START-UP PRIVATE PRACTICE BUSINESS PLAN FOR ADVANCE PRACTICE NURSE PRACTITIONER IN NORTHEAST IOWA

by

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A professional paper submitted in partial fulfillment
of the requirements for the degree

of

Master

of

Nursing

MONTANA STATE UNIVERSITY
Bozeman, Montana

August 2005

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of a professional paper submitted by

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July 18, 2005

ACKNOWLEDGEMENTS

This project is dedicated to all of the people who have helped me come to the realization of a dream. First of all, many thanks to Dr. Patricia Lynes-Hayes, who graciously stepped in and took over as Chairperson of my committee upon the death of my original chairperson. She has been a supporter, a mentor, a teacher, and encouraged me from day one to keep working on this project. She has also become a friend. To the rest of my committee, Keven Comer, FNP-C, Dr. Lynn O"Malley, and Margaret Borkto, FNP-C, I also extend my utmost appreciation for your time and effort to help me with this process. I only hope that I can have a practice similar to Margaret's, where customers are given time and personalized attention.

To all of those who helped me make this move, my family and friends, and to my former clients who believed in me, thank you all for your support.

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ABSTRACT

Business concepts and business development are not routinely a part of nursing education at the undergraduate or at the graduate level. Business plans are vital if a business is to have a chance to succeed. Many talents of the advanced nurse practitioner are transferable to the development of a business plan. Assessing, identifying problems (diagnosing), developing interventions, implementing solutions, and evaluating activities are equally important to the business plan and to the clinical practice of the nurse practitioner.

This project addresses the problem of how nurse practitioners can use their talent to develop a business plan that is sound and can be implemented. The completed project identifies the components of a business plan in business terms and in health care terms. It includes discussions of the relevant components of a business plan that include: an executive summary, the vision and mission statement, a business strategy and strength, weakness, opportunities, and threat analysis (SWOT), an industry analysis, market strategy and plan, operational plan, and a financial plan that includes a projected cash flow for the development of a privately owned, entrepreneurial, family nurse practitioner practice. Included in this project is a specific business model for a practice in rural Northeast Iowa. The entrepreneur nurse practitioner will be able to use this business plan as a model to personalize a business plan, to seek funding, or to actually implement a private nursing practice.

Throughout the completion of this project, it was realized that no one plan can solve every problem that may arise. A good plan can determine if a business practice is feasible, provide warning signs for when it is time to reexamine the idea of establishing a private practice and guide contingency plans for unpredicted events in the life of a business.

CHAPTER 1

INTRODUCTION

Changes in the healthcare field have promoted the increase in the number of health care entrepreneurs. There has been a decrease in the number of middle manager positions, as self-governance and flattened organizational structures have downsized many managers out of positions. Skilled nurses, with much experience, are taking advantage of these layoffs and creating a niche for themselves as consultants, educators, and practitioners.

Nursing, as a profession, has become more empowered and nurses want to give care the way they believe it should be given. Increased consumer awareness is shifting health care focus from an illness perspective to a wellness perspective. Patients do not stay as long in the hospital. Healthcare is being provided in outpatient settings, as emphasis is shifted to care for people at home and in rehabilitation or long term care facilities. Nurses, especially advanced practice nurses, are ideally suited to fulfill this demand for a wellness-focused health care service.

Whereas in the past, nurses could count on long-term employment with a hospital if they chose, now they may find that they are downsized out of a job. As a mostly female profession for years, many nurses in the past have elected to work for others to receive benefits and the security of a regular paycheck. The responsibility of raising families versus the idea of striking out on their own had been frightening and too demanding.

As the business and corporate world has changed for women, and more women have become entrepreneurs, so has the nursing community assumed the entrepreneurial role. Practical considerations of office communications are now easier, with fax machines,

copiers, and cellular telephones, that allow work to be done at an off-site location, such as a home. Compensation has also become easier for nurse practitioners to obtain, as Medicare and Medicaid, as well as other health insurance companies, have changed reimbursement schedules and now include direct reimbursement to nurse practitioners.

With the development of the nurse practitioner role in the early 1970's and the expansion of roles, nurses began to push for more employment opportunities. Nurse midwives expanded the practice boundaries and were then followed by pediatric nurse practitioners. Family nurse and adult nurse practitioners as well as geriatric practitioners now find themselves with skills that are marketable. Options are open for independent practice and entrepreneurship, however, Advance Practice Registered Nurses (APRN) generally lack skill, training, or experience in business acumen.

Entrepreneurialism and intrapreneurialism are two components of exploring new opportunities and creating new jobs. According to Porter-O'Grady (1977), each type of business has its own level of risk, while the entrepreneur looks at the system from the outside, the intrapreneur looks at the system from the inside. The entrepreneur works without a safety net, and has to consider such thoughts as having no social or financial network, whether they can support themselves just depending on their own skills and talent, whether anyone will use the services the entrepreneur is offering and what if the business fails? Nurses, because of their former typical employments are not prepared for these risks.

Statement of the Problem

As nurse practitioners graduate and move into the role of novice practitioner, they are faced with many challenging issues. One of these is the concept of practice within

the small business world.

Traditional nursing programs do not generally prepare students at either the undergraduate level or at the graduate level to become entrepreneurs, and to start, open, or run their own business. Despite the increase in business courses offered in graduate nursing programs (Sportsman, Hawley, & Pollock, 2001), nurses generally remain in the dark about business skills for small private practices. Sportsman (2001) identified 54 business concepts that were necessary to manage a primary care practice. Courses such as accounting, budgeting, marketing, and operational plan development are some of the few elective courses being offered at colleges of nursing, but the majority of colleges do not offer such programs. As Sportsman reported, in 1996 the American Association of Critical Care Nurses (AACCN) indicated that it was essential for Advance Practice Registered Nurses (APRN's) to have a complete background or a comprehensive understanding of healthcare finances and accounting.

In addition, the intensity of the educational program for the nurse practitioner has come under scrutiny because of the large number of credits already necessary to obtain a master's degree, as compared to other curricula. Because of the workload, few students have the time or financial resources to add on another knowledge base such as business management. To add to the stress of the educational process, currently, the nursing community is exploring the option of having the nurse practitioner initially prepared at the doctorate level, in part due to the recognition of the many credits that are already a part of master's degree nursing programs. This promotion of basic APRN education to doctorate level still leaves insufficient time to add on other courses in small business management.

