

3rd National Homecare Cooperative Conference

Thursday, November 15, 2018

Morning Welcome and Announcements

Revenue Diversification Strategies for Homecare Cooperatives

- **Introduction:** Angelique Montgomery, Home Care Associates
- **Presented by:**
 - Vasudha Deskikan, Program Director, The ICA Group
 - Nic Miragliuolo, Social Enterprise Consultant, The ICA Group



Revenue Diversification

Opportunities for Home Care Cooperatives

Agenda

1

Industry Context

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Framework

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Top Opportunities

4

Referral Partnerships

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Specialized Care

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Care Management

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Home Health

8

Other Opportunities

Consolidation

Strong M&A
activity

Expansion across
the continuum of
care

VC back Platforms

\$ in VC backed
homecare

No Uberizing
homecare

Policy Changes

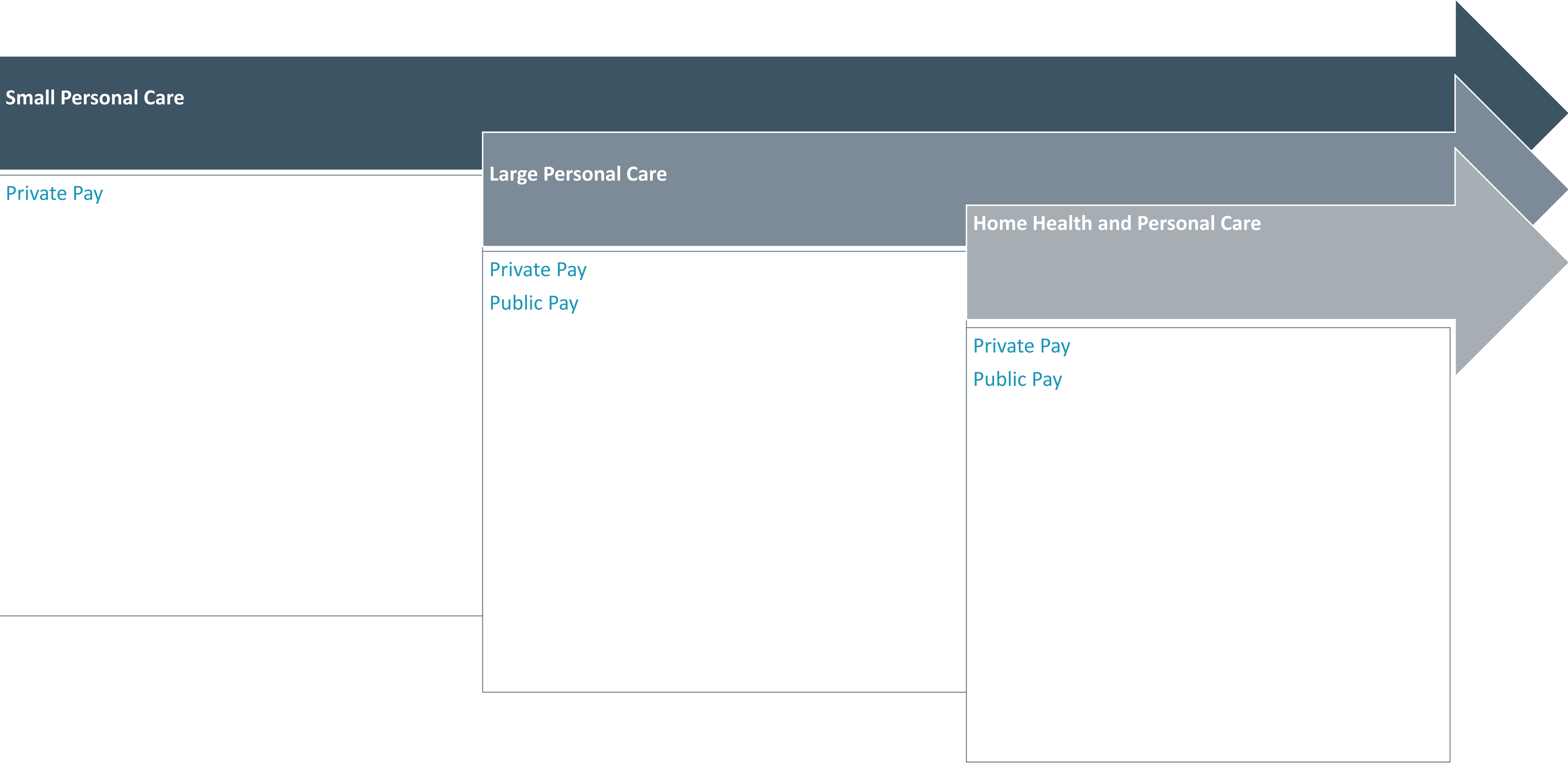
Medicare
Advantage

State based
initiatives

Takeaway

- Incentives support growth and consolidation
- Policy risk in staying in one sector

