

Friday, May 28, 2010

Cascadia Behavioral Health recovers from near collapse

Mental health care provider returns to profitability and starts building a cash reserve

Portland Business Journal - by [Courtney Sherwood](#) Business Journal staff writer

Two years after a financial meltdown nearly destroyed Multnomah County's safety net for the mentally ill, the nonprofit at the center of the crisis has rebounded.

Cascadia Behavioral Healthcare Inc. is a shadow of its former self, and will bear the burden of its April 2008 near collapse for many years. Even at half its former size, however, the Portland nonprofit remains a key component of the county's safety net.

It returned to profitability in March. CEO Derald Walker, appointed in the midst of the crisis to turn Cascadia around, hopes to build a \$500,000 cash reserve by early 2011.

Two years ago, these results seemed inconceivable.

Cascadia Behavioral Healthcare runs clinics for people struggling with addiction, offered counseling to people with severe mental illness and housed poor people with mental illnesses.

But in spring 2008, poor bookkeeping put all that at risk.

State Medicaid officials had ordered Cascadia to repay \$2.7 million when the nonprofit could not provide documents backing previous years' claims. Capital **Pacific Bank** had demanded repayment of a \$2 million loan.

Leslie Ford, who had been CEO since Cascadia Behavioral Healthcare was founded through the 2002 merger of several smaller nonprofits, had been forced out. Two consecutive chief financial officers hired to turn Cascadia around had quit, after declaring the company's books a mess and uncovering still more liabilities.

By summer 2008, it appeared as though Cascadia Behavioral Healthcare's programs would be dismantled and farmed out to other nonprofits.

Instead, the nonprofit is paying down its debt

"They still have to watch their pennies," said Kathy Tinkle, business services director for **Multnomah County Human Services**. "But they've made significant progress."

Under Walker's leadership, Cascadia obtained a \$2.2 million loan from Multnomah County and the state. It negotiated its Medicaid assessment down to \$1.2 million, payable over five years.

It also relinquished its role as Multnomah County's pre-eminent mental health care provider by transferring several of its programs to other area nonprofits in order to cut expenses.

In August 2008, Lifeworks Northwest took over Cascadia's Gresham clinic and Central City Concern took control of a downtown clinic at Southwest 12th and Stark streets. Luke-Dorf took control of Bridgeview, a residential treatment center.

Surrendering these programs cut Cascadia's expenses, and the nonprofit cut costs still further by consolidating office space and leaving administrative jobs unfilled.

By drawing down the county-state loan, Cascadia invested in a \$250,000 medical billing system aimed at further improving the nonprofit's finances. The system prohibits Cascadia from submitting incomplete Medicaid claims, so that it can never again be reimbursed without adequate documentation, Walker said.

These cuts are paying off for the organization, but they have also left Cascadia much smaller.

It lost \$2.1 million on revenues of \$55.9 million in the year ending June 30, 2008, and lost \$514,000 on revenues of \$42.5 million the following year. Walker expects to end this fiscal year with a surplus of at least \$200,000 from a budget of \$38 million.

In 2008, Cascadia provided about 80 percent of Multnomah County's mental health services. Now it provides only 32 percent of these services.

Meanwhile, county mental health officials have undergone their own transformation aimed at avoiding more surprises like the April 2008 Cascadia meltdown.

"We have realized that we can not be in a situation where we are so dependent on a single agency," Tinkle said.

County mental health leaders now meet quarterly with their largest nonprofit contractors, and monthly with Cascadia, to track the performance health of the nonprofits that they fund.

Jason Renaud, volunteer and secretary of the board of the **Mental Health Association of Portland**, applauded Cascadia Behavioral Healthcare's turnaround, and the county's renewed oversight.

But he also lamented a mental health system that faces stagnant funding and growing demand.

Cascadia's front-line workers, in particular, have borne a difficult burden through this transformation.

They have not received pay hikes since 2008. With a recent increase in the portion that many pay for health insurance, a number are now taking home less than they did two years ago.

Walker also cut vacation days.

A new program that manages counselor productivity can allow some employees to boost take-home pay if they increase billings as a share of total hours worked. Though many workers have embraced the program, others grumble on the growing emphasis on money in a caring profession.

Since the nonprofit's fiscal crisis, employees have had to accept paper checks because Cascadia does not have enough of a cash buffer to implement a direct deposit system.

But unlike the crisis of two years ago, these are challenges that observers expect Cascadia Behavioral Healthcare to survive.

"Unfortunately, any nonprofit with the county is in this boat," Tinkle said. "Our dollars aren't growing as fast as our personnel and expenses."

csherwood@bizjournals.com | 503-219-3420

All contents of this site © American City Business Journals Inc. All rights reserved.



Cathy Cheney | Portland Business Journal
Under Derald Walker's leadership, Cascadia Behavioral Healthcare quietly turned itself around.

[View Larger](#)