Orientation and incorporation of business ideals such as the idea of making a profit and asking for money, as well as following up on unpaid bills, does not sit well with many nurses, as they went into the nursing profession because of a desire to provide a service. As T. Porter-O'Grady (1997, p.24) mentions, "the notion of entrepreneurialism does not fit the typical image of a nurse." Dayhoff and Moore (2004) discuss the idea that "marketing is not a natural skill for a clinical nurse specialist (CNS)", nor do CNS's have the education or business skills in marketing their health services. Some advanced practice nurses (Dayhoff and Moore) believe that marketing is not professional behavior. According to Dayhoff and Moore (2004), "APRN's are normally good at what they do", but that does not mean customers will purchase the service or product offered by the APRN. Providers have to find customers who are willing to pay for the service and that means marketing their services. As with other professionals, such as lawyers and physicians, it has only been in recent years that advertising and marketing were considered acceptable practices.

In addition to not receiving education or training that would facilitate being a business entrepreneur, student APRN's have little opportunity to do a clinical practicum in a privately owned and operated nurse practitioner office. There are only a few of these services available, instead many nurse practitioners practice in a medical model clinic format or with a group practice, with physicians and physician assistants (PA's).

Many nurses returned to higher education as a result of their dissatisfaction with their ability to practice nursing the way they were educated, because of institutional requirements, staff shortages, fragmented care, and the shortened hospital stays that are

prevalent in today's healthcare. For the nurse practitioner who has been educated to understand that the practice of the APRN is different because of the time, the education, and the holistic approach to patient issues, the physician style of 10-20 minute office visits, reimbursement on a physician /mid- level provider scale, and a practice based on physician practice can be a frustrating and unfulfilling service.

Minimal opportunity exists for student APRN's to model business behavior in the nurse-run practice. There are only a few nurse-managed healthcare clinics affiliated with a few colleges of nursing, where students can gain experience in both the clinical aspect and the management aspect.

Nursing education strives to produce students who can practice independently, be change agents for their patients and the healthcare system. Nursing educators attempt to give students the freedom to be creative and independent thinkers, and yet achieve certified, licensed practitioners with values and skills, who are safe and employable. The experience of APRN's in graduate school does not generally support this idea of freedom and advocacy outside of the current system. Curricula tend to be fairly structured to support the basic skills and knowledge acquisition for the APRN.

Generally, new APRN's are not comfortable providing service on their own, as they have new skills, roles, and knowledge. Even at the undergraduate level it is a well-known phenomenon that students have a steep learning curve to become functional practitioners. The required knowledge base of the nurse practitioner is even more extensive.

The support system for the APRN who wants to manage his/her independent APRN practice is not found in school or in the work place. So where does an APRN go for information? Although the motivation for an APRN to go into private practice may

vary, basic business information and knowledge is needed when it comes to setting up a practice. Business courses and business planners abound to help, and the literature is full of information. The healthcare industry, although a business, is also a service industry. Fitting service into a business plan is key to the viability of a practice. Many nurses are not comfortable with or knowledgeable of the idea of profit, asking for payment for services, and the cash flow accounting that is required in keeping a business profitable. The APRN needs to be able to combine service quality with business quality.

Given that 34% of new businesses fail in the first two years (Scarborough, 2003), and given that nurse practitioners generally are not educated or trained in administering a business, how does a nurse practitioner learn how to set up and run an independent business? Developing a business plan is the best tool for objectively planning and strategically preparing for future events, be those events positive or negative in a business life.

Statement of Purpose and Goals

The purpose of this project is to provide a model for establishing a nurse managed and owned private practice. The business plan in the Appendices addresses all of the categories of a business plan.. It is difficult to adequately describe the components of a business plan to a non-business prepared professional without the specific content as example. Therefore this project will include a complete sample model business plan for a nurse practitioner private practice in Northeast Iowa. The model can be used by the nurse practitioner to establish a business plan for his/her area of practice.

Content will include references to health related issues, such as sliding fee scales and third party payer reimbursements, not normally found in a business plan. Key characteristics and attributes that are typically associated with an entrepreneur will be compared to the professional characteristics of a nurse practitioner. The business plan will be sufficiently clear to be used for the purpose of seeking financial support, as well as to establish the guidance for actions that need to be taken in a timely fashion.

The significance of this project is that there is not a business plan in the literature that is specific in detail to guide healthcare business novices in establishing their own practice. Existing literature content is broadly defined and categorized. Some authors provide worksheets for developing information, but do not provide specific content suggestions. Sources are included to obtain the information that is needed for planning and developing the business plan. Perhaps this example and template may encourage other nurses to pursue their dream of operating a practice utilizing the nursing model as opposed to the medical model of care.

A well-constructed business plan allows the potential business owner an objective assessment of the viability of the proposed business. The completed business plan also serves as a roadmap to manage potential changes and problems that may occur during the start up and initial operation of a new business, and also includes strategic planning to help prepare for future events.

CHAPTER 2

LITERATURE REVIEW

The literature review focused on three areas of content: content that is recommended for a business plan, business literature related to entrepreneurship, and nursing literature discussion of skills and attributes of the nurse related to entrepreneurship. Without hesitation, all of the literature reviewed focused on the need for a business plan. The business plan is critical for planning, cash flow and analysis, marketing and evaluation. During the development of this project, an expression was verbally repeated by business owners, “If you fail to plan, you plan to fail”. The literature search found no evidence of scientific research on the development of business plans. It appears to be a foregone conclusion that if one is to set up a business there must be a business plan. Both the business and the nursing literature are replete with either descriptive studies of “how to” articles or books, or a discussion of the pitfalls to avoid. According to the Small Business Administration, 34% of new businesses fail in the first two years, and 60 % fail in the first 6 years (Scarborough, 2003). The biggest reason for failure is failing to have a business plan. Small businesses make up 98.5 % of the business world and employ 52% of the workforce. Women own about 38% of United States business. Application for funding for new businesses, either with the Small Business Administration (SBA) or with financial institutions, requires a business plan.

An entrepreneur who is developing his own idea for a product or service and does not require outside funding would still be advised to do a business plan. A well-developed business plan is a strength shared by successful entrepreneurs.

Recommended Business Plan Content

General consensus in the literature describes business plans that are thoroughly developed, with a vision and mission statement that addresses the values of the owner and focuses on the services to be offered, goals and objectives for the immediate future and for growth, a well-defined description of services to be offered, an analysis of the target population, an analysis of the strengths, weaknesses, opportunities and threats (SWOT) for the proposed business, a strategic marketing plan that includes an analysis of the competition and marketing action, methods of control or evaluation, a financial plan that includes a cash flow for two years at a minimum and a balance sheet, as well as an operations projection that includes a management and personnel forecast (Scarborough, 2003; Zaumeyer, 2003; Vogel, 1999; and Adams, 1998).

