Participant Capacity Building Needs Healthy Opportunities Pilots

Introduction

On behalf of The Blue Cross and Blue Shield of North Carolina Foundation, Nonprofit Finance Fund (NFF) interviewed numerous stakeholders who are considering involvement in North Carolina Department of Health and Human Services (DHHS) Healthy Opportunities Pilots (the Pilot). Leading up to and immediately following the release of the request for proposals (RFP) by DHHS on November 5, 2019, NFF worked with prospective Lead Pilot Entities (LPEs) to explore: 1) how potential LPEs prepared for proposal submission; 2) how they engaged human service organizations (HSOs) and other related stakeholders to understand the regions' greatest capacity building needs for participation; and 3) overall concerns and considerations for Pilot involvement.

The following paper highlights stakeholders' input on capacity building needs for Pilot participating entities including LPEs and HSOs (participants), and areas of concern related to the initiative. It is intended to inform DHHS, local government leaders, philanthropy, prospective Pilot participants, and other community stakeholders as each player considers its role in this historical moment of Medicaid transformation and tremendous investment in the health of North Carolinians.

Executive Summary

The RFP's eight **permitted uses** of LPE capacity building funds[1] and seven permitted uses of HSO capacity building funds[2] **reflect many of the areas of investment raised** by NFF's interviewees. Further, interviewees were **pleased to see flexibility** in allowing HSOs to propose other uses not explicitly listed, as well as the two-year time frame for capacity building. As interviewees considered the $10 million per twelve-month period maximum and began to plan for how that might be distributed, participants raised the concern that **it may be insufficient to fully meet LPE and HSO needs**. Thus, additional complementary **resources** could build further capacity in the Pilot regions and help LPEs and HSOs manage implementation risk. Stakeholders also expressed the **desire to build an overall ecosystem** in the State that encourages a culture of cross-institutional partnership and raises local capacity builders and technical assistance providers to

[1] *a) Lead Pilot Entity establishment, b) HSO network development, c) Infrastructure/IT system development, d) HSO technical assistance & training, e) HSO capacity building funding, distribution, f) Governance and cross-entity collaboration, g) Program administration, evaluation and oversight, h) Community engagement*

[2] *a) Assessing readiness, b) Hiring and training staff, c) Operationalizing the Pilot, d) Infrastructure/systems, e) Pilot service delivery enhancements, f) Learning collaboratives participation, g) Evaluation*

support this work in perpetuity, beyond the Pilot. This includes HSOs outside of the Pilot–because they are not ready to participate, they are outside of the Pilot regions, or they offer services outside of the Pilot's four domains[3]—and the capacity builders and technical assistance providers supporting readiness for Pilot service delivery in partnership with healthcare. While the Pilot will contribute to that ecosystem, additional investment could support this longer-term need.

Concerns regarding insufficient resources for capacity building are rooted in the ideas that:

1) Service payment rates may not cover the full cost of delivering services in all cases, hence a need for subsidy;
2) Building capacity—hiring staff, implementing new systems, identifying training needs, and shifting organizational culture—takes significant time, and the 24-months of capacity building funding (Pilot implementation period and early service delivery) will challenge participants to manage change on an accelerated timeline;
3) Growth and change are destabilizing, and flexible dollars can support adaptation and managing risk; and
4) Following this growth period, participants want to avoid contraction or (if needed) plan for it in a way that is least destabilizing institutionally and least harmful to the communities they serve.

All of these concerns could be supported by complementary funding of the Pilot, especially if this support allows for **full cost coverage, flexibility, risk management, and overall building of a supportive ecosystem**.

Overall, stakeholders want to see improvements in health outcomes for the State in the long term. Building this supportive ecosystem around the Pilot could promote long term outcomes.

