

CONFIDENTIAL

Template Business Plan



This is a business plan; it does not imply an offering of securities.

All information within is accurate to the best of the knowledge of the authors. However, this is a working document related to a cooperative under development. Information may change.

Executive Summary

Your Cooperative is a worker owned cooperative which will provide quality services to elderly and disabled persons needing home care and personal care services in Plum County, Wisconsin. [\(Identify your specific geography here.\)](#) Its major source of clients will be through a contract with Plum County Division of Aging and Long Term Support, but will also pursue private pay clients. The County is supportive of the cooperative as it is seen as a way to provide a better source of quality care for its clients, such as back ups in case of worker illness, respite care, and organized access to a pool of qualified caregivers, and to reduce the administrative hassles and expense of its present fiscal agent system.

Home care and home health professionals are typically low to moderate income women who either work as independent contractors or for an agency. The worker owned cooperative business model allows for the women to have better pay and benefits as well as share in the potential profits of the business. In addition, the intangible benefits such as networking with other caregivers, leadership and educational opportunities, and the ability to have a voice in the cooperative's business decisions are appealing to the worker members.

The following text is specific to projections and lists some of the assumptions that will go into the preparation of the financial analysis of the business. [All assumptions need to be stated explicitly, up-front, so there is transparency in reading and understanding the financial plan.](#) After starting with an organizing team of approximately X people, we plan to enlist approximately X worker members to join the cooperative. There is a membership fee, (the caregivers with the organizing team agree on the amount) payable over X years, which will provide the cooperative with approximately \$X in cash to start. Breakeven membership of the cooperative (the minimum number of worker members needed to cover administrative expenses) is estimated at X in year one.

It is estimated that Your Cooperative will need approximately \$X to cover startup and initial operating expenses. We are looking to North Country Cooperative Development Fund of St. Paul, MN for funding of that loan.

Business Definition

History and Background

Your Cooperative is a worker owned cooperative providing home care services and personal care to the elderly and disabled within their home environments. It is legally organized as a cooperative corporation under the Statutes of the State of Wisconsin, Chapter 185 of Wisconsin State Statutes. Although this is a newly formed cooperative, its worker member base is formed largely of those currently working with the private hire providers program of Plum County's Division on Aging and Long Term Support and brings an experienced work force. After ten months of meeting, discussing, and planning, the Articles of Incorporation were filed and 5 individuals signed on as the interim board of directors. These individuals, at the time, were privately hired by clients or family members, to provide care for publicly funded people and paid through the fiscal intermediary.

Previously, the county program paired homemaker and personal care providers with low income disabled adults and frail elderly residents of Plum County who qualify for specific state funded programs. In this arrangement, service providers are considered domestic employees hired by the service recipient. Workers were paid by the county through a fiscal agent. [\(What is the current situation in your area?\)](#)

This arrangement helps the county stretch its limited financial resources, but leaves care providers with few benefits. To complicate the situation state and federal funding has not kept pace with the cost of living expenses, resulting in lower than average wages. In addition, if a care provider is ill or otherwise unable to report to work, the county has to find a replacement worker to care for the client. We expect that quality of life is improved for both clients and caregivers through a worker owned home care cooperative. [\(Are there specific reasons why it would be an advantage to change from the current system?\)](#)

In 1999, a neighboring county's Department of Human Services obtained a grant through the Wisconsin Bureau of Aging and Long Term Care Resources to investigate ways to strengthen and expand the work force serving long term care recipients. Cooperative Care was awarded a contract with Waushara County, and on June 1, 2001, clients were served by worker members of Cooperative Care for the first time. In its several years of operation, the cooperative has continued to meet its goal: providing high quality home based care while providing fair wages and benefits to the people caring for the elderly and disabled.

Plum County is similar to Waushara County in that its rural population has few agencies providing home care services, thereby relying heavily on private hire/public pay workers in these areas. However, Plum County has a larger metropolitan area in its southeast corner, and several home care agencies serve this more profitable area. [\(What is the current availability in your area?\)](#)

In late 2004, private hire workers paid with public funds were invited to a meeting and polled on their preferences regarding benefits and desired pay. Attendees agreed to explore forming a worker-owned cooperative, similar to Cooperative Care of Waushara County. Through a cooperative, workers could serve county clients and private pay, and

specialized care clients.. By combining these revenue streams, Your Cooperative will create sufficient income to provide benefits, insurance and increased pay to workers.

The Worker Owned Cooperative Concept

Cooperatives are for profit businesses owned and controlled by the people who use them. Cooperatives differ because they are member owned and operate for the benefit of members, rather than earn profits for investors. Like other businesses, cooperatives are incorporated under state law. In the United States there are more than 40,000 cooperatives that serve one of every four citizens. In Wisconsin, there are more than 800 cooperatives. The cooperative business structure provides insurance, credit, health care, housing, telephone, electrical, transportation, childcare, and utility services. Members use cooperatives to buy food, consumer goods, and business and production supplies, Farmers use cooperatives to market and process crops and livestock, purchase supplies and services, and to provide credit for their operations.

Cooperatives are organized to improve bargaining power, thereby increasing the ability to reduce costs and obtain products or services not otherwise available to the individual member. In addition, the power of a cooperative can also expand existing market opportunities, and ultimately increase income to the members.