Regardless of the author or source, the following items are brief descriptions of common components of a business plan. Although all of the literature discusses similar components for a business plan, for purposes of clarity, three primary sources are referenced, one a business college textbook, *Effective Small Business Management, an Entrepreneurial Approach* by Norman Scarborough, used in college business programs; *How to Start an Independent Practice, the Nurse Practitioner's Guide to Success* by Carolyn Zaumeyer, a frequently notated nursing scholar in the nursing business literature,

and *Complete Business Plan with Software* by Bob Adams, a software program "how to" manual.

The vision and mission statement is the guide or the roadmap to the business. The vision is a statement of where the business should be in five to ten years. The direction of the business is important, as potential financial backers will want to know what potential growth is expected and how the business plans on capturing a portion of the market share. Included here should be a strong statement of what makes this business different than others, or what the strength of this company will be (Adams, 1998). This may include items such as service delivery, value for the price, a niche or specialty market, or a statement that speaks to the professional service that is provided. Highly successful leaders have been individuals that can create and share a vision with their employees or followers (Scarborough, 2003). In healthcare the ability to communicate to the customer the impact the APRN service can have on their lives will facilitate the sharing of the health care values of the APRN with the customer. An example would include a statement that addresses healthcare issues such as value for the service, specialty service, or holistic care (Zaumeyer, 2003).

The mission statement is a clear and concise description of the services that will be provided. Zaumeyer (2003) describes a functional statement of service that is based on a cope of practice that outlines skills and capabilities of an APRN. According to Scarborough (2003) the mission statement needs to address the basic beliefs and values of the organization, the target customer, basic products and services, how this organization does it better, and why a customer would chose to use this service as opposed to others. In healthcare, for example, a mission statement would speak to the practice skills of the APRN, what she is going to do or how she will provide better, more

efficient or more thorough service. Another mission statement might speak to a more accessible service, to a more cost-efficient service, or to a business will be focused on geriatric, pediatric, or women's healthcare.

Goals and objectives can be developed for planning purposes or for exploring the concept of a business. If goals are being established for the operation of the business, the entrepreneur might want to establish them after the planning and exploring of target customers and product desirability have been defined. Regardless of when the goals and objectives are established they are important for driving the organization towards achieving the mission and vision statements. Goals are long range, broad statements that identify achievement that a business seeks to attain. They may be somewhat abstract and give guidance, as opposed to specific action direction. Ambitious, clear, long-range goals can keep a business and its employees focused on the mission of the company.

Objectives are very specific, measurable targets of performance. In addition to that, according to Scarborough (2003) they need to be assigned to an individual who is responsible for achievement of those goals, and they should be written down, timely, and realistic. In regular commercial business, profitability, growth, and financial resources are some of the measurement standards for achieving objectives. In healthcare, the objectives for the practice may be to achieve customer satisfaction. The APRN may be looking at achieving a certain standard of care, measured through audits and customer satisfaction surveys. She may need to create a workload of a certain number of patients in order to financially sustain the business.

In the case of the APRN, regulatory laws and regulation by each state dictate what services the APRN can offer. Therefore it becomes very important to have a well-defined description of services that will be offered. This will facilitate marketing of

services, as well as provide a guide to potential customers who may be seeking health care. Additionally, it also becomes important to define what the service is not, as quality of care and standards can become compromised if the service attempts to do all care for all people. Defining the service will allow the APRN to provide services within the context of the value system of the APRN. The APRN, within each state's rules, can easily do well child and annual exams, manage stable chronic disease, provide women's healthcare, provide health education, health maintenance activities such as immunizations and health education, and treat and diagnose simple conditions of the respiratory tract, gastrointestinal-genitourinary tract, integumentary, and musculoskeletal systems (Zaumeyer, 2003).

Analysis of the target population is important as this drives marketing and resource efforts. For the APRN, the location of the customers, the perceived needs obtained from data about healthcare, surveys that have been done by state and local agencies, and/or hospital admission data information can all provide information about health issues for a certain geographic region. Given this information the APRN can make an informed decision about the services she will focus on and where those people are located. Occupational healthcare, long term care facility healthcare, and school age populations, are samples of targeted populations, based on age and employment. Defining the target population not only will drive marketing issues, but will influence marketing tools that are used, such as newspaper, radio, fliers, TV ads, etc.

The SWOT assessment is necessary to identify the weaknesses and strengths of the business proposal, including the personal characteristics of the individuals who will be developing the business. It also examines the external competition, by looking at opportunities that exist in the environment or the field that can be used by the owner to their advantage, as well as any negative market forces or threats that will interfere with a

provider offering their services (Scarborough, 2003). In rural health nursing, the concept of isolation, insider/newcomer, distance, old timer/newcomer, invisible populations of gays, HIV and homelessness, as well as literacy issues, time to access healthcare, and lack of anonymity all impact the practice of an ARPN. By examining the competition and other threats, the business owner is able to develop the business so that it can stand up to, or alternatively, go another direction from competitors. The SWOT should include a brief description of the industry or service, (Adams, 1998), the trends for the future in the industry, and any changes that are taking place in the service or industry, (Turner, 1999). In healthcare, this could range from the strengths and practice of the provider, the service sector the provider will cover, changes in the provider numbers or skill levels in the immediate area, changes in the law that affect APRN practice, source of financing, etc. The list is endless, but a business proposal needs to identify and address the most immediate issues facing the business and develop plans to address those issues.

A strategic marketing plan is based on the types of service that will be offered, the targeted population that will purchase the service, available marketing tools and a marketing budget. What is key to a marketing plan is identifying the customer's needs, demands and wants and building the marketing and service around those issues. This would include doing some market research about the customer base, the age, income, and buying patterns, through collection of data. In healthcare, this could be obtained from state surveys, hospital admission or discharge data, public health records, and identified goals from national and state health forums. It can also include data from competitors. Customers could be patients, other providers, organizations such as hospitals, home care agencies, long-term care agencies, schools, and/or employer groups. A plan that describes the business as filling a niche, providing a unique service, and describes a connection with customers on an emotional basis will maintain the client customer base. According

to Scarborough (2003), purchases come from an average of 70% of retained customers, so customer satisfaction becomes an important issue, especially in healthcare. Raising this level of purchases at 70% from existing customers to a level of 80% can increase profits by 25%. Customer service becomes very important in healthcare and lost customers can create a negative flow on customer base (Scarborough, 2003), especially in a small community.

