

# Center for Addictions Triage and Treatment Financial Analysis

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Prepared by:  
Kristin Burke, Behavioral Health Division  
Stuart Spafford, Facilities and Parks Division



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## Executive Summary

The Center for Addictions Triage and Treatment (CATT) is a project to expand substance use treatment services in Washington County. The proposal is to develop two buildings, each housing a variety of new and/or expanded programs. This document provides a financial analysis of the concept in three areas:



Each section provides the estimated cost for developing and implementing the CATT. The analysis is frequently split to reflect the different buildings that are being considered to house the CATT. Services are likewise split into two groupings: intensive services and community services.

The cost analysis was developed in collaboration with outside organizations and consultants who provided significant technical support in the cost development. When available, written reports can be found in the appendices of this document.

Throughout the document the key areas are identified with the following symbols:



**Implementation cost**



**Existing resources**



**Financial analysis and opportunities to pursue**

Finally, the analysis identifies low risk areas, watch areas and high-risk areas. Watch areas include both opportunities that may be available and issues that could impact the project. These call outs identify salient issues for consideration.

Substance use impacts all community members and service systems. This financial analysis shows that Washington County can develop new services to support our residents with the resources currently held in the Behavioral Health Division. Additionally, the County will likely be able to develop the entire CATT as conceptualized with the many new funding opportunities on the horizon.

## Introduction

Since July 2019 the Behavioral Health Division, in partnership with community members and stakeholders, has been developing a concept to increase substance use treatment services in our community. The Center for Addictions Triage and Treatment (CATT) is visioned to be a place where community members will have rapid access to different levels of care and supports for substance use disorders. It is intended to be a welcoming and service-inclusive program, one that considers the whole need of the individual, acknowledging that humans are complex and connected to multiple community systems. The center will co-locate a variety of services, offering onsite social services, health care and broad behavioral health support. This center will fill significant system gaps, adding new services such as sobering and withdrawal management.

Washington County Behavioral Health has a unique role in this development. Unlike many areas in Oregon, the County itself does not provide treatment services. The division functions primarily as a convener, providing support to the local system of care and ensuring coordination with other entities such as public health. The division also works to identify service gaps and implement new programming. Underlining the division's work is the goal to connect community members to behavioral health services and divert people, when possible, from the criminal justice system.

The Behavioral Health program contracts out all treatment services to local community organizations. Those agencies often lack the resources to develop new services, especially when physical space is required. The Behavioral Health Division currently has reserve funding available to invest into the substance use treatment system. These funds have flexibility in how they can be used. This provides an opportunity to make a significant investment in the system of care, creating critical infrastructure for our community. Consistent with how the division operates, the County will not be the service provider at CATT but will partner with community-based organizations to support our residents.

The [CATT Feasibility Study](#) outlines the services, initial space estimates and the number of treatment beds. Please refer to that document for more information about the foundational principles and the development process used to create the concept. This financial analysis provides information on the estimated cost to create the physical space, maintain the buildings and to provide new services.

### Terms used in this analysis:

**Intensive Services:** A grouping of CATT services that include sobering, withdrawal management, residential treatment, assessment and triage, and peer stabilization.

**Community Services:** A grouping of co-located community-based services and supports. These services include health care, outpatient behavioral health treatment, peer drop-in supports, crisis services, housing navigation and County behavioral health staff.

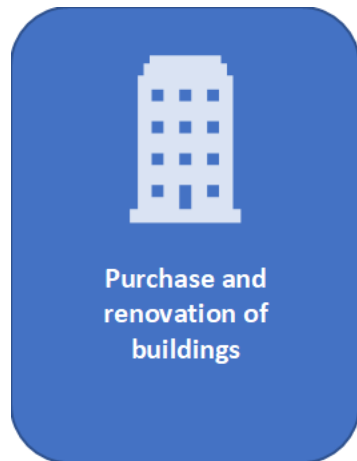
**Intensive Services Building:** A proposed CATT site that houses all the intensive services. In this analysis, the recommended site is the WCCCA building located at 17911 NW Evergreen Parkway in Beaverton.

**Community Services Building:** A proposed site to house all the community services. There are two options, described below.

**Aloclek:** A building located at 3030 NE Aloclek in Hillsboro which is being considered for housing community services.

**Elam Young:** A building located at 5250 NE Elam Young Parkway in Hillsboro being considered for housing community services.

## Capital Cost Evaluation



The Center for Addictions Triage and Treatment (CATT) is proposed to be created using a split campus model by acquiring and renovating two buildings. This section of the financial analysis details the estimated total cost of purchase and renovation. Services are grouped and assigned to buildings based on zoning, size and best fit.

*Intensive Services* include residentially based care that requires 24/7 staffing and facility features such as a commercial kitchen and laundry facilities. These services are proposed to be in a building already owned by Washington County. The WCCCA building, located at 17911 NW Evergreen Parkway in Beaverton, is becoming available within the next few months as the existing tenants move to a new site. At the direction of the Board of County Commissioners, the cost analysis for intensive

services will be based on this building. For this document, this site will be referred to as the **Intensive Services Building**.

The remaining CATT services are collectively referred to as *Community Services*. These services include co-located outpatient treatment, a peer drop-in center, health care services, housing navigators, crisis services and space for county behavioral health staff. Most of these services already exist in our community, however, they will be brought together and expanded to form a central access point for people struggling with behavioral health concerns. This site will be referred to as the **Community Services Building** for this analysis. Staff have identified two buildings available for purchase which are suitable for these services. The first is located at 3030 NE Aloclek in Hillsboro. The second site is located at 5250 NE Elam Young Parkway in Hillsboro. For this document, the sites will be referred to as **Aloclek** and **Elam Young** respectively.



### Capital Construction: Intensive Services Building

Intensive services are inpatient or short-term residential in nature with clients and staff onsite 24/7. All services are expected to be provided by a single provider who will occupy the entire Intensive Services Building. The WCCCA building, proposed for intensive services, is approximately 24,147 square feet. To house all the intensive services, it will need to be expanded to 35,572 square feet and extensively renovated. Commercial laundry and kitchen facilities will need to be added, as well as storage and outdoor recreational areas for staff and clients. Preliminary space planning work has been completed to conceptualize the renovation and preferred layout of the services.

The cost estimate for adding to and renovating the existing building was developed using a multi-step process. This was done with consultation and support of an architectural firm and a professional construction cost estimating firm. First, high-level space planning was completed with consideration of clinical workflows and applying a trauma-informed treatment approach. Next, this information, along with known information about mechanical systems and seismic considerations, was provided to a contracted architectural firm. The firm worked in collaboration with the cost estimator, DCW Cost Management, to develop programmatic cost modeling.

During this process a new appraisal was completed to estimate the current market value of the property. Staff used the cost modeling as a basis for the overall construction estimate. The contracted architectural firm, LRS Architects, added soft costs including fees for architectural development, permits, building furnishings and contingency. These soft costs are equal to 45% of the construction estimate. Finally, separate county costs including art and project management were added.

Combined, the total estimated cost is \$18.2M to procure and renovate the Intensive Services Building for this project. High level detail for each expense is provided in figure 1. Please see Appendix A for the more detailed DCW report used to inform the cost estimate.



#### Capital Construction: Community Services Building

The Community Services Building will house a variety of services that are outpatient in nature. Unlike intensive services, this building will have multiple providers and a broader array of services. Here, issues for co-locating organizations must be considered with separate suites and shared spaces such as conference rooms. Staff have identified two separate buildings that are suitable for these services. The Board of Commissioners will evaluate the features and cost of each building and make the final decision around purchase. The buildings range from 42,253 to 51,140 square feet and both contain open office space with a central entrance and shared restroom facilities. Each are conducive to creating separate suites and offering multiple service types.

Because these building are not currently owned by the county, additional work was completed to assess the overall condition of the buildings. This included hiring external consultants to evaluate mechanical systems, the structure including roof and window conditions, and seismic safety. Appraisals were requested to determine the current market value, however, were not completed in time for this analysis. The purchase price is based on initial negotiations with the property owners. Services were test fitted into the buildings and this information, along with unique program design features, was provided to the contracted architect. DCW Cost Management developed a cost model for renovation of both buildings. Like the intensive services building, LRS Architects provided estimates for the fees associated

Figure 1: Construction Estimate, Intensive Services Building

	Cost Estimate
Substructure & Shell	\$870,750
Interiors	\$1,660,560
Services/Systems	\$3,014,940
Equipment and Furnishings	\$541,380
Demolition and sitework	\$364,290
<b>Renovation Subtotal</b>	<b>\$6,451,920</b>
Contingency (20%)	\$1,290,384
Contractor Fees	\$1,669,125
Escalation	\$313,714
<b>Construction Subtotal</b>	<b>\$9,725,143</b>
Professional Fees	\$972,514
Permits & Misc. Expenses	\$680,760
Furnishings and technology	\$778,011
Solar Requirement	\$96,779
Art	\$64,519
Project Management	\$193,558
Contingency (20% of construction)	\$1,945,029
<b>Total Build Costs</b>	<b>\$14,456,313</b>
<b>+ Purchase</b>	<b>\$3,775,000</b>
<b>Total</b>	<b>\$18,231,313</b>

with permits and professional design and engineering. and a contingency of 20% was added. This contingency is in addition to the 20% contingency for construction. Finally, County staff added funds for art and project management.

The purchase and renovation costs are estimated to be \$22.3M or \$25.1M for the Community Services Building, depending on the site. High level detail for each building and expense is provided in Figure 2. The detailed cost modeling for these two buildings can be found in Appendix B.

The total cost for the project will depend on which community services building is selected, with the Aloclek option being more expensive due to its larger size. Figure 3 provides the combined cost of the intensive services building plus the two separate options.

The total amount of contingency for each option is provided to highlight the amount added for unknown expenses.

Figure 2: Construction Estimate, Community Services Building

	Elam Young Cost Estimate	Aloclek Cost Estimate
Substructure & Shell	\$382,243	\$62,639
Interiors	\$1,467,413	\$1,513,022
Services/Systems	\$3,883,137	\$4,682,285
Equipment and Furnishings	\$172,175	\$160,125
Demolition and sitework	\$454,002	\$490,290
<b>Renovation Subtotal</b>	<b>\$6,358,970</b>	<b>\$6,908,361</b>
Contingency (20%)	\$953,846	\$1,036,254
Contractor Fees	\$1,692,505	\$1,838,730
Escalation	\$393,983	\$428,021
<b>Construction Subtotal</b>	<b>\$9,399,304</b>	<b>\$10,211,366</b>
Professional Fees	\$939,930	\$1,021,137
Permits & Misc. Expenses	\$657,951	\$714,796
Furnishings and technology	\$751,944	\$816,909
Solar Requirement	\$95,385	\$103,625
Art	\$63,590	\$69,084
Project Management	\$190,769	\$270,251
Contingency (20% of const.)	\$1,879,861	\$2,042,273
<b>Total build costs</b>	<b>\$13,978,733</b>	<b>\$15,186,441</b>
<b>+ Purchase</b>	<b>\$8,275,000</b>	<b>\$9,900,000</b>
<b>Total</b>	<b>\$22,253,733</b>	<b>\$25,086,441</b>

Figure 3: Total Construction Estimate, Intensive Services Building and Community Services Buildings

Total Cost	Purchase and renovation	Contingency (construction + overall)	Total
Intensive Services Bldg + Elam Young	\$34,415,928	\$6,069,119	\$40,485,046
Intensive Services Bldg + Aloclek	\$37,003,814	\$6,313,940	\$43,317,754



### Resources and Funding

Washington County Behavioral Health currently has funds held in reserve for the project. These funds have been allocated to this project during the budgeting process and are immediately available for expending. Approximately \$7.5M has been set aside by the division for several years intended to be used for acquiring a County-owned home for crisis services. For the County to honor this plan, the funds should be used for the Community Services



Building. The rest of the \$25,480,314 secured resources can be used as needed for the project, though developing the intensive services should be prioritized in accordance with the Feasibility Study recommendations.

In addition to the funding that is currently available and dedicated to this project, there are several other sources of funding that will likely become available to support this project. The amount and timing of these funds are unclear; however, they will likely bring significant new money to the County for capital developments such as CATT. Known upcoming opportunities include:

*Figure 4: Resources Secured*

Source	Description	Amount
Fund 195	CCO OHP	\$ 6,887,250.00
Fund 207	CCO Reserves	\$ 10,500,000.00
Fund 192	Marijuana tax	\$ 500,000.00
Fund 193	Crisis Old MHO	\$ 5,578,094.00
Fund 199	Crisis capital	\$ 2,014,970.00
<b>Total</b>		<b>\$ 25,480,314.00</b>

- **Opioid settlement:** Washington County participated in litigation related to the impact that marketing and mis-prescribing practices of opioids has had on our community. As the lawsuits are settled, the county stands to receive settlement dollars. The total amount is not finalized at the time of this analysis but is estimated by County Counsel to be up to \$12.7M. Additional settlements may occur. The CATT will directly support those most impacted by opioids and is in line with guidance developed on how settlement funds may be used.
- **Residential development dollars:** In the 2021 State of Oregon legislative session significant resources were set aside to fund the development of new behavioral health residential programs. The residential services planned for the Intensive Services Building are entirely consistent with the intent of these funds. While the county will have to submit a grant proposal, and funding is not guaranteed, the county should be highly competitive given that a site will have already been selected and the county has resources to contribute. Approximately \$65M for capital will be available state-wide. The application will be released in the summer of 2022.
- **Measure 110 grant:** In November 2021, the state released a Request for Grant Applications to allocate \$278M statewide to expand services for people who use substances. This grant included the opportunity to apply for capital funding. After consulting with leadership, the Behavioral Health Division applied for the amount equal to the gap estimate at that time, nearly \$17M. The decision to apply for the full gap amount was made because the outcome of the opioid settlement was not finalized when the grant was due. Additionally, the state has indicated that final grant amount can be modified if circumstances change. Grants will be awarded in February 2022.