The difference between cooperatives and other businesses are often expressed as three principals that characterize all cooperatives and explain how they operate. They are:

- The member-**owner** principle. Members own and provide the necessary financing. Members finance cooperatives in several different ways, including membership fees and equity investments.
- The member-**control** principle. Members control the business. They elect the board of directors and approve changes in its structure and operation. The board sets policy and is responsible for business oversight. The board hires a manager who handles daily operations.
- The member-**benefit** principle. The cooperative provides and distributes profits to members, not external investors. Benefits may include a year end patronage refund if income is more than operating expenses.

Because Your Cooperative is owned by the caregivers employed by it, all profits will benefit the caregivers, either by increased wages or benefits, patronage refunds, or retained earnings of the cooperative. The ability of the cooperative to provide a larger pool of resources offers the county better assurance that their clients will have consistent, quality care, which in turn is a strong negotiation tool for the cooperative. In addition the cooperative will be able to offer continuing education and other opportunities for members.

The Vision of Your Cooperative and the Home Care Market

Caregivers working on the cooperative development process defined vision statements in February, 2005 - one for the cooperative itself and another for the people the cooperative would serve as clients. This will be specific to your group, your cooperative, and the caregivers. We used the Vision process identified ([hot link to this document here](#)).

For the workers, 1: *The cooperative is a community of consistent, well-trained staff. We offer a client centered program and provide the highest quality care, which includes a good backup system. We offer supportive wages and benefits to all member/owners in a safe, reliable place of employment where the needs of the workers are met.*

And for the clients; 2: *Stay in the loving comfort of your own home with caring professional staff helping you achieve growth and engage joy in those providing care, all at affordable rates.*

Why is Your Cooperative unique?

Your Cooperative addresses two major issues:

- The increasing demand for home and personal care workers in the county
- The growing labor shortage and the need for caregivers to earn a living wage and benefits.

While addressing these needs, the employee owned cooperative model will empower caregivers (which tend to be low-income women) to have a democratic voice and assume leadership positions in the operations of their company. Through the cooperative model, caregivers can feel satisfied knowing that outsider investors are not earning a profit off of their work or off the life savings of the elderly.

Service Description

The core service of home care providers is to enable seniors and people with disabilities to live independently in their homes for as long as they are able.

The actual services performed to provide that core include task assistance to the frail elderly and disabled necessary for them to live independently at home in a safe and clean environment. These tasks may involve daily living skills such as laundry and meal preparation, transportation to appointments, or may be more personal care-related such as bathing and grooming, exercise, or assistance with medications.

Your Cooperative's services were designed to reflect the array of client assistance needs, the regulatory demands of contracting agencies, and the differing skill levels of the workers. Your Cooperative will offer two tiers of care:

- Home Care Services
- Personal Care (CNA) Services

The two tiers require different skill sets and offer different pay scales.

Home Care Services

- Chore Services
- Laundry
- Leisure skills
- Light/heavy housework
- Meal preparation
- Occasional transportation (with prior approval)
- Respite/companionship
- Shopping/errand running

Personal Care Services

- Ambulation
- Assisting with medications
- Bathing
- Bowel/bladder programs
- Changing incontinence supplies
- Dressing
- Eating/tube feeding
- Exercising
- Grooming/hygiene/skin care
- Leisure skills
- Respite/companionship

- Your Cooperative will have a system in place to assure continuous service evaluation, periodic spot checks, customer satisfaction, and community input.
- All caregivers will have passed a background security check.
- All caregivers will be bonded (an insurance that protects clients from damage or theft), have workers compensation (in case of on-the-job injury). The cooperative is fully insured.
- All members own the cooperative. Employee ownership reduces turnover and increases pride in work. Clients can be assured that their hard earned money does not pass through a “middle man” and no one is profiting off of their life savings.

Market Analysis

The need for home care is on the rise. Why? First, a definition of the homecare services client.

A person is defined as needing long term care (LTC) if they require help with one or more activities of daily living (ADL) or instrumental activities of daily living (IADL). ADL are fundamental tasks such as bathing, dressing, or getting around inside the home. IADL are other activities of independence such as preparing meals, managing money, housework, medications, and shopping. More than 83% of people with LTC needs live in the community; the remainder live in nursing homes or other similar institutional setting. In an increasingly mobile and dual income society, fewer seniors have nearby younger family members able to volunteer daily care services, and must rely on the assistance of a paid provider.

According to a Georgetown University study “Who needs long-term care?” 14% of people 65 and older need long-term care (LTC). This compares to 1.4% of people 64 and younger who need LTC. The study further found that 50% of people 85 and older need LTC. (Georgetown University Long-Term Care Financing Project, Fact Sheet, May 2003.) Applying these percentages to the population projections for Plum County, there will be a 53% increase in people needing long term care in 2020 from those needing care in 2000.

The population is aging.

In 2000, 11% of Plum County population was 65 years of age or older. As baby boomers continue to age demographers estimate that 20% of Americans will be age 65 or older by the year 2020. Persons who reach age 65 today can expect to live another 18 years (National Center for Health Statistics, 1999).

The metro area of Plum County is one of the fastest growing regions in the state of Wisconsin. Because of the younger age base moving to the area, the percentage of people 65 years or older is not likely to reach that 20% national average. In numbers, however, there were 17,585 people living in Plum County aged 65 or older in 2000. That number is expected to grow to 26,886 in the year 2020, an increase of over 50%. (Wisconsin DWD Outagamie County Workforce Profile Projected population growth from 2000 to 2020. Office of Economic Advisors, January 2004.)

