

FEASIBILITY STUDY
FOR AN
EMPLOYEE OWNED COMPANY...
TO DELIVER HEALTH CARE SERVICES TO SENIORS
IN (NORTH) HARTFORD, CONNECTICUT

BY

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THESIS

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PROJECT ABSTRACT

This feasibility study was instituted in April 1997, after the author was in the Community Economic Development - Masters Program, at New Hampshire College for nine months, beginning in September 1996.

This change from the original topic was instituted after prodding from the project advisor Mr. Woullard Lett, coupled with the buildup of class information, which showed that additional work was needed to secure greater community input and a more detailed analysis of ' need and market '.

The goal of this study was to determine whether or not it was feasible to setup such a business in (North) Hartford. The central outcome of the study was, that those involved should go on immediately to the next step, that of putting together a full blown business plan.

I have two desires for this paper:

- 1.** That it directs others to work closer and earlier with their respective advisors, in order that valuable time is not lost, in really coming to grips with the task of delivering a product that not only receives an above average grade, but also really contributes something significant to the many needs that exist in our communities.
- 2.** That it kindles a spark in at least one reader in the future, to take this idea to the next level of implementation. This is applicable in most urban areas of the country, where the elderly population is increasing at a rate faster than the country as a whole.

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EXECUTIVE SUMMARY

There are five major considerations in determining the feasibility of the North Hartford Seniors Employee Owned Business, which is in the Health Care Sector.

1. Is there a market for this service?

The surveys and discussions held over the past eight months, have shown unequivocally, that a need and a market exists, for basic home care, basic health screening tests and approved health delivery services, among the senior population in Hartford. Of the 1,200 surveys done by telephone, face-to-face and document retrieval, an overwhelming majority answered yes, to the need for overall service delivery, in the following areas:

	<u>Yes</u>	<u>%</u>	<u>No</u>	<u>%</u>	<u>Don't Know</u>
Need For Home Care	80		5		15
Health Care Screening	90		-		10
Home Health Care Delivery	95		5		-

2. Are there adequate numbers of trained personnel available in the community, to man this business?

Yes. Our interviews with perspective employees and area medical institution administrators, confirm that there exists an ideal pool of highly qualified and culturally matched individuals for this business.

3. Do other agencies in the area that deliver similar services, pose a threat?

Yes. There are two agencies that currently serve the target population. Presently, neither makes a committed effort to cover the needs of the area seniors properly. However, the study highlights that, both of these agencies have

the ability (size and money) to be significant players , should they choose to do so.

4. Is there an appropriate physical location presently available for this business?

Yes. Presently under active implementation, is a “Super Senior Center” for the North Hartford area of Hartford. This location meets the needs for this business, as determined by the planning group, that worked on this study. The facility will allow for easy overall access, access to associated activities for seniors, proximity to advanced medical services and elevator service within the building.

5. Can this operation once launched, be profitable? How profitable?

The cost analyses that were done show clearly that in the first year of operation, the business can readily net between 4% and 5% profit (before taxes and distribution), going up to between 6% and 7% by the third year.

Though not listed as a major consideration, the planning group recognized the political nature of decision making in Hartford. It considered if and how likely problems can be strategically determined, evaluated and eliminated , before being allowed to stifle the project.

The judgment about best time to launch was right now, since:

- **The population of seniors in the area is enough to support the business, and growing between 4% and 6% annually.**
- **There are no indications that the potential competition has any current plans to enter this market, fully.**
- **All current positions in the National Health Care debate, favor such a move.**
- **Current Hartford City Council make-up will lend support to such a move.**

Chapter 1: Introduction

Purpose

The purpose of the Seniors Health Care - Employee Owned company, is to bring under one roof, an area neighborhood provider of services needed by the area's senior population and a business that can hire trained people from the community - a community economic development idea, to deliver said services.

Assumptions And Overall Survey Outcomes

A number of basic assumptions were made in approaching this report. These assumptions each contributed significantly to the conclusions which are outlined in the last section of the report.

