



Surviving Isn't the Goal

Rebuilding Nonprofit Sustainability in
Washington State's Contracting System

Tues., Feb. 24, 2026 | 10a – 11:30a PST/ 1p – 2:30p EST

Presented by Michealle Gady, JD | Founder, President & CEO



About Your Presenter



**Founder,
President & CEO
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We have the courage to tackle health and human services' toughest challenges and the wisdom to help health and human services providers, government agencies, advocates and philanthropies navigate them successfully

As a woman-owned, boutique consulting firm, we deliver strategic, yet practical, public policy research and analysis, fund development and grants management, and organizational strategy and operations services that meet any organization's distinctive requirements and budget.

U.S. Small Business Administration-Certified Woman-Owned | Lead Consultant, HSP Legislative Study (SB 5950)



Today's Agenda



01

Why Your Organization Is Struggling

Key findings from the HSP Study



02

What You Can Do Right Now

Practical strategies for today



03

How to Advocate for Change

Advancing legislative reform



04

Building Collective Power

Coordinated advocacy and next steps



The Study at a Glance

A comprehensive, participatory research approach directed by the Legislature (SB 5950)



26

Key Informant Interviews

State agencies, local gov,
Tribal orgs, HSPs, SMEs



51

Focus Group Participants

14 groups across all 9
ACH regions statewide



119

Survey Responses

From 943 human services
providers invited statewide

Legislatively Directed Workgroup

State agencies, human services providers, and subject matter experts met 8 times to develop the study's recommendations

300+ articles reviewed | 6 guiding research steps | Triangulated findings across all data sources



01

Why Your Organization Is Struggling

And why it's not your fault



The Cost Coverage Gap

80%

of human services providers report
state contracts cover $\leq 75\%$ of actual
costs

~70%

Average reimbursement for direct
program expenses

0–10%

Indirect cost cap vs. 25–35% actual
costs

53%

Nationally report late payments as
significant challenge



You need millions in the bank just to play this game. Small organizations can't afford to participate.

— HSP Focus Group
Participant



Financial Impact on Washington's HSP Sector

Among Washington's approximately 2,900 human services providers:

~363

Technically Insolvent

Nearly 1 in 8 organizations

~1,160

Lack Liquidity

More than 40% of all HSPs

~870

Insufficient Cash Reserves

Less than 1 month of expenses

65,000+

Workers in the Sector

With ~30% annual turnover rate

Turnover costs range from 25% to 200% of an employee's annual salary



The Reimbursement Trap

1

Providers deliver services and pay costs upfront

2

Submit invoices with extensive documentation

3

Wait weeks, months, or 18+ months for payment

4

Receive partial payment — often with no explanation

The Impact

Financial uncertainty managing payroll, rent, and operations

Organizations forced to take on debt or use credit cards

Smaller human services providers excluded from contracting entirely

Service delivery delays and reduced community impact



We've waited 18 months for funding to come in.

— HSP Focus Group Participant

The Administrative Burden

75%

Described the application process as overly complex and time-consuming

50+

Contracts managed by many HSPs, each with separate reporting requirements

118

Pages in a single month's invoice due to documentation requirements

Systemic Barriers

Inconsistent processes across and within agencies

No standardization of application formats

Short application timelines (often <30 days)

Multiple disconnected reporting systems

Duplicate data entry across agencies

Audits costing \$10K–\$60K each



We spend more time meeting compliance requirements than actually serving people.

— HSP Focus Group
Participant



Disproportionate Impact on Small & Community-Based Providers

24%

less revenue for HSPs led by
and for their service populations

76%

less unrestricted net assets
than their larger counterparts

- ✓ Smaller organizations cannot afford professional grant writers or legal counsel needed to navigate complex applications
- ✓ Short application timelines create an uneven playing field favoring larger organizations with dedicated proposal teams
- ✓ Insurance requirements disproportionately burden organizations serving high-risk populations
- ✓ Evidence-based practice requirements may exclude culturally specific healing practices, particularly for Tribal and immigrant communities



It is government-sanctioned poverty when our staff are underpaid due to a combination of underfunded contracts, inadequate indirect costs, and inflexible budget structures.

— HSP Focus Group Participant



Live Poll

Which of the challenges we just discussed has the greatest impact on your organization?

Enter your answer in chat

02

What You Can Do Right Now

Practical strategies while we work toward systemic reform



Practical Strategies for Today



Know Your Full Cost Structure

Calculate your actual indirect costs and total cost of service delivery. You can't negotiate what you don't understand, and this is your foundation for every decision that follows.