Action plans are those steps that need to be taken in a timely fashion to initiate a business and create an opening. Items such as contracts, remodeling, permits and licenses that have to be obtained must be accomplished prior to initiating a business. Action steps are the activities to accomplish the goals and objectives. In healthcare, this includes, but is not limited to, obtaining prescriptive authority and hospital admission privileges, establishing patient records, registering as a provider with third party payers, including Medicare and Medicaid, as well as obtaining liability and malpractice insurance (Zaumeyer, 2003).

Methods of control or evaluation are necessary to help a business keep on track, monitor cash flow, and determine if customer needs are being met. In healthcare it would also include quality assurance plans and ongoing education that is required to maintain a skill level or certification. A quality assurance plan is required under state practice acts, and quality assurance is also indicated to guarantee that quality healthcare is being provided. Ongoing audits of charts and customer, as well as the business controls of cash flow monitoring on a daily or weekly basis require forethought and time. This would also include monitoring the marketing effectiveness for future planning. Many businesses monitor inventory, as well as should healthcare, however in primary health care the amount of on-hand inventory may be interpreted to be the service that is

provided and the employee that provides it. Customer satisfaction surveys are important to address timeliness and availability of service, a big issue in healthcare. Hiring a certified public accountant (CPA) may be a decision the APRN makes to help control costs. Consulting with a healthcare lawyer may help establish controls and help avoid legal pitfalls (Scarborough, 2003; Zaumeyer, 2003). Procedures must be implemented to maintain patient confidentiality.

The financial plan is very important, especially if the business owner is going to seek outside funding. It is also the plan that will provide feedback as to the survivability of the business. Plans are usually projected for three financial documents, the balance sheet or the business's value on a certain date, the income statement that compares the net income against loss or the "bottom line" and the cash flow statements. Cash flow statements identify sources of income and sources of debt on a regular basis. The information provided is the cash coming in within a certain time period against cash going out within the same time period. Cash flow statements are usually generated for planning purposes on a pessimistic, a most likely, and an optimistic scenario. Cash flow statements should demonstrate that there is sufficient cash on hand in a given inventory period to cover operating expenses without having to borrow money to balance (Scarborough, 2003). In healthcare, because of third party payers and delayed payment for service these cash flow sheets become very important as a means to identify if there are potential problems in income. Managing this information is critical to the new healthcare provider. For healthcare the time frame that is routinely monitored may be as long as a month, but it should not be much longer to accommodate payrolls.

The operations projection includes the employees, governing board, if any, and other key personnel that will be managing the business (Scarborough, 2003). Usually, resumes for key people would be included in a business plan. Key employee positions should be

identified. This provides justification for the potential success of the business, and in healthcare, the key is having a duly licensed and professionally, qualified person as a practitioner. It also establishes the legal operational definition of the business, be it a limited liability corporation, a professional corporation, or a single owner business. In healthcare, the provider may want to be a single owner entity or a limited liability professional corporation. Depending on the size of the business, a healthcare provider may want to incorporate as a partnership as well, if other providers are involved. A legal consultation would be recommended to do this. Organizational structure should be identified. This component can include the education and training requirement for employees, especially as it coordinates with the needs of a service delivery plan. It can identify hiring practices and outside agency recruitment (Adams, 1998; Scarborough, 2003; Zaumeyer, 2003).

Attributes of the Entrepreneur

In addition to having a well-developed business plan, entrepreneurs can be identified by their skills and personality characteristics. What is an entrepreneur? According to Scarborough (2003), an entrepreneur is one who creates a new business that includes risk and uncertainty to achieve profit and growth, and organizes resources to accomplish that end. The main impetus for an entrepreneur is an idea, something that an individual or a group of individuals share, that a product or a service is needed or can be done in a better or more efficient way. Experiences occur in the life of an entrepreneur before the motivation is sufficient to cause the entrepreneur to step forward. The first step is deciding that being an entrepreneur is a viable option, because someone else may have done it first and created a path, or because an idea may be so great that the individual has

to follow through, or the challenge and reward of developing and implementing a project is an impetus in itself. Gaining information about the possibility of opening one's own business usually follows, along with developing the concept of the business. Somewhere along this path, something generally happens to convince the budding entrepreneur that this is the time and change is necessary (Vogel, 1988). It may be a personal or a professional event, such as the loss of a job, but it is usually sufficient in itself to push the individual out into the business world with their idea. This is followed by promoting the idea to others, receiving value for the idea, followed by repeated successes that result in growth and expansion.

Entrepreneurs need to be willing to take moderate, calculated risk. Contrary to common perception, they are not radical risk takers, but with the help of a business plan take calculated risks (Scarborough, 2003). They need to be self-confident, and tend to highly value the attributes of achievement, independence and effective leadership traits, with an intrinsic belief in their own ability to affect the outcomes of their business. Entrepreneurs have an internal locus of control to keep them focused and on track (Vogel, 1998). The ability to multitask, and to track the entire myriad of activities that are necessary to start and keep a business operational is also a required skill. Determination and perseverance through the start-up phase of a business has been identified as an absolute requirement (Scarborough, 2003). Good interpersonal skills, physical and mental resilience and low personal status needs are also characteristic of successful entrepreneurs (Vogel, 1998).

Traditional attributes of the entrepreneur include the desire to be one's own boss, the ability to handle the ups and downs of a business, the ability to remain goal focused, desire to be independent, ability to accept challenges as well as growth, a problem solver,

and a great desire for freedom and flexibility. Skills that are useful for an entrepreneur (Scarborough, 2003) include the ability to assess, problem solve, develop solutions or products, implement such activities, and constantly evaluate the effectiveness of the product.

The ability to set goals for short and long term in both personal and business areas provides a groundwork and foundation for a future business. Goals, that are realistic, measurable and attainable, will help with the business plan. Both Vogel (1998) and Zaumeyer (2003) include self-assessment tools to help assess one's personal attributes and compare them to the entrepreneurial paradigm. The Small Business Administration also has a survey assessment tool on-line (www.sba.gov, 4/14/03) that is useful for accurate analysis of personal attributes.

Nursing Attributes and Entrepreneurship

The attributes and skills of nurse practitioners are easily transferred to the business world and can promote the success of their entrepreneurial venture. Nurses have been educated and practice in service settings where populations are troubled, in pain, and frightened. As a result they have developed great customer satisfaction skills. Educating and providing service are tremendous assets in business. Two-thirds of new businesses are in the service education and training industry. 40% of new businesses created by women entrepreneurs were in the service industry (Scarborough, 2003). Female nurses excel in the services industry.