Should a gap remain after these options have been exhausted, the County may choose to pursue other avenues to raise funds. Local cities will also receive opioid settlement dollars, with similar requirements that they be used toward treatment services. Cities may be interested in contributing some of these funds toward the CATT project. Also, the state will receive a large portion of the opioid settlement and has indicated a plan to distribute these dollars to local communities through a grant process like Measure 110. If funds are still needed when this occurs, staff will apply. Another option to consider is requesting federal earmark dollars, though this would compete with other local priorities. Finally, staff may engage in fundraising efforts if needed. Given the impact of substance use on hospitals,



coordinated care organizations and local governments, there may be willingness by those organizations to contribute funding toward the project.



### Analysis: Capital Construction

The data above demonstrates that the County currently has significant resources to contribute to this project and several options for filling the remaining gap. The total estimated cost of purchasing and renovating the two buildings is significantly less than the early estimate of \$60.9M to \$72.5M that was identified in the feasibility study.

Despite this, there is a gap in resources that will need to be filled for the entire project to be executed. This gap ranges from \$15M to \$17.8M, depending on the option selected for the Community Services Building. If the opioid settlement dollars do

provide \$12.7M for the county, most of the project will be funded (see figure 6). However, these funds are expected

Figure 5: Funding Gap

Funding Gap	Intensive Services Bldg and Elam Young	Intensive Services Bldg and Aloclek
Resources Currently Secured	\$ 25,480,314	\$ 25,480,314
Estimated Capital Cost	\$ 40,485,046	\$ 43,317,754
<b>Gap</b>	<b>\$ (15,004,732)</b>	<b>\$ (17,837,440)</b>

to arrive over the course of 18 years. The County may need to bond on future revenue to have adequate capital to complete the capital construction. An attractive scenario would be to acquire and use grant dollars to fund as much of the capital as possible, reserving any unused opioid settlement dollars and Behavioral Health Division reserves for supporting operational costs and future system investments.

### Risk and Exposure

Risk areas for the county include potential increases in construction costs, challenges in procuring building materials, and the current gap in overall project construction funding. While the cost estimator did include a two-year escalation of expenses, this is an area that is at risk of increasing above the amount

identified given current inflation. COVID-19 has impacted the construction industry with factory shutdowns and shipping delays. Lead times to receive

Figure 6: Application of Potential Options to Fill Gap

Potential Funding	Resource	Remaining Gap Intensive Services Bldg + Elam Young	Remaining Gap Intensive Services Bldg + Aloclek
<b>Capital Cost</b>		<b>\$40,485,046</b>	<b>\$43,317,754</b>
<b>Secured</b>	\$ 25,480,314	\$(15,004,732)	\$ (17,837,440)
<b>Highly Likely</b>			
Opioid Settlement	Up to \$ 12,700,000	\$(2,304,732)	\$ (5,137,440)
<b>Possible</b>			
M110	\$ 16,993,005	\$ -	\$ -
Residential Grant	Up to \$ 4,000,000?	\$ -	\$ (1,137,440)

building materials have increased. This current state of the construction industry could influence the construction schedule and increase costs.

Another watch area is the unknown timing of when grant funds and settlement dollars may become available. The County may want to consider the option of bonding on future revenue for opioid settlement dollars if Measure 110 grant funds are not awarded. This would provide resources while staff pursue future grant opportunities.

The greatest risk and exposure for the county is purchasing the Community Services Building and then not having funding to renovate it. Given the new influx of treatment resources, grant opportunities and the progress made toward the County receiving opioid settlement dollars, this is not likely. However, those funds are not guaranteed, and this must be a consideration before the building is purchased. Fortunately, crisis services and county staff have several years remaining on the lease at Elam Young and therefore services will not be disrupted if the funding for renovation does not materialize or is delayed.

#### Opportunities and Actions

The County will continue to advocate for the opioid settlement dollars to be distributed locally to address local needs. The CATT project has been held up as a model for use of those funds. While the current settlement process is nearing completion, additional litigation is likely, possibly bringing in future revenue. The County may also explore opportunities to partner with local cities who receive settlement dollars. As these funds must be used toward opioid support services, Cities may have interest in supporting programs within the CATT.

There are many opportunities to compete for significant new funding at the state level. Between M110 and residential development grant funds, over \$300M will be available statewide this biennium. If Washington County were to receive even 5% of those dollars, that will equate to \$15M, a substantial portion of the remaining gap. Staff will focus efforts on apply for and securing grants to fill the remaining gaps in the capital construction cost. Washington County will be in a favorable position to compete for these grants due to the extensive planning that has occurred.

One opportunity for saving money on the overall capital costs would be to select the Elam Young property for the community services building. Not only is the property less expensive overall than the Aloclek property, the Elam Young building also currently contains a full commercial kitchen with all appliances, serving tables, and kitchen supplies needed to feed a large number of people. Pots and pans, silverware, trays and food storage supplies are all included in the sale of the building. These kitchen wares and appliances can be used to create the commercial kitchen needed in the intensive services building. In addition, Elam Young comes fully furnished with cubicles, conference room tables, chairs and audio/video equipment that can be used at both sites, also resulting in savings.

Finally, the County staff may engage in fundraising if gaps remain after grants and opioid dollars are obtained. Any requests for support from outside entities such as cities or health care systems will be coordinated with the County Administrative Office to ensure there is approval from leadership for actions taken and requests made.



#### Decision Point

How should existing resources be split across the two buildings if there isn't enough funding to do everything?

Summary for Capital Costs:



**In Good Shape**

Adequate funding currently available to purchase both buildings and begin renovation.

Existing services will not be impacted if there is a delay.



**Watch Areas**

Opioid settlement amount is not finalized, and the money will come in over 18 years.

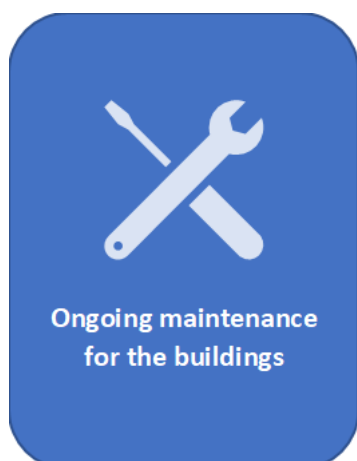
Many new opportunities coming.



**High Risk Areas**

Cost of construction is increasing.

Funding to fully purchase and renovate the two buildings is not currently secured.



## Building Maintenance

Once the buildings are acquired and renovated, there will be ongoing costs to operate and maintain the physical sites. Monthly expenses will include utilities, janitorial and grounds maintenance. The buildings will also require periodic maintenance of mechanical and other systems to ensure a safe and comfortable environment for staff and clients. Finally, as with all buildings, there will be occasional need for larger projects and upgrades. These may include expensive items like replacing the roof, resurfacing parking lots and upgrading interior spaces. An ongoing plan to ensure adequate funds are available to maintain the buildings is needed.



## Ongoing Facility Costs

Although the buildings will be occupied by several community organizations, they will be owned by the County and will be maintained by county staff. Each building will have different facility costs because of the size of the buildings and the nature of the services provided within. Facility cost projections were based on cost modeling from Facilities used to allocate expenses across county buildings. Using the estimated square footage of occupied space within each building, the estimates were developed. These estimates may be high, given the increase in office space being added to the county's portfolio and changes to the modeling currently in process. However, they provide a good starting point to consider the potential costs of maintaining the buildings. Figure 7 provides a breakdown of the current annual projected facility expenses for each of the buildings being considered.

*Figure 7: Estimated Facility Expenses*

	Intensive Services Building	Community Services Building: Elam Young	Community Services Building: Aloclek
Utilities	\$105,178	\$128,999	\$156,221
Janitorial	\$123,667	\$151,675	\$182,683
Landscape	\$29,432	\$ 36,097	\$ 43,714
Maintenance	\$381,879	\$468,363	\$567,203
<b>Total Annual Cost</b>	<b>\$640,156</b>	<b>\$785,134</b>	<b>\$949,821</b>



## Resources and Funding

Building and maintenance costs are typically built into a cost plan used to allocated expenses to programs operating within county buildings. In this process, the building costs are estimated and distributed to county programs based on square footage. At the CATT, however, services will be provided by several different outside organizations. Most organizations will be community-based non-profit entities with thin operating margins and little ability to absorb high expenses. County staff will also use space within the Community Services Building. There will likely be a sole provider operating within the Intensive Services Building and therefore the strategy for covering maintenance and utility expenses in that building may be slightly different than the Community Services Building.

The County Behavioral Health Division and crisis program already have facility costs built into their budgets; this funding source would simply transfer to the CATT Community Services Building when the programs are relocated there. A space lease for other non-county tenants is proposed for covering the remaining expenses.

For the Intensive Services Building, the entire annual expense could be charged to the provider in the form of a lease arrangement. The goal of the lease is to cover only the actual cost of the building maintenance and utilities, keeping the amount as low as possible for the provider. This is an attractive arrangement for providers who may want to expand their services but find the capital costs prohibitive. This model is currently used at the Tigard Recovery Center which is operated by a private non-profit organization providing clinical services out of a county-owned building. The arrangement has worked well in maintaining that site and providing adequate funding to cover costs.

The Community Services Building will require the costs be split proportionate to the space used for each service. The next two charts provide the proposed cost allocation for the Community Services Building for the Elam Young and Aloclek buildings. These numbers are based on the early space planning that has occurred:

*Figure 8: Elam Young Estimated Facility Expenses by Program*

Elam Young Service	Estimated space	% of space	Annual cost	Monthly
Crisis Services	10,360	25.3%	\$ 240,180	\$ 20,015
Peer Drop-in Center	2,131	5.2%	\$ 49,404	\$ 4,117
Health (med/dent/pharm)	2,167	5.3%	\$ 50,238	\$ 4,186
Outpatient (MH/SUD/Sup. Emp)	5,562	13.6%	\$ 128,946	\$ 10,745
Supported Housing	906	2.2%	\$ 21,004	\$ 1,750
County Staff	9,925	24.2%	\$ 230,095	\$ 19,174
Shared (Conf/Kitch/RR/Lobby)	9,900	24.2%	\$ 229,516	\$ 19,126
<b>Total</b>	<b>40,951</b>	<b>100.0%</b>	<b>\$ 949,384</b>	

*Figure 9: Aloclek Estimated Facility Expenses by Program*

Aloclek Service	Estimated space	% of space	Annual cost	Monthly
Crisis Services	14,700	29.1%	\$324,294	\$ 27,024
Peer Drop-in Center	2,000	4.0%	\$ 44,122	\$3,677
Health (med/dent/pharm)	2,500	5.0%	\$ 55,152	\$ 4,596
Outpatient (MH/SUD/Sup. Emp)	6,500	12.9%	\$ 143,395	\$ 11,950
Supported Housing	800	1.6%	\$ 17,649	\$ 1,471
County Staff	10,000	19.8%	\$ 220,608	\$ 18,384
Shared (Conf/Kitch/RR/Lobby)	14,000	27.7%	\$ 308,851	\$ 25,738
<b>Total</b>	<b>50,500</b>	<b>100.0%</b>	<b>\$ 1,114,071</b>	

The allocation of space is less than the total building square footage as some space is not assigned due to use for mechanical systems and information technology. The final allocation will be adjusted when the final architectural plan is developed, however the total amount should remain generally consistent with the figures provided above.



#### Analysis:

The addition of over 50,000 square feet of building space to the County's portfolio will add significant costs to the Facilities and Parks division. This added expense can be offset by charging a lease to the tenants. However, care should be taken to make these costs as low as possible to entice community organizations to locate at the CATT. This model has been successfully used for both the crisis services at Hawthorn Walk-In Center and the Tigard Recovery Center.

Timing will be a consideration. The Community Services Building will likely be able to house programs including crisis services and County Behavioral Health staff within 2 years from when the purchase and renovation commences. The lease for the current space used by these programs does not expire until early 2027 leaving approximately 36-42 months of payments remaining on that space after the programs move. Regardless of whether those programs move immediately or delay relocation, there will be duplicate office space for a period. Both spaces will incur expenses, however utility, janitorial and maintenance costs can be minimized if one site is vacant.

The County is engaged in several planning projects that will provide more clarity regarding long-term operational costs, including a countywide strategic plan and a strategic facility plan. The strategic facility plan will provide a baseline of all facility needs, including the proposed facilities, and align overall county facility needs with staffing needs to provide additional clarity for decision making. The strategic plan, facilities strategic plan and the staffing plan will provide a framework for determining priorities, funding options and timing for both construction and when staffing would need to be added.

Ultimately, the long-term space costs for existing county behavioral health staff and crisis services are not significantly changed with either building option. Charges to the programs will go down due to not paying a lease. There is a cost savings with the Elam Young building given the smaller size compared to Aloclek. Despite the smaller footprint, both programs will have additional space for program growth. The Aloclek option does increase the cost to the programs slightly. A comparison in today's dollars is offered in Figure 10. Please note, for this comparison, the shared spaces such as lobbies and conference rooms are allocated to county staff and crisis services based on overall percentage of the space occupied and lease costs are included in the current cost.