The first assumption was, that there were enough interested seniors in the City as a whole and in North Hartford in particular, to justify starting the business. The planning group then set out to test the assumption. We conducted our surveys and interviews only in North Hartford, since this area of Hartford is 97% Black and Puerto Rican, the target population we initially set out to study. At all levels, the results showed that overwhelming support exists in the four (4) districts we created within North Hartford (see **Attachment B**).

The second assumption was that there were enough trained personnel in the area (in this instance the entire City was canvassed) to man or successfully operate such a business. In our interviews with potential candidates for positions within the company, and with some individuals who said clearly, they were happy with their present employment position, but thought the idea had lots of merit,

it showed that a qualified pool of candidates existed. This is so because, the three major hospitals in the City have all over the years, hired and trained workers in the categories to be filled by this new business. For a number of reasons, people leave the hospitals, and go on to do private placement service.

The third assumption was, area community leaders would support such an endeavor. It was gratifying to find that not one of the political and social service agency leaders contacted, felt the idea was without merit. A number of them felt that the idea could receive initial funding through grants instead of loans, given the sensitivity to senior issues and the location suggested.

The fourth assumption was that the business can be profitable from the inception. Very careful analysis was done on costs of similar operations in other parts of the North East. We took figures from the Bronx / New York, Waterbury /Connecticut and Boston / Massachusetts . From our discussions with likely personnel we came up with maximum salary ranges, in order to establish a better than normal break-even point. Beyond a doubt, the business can be successful from the inception.

The fifth assumption was, though others are performing these services they do not pose a threat to this idea. Our reasoning was supported on investigation - the two companies that presently serve Hartford's seniors do so as 'a favor' to the hospitals, in that they do not consider Hartford 'a suitable market', given the fact that the residents are mainly Black and Hispanic, and for the most part poor.

Chapter 2: Market Analysis and Potential

Community Awareness

The senior population is growing in Hartford . Throughout the nation, it is projected that the population of individuals over age 65, will grow to a much larger percentage of the nation's population, than it is today. Nationally, the population of those over 65 in 2010 is projected to increase by .3% over the 1995 numbers. In Hartford, those over 65 in 2010 are projected to increase between 4% and 6% over the 1995 numbers (see **Attachment D**). A look back to 1965 was quite revealing to us:

Hartford's overall population in 1965 was:-

70% White, 30% Black and others - with 4.9% over 65

The population in 1990 was:-

28% White, 38% Black, 33% Puerto Rican and 11.0% over 65

The current senior population in town is 15,000 with 7,200 of those residing in North Hartford and 98% of the 7,200 are Black and Puerto Rican.

The Hartford community is very well aware of the increased numbers of seniors in their midst , and are making comments to local politicians concerning services that are needed, to improve the lives of these individuals. Afterall, the lucky ones will have advanced years to enjoy.

Target Population

The target population for this company, at least for the first three years must be the Black and Puerto Rican seniors in the City. This group has specific cultural needs, coupled with their general needs from aging. This company must be

uniquely setup to handle this group, a condition that can best be reflected in the staff and their related community activities.

Projected Market in \$\$\$

Currently the average annual expenditures by seniors in Hartford, for the types of services projected, is \$ 1,500. However, less than 15% of the potential market is tapped. As a result, many seniors are going without basic services for many reasons - mainly among which are: lack of transportation, lack of regular family communication and an overall unawareness of what services they are entitled to. Our analysis shows that on average the monthly cost for the services we are projecting to offer is about \$ 50. The number of individuals eligible for these services monthly totals approximately 7,200 (in North Hartford alone), of which this company should initially plan to work with no more than 5% to 7%. Overall, government payments (federal, state and city) will cover about 75% of the cost, personal insurance coverage will cover about 10% and the balance of 15%, will be covered by a combination of personal and family-member payments.