According to Zaumeyer (2003), developing care plans for nursing care of patients employs the same skills and knowledge as preparing to take on an entrepreneurial role. She states, “consider the business plan the working ‘care plan’ of your practice” (p. 22). The skills of the advanced practice nurse (APRN), developed in the context of the nursing process; assessing, diagnosing, developing interventions, and conducting outcome evaluations and constant reassessment, are easily transferable to the business world.

Because of their people skills, APRN’s are also able to communicate well with the public and staff, convey ideas, and work with people to promote change in behaviors. In addition, many nurses have been managers of staff, have developed projects within institutions, and developed budgets for the institutions for which they have worked. Developing one’s own business requires applying all of the conceptual and interactional skills that have been learned in nursing. The entrepreneurial pursuit often challenges what is central to the value and meaning of nursing practice: a commitment to those served and ensuring that the results of APRN efforts advance the health of others. Nurses have much to bring to an expanded vision of an integrated and continuum-based health system. Designing healthcare with service at its core and structuring a business around it will challenge every nurse, but the creativity an entrepreneur can bring to the service field can be critical to this process (Porter-O'Grady, 1997).

Porter-O'Grady (1997) identifies important attributes of a healthcare entrepreneur as the ability to network and the willingness to work at building a network of support, having a safety net of at least six months income built up, having a clear partnership contract spelling out the partner’s interests and roles, being patient (at least two years to allow for growth), being able to live out of a suitcase if fulfilling a consultant role, and knowing that clients are always

right, even if they are not, with the provision of service as a mission.

Nurses, still predominately women, are successful as entrepreneurs. They frequently have had dissatisfaction in a prior work situation that has motivated them to take charge of their own futures. Women are interested in the flexibility of being an entrepreneur and want to meet financial obligations, frequently, versus making a great deal of money. Women have a different management style in their own business as compared to men. By working more effectively through others, they are good at building team relationships, and getting consensus (Vogel, 1998).

CHAPTER 3

METHODOLOGY

Following a literature review of both nursing and business literature, health data for the selected area was obtained from state data, local interviews, and newspaper articles about the opportunities available for the entrepreneur who wants to establish a private practice. Extrapolated national trends in healthcare and disease prognostications based on age, residence, and income levels were used to identify potential disease and health markets.

Using a case study approach, the business plan was developed as an example of a plan for a small APRN practice. "Case studies are in-depth explorations of study for a single unit entity, such as a practice or a community or a person" (Burns, 2001, p. 255). Case studies tend to have large number of variables, as does a business plan. Although this model is for a single practice entity, multiple variables were examined to ascertain the impact those variables might have on the effect of establishing an independent practice. From this sample plan, a nurse practitioner could develop their own personalized business.

A consultant, a college business school professor who specializes in small business development, reviewed the plan. In addition, the plan was presented to a senior-level, collegiate business school group of students for their review and comments. Input from a local independent nurse practitioner was also solicited. The local physician , whose practice was closed in December, 2004, reviewed the operational plan.

Each section of the business plan was developed and reviewed using the geographical rural area of Northeast Iowa and data from the State of Iowa, Department of Public Health.

CHAPTER 4

LIMITATIONS AND FURTHER STUDY

The obvious limitation of this model is that it is a model with specific content for a specific area. Therefore the content is not directly applicable for another business proposal. A business plan is a statement of an individual's choice of business and what that person perceives their ideal business to be. What this model can do is put the content of a business plan into health care vernacular, so that another entrepreneur can take it and find the material they need to establish their own business.

Again, because of the specificity of a business plan, further study will be needed for another individual to develop his or her own model.

The real test of a business plan is its ability to plan for unpredictable events, such as overwhelming growth or lack of a target population that will purchase the service. The implementation of this plan will determine if it was a successful planning tool for an independent advanced practice nurse in Northeast Iowa.

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APPENDICES

APPENDIX A

EXECUTIVE SUMMARY

Executive Summary

Introduction: Turkey River Valley Healthcare, (TRVH), an Iowa limited liability corporation (LLC), will offer health education to individuals in the northeastern Iowa area along with primary healthcare with a focus on elderly and women's health care. The expectation for increasing need in healthcare continues as "baby boomers" enter their sixth decade of life.

Service: Healthcare management of chronic disease requires time, resources, and education that is designed to meet the needs of the individual. Time is a critical aspect of this service. Visits will be routinely scheduled for 30 minutes or more depending on the service level required. This will also allow the office to keep appointments on time, often a problem with normal healthcare providers, where visits are routinely scheduled for 10-20 minute intervals. Education will be convenient, accessible, affordable, and tailored to the individual's lifestyle. Alternative methods will be used that incorporate adult learning principles, in appropriate languages. Annual physicals, immunizations, well-child care and school physicals, women's healthcare, management of upper respiratory problems, screening for chronic disease as well as management of stable, chronic diseases, such as diabetes, hypertension, COPD, Cancer, arthritis, asthma, education for smoking cessation, weight control, hypertension management, and diabetes control are some of the physical activities provided at TRVH.

Market: TRVH will be located in one of three closely-knit communities. Each town has approximately 1,000 people. Targeted marketing will be directed to two distinct cultural groups; a large population of Orthodox Jews and a Hispanic population located north of the clinic about eight miles.

Strategy: TRVH strategy is a focus strategy. The focus strategy recognizes different segments within a market and works to satisfy those needs. TRVH will be a best-cost provider. The individual segments targeted by TRVH (female Orthodox Jews, geriatrics, and Hispanics) will receive specialized services. No other healthcare provider in the area addresses these services at this time.

Financials: A loan will be sought out in the first year. TRVH will obtain a line-of-credit from a bank. A request for $50,000 for working capital in the first year as a line of credit, payable at current rates of interest will be sought. Potential use of this funding will be for the first 3-6 months of operation. Start-up money will come from personal funds and owner equity. Funding will be paid back by the end of the second year.

The APRN will see an average of 15-30 clients per week, based on a pessimistic, most likely, or optimistic cash flow budget. There may be some seasonal fluctuation in visits, flu shots in October, November, well child check ups in August, but the nature of chronic disease requires frequent monitoring, usually every three months. Another staff person, a licensed practical nurse (LPN) would be added to staffing levels to accommodate a higher rate of patient flow as needed.

Team: An APRN, MN, MS, FNP-C will be the direct care provider and CEO. The APRN has 30+ years of adult health care, project development, implementation and management, health promotion education programs, grant writing and implementation, quality control experience, and multi-cultural experience. There will also be a certified nurse assistant (CNA)/receptionist for billing and initial intake of clients. Contractual arrangements for services, such as accounting and legal services, will be used throughout the year, as needed.

