

## ANATOMY OF AN AGENCY START-UP

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With the aging demographics of America, there is increased interest in home health and hospice agencies as viable business opportunities.

Once the decision is made to enter the home health or hospice marketplace, the next most important decision is whether to start up the agency or purchase one already in business. There are advantages and disadvantages to either choice.

### **PURCHASING AN AGENCY:**

On the positive side, purchasing an agency already in business provides immediate cash flow. Negative considerations may include that available agencies do not serve your desired geographical area or the agency may not have the same philosophy of service as you do or the agency reputation may concern you with potential future liabilities from the purchase of an existing agency license.

### **STARTING-UP AN AGENCY:**

Starting your own agency allows you to be involved in every aspect necessary to achieve State license and Medicare certification. On the negative side, there is a significant time line until all aspects are completed and you are able to bill for your services. Perhaps after looking at the home health or hospice agencies available in your community, you have decided to start your agency from scratch.

### **PROJECT MANAGER:**

Your first step is to determine who will function as your project manager, taking responsibility for all aspects of the start-up timeline. This person should have start-up experience with positive outcomes and may become the agency's Administrator once the agency is State licensed and Medicare certified. If you have no current employees who possess the necessary qualities and experience look for someone who is detail oriented, focused, sales oriented, flexible, and consistently meets deadlines. Your project manager must know and be able to interpret as well as implement State and Federal Guidelines in order to have a successful operation. You also need to determine how much support you are able to extend to the project manager as the level of autonomy may vary based on the support you are able to provide and the background and prior experience of the

individual. If you plan on the project manager also becoming the agency's Administrator, you must verify that s/he meets the State and Federal standards for that position.

### **STATE REQUIREMENTS FOR LICENSING AGENCIES:**

Each state has different guidelines for licensing new agencies. They may be the same or more stringent than the federal requirements.

On the other hand, the Medicare regulations are uniform across the country. The agency's short term financial success will be determined by the speed with which the agency becomes State licensed and Medicare certified. Prior experience in start-up situations should facilitate quicker results, which emphasizes the need to have a project manager/Administrator with previous experience.

### **SURVEY PREPARATION:**

In some states the licensure and certification is determined from one on-site survey; however, in other states, licensure consideration and certification decisions are made from separate surveys. You must be prepared for the timeframe that each step entails. The longer the process takes, the larger your initial cash outlay.

The process of certifying a new agency contains dozens of time consuming, albeit logical steps. Although some steps are interchangeable, most are not. Your project manager must be able to discern the difference and be flexible while remaining focused on the long-term goal of State license and Medicare certification.

You need to have a reasonable budget to fund the steps necessary for successful completion of initial licensure survey. Know your core expenses and budget to fund the necessary steps.

During the process of achieving the State license and Medicare certification, you will want to focus initially only on the core home care and/or hospice business components, as every additional niche you add will be scrutinized during the survey process. In addition, every niche may add additional salary dollars and other variable costs to your start-up expenses.

All clinical and operational policies and procedures must be in place prior to initial survey. The policies and procedures must meet State and Federal Guidelines. Agency standards are also surveyable. Consequently, it is recommended that procedures and standards met but not exceed the State and Federal Guidelines because your agency will be held to the standards you establish.

### **HIRING STAFF:**

The Administrator must hire all office staff and field staff, processing their employment according to the agency policies and State requirements. All caregivers must be completely oriented to all regulations and policies prior to initial survey. The surveyor will require proof of the agency is able to provide all "core" services in the geographic service area the agency has designated on its application to the State. Good knowledge of

State and Federal requirements, excellent recruitment techniques, efficient hiring practices, competitive compensation, and established disciplinary guidelines are important. Agencies must be prepared to show proof of all the hiring steps taken to ensure compliance to all State and Federal requirements in this area.

Hiring for a start-up agency is very different from hiring in a well-established agency. Your project manager/Administrator must be sensitive to the differences in order to avoid costly staff turnover. Experienced staff and setting reasonable expectations for all levels of employees is very valuable during this period as well.

### **REFERRAL SOURCES:**

Building relationships with potential referral sources in your geographic service area is always a good idea; however, prior to certification you must establish relationships with referral sources that are willing to refer patients to an agency that has not passed its certification survey and perhaps is not even state licensed. This sounds simple to do; however, in a litigious and competitive atmosphere, it can be very difficult as well as labor intensive to establish a referral relationship. All agencies requesting State license and Medicare certification are required to begin providing services to patients prior to completing the survey process. Be aware that clients who have Medicare as their primary insurer will be serviced by the agency without payment.

The sales effort is even more demanding when doing a hospice start-up as all facilities' contracts and vendor contracts must be completed prior to the State licensure survey as well as having patients on service.

### **APPLICATIONS:**

It should also be mentioned that there are multiple applications that must be filled out accurately and completely during the start-up process. Any blanks or information that is questionable on the forms will slow down the process. Cultivating and maintaining a good relationship with the regulatory bodies' key personnel is imperative. Identifying experts at the state level that will help answer questions and expedite the processes is also important.

Anytime you can establish a new agency instead of buying an existing agency, you face a smaller long-term risk with many rewards. The key is to make sure you have committed experienced staff to show you the correct way to complete all the steps necessary and expedite the journey.

**ABOUT THE AUTHOR:** Beth Carpenter is the President of Beth Carpenter and Associates, a consulting firm which provides real-world expertise to improve the performance and results of home care, hospice and private duty clients. The firm has earned a reputation as a company that has deep industry experience and one that works closely with its clients to identify solutions that meet their business goals and strategic objectives. Beth can be reached at [bcarpenter@bethcarpenterandassociates.com](mailto:bcarpenter@bethcarpenterandassociates.com).