Greatest Capacity Building Needs

LPE Needs

From interviews, NFF learned that LPE applicants are making great progress in planning for LPE responsibilities, especially focusing on defining geographic boundaries, establishing a potential network of HSOs in all four domains, and planning for an LPE structure that will support implementation and service delivery. While many applicants have already performed a convening and support role in some form prior to this initiative,

[3] *Housing, food, transportation, and interpersonal safety*

Pilot participation will require LPEs to utilize capacity building funding for new staff, systems, and structures.

The RFP's descriptions of potential categories/purposes for new staff reflect what NFF heard from its interviewees, i.e., administrative and coordination staff for managing the LPE, developing and coordinating the HSO network, evaluation, etc.

Interviewees described capacity building areas where they would likely utilize sub-contractors, especially around HSO support, including:

- HSO readiness assessment
- Helping HSOs define need and cost for Pilot participation
- Performance management
- HSO convening and capturing lessons learned
- HSO training and technical assistance (see the following section, "HSO Needs" for more detail)
- Authentic community engagement

As LPEs work with HSOs to define capacity building needs, there is some concern that participants will prioritize the hard costs of staff, operations, and systems, and deprioritize the soft costs of training and technical assistance, which will be critical to the longer-term success of this work.

LPE Full Cost Considerations

NFF encourages all organizations, but especially those considering change or growth, to understand the full cost of their work that go beyond day-to-day operating expenses, potentially including things like:

- Unfunded expenses (e.g., underpaid staff)
- Working capital (e.g., cash for day-to-day needs)
- Reserves (e.g., savings, rainy day fund)
- Fixed asset/technology additions (e.g., money to purchase a building, or new computers)
- Debt (e.g., mortgage, line of credit)
- Change capital (e.g., resources to adapt, grow, and/or expand)

While the capacity building funds are addressing a variety of LPE needs to support Pilot readiness, NFF encourages potential LPEs to consider how Pilot participation may also affect:

- Unfunded expenses: Do we have vacant positions or underfunded staff, and could Pilot participation exacerbate a strained staffing structure? Do we have adequate

baseline supplies and infrastructure (in addition to new infrastructure planned in Pilot participation)?[4]

- Working capital: Could the flow of funds between all entities require increased working capital, especially related to invoicing? Can we assure access to cash will not negatively affect the ability of the LPE and its HSO network to perform?
- Reserves: Should we increase operating reserves to scale with a larger operational expense base? Will we need to build reserves to maintain equipment and technology acquired during the Pilot?
- Change Capital (beyond the Pilot): How can we leverage this growth opportunity beyond the boundaries of the Pilot? Regardless of the Pilot's results and next steps, how can we ensure a continuity of services and avoid organizational contraction? How can we maintain services even if these new service dollars go away? Could we plan for and raise additional change capital to allow for continued and future adaptation and growth?

LPEs must define and fund their full cost needs to ensure that they are able to fulfill the expectations of their role in the Pilot and contribute to the larger supportive ecosystem in North Carolina.

HSO Needs

From interviews, NFF learned that Pilot participation will be a significant cultural shift for many HSOs, especially those who have never partnered with healthcare. There is a deep concern that partnership will require significant training of current staff and hiring of new staff that may be challenging to find. Recruitment challenges are often impacted by geography and are related to the availability of workforce generally, and workforce with the necessary skillsets. The RFP's descriptions of potential categories/purposes for staff time and new HSO staff reflect what NFF heard from its interviewees, i.e., service delivery, infrastructure, invoicing, referrals, data collection, evaluation, and service enhancement. Some stakeholders are concerned that HSOs may underestimate the capacity building required for certain service enhancements. For example, in NFF's experience working with medically tailored meal providers, starting a program is not as simple as using new recipes; it requires a full overhaul of program design.

