[Allocators Podcast 3 - Howard]

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Sheret R.: Welcome to the Allocator podcast. I'm your host, Sheret Ross. Today, I'm joined by Howard Goldman, Chief Financial Officer of Didi Hirsch Mental Health Services. Thanks for joining us, Howard. It's great to have you here. Before we start, can you share some background on your role and your experience in finance?

Howard G.: Yes. I am currently the CFO of Didi Hirsch Mental Health Services, which is a community-based mental health organization that also operates the largest Mental Health crisis and suicide Lifeline in the country.

My previous adjoining Didi Hirsch in 2015, my career was in the for-profit world, working a combination of seated roles and consulting. I spent a lot of my career in consulting, so in and out of a lot of different companies and a lot of different Industries.

For the last seven and a half years, I've been working with Didi Hirsch, mostly funded by County, L.A county and state funding.

Sheret R.: Interesting. So as something that's been funded by the government, what's really the parameters of how you think about Capital allocation in the day to day?

Howard G.: Well, it's interesting because until very recently, we had very little excess cash. Our contract are mostly cost reimbursement, and the way the government contracts work on cost reimbursement, they'll pay your costs up to a point, and never any more than your costs. So we had no opportunity to earn a surplus, but we did take the financial risk of a potential deficit.

So I was more concerned with cash management and capital deployment in the last six months, but that's changed quite dramatically. We've got a very large donation from one donor that was unrestricted, meaning we can use it for operations, whatever we want. We also got caught up on some old accounts receivable from the county, and that's now put us in the position of having capital, and the opportunity to use that to develop new lines of business.

Sheret R.: Anything kind of interesting now in terms of new lines of business that the team's looking at right now? Or is it still pretty early?

Howard G.: The huge growth for us is in the crisis area. The federal government introduced a three-digit number for crisis lines. Previously, there was a suicide Crisis Line Network called the national lifeline. And centers had to qualify to be part of that Lifeline, but it was a central 800 number where the calls were distributed based on the area code of the calling.

The government decided no one could remember the 800 number, so by default, a lot of people call 9-1-1 or don't call anybody. So 988 was introduced in July of 2022. It also shifted, because the federal government put the onus on states to implement it.

So prior to 988, California had 13 call centers that were part of the lifeline network, but they were all independent and then they became California's Network. And the government or the state essentially selected Didi Hirsch to lead that effort.

We answer about 40 percent of the calls in California, and we are the largest Nationwide. So we've been putting that leadership role, and that's a huge growth area for us. So as a spin-off from that, given our expertise in crisis, we have a crisis counseling business that we're really trying to grow.

Most of our other services are for the Medi-Cal population, but the crisis line anybody can call.

Sheret R.: Have you seen an objective activity since COVID? Like how did COVID impact your business?

Howard G.: COVID didn't really, I don't think impact the crisis line that much. I mean, when 988 was introduced, for the first few days, we had a doubling of calls, while I think people just tested it. But that settled down to about a 20 or 25 percent increase.

So I think just people knowing the number, it hasn't really been promoted that strongly, because a lot of states are really not well prepared for a large growth in the number of calls. California is probably ahead of most, and Didi Hirsch is probably the most prepared.

So the Counseling Center that we have is really designed to be able to serve anybody who's in crisis, whether they're Medi-Cal or not. Well, probably not Medi-Cal, we've got the Medi-Cal clients back into our other contracts, but this is so that we can serve people who are not a Medi-Cal, we're starting to build relationships with commercial insurance companies, but it's a startup business for us. So we are seeing probably a deficit this year as we build that business.

Sheret R.: So just with that in mind, what's keeping you up at night right now?

Howard G.: Not much keeps me up at night from work, I'm able to separate that out. It's interesting that being in the position of having some cash in the bank, and in fact, under this program with the state, we also just got a very large amount of cash that we'll be distributing out to other call centers. And that's coincided with the Silicon Valley Bank crisis.

We happen to bank with First Republic, who've been a great bank for us, but are getting a lot of bad press right now. So one of the things I'm scrambling for this week is to make sure that all our funds are secure and not exposed to being uninsured.

Sheret R.: And how are you doing that? Just because I think it's obviously a topical theme right now, just thinking about all these Regional Banks?