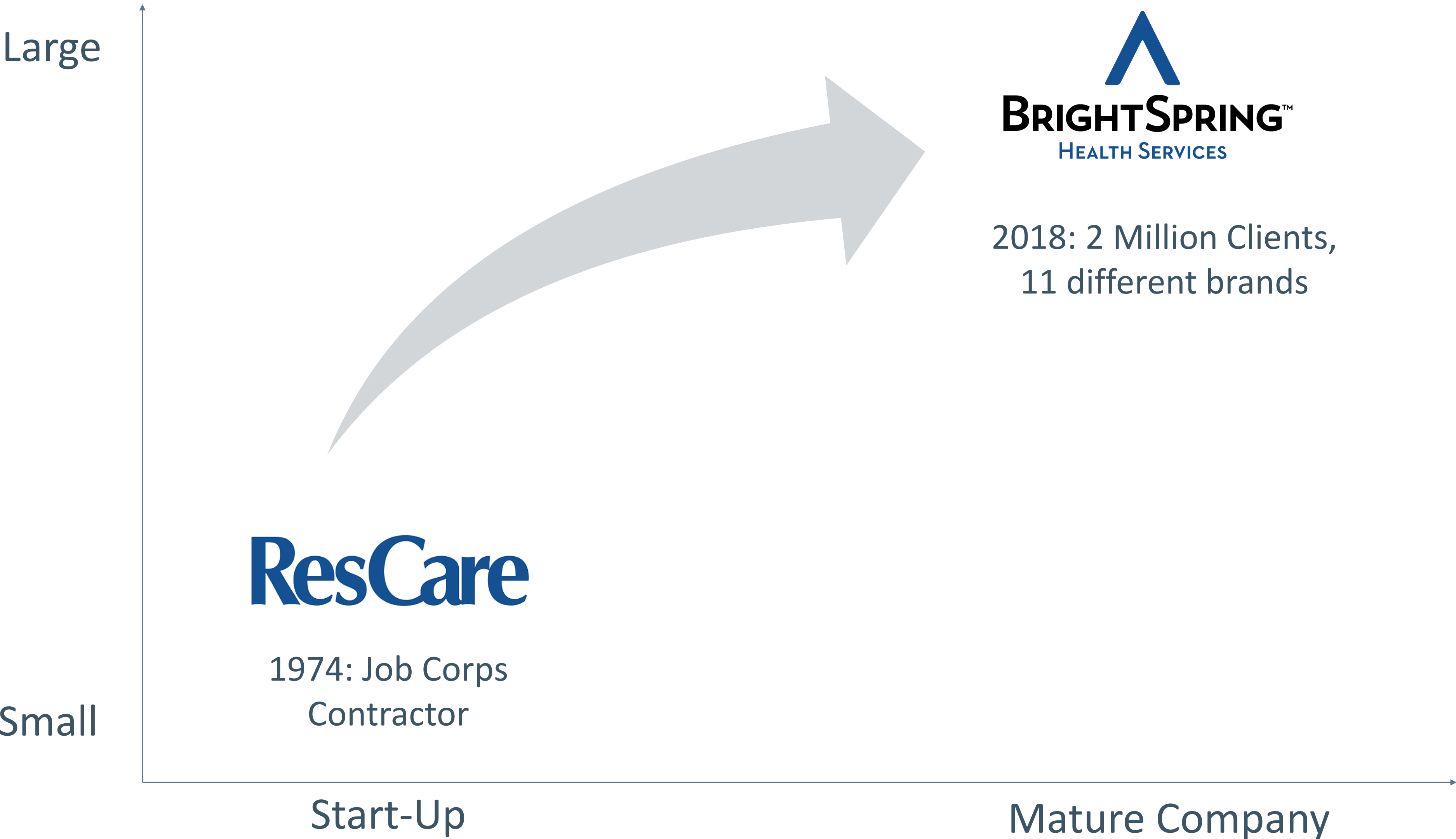
Coop Lifecycle



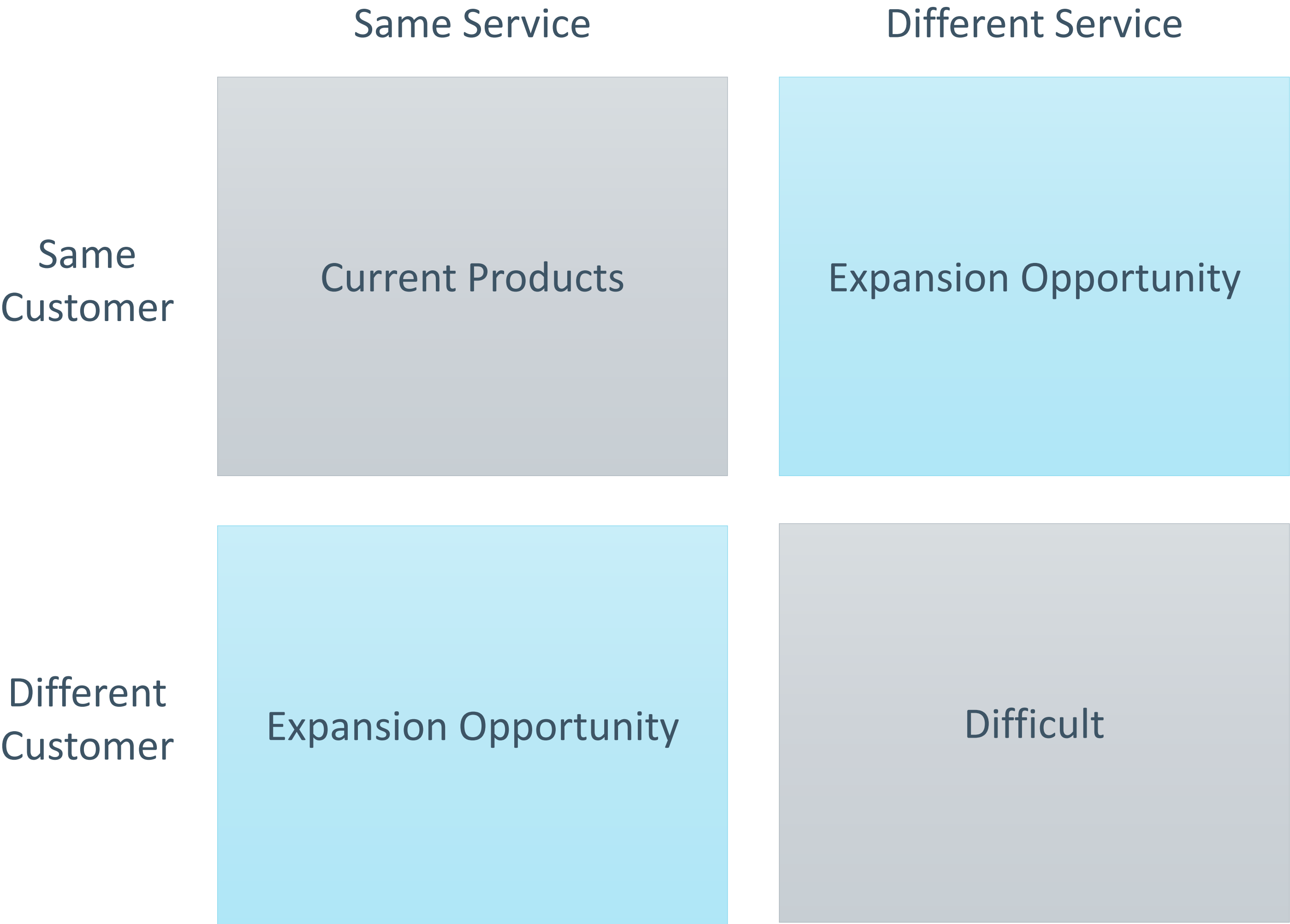
When to Diversify?



Home Care Diversification Example



Revenue Diversification: A Framework



Primary Options

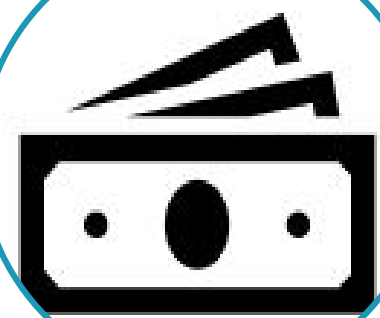
	Same Service	Different Service
Same Customer	Non-Medical Personal Care	Specialized Care Care Coordination Home Health
Different Customer	Referral Partnerships	Home Health

Framing Questions



Demand

- Is there a significant need for this service?



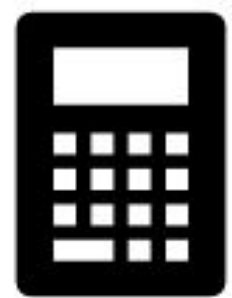
Payers

- Do clients or institutions have the ability and willingness to pay for the service?



Capabilities

- Does the cooperative have the expertise, operational ability and staff capacity to launch this service?



Financial Feasibility

- Is this a financially feasible strategy for the cooperative?



Referral Partnerships

Opportunities for Expanding
Personal Care Services to New
Client Pools

WHY REFERRAL PARTNERSHIPS?

Top 3 Reasons Why Consumers Choose a Home Care Provider

1

Recommended by Family & Friends
(Client Referrals)