APPENDIX B

VISION/MISSION STATEMENT

VISION STATEMENT

Turkey River Valley Healthcare, LLC, (TRVH) provides premier primary healthcare and health education with a focus on the uniqueness of the individual. Services will be directed to the elderly, Hispanic, and female populations of Northeast Iowa.

MISSION STATEMENT

In partnership with the client, TRVH provides healthcare, which is informative, knowledgeable, caring, personalized, affordable, and designed to reduce the incidence of morbidity and mortality of chronic health problems for the communities for Clermont Elgin, and Postville in Northeast Iowa. The advanced practice nurse provides primary healthcare to include well child and annual exams, management and treatment of simple health conditions, management of stable chronic disease and provides health education and health maintenance programs.

APPENDIX C

MARKET ANALYSIS

MARKET ANALYSIS

Healthcare is a growing business. Baby boomers, those born in the post World War II era, are entering the sixth decade of life. They constitute a large population group. With advancing age and the national increase of obesity, diseases such as diabetes, heart disease, and other chronic disease are manifesting in this population. A review of health care trends in this part of the state as well as a review of national trends and plans will help identify healthcare needs for this area. Healthcare in this area has been limited for more than 30 years. Originally there was a physician in each of four communities and two small hospitals. Changes in healthcare and the local economy have resulted in one hospital becoming a nursing home and four physicians in four communities decreased to one, and that final clinic closed December, 2004. One Critical Access Hospital (CAH) remains. With limited healthcare choices available, this start up business will offer a choice of provider and a unique level of care for these communities. Healthcare is expensive and in an effort to economize, small practices have merged to become large clinics. In this area of Northeast Iowa, a heathcare unit from Wisconsin has bought up the private practices and merged them into Gunderson-Lutheran. These small offices have then been closed and patients have been forced to move to one central location. Managed care, another trend in healthcare, has not reached into this rural area of Northeast Iowa. The nearest large healthcare centers are located sufficiently far away to create a burden for people seeking health care. There is a large center at Madison, WI

(150 miles away) and one at the Mayo Clinic in Rochester, MN which is 90 miles away. These clinics are across state lines, and create funding issues for low-income individuals on state aid. The other large center is Iowa City, IA, 90 miles away. A trip there for healthcare essentially takes an entire day and frequently necessitates finding transportation.

The area has also been declared a Medically Underserved Area (MUA) (Iowa Department of Public Health, 2002). This designation makes it easier to receive federal rural health care grants to attract healthcare providers to work in the area. There is no certified diabetic educator (CDE) or any education program for diabetes in the area, other than the private physicians' offices.

The target market will consist of people primarily living in Northeast Iowa. The focus will be on the geriatric populations, since they need more focused attention and time to receive proper care. Different cultures in the area will also be targeted for service. A substantial population (about 350+) of Orthodox Jews resides in the area and they require female healthcare providers for the women as part of their religious beliefs. Hospitals cannot guarantee that only female providers will see female patients. There is also a Hispanic population about eight miles north of the proposed practice. This population group will be able to receive quality healthcare and the clinic's staff will speak Spanish. This community is not accustomed to non-English-speaking individuals and they will receive quality healthcare without prejudice at TRVH. These services are currently not available at this time in this area.

This practice will provide a new level of service to the community, a nurse practitioner. Although there are other mid-level providers, none of them are nurse practitioners. Many patients have come in contact with nurse practitioners in the larger clinic settings at Iowa City or Rochester, Minnesota.

APPENDIX D

INDUSTRY ANALYSIS/BUSINESS STRATEGY

INDUSTRY ANALYSIS/BUSINESS STRATEGY

The focus of healthcare has been routinely in the area of treatment, rather than prevention. The Surgeon General's Office of the Unites States has developed guidelines and objectives for healthcare. The most recent document, *Healthy People 2010*, has identified diabetes education and health education for prevention and management of chronic disease as major health goal. People most at risk for the development of chronic diseases are the elderly, the poor, rural and Hispanic populations, according to *Healthy People 2010.*

The threat of increasing rates of obesity brings with it a significant increase in the incidence of diabetes and other cardiac related diseases. In Iowa, 27.9% of the population is known to have diabetes, with 47% of that population over the age of 65. In Fayette County, (Clermont, Elgin) 8,100 individuals are estimated to have diabetes, with no certified diabetic educator in the county. The cost of not treating and managing these diseases results in 18.5% of Iowa hospitalizations due to complications of diabetes, and with cardiac disease included (increased incidence because of diabetes) it accounts for 72.5% of hospitalizations. This also results in increased mortality for the elderly population (*Healthy Iowans, 2010).*

By 2025, the elderly are projected to account for 20% of the population. Increasing numbers of obesity will increase the number of individuals with diabetes and cardiac

diseases. There continues to be and there will be an increase in the demand for prevention oriented healthcare services.

Although this is a start up company and there is no company history, TRVH will work diligently to build relationships that are key to the success of a business. The talented work force that will be employed will be a key factor. Courteous personal customer service will be a hallmark of the TRVH. The CEO will build relationships with agencies that provide Medicare and Medicaid funding, as well as third party payers. Local businesses will be partners in helping the community maintain and perhaps grow, by bringing in customers to the community. TRVH will build a solid reputation by providing accurate diagnosis and quality health care treatment. To compete within in the industry TRVH can provide a quality facility in a convenient location with adequate supplies and equipment to provide superior care. As a value service, with attention to personalized service, a reasonable cost structure, an alternative source of care, and with an emphasis on health education, TRVH will be become the leader of preventive health care services in this area of Iowa.

A Strength, Weaknesses, Opportunities, and Threat analysis is part of determining the competitive analysis and developing business strategy. An analysis of the strengths of this proposed company would use the descriptive words of superior quality, customer service, and satisfaction with care. The vision statement includes the goal of services being directed to the elderly female population by a female nurse practitioner. With over 30 years in health care delivery system, TRVH will be organized to work with an

informal organizational structure, that remains flexible and able to meet the individual needs of customers. This provides for flexibility and innovation by all employees to achieve the goal of customer satisfaction. As the owner/operator is originally from this area, TRVH feels it will be able to provide culturally sensitive care, excellent planning, listening, and education.

Although TRVH will be a first year independent clinical practice provider and recent clinical experience has been limited, the provider's past experience in healthcare and familiarity with the area gives TRVH an extreme advantage. There are limited healthcare facilities in the immediate area, which leaves TRVH with restricted resources for conferring with other medical professional and limited APRN peer contact. TRVH has joined the Northeast Iowa Nurse Practitioner Society, which will help establish relationships with similar providers. There is a limited availability of staff that speaks Spanish in an area with a sizable Hispanic population. Hiring of individuals with that skill would relieve that weakness. While the desire for one of the main focuses of service is to be providing health education along with treatment services, TRVH is concerned that this option may be limited due to financing constraints. Although the above mentioned items are identified as a weakness, TRVH feels that with accurate planning and financing these can be overcome.