*Figure 10: Current vs. Projected Space Cost for County and Crisis Staff*

	Current Cost		Projected: Elam Young		Projected: Aloclek	
	Current Size	Current Space cost	Estimated space allocated	Estimated space cost	Estimated space allocated	Estimate space cost
County Staff	8,204	\$ 292,132	13,089	\$ 303,457	13,835	\$ 305,224
Crisis	12,152	\$ 424,825	13,663	\$ 316,757	20,338	\$ 448,681
<b>Total</b>		<b>\$ 716,958</b>		<b>\$ 620,214</b>		<b>\$ 753,905</b>

### Risk and Exposure:

There are a few risks with the County adding a new site and expanding an existing building. The cost of utilities and maintenance will likely rise over time, and it is not certain that services funding from the state and other sources will see a commensurate increase. This could strain providers as well as the Behavioral Health Division. However, having consistent and regular increases in the lease amount with providers will ensure that cost increases are gradual. This will also help providers predict costs and plan their budgets. This increase should be as small as possible to minimize the impact on providers.

The wear and tear on the buildings could be significant with the programs proposed. The County should consider investing in more durable finishes initially to reduce repairs required in the future. While this will increase construction costs, it may reduce maintenance costs in the future.

Another risk is the possibility of a cut in funding for services, jeopardizing the ability of providers to continue offering services out of the County-owned sites. In this scenario, the county may end up having unused building space that is highly specialized with no revenue to help cover the maintenance costs. Given the intense focus on building substance use treatment services both at the state and federal level, a complete loss of funding is unlikely. Additionally, Measure 110 directs marijuana tax revenue to be directed toward treatment services. This will provide a sustained revenue source for services, helping to mitigate other fluctuations in funding.

The primary exposure to the County is the expense of having two spaces for crisis and county staff until the current space lease expires. The cost of maintaining two sites for these programs will be high and could potentially impact behavioral health reserve funds.

### Opportunity and Actions:

One opportunity to offset the building maintenance cost for the Intensive Services Building is to apply revenue from the Verizon cell phone tower contract toward the maintenance costs for that building. Verizon has held a long-standing contract with the current building tenant, the Washington County Consolidated Communications Agency (WCCCA), to have a cell tower on the site. This contract provides \$48,700 annually. The contract includes both use of the existing onsite tower as well as some space within the building for equipment. WCCCA has confirmed that they have notified Verizon that the contract will need to transfer to Washington County once WCCCA moves out of the building in early 2022. While the tower may detract from the overall appearance of the building, it provides a significant source of revenue. This revenue can be applied to building maintenance costs which would in turn reduce the amount of the lease with the provider, allowing the provider to invest in clinical services rather than space rent.

Another area to consider is using space that is vacated by the Hawthorn Walk-In Center crisis clinic and county behavioral health staff for other county programs. As the county will potentially have space available in the current building that houses these programs until the current lease expires, County



### Decision Point

Should the County consider supplementing the building maintenance costs and reduce the amount charged to providers? This would mitigate the risk of loss of funding if the provider stopped operating out of the building.



administration and Facilities may consider using it as temporary or flexible space for other departments. This may be beneficial for departments that are currently growing. It would also reduce the cost burden on the Behavioral Health Division.

Finally, the landlord of the space occupied by crisis services and the Behavioral Health division may be willing to market the vacated space prior to the end of the lease. Given the location adjacent to a MAX station, it may be possible to find a new tenant prior to the end of the lease, relieving the County of the contractual obligation. However, this would require the Developmental Disabilities Division to relocate the team members currently located there.

### Summary for Building Maintenance:



#### **In Good Shape**

The model of leasing space to community providers to cover maintenance costs is currently successfully used with other programs.

The Verizon cell tower contract brings revenue that can offset some expenses.



#### **Watch Areas**

The cost of utilities and maintenance will rise. There should be regular increases built into any lease.

Providers have very tight operating budgets so the county should strive to keep expenses as low as possible.

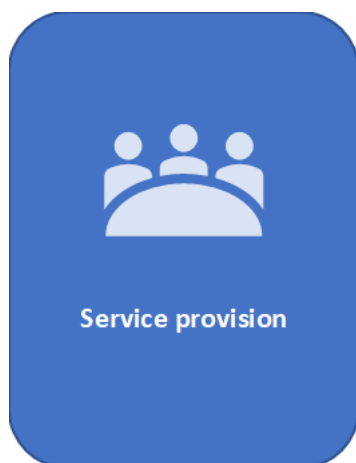
The wear and tear on the buildings could be significant, investing in more durable finishes initially may reduce future repairs.



#### **High Risk Areas**

Having unoccupied space with no revenue to cover the maintenance cost. This risk is highest for the Intensive Services building which will be 100% occupied by a provider.

Potentially paying for two locations for county staff and crisis services until early 2027.



## Services Cost Analysis

In Oregon, treatment for substance use disorders is primarily funded by Medicaid, commercial insurance, federal and state grants, or out of pocket by the recipient of services. The CATT is designed to be most responsive to those relying on publicly funded services, however services will be available to all community members, regardless of funding.

There are many different service types that will be offered at the CATT, requiring a varied approach to the analysis and funding strategy. Some programs/services already exist and will simply be relocated to the CATT. Other services will be new to our community and will require new funding to develop and operate. With two potential locations identified, and a clear split in

service types across those sites, this cost analysis is divided by service type. An analysis of intensive services is provided first, then an analysis of community services.

This approach simplifies the analysis as the intensive services have similar methods for calculating revenue and expenses for the various services offered. On the other hand, the Community Services Building is significantly different in that it will be a collection of service providers sharing a space, but not sharing the same administration or staff. Here, the analysis centers on the one new service (peer drop-in center) and does not attempt an analysis for existing services relocating to the site. This is because the other services currently operate in Washington County and are simply relocating or expanding to the CATT. The main concern for the county in this situation is the cost of maintaining the building, already covered in the previous section.

Finally, it is important to understand and acknowledge the changing and dynamic landscape of the current behavioral health service system. Providers are facing significant workforce shortages which is leading to salary adjustments not fully captured in this analysis. At the same time, the local Coordinated Care Organizations are investing significantly in both workforce retention efforts and rate increases. This dynamic is common in behavioral health and demonstrates the commitment of payors to support the services provided in the community. This environment is coupled with unprecedented new system funding with opioid settlement funding and Measure 110 dollars providing an opportunity to bring millions of new service dollars to our community.

### Services Funding: Intensive Services

Intensive services include assessment and triage, sobering, withdrawal management, stabilization and residential treatment. Most of these services have a residential component and staffing may be shared

*Figure 11: New vs. Existing Services*

New: cost analysis required	Existing: cost not analyzed
Sobering	Outpatient mental health and addictions treatment
Withdrawal Management	Health care
Assessment and Triage	Supported Housing Navigation
Peer drop-in center	Crisis Services
Residential treatment	County Behavioral Health staff
Stabilization	

across programs. Services will be provided by a single provider; therefore, the cost analysis is based on these services as a whole rather than each individually.

#### Method:

The cost analysis for intensive services was completed using a multi-step process. Both expense and revenue projections were developed. The analysis of the cost to provide intensive services began by identifying clinical service models for each of the program. A review of the Oregon Administrative Rules was completed to determine where certain staffing qualifications and levels were required. Next, sample staffing patterns were developed that included administrative and management staff, clinical employees and facility support staff. An estimated salary was applied, along with 40% for overhead and fringe benefits. Costs such as food, supplies, utilities, building maintenance, security and client transportation were added to develop a total cost estimate.

Assumptions for staffing patterns and staff salaries were reviewed by executive staff of two of the largest local substance use treatment services providers. These individuals provided substantial input, ensuring the figures were aligned with their actual experience.

A revenue projection was also developed. This was done by estimating the number of people expected to be served in each program. From there, a review of the current rates paid by the primary expected funding source (OHP) was done. This was reviewed against information provided by local agencies about their current utilization across different payors and current reimbursement rates.



#### Projected Expenses: Intensive Services

Expenses were calculated by applying wages to a sample staffing plan and adding agency overhead and fringe benefits. Next, the facility cost identified earlier in this document were applied to each program based on the number of full-time staff equivalents. This resulted in a total cost for each service. The chart below provides the projected annual cost for each service operated out of the Intensive Services Building.

*Figure 12: Intensive Services Cost Estimate*

Service	Personnel Cost	Facility & Support Svcs	Total Cost	Total adjusted cost
Assessment	\$ 893,699	\$ 239,283	\$ 1,132,981	\$ 1,294,386
Men's Residential	\$ 1,073,104	\$ 327,562	\$ 1,400,666	\$ 1,600,205
Women's Residential	\$ 1,041,614	\$ 315,946	\$ 1,357,560	\$ 1,550,958
Withdrawal Mgmt.	\$1,922,583	\$ 376,348	\$ 2,298,931	\$ 2,626,437
Sobering	\$ 629,824	\$ 209,082	\$ 838,906	\$ 958,417
Stabilization	\$676,036	\$ 195,143	\$ 871,179	\$ 995,287
		<b>Total</b>	<b>\$ 7,900,224</b>	<b>\$9,025,609</b>

Personnel cost includes wages, fringe benefits, agency overhead and other clinical operational expenses. The facility cost includes janitorial services, utilities, maintenance, supplies, transportation and food for the residents. It also includes the cost of onsite security services. A contingency of 10% was added to account for expenses that may fall outside of normal overhead. This could include any number of things

such as recruiting costs, software implementation, staff retention activities and start-up costs. Finally, the overall service cost has been adjusted for inflation, using a 10-year Consumer Price Index historical average.

*A note about sobering:* There are several different sobering models, and the staffing costs can vary greatly depending on the population served. The financial modeling done for this analysis is based on serving voluntary, non-violent individuals with no acute medical support needs. There may be stakeholder desire to increase CATT's capacity to support involuntary individuals and those who are highly agitated. The cost for this model would substantially increase, easily tripling the projected budget or more. The physical space will be designed in a way where sobering services can be expanded in scope and intensity in the future. However, the CATT leadership, in consultation with subject matter experts and workgroup participants, is proposing to open CATT with a less-intensive model initially. The budget presented in this document is based on that staffing pattern.



#### Resources and Funding: Intensive Services

Revenue was estimated by developing utilization projections and applying reimbursement rates for each service that is typically funded through a fee-for-service or per diem arrangement. This process included estimating the payor mix to ensure different payment rates were considered. For more information about payment methods and payors, please see Appendices C and D.

For residentially based services such as sobering, withdrawal management, stabilization and residential treatment, estimates for service utilization were developed using the planned number of beds and anticipated percentage of occupancy. Occupancy level was based on current system experience and the experience of similar programs when they didn't exist locally. For example, both Lane and Clark Counties operate sobering programs like the one proposed for the CATT. These programs provided utilization data that was helpful to inform the estimate. It should be noted that the utilization of services over the past two years has been significantly disrupted by the COVID-19 pandemic and caution should be taken in assuming a similar pattern of utilization will continue moving forward. However, the information is still useful for projecting early use of the program.

Utilization projections are important in estimating revenue as these services are typically reimbursed on a per-service basis. Figure 13 provides the estimated utilization by each service type.

*Figure 13: Projected Utilization for Intensive Services*

Service	Beds	Average occupancy	Daily occurrence or census	Total # or bed days	Notes
Assessment	n/a	n/a	12	4380	annual # of assessments
Men's Residential	24	92%	22	8059	annual bed days
Women's Residential	20	90%	18	6570	annual bed days
Withdrawal Mgmt.	16	80%	12.8	4672	annual bed days
Sobering	16	40%	6.4	2336	annual bed days
Stabilization	10	60%	6	2190	annual bed days

Bed days reflect the number of days a bed is occupied over the course of a year, not the unique number of individuals served. That number will be substantially lower.

In the case of sobering and stabilization, the goal is not to fill the beds but rather to always have beds available to be responsive to the community. Like other healthcare, such as hospitals, there should always be bed capacity to admit people rapidly, even during periods of high utilization. Residential treatment can operate with planned admissions and therefore the average occupancy should be as high as possible to maximize revenue.

The estimated utilization was further broken down by payor type to allow for variation in reimbursement rates. Figure 14 provides estimated revenue based on service and payor type.

*Figure 14: Projected Revenue by Payor*

Service	Medicaid Revenue	Indigent Services Revenue	Commercial/ Other Revenue	Total Estimated Revenue
Assessment	\$ 613,200	\$ 108,305	\$ 70,080	\$ 791,585
Men's Res.	\$ 1,507,070	\$ 152,802	\$ 76,562	\$ 1,736,435
Women's Res.	\$ 1,156,302	\$ 62,284	\$ 187,245	\$ 1,405,849
Detox	\$ 3,405,888	\$ 236,637	\$ 58,400	\$ 3,700,925
Sobering	\$ -	\$ -	\$ -	\$ -
Stabilization	\$ 177,309	\$ 48,180	\$ -	\$ 225,570
			<b>Total</b>	<b>\$ 7,860,364</b>

Sobering services are not currently reimbursed through Medicaid and other insurance. These services were historically funded with county general funds through a contract with Hooper Regional Sobering Center in Portland before it closed. Early discussions have occurred with our local Coordinated Care Organization partners about the possibility of providing some financial support for sobering services. However, this would not cover the full cost of the service as many people served in sobering will not have Medicaid. Similarly, peer services, which will provide most of the support for the stabilization service, are not generally covered by commercial insurance. However, these services can be reimbursed through Medicaid. This will provide some revenue, but the service will require another funding source to be wholly funded.