For LPEs, there is a concern that HSOs will prioritize the hard costs of service delivery staff and basic infrastructure and deprioritize the soft costs that come from the additional strain of resourcing informal and formal collaborations, coordinating efforts, and sustaining

[4] *Interviewees expressed concern regarding the thousands of hours already spent on planning for the Pilot by many interested LPEs, HSOs, and other stakeholders, many of whom will not be chosen to engage. While there is hope that there remains value from the experience, ideally all future chosen Pilot participants' work will be funded.*

trust on the already stretched capacity of HSOs. Further, the soft costs of managing overall organizational change is somewhat intangible, but essential to operational continuity and Pilot readiness. Pilot-related HSO technical assistance, both one-on-one and in convenings, should set a strong vision for the why, what, and how of healthcare partnership, and clearly communicate the value for all involved. Some staff will be motivated by the ability to serve more people and improve health outcomes; some staff will be motivated by better internal resources for the organization. Understanding motivation and setting that vision are critical.

Planning for and funding the costs of organizational change management for HSOs is a critical piece for the success of the Pilot and the larger supportive ecosystem. This may be under resourced if participants are constrained by the available capacity building dollars.

HSO Consulting, Training, and Technical Assistance Needs

Based on interviews and preliminary assessments, interviewees shared many needs for HSO consulting, training, and technical assistance. While some of these areas were clearly echoed in the RFP, like assessing operations, Pilot procedures, and utilizing NCCARE360, interviewees offered other specific topics, such as:

- Healthcare partnership: As previously noted, working with healthcare will be a significant change for many HSOs, especially as power dynamics often lean towards healthcare partners dominating decision-making and the rules of engagement. Supporting HSOs on this topic could include assessing partnership readiness, exploring the value of health partnership, explaining various healthcare structures and systems, offering a shared vocabulary, discussing partners' priorities, and negotiating.
- Managing through change and growth: HSOs are concerned about planning for and managing through significant growth, especially with uncertainty regarding service volume and enrollees. This work could look like exploring how to manage through uncertainty and best practices for growth planning, including defining one-time vs. reoccurring expenses, and sequencing the work.
- Understanding cost structure and unit cost: Many interviewees highlighted that service providers struggle to define their costs. Cost accounting and understanding intervention unit cost can be incredibly complex for nonprofits. Some LPEs are concerned that HSOs have underpriced their services and that the Pilot's service payment rates could hurt HSOs' financial performance and position. In-depth customized support could support these concepts.
- Braided and blended funding: Some interviewees defined the challenge of braiding and blending funding, especially if an organization historically has had only one or few sources of funding. HSOs may struggle to understand how Pilot service payments fit into their overall financial picture, especially as they are careful to stay in compliance with permitted use of dollars.

HSO Full Cost Considerations

Similar to NFF's full cost questions for the LPE, NFF encourages HSOs to consider how Pilot participation may affect:

- Unfunded expenses: Do we have vacant positions or underfunded staff, and could Pilot participation exacerbate a strained staffing structure? Do we have adequate baseline supplies and infrastructure (in addition to new infrastructure planned in Pilot participation)?
- Working capital: Could invoicing or other flow of funds negatively affect our ability to deliver services?
- Reserves: Should we increase operating reserves to scale with a larger operational expense base? Will we need to build reserves to maintain equipment and technology acquired during the Pilot?
- Change Capital (beyond the Pilot): How can we leverage this growth opportunity beyond the boundaries of the Pilot? Regardless of the Pilot's results and next steps, how can we ensure a continuity of services and avoid organizational contraction? How can we maintain services even if these new service dollars go away? Could we plan for and raise additional change capital to allow for continued and future adaptation and growth?

In partnership with the LPEs, HSOs must also define and communicate their full cost needs. For HSOs to ensure that they can fulfill the expectations of their role in the Pilot and contribute to the larger supportive ecosystem in North Carolina, they must be aware of the cost implications of growth and change. New opportunities should be considered carefully, balancing both the mission and financial impact.