Many opportunities present themselves in this new business. In addition to the opportunity to establish a new business and watch it grow, this venture is especially exciting to TRVH, as the provider has a chance to make a difference in the quality of

people's lives, and to offer personalized healthcare and education. With the increasing rates of diabetes and cardiac disease, health education and disease prevention are key strategies to improve health status. Health education and disease prevention are the main interests of TRVH, so this practice gives the provider the opportunity to provide health care that is meaningful.

There are four major threats to the success of the business. Because it is an underserved area, there is potential for other new providers to come into the area, thereby decreasing the market share for TRVH. Managed care could be made available in this part of Iowa, again shifting the balance of healthcare that is available. There could also be an overwhelming positive response to the practice, and TRVH may not be able to manage an overly large load of clients quickly enough, thereby losing customers. With small businesses, liability issues are always a threat to the viability of a business and the individual. Added to the business liability is the healthcare liability component. It will be important to structure the practice in a way to separate personnel from healthcare liability issues. By choosing to become a Limited Liability Corporation (LLC), TRVH foregoes some of those concerns. In addition, by obtaining a start up loan to help finance initial operational costs, TRVH should lessen some of the concern about financing, and be able to provide the health education.

The other major area of concern is that of rural health nursing. There are several issues related to rural health nursing that will impact this practice. Because of distance and time factors to access healthcare, availability is a factor. By having late office hours,

the practice will provide access to farmers. The APRN will also do house calls to access those individuals who are unable to physically get to the practice. Coordination with distant providers will be a key service, but will also need to be developed for back-up medical support for the APRN. Laboratory and radiology support will be necessary for diagnostic procedures. Other issues of rural nursing relate to the acceptance of the APRN. The concept of insider/outsider to the community and the concept of old timer/newcomer to the community will be an initial detractor for service acceptance. As a newcomer to the community, the APRN will have to establish relationships and tap into the informal network that exists. Having owned property in the area and having family members in the community will ease some of that insider/outsider focus, and although the APRN will be "new in town", the APRN was born here, spent early years here, and is returning "home", so there is some history established. The APRN in this location will be isolated from other peer groups and will need to join professional organizations, participate in educational activities and stay connected to the health field for support. Internet and technology that is available will also assist the APRN to stay connected and up-to-date. As a new community member, the APRN will not be anonymous, so personal behaviors and non-professional life will be observed.

The focused strategy of competition allows the provider to create a niche market, focusing on special services to meet the needs of its targeted audience, the elderly, female, and Hispanic populations. TRVH will follow the changing trends in its target market, and, with its informal organizational structure, be flexible to meet those needs.

Every client that enters will receive quality healthcare at the best cost. Time will be provided to meet the needs of the elderly population. TRVH is not working to gain state or national share of the market, rather, services will be concentrated in the northeast corner of Iowa, a rural, agricultural community with limited access to healthcare providers and small population numbers, because of distance, geography (Mississippi river), and political borders (state borders of Minnesota and Wisconsin).

APPENDIX E

PRODUCTS AND SERVICES

PRODUCTS AND SERVICES

Advanced Practice Nurse care is a theory and evidence based practice that provides, but is not limited to providing, differential diagnosis and treatment of health conditions amenable to nursing interventions and therapeutics in the presence or absence of disease. Integration of nursing interventions and therapeutics with medical therapeutics are provided in a holistic manner, incorporating human and family norms as part of the individual client and his/her cultural setting. APRN's promote wellness with education and prevention guidance. Self care is promoted for clients by teaching them about their health issues and assisting them to develop methods to incorporate changes into their lives, by seeking durable medical equipment, obtaining funding for medications, and consulting with other nurses and healthcare providers to develop client health plans. The APRN provides leadership in targeting healthcare system changes that will improve client outcomes in a cost effective manner. The APRN promotes state-of-the art nursing practice by participating in research and maintaining up to date knowledge of healthcare practice and technology.

The APRN will spend most of the time teaching clients and families as well as community groups. By providing psychosocial and physical care, doing exams, ordering lab work, prescribing appropriate medications and planning and managing treatment programs, the APRN will provide primary healthcare. As a facilitator, the APRN will use the knowledge of family systems, psychosocial aspects of care and the individual's capabilities and strengths to help them achieve maximum wellness.

Additional services of annual physical examinations, immunizations, well child care, school physicals, women's healthcare, management of upper respiratory problems, screening for chronic disease as well as management of chronic disease like diabetes, hypertension, chronic obstructive pulmonary disease (COPD), screening for cancer, management of arthritis, asthma, and education for smoking cessation, weight control, hypertension management, and diabetes control will be offered to individuals and groups.

Education programs for individuals and for groups will be offered on site and at other community sites. Education that is offered is designed to assist people in managing their own healthcare. Offerings will be convenient, accessible, will incorporate adult learning principles, and be offered in appropriate languages. Culturally sensitive healthcare that includes individual languages, food customs, healthcare behaviors and family norms will be included as a part of all health care delivered.

Time is necessary to gain knowledge of the individual and time to plan care together is essential to the provision of this personalized service. Visits will be routinely scheduled for 30 minutes or longer, depending on the service level required. This will allow the office to keep appointments on time, often a problem with other healthcare providers, where visits are routinely schedule for 10-20 minute intervals.

APPENDIX F

MARKETING PLAN

MARKETING PLAN

Marketing strategy will focus on the targeted population groups of the elderly, the female, and the Hispanic populations in the corner of Northeast Iowa. Because the target population group is small, marketing can be designed to be very specific.

Advertising and use of media will be limited, both by availability and lack of local coverage in the area. Television coverage is expensive and is not local so it will not be used. As a result, the major media for publicity and promotion will be in print. Billboards can be place in strategic locales. Newspaper ads can be placed in the weekly local paper. Printed material in Spanish will also be made available for distribution in restaurants or public places. Local gas stations frequently allow businesses to place print material in their stores. The local newspaper publishes weekly, and ads can be placed there. In addition, a weekly column of health tips and information, or special educational items of interest can be placed in the newspaper. Radio is fairly local, and either advertisements or a sponsored "healthcare minute" would be advantageous use of another media format. A morning or afternoon spot would be useful.

