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RECOVERY

The official newsletter of the RCORP Rural Center of Excellence on SUD Recovery at the Fletcher Group

MAKING ENDS MEET

by Founder and Chief Medical Officer Dr. Ernie Fletcher

Funding is the number one challenge facing recovery homes. It was also the greatest challenge I faced as Governor of Kentucky when I committed our administration to addressing the underlying causes of homelessness, including addiction.

Three previous terms in the U.S. House of Representatives familiarized me with the workings of federal and state agencies that typically operate independently of each other. By forging innovative new partnerships between multiple public and private entities, we were able to generate the "blended funding" that eventually resulted in 17 large, state-of-the art *Recovery Kentucky* facilities that have helped thousands of Kentuckians turn their lives around.

The Fletcher Group was founded to extend the benefits of that debt-free, self-sustaining model to as many people as possible. In this issue of our monthly newsletter, we re-cap how that model continues to pay huge dividends as well as key findings from our expert research team and funding tips that will be especially helpful to rural recovery homes.

Fletcher Group
BUILDING RECOVERY ECOSYSTEMS

YOUR FINANCIAL CHALLENGE

Real-world client needs spur much of what we do at the Fletcher Group, including a recent survey of 420 organizations representing 1,483 recovery homes across 19 states. Lacking hard data, a West Virginia NARR affiliate was struggling to counter a legislator's claim that recovery homes are exploitative and undeserving of support. Our seven-person research team went immediately to work, canvassing recovery homes from coast to coast to document their financial challenges. Early survey results forwarded to West Virginia provided much-needed facts and figures and final numbers contributed to the following key findings:

Yearly Operating Costs. The range here is wide, from a low of $1,500 for a single home to a high of $20.5 million for the largest multi-home organization we surveyed. Per resident costs were far more consistent with a $6,818 average at single homes compared to $5,913 at multi-home organizations.

Revenue Sources. Forty percent comes from resident fees. 15% from state and local grants, 11% from state programs, 8% from donations, 6% from federal grants, 4% from state contracts, 4% from foundations and corporations, 4% from Medicaid, and 2% from local departments of corrections.

Average Resident Fee. Homes offering a higher level of care tend to charge more, but the average is $725 per month. (A key finding: 31% of resident fees are not paid and never collected.)

NARR Levels. Five percent are Level 1, 63% Level 2, 15% Level 3, and 2% Level 4. Thirteen percent of the homes surveyed are not NARR-certified.*

Key Challenges. Sixty-seven percent of surveyed homes reported "financial resources" as their number one challenge, followed by community stigma (harmful to funding efforts as well as to individuals), resident retention, and staffing shortages.

Financial Resiliency. Asked to rate their own financial resilience, the average was 5.9 on a scale of one to ten. Seventy-eight percent said they've learned important lessons from past crises, 72% said they will get by if threats become more frequent, and 73% said their residents will bounce back from any challenge.

Rural Recovery Homes are more likely to offer transportation, meals, and job training; spend more on staffing and less on property; and receive less from resident fees and more from donations.

* NARR stands for the National Alliance for Recovery Residences

BY THE NUMBERS

Own their property	52%
Have a waitlist	56%
Run several homes	61%
NARR Level II	62%
Not-For-Profit	68%
NARR-certified	84%
Support MAT	93%
Average resident fee	$725
Yearly cost per resident	$6,818*
Avg. yearly operating cost	$169,000

* The cost for organizations operating multiple residences is lower: $5,913 .

Recommendations. Forty percent of homes receive 75% or more of their revenue from a single source, risking disruption of services if not insolvency should that source fail. Such homes need to find additional funding as soon as possible, starting with sustainable partnerships with other recovery ecosystem providers. Grantors, for their part, need to shift their focus from "the next big thing" to programs like recovery housing that, though less flashy, may generate an equal or even greater return on investment.

TO LEARN MORE about the Fletcher Group's research team, projects, and publications...

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OUR ECONOMIC CALCULATOR

What if the economic benefits of recovery could be quantified? And those numbers were not only credible but also far higher than anyone imagined? Would that give your recovery home a better shot at winning grants and earning the support of funders? Of course it would! And now you can do just that, thanks to an exciting new tool called the "Economic Calculator."

"Anyone who's witnessed the 'revolving door' of substance use—people cycling from emergency room to jail and back to the streets—has an intuitive sense of the social and economic costs," says Fletcher Group Health Economist Madison Ashworth. "But making those costs real, especially to skeptical funders, has always been the challenge."