2

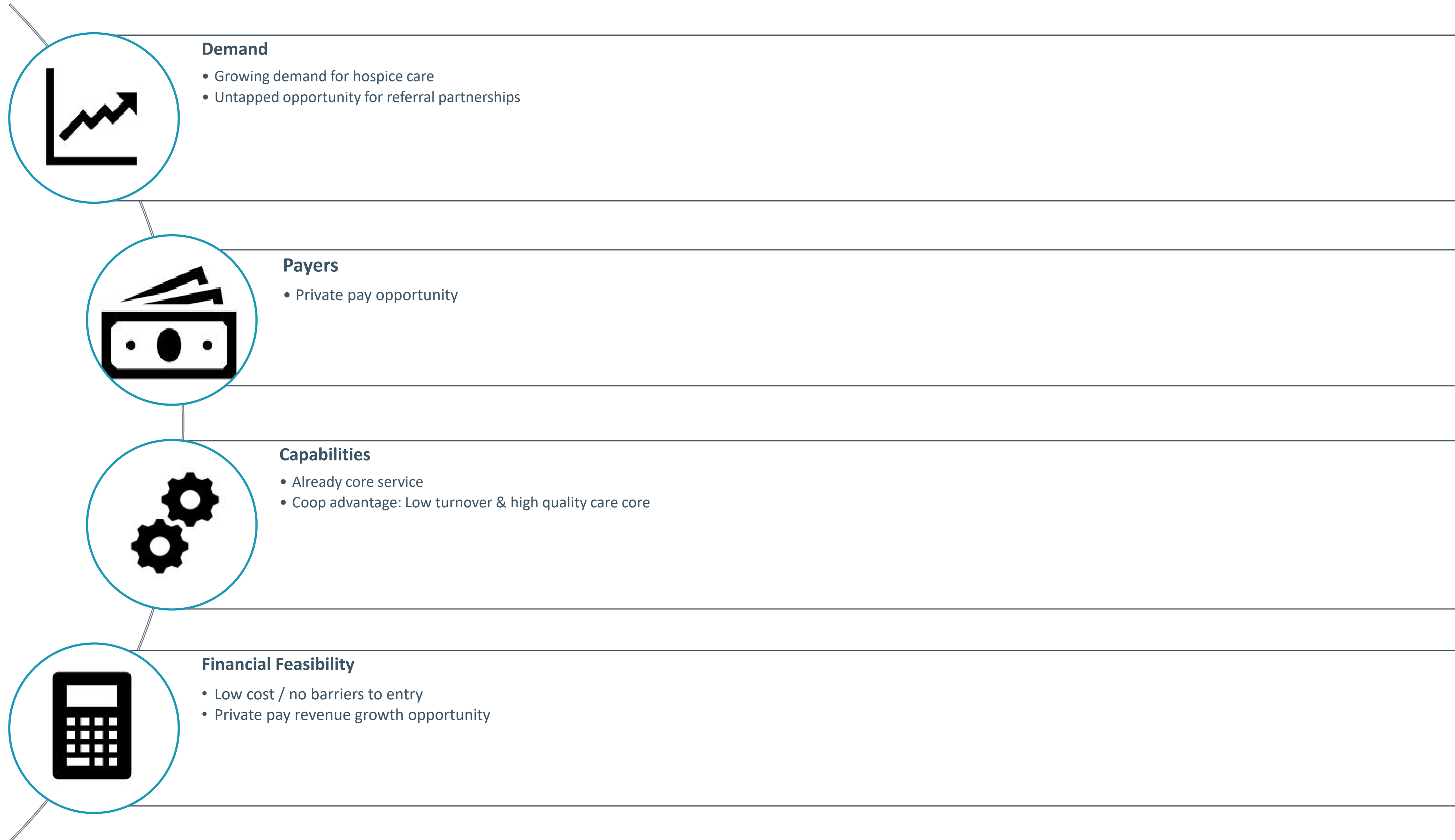
Reputation of Company

3

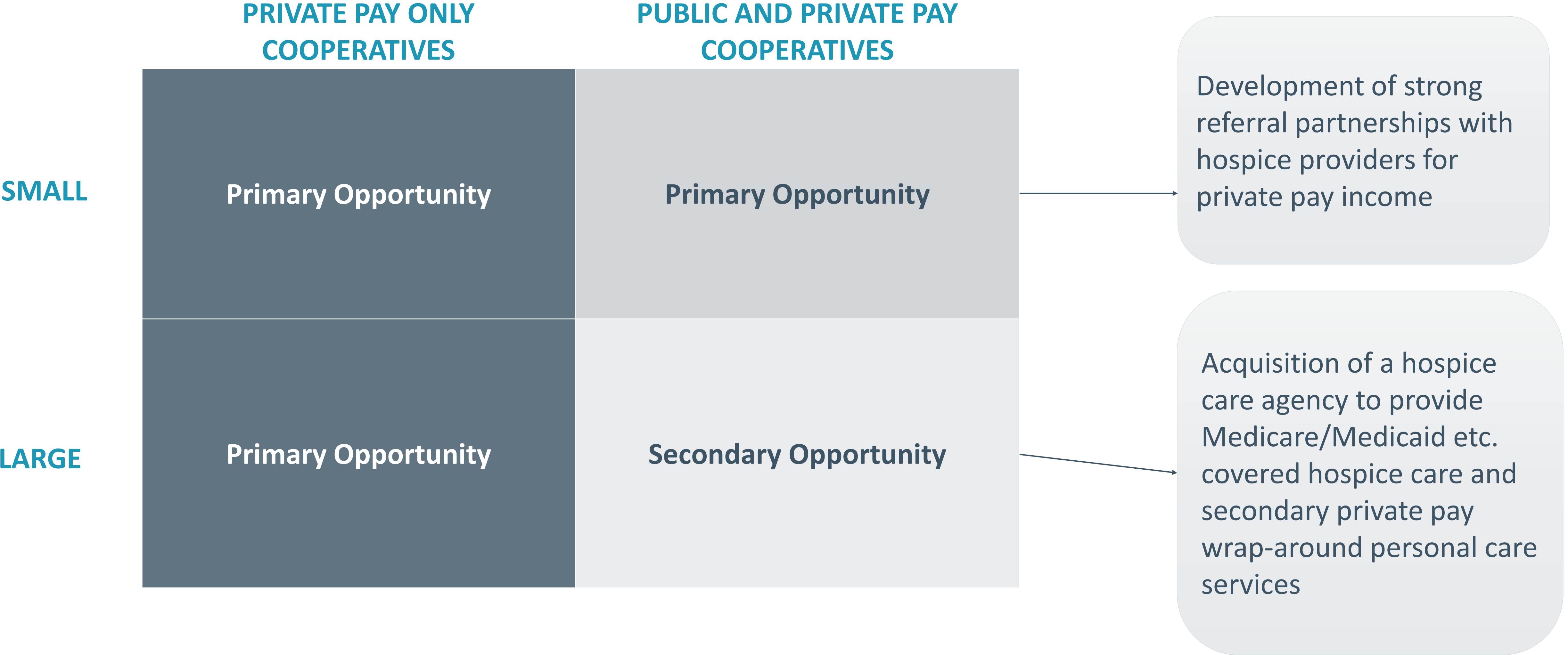
Partner Referrals

- SNFs, ALFs, & Hospice

Example: HOSPICE



HOSPICE OPPORTUNITY



Key Determinants of Success

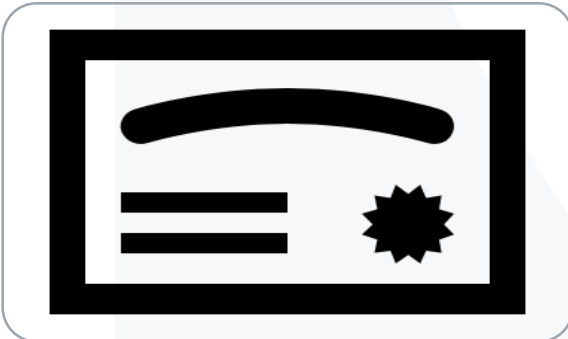
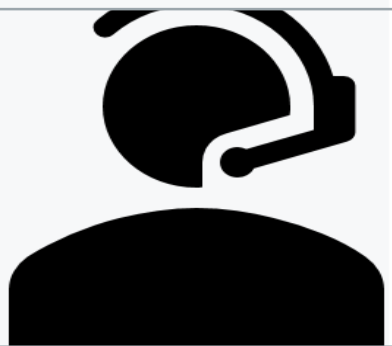
External

- Hospice care agencies in **service area**
- Strong **partnership development** capacity



Internal

- **Staff capacity** to respond to referrals
- **Hospice experience** among caregivers
- **Support systems** for caregivers experiencing grief



Other Referral Opportunities: Assisted Living

Large and Growing Market

- **30,200** Assisted Living Communities
- Over **835,000** seniors

Payers

- Primary Opportunity in private pay
- Asset spend down may lead to public pay

Under-utilized Partner

- **8.8%** of private duty home care agencies rate Assisted Living Facilities as their top-two referral partner

Same Service Different Customer

- No additional training or licensing required

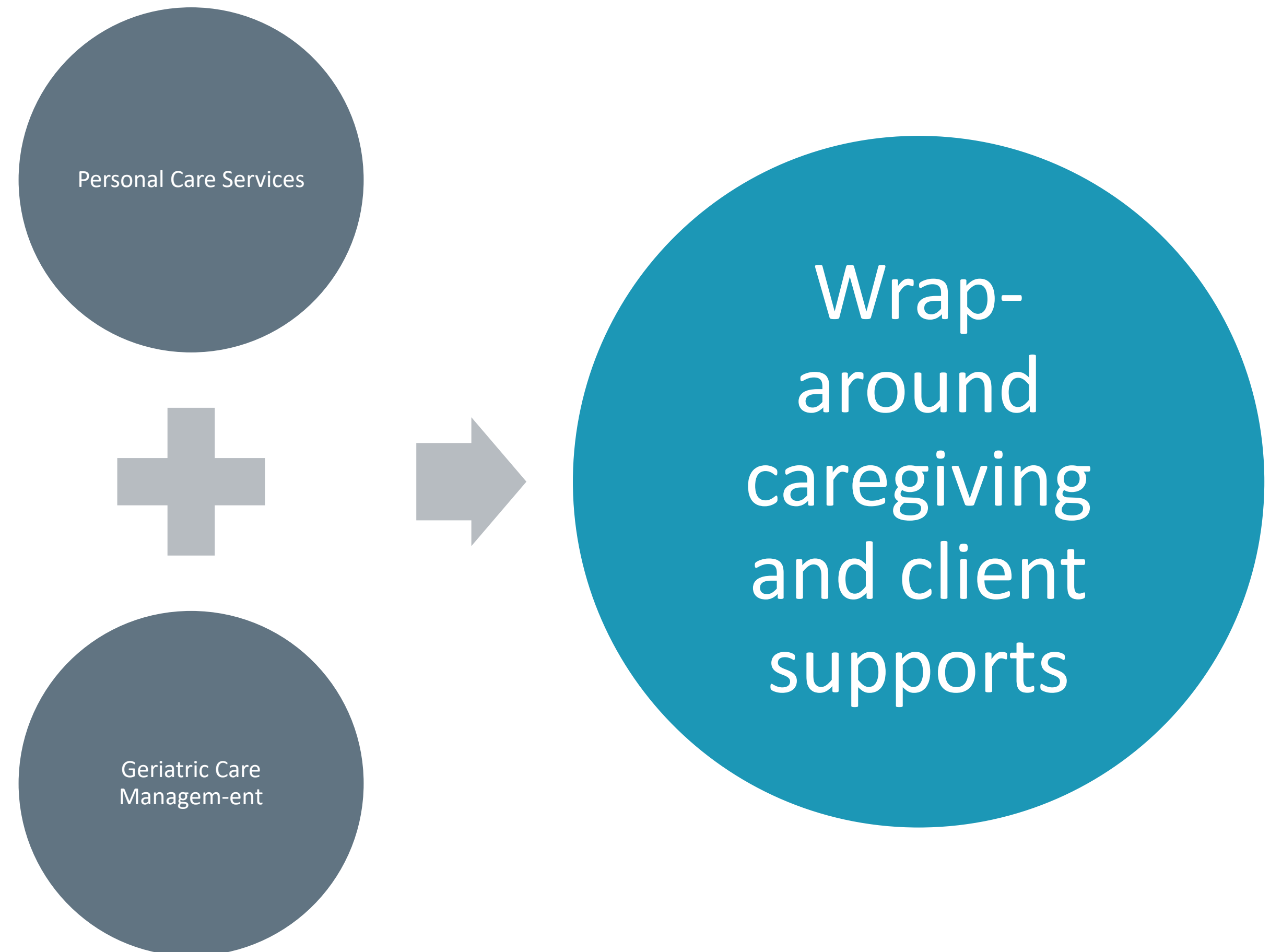


Case Management

Opportunities for Expanding Services to Current Clients

Geriatric Care Managers:

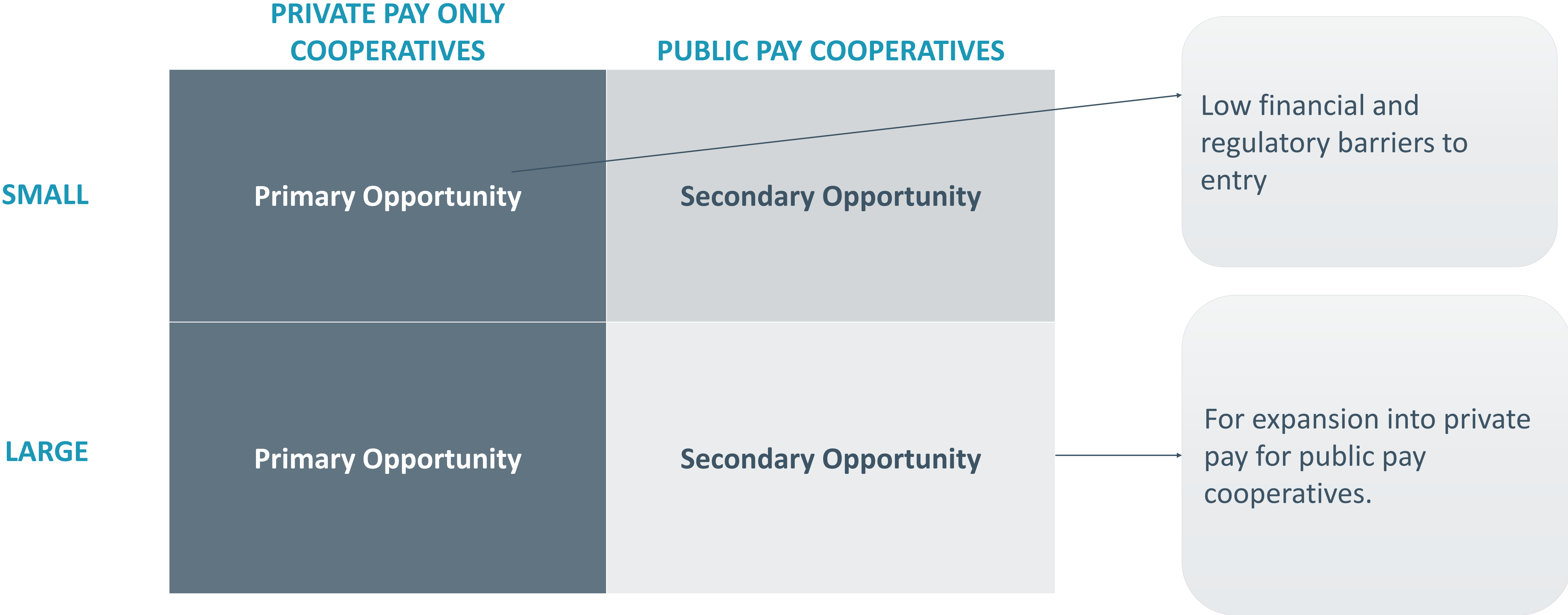
1. Assess client needs
2. Develop & coordinate care plans
3. Monitor and evaluate care quality and client outcomes
4. Advocate for services and supports for clients
5. Geographic barriers for family caregivers