Washington County Behavioral Health is responsible for funding indigent treatment services. The County receives money from the state for this through a biennial financial assistance agreement. There is currently adequate revenue available from this source to fund the projected cost.



#### Analysis: Intensive Services

When comparing the projected expenses and revenue, it is helpful to look at the intensive services program as a whole rather than by individual service. It is common in behavioral health that some services may supplement other services that have lower reimbursement rates. Yet it is also clear from the information above that there is a gap in funding, which can primarily be attributed to a lack of revenue for sobering and stabilization. Figure 15 provides a summary of the gap areas.

Figure 15: Projected Revenue Gap by Service

Service	Total Cost	Contingency (10%)	CPI		Deficit/ Excess
			Adjustment (1.93 annually)	Revenue Estimate	
Assessment	\$1,132,981	\$113,298	\$1,294,386	\$791,585	-\$502,801
Men's Residential	\$1,400,666	\$140,067	\$1,600,205	\$1,736,435	\$136,230
Women's Residential	\$1,357,560	\$135,756	\$1,550,958	\$1,405,849	-\$145,110
Withdrawal Mgmt.	\$2,298,931	\$229,893	\$2,626,437	\$3,700,925	\$1,074,488
Sobering	\$838,906	\$83,891	\$958,417	\$0	-\$958,417
Stabilization	\$871,179	\$87,118	\$995,287	\$225,570	-\$769,717
<b>Total</b>	<b>\$7,900,224</b>	<b>\$790,022</b>	<b>\$9,025,690</b>	<b>\$7,860,364</b>	<b>-\$1,165,326</b>

### Risk and Exposure

Because most services are reimbursed through outside funders such as Medicaid's Coordinated Care Organizations and commercial insurance, the overall risk to the County is low. The County's financial risk for intensive services primarily centers on the facility costs and whether the provider will be able to pay these facility costs. Based on the modeling and currently available funding, a provider would be able to operate most areas of intensive services except sobering and peer stabilization. At least two local providers are already successfully providing this model in the metro area. However, sobering is a critical service that is lacking in Washington County and one that impacts the jail, local hospitals and law enforcement daily. The risk to the county may center more on its ability to be responsive to the community's needs rather than financial liability.

The county's ability to mitigate financial risk and exposure for CATT services is high. Should grant funds for sobering or stabilization services not materialize, the county could choose to open the CATT without them. Figure 16 demonstrate a scaled-back version of the intensive services without sobering or stabilization. Similarly, if grant funding is obtained and all services opened, but later the grant funds end, a decision could be made to stop operating the unfunded services and convert the space for an alternative use.

Figure 16: Scaled Down Model for Intensive Services

Service	Total Cost	Contingency (10%)	CPI		Deficit/ Excess
			Adjustment (1.93 annually)	Revenue Estimate	
Assessment	\$1,197,821	\$119,782	\$1,368,462	\$791,585	-\$576,877
Men's Residential	\$1,489,427	\$148,943	\$1,701,611	\$1,736,435	\$34,825
Women's Residential	\$1,443,173	\$144,317	\$1,648,768	\$1,405,849	-\$242,919
Withdrawal Mgmt.	\$2,400,911	\$240,091	\$2,742,945	\$3,700,925	\$957,980
Sobering	\$0	\$0	\$0	\$0	\$0
Stabilization	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$6,531,333</b>	<b>\$653,133</b>	<b>\$7,461,786</b>	<b>\$7,634,794</b>	<b>\$173,008</b>

In this scenario, facility costs are reduced slightly and spread across fewer services, increasing the costs to those services. However, the modeling suggests that services can operate successfully.

For the provider, there are two main risk areas. First is ensuring the utilization of services is high enough to generate the revenue needed to operate the services. The county staff can assist in this area by convening system stakeholders to develop pathways for referrals into the CATT. This could include receiving inmates released from the jail and transfers from emergency departments. The other area of risk for the provider is being able to adequately staff the center. The State of Oregon is experiencing a severe workforce shortage. While an area of concern, it should not be a reason to delay the project. The County staff are working alongside the Oregon Health Authority and Coordinated Care Organizations to implement strategies to bolster the workforce and adequately staff the CATT. Here again, risk can be mitigated by opening only portions of the CATT initially and expanding as workforce allows. The primary financial risk to the county is owning and financially maintaining unused space if services are delayed.

The modeling used to develop this analysis was reviewed by an independent consulting firm that provides actuarial services throughout the health industry. The areas of risk were confirmed through this work, their written review can be found in Appendix E.

#### Opportunities and Actions

There are many upcoming grant opportunities for increasing substance use treatment services. Measure 110 is the most significant, bringing hundreds of millions of new dollars statewide for services. The CATT is aligned with the intent of M110, and the county is well positioned to compete for new grant money. Based on this analysis, grant funds will be requested for assessment and triage, stabilization and sobering. A grant opportunity for these funds is expected to be released before July 2023, which aligns well with the projected opening of the center.

In addition to M110 funds, the 2021 legislature allocated \$65M for new residential capital development and an additional \$65M to fund ongoing residential services. Since the CATT includes two new residential programs, funding will be requested as needed to ensure those services are able to operate. This will provide additional stability to the program if funds are awarded. It is anticipated that a grant application opportunity will be published in the summer of 2022.

Another opportunity for the County is to use any remaining capital funding to create a stability fund for the center. These funds can be used to support the agencies during start up phases, supplement facility costs to keep the lease rate as low as possible and respond to any unanticipated system changes that may destabilize the services. The capital costs include \$6M in contingency, the goal will be to use as little of this as possible and seed the stability fund. Additionally, if Washington County is awarded the full request for Measure 110 capital grant funds, this would free up the Opioid Settlement funds to support the center in alternative ways, including contributing to the stability fund.

Finally, it is important to highlight that the local Coordinated Care Organizations are fully committed to this program being successful. As the majority funder of services, they have committed to the



#### Decision Point

Should the County provide funding for sobering and stabilization if grant funds are not obtained or simply not open those services?



development and have verbalized an understanding of the need for financial stability. This was codified in a memorandum of understanding with each of the CCOs operating in Washington County. The MOUs included a commitment to adequately funding the services and ensuring there is not a cost shift to other funders.

### Services Funding: Community Services

Community Services is a collection of programs and services designed to provide rapid access to outpatient supports that will help individuals who experience substance use disorders. These services will be offered out of the Community Services Building. The goal is to offer an integrated service mall where people can get individualized care and connection to a variety of social services. Supports will include outpatient mental health and substance use treatment, peer mentoring, health care, crisis intervention and housing assistance. This building can also service as an access point into the services offered at the Intensive Services Building.

The only non-residential program that will be new and will incur additional expenses to the system is the Peer Drop-In Center located within the Community Services building. This program will add a critical connection point and ongoing support to those in recovery. Much like the 4D O'Rourke program in Hillsboro, this center will provide a safe place for individuals in recovery to connect with others and develop a supportive network of peers. The actual program expenses of the O'Rourke program were used to help inform the budget required to open a second location. The O'Rourke center primarily supports young adults, adding a second center would not only increase access to the support but expand the populations served.

### Method

Projecting the utilization of outpatient and co-located services is both challenging and not very useful. These services are designed to expand and contract as needed to meet demand. For example, a program can add a mental health clinician when requests for services increases, with the resulting increased reimbursement from that clinician's billing covering their cost. Furthermore, the County will not be at risk for those services as the CATT will simply be offering space for a community provider to operate. The primary expense and risk for the County will be the facility cost. This was estimated by the Facility and Parks Division based on their current experience with other County buildings and detailed in an earlier section of this document.

The cost of opening a peer drop-in center was modeled on an existing program serving young adults. The program's budget was obtained, and the staffing patterns reviewed to ensure they were applicable to the proposed center. The facility charges were added, and the current Consumer Price Index applied to anticipate inflation. This resulted in a total possible budget for the program.



### Projected Expenses: Community Services

There are two areas of expenses that were evaluated: the facility cost for the building that would be charged to programs and the cost of adding a peer drop-in center. The facility expense was detailed in the Building Maintenance section of this document but increased to include the cost of onsite security services. These expenses were allocated out to each program based on their footprint within the Community Services Building. Figure 17 demonstrates the possible space cost by program for the two community services building options.

Figure 17: Space cost by program and building

Combined, shared space not allocated	Elam Young		Aloclek	
	Annual	Monthly	Annual	Monthly
Crisis Services	\$ 295,971	\$ 24,664	\$ 324,293	\$ 27,024
Peer Drop-in Center	\$ 45,534	\$3,794	\$ 44,121	\$ 3,676
Health (med/dent/pharm)	\$ 54,640	\$ 4,553	\$ 55,152	\$ 4,596
Outpatient (MH/SUD/Sup. Emp)	\$125,218	\$ 10,434	\$ 143,395	\$ 11,949
Supported Housing	\$ 18,213	\$ 1,517	\$ 17,648	\$ 1,470
County Staff	\$ 182,136	\$ 15,178	\$ 220,608	\$ 18,384
Shared (Conf/Kitch/RR/Lobby)	\$ 227,670	\$ 18,972	\$ 308,851	\$ 25,737
<b>Total</b>	<b>\$ 949,384</b>		<b>\$ 1,114,071</b>	

These are preliminary estimates only and the cost may decrease as the County cost plan is adjusted. Please note, the shared space is not allocated to specific programs in this model. This is due to a desire to keep the space costs as low as possible for community service agencies. The Behavioral Health Division will need to determine how to cost this space out to programs or absorb the cost in the division's budgets.

The peer drop-in center is projected to cost \$551,337 per year. This program will be reliant on receiving new grant funding from the state either through the financial assistance agreement or Measure 110 marijuana tax dollars. Our local CCOs have also expressed interest in funding the program. If the new funding does not materialize the service will not be developed and the space can be used for other purposes including larger trainings and growth of other programs.



#### Resources and Funding: Community Services

Washington County Behavioral Health is already paying for space costs for crisis services, county staff and shared space at the current location on Elam Young Parkway. These funds are built into county budgets and would be applied to the new space. This leaves about 33% of the new space unfunded currently. Some of the space will be used by multiple service providers including conference rooms, kitchen facilities and the main lobby. Those costs could be allocated to programs based on their anticipated utilization.

The remaining cost of space for the peer drop-in center, health services, outpatient and supported housing can be funded in one of two ways.

- Charge programs occupying those spaces using a lease agreement. Our goal would be to keep the lease cost as minimal as possible to encourage providers to operate out of the CATT.
- Use county funds to cover the cost of the space and offer the space at no or very little cost to community agencies. This would require a new investment of county funds; however, this approach would reduce the risk of an unanticipated financial impact if the space were suddenly vacated. This may be an option for opioid settlement dollars, if not used for capital.

The peer drop-in center is not currently funded. However, expanding peer services is a priority at the state as it is seen as an important engagement and support service for individuals who have a substance

use disorder. With millions of dollars of new funding coming into the system of care, the county will be in a strong position to compete for ongoing funding, especially with a space already identified. In addition, the local coordinated care organizations have expressed a willingness to begin funding peer drop-in centers commensurate with the utilization of their members. This may be another source of funding for those services.



### Analysis: Community Services

The facility cost for the Community Services Building has already been detailed in a previous section. This analysis will not dive into the operating expenses of either the County Behavioral Health division or crisis services as both are operating in a stable manner that is fully funded with no anticipated changes on the horizon. Nor will the analysis focus on the operational costs for the other services offered within the Community Services Building because the County will not be at risk beyond the facility costs. The focus below will be on risks and challenges associated with the model of co-locating multiple service providers in a county-owned building.

### Risk and Exposure

The CATT development team envisions bringing multiple service types together into a single location in the Community Services Building. Given the specialty areas of the different services, it is reasonable to assume that there will be several different organizations operating out of the same building. This will undoubtedly result in some challenges given each program will have its own leadership and operational practices. Fortunately, the Behavioral Health Division has successfully co-located with Lifeworks NW crisis services program for several years now. Lessons learned about how to create separation of space where needed and developing operational tactics for sharing space such as conference rooms can be used. Proactive work in this area will be helpful for the long-term success of the arrangement.

Selecting tenants to provide services at the CATT will require a transparent and thoughtful process. Because there will be financial benefit to providers to operate out of a low-cost location, a process must be created to determine which organization is offered the space.

Several decisions will need to be made related to the space. Will the county furnish the leased areas? What if there is damage to the property? Areas of potential conflict should be identified as early as possible to ensure there is shared understanding and processes for resolution. Again, experience with similar existing arrangements for crisis services and with the Tigard Recovery Center will be valuable.

The primary financial risk for the county is covering the cost of the space if there isn't a tenant. While the vision is to include a peer drop-in center at the Community Services Building, if grant funding is not obtained the space can be re-purposed for another use such as expanding outpatient services. The County will not have financial liability for the operational expenses for co-located services which operate with their own revenue streams and funding mechanisms. Should a provider be unable to continue their operations at the site, the County can simply seek a new tenant to fill the space.

The other financial risk for the County is temporarily covering the costs of two locations for County Behavioral Health staff and crisis services. As described earlier, the County is obligated to pay for the current space at Elam Young Parkway until early in 2027. These costs will likely fall on the Behavioral Health Division, potentially reducing funds available for clinical services. This risk can be mitigated by




identifying other programs to temporarily use some of the space until the lease at Elam Young Parkway expires. Another avenue is leaving the vacated space empty to minimizing utility and maintenance costs. The Behavioral Health Division would still need to pay the lease cost until either a new tenant is found, or the lease expires.