Howard G.: Well again, the timing is interesting. As I say, we recently found ourselves with this excess money. And with the quality in the past, we didn't have a lot of access funds and interest rates was so low that we weren't really too concerned about investing a little bit of excess when we did have it.

But with rates going up and having money in the bank, we'd already talked to the bank of setting up a self-directed brokerage account where we could invest in treasuries and ladder those treasuries, so that funds would come available as needed. And they'd been dragging their feet a little bit on setting that up, and finally, middle of last week, I started to get the paperwork on that.

I think when everything happened on Thursday, Friday with Silicon Valley Bank, they were inundated and I wasn't getting that account in place. So I talked to my banker, and as a short-term measure, we're using an insured sweep account so that the bank will sweep all our excess funds every night, and they get distributed around other banks with no account over $250,000.

So as a short-term measure, we're putting everything into smaller accounts, and probably, later today, I'll be talking to another institution about setting up an account for us to buy treasures, and at this point, we're following a very conservative investment path. We've not really had funds in the past, so we don't have an investment policy. But we'll go into lighted treasuries for the time being until the dust settles.

Sheret R.: Yes. I mean, it's obviously, a lot of events happening right now, and the bacon falls, right? Interesting, okay. What kind of indicators in the market are you looking at right now, like obviously interest is one that there's constantly discussions around, whether it's going up. If you had a crystal ball, where do you think also interest rates are going next year?

Howard G.: I think I got to stay pretty close to where they are. I think if inflation slows down, the FED may slow down it's increasing the rates, but I don't see them going down very much. Like I say, we're fortunate in that we're not really a borrower. I mean, we have one outstanding loan that we took out when we purchased the property, and we were able to do something that everybody could do. We were able to get a tax-free loan.

Now by issuing a bond, we're able to get a loan where the bank doesn't pay tax on the interest it pays us, so they discount the rate. So we have a 10-year loan that's under three percent.

Sheret R.: And is that because you're a non-profit, that there's some rules around that?

Howard G.: Yes. We were able to respond issue, and then essentially, the bank takes the whole bond issue and becomes a lender.

Sheret R.: Very interesting. Do you see the business heading next year with kind of the Surplus continuing? Like is donations becoming a more thoughtful strategy for the business?

Howard G.: I think so. I think we've had some changes in the last couple of years at the CEO level that have been interesting. We had one CEO who came in really with the brief to diversify our revenue streams, but he didn't really get connected to the existing business. We now have a CEO who's been at the agency 20 years, and I think we're back to sort of focusing on what is the core mission of the agency.

But how can we expand that, and with a lot of payment reform in the state on the services that we provide. I think building our reputation, as I said, we're pretty well known in L.A County and California circles as a mental health provider, but this leadership role in 988 is getting us a lot more recognition statewide and even at the national level.

So that's something that I think we want to leverage and build on. But we have to be very careful, because certain services we can do nationwide, but if it comes to services like therapy, the therapist has to be licensed in the state, where the client lives. So we can't do Tele-health in Florida from California.

So Tele-health has also made a big difference, it's given us a lot more flexibility that this counseling, crisis Counseling Center was initially set up as a local Los Angeles Center. The building that we have that loan on is our suicide prevention center, and when we remodel that building, part of it was a therapy center. And the expectation seven years ago was that people would come in for therapy. So the population we could reach was limited by the people who could commute in to Los Angeles.

Now, we can make that a statewide program. And with one Insurance company we're working with, and I think they feel if the programs successful, they would want to extend it to other states where they have a high membership population. And at that point, we'd have to look at whether we're going to hire licensed therapists in that state.

Sheret R.: Yes. That was going to be my next question, is the intention to kind of grow outside of California? But it sounds like waiting for an insurer to step up.

Howard G.: Well, I think that it's a little bit of a chicken egg situation. I mean, they come to us and say this program's working great in California, let's do it in Florida. Then we've got to go out and hire the staff to do that. And I think having had a lot of experience now with remote staff and Tele-health, it's very doable. But it takes time to build up the clearance out.

Sheret R.: Yes. Fair enough. Thank you Howie for joining us, and sharing your insights into your financial strategies for the year. That's all the time we have for now, this is Sheret Ross, and we'll see you next time on the Allocator podcast.

Outro: Thank you for joining us on this episode of the Allocators. Join us next week for a new discussion where we get inside the mind of financial decision maker. I'm Sheret Ross, see you next time.

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