Case Management



CASE MANAGEMENT OPPORTUNITY





Sales and Marketing

- Speed of client acquisition
- Sufficient demand
- Marketing and outreach plan



Hiring

- Hiring a qualified Geriatric Care Manager
- Upfront hiring expenses
- Pay & benefits expectations of qualified GCMS



Specialized Care

Opportunities for Expanding Services to Current Clients

Types of Specialized care

1

Chronic Disease

2

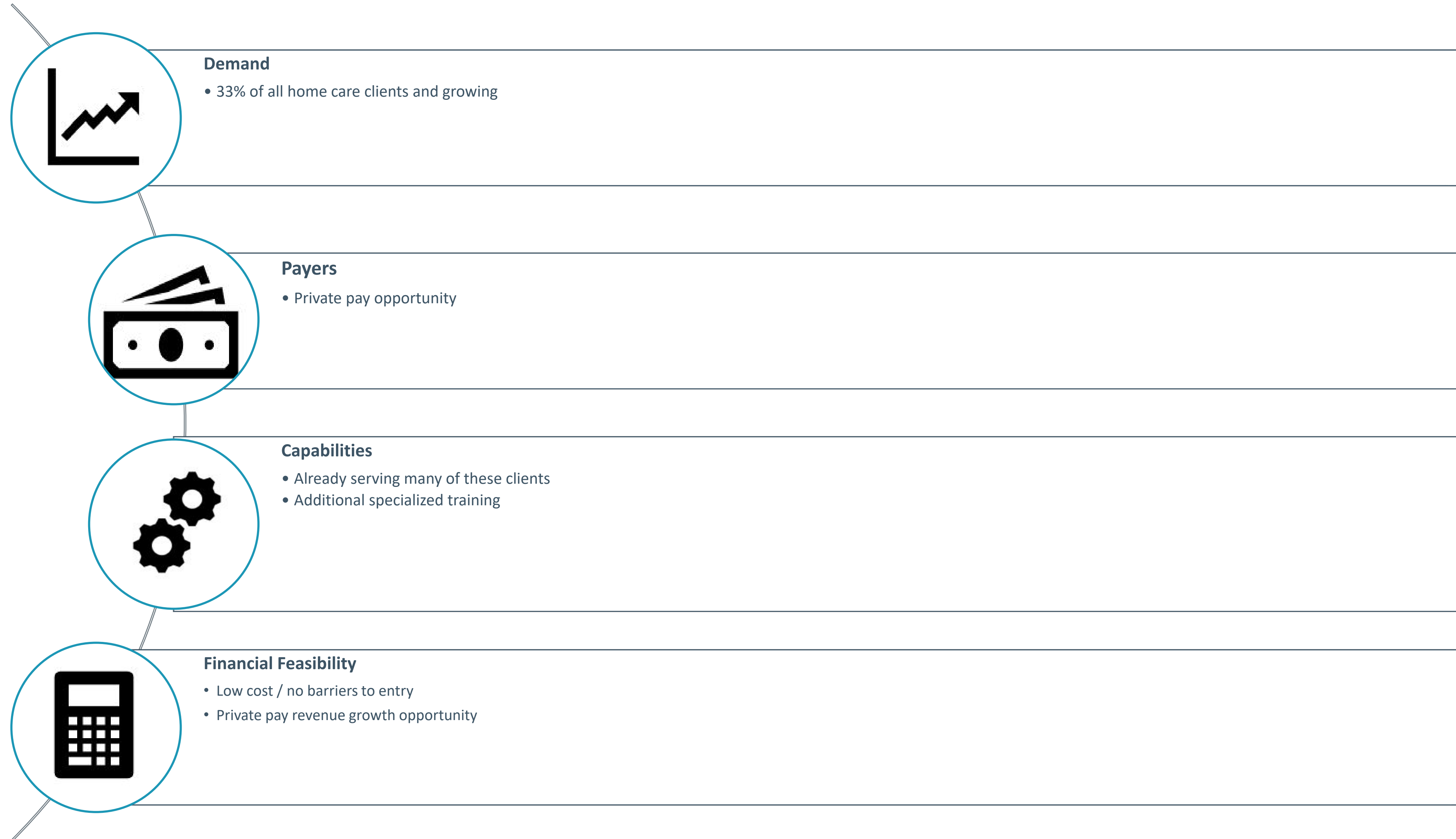
Pediatric

3

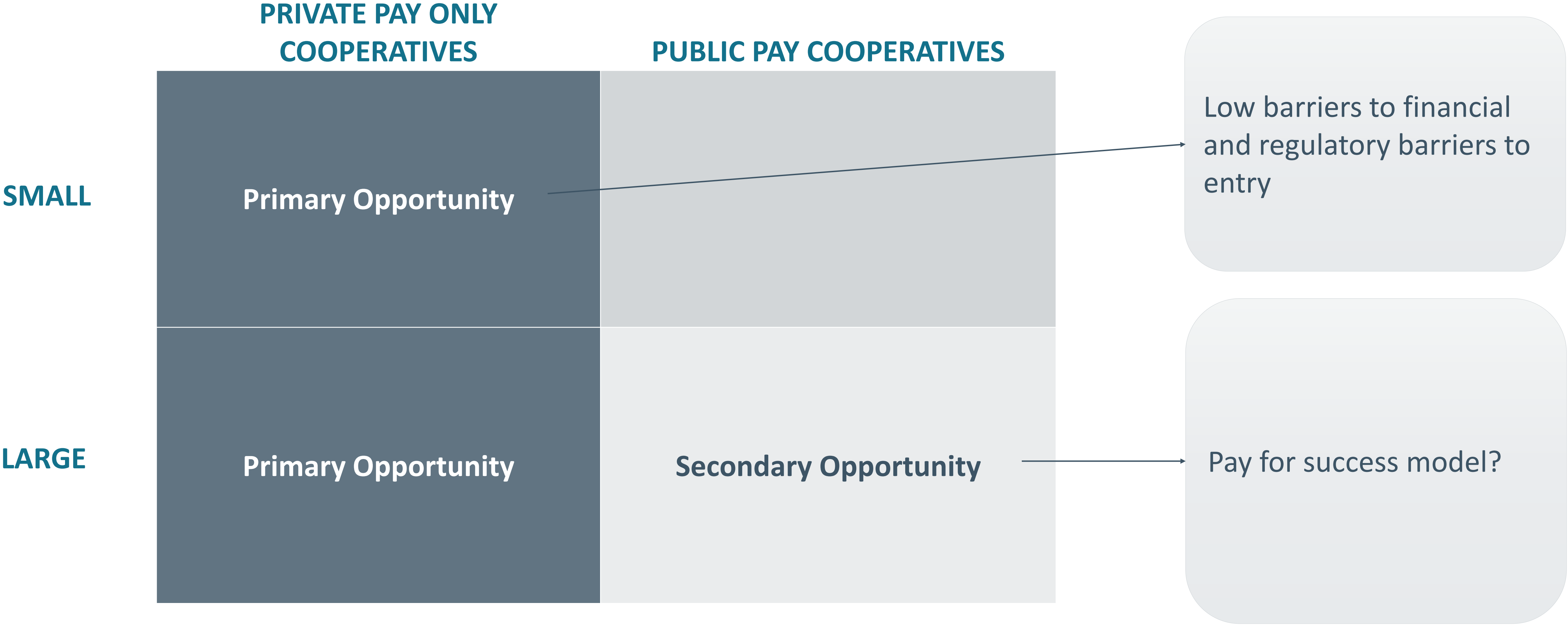
Autism

4

Dementia Care



Dementia Care Opportunity





Execution

- High quality training
- Ongoing supports

Market Differentiation

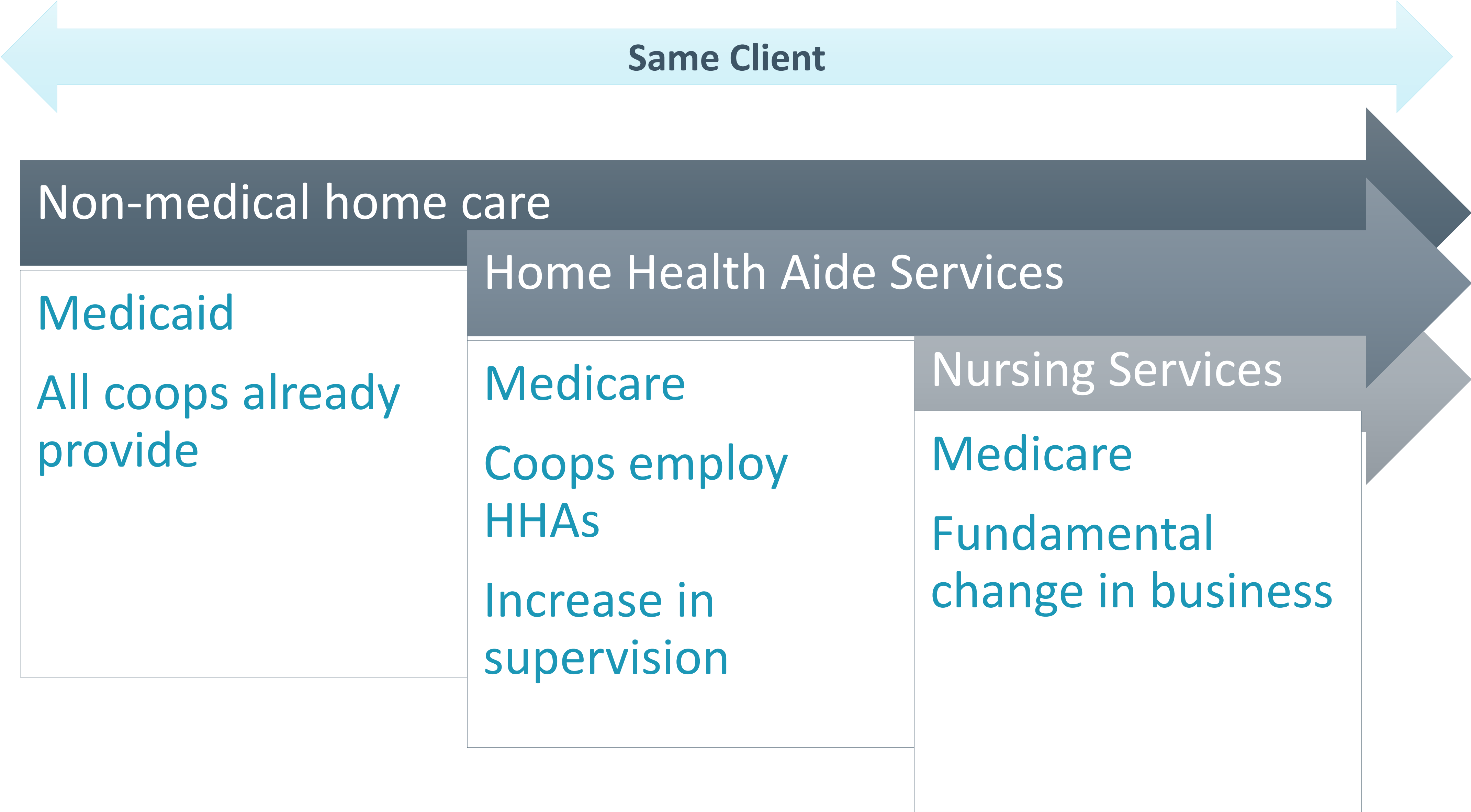
- How are you better than the competition? How are you communicating that to potential clients?





