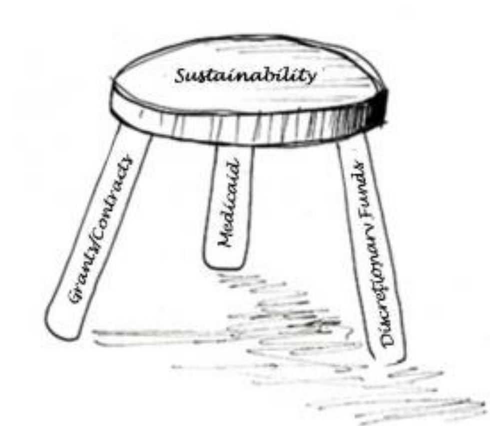
Funding Combination Keeps Family-Run Agencies Operating Smoothly

By Sandra Spencer and Jane A. Walker

"Sustainability" is a word that can send chills down the spine of anyone who works in a family-run organization. Historically, many family-run organizations were started with funding from Substance Abuse and Mental Health Services Administration (SAMHSA) Cooperative Agreements for Comprehensive Community Mental Health Services for Children and Their Families Program. Many family-run organizations find themselves struggling to survive beyond the last year of the grant.

There is a new era of funding for family-run organizations, which is much more complex than it had been in the past. Years of experience have shown that successful family-run organizations operate with a combination of funding from grants and contracts, discretionary funds, and more recently, Medicaid billing. Like trying to balance on a stool with only one leg, relying solely on any one of these funding streams may not be sufficient to provide long-term support to the services and necessary infrastructure of a family-run organization.



Family-run organizations are most familiar with **grants.** These may be federal, state, community, or private foundation grants. They require a written application in response to a request for a proposal, or RFP, that a funder has released. The family-run organization submits their proposal and outlines the services they will provide, along with a proposed budget. The funder then makes a decision on whether or not to fully fund the project.

Contracts, on the other hand, are legally binding documents in which the contractor (funder) stipulates in writing exactly what they want to "purchase" in return for their funds. Contracts tend to have less flexibility than grants. While grants sometimes allow the family-run organization to carry over unspent funds at the end of the grant period, contracts are usually a cost reimbursement that does not permit the family-run organization to use any funds not spent during the duration of the contract.

When applying for grants or contracts, family-run organizations face the task of making sure that the products and services they are being asked to provide fully support the organization's vision and mission. Family-run organizations must be clear about what it is they are "selling" – in other words, what their main product or service is. Family support services are the core product of many family-run organizations. A resource from the National Federation of Families for Children's Mental Health, *Family Peer-to-Peer Support in Children's Mental Health: A*

Financing Guide explains how family-run organizations can use family support as a sustainability strategy. The guide can be found on the National Federation's website.

Many states are moving to sustain family support services through **Medicaid billing,** or fee-for-service, structure. A state may include Medicaid funding for family support through either a *waiver* for an identified population of youth or a *state plan amendment* that incorporates family support into the state plan, making it a billable service for any Medicaid-eligible child and family. Becoming a Medicaid provider places a family-run organization into a more business-like model and requires a specialized infrastructure to enable the organization to track and bill for services. Before taking steps to become a Medicaid provider, family-run organizations need to consider several things:

- Is becoming a Medicaid provider compatible with the family-run organization's mission?
- Does the family-run organization have the infrastructure to support billing for services?
- Which family-support services are billable under Medicaid one-to-one support, training, and phone calls with the family?
- What is the reimbursement rate for the services, and is it sufficient to cover the actual cost of services, including the additional infrastructure?

A new resource, published by the Center for Health Care Strategies, was recently released that is intended to outline and guide family-run organizations through the many issues involved in becoming a Medicaid provider. This document, *Becoming a Medicaid Provider of Family and Youth Peer Support: Considerations for Family Run Organizations,* is available on the CHCS website.

Most family leaders become involved because of their own personal experiences and do not receive formal training in management, personnel issues, or finances. These leaders are motivated by their passion and dedication to helping other families. However, in today's new fiscal climate, to sustain family-run organizations, family leaders must quickly acquire the skills of an accountant, human resources manager, fundraiser, planner, and grant-writer with on-the-job training. In order to develop these skills, many family-run leaders hire staff with expertise in bookkeeping or human resources; recruit board members with needed expertise who provide guidance to the organization; and utilize the services of non-profit associations that provide training for non-profit leaders, including family-run organizations. Trainings range from how to start a non-profit to budgeting and bookkeeping. A listing of these state non-profit associations can be found on the National Council of Non-Profits' website.

Finally, many family-run organizations also rely on **discretionary fund** development for sustainability and as a way to secure non-restricted funds. Non-restricted funds can be used on things that most grants and contracts don't allow, such as policy and advocacy work. Marketing research shows that in the nonprofit world, individual donations still make up the greatest source of income. Just like any nonprofit, family-run organizations should spend years cultivating a broad long-term donor base. Many nonprofits also receive donations from foundations, corporations, and through bequests. Several organizations hold special events such as conferences, trainings, community walks and races, and galas to raise funds. The important thing is to make sure that discretionary fund development is a part of a family organization's sustainability plan.

While there is no doubt that the financing of family-run organizations in today's new fiscal climate is more burdensome, especially for a small organization, there are definite benefits as well. A recent survey conducted by FREDLA (Family Run Executive Director Leadership Association)[1] showed that 26 statewide family organizations have been in existence more than 11 years, and 10 of these organizations have been around more than 20 years. This demonstrates the maturity of the family movement and the business skills that family-run organizations have acquired. While never losing their passion, family-run organizations have recognized that they are not only family leaders, but also business leaders that do what they need to do to sustain the critical services only they can provide.

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[1] **Statewide Family Network Grants: *Building capacity for family-run organizations; FREDLA, www.fredla.org***

Additional Resources

- *Guide to Sound Business Practices for Family Run Organizations in Children's Mental Health* was written by the National Federation of Families for Children's Mental Health and includes interviews with executive directors of National Federation chapters. It can be accessed by clicking here.

- A webinar series offers help to family-run organizations who want to become Medicaid providers. To access the slides and recordings, visit www.fredla.org or click on the following: Becoming a Medicaid Provider: Considerations for Family-Run Organizations, presented April 1; Basics of Rate Setting for Family-Run Organizations within a Medicaid Environment, presented May 29; Becoming a Medicaid Provider and Basics of Rate Setting for Family Support Organizations (Office Hours), presented June 10.