Thankfully, the Economic Calculator is highly flexible and easy to use. "Tell us about your program and it will calculate your program's benefits—the avoided healthcare, criminal justice, and productivity costs as well as reduced mortality and morbidity costs, plus return on investment. If you're applying for a grant and you need evidence of your program's impact over the five years you receive the money, we can do that. Or maybe you're hosting a fund-raiser and want to show the community your impact over the past ten yeas or the ten years to come. We can do that as well."

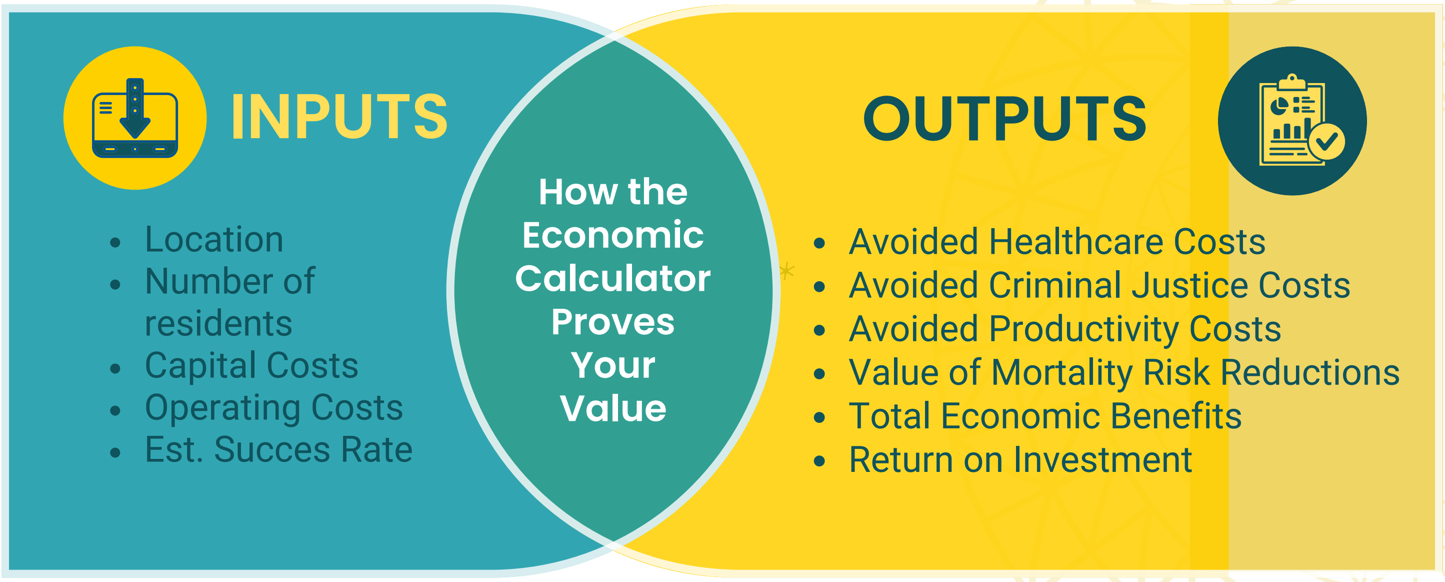
The Price Is Right
Could this tool work for you? "It's very likely," says Ashworth. "Just send me an email at mashworth@fletchrgroup.org and we'll let you know. And here's the best part. It's offered as free Technical Assistance through our HRSA-funded Rural Center of Excellence so it won't cost you anything."

You Can Do THIS

READY TO TRY IT?
To use the Fletcher Group Economic Calculator simply...

CLICK HERE

How It Works
Here's a hypothetical example: A large recovery residence built in Florida to serve 100 residents annually has capital costs of $1.34 million and operating costs of $500,000 per year. The operators expect a 35% success rate (meaning 35 of 100 residents will succeed at recovery). The $13 million in total costs over 20 years is substracted from the $300 million in total economic benefits over the same 20 years, yielding a net economic benefit of $287 million and a $22 return on every dollar invested.



INNOVATIVE FUNDING MODELS

When other states had trouble building any kind of recovery facility at all, how was Kentucky, under Governor Fletcher's leadership, able to build 17 large, state-of-the-art facilties, all debt-free and self-sustaining? "By thinking big," said Fletcher Group CEO Dave Johnson at the Fletcher Group's most recent webinar. "While others focused on small homes housing six to eight people, Ernie envisioned large dormitory-style structures housing a hundred or more individuals, all helping each other recover using a peer-to-peer social model that's both effective and economical."