Home Health

Opportunities for Expanding
Services to Current Clients

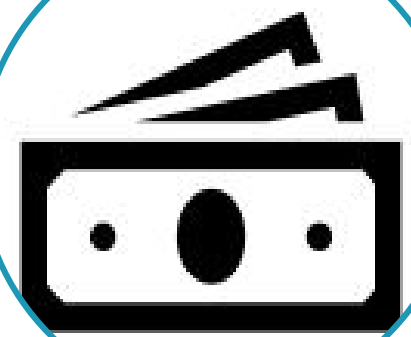


Dementia Care



Demand

- \$90 billion in revenue.
- \$170 billion by 2026



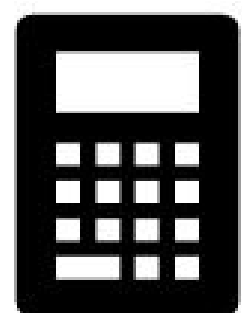
Payers

- Primarily public pay through Medicare



Capabilities

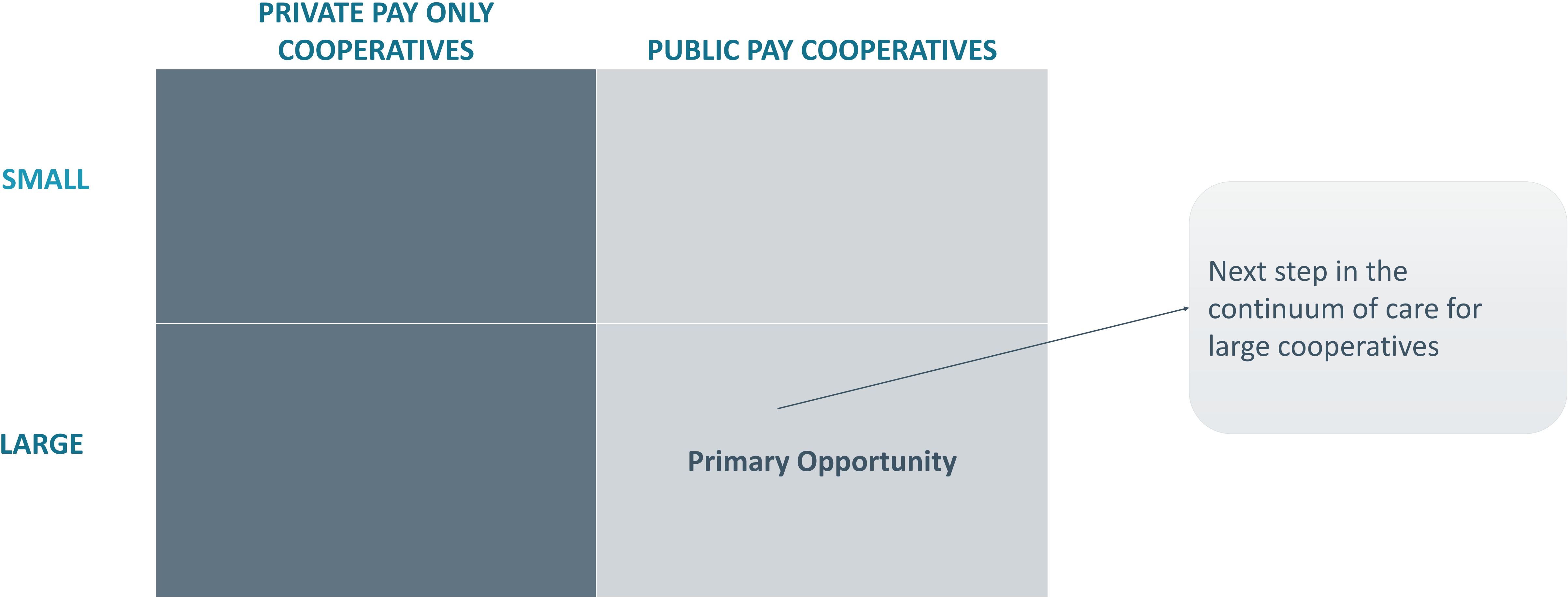
- Nurse supervision & home health aides needed
- State licensing



Financial Feasibility

- Feasible only for largest cooperatives

Home Health Opportunity



Shifting to Public Pay

- Licensing challenges
- Other regulatory requirements

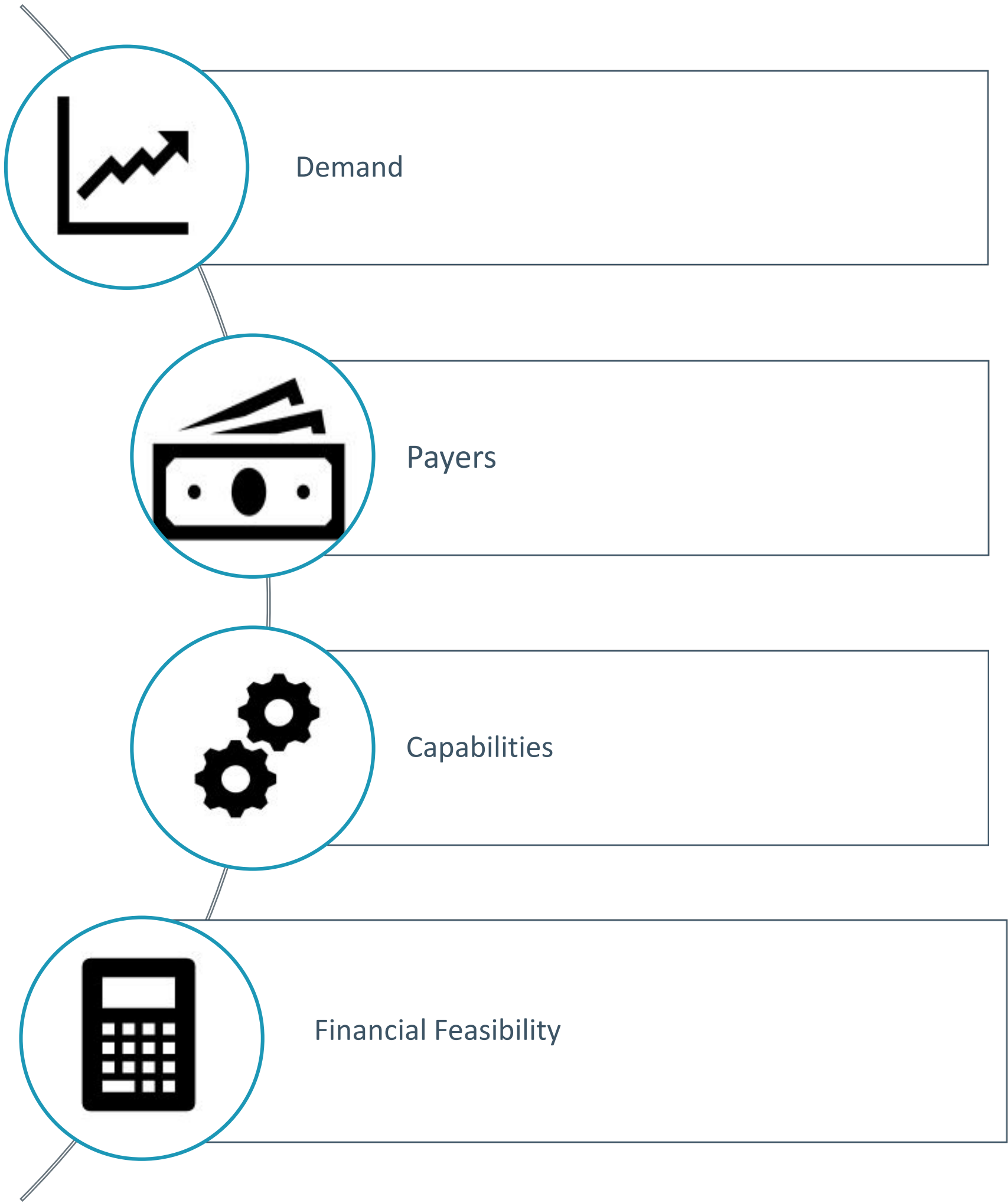
Policy Risk

- Patient-Driven Groupings Model (PDGM)

Client Acquisition

- Capital cushion
- New clients

Recap & Takeaways



	Same Service	Different Service
Same Customer	Non-Medical Personal Care	Specialized Care Care Coordination Home Health
Different Customer	Referral Partnerships	Home Health