### Opportunities and Actions

The Peer drop-in center is a valued program that would augment the services and supports offered at the CATT. County staff will actively pursue any available grant opportunities to fund these services. If grants are not obtained, the staff will approach the local Coordinated Care Organizations to propose using Medicaid funding. If the service remains unfunded the space can be used for other activities such as trainings or other services. This would not preclude the County from eventually developing the peer center in the future should funding sources become available.

Other actions for staff include developing a method for selecting providers to be offered space at the CATT and developing facility agreements. While these are not directly financial in nature, this work will contribute to the overall stability of the service delivery which will in turn decrease the likelihood that there is turnover in the providers operating in the space and stable lease income.

### Summary for Services Cost:

 <p><b>In Good Shape</b></p> <p>Coordinated Care Organizations are onboard and committed to the success of CATT.</p> <p>Financial risk to the County for services funding is low.</p> <p>There are many new opportunities for services funding coming up.</p>	 <p><b>Watch Areas</b></p> <p>Some services will be reliant on high utilization for adequate revenue.</p> <p>Sobering, stabilization and the peer drop-in center are currently unfunded or underfunded. Measure 110 services funding is highly likely, but not secured.</p>	 <p><b>High Risk Areas</b></p> <p>Workforce continues to be a challenge and may impact the opening of some services.</p> <p>There would be a period of double payment of space for crisis and county staff until the lease ends in early 2027.</p>
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## Conclusion:

The CATT is an exciting opportunity to improve how we support our community members who use substances. The center would add new services and improve the existing system of care significantly. This center was designed by our community, for our community and has great support among both providers and other stakeholders.

2022 has the potential of being transformative in responding to the needs of those who use substances. Between the distribution of Measure 110 dollars and the potential of opioid settlement funds, hundreds of millions of dollars could be invested in our state-wide system, truly transforming what has historically been an underfunded and underdeveloped system of care. The work Washington County has already done to develop a concept and engage stakeholders poises us well for competing for the funds needed to see this project come to fruition.

The capital construction is well positioned to be adequately funded with existing dollars as well as through new system funding from opioid settlement money and Measure 110 grant funds. There currently exists a gap in the total resources needed to complete the project, however there is a high likelihood that the gap will be filled in early 2022 given that there are several avenues to close the gap.

While there are some unknowns for the future, including funding availability for new services, risks can be mitigated with the program's design. Some services can have delayed implementation until funding is secured. The primary risk for the county is that space is unused. By renovating the buildings with flexible design considerations, unused space could be repurposed to other services or programs if needed.

In conclusion, the program is highly needed, and it is an extremely advantageous time to develop new services given the new resources available for the system of care. Moreover, the county faces substantial risk for increased costs of untreated substance use in our community through higher law enforcement costs and the need for additional jail space if the center is not developed. Creating this center may help mitigate that risk while improving the quality of life for many.

## Appendices

Appendix A: DCW Programmatic Cost Modeling, Intensive Services Building



Concept Cost Plan August 18, 2021

# WCCA Building - County Test Fit Programmatic Cost Modeling

# WCCA Building - County Test Fit Programatic Cost Modeling

Prepared for:



Alex Karel  
Lrs Architects Inc  
720 NW Davis St. #300  
Portland OR 97209  
720 NW Davis St. #300

Prepared by:



Andrew Jonsson  
DCW Cost Management  
815 1st Avenue Suite 176  
Seattle WA 98104



### WCCA Building - County Test Fit Programatic Cost Modeling

Overall Summary			
	SF	\$/SF	TOTAL
<b>BUILDING</b>			
WCCA Building - County Test Fit	35,572	259.73	9,239,031
<b>SITEWORK</b>			
Site Development			486,112
<b>RECOMMENDED BUDGET</b>			<b>9,725,143</b>

## WCCA Building - County Test Fit Programatic Cost Modeling

### Basis of Estimate

#### Assumptions and Clarifications

This estimate is based on the following assumptions and clarifications:

- 1 Costs are based upon the design package provided by Lrs Architects.
- 2 Sales Tax is not included
- 3 FF&E furnishings is not included
- 4 Escalation is included for a 3 year period ending Q2 2021.
- 5 Regular working hours and assumed using prevailing wages

## WCCA Building - County Test Fit Programatic Cost Modeling

### WCCA Building - County Test Fit Summary

		%	\$/SF	TOTAL	
		Gross Area:		35,572 SF	
A	Substructure	2%	6.35	225,750	
B	Shell	7%	18.13	645,000	
C	Interiors	17%	46.68	1,660,560	
D	Services	31%	84.76	3,014,940	
E	Equipment & Furnishings	6%	15.22	541,380	
F	Special Construction & Demolition	3%	7.50	266,790	
G	Sitework	1%	2.74	97,500	
BUILDING ELEMENTAL - DIRECT COST		66%	181.38	6,451,920	
Z10	Contingency	20.00%	13%	36.28	1,290,384
BUILDING ELEMENTAL COST INCLUDING CONTINGENCIES		80%	217.65	7,742,304	
Z21	GR/GCs	13.50%	11%	29.38	1,045,211
Z22	Office Overhead & Profit	5.00%	5%	12.35	439,376
Z23	Bonds and Insurance	2.00%	2%	5.19	184,538
Z24	Permit	0.00%	0%	0.00	<i>By Owner</i>
BUILDING CONSTRUCTION COST BEFORE ESCALATION		97%	264.57	9,411,429	
Z30	Escalation to Start Date (May 2022)	3.33%	3%	8.82	313,714
RECOMMENDED BUDGET		100%	273.39	9,725,143	

## WCCA Building - County Test Fit Programatic Cost Modeling

### WCCA Building - County Test Fit

	Quantity	Unit	Rate	Total
<b>Program Areas</b>				
<b>Floor 1</b>	<b>8,822</b>	<b>SF</b>		
Detox/Sobering/Stabilization	5,635	SF	157.50	887,513
Support	3,187	SF	122.50	390,408
<b>Floor 2</b>	<b>26,750</b>	<b>SF</b>		
Intake/Assessment	4,115	SF	142.50	586,388
Women's Residential	6,830	SF	142.50	973,275
Detox/Sobering	5,975	SF	157.50	941,063
Kitchen	1,500	SF	257.50	386,250
Storage	1,880	SF	92.50	173,900
Men's Residential (New Construction)	6,450	SF	312.50	2,015,625
<b>Sitework</b>				
Staff Patio	600	SF	35.00	21,000
Gardens	4,500	SF	17.00	76,500
Tower - existing to remain				NIC
<b>Total</b>	<b>35,572</b>	<b>SF</b>	<b>181.38</b>	<b>6,451,920</b>

# Washington County Oregon Community Services Building Options

Prepared for:



Alex Karel  
Lrs Architects Inc  
720 NW Davis St  
Suite 300  
Portland, OR 97209

Prepared by:



Project Manager: Katya Gamarnik  
Project Leader: Andrew Jonsson  
DCW Cost Management  
815 1st Ave  
Suite 176  
Seattle, WA 98104  
205 259-2992

Washington County Oregon  
Community Services Building Options

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Washington County Oregon  
Community Services Building Options

Overall Summary			
	SF	\$/SF	TOTAL
Option 1 - 5250 Elam Young Pkwy Building Summary	40,940	229.59	9,399,304
TOTAL RECOMMENED BUDGET			9,399,304
Option 2 - 3030 Aloclek Drive Building Summary	49,300	207.13	10,211,367
TOTAL RECOMMENED BUDGET			10,211,367

## Washington County Oregon Community Services Building Options

### Scope of Work

#### Project Scope Description

The intended design package consists of cost planning for the Community Service Building (CSB) at a high conceptual level. The package consists of the conversion of one of the two potential buildings into the CSB. The goal of this study is to assess two options of developing the Community Service Building:

- Option 1 considers conversion of Elam Young building with possible seismic strengthening.
- Option 2 considers conversion of Alocek building without seismic strengthening.

#### Project Design Documents

The cost report is based on the following documents, along with additional supplemental information:

- 220357 CATT - 5250 Elam Young Pkwy - Conceptual Test Fit, dated 11/12/08.
- 220357 WC CATT - CSB Alocek Conceptual Test Fit, received on 11/14/2021.

#### Procurement

It is anticipated that the project will be delivered by traditional low bid procurement with a minimum of 4 qualified general contractors for competitive market pricing. The start date is anticipated for: Q1 2023.



Washington County Oregon  
Community Services Building Options

Basis of Estimate

Assumptions and Clarifications

This estimate is based on the following assumptions and clarifications:

- 1 Hazardous materials abatement is included.
- 2 The majority of work will be performed during typical daytime hours.
- 3 Projects locations will be made unoccupied during construction.
- 4 **Excludes** jurisdiction fees and Owner's contingency.
- 5 Sales Tax is **NOT** shown and is assumed to be included in Owner's Project Cost Estimate.

## Washington County Oregon Community Services Building Options

### Option 1 - 5250 Elam Young Pkwy Building Summary

		%	\$/SF	TOTAL	
		Gross Area: 40,940 SF			
A10	Foundations	0%	0.59	24,052	
A	Substructure	0%	0.59	24,052	
B10	Superstructure	2%	4.71	192,900	
B20	Exterior Enclosure	0%	0.19	7,750	
B30	Roofing	2%	3.85	157,541	
B	Shell	4%	8.75	358,191	
C10	Interior Construction	7%	16.33	668,622	
C20	Stairways	0%	0.00	0	
C30	Interior Finishes	8%	19.51	798,792	
C	Interiors	16%	35.84	1,467,413	
D10	Conveying Systems	0%	0.00	0	
D20	Plumbing Systems	3%	7.10	290,561	
D30	Heating, Ventilation & Air Conditioning	21%	48.58	1,988,737	
D40	Fire Protection	3%	6.53	267,482	
D50	Electrical Lighting, Power & Communications	14%	32.64	1,336,357	
D	Services	41%	94.85	3,883,137	
E10	Equipment	1%	1.19	48,550	
E20	Furnishings	1%	3.02	123,625	
E	Equipment & Furnishings	2%	4.21	172,175	
F10	Special Construction	0%	0.00	0	
F20	Selective Demolition	4%	10.24	419,252	
F	Special Construction & Demolition	4%	10.24	419,252	
G20	G20 Site Improvements	0%	0.85	34,750	
G	Building Sitework	0%	0.85	34,750	
BUILDING ELEMENTAL COST BEFORE CONTINGENCIES		68%	155.32	6,358,970	
	Contingency	15.00%	10%	23.30	953,846
BUILDING ELEMENTAL COST INCLUDING CONTINGENCIES		78%	178.62	7,312,816	
	General Conditions	8.00%	6%	14.29	585,025
	General Requirements	7.50%	6%	14.47	592,338
	Office Overhead & Profit	4.50%	4%	9.33	382,058
	Bonds and Insurance	1.50%	1%	3.25	133,084
	Permit				By Owner
BUILDING CONSTRUCTION COST BEFORE ESCALATION		96%	219.96	9,005,321	
	Escalation to Start Date (Q1 2023)	4.38%	4%	9.62	393,983
RECOMMENDED BUDGET		100%	229.59	9,399,304	

Washington County Oregon  
Community Services Building Options

**Option 1 - 5250 Elam Young Pkwy Building**

**Control Quantities**

	Quantity	Unit	Rate	Total
<b>Building footprint</b>	<b>40,940</b>	<b>SF</b>		
<i>Building - perimeter</i>	1,115	LF		
<i>Building - height</i>	15	LF		
<b>Program - area</b>	<b>40,940</b>	<b>SF</b>		
<b>Heavy renovation</b>	<b>23,157</b>	<b>SF</b>		
<i>Outpatient services</i>	5,562	SF		
<i>Cafe</i>	1,320	SF		
<i>Medical &amp; dental</i>	2,165	SF		
<i>Peer</i>	2,180	SF		
<i>Hawthorn</i>	10,135	SF		
<i>Lobby</i>	1,550	SF		
<i>Restrooms/showers</i>	180	SF		
<i>Lactation</i>	65	SF		
<b>Light renovation</b>	<b>17,783</b>	<b>SF</b>		
<i>SHS</i>	910	SF		
<i>Conference rooms</i>	3,037	SF		
<i>MDF</i>	510	SF		
<i>County</i>	9,655	SF		
<i>Hawthorn - break room</i>	325	SF		
<i>Restrooms</i>	910	SF		
<i>Other</i>	185	SF		
<i>Circulation</i>	2,251	SF		

**A10 Foundations 40,940 SF 0.59 24,052**

A1010 Standard Foundations  
    No work anticipated NIC

A1030 Slab On Grade  
    Slab on grade - existing, patch and repair (25%) 10,235 SF 2.35 24,052

**B10 Superstructure 40,940 SF 4.71 192,900**

B1010 Floor Construction  
    Brace frames incl. plates and connections 3 EA 35,000.00 105,000  
    Porch, complete 265 SF 55.00 14,575