That model was recently applied in a new $13 million, 100-bed facility in Middlesboro, Kentucky developed under a grant from the Appalachian Regional Commission. "It comes from the same kind of partnerships, creativity, and blended funding, including federal home loans and Low Income Housing Tax Credits," said Johnson. "Thinking big in this case means looking beyond local resources, connecting with state agencies and housing authorities to help cover start-up costs, and working with corrections departments to help cover the relatively low operating costs."

More innovation is on the way. "We're talking with Managed Care Organizations to see how Medicaid funds can support recovery housing," said Johnson. "We've developed and presented an integration model that bundles together as many as 20 different field-proven services. The idea is that a recovery home could bill Medicaid $250, for example, for providing residents with five hours of those services. That would generate $33 a day in revenue—almost double the rate a recovery home typically charges a resident. If an additional ten hours of services were billed at $308 per week, that would increase daily revenue to around $44 at which point you have a self-sustaining model that can fund more effective six- to nine-month stays."

Another opportunity has been presented by Washington state's new *1115 Waiver Program*. "We're working with their Healthcare Authority and the *Alliance of Recovery Residents* to see how recovery houses could provide and bill for services to enable that program to meet its goal of helping people find housing and employment."

A top priority in all such efforts is minimizing the administrative burden on recovery home operators. "That means billing for services on a daily, weekly, or monthly basis rather than, say, 15-minute increments."

WATCH THE VIDEO

To view our Nov. 6 webinar featuring those pictured below...

CLICK HERE

FLETCHER GROUP CEO DAVE JOHNSON

FLETCHER GROUP HEALTH ECONOMIST MADISON ASHWORTH

All these exciting initiatives are accompanied by a laser focus on documentation. "Not all recovery homes have that habit," said Johnson. "But as we work with Medicaid, Single-State Agencies and others, it becomes increasingly important to provide them with the accountability and proof of value they need to maintain support. Our industry will succeed only through continuous improvement that's fully documented for all to see."

WHERE TO LOOK

Q&A Highlights from Our November Webinar

What are some practical first steps for recovery homes that want to diversify their income?

Ashworth: “Find out what's going on in your state. One key finding of our *Financial Landscape Report* was how many state-specific programs there are. If you have a NAAR affiliate in your state, ask them what funding opportunities they know of. And if you're in a rural area, the Fletcher Group's HRSA-funded *Center of Excellence* can be a great resource for free technical assistance, including our funding expertise.”

How can smaller rural recovery houses build resilience when grant opportunities are so limited?

Ashworth: “Many try to make up for that unfortunate shortfall with donations. That's why building community support and community partnerships is so important. And because financial resiliency depends on revenue diversification, you’ll want to build as many relationships and partnerships as possible.”

Johnson: “You’ll also want to contact your local corrections departments. They incur very high housing costs, especially in rural communities, and can save money by moving their funding together with residents to your recovery home. We know a county administrator in Kentucky who has half his budget going to jails. When 60 to 70 percent of those in jail have an SUD, moving them to recovery housing makes a lot of sense. Present yourself as an effective housing alternative that can have a huge positive effect in terms of public health, public safety, and saving tax dollars.

“Be sure also to approach and work closely with your Single-State Agency. SAMHSA, for example, recently asked Single-State Agencies to propose ways of expending about a million dollars per state to find recovery housing for those with an SUD aged 18 to 24. Several states asked us to help with those proposals.

“What people don’t realize is how quickly that opportunity can come and go. They’ll sometimes want a detailed proposal within a week. So you need to do your homework, know officials involved, and have them in your contact list so you can respond as quickly as possible when someone calls and says, ‘Hey, we need to spend this money. What's your proposal?'

Johnson: “One other thing to explore is social enterprise. There are many rural communities in Idaho, where I grew up. I know a fantastic group of people there who started some recovery homes without enough money to cover everything but noticed tremendous local growth in the construction industry. They approached the construction firms and found out they needed people to help with demolition work and clean up at construction sites. The social enterprise program they created brought in money for both residents and the recovery house. And that, in turn, led to a connection with a local technical school where residents could get trained and certified in different construction industry skills. It just goes to show how effective social enterprise can be in helping diversify a rural recovery home’s income and how one thing can lead to another and another.”

If someone's not in a HRSA-designated rural area, can they still still work with the Fletcher Group and use the Economic Calculator?

Ashworth: Yes, we're happy to work with anyone anywhere and that includes the use of our Economic Calculator.

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