Thank You

For more information contact:

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Appendices

Appendix 1: Other Options



Feasible for the Right Cooperative

- Respite Care
- Dual Eligibles



Feasible but Small opportunity

- Home services—Home Modifications and Domestic Work
- Community Health Worker (at this time)



Too Complex or Too Much Capital Needed

- Financial Management Services (FMS)
- TeleMedicine/TeleHealth
- Durable Medical Equipment (DME)



Undetermined

- Opioid Recovery Support
- Home Dialysis

New Revenue from Hospice Referrals	
New Weekly Revenue	\$500
New Monthly Revenue	\$2,167
Gross Margin	\$867
- Client Acquisition Cost	\$(540)
First Month Contribution	\$327
Yearly Contribution*	\$3,920

* Assuming average client tenure is 30 days

Estimated Break-even	
Ongoing Clients Needed	10
Clients Needed with Turnover	14
Monthly Billable Hours	84
Weekly Billable Hours	19

Assumptions:

- *Rate = \$100/hr*
- *Weekly billable hours per client = 2*
- *GCM Salary = \$60K + 30% payroll and benefits*
- *Additional marketing and administrative expenses*

Estimated Break-even	
Ongoing Clients Needed	1-4
Monthly Billable Hours	176
Weekly Billable Hours	40

Assumptions:

- *Margin = \$8.05*
- *Training = \$2,500 for licenses, \$4k-\$12k in training time expense*
- *Additional marketing expense = \$1,200-\$2,500*

Estimated Break-even	
Ongoing Clients Needed	9-18
Monthly Billable Hours	792
Weekly Billable Hours	183
Upfront Capital Needed	\$45,000

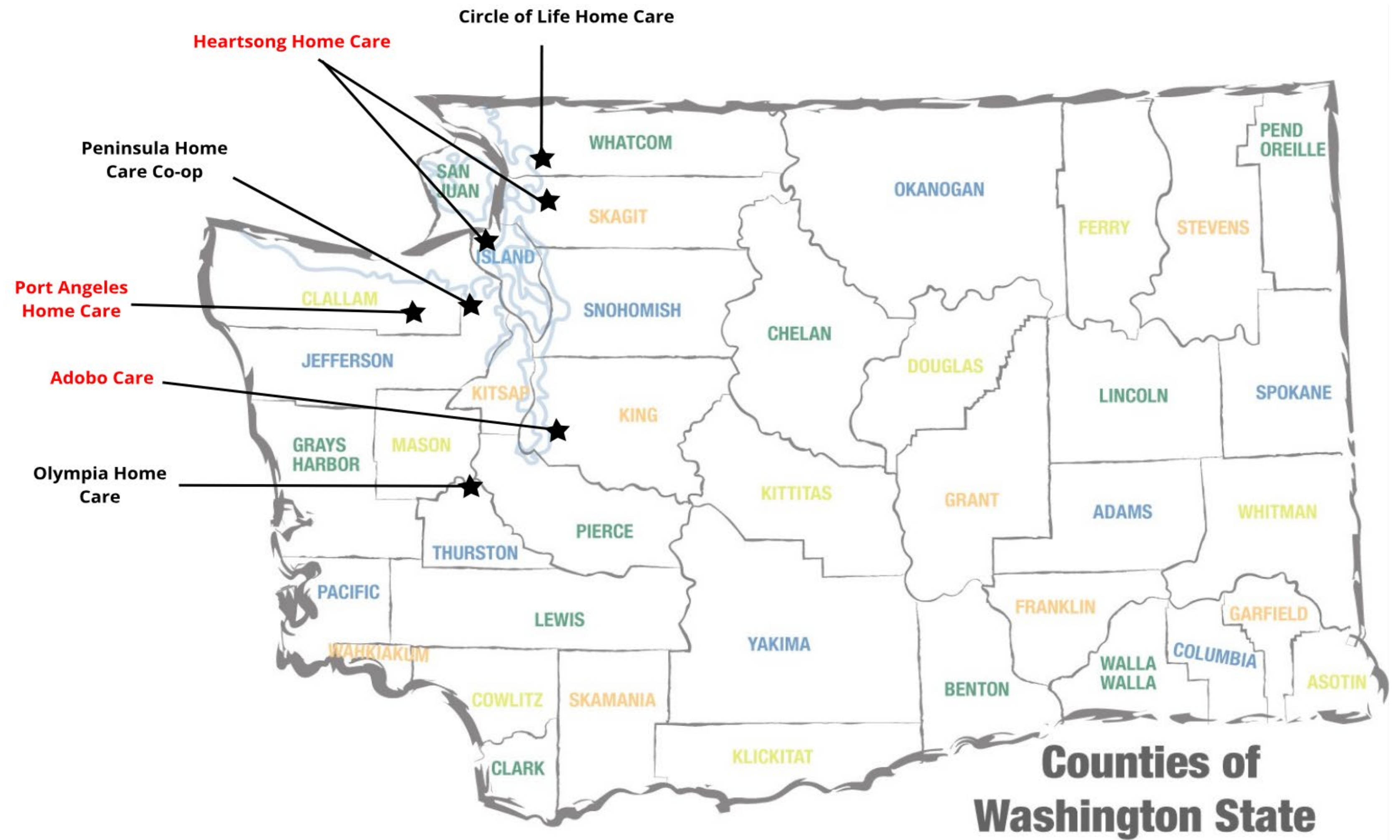
Assumptions:

- *Margin = \$10.75*
- *Full time Supervision = \$70,000 + 30% benefits and fringe*
- *Yearly Compliance costs = \$4,300*
- *HHA hiring expenses = \$3,600*
- *Licensing = \$2,500*

Homecare Cooperative Growth Strategies

- **Introduction:** Eleanora Drews, Circle of Life Cooperative
- **Facilitated Q&A Panel by:** Tim Palmer, Director of Research, Democracy at Work Institute
 - Deborah Craig, Cooperative Development Specialist, Northwest Cooperative Development Center (NWCDC)
 - David Hammer, Executive Director, The ICA Group
 - Leslie Mead, Executive Director, Cooperative Development Foundation

Washington State Home Care Co-ops



NWCDC Home Care Development Goals for 2019

1. Strengthen the operational home care co-ops in Washington state.

- NWCDC is working with each of the operational co-ops
- Home Care Co-op Board workshop

2. Development of three new WA home care co-ops

- Heartsong
- Adobo Care
- Olympic

3. Research and Relationship Building in Eastern Washington

- Market research
- Community meetings to assess interest
- Initiate meetings with local economic developers and eldercare professionals

Island County

Population: 84 k

23.8% over 65 yrs old

No skilled nursing facility, only one home care agency located on island.

Home care workers are mostly independent caregivers.



San Juan County

Population 16,700

32.7% over age of 65

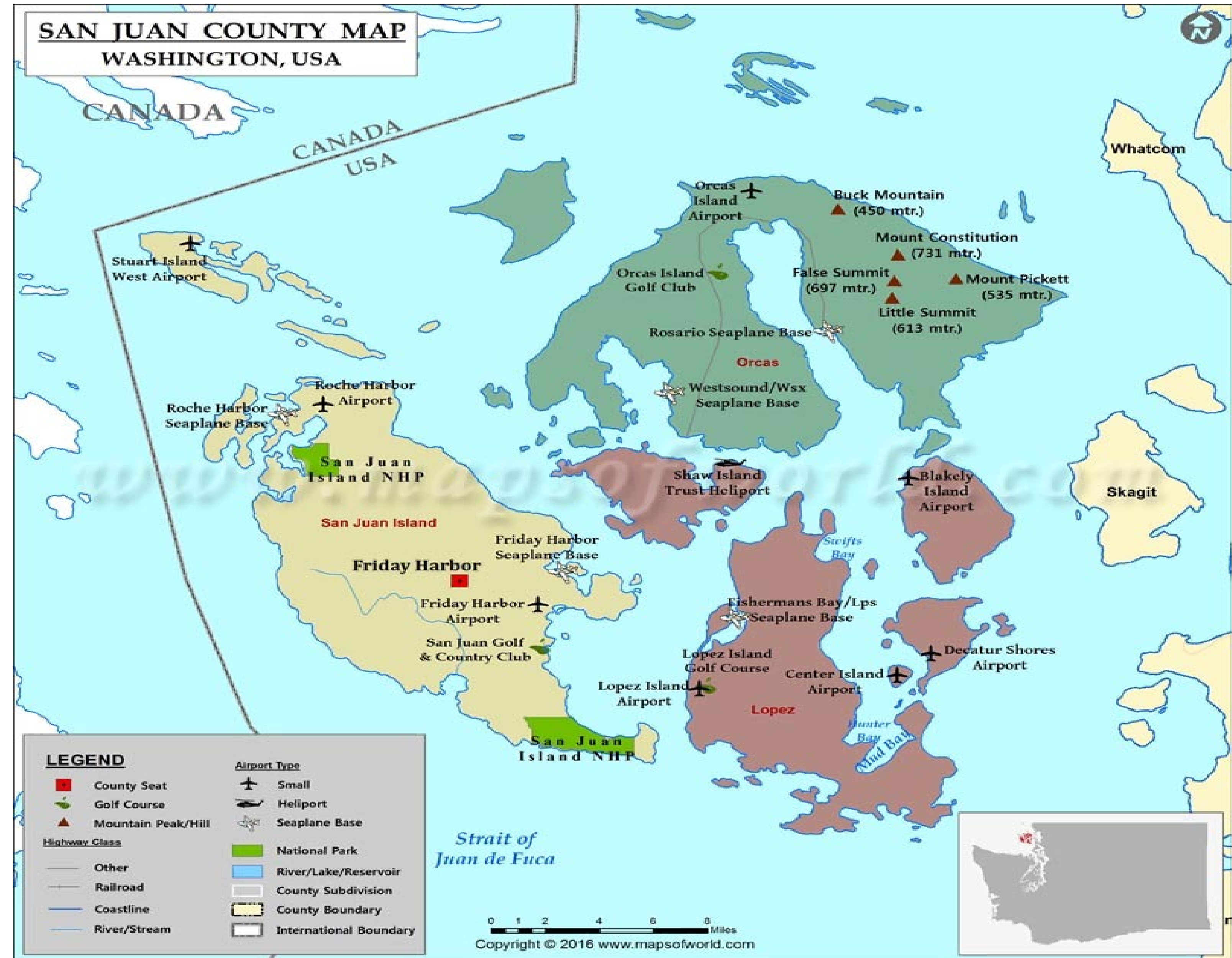
Lopez – 2,117

Orcas – 4,453

San Juan – 9,000

No skilled nursing facilities,
limited assisted living, no
home care agencies.