## Washington County Oregon Community Services Building Options

### Option 1 - 5250 Elam Young Pkwy Building

	Quantity	Unit	Rate	Total
<b>B1020 Roof Construction</b>				
Blocking and strapping, allow	40,940	SF	1.50	61,325
Strengthening at re-entrant corners	4	LOC	3,000.00	12,000
<b>B20 Exterior Enclosure</b>	<b>40,940</b>	<b>SF</b>	<b>0.19</b>	<b>7,750</b>
<b>B2010 Exterior Walls</b>				
No work anticipated				NIC
<b>B2020 Exterior Windows</b>				
No work anticipated				NIC
<b>B2030 Exterior Doors</b>				
HM glazed - double	1	EA	4,650.00	4,650
HM glazed - single	1	EA	3,100.00	3,100
<b>B30 Roofing</b>	<b>40,940</b>	<b>SF</b>	<b>3.85</b>	<b>157,541</b>
<b>B3010 Roof Coverings</b>				
Patch and repair, as required	1	LS	3,500.00	3,500
Temporary roof	565	SF	5.25	2,966
Canopies	880	SF	85.00	74,800
<b>B3020 Roof Openings</b>				
Skylights	565	SF	135.00	76,275
<b>C10 Interior Construction</b>	<b>40,940</b>	<b>SF</b>	<b>16.33</b>	<b>668,622</b>
<b>C1010 Partitions</b>				
Solid and glazed walls				
Metal stud framing - 2x6, complete	25,596	SF	15.00	383,940
Glazing - 3' cont. band	192	SF	85.00	16,320
Glazing - Interior, allow	640	SF	85.00	54,392
<b>C1020 Interior Doors</b>				
Doors and frames				
Wood - single, flush	33	EA	2,750.00	90,750
Wood - single, refile	20	EA	2,950.00	59,000
HM - single, flush	2	EA	2,500.00	5,000
HM - double, flush	2	EA	4,375.00	8,750

Washington County Oregon  
Community Services Building Options

Option 1 - 5250 Elam Young Pkwy Building

	Quantity	Unit	Rate	Total
<b>C1030 Fittings</b>				
Mirrors - restrooms	1	LS	5,000.00	5,000
Wayfinding and signage	40,940	SF	0.50	20,470
Whiteboards and tack boards	1	LS	20,000.00	20,000
Corner guards and kick plates	1	LS	5,000.00	5,000
<b>C20 Stairways</b>				
	40,940	SF		
<b>C2010 Stair Construction</b>				
No work anticipated				NIC
<b>C30 Interior Finishes</b>				
	40,940	SF	19.51	798,792
<b>C3010 Wall Finishes</b>				
Paint, new partitions	47,353	SF	1.85	87,602
Paint, existing partitions	3,345	SF	1.85	6,188
Tile restroom walls to 7' ht.	676	SF	15.50	10,481
Allow for miscellaneous graphics and special finishes	1	LS	10,000.00	10,000
Acoustic wall panel - allow	2,500	SF	30.00	75,000
<b>C3020 Floor Finishes</b>				
Walk-off mat	200	SF	15.00	3,000
Sealed concrete	510	SF	2.25	1,148
Carpet tile	28,132	SF	6.50	182,858
Resilient flooring	11,047	SF	8.50	93,900
Tile floor - locker and restrooms	1,251	SF	16.00	20,016
<b>C3030 Ceiling Finishes</b>				
Open to structure, paint	510	SF	1.85	944
Gypsum board ceilings, painted	1,251	SF	6.00	7,506
ACT - suspended acoustical ceiling tile	36,309	SF	5.50	199,700
Wood slat ceiling - decorative	2,870	SF	35.00	100,450
<b>D10 Conveying Systems</b>				
	40,940	SF		
<b>D10 Conveying Systems</b>				
No work anticipated				NIC

Washington County Oregon  
Community Services Building Options

Option 1 - 5250 Elam Young Pkwy Building

	Quantity	Unit	Rate	Total
<b>D20 Plumbing Systems</b>	<b>40,940</b>	<b>SF</b>	<b>7.10</b>	<b>290,581</b>
D20 Plumbing Fixtures and Domestic Water Distribution				
Trade demolition - plumbing, heavy	23,157	SF	2.25	52,103
Sanitary fixtures				
Water closets	5	EA	1,550.00	7,750
Lavatories	5	EA	1,200.00	6,000
Shower	3	EA	2,750.00	8,250
Sink, counter set	9	EA	1,080.00	9,720
Drinking fountains	2	EA	4,500.00	9,000
Janitor sink	1	EA	1,300.00	1,300
Hose bibs	4	EA	750.00	3,000
Floor drains	7	EA	850.00	5,950
Connections	1	LS	5,000.00	5,000
Piping and drainage				
Domestic cold water - 2" dia., PEX	1,508	LF	25.00	37,700
Sanitary piping and vent	2,160	LF	45.00	97,200
Pipe insulation	1,508	LF	11.00	16,588
Valves and specialties	1	LS	10,500.00	10,500
Hot water heaters	2	EA	5,000.00	10,000
Expansion tanks	2	EA	3,750.00	7,500
Backflow preventors	1	EA	3,000.00	3,000
D2040 Rain Water Drainage				
No work anticipated				Nil
<b>D30 Heating, Ventilation &amp; Air Conditioning</b>	<b>40,940</b>	<b>SF</b>	<b>48.58</b>	<b>1,988,737</b>
D3020 Heat Generating Systems				
Trade demolition - mechanical	40,940	SF	4.50	184,230
VAV units	27	EA	1,760.00	48,036
Air cooled chiller	30	TN	2,000.00	60,000
Air source heat pump	250	TN	1,096.00	274,000
Exhaust fans and connections	40,940	SF	3.00	122,820
DOAS, complete	40,940	SF	8.50	347,990
Unit heaters	5	EA	1,750.00	8,750
Diffusers and grills	103	EA	180.00	18,540
Ductwork	38,893	LB	12.50	486,163
Seismic bracing	40,940	SF	1.70	69,598
Ancillaries	1	LS	75,000.00	75,000

Washington County Oregon  
Community Services Building Options

Option 1 - 5250 Elam Young Pkwy Building

	Quantity	Unit	Rate	Total
DDC controls	40,940	SF	6.50	266,110
Testing and balancing	120	HR	125.00	15,000
Commissioning	100	HR	125.00	12,500
<b>D40 Fire Protection</b>	<b>40,940</b>	<b>SF</b>	<b>6.53</b>	<b>267,482</b>
D4010 Sprinklers				
Wet system - modifications to existing	40,940	SF	3.55	145,337
Dry pipe system, complete	880	SF	8.50	7,480
D4030 Fire Protection Specialties				
Fire extinguisher boxes	8	EA	260.00	2,080
CO2 alarm system, allow	40,940	SF	2.75	112,585
<b>D50 Electrical Lighting, Power &amp; Communications</b>	<b>40,940</b>	<b>SF</b>	<b>32.64</b>	<b>1,336,357</b>
D5010 Electrical Service & Distribution				
Trade demolition - electrical, heavy	23,157	SF	3.25	75,260
Trade demolition - electrical, light	17,783	SF	1.25	22,229
Main distribution board - existing to remain				
Distribution panels - modifications as required	1	LS	32,500.00	32,500
Secondary conduit and feeder	23,157	SF	4.00	92,628
Ancillaries and equipment	1	LS	15,000.00	15,000
D5020 Lighting & Branch Wiring				
Lighting controls	23,157	SF	4.50	104,207
Lighting fixtures, LED	40,940	SF	10.15	415,541
Branch wiring including switches	23,157	SF	5.00	115,785
Exterior lighting	1	LS	5,000.00	5,000
User convenience power	23,157	SF	4.50	104,207
D5030 Communications & Security				
Phone and data including wiring and conduit	23,157	SF	2.50	57,893
Fire alarm system	23,157	SF	2.50	57,893
Paging system rough in	23,157	SF	1.50	34,736
Wireless access points	5	EA	1,650.00	8,250
AV and sound system - FF&E				
CCTV	40,940	SF	2.50	102,350
Access control	2	LOC	5,500.00	11,000

Washington County Oregon  
Community Services Building Options

Option 1 - 5250 Elam Young Pkwy Building

	Quantity	Unit	Rate	Total
DDC controls	40,940	SF	6.50	266,110
Testing and balancing	120	HR	125.00	15,000
Commissioning	100	HR	125.00	12,500
<b>D40 Fire Protection</b>	<b>40,940</b>	<b>SF</b>	<b>6.53</b>	<b>267,482</b>
D4010 Sprinklers				
Wet system - modifications to existing	40,940	SF	3.55	145,337
Dry pipe system, complete	880	SF	8.50	7,480
D4030 Fire Protection Specialties				
Fire extinguisher boxes	8	EA	260.00	2,080
CO2 alarm system, allow	40,940	SF	2.75	112,585
<b>D50 Electrical Lighting, Power &amp; Communications</b>	<b>40,940</b>	<b>SF</b>	<b>32.64</b>	<b>1,336,357</b>
D5010 Electrical Service & Distribution				
Trade demolition - electrical, heavy	23,157	SF	3.25	75,260
Trade demolition - electrical, light	17,783	SF	1.25	22,229
Main distribution board - existing to remain				
Distribution panels - modifications as required	1	LS	32,500.00	32,500
Secondary conduit and feeder	23,157	SF	4.00	92,628
Ancillaries and equipment	1	LS	15,000.00	15,000
D5020 Lighting & Branch Wiring				
Lighting controls	23,157	SF	4.50	104,207
Lighting fixtures, LED	40,940	SF	10.15	415,541
Branch wiring including switches	23,157	SF	5.00	115,785
Exterior lighting	1	LS	5,000.00	5,000
User convenience power	23,157	SF	4.50	104,207
D5030 Communications & Security				
Phone and data including wiring and conduit	23,157	SF	2.50	57,893
Fire alarm system	23,157	SF	2.50	57,893
Paging system rough in	23,157	SF	1.50	34,736
Wireless access points	5	EA	1,650.00	8,250
AVV and sound system - FF&E				
CCTV	40,940	SF	2.50	102,350
Access control	2	LOC	5,500.00	11,000



Washington County Oregon  
Community Services Building Options

Option 1 - 5250 Elam Young Pkwy Building				
	Quantity	Unit	Rate	Total
<b>F20 Selective Demolition</b>	<b>40,940</b>	<b>SF</b>	<b>10.24</b>	<b>419,252</b>
F2010 Building Elements Demolition				
Temporary protection, structural elements to remain	40,940	SF	1.25	51,175
Structural				
Demo - cut roof for new skylights	565	SF	9.50	5,368
Architectural				
Demo - all interior systems and finishes, heavy renovation	23,157	SF	8.25	191,045
Demo - finishes, light renovation	17,783	SF	3.85	68,465
Demo - cut for new exterior doors	2	LOC	425	850
F2020 Hazardous Components Abatement				
Abatement, allow	40,940	SF	2.50	102,350
<b>G Building Sitework</b>	<b>40,940</b>	<b>SF</b>	<b>0.85</b>	<b>34,750</b>
G20 Site Improvements				
Green wall - vegetated, incl. earthwork and prep	400	SF	52.50	21,000
Landscape restoration - allow	5,000	SF	1.25	6,250
Site furnishings - allow	1	LS	5,000.00	5,000
Site utilities - adjustments as required	1	LS	2,500.00	2,500

Washington County Oregon  
Community Services Building Options

## Option 2 - 3030 Aloclek Drive Building Summary

		%	\$/SF	TOTAL	
		Gross Area: 49,300 SF			
A10	Foundations	0%	0.59	28,964	
A	Substructure	0%	0.59	28,964	
B10	Superstructure	0%	0.00	0	
B20	Exterior Enclosure	0%	0.00	0	
B30	Roofing	0%	0.68	33,675	
B	Shell	0%	0.68	33,675	
C10	Interior Construction	7%	13.54	667,342	
C20	Stairways	0%	0.00	0	
C30	Interior Finishes	8%	17.15	845,680	
C	Interiors	15%	30.69	1,513,022	
D10	Conveying Systems	0%	0.00	0	
D20	Plumbing Systems	3%	5.62	277,215	
D30	Heating, Ventilation & Air Conditioning	25%	52.10	2,568,548	
D40	Fire Protection	3%	6.42	316,728	
D50	Electrical Lighting, Power & Communications	15%	30.83	1,519,795	
D	Services	46%	94.98	4,682,285	
E10	Equipment	0%	0.81	39,750	
E20	Furnishings	1%	2.44	120,375	
E	Equipment & Furnishings	2%	3.25	160,125	
F10	Special Construction	0%	0.00	0	
F20	Selective Demolition	5%	9.95	490,290	
F	Special Construction & Demolition	5%	9.95	490,290	
G20	G20 Site Improvements	0%	0.00	0	
G	Building Silework	0%	0.00	0	
BUILDING ELEMENTAL COST BEFORE CONTINGENCIES		68%	140.13	6,908,361	
	Contingency	15.00%	10%	21.02	1,036,254
BUILDING ELEMENTAL COST INCLUDING CONTINGENCIES		78%	161.15	7,944,615	
	General Conditions	8.00%	6%	12.89	635,569
	General Requirements	7.50%	6%	13.05	643,514
	Office Overhead & Profit	4.50%	4%	8.42	415,066
	Bonds and Insurance	1.50%	1%	2.93	144,581
	Permit				By Owner
BUILDING CONSTRUCTION COST BEFORE ESCALATION		96%	198.45	9,783,346	
	Escalation to Start Date (Q1 2023)	4.38%	4%	8.68	428,021
RECOMMENDED BUDGET		100%	207.13	10,211,367	

