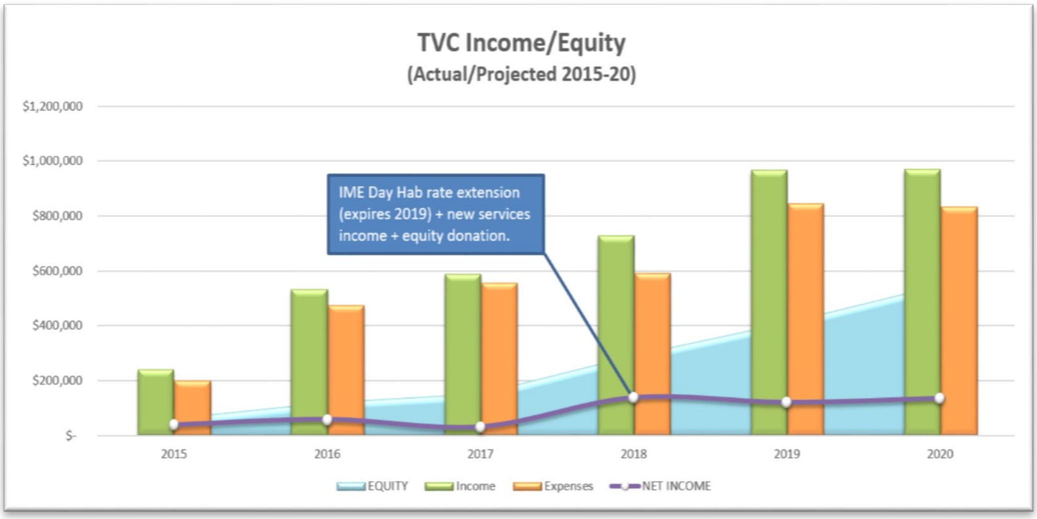
2017-2018 Income Growth

This graph illustrates this year's shift in services income. 2018 Day Hab should be greater than in 2017. Yet it is lower, due to rate reductions. The full rate cut takes effect in July 2019, so we expect to see further declines in Day Hab income through 2019-20.

Thankfully, those losses are offset by income from a new program (2018 only) and the expansion into residential services. Daily and Hourly SCL income should help offset Day Hab program losses over the long term.

2015-20 Actual & Projected Financials

TVC realized significant Net Income and Equity growth in 2018, due to aggressive cost reductions and a 2nd half income increase from expanded service provision and a significant donation. This type of growth, however, will not be sustainable long term. With additional Day Hab reimbursement rate reductions set for mid-2019, our income will level out. Supported Community Living reimbursements will offset much of the loss and should allow us to continue to build cash reserves to mitigate the risk of payment delays or shortages from the MCOs.



2018 Expenses

TVC's spending remains in line with our mission to provide our members with high quality and engaging activities, settings, and staff. The vast majority of our budget is allocated to areas that directly impact member experiences. 2018 Expenses (similar proportions to 2017) are shown and described below:

81% = Staff wages: We continue to pay much higher salaries to recruit and retain excellent direct care staff, and we enjoy very little turnover as a result. Staff wages % has increased over last year as SCL services are mostly 1:1, requiring increased labor hours.

6% = Member Activities: This expense covers a variety of on- and off-site activities, as well as high-quality meals, supplies, and engaging opportunities and outings geared toward our members' unique preferences and goals.

5% = Facility/van usage costs: These are the costs of occupying the property (such as utilities) and owning/using our van (insurance, depreciation, etc.) to transport members to all of those fun outings.

5% = Property expenditures: Include maintenance, landscaping/gardening, mortgage interest, etc. These provide a safe, spacious, and welcoming environment for our members.

3% = Costs of doing business: As mentioned, we try to keep overhead costs to a minimum. Necessary expenses include accounting services, insurance, required subscriptions, accreditation, and dues. These expenses don't directly improve the member experience, but they are critical to sustaining our business.