Market Segmentation

This company would be best advised to choose a particular segment of the (North) Hartford senior population to work with. On analysis of the survey results as outline in Appendix C, we are recommending that initially the company focus on getting 75% of their clients from those with private insurance and the balance from those covered by Medicare/Medicaid.

Chapter 3: Suggested Business Areas

Once it was determined that we would recommend a go for this business, the planning group reviewed many likely business suggestions, and came up with the following four core businesses, as the best for starting the operation:

1. Basic Health-Care Checkups

Staff will take blood pressure, weight and other vital sign readings, then transmit this information to the client's doctor's office. Follow-up directions, if not urgent and requiring immediate action, will be transmitted from the doctor to the company's office, for necessary rescheduling and other steps.

2. Home Care Service

Staff will bathe clients, cleanup the home, do laundry, help with mail and other general services.

3. Shopping and Food Preparation Service

Staff will go out and secure medications and food for clients, cook and secure food for easy retrieval.

4. Tailored Exercise Classes

Certain clients are required to be put through a set of regular exercises, as directed by their physician. Staff will supervise and assist the client to achieve these exercises.

These services are being recommended, after realizing the need for culturally sensitive care givers as a result of the surveys and discussions, and the fact that this business must provide services from a strong community and cultural base.

Chapter 4: SWOT Analysis

Strengths and Weaknesses

The planning group unanimously agrees that, the main strength of this idea is that in Hartford and in particular North Hartford, the market for the services proposed is at present wide open. Other strengths are:

- A national health care system that's redirecting resources, to preventive and home care, and away from institutionalization.
- A culturally responsive pool of talented health-care workers are available to staff this operation.
- The current political atmosphere within the city, is best suited to seeing this idea put into operation.
- An ideal City owned location is available for the business to be located in.
- An increasing pool of seniors, for whom these services will be needed.

The planning group sees the main weakness as being the fact that, financing for such a business, within the structure proposed, makes it almost impossible to secure start-up funding. This fact makes taking the route of grants more appealing, however, with this scenario, one is always left to the political winds of change. The other weakness is, at present no one is stepping up with the willingness necessary, to see this project to the next level - that of preparing a business plan and generally shepherding the idea through the political process.

Opportunities and Threats

Getting into the business at this time can prove very opportune, given the fact that the Health Care sector is undergoing tremendous change. Noticeable areas

that can present significant opportunities are:

1. There are a number of treatments that are currently only offered in hospitals, that technology is bringing to the home. One example is **kidney dialysis**. In the very near future, trained personnel with necessary equipment, will be able to deliver this service in the client's home.

2. Such a business will begin by offering basic services - home care, home exams, general house keeping, cooking and exercise supervision. However, once established it can begin offering full-time home care for seniors, companionship on travel and in-house communications training - computers, to those who can afford such interests , and there are a few even in Hartford.

3. Hospitals are researching having outside companies offer companionship-care , to seniors who are in their facilities. Why? It is cheaper in the long run. Again, a company in this business, will be creating opportunities for itself, by just being in the business.

4. The company must perform an ongoing study on the composition of the senior population. The reason we make mention of this is, in 1975 it was estimated that the senior population comprised of 80% American born individuals. In 1990 it was estimated that the number was now 50% American born. This is important, since many Caribbean born seniors, return to the island of their birth sometime after retirement. Also, a threat exists from two outside companies that may decide to entire the market fully, this must be planned for.

Chapter 5: (Likely) Community Benefits

The planning group finds that significant benefits can be derived by the community, should this project be brought to fruition. While this is its position, the planning group is mindful, that the eventual operators of the company must face up to their community responsibilities, in order for these foreseen benefits to be realized.