Washington County Oregon  
Community Services Building Options

Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
<b>Control Quantities</b>				
Building footprint	24,800	SF		
Level 1 area	24,800	SF		
Floor height	13	LF		
Level 2 area	24,500	SF		
Floor height	13	LF		
Building - perimeter	715	LF		
Building - height	26	LF		
Program - area	49,300	SF		
Heavy renovation	26,275	SF		
Outpatient services	5,575	SF		
Cafe	1,585	SF		
Medical & dental	2,625	SF		
Peer	2,615	SF		
Hawthorn	12,235	SF		
Lobby - new	390	SF		
Hallway - new	1,250	SF		
Light renovation	23,025	SF		
SHS	1,095	SF		
Conference rooms	5,360	SF		
MDF/Telecom/Electrical	575	SF		
County	9,955	SF		
Restrooms	1,325	SF		
Stairs/Elevator	675	SF		
Circulation/Other	4,040	SF		
<b>A10 Foundations</b>	<b>49,300</b>	<b>SF</b>	<b>0.59</b>	<b>28,964</b>
A1010 Standard Foundations				
No work anticipated				NIC
A1030 Slab On Grade				
Slab on grade - existing, patch and repair (25%)	12,325	SF	2.35	28,964
<b>B10 Superstructure</b>	<b>49,300</b>	<b>SF</b>		
B1010 Floor Construction				
No work anticipated				NIC

Washington County Oregon  
Community Services Building Options

Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
B1020 Roof Construction				
No work anticipated				NIC
<b>B20 Exterior Enclosure</b>	<b>49,300</b>	<b>SF</b>		
B2010 Exterior Walls				
No work anticipated				NIC
B2020 Exterior Windows				
No work anticipated				NIC
B2030 Exterior Doors				
No work anticipated				NIC
<b>B30 Roofing</b>	<b>49,300</b>	<b>SF</b>	<b>0.68</b>	<b>33,675</b>
B3010 Roof Coverings				
Patch and repair, as required	1	LS	3,500.00	3,500
Canopies, corrugated metal	355	SF	85.00	30,175
B3020 Roof Openings				
No work anticipated				NIC
<b>C10 Interior Construction</b>	<b>49,300</b>	<b>SF</b>	<b>13.54</b>	<b>667,342</b>
C1010 Partitions				
Solid and glazed walls				
Metal stud framing - 2x6, complete	25,525	SF	15.00	382,881
Glazing - 3" conf. band	192	SF	85.00	16,320
Glazing - Interior, allow	638	SF	85.00	54,241
C1020 Interior Doors				
Doors and Frames				
Wood - single, flush	32	EA	2,750.00	88,000
Wood - single, retitle	20	EA	2,950.00	59,000
HM - single, flush	2	EA	2,500.00	5,000
HM - double, flush	2	EA	4,375.00	8,750

## Washington County Oregon Community Services Building Options

### Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
<b>C1030 Fittings</b>				
Mirrors - restrooms	1	LS	3,500.00	3,500
Wayfinding and signage	49,300	SF	0.50	24,650
Whiteboards and tack boards	1	LS	20,000.00	20,000
Corner guards and kick plates	1	LS	5,000.00	5,000
<b>C20 Stairways</b>				
	49,300	SF		
<b>C2010 Stair Construction</b>				
Existing to remain				NIC
<b>C30 Interior Finishes</b>				
	49,300	SF	17.15	845,680
<b>C3010 Wall Finishes</b>				
Paint, new partitions	47,222	SF	1.85	87,361
Paint, existing partitions	10,225	SF	1.85	18,915
Tile restroom walls to 7' ht.	676	SF	15.50	10,481
Allow for miscellaneous graphics and special finishes	1	LS	10,000.00	10,000
Acoustic wall panel - allow	2,500	SF	30.00	75,000
<b>C3020 Floor Finishes</b>				
Walk-off mat	200	SF	15.00	3,000
Sealed concrete	575	SF	2.25	1,294
Carpet tile	34,729	SF	6.50	225,739
Resilient flooring	11,785	SF	8.50	100,173
Tile floor - locker and restrooms	1,536	SF	16.00	24,576
<b>C3030 Ceiling Finishes</b>				
Open to structure, paint	575	SF	1.85	1,064
Gypsum board ceilings, painted	1,536	SF	6.00	9,216
ACT - suspended acoustical ceiling tile	46,534	SF	5.50	255,937
Wood slat ceiling - decorative	655	SF	35.00	22,925
<b>D10 Conveying Systems</b>				
	49,300	SF		
Existing to remain				NIC

Washington County Oregon  
Community Services Building Options

Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
<b>D20 Plumbing Systems</b>	<b>49,300</b>	<b>SF</b>	<b>5.62</b>	<b>277,215</b>
D20 Plumbing Fixtures and Domestic Water Distribution				
Trade demolition - plumbing, heavy	26,275	SF	2.25	59,119
Sanitary fixtures				
Water closets	3	EA	1,550.00	4,650
Lavatories	3	EA	1,200.00	3,600
Shower	2	EA	2,750.00	5,500
Sink, counter set	9	EA	1,080.00	9,720
Drinking fountains	2	EA	4,500.00	9,000
Janitor sink	1	EA	1,300.00	1,300
Hose bibs	4	EA	750.00	3,000
Floor drains	3	EA	850.00	2,550
Connections	1	LS	5,000.00	5,000
Piping and drainage				
Domestic cold water - 2" dia., PEX	1,536	LF	25.00	38,400
Sanitary piping and vent	1,944	LF	45.00	87,480
Pipe insulation	1,536	LF	11.00	16,896
Valves and specialties	1	LS	10,500.00	10,500
Hot water heaters	2	EA	5,000.00	10,000
Expansion tanks	2	EA	3,750.00	7,500
Backflow preventors	1	EA	3,000.00	3,000
D2040 Rain Water Drainage				
No work anticipated				NIC
<b>D30 Heating, Ventilation &amp; Air Conditioning</b>	<b>49,300</b>	<b>SF</b>	<b>52.10</b>	<b>2,568,548</b>
D3020 Heat Generating Systems				
Trade demolition - mechanical	49,300	SF	4.50	221,850
VAV units	33	EA	1,760.00	57,845
Air cooled chiller	34	TN	2,000.00	68,000
Air source heat pump	285	TN	1,096.00	312,360
Modifications to existing	49,300	SF	4.25	209,525
Exhaust fans and connections	49,300	SF	3.00	147,900
DOAS, complete	49,300	SF	8.50	419,050
Unit heaters	5	EA	1,750.00	8,750
Diffusers and grills	124	EA	180.00	22,320
Ductwork	46,835	LB	12.50	585,438
Seismic bracing	49,300	SF	1.70	83,810

## Washington County Oregon Community Services Building Options

### Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
Ancillaries	1	LS	75,000.00	75,000
DDC Controls	49,300	SF	6.50	320,450
Testing and balancing	160	HR	125.00	20,000
Commissioning	130	HR	125.00	16,250
<b>D40 Fire Protection</b>	<b>49,300</b>	<b>SF</b>	<b>6.42</b>	<b>316,728</b>
D4010 Sprinklers				
Wet system - modifications to existing	49,300	SF	3.55	175,015
Dry pipe system, complete	355	SF	8.50	3,018
D4030 Fire Protection Specialties				
Fire extinguisher boxes	12	EA	260.00	3,120
CO2 alarm system, allow	49,300	SF	2.75	135,575
<b>D50 Electrical Lighting, Power &amp; Communications</b>	<b>49,300</b>	<b>SF</b>	<b>30.83</b>	<b>1,519,795</b>
D5010 Electrical Service & Distribution				
Trade demolition - electrical, heavy	26,275	SF	3.25	85,394
Trade demolition - electrical, light	23,025	SF	1.25	28,781
Main distribution board - existing to remain				
Distribution panels - modifications as required	1	LS	45,500.00	45,500
Secondary conduit and feeder	26,275	SF	4.00	105,100
Ancillaries and equipment	1	LS	22,500.00	22,500
D5020 Lighting & Branch Wiring				
Lighting controls	26,275	SF	4.50	118,238
Lighting fixtures, LED	49,300	SF	10.15	500,395
Branch wiring including switches	26,275	SF	5.00	131,375
Exterior lighting	1	LS	5,000.00	5,000
User convenience power	26,275	SF	4.50	118,238
D5030 Communications & Security				
Phone and data including wiring and conduit	26,275	SF	2.50	65,688
Fire alarm system	26,275	SF	2.50	65,688
Paging System rough in	26,275	SF	1.50	39,413
Wireless access points	8	EA	1,650.00	13,200
AV and sound system - FF&E				
CCTV	26,275	SF	2.50	65,688

Washington County Oregon  
Community Services Building Options

Option 2 - 3030 Aloclek Drive Building				
	Quantity	Unit	Rate	Total
<b>F10 Special Construction</b>	<b>49,300</b>	<b>SF</b>		
F1040 Special Facilities				
No work anticipated				NIC
<b>F20 Selective Demolition</b>	<b>49,300</b>	<b>SF</b>	<b>9.95</b>	<b>490,290</b>
F2010 Building Elements Demolition				
Temporary protection, structural elements to remain	49,300	SF	1.25	61,625
Structural				
No work anticipated				NIC
Architectural				
Demo - all interior systems and finishes, heavy renovation	26,275	SF	8.25	216,769
Demo - finishes, light renovation	23,025	SF	3.85	88,646
F2020 Hazardous Components Abatement				
Abatement, allow	49,300	SF	2.50	123,250
<b>G Building Sitework</b>	<b>49,300</b>	<b>SF</b>		
G20 Site Improvements				
No work anticipated				NIC



Washington County Oregon  
Community Services Building Options

Option 2 - 3030 Aloclek Drive Building

	Quantity	Unit	Rate	Total
Access Control	2	LOC	5,500.00	11,000
D5040 Electrical Specialty Electrical to mechanical systems	49,300	SF	2.00	98,600
<b>E10 Equipment</b>	<b>49,300</b>	<b>SF</b>	<b>0.81</b>	<b>39,750</b>
E1010 Commercial Equipment				
Kitchenette equipment - allow	1	LS	25,000.00	25,000
Washer	2	EA	525.00	1,050
Dryer	2	EA	525.00	1,050
Fridge	1	EA	375.00	375
Water machine	1	EA	475.00	475
Ice machine	1	EA	550.00	550
Vending machine - by other				NIC
E1020 Institutional Equipment				
No work anticipated				NIC
E1090 Other Equipment				
Lockers	1	LS	7,500.00	7,500
Restroom flout	3	EA	1,250.00	3,750
<b>E20 Furnishings</b>	<b>49,300</b>	<b>SF</b>	<b>2.44</b>	<b>120,375</b>
E2010 Fixed Furnishings				
Casework - café	30	LF	650.00	19,500
Casework - coffee bar	15	LF	575.00	8,625
Casework - treatment	120	LF	375.00	45,000
Casework - exam	55	LF	375.00	20,625
Casework - lactation	5	LF	375.00	1,875
Reception desk, allow	15	LF	650.00	9,750
Casework - other, allow	1	LS	10,000.00	10,000
Bench - allow	1	LS	5,000.00	5,000
FF&E - by Owner				NIC

## Appendix C: Clinical Services Payment Models

Substance use disorder services are typically paid using a variety of funding models, sometime with different models for the same service. Each model has benefits and drawbacks. Often the funding model is determined by the payor. A brief description of the most common funding models is below:

- **Capacity funding:** This model provides overall funding for a service regardless of utilization by community members. Typically, the program will provide a budget and negotiate a contract amount. The funder will generally require monthly invoices, either for a set agreed upon amount or for actual costs incurred by the program. This model is good for services that have variable utilization but must be available such as crisis or sobering. It works well when there is a single contract holder paying for the service. It can be more challenging to implement when there are multiple funders for the service.
- **Fee for Service:** A per-service reimbursement model whereby the provider submits a claim for each service that is provided, and the funder pays an agreed upon amount. This is a common model in health care and there are universal service descriptors (codes) for shared understanding between funder and provider. While this model can provide a fair amount of clarity between parties, it also requires a fair amount of administrative work by both parties and can increase the cost of service provision. Often services must be pre-approved, or the provider risks not being paid. This model can be challenging for providers without significant administrative infrastructure, especially when workforce is unstable.
- **Per Diem:** Per Diem is a form of fee for service, however the provider is paid a daily rate with the expectation that all services provided for that day is paid through a single combined rate.
- **Alternative Payment Methodology:** Often referred to as APM, this is a flexible approach that seeks to balance covering the cost of services while minimizing administrative burden. There are a variety of ways this can be implemented but it typically involves averaging costs of care across many service recipients to pay for a service. It can work well in some situations, however, can also be challenging if a provider has multiple funding streams. One of the biggest benefits of an alternative payment method is the opportunity for funder and provider to identify ways to reduce administrative burden and develop innovative approaches to care.

At the CATT, services will be paid in a variety of ways. The chart below describes the expected payment arrangement for each service:

Service	Payment Method
Assessment and triage	Fee for service
Sobering	Capacity
Withdrawal management	Per diem
Stabilization	To be determined. Likely fee for service, possible APM
Residential	Per diem
Outpatient treatment	Fee for service and APM
Peer Drop-in Center	Capacity
Crisis Services	Capacity

## Appendix D: System Funders

There are many different substance use treatment systems of care in our community, largely defined by the funders of services. For example, Kaiser Permanente is a mostly closed system, employing their own clinical staff and generally not paying for non-emergent treatment outside of their system. Commercial insurance providers develop networks of contracted providers and often require their members to receive services within these panels. These systems cover most of the residents of Washington County largely through employers. The publicly funded system of care is generally separate and often provided by a network of community-based organizations. Some of those providers may serve commercial members as well, though this is often not a primary funding source for those providers.