By 2013, more than ½ of
this counties population
will be over 65.





Scale Opportunities: Cooperative Conversion & Shared Services

What is a Cooperative Conversion?

When a Traditionally owned company is sold to the workers

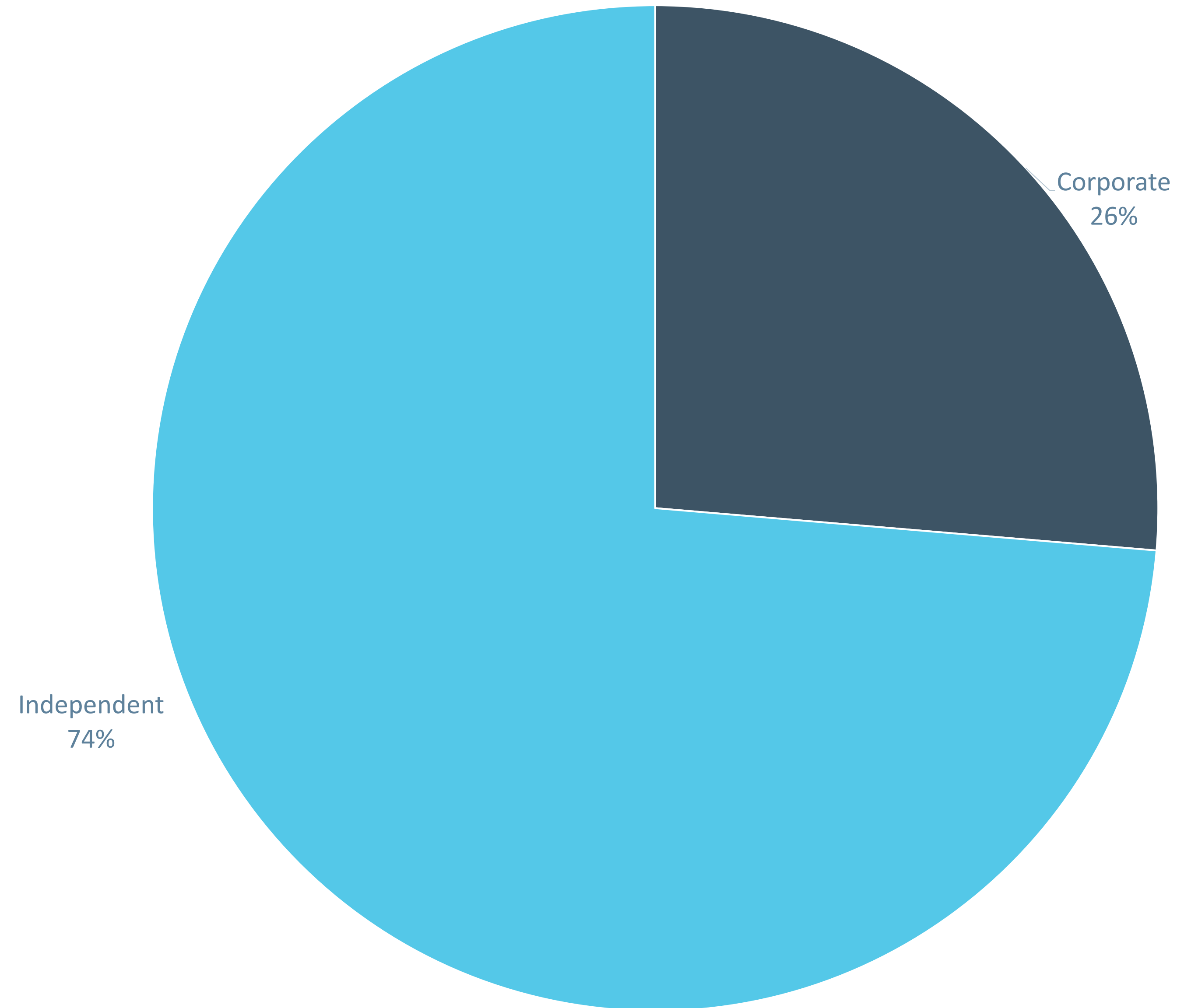
Positives

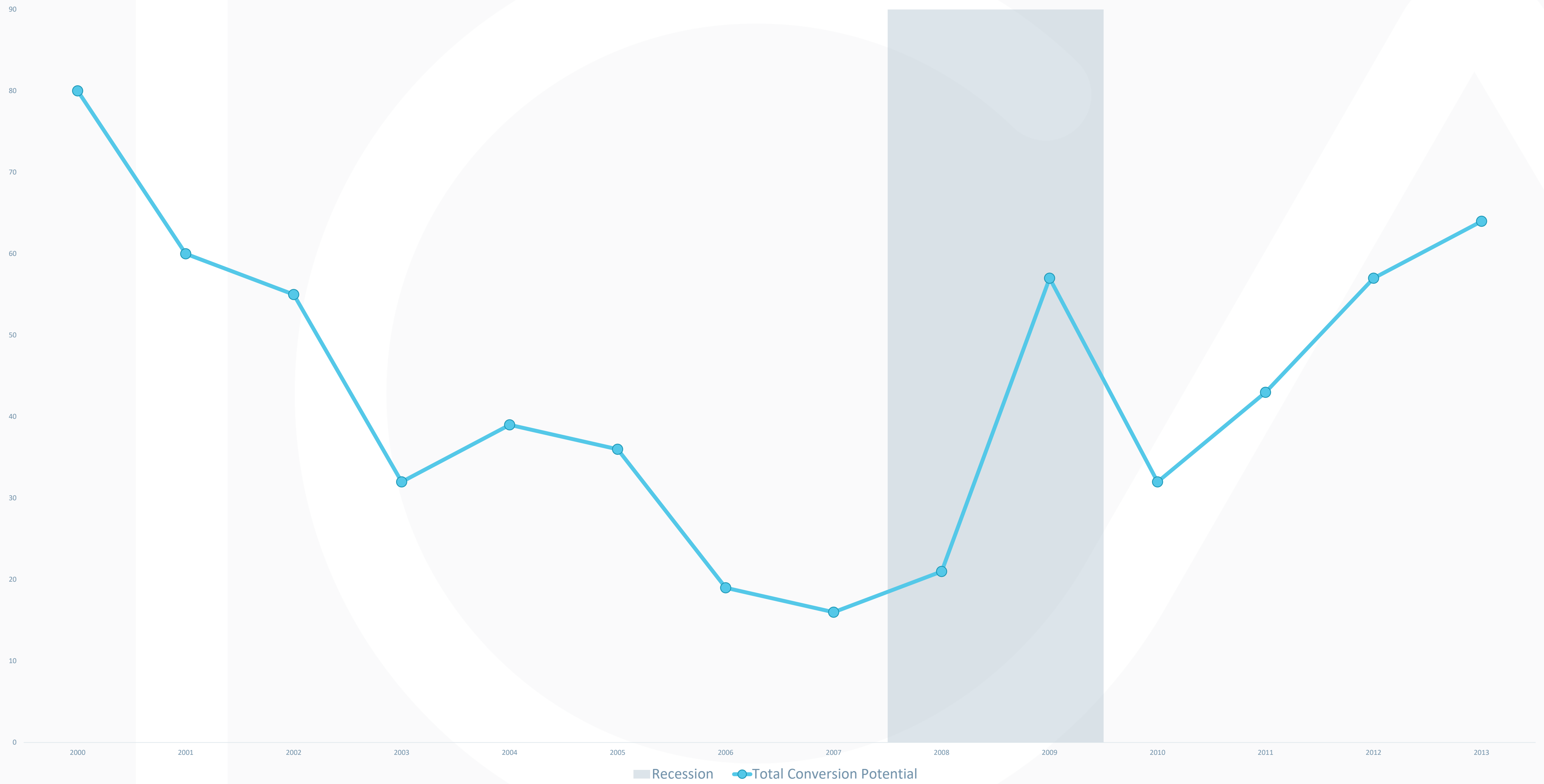
- Avoids startup challenges
- Starts coop with leadership and caregivers in place
- Often less difficult to secure financing
- A path to enter the public pay (Medicaid) market
- A path to getting to scale at a faster pace

Challenges

- Need to ID willing seller
- Existing leadership alignment
- What is the value of a home care company?

Corporate Structure of Home Care Firms (20 to 100 employees)







Shared Services

What do we
mean by shared
services?



What can we do together that we can't do alone?