Be Selective — Walk Away When the Math Doesn't Work

Not every RFP deserves a response. If a contract won't cover your costs, declining protects your organization and sends a powerful signal to the system.



Negotiate with Knowledge

Workgroup members confirmed that contract terms, including indirect rates, are negotiable. Come prepared with your numbers and understand what flexibility exists.



Build Relationships Despite Turnover

Positive contract manager relationships are critical, but frequent turnover is real. Document agreements and build relationships at multiple levels.



Live Poll

Does your organization have experience negotiating a contract with a state agency?

Answer your answer in chat

03

How to Advocate for Legislative Change

Turning findings into action



Unanimous Workgroup Recommendations

All workgroup members — human services providers, state agencies, and experts — agreed on these four priorities



Full Cost Coverage

Addresses the 80% cost gap — scale contracts to cover actual cost of delivering services



Planning Year

Addresses compressed timelines — extend planning so agencies and providers can execute effectively



Advance Payments

Addresses the reimbursement trap — up to 25% disbursed immediately upon signing or renewal



Technical Assistance Center

Addresses administrative burden — state-funded center to support HSPs at all stages of contracting



Workgroup-Supported Recommendations

- ❑ End cost-based reimbursement — move to fixed-price or cost-plus contracts for predictability
- ❑ Establish standards for indirect cost policies — address the 0–10% cap vs. 25–35% actual costs
- ❑ Enact a Prompt Payment Law — address 18-month payment delays with timelines and penalties
- ❑ Increase transparency and streamline procurement — address the 75% who find the process too complex

- ❑ Require adequate funding pass-through — address funding reductions through intermediaries
- ❑ Adopt relational contracting — address inconsistent processes across agencies
- ❑ Define human services and HSP in statute — enable targeted policy for this distinct sector
- ❑ Increase state contract staffing and training — address delays caused by state understaffing

How to Share Your Story with Impact

Combine your organization's experience with the study's evidence to make your case

1

Start with Your Own Numbers

Document your organization's funding gaps, true indirect costs, and the specific impact on your services and staff. Your data is your most powerful tool.

2

Connect Your Experience to the Study

Layer in the study's findings (80% cost gap, 18-month delays) to show your situation is systemic, not isolated. Your story plus the data is compelling.

3

Name the Fix and Make the Ask

Reference specific recommendations — advance payments, full cost coverage, the TA center — and give the legislator a concrete action: a bill, a budget item, a meeting.



04

Building Collective Power

Pushing for systemic change together



Every Voice Told the Same Story

Findings were consistent across all stakeholder groups — this is a systems failure, not an isolated issue

Finding	HSPs	State Agencies	Local Gov.	Tribal Orgs.	SMEs
Financial Hardships	✓	✓	✓	✓	✓
Complex Application Processes	✓	✓	✓	✓	✓
Onerous Compliance & Reporting	✓	✓	✓	✓	✓
Staffing Shortages	✓	✓	✓	✓	✓
High Turnover & Training Gaps	✓	✓	✓	✓	✓
Outdated Policies & Systems	✓	✓	✓	✓	✓
TA & Capacity Building Needs	✓	✓	✓	✓	✓
Structural Contracting Barriers	✓	✓	✓	✓	✓

Live Poll

Identify the top 3 changes that would be most beneficial to your organization.

Enter your answer in chat

Advocacy Roadmap

Document Costs & Gaps

This includes direct and indirect costs. Be specific. Evaluate cost rates before responding to any RFP. Know that your costs will be covered before applying.

Negotiate Contracts

Understand what is negotiable and what is not. Come prepared with your numbers. Be prepared to say no.

Tell Your Story

Meet with legislators. Tell your story, supported with data. Make clear and specific asks. Don't just focus on the problem.

Build Coalitions

Real power lies in collective action. Build coalitions across regions and service area.

Q&A

Please submit your questions using the Q&A feature
at the bottom of your Zoom window





Thank You

Your continued leadership in this work makes change possible.

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Resources

HSP Legislative Study Report: *atromitosconsulting.com or commerce.wa.gov*

Full report: “Impacts of Contracting Structures on the Sustainability of Human Services Providers”

Engagement Report: *atromitosconsulting.com in the Knowledge Hub*

Detailed findings from focus groups, interviews, and the statewide survey

Contact Your Legislators: *leg.wa.gov*

Find your Washington State legislators, share the study’s findings, and tell your story

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For questions about the study or this presentation: michealle@atromitosconsulting.com

A recording of this webinar will be shared with all registrants