Following are areas where the planning group, sees likely action and corresponding results:

1. The company should respond to a direct repeated request, that came out of the face-to-face interviews. The seniors are begging for some type of a **telephone-sick / accident check-up system**. This could be achieved by working with the Southern New England Telephone Company. Such a system once set up, can be monitored by this (new) company's office and field staff.
2. This company should organize a community volunteer force of local residents, who would be used to visit shut-ins, as a way of reducing loneliness, another condition that was expressed in the face-to-face interviews.
3. This company should identify seniors who are willing and able to become **grand-parents** to children in the three elementary schools in the Northend of Hartford. Again, this was expressed as an interest by the seniors themselves in interviews.
4. As employees are interviewed, the main thrust must be to have qualified individuals from the immediate area hired. The overriding benefit of such action is two fold: local economic benefit and psychological impact.

Chapter 6 : Projected Cost Of The Program

The final success or failure of this project is going to be the cost of operating the business - weather or not it can be profitable from the inception. The following have been identified as directly related to start-up and first year costs (see **Financials** in Chapter 7)

Costs

A. Wages: 40 hrs. each x 12 workers x 50 wks. x \$ 12.00 per hr.	\$ 288,000.
B. Benefits - 20%	28,800.
C. F.I.C.A., etc. - 20%	28,800.
D. Worker's Compensation & Liability Insurance - 16%	17,280.
E. Secretarial (includes benefits)	25,000.
F. Manager's Salary (includes benefits)	45,000.
G. Advertising	12,000.
H. Uniforms	2,500.
I. Licenses, Fees and Business Regulation	5,000.
J. Office Supply and Postage	2,500.
K. Equipment	3,500.
L. Misc. 1% (A-K)	4,584.
TOTAL EXPENSES	\$ 462,964.

Explanations on A thru L (above)

A. Suggested work week of forty hours, suggested to be covered in four ten hour days. Reason being, there is a high stress level in caring for seniors, which if not prepared for can lead to 'burn-out'. This line covers ' field agents' of which they will be twelve workers ,at a starting rate of \$ 12. per hour.

B. Includes all regular employee benefits - vacation time, medical benefits, etc.

C. Includes all government tax payments

D. Incidents of on the job injuries are high in this industry, necessitating this coverage.

E. Secretarial help full time, with all benefits.

F. A top flight administrator, trained and experienced in senior care.

G. It is recommended that advertising be done in an unconventional manner.

The suggested ways and reasons are:

1. Printed materials should be used exclusively. Distribution can be through churches, public notice centers, City Hall.

2. Part of this money should be used to sponsor group trips and functions.

H. An emblem should be developed on the two uniforms provided annually to employees.

I. This expenditure will cover the most expensive form of legal structure.

J. Communication to clients and potential clients must be regular.

K. Assorted portable equipment for the workers to have at all times.

L. This is added to cover unexpected items that may come up.

Chapter 7: FINANCIALS

Income Projections: 3 yrs.

Revenues	Assumptions	Year 1	Year 2	Year 3
Billed Revenues	\$ 50. Per visit by 11,000 visits	550,000	605,000	695,750
Unpaid Revenues	(-) 5%	27,500	30,250	34,787
Unpays Collected	(-) 5%	-	27,500	30,250
Total Revenues		522,500	602,250	691,213
Expenses				
Manager	Not-Full \$ 45,000.	40,000	42,000	45,000
Secretary	Not-Full \$ 25,000.	20,000	22,000	25,000
Field Agents	(12)(15)(16) @ \$ 12.	288,000	360,000	384,000
Salaries - Sub Total		348,000	424,000	454,000
	Percentage of Total Expenses	66	70	66
Fringe Benefits		28,800	36,000	38,400
FICA Payments		28,800	36,000	38,400
Worker's Comp.		17,280	21,600	23,040
Benefits Sub Total				
	Percentage of Total Expenses	14	15	14
Advertising		12,000	12,000	12,000
Licenses		5,000	2,000	2,000
Supplies, Postage		2,500	2,500	2,500
Equipment		3,500	1,000	1,500
Misc.		4,584	5,400	6,749
Others Sub Total		27,584	22,900	25,249
	Percentage of Total Expenses	5	4	4
Total Expenses		450,464	540,500	579,089
Gross Profits		72,003	61,750	112,124
Repayment of Start-up Funds		50,000	50,000	50,000
Net Profit before Taxes/Dist.		22,003	11,750	62,124
	Net profit as a % of Revenues	4	2	9