We can buy together

- Workers compensation insurance
- Health insurance
- Payroll services
- Software
- Consulting
- Marketing

We can Learn together

- Peer support
- Training certification
- Specialized training
- Financial benchmarking
- Operational benchmarking

We can problem solve together

- Recruitment & Retention
- Expansion support
- Training support
- Joint political activity
- Revenue Diversification

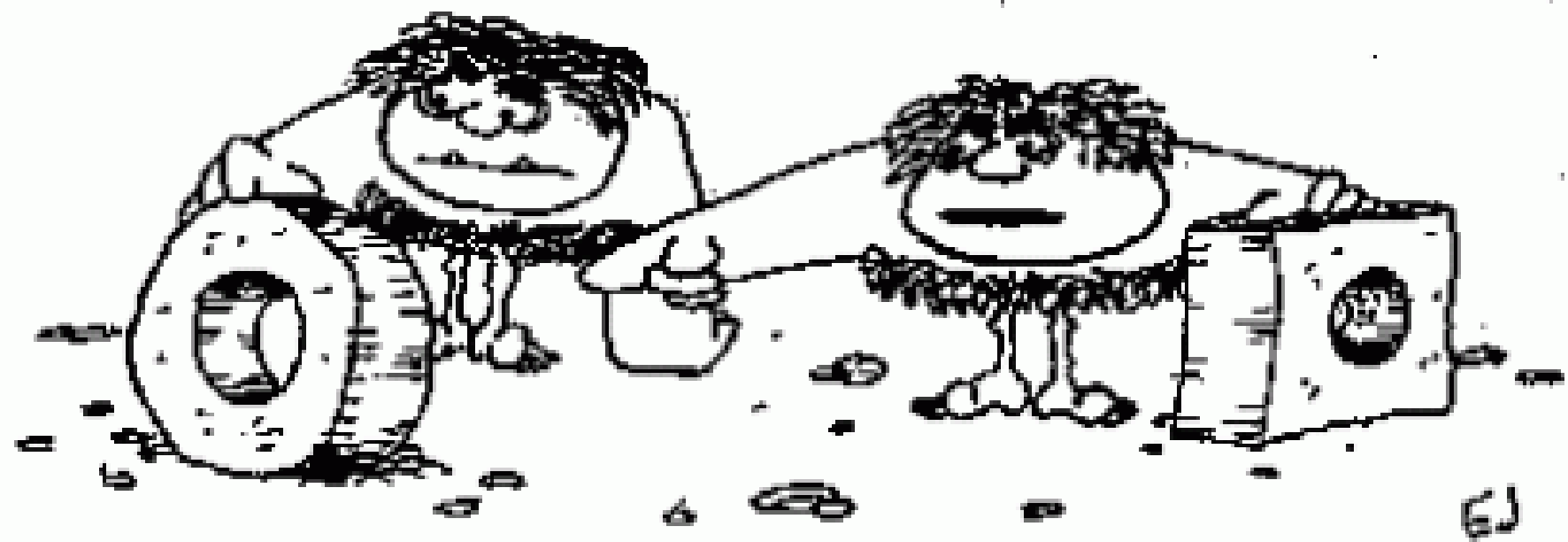


Building a Homecare Cooperative Eco-system



Homecare
Cooperative
Development
has Occurred in
Relative
Isolation.





...And I have found this one works a lot better

Resources and Networks for Existing and Developing Cooperatives

Seniors.coop



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2018 HOMECARE CONFERENCE

Homecare worker cooperative members and developers are invited to take part in the third annual National Homecare Cooperative Conference on **November 12-15, 2018** in Dulles,



HOMECARE CO-OP PODCASTS

A series of educational podcasts on homecare cooperatives was developed in October 2016 by the University of Wisconsin Center for Cooperatives in collaboration with the Cooperative



RESOURCES

Additional resources for homecare workers and developers.
[Click here to access resources.](#)



Seize Opportunity for Growth



Co-op Eco-system Models



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Advantages

If you live in a commercially owned community, your home – probably your largest asset – sits on someone else's land. We think of that as half the American Dream.

Learn More

The Process

ROC USA® helps resident groups in for-sale communities come together and purchase their neighborhoods. We work with a network of nine regional affiliates called Certified Technical Assistance Providers who, in turn work closely with community Boards of Directors.

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Financing

You can't set out to help residents purchase their communities without providing the financial means to do so. That's why ROC USA® established Resident Ownership Capital, LLC (or "ROC USA® Capital"), whose mission is lending to Resident-Owned Communities.

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Stories & Testimonials

Hear great stories from ROCs, including the people who live there and those who gave their longtime customers the chance to buy their community.

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Get Started

You've learned how the process works, now take the next step toward becoming not just a homeowner, but a property owner, too.

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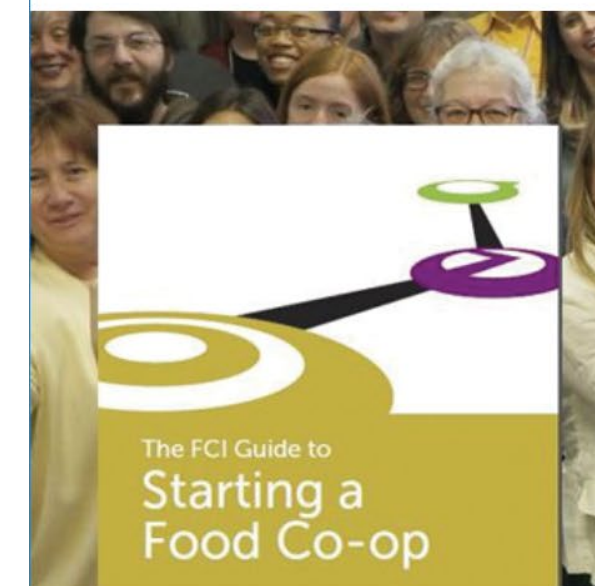
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The FCI Guide to Starting a Food Co-op
The best starting point, available for free download.



Our 4 in 3 Development Model
Great co-ops use this model to launch.



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Meet the 2018 Startup of the Year!
Sugar Beet Food Co-op! Read about their journey...



Basic Components of a Successful Homecare Eco-system

- Skills & Capacity
- Financing
- Technical Assistance
- Cooperative Developers
- Business Support





Resources and Networks for Existing and Developing Cooperatives

15 Minute Break



Creative Start-up Funding Strategies

- **Introduction:** Georgia Allen, Soaring Independent Cooperative
- **Facilitated by:** Annelies Lottman, Program Coordinator for Central Texas, Texas Rural Cooperative Center, University of Texas Rio Grande Valley
 - Kippi Waters, Administrator, Peninsula Home Care Cooperative
 - Margaret Bau, Cooperative Development Specialist, Rural Development USDA—Representing Cooperative Care
 - Nora Edge, Administrator, Capital Home Care Cooperative
 - Dana Howarth, Administrator, Heart is Home Cooperative Care

Homecare Financing

- **Introduction:** Raea Stika, Peninsula Homecare Cooperative
- **Facilitated Panel by:** Margaret Lund, Principal, Co-Opera Co.
 - Brenda Pfahnl, Director of Programs & Senior Loan Officer, Shared Capital Cooperative
 - Debra Schultz, Finance Manager, Cooperative Care
 - Alison Powers, Program Officer, Capital Impact Partners

Homecare Financing, Needs & Opportunities: *Results of a feasibility analysis*

*Margaret Lund, Co-opera Co
National Homecare Conference
November 15, 2018*

Background to the study . . .

- There are only 13 homecare co-ops
- But that is 4 times as many as five years ago
- **Cooperatives are the vehicle for bringing quality care and quality jobs together**
- If we want to impact the industry, we need a lot more than that
- All have experienced difficulties in locating financing, to one degree or another
- Financing is key to running a business
- What can be done?

Key Questions:

- *“What would it take to make it easier for worker-owned homecare cooperatives to launch and grow?” and*
 - *“Are there key ways to work together on a national sectoral level to limit risk and expand opportunity in the sector?”*
-

What do Co-ops Need?

- Start-up funds ..

But also . . .

- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which have banks provided?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which have CDFIs provided?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which don't currently exist?

- Start-up funds ..
- Lines of credit
- Working capital term loans for expansion
- Company credit cards
- Conversion loans
- Equipment and technology loans
- Loans to facilitate small scale lending to members

Which don't currently exist as we want them to be?

- **Start-up funds ..**
 - **Lines of credit**
 - **Working capital term loans for expansion**
 - **Company credit cards**
 - **Conversion loans**
 - **Equipment and technology loans**
 - **Loans to facilitate small scale lending to members**
-

So What's the Problem?

- Lack of collateral without personal guarantees
- Owners don't have deep pockets
- Lots of elements are not in our control

But also

- Lack of understanding of cooperative model
- Lack of respect for caregivers as business owners
- Lack of confidence
- Need for more finance-specific technical assistance for co-op members

What are the risks of inaction?

- Fewer co-ops started
- Members continue to be put at personal risk guaranteeing loans & credit cards
- Bank lines of credit vanish in the next downturn
- Existing CDFIs reach their capacity for risk in this sector
- More preventable “failures”
- Continuing problems with staff burnout and quality of care in the industry

Another observation . . .

- Success so far has relied a great deal on local “community” –
- Can we build that community for ourselves?

Ideas for a new financing approach . .

- Start a new loan fund to augment existing CDFIs
- Enable developers who have capacity and interest to become start-up lenders
- Work with larger financial co-ops to offer credit cards
- Work with larger financial co-ops to back a national facility for lines of credit
- Develop a program to enable co-ops who want to to have a member loan program
- Coordinate technical assistance and other resources as much as possible
- Take a coordinated approach -- not all products will be profitable, but all will be useful and respectful

What needs to be different?

- Recognition that financing is a necessary, but not sufficient element for expansion of the cooperative homecare model
- Caregivers need to have a specific role in product development, strategy & application
- Technical assistance—business and governance in particular—is crucial to success
- Technical assistance needs to be delivered in a way that builds long-term capacity for members and co-ops

But What about Risk?

How do you lend to a low-margin, unpredictable, uncollateralized sector managed collectively by groups of people who may have little if any business training or governance experience?

- You take a new approach

What They Need, not What You Can Do

There are a lot of hidden costs in the old way of risk mitigation . . .

- Mitigate risk based on:
 - Building skills and tools – *finance, recruitment*
 - Financial controls
 - Respect, trust and transparency
 - Coordinated national resources
- Let local co-ops spend more time on marketing and recruitment

The cost of taking a tepid approach is about the same as taking a comprehensive and visionary one . . .

Are there examples? Sort of . . .

- CoBank, ROCUSA – sector-specific co-op financing
- Arctic Cooperatives Ltd in Canada – collectively provide development financing for “hard to lend to” group of co-ops
- Quebec, Italy, Spain, cooperative movement provides more supportive and less asset-based lending for developing sectors
- US CDFI movement has shown that many communities can successfully create their own financing vehicles for social objectives

Discussion