Overall Concerns and Anticipated Challenges

Related to capacity building needs and overall success of the Pilot, interviewees raised the following concerns:

- Planning will be much easier when participants better understand how many new enrollees they will serve. The more visibility participants have regarding numbers and timing, the better they can plan for increases in service volume and related sequencing of capacity building.
- Participants are concerned that the Pilot service payment rates do not cover the direct cost of services, and create a significant subsidy need for addressing the full cost of Pilot participation. LPEs are particularly concerned that is could be a barrier to entry for some HSOs, and it will be challenging to find service providers as a result. Further, there is a concern that some HSOs will accept service payment rates lower than their costs and will have to pursue subsidy or accept financial

deficits. Considering LPEs perceive that HSOs' struggle to understand their costs, there is also concern that HSOs will hurt their financial positions unknowingly.

- Participants are concerned about potential mission drift for HSOs. Service enhancements will truly need to improve Pilot enrollees' health outcomes while maintaining alignment with HSO mission, values, and desired capabilities.
- Stakeholders shared a desire for equity regarding who benefits from, who leads, and who supports the work of the Pilot. They want the Pilot to serve the most underserved and marginalized communities and reach both urban and rural communities. Likewise, they want this opportunity to benefit smaller, grassroots organizations, and hope for ways to integrate grassroots work into larger organizations. There is also a concern regarding the availability of locally based capacity builders and technical assistance providers to support the Pilot and the larger ecosystem.
- The RFP encourages partnership with established providers with proven outcomes, and participants are concerned this could be exclusionary. Alternatively, participants want to see this Pilot and complementary support build a stronger network that raises up smaller organizations that can participate equitably. A stronger network will also alleviate concerns about a potential lack of service providers.
- Participants hope that required data collection will be meaningful and inform performance management, not just serve compliance.
- Some participants are concerned about integrating and managing multiple technology platforms and are concerned about ensuring client confidentiality and data security.
- Some are concerned about ensuring the fidelity of interventions and the evaluation function's ability to distinguish between various tiers of intervention.

Conclusions

Overall, there is great excitement and energy surrounding the Pilot, as potential participants see the possibilities for improved health outcomes for the State. While the RFP ensures some capacity building dollars and reflects what NFF heard regarding needs, there will be significant gaps that must be considered in order to promote Pilot success and build a supportive ecosystem for longer term outcomes.

Stakeholders want to see equitable benefits for North Carolinians, and potential LPEs and HSOs want to ensure they can maintain services and outcomes beyond the Pilot. With these goals in mind, complementary resources could include:

- Replicating capacity building efforts for communities not participating in the Pilot
- Helping participants define and acquire funding for full cost not covered in the Pilot

- Helping build an overall supportive ecosystem, including building local capacity builders and technical assistance providers, and other longer-term investments in health partnership
- Supporting training and technical assistance in areas that may not be funded or prioritized in LPEs' and HSOs' capacity building budgets

About Nonprofit Finance Fund

NFF works nationwide to unlock the potential of mission-driven organizations through tailored investments, strategic advice, and accessible insights. Since 1980, as one of the nation's leading community development financial institutions, NFF has provided over $790 million in financing to nonprofits and pushed for fundamental improvement in how money is given and used in the sector. Our financial management consulting practice has provided solutions-based advice to over 1,000 organizations in the last five years, focused on sustaining and growing impact in the communities they serve.

In recent years, NFF has expanded our work at the intersection of healthcare and social-service delivery, investing $187 million in health and human services organizations since 2014. NFF's nearly 200 consulting clients in 2019 included visionary leaders who are lighting the path toward an integrated system that closes health equity gaps, improves long-term health outcomes, and lowers costs by expanding the availability of effective community-based services. Our team of nearly 30 consultants is experienced in supporting community-based organizations and clinics to partner with health payors and ACOs to deliver health outcomes and positively impact the social determinants of health. Our services help clients to plan for, negotiate, and enter into value-based and alternative payment models, while our many years of experience running large, multi-faceted, complex technical assistance initiatives make us a strong partner to philanthropies and governments working to improve health outcomes in their communities.