“Publicly-funded” refers to services that are paid for with taxpayer dollars. Most of the services that will be provided at the CATT will be funded through a combination of public funds. Those funding sources include:

- Medicaid: The Oregon Health Plan is the state’s Medicaid plan, providing health care for individuals who are low income and/or disabled. The eligibility criteria and services covered may expand or contract based on policy decisions at the state and federal levels. Approximately 100,000 residents of Washington County have Medicaid. In Oregon, the Medicaid benefits are managed by Coordinated Care Organizations (CCO). Medicaid will be a significant funder of services at the CATT. Representatives from the two primary CCOs supporting residents of Washington County are participating in the CATT development and are committed to supporting the project.
- Medicare: A federally run health plan primarily for individuals who are elderly or disabled with a significant work history. Medicare is widely augmented with supplemental plans paid for by the recipient. The services and network can be limited, and substance use treatment is often not covered. Medicare will not be a primary funder for the CATT, however some of the supplemental plans may reimburse certain services.
- Federal block grants: The federal government provides block grants to the state for substance use treatment for individuals who are low income and who have no other forms of coverage. Services are prioritized to women who are pregnant and IV drug users, however the state allows use of these dollars for a variety of other services and populations. These funds are generally passed down to the County through a financial assistance agreement with the State. Funds cannot supplant Medicaid however can be used to pay for services that are not Medicaid eligible.
- Beer and Wine Tax: The County receives a portion of Beer and Wine tax revenue based on the overall sale of alcohol across the state. These dollars are flexible and often used to pay for services and staff that cannot be funded through other avenues.
- Marijuana Tax: These dollars have recently been redirected to support substance use services and will provide significant new revenue to communities for treatment services. They will be awarded to communities through a grant proposal process. Up to \$300M will be available each biennium to support new substance use treatment services in local communities. This is expected to be a large funding source for the CATT.

- Other state and federal grants: Opportunities regularly emerge for new initiatives. These are generally available through competitive grant processes and typically provide only short-term funding.

It is important to understand that complex landscape that substance use treatment providers operate under, especially those that serve the low-income residents of a community. It is not uncommon for each funder to have different eligibility requirements and different rates and methods of reimbursement. Commercial insurance providers often require each clinician to go through a credentialing process, a challenge in programs with high turnover. This leads to many community-based organizations to focus on public-funded services as their primary business focus. While the providers that ultimately operates the CATT may be able to secure a few commercial contracts, this financial analysis will not consider commercial insurance as a significant revenue source. Instead, the CATT will focus on Medicaid, marijuana tax and federal block grants for primary service revenue. Some individuals may also opt to pay for services out of pocket rather than have their insurance billed. This will also be considered as a revenue source, however not a significant one.

Appendix E: Services Actuarial Review

wakely.com



## Washington County – Behavioral Health Division

### Actuarial Review of Center for Addiction Triage and Treatment Financial Analysis

January 4<sup>th</sup>, 2022

Prepared by:  
**Wakely Consulting Group, LLC**

**Tyson Reed, FSA, MAAA**  
Consulting Actuary

**Sara Hemmingson FSA, MAAA**  
Consulting Actuary

**Leavitt Partners LLC**  
**Christopher Loumeau, MHA**  
Director

**Thomas Gubbay, MsC**  
Manager



January 4<sup>th</sup>, 2022

Kristin Burke  
Special Projects Supervisor  
Washington County Department of Health and Human Services  
115 N. First Avenue  
Hillsboro, OR 97124

**RE: ACTUARIAL REVIEW OF CENTER FOR ADDICTION TRIAGE AND TREATMENT FINANCIAL ANALYSIS**

Dear Kristin:

We appreciate you choosing Wakely, an HMA Company, to assist and review Washington County's proposed Center for Addictions Triage and Treatment (CATT) Financial Analysis. This memorandum documents Wakely's and Leavitt Partners', also an HMA Company, review of the modeling approach and identification of key risks associated with the CATT.

This report has been developed for the sole use of Washington County and may not be relied upon by any other third party without Wakely's written permission. Using the information in this report for other purposes may not be appropriate and may lead to incorrect conclusions. Wakely understands that this report will be distributed to the Washington County Board of Commissioners.

In developing this report, Wakely relied upon data and models provided by Washington County. Wakely reviewed these models for reasonability but did not independently audit the model or any data contained within the model. This document contains the data, assumptions, and methods used in this analysis and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements.

If you have any questions, or would like anything clarified in further detail, please do not hesitate to reach out to any of us.

Sincerely,

Tyson Reed, FSA, MAAA  
5402 Parkdale Drive  
Suite 300  
Minneapolis, MN 55416  
612-800-6545 | [Tyson.Reed@wakely.com](mailto:Tyson.Reed@wakely.com)

Sara Hemmingson, FCAS, FSA, MAAA  
5402 Parkdale Drive  
Suite 300  
Minneapolis, MN 55416  
612-286-1020 |  
[Sara.Hemmingson@wakely.com](mailto:Sara.Hemmingson@wakely.com)

Christopher Loumeau  
2750 E Cottonwood Pkwy Suite 100,  
Cottonwood Heights, UT 84121  
801-602-0279 |  
[Christopher.loumeau@leavittpartners.com](mailto:Christopher.loumeau@leavittpartners.com)

Thomas Gubbay  
2750 E Cottonwood Pkwy Suite 100,  
Cottonwood Heights, UT 84121  
801-209-8216 |  
[Thomas.gubbay@leavittpartners.com](mailto:Thomas.gubbay@leavittpartners.com)





## Background

Washington County Department of Health and Human Services (Washington County) retained Wakely, an HMA Company, (Wakely) to review the financial viability of a proposed Center for Addiction Triage and Treatment (CATT). The proposed project includes the purchase of two buildings that Washington County anticipates leasing to behavioral health providers. The first building will provide intensive services (e.g. residential treatment, withdrawal management, sobering support, etc.) and the second building will provide community services (e.g. outpatient treatment, peer drop-in center, crisis services, etc.). A portion of the community services building will be occupied by the County Behavioral Health Division.

The purchase and renovations of the two buildings will be supported by a combination of reserve funds held by the county, various grants that are geared towards substance abuse (e.g. opioid settlements, funds allocated by the Oregon Legislators, and Measure 110), and Coordinated Care Organizations (CCOs).

On-going maintenance costs will be covered by the County Behavioral Health Division and behavioral health providers leasing the space.

In order to assess whether or not behavioral health providers could support the lease of the building, Washington County modeled costs and revenue from a provider perspective. The model is not intended to reflect the risk from a building ownership perspective but is intended to model the provider's ability to support ongoing building maintenance costs while remaining financially solvent. Through this process, Washington County identified key risks associated with the purchase of two buildings.

## Executive Summary

Through conversation with Washington County, Wakely identified key risks associated with the project and then reviewed if the model incorporated and accounted for these risks. Since Washington County is not providing the services, Washington County's risk is limited to owning and maintaining the two buildings.

After a detailed review of the model and additional conversations:

1. Wakely believes that the model developed by Washington County identifies and accounts for the primary risks that were identified by Wakely and Leavitt Partners associated with owning buildings.
2. Wakely believes that the key assumptions used in the provider cost and revenue model are within a reasonable range and include a contingency amount for unexpected costs.

It is important to note that Washington County is not acting as a provider and has many different risks than a provider; however, the risks Washington County and providers have are linked together. For example, if a provider does not have enough patients, then



the provider may not be able to pay the maintenance costs associated with operating the intensive services building.

Washington County developed a provider cost and revenue model using assumptions developed through discussion with external sources and other publically available data. These discussions occurred prior to Wakely's review the model. Wakely reviewed these assumptions and identified which assumptions were the most sensitive to the output of the model. After review, the most sensitive risks are:

1. **Utilization** – If there is less utilization than modeled, then providers may not be able to pay their lease without an additional funding source.
2. **Salaries** – The salaries included in the model were developed with input from other agencies and publically available data. If behavioral health providers are unable to attract staff at the modeled rates, then this may impact the provider's ability to pay ongoing maintenance costs. This risk may be offset if the service fees are increased at a corresponding rate (e.g. Oregon Health Authority or CCOs increase payment rates).

For the provider cost and revenue model, Wakely made the following recommendations:

1. **Cost Recommendations:** The model should include a contingency amount for unexpected or unaccounted for costs. Washington County included this amount in a revised model sent to Wakely.
2. **Revenue Recommendations:** Physicians salaries were included in the cost component; however, there is no corresponding revenue included in the revenue modeling. Through discussion, Washington County mentioned that most physician services were covered under the per diem component, but acknowledged that the revenue projection could be understated for this reason.

For additional detail and discussion regarding assumptions, please see the next section.

Finally, Washington County disclosed and reviewed scenarios where not all of the new programs were implemented and the buildings needed repurposing. The risk Washington County faces in these scenarios is the loss of revenue from leases and the extraneous costs needed to repurpose the buildings to a new use.

## Discussion of Key Assumptions

Wakely has reviewed and performed stress and sensitivity tests on the financial model that Washington County provided. Wakely focused on the intensive service building (ISB) program. As stated in the Executive Summary, the primary risk to Washington County for the ISB portion of the model is that a provider group will not be able to profitably run their operation and Washington County will need to either repurpose the space or wait to lease the space to another provider. The items detailed below are not





direct risks to Washington County, but speak to the feasibility of a provider group operating in the building and paying rent to Washington County.

### **Utilization**

The CATT model utilization assumptions were developed through discussions with existing provider groups that provide similar services. Wakely tested the sensitivity of the model for these assumptions and found that the model is sensitive to even small changes.

The risk to the provider group is the inability to cover fixed expenses with lower than anticipated revenue. As a result, the provider may have difficulty covering expenses and ongoing maintenance costs. Over time, provider groups can adjust staffing to appropriate levels which helps mitigate this risk to Washington County. Utilization risk is most prominent during the early stages of implementation because it takes time ramp up services. Additional uncertainty in utilization dynamics exists when using other providers' utilization measures as benchmarks, as geographical and other differences may exist, providing added variation and risk.

### **Salaries and Staffing Costs**

To estimate salary and staffing costs, Washington County utilized public salary information along with information from local provider groups that perform similar services. Wakely tested the sensitivity of these assumptions and the output of the model is sensitive to the salary assumptions.

Additional resources reflecting national salary averages pointed to potentially higher salary assumptions were possible. If salary estimates are too low and there is no corresponding increase to the service fees, then the provider group may not be able to cover their expenses. This may put pressure on their ability to pay for the building. Given the current environment of provider shortages and other market pressures, Wakely recommends that Washington County monitor both staff salaries and reimbursement rates paid by CCOs and Commercial payors.

### **Repurposing**

As stated in the Executive Summary, Washington County risk is related to building ownership. In the absence of a provider group willing to occupy the ISB, the building would need to be either repurposed or left empty until a provider group is found to occupy the space. If Washington County needs to repurpose or wait for the space to be occupied, Washington County will incur the cost of maintaining the space. While some items such as janitorial services may be less costly in an empty space, other items such as grounds maintenance and property insurance would not be reduced while the space is empty. Additionally, Washington County will incur additional expenses to repurpose the building to meet new needs.



## Inflation

The model assumes inflation will be similar to the historical 10-year average. Inflation is currently higher than historical inflation. If inflation costs are higher than assumed in the model, the difference between the revenue and expenses for providers will increase assuming there is no corresponding increase to service fees. Similar to above, high levels of inflation for expense costs and no corresponding revenue increase can limit the provider's ability to pay rent.

To help mitigate the impact of inflation on financial results, providers often renegotiate contracts with commercial payors on an annual basis (or as-needed). Similarly, providers may negotiate Medicaid rates with CCOs administering the Medicaid program; however, CCOs operate under a global budget and must weigh the impact of raising rates in one area against the potential impact related to funding other services.

## Scope of Work

This section describes the scope of Wakely's work and analysis.

1. **Financial Evaluation Summary (This Document)** – Wakely was asked to provide a 2-3 page document that evaluates the validity of the analysis, the finding including areas of financial risk for Washington County and mitigation strategies, and a description of any corrections/adjustments needed for the final CATT document.
2. **Presentation** - Co-Present the Fiscal Analysis Findings with the Washington County Board of Commissioners on January 18<sup>th</sup>.

## Disclosures and Limitations

**Responsible Actuaries.** Tyson Reed, FSA, MAAA and Sara Hemmingson, FCAS, FSA, MAAA are the actuaries responsible for this communication. We are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to issue this report.

**Scope of Services.** Unless otherwise explicitly indicated, Wakely's work is limited to actuarial estimates and related consulting services. Wakely is not providing accounting or legal advice. Washington County should retain its own experts in these areas. Wakely strongly recommends that Washington County carefully monitor emerging experience in order to identify and address issues as quickly and completely as possible.

**Conflict of Interest.** Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health



plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In

**Risks and Uncertainties.** The assumptions and resulting estimates included in this report and produced by the model are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results will likely vary, potentially materially, from estimates. Wakely does not warrant or guarantee that Washington County will attain the projected values included in the report. It is the responsibility of Washington County to review the assumptions carefully and notify Wakely of any potential concerns.

**Data and Reliance.** We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.

**Subsequent Events.** There are no known relevant events subsequent to the date of information received that would impact the results of this report.

**Contents of Actuarial Report.** This document and the supporting exhibits/files constitute the entirety of actuarial report and supersede any previous communications on the project

**Deviations from ASOPS.** Wakely completed the analysis using sound actuarial practice. To the best of my knowledge, the report and methods used in the analysis are in compliance with the appropriate Actuarial Standards of Practice (ASOP) with no known deviations.