(What aging and demand demographics are present in your area? Describe these here. Current demographics for counties can be found either at www.census.gov or your local county UW-Extension office.)

Elders want to live at home.

The quality of life for people with LTC needs depends on their ability to receive care in the way that they prefer. The Georgetown University study states that more than 75% of people with LTC needs who live outside of institutions rely on unpaid support including friends, relatives, and neighbors for help.

Those with LTC needs in the county include elders and those with disabilities living in non-institutional settings. Services provided through the cooperative will likely include assistance with ADLs such as those provided by a personal care assistant; examples include getting up, dressing, bathing, transportation to work, appointments, errands, etc. Home care aides provide similar services and some may have specialized training to help with tasks under the supervision of an RN.

Home care is cost effective.

Home care is a cost effective service, not only for individuals recuperating from a hospital stay, but also for those, because of functional or cognitive disability, are unable to fully take care of themselves. Approximately 22% of those with LTC needs use some combination of paid and unpaid assistance; only 8% of adults getting LTC help at home, pay for it out of pocket (private pay). According to a summary of nationwide long-term care expenditures, in 2002, Wisconsin spent 70.4% of the state's 2.1 billion long-term care dollars on institutional care and 29.6% on home care as a percent of total spending (<http://governing.com/gpp/2004/long.htm>). Twenty-five states spent the same percentage or more of their total expenditures on institutional long-term care arrangements. While people receiving long term care rely substantially on non-paid assistance, dollars for home care activities make up a minority of the statewide long-term care expenses compared to institutional care.

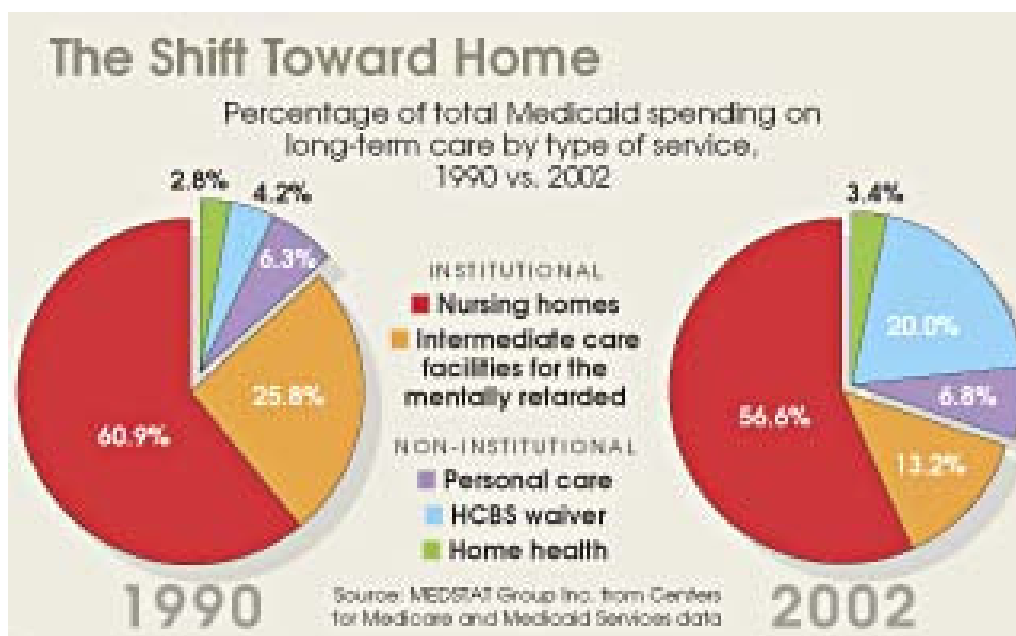
The AARP in its [on the issues](#) website document notes that nursing homes cost about \$47,000 a year while home care services for nursing or physical therapy typically cost about \$100 a visit. However, as the NAHC notes, "Cost-effectiveness is not the only

rationale for home care. In fact, the best argument for home care is that it is a humane and compassionate way to deliver home care and supportive services. Home care reinforces and supplements the care provided by family members and friends, and maintains the recipient's dignity and independence, qualities that are all too often lost even in the best institutions. Further, home care allows patients to take an active role in their care, becoming members of a multidisciplinary health care team."

Environmental Influences

According to the Health Care Financing Administration, government programs are the largest payers for home care services. (Cite). Historically, Medicare and other public pay program reimbursement rates have been lagging behind private pay rates. As a result, the numbers of agencies offering services to public pay (low income) medical assistance clients has declined substantially.

Recognizing the social and economic benefits of home based care, county managers are interested in alternatives to institutional placement for people, including home based services. This shift toward home based care is becoming a national trend. The graphic below show that non-institutional care spending has grown from 13.3% of long term care Medicaid dollars in 1990 to over 30% in 2002. Given the fact that institutional care costs are rising at a much higher rate per client than home care, those figures are telling.



Based on information shared with caregivers by Plum County staff in January, 2005 there is a wait list of 3-5 years for elderly people, those with developmental disabilities wait 3-5 years, and physically disabled people currently wait 7-10 years. County staff also identified a unique opportunity for the cooperative to explore in respite care and crisis intervention. (What is the waiting list status in your county/area? Are there "special needs" where your organization can develop a niche such as family respite care for autism or alzheimers individuals.)