TRVH will also sponsor local events and most likely work an arrangement with local businesses. Cooperation with local restaurants to promote healthy dishes, supported by both the restaurant and the practice will provide advertisements for both businesses. The closeness of the three communities will be used to the advantage of TRVH. The grand opening will be a community event to introduce the staff and the practice to the community. Free blood pressure screening will be offered once per month in various locales. Churches and other gathering places, such as schools, are also

good venues for promotion. The provider will be available for health education lectures or presentations to various groups in need of speakers.

Cost structure is semi-structured depending on the source of payment. Medicare and other insurance plans have set pricing structures based on the level of service provided. Three major levels of pricing will be based on a full, comprehensive visit at $75.00, intermediate, new problem visit at $60.00, and follow-up visits at $45.00. Health education programs will be offered on a sliding fee scale, based on income or on a flat fee, depending on the length and depth of the program. Fees, nationwide, for APRN's are more economical for equitable healthcare services as compared to family practice physicians (Buppert, 1999) . The physician whose office just closed was billing 3,600 client visits per year, at an average rate of $70.00 per visit, in a community base of about 2,000 people in the area. TRVH is not projecting a client rate that high, perhaps 15-30 clients per week, or an average of 700-1,300 billable client visits per year. The fee structure will be slightly lower than the local physician services and will accommodate a sliding fee scale for different levels of income. Using this strategy, TRVH will be seen as an alternative, cost effective, high quality healthcare provider.

Distribution and key sales techniques will be primarily word-of-mouth, so start up will be slow. Customers will receive such quality care at a location that is advantageous to them that they will positively reflect on their experience and communicate with others. Each employee will also give educated and exceptional service to each client.

Location will also be a key factor for marketing. TRVH is located on a main corner of the main street in town, immediately across from the post office. There is ample parking immediately outside of the structure. Lease/rental rates are non-existent, as the APRN provider owns the property outright; however there will need to be some modifications to the structure to accommodate accessibility.

APPENDIX G

OPERATIONAL PLAN

OPERATIONAL PLAN

TRVH will be incorporated as a limited liability corporation. This allows benefits of taxing, separation of liability issues, and is similar to the single owner entity without some of the risk associated with the single owner (Scarborough, 2003). Although this format allows for one owner, partners can be added as needed. The decision authority will be the Chief Executive Officer (CEO), the APRN provider, but with an informal organizational structure and two-three employees, consensus for operations will be an operating principle.

The management team will consist of the APRN, MN, MS, FNP-C as the direct care provider and CEO, with over 30 years of adult health care, project development, implementation, and management, health promotion education programs, grant writing and grant implementation, quality control experience and multicultural experience. A certified nurse's assistant (CNA) will be hired initially for billing and initial intake of clients. Further education will be provided for the CNA as needed for billing services. Legal and certified public accountant services will be purchased on a contractual basis, for both start-up and ongoing support.

Besides the provider, the APRN, staff will include initially, one to two people depending on demand. Front desk/billing staff will be recruited first, and a licensed practical nurse or registered nurse will be added with increased client flow. Contractual arrangements will be made for laboratory services and for radiology interpretations. Phlebotomy draws and simple urine tests will be done on site, any other laboratory work

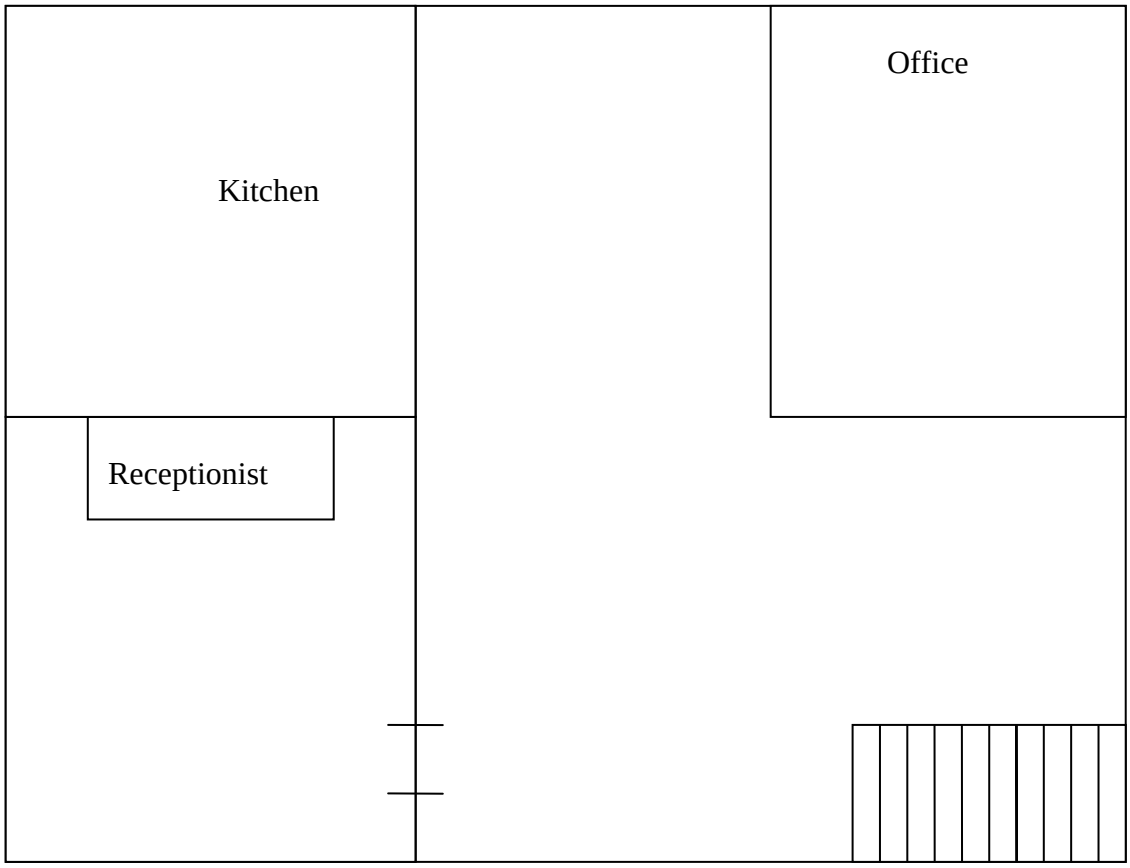
will be sent out. Legal and certified public accountant services will be purchased on a contractual basis, for both start-up and ongoing support.

Wages will be determined based on certification and experience, as well as bonuses based on client flow. Supply needs will be replenished monthly by northeastern Iowa medical supply companies or as needed, based on demand and usage.

Services will be available on a part–time basis, Tuesday through Thursday. One day, Wednesday, hours will be 12:00-8:00 P.M. for late day appointments, with