Cash Flows - 1st Year

	Months											
Receipts	1	2	3	4	5	6	7	8	9	10	11	12
Recoverable Grant	250,000											
Billed Revenues-95%	0	0	0	0	43,542	43,542	43,542	43,542	43,542	43,542	43,542	43,542
Total Receipts	250,000	0	0	0	43,542	43,542	43,542	43,542	43,542	43,542	43,542	43,542
Opening Cash Flow	250,000	212,481	174,962	137,443	143,466	149,489	155,512	161,535	167,558	173,581	179,604	185,627
Expenses												
Salaries/Wages	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000	29,000
Fringe Benefits	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240	6,240
Other Items	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279	2,279
Total Expenses	37,519	37,519	37,519	37,519	37,519	37,519	37,519	37,519	37,519	37,519	37,519	37,519
Current Cash Flow	212,481	174,962	137,443	99,924	105,947	111,970	117,993	124,016	130,039	136,062	142,085	148,108

Balance Sheet (End of Year 1)

<u>Assets</u>		<u>Liabilities</u>	
Cash	148,108		
Accts. Receivable	201,668	Loans Payable	250,000
Equipment	-0-	Total Liabilities	250,000
Total Assets	349,776	Owner's Equity	99,776
		Total Liabilities And Equity	349,776

Break Even – Monthly (through year 1)

Monthly Expenses are (on average) \$ 37,519

Net Monthly Billing Rate is \$ 43,542

Required Monthly visits to cover \$ 43,542 @ \$ 47.50 per visit is 917

12 Field Agents @ 5 visits per day x 4 days per week x 4.33 weeks per month

Number of monthly visits will equal 1039 visits

BREAK-EVEN will be established at the end of 3.95 weeks each month

$$\frac{917}{12 \times 5 \times 4} = 3.95$$

Chapter 8: Conclusions and Recommendations

Conclusions

It was clear throughout the study that:

(a) The senior community in North Hartford is in dire need for the services being planned.

(b) The means exist for a very large percentage of the area's seniors are able to pay for said services - either with government or private insurance - **Appendix C.**

(c) The community is aware of a growing senior population , and is ready to support this effort by political action.

(d) Elected officials are ready to act favorably on proposals like this one, at this time - time is of the essence.

(e) The economic impact to the community though not large initially, in terms of total dollars, would be a significant lift in terms of showing that the community can address its own needs.

(f) If this idea is not taken to implementation, it will be a major blow to community efforts in Hartford.

Recommendations

(a) We unanimously recommend this idea be implemented. Definite steps should be taken by all concerned, to move this idea to the next level.

(b) A complete business plan should be drawn up and start-up funds sought immediately.

(c) Space in the Super Seniors' Center should be secured now. Though a commitment has been given, it should be followed-up on.

(d) A formal process of collecting resumes of qualified individuals should be put in place now. The planners should not wait until all the other pieces are in place to start doing this.

(e) A legal structure should be discussed with an Attorney. There are significant benefits to associating this operation with a current 501 (C) 3 organization. Exactly what those benefits will be ,are not exactly known to the planning group.

(f) Two funding proposals should be drawn up immediately seeking :

1. A grant from the City of Hartford for \$ 10,000., to be used for putting together a full blown Business Plan.

2. A request for \$ 250,000. in the form of a Recoverable Grant, with a ten year call proviso. This amount would be earmarked for start-up funds, given the delay in insurance payments to start-up companies.

(g) As an Employee Owned company, it is anticipated that a dividend structure will be applied. The planning group strongly recommends that no dividends be paid until any outstanding loans are fully repaid and a reserve fund established.

(h) The group looking to go forward with this is reminded of the political axiom: all politics is local. The reason for this statement, is to point out to that group how important it will continue to be, for them to be aware of each political move within City Hall, that has anything to do with social services changes and the budget .