Few home care services available in rural areas of the target region

The private hire/public pay providers have been the only home care service available for those receiving county assistance in many rural areas. While several home care agencies serve the more populated areas, many small communities rely solely on the county provider network of independent caregivers or must find them on their own. In addition, most home health care agencies provide only nursing or CNA services, and home care services are even more difficult to find.

Worker shortage – increasing demand, little financial reward

In a listing of the top 25 high-growth occupations on its website, the Wisconsin Worknet predicts that home aides (typically CNA) and personal and home care aides will increase employment figures by 51% and 39% respectively through 2014.

http://worknet.wisconsin.gov/worknet/joblist_highgrow.aspx?menuselection=js

Even though the need for homecare providers continues to climb, there is little economic incentive for choosing home health care as a career. According to the Paraprofessional Healthcare Institute, about 20% of direct-care workers earn below poverty incomes. Based on survey results from caregivers working in Plum County, approximately 27% of caregivers locally earn at or below poverty wages for a family of 4.

In 1999, 33% of home care aides were without health insurance, compared to 16% of all U.S. workers. This mirrors the local picture for caregivers, where 33% of those completing surveys are without health insurance

Based on caregiver survey results in Plum County 2004-2005, this is the local picture:

([Link to the survey template here.](#))

- 90% of the local workers are women
- 21% are aged 41-45
- 17% are aged 51-55
- 96% of survey respondents are white and 4% are Asian-Pacific Islander
- 46% have less than or completed high school while 55% attended or graduated from college or technical school, including CNA training programs

. Table A Median Hourly Wage

Job Title	Nationally(1)	Appleton-Oshkosh-Neenah Metropolitan Statistical Area(2)
Nursing Aides, Orderlies, And Attendants	\$9.85	\$10.05
Home Care Aides	\$8.77	\$8.52
Personal and Home Care Aides	\$7.91	\$9.18
Hairdressers	\$8.99	\$9.88
Cashiers	\$7.58	\$7.83
All Occupations	\$13.53	\$16.26

(1)Paraprofessional Healthcare Institute, "Who are direct-care workers?"

<http://www.directcareclearinghouse.org/download/NCDCW%20Fact%20Sheet-1.pdf>

(2) Wisconsin Department of Workforce Development

http://www.dwd.state.wi.us/oea/xls/wages_mas_2003.xls

Current date available at:

http://dwd.wisconsin.gov/oea/occupational_employment_and_wages/occupational_employment_and_wages.htm

Income levels for personal and home care aides come in at the second lowest wage rate on the list at \$8.52/hr. One of the top 10 occupations with the most openings includes nursing aides/orderlies /attendants at \$10.05/hour (Wisconsin DWD Outagamie County Workforce Profile Projected population growth from 2000 to 2020. Office of Economic Advisors, January 2004. Look for details on a county near you at http://www.dwd.state.wi.us/oea/cp_pdf/cp_mainx.htm)

This level of wage barely provides a living income. 2007 Federal poverty income guidelines indicate for a family of 4 living at 100% of poverty at an hourly wage of \$9.93 per hour, or an annual income of \$20,650 per year. For that same family of 4, they would need to earn \$14.89 per hour for an annual income of \$30,975 per year to meet 150% of poverty.

Another measure of income needs is The Self-Sufficiency Standard for Wisconsin <http://www.wiwomensnetwork.org/selfsufftables2004.pdf> . In the Plum County part of the Metropolitan Statistical Area (MSA), self-sufficiency demands that for a family of 4 with 2 adults, a preschooler, and a school age child requires that each adult in the family earn \$9.85 per hour for an annual income of \$41,613.

By moving the “profit” earned by traditional for-profit home care businesses into worker compensation, Your Cooperative will provide living wage jobs with benefits. Benefits might include on-going skills enhancement and the potential to move into higher paying jobs. Home care worker focus groups conducted in Pennsylvania found that wage rates are more important than benefits and that workers “didn’t expect much” for benefits, however, this is a decision cooperative members will make (i.e., benefits vs. higher hourly wage). Survey results from Plum County caregivers indicate a clear preference for higher wages vs. benefits. The cooperative will also provide potential members the chance to build equity in the cooperative and the opportunity to own a piece of their own business. This includes reaping the benefits of profits through patronage refunds.

The worker-owned home care cooperatives in Wisconsin have resulted in more regular hours and higher wages. Professional benefits also increased including bonding, workers compensation, health insurance, pay for travel time, personal time, holiday pay and pre-tax deductions. Other noted advantages for owner/workers include personal empowerment, improved work-related self-esteem, job satisfaction and a voice in running the cooperative. When asked to identify the most important factor in determining whether you are satisfied with your employment, one Cooperative Care worker said, “Seeing my people happy (Getting their own way!); They are happy being in their home; just having someone to talk to” .

The operation of a home care workers cooperative is cost effective, and allows the cooperative to generate revenue from private pay clients in addition to its base revenue of the county contract for public pay clients. These two variables enable the cooperative to operate without relying solely on government funding. In addition, the cooperative will

be able to avoid the high industry turnover because members will have access to higher wages, and benefits such as paid sick time and vacation.

Marketing Strategy

Basic market analysis information can be found in the Claritas online service, or other services. There is limited access to some information for free. This can be helpful in getting a general sense for your local demographic and help with developing a more custom marketing strategy for your area

<http://www.claritas.com/MyBestSegments/Default.jsp>. Click on zip code look up to get a generalized profile of a targeted area.