2018 Satisfaction Surveys

Summary of Results:

Member Engagement

4.8 / 5

Program Activities/Space

5.0 / 5

Communication

4.7 / 5

Overall Satisfaction

4.9 / 5

Member/Family Satisfaction

TVC conducted member and family surveys in July 2018. Those results are reported here and summarized in the sidebar.

Once again, feedback was overwhelmingly positive - - especially in regards to program space, activities offered, member engagement, and overall satisfaction in the program.

Given our recent funding challenges, we thought it was important to ask families whether there was a perceived reduction in program quality, after we were forced to cut expenses. Note that we involved families in these cost-savings measures, and assured them that our members' safety, growth, and personal enjoyment during program hours would remain our top priority.

Survey responses indicated that families did not detect a reduction in quality of services, and to the contrary, they were impressed that TVC was still able to do so much with so little. During the first half of the year, our Day Hab program was running at a loss, so our cost-cutting measures were fairly aggressive. This is the time during which we conducted the survey. During the second half of the year, our financial situation improved, and we were able to re-implement many of members preferred activities (music therapy, live performances, etc.).

Lastly, we sought input from families regarding current interest in residential services, as we had just made an offer on our first residential property. We will continue to solicit ideas and feedback from families, which the board will utilize in making future decisions about services and organizational priorities.

"My son is kept stimulated and engaged... When I bring him in the morning my heart is full because I know that he is going to have a fabulous day with people who are invested in him. The model for this Day Hab should be replicated."

"Never could I thank you all enough for everything you do."

"My daughter is gaining so much confidence and vocabulary!"

"We are impressed with the sustained quality, given this year's financial challenges."

"The number of roadblocks you have encountered this year would have rattled most, but you all just keep right on going! It says a lot about all of you when no one notices a change in services/ activities. So happy to be a part of this awesome group!"

"We always have and still do think this is an amazing program and amazing staff. Everything and everyone is excellent."

TVC Business Model

Fiscal Priorities

Despite recent funding challenges and uncertainties, our fiscal priorities remain the same: operate a sustainable, high-quality program by allocating a majority of our budget to items that *directly* contribute to member engagement. Such as:

- Paying higher direct care staff wages than other local providers,
- Maintaining safe, attractive, functional and inviting areas for members,
- Participating in varied and engaging outings,
- Providing high-quality recreational therapies and activities on site.
- Essentially… **Prioritizing and investing in member success** rather than in overhead and administration.
- This model requires founding family investment, staff commitment, engagement of key families and community partners, and significant volunteer hours. But – year after year – we continue to agree – it is well worth it!

Conclusion

The Village Community entered 2018 in an aggressive cost-savings mode as we faced continuing funding reductions to our primary service: Day Habilitation. We enjoyed incredible support from our TVC families and friends, and we were able to make ends meet by tightening the budget, temporarily freezing wages, and cutting most non-essential expenses. Throughout the year, as opportunities arose to diversify our funding streams, we seized them – and they paid off. The expansion into residential services was a very heavy lift for the (volunteer) Executive Board, but it was well worth the effort as it furthers the organization's long-term sustainability. By late October, the financial picture had flipped. We were able to relax a few of the most detrimental cost-containment measures, reward our loyal staff, and end the year with sufficient cash reserves to mitigate MCO reimbursement delays.

The founding families' original mission endures. TVC's priority will always be to provide high-quality, engaging member experiences delivered by exceptional and consistent direct care staff. Our budget will continue to reflect our priorities in a sustainable way. And we will continue to push for state policy that will once again recognize the value of effective, family-driven, low-overhead programs like ours.

The Board's confidence and optimism remains high, as we will use 2019 to refine our service model and continue to look for low-risk, on-mission opportunities. As always, we remain grateful for the generosity of our supporters. We look forward to seeing what 2019 will bring!

Contact Information

The Village Community's Executive Board is available to answer your questions or hear suggestions for our organization. We are most easily reached at TVC@TheVillageCommunity.org

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For More Information

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