In Wisconsin we also have access to the Demographic Services Center through the University of Wisconsin Extension, Applied Population Lab. Here you can find information about numbers of people with disabilities in an area.

<http://www.wisstat.wisc.edu/> You can search in a geographic region and find disabled status under tables by looking at population, disability status, and selecting the most recent census data.

Market Description/Target markets

Your Cooperative has several markets to reach:

- Public pay client contracts with the local county division on aging and long term support and, in the future, adjacent counties
- The elderly and disabled themselves for private pay services
- Adult children who need to arrange care for their elderly parents.
- Special population advocates such as Alzheimer's Association, Hospice, Respite Care associations, and others who help families find resources.
- Key individuals in the community who have contact with the elderly and their families, and who could refer potential clients to Our Favorite Cooperative (staff at senior community centers, discharge social workers at area hospitals, clergy, pharmacists, physicians, etc.)

Marketing Objectives

- Over five years, create awareness of Your Cooperative and its benefits to 100% of the target market as well as to potential worker members
- In the first year of operations, capture at least 2-5% of the county private pay market, resulting in sales of 5% of the total cooperative revenues at the end of year one.
- Create awareness of our services with those who have contact with the elderly and their families (staff at senior community centers, hospital and clinic staff, clergy, pharmacists, physicians, etc.)

Advertising and Sales Promotion

The annual marketing/advertising budget is about 1% of sales per year. This may be low by most other industry standards, but considered adequate as word of mouth, health fairs, and other low cost methods are effective for home care. Some of the marketing venues to be considered include

- Word of mouth referrals (via press releases, personal visits to key community organizations, appearances on radio and television shows about the elderly)
- Listing in the yellow pages, church bulletins
- Brochures and website
- Promotional items with the cooperative logo and phone number (note pads, refrigerator magnets, pillboxes, pens, etc)
- Television and radio at times with a high senior audience
- Participation in community events such as health fairs, regional trade shows
- Present information to local service groups such as Kiwanis and Rotary
- Advertising on casino busses with signs and brochures
- Participating in the local chambers of commerce

As the worker members of the cooperative have limited experience in marketing, and a limited portion of the budget can be applied to marketing, hiring an executive director with solid marketing experience and strong community networking skills is important in order to assure a successful marketing effort with minimal cost and reach multiple market segments.

Pricing

Pricing for the cooperative is based on several variables:

- Cost of operating the cooperative
- Desired level of profit or value of benefits to be provided to worker members
- What the market will bear, including public pay limitations and the higher pricing borne by private pay clients.
- Relative value of the product and services offered; and
- Ability of the market to interpret that value.

As the cooperative will rely heavily on public pay from the county at the beginning, their contract will be the largest limiting factor to start. As more private pay clients are served, their ability to pay higher wages (market rates) will allow for more flexibility in desired profit and benefits.

Worker/Client Relationship

For the safety of the clients and the cooperative, each worker member will be subject to background screening and will be bonded before working with clients. To ensure an understanding of the relationship of the caregiver and client, it's important that the expectations of each are spelled out up front. Clients will be given and asked to sign an agreement that outlines a code of ethics that all caregivers uphold ([link to this document here](#)). The document also lists the rights and responsibilities of the clients to workers.

The Board of Directors will create a response system to investigate and correct any concerns in the treatment of clients and the delivery of services. Clients will be directed to contact the Executive Director or supervising RN. The supervisor will investigate the concern, and respond as appropriate. If further action is necessary, the RN will take the concern to the Board or other subcommittee. The decision of the ethics committee is final; any further action would be handled by state investigators.

Methods for Selling

The executive director will be the chief public relations contact and sales representative to public pay contracts to county agencies and key referral makers in the community.

The cooperative is presently in the search process for an executive director. Once this key employee is on board, formal negotiations with the county can begin. This will be an important first task for the Executive Director and Board of Directors.

Competitive Analysis

Market conditions for home care providers in the target geographic area continue to evolve. There are several organizations providing home care services in the county; some are national franchises. All are direct competitors for home care services.

- ♦ Fifteen agencies were surveyed in March, 2005. Three agencies self-identified as home health care, meaning they have a very limited ability to care for private pay clients who are not receiving Medicare/Medicaid paid services.

Of the remaining dozen agencies, rates varied greatly, along with the minimum number of hours private pay clients are required to purchase per visit.

Agency	Personal care rate for a bath and light housekeeping	Home care rate on weekday	Minimum hour requirement	Assessment charge	Mileage
	\$18.90	\$15.90	3	doctor ok	none
	\$17.50	\$14.00	1.5	\$50	included in min.hr
	\$18.00	\$18.00	2	None	none
	\$17.75	\$16.00	0	None	included in visit
	\$16.75	\$14.00	4	None	\$0.41
	\$18.95	\$15.50	2	None	\$0.39
	\$27.00	\$17.00	1	None	\$0.38
	\$19.00	\$15.50	3	None	\$0.41
	\$17.50	\$14.75	3	None	\$0.35
	\$18.00	\$15.00	0	\$50, doctor ok	none
	\$17.00	\$17.00	0.5	\$50	\$0.40
	\$20.00	\$16.25	2	None	\$0.37
Average (Mean)	\$18.86	\$15.74	1.83		
Median	\$18.00	\$15.70	2		

A number of agencies have recently entered the market. The following chart documents agency longevity, corporate structure, and number of caregivers employed.

Agency	Longevity of Agency	Corporate Structure	Number of Caregivers
	10 years	for profit; privately owned by a local	4 to 6
	12+ years	for profit; privately owned; regional; formerly Upjohn	?
	six months	for profit; privately owned; expansion from Milwaukee	15
	30 years	nonprofit; locally started; division of home health agency	200
	eleven months	for profit; privately owned; local owner; staffing service expansion	16
	seven months	national franchise; expansion of franchise	now hiring
	20+ years	nonprofit; started by local churches; continuum of care; rural	8
	2 years	national franchise; owner with no previous agency experience	20
	7 years	national franchise; regional owner;	160
	6-7 years	nonprofit; nuns; hospital patients;	7 to 10
	2 years	nonprofit; nuns; continuum of care;	7
	100 years	nonprofit; part of	75

Interestingly, national franchises have started to enter the market and are a growing trend.

- ♦ Home Instead Senior Care, <http://www.homeinstead.com> founded in 1994 in Omaha, Nebraska, by Paul and Lori Hogan. There are 550 franchises in 47 states and Canada, Portugal, Japan, and Australia.
- ♦ Home Helpers, <http://homehelpers.cc> is headquartered in Cincinnati, Ohio, and has 325 offices in the U.S. and Canada.
- ♦ Comfort Keepers, <http://comfortkeepers.com> was founded in 1997 by RN Kris Clum. Over 425 agencies exist across the U.S. and Canada with headquarters in Dayton, Ohio.

From the Comfort Keepers website, a potential owner pays an \$18,750 franchise fee. The franchise fee, start-up costs, and working capital bring the initial investment to \$40,000 - \$65,000. The franchise fee entitles an owner to an exclusive population territory of 175,000 (but that certainly does not prevent other agencies or franchises from entering the market). In exchange for a 5% annual royalty, the franchise owners receive scheduling and invoicing software, training videos, an employee policy manual, employment screening software, and advertising templates.

Wages paid to caregivers in these organizations included:

Caregivers Home Health	\$7.50 for companionship
Home Instead	\$7.00 for home care \$7.50 CNA.
Comfort Care of Darboy	\$8-9/\$11-\$13
St. Joseph Home Care	\$9.00-\$9.20

SWOT Analysis

A review of Your Cooperative's internal strengths and weaknesses, as well as its external opportunities and threats is presented below. This "SWOT" analysis was developed taking into consideration the information presented in the environmental analysis, industry trends and market analysis.

Strengths

- Although the cooperative is technically a start up business, the cooperative builds on the history of the Plum County program, and many of its worker members have been working in that program for more than 10 years.
- The caregivers are highly devoted to caring for the elderly and disabled. Most realize they could make more money in other fields but choose to serve the elderly and disabled in home care.
- In a time of a worker shortage, a worker owned cooperative that provides a better wage and more benefits has a high potential to reduce turnover and create caregiver loyalty.
- The Plum County Division of Aging and Long Term Support has been supportive of the cooperative and is willing to work with the cooperative in its transitional first year.
- The cooperative will utilize the financial, managerial and industry guidance from a community based Advisory Council to the Board of Directors. (Start developing these allies now!)
- The Cooperative Care cooperative has been generous in providing assistance to the cooperative in its start up efforts and continues to be an excellent resource. (One of the principles of cooperatives is that cooperatives help other cooperatives. So be prepared to help others in the future!)
- Although the County may not see any cost savings in wages, the cooperative contract will be a better vehicle to provide home care to its public pay clients. Even though the county will pay a bit higher per hour of service, county personnel will no longer have to use its own staff to run background checks, process timesheets, purchase workers comp insurance for each individual, and so forth. In addition, the fiscal agent will be eliminated, the cost of which is over 25% of the current delivery system's budget. The county understands that cost savings related to consistent, reliable health care for its clients may only be seen in reduced emergency visits due to improper medication, and the comfort and ability for longer stays at home before moving to a nursing home.

Weaknesses

- The cooperative will have limited equity to begin operations.
- The worker members will have a somewhat limited personal financial commitment to the organization.
- The Board of Directors is comprised of caregivers themselves, who may have very limited financial and managerial experience.
- The nature of home care is that employees work in isolation from one another. Though many caregivers have worked within the county program for years, many do not know each other. The cooperative will need to find ways to bring workers together on a regular basis, to develop good working relationships with each other.
- The cooperative is only as strong as its Board of Directors and the Executive Director it hires.

Opportunities

- The elderly population continues to grow as baby boomers age and life expectancies extend.

- Rural areas of the county are underserved by existing home care and health care agencies.
- Eight of ten seniors wish to live in their home as long as they can. (AARP website, <http://www.aarp.org>, - policy and research, member surveys 2002-2004.)
- Home care services are more cost effective than institutional care (an important factor for public funders and insurance companies)
- People receiving home care tend to experience better medical outcomes than those institutionalized. Surveys also suggest that people living in their own homes with the assistance of home care providers report a better quality of life and involvement in the community than institutionalized elders. (AARP website, <http://www.aarp.org>, - policy and research, member surveys 2002-2004.)
- County residents have a higher than state average per capita income and may have the resources to afford private pay services. ([What is the County Median Income and per capita income for your area compared to the state?](#))
- Baby boomers are more willing to pay for services than their parents' generation.
- Baby boomers have fewer children. They are more likely to need paid non-family members to assist them with personal care and household assistance.
- In the home care industry, individual attention, trust and personalized service are all a company has to offer its clients. Those firms which treat their employees with respect provide fair wages and benefits, encourage leadership and development, and value the care given to clients foster employee satisfaction. The very structure of a cooperative promotes job satisfaction, increasing the chance that clients will receive quality services from caregivers.

Threats

- Medicare and state agency reimbursement rates drive the public pay market. Failure of these reimbursement rates to cover the growing costs of service have resulted in the failure of home care agencies or their discontinuation of providing home care services to low income individuals.
- Elderly clients who lived through the depression may resist private pay service costs. Some may balk at the idea of paying someone \$15 an hour to clean their home.
- Continuous marketing and customer recruitment is necessary as clients die or move into institutions.
- Insurance agencies are increasing the already stringent underwriting guidelines of liability insurance for home care agencies. This can result in higher premium rates or even cancellation.
- Competition from other home care agencies.
- The amount paid for workers' compensation may increase over time due to on the job injuries or caregivers seeking medical attention for previously unreported injuries.
- Double digit annual increases in health insurance premiums

Management Summary

Management

The Board of Directors sets policy for the cooperative and oversees the executive director. Cooperative members will annually elect fellow caregivers from within the cooperative, who will serve on the Board of Directors for staggered terms. At present, there is a team of outside development experts providing assistance to the interim board of directors.

The articles of incorporation will be filed with the Wisconsin Department of Financial Institutions. (<http://www.wdfi.org/resources/indexed/site/corporations/form202.pdf>) The cooperative is organized in accordance with Chapter 185 laws in the State of Wisconsin.

Administration

Your Cooperative anticipates an administrative staff as follows:

Title	Description
Executive Director	Represent Your Cooperative to public, marketing, develop community presence, day to day administration and management of cooperative
Services Coordinator	Needs assessments of clients, match to workers, create schedules, maintain client records
Personal Care Services Supervisor (RN)	Visit client homes to assure quality care, provide training, maintain caregiver qualifications records
Billing Clerk	Maintain billing and payroll records, issue payroll, and other general office tasks

The qualifications of the successful Executive Director applicant will include marketing experience, public relations, management, financial oversight, budgeting and good networking abilities. A four year degree in business administration or social services, or equivalent work experience is required. Experience within medical and long term care is preferred. ([Link to position description here](#)).

The executive director will be recruited through job announcements on websites, Job Service, and newspaper announcements. In addition, logical contacts will be asked for leads on potential candidates. A search sub committee will lead the search for executive director.

The additional positions will be filled by the executive director, if timing allows. However if a strong candidate is identified, the Board of Directors may themselves hire any or all of the remaining positions. These positions will require the skills and qualifications necessary to fulfill the job duties, and prior experience in home or health care fields will be preferred.

Member Benefits for Circle of Care Cooperative

Your Cooperative will offer a salary, an array of benefits, a share in profits (patronage refunds), and intangible benefits that are more than what workers typically earn in the personal and home care industry. It is recognized that the cooperative will most likely offer limited benefits during its first year. As membership grows and profits increase, the Board of Directors will make additions to its benefit package according to feasibility and demand. Although final salaries and benefits for worker members will be determined by the Board of Directors at a later date, for the purposes of this plan the following pay and benefit structure was established as a reasonable starting point.

Core Benefits

- ***Salary*** - In the first year of operation, Your Cooperative will pay salaries of \$11.50 for CNA services and \$9.50 for homemaker services. The business plan projects an annual increase in salary as follows. This is an average salary; time with the organization, years' experience, and other qualifications may play a fact in an individual worker member's wage.

Position	Year One	Year Two	Year Three
Personal Health (CNA)	\$11.50	\$11.75	\$12.00
Home Care	\$9.50	\$9.60	\$9.75

- ***Workers compensation*** – a state insurance policy that offers medical and lost wage costs if a worker is injured while on the job.
- ***Unemployment insurance*** – Your Cooperative does not predict the lay off any of its members, but this safety net will be in place.
- ***Patronage Refund***– If, after all financial obligations are met, the cooperative earns a profit, members will receive a patronage refund to members, based on hours of service. The IRS requires at least 20% of the patronage refund be paid in cash to members. The board may increase the cash refund, or elect to retain the remaining portion of the patronage refund in the cooperative. The cooperative issues a 1099 IRS form annual and members must pay taxes on the entire patronage refund (both paid out in cash and retained in the cooperative) in the year earned.

Other Benefits

Results of the survey of potential owner members identified different benefits which are important to them. These are presented below. The order in which they are implemented, and to whom they are offered (part time or full time, or both) will be determined by the Board of Directors.

- ***Time and a half pay for holidays*** – available to members scheduled to work on nine holidays (New Year's Day, Good Friday, Easter Sunday, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas Eve, and Christmas Day).
- ***Shift differential*** – workers who are working evening shifts or Sundays may receive a \$.15/hour adjustment to their salary.

- **Mileage reimbursement** – Travel directly related to client care (grocery shopping, medical visits, etc.) is reimbursed at the IRS guidelines rate
- **Personal days** – employees will accrue paid time for vacations, sick days, etc. at a rate of 1 hour for every 20 hours worked.
- **Health Benefits** – the cooperative will provide a to be determined dollar amount qualifying member toward health insurance costs

(Remember to tie these benefits to the assumptions for the financial projections. Both of these areas need to match!)

Profits of the Cooperative

The Board of Directors will decide how to spend profits in subsequent years. Options include

- Enhanced benefits
- A retirement plan
- Cash patronage refunds in excess of 20% of net margins (profits)

Intangible Benefits

People who choose to work in the home care field often do so to make a difference in the lives of those they serve. Most know they could earn a higher income and encounter less stress and responsibility if they worked in other service, retail, or other business positions. At a very minimum, care workers need and deserve basic health and other benefits as well as a living wage. Many may also be interested in the other less tangible benefits of being a worker owner of a cooperative, such as

- A voice in a democratic process in setting major policy for the cooperative
- Leadership opportunities in determining operation policies for the cooperative
- Open book policies regarding the financial position of the cooperative
- Opportunities for continuing education and to network with fellow caregivers
- Satisfaction in knowing that outside investors are not earning a profit off of one's work or off of the savings of the elderly

Financial Summary

In order for the cooperative to become a reality, a combination of equity and long term financing is needed. Cooperative members will make a cash investment of \$X each, for a total equity position of \$XXX,000. This investment can be made over time through payroll deduction.

Financing Requirements

The cooperative is also requesting a loan amortization over 5 years with North Country Cooperative Development Fund of St. Paul, MN to cover start up costs and working capital needs. The debt would be secured with all business assets, including receivables, and office equipment.

To aid with first year cash flow, the loan could be structured as interest only for the first six months. While these different repayment structures do not affect the profitability of the business, some of the more relaxed terms allow for a larger cash reserve to cover operating expenses, some of which can be unpredictable with a startup operation.

The ability of cooperative members to add benefits as the profitability increases promotes stability of the organization's financial condition as well as encourages worker members to add to the profitability of the business through their daily decisions.

Financial Projections

Financial projections provide a dollar translation of the written business plan. A three year projection of the financial operations of Your Cooperative is presented in the following pages. The following financial projections are based on a number of assumptions. In addition to profit and loss projections, cash flow forecasts and a breakeven analysis are also provided.

Summary of Assumptions

These assumptions were made based on information available and on the goals of the cooperative. In addition, projections were made with a conservative edge in order not to present the best case situation, but rather to present the most likely scenario. That being said, there may be certain policies that change when the cooperative becomes more solidified. Each change will be reviewed as to its affect of the financial operations of the cooperative.

Staffing/pay

Starting workers - X, with a growth of X workers/ month
Evenly spaced between FT (40 hrs) and PT (avg 25 hrs/ week)

Year One Year Two Year Three

Starting wages for CNA= \$avg
Starting wages for homecare = \$avg

There can be a tiered scale to consider experience at hiring time.

The wages above are the average of the scales.
No one will work more than 40 hours/week.

Initially, workforce will be half CNA/half home care. As training opportunities arise, we will increase our CNA services/homecare services ratio by end of yr 3 this will be accomplished by training/advancement and hiring practices.

YR1 YR2 YR3

Client Fees

Year One Year Two Year Three

CNA Care - \$X/hr

Home Care - \$X/hr

In the first analysis. All work is straight pay - no shift differentials, no sick days, no holiday pay. These benefits are addressed in the bonus section below.

Worker/Owner Fees

Member fees are \$X, which are payable over a two year period through payroll deduction.

Assistance with the member fee may also be available through the asset development program, where participants can earn two dollars for investment with every dollar saved.

Other Assumptions

Months 3,6,9 and 12 are 5 week months - higher variable income/costs, steady fixed costs

To start, a contract with county to provide service for those they pay for care for will drive the cooperative and make up the majority of the business. In the future, it is expected there will be a waiting list and anticipated growth of the aging, growth will be limited by the number of worker members (supply) rather than those needing services (demand).

There is a delay in billing -. This is based on experience of Cooperative Care with its Waushara County contract. The Private pay receivable cycle is typically closer to 30 days, but for the purposes of this projection the longer 60 cycle is used for all billings.

For planning purposes, limitations of growth are the availability of qualified worker members.

Mileage is about 1.7 miles per hour of work - 48.5/mile (based on IRS allowance adjustment in effect 9-1-05)

Administration includes

after yr2/7

1 FT Executive Director

1 PT RN - \$X/hr @ 30 hrs/week \$XX

1 FT Services Coordinator (40 hrs/wk@ X/hr

1 PT Bookkeeping/Billing 20 hrs/week @ X/hr

Total annual salary expense

Based on an estimate from a local insurance agent, business liability Insurance premiums are assumed at \$12/1000 in billings.

An initial loan will be borrowed to help with cash flow.

Amount

Rate

Term

Anticipated Start Up Costs

There will be equipment, supplies, and deposits necessary to start operations. These are subject to change but representational of the items needed to begin serving clients.

Computers	\$
Fax Machine	200
Copier	1500
Phone System	2500
Laser Printer	900
Uniforms or badges	4,200
Office supplies	1,000
Medical supplies	1,000
Legal/Bank fees	5,000
Rent Deposit	1,200
Utility connections	500
Insurance premiums	5,000
Workers Compensation Deposit	6,000
Miscellaneous	5,000
Total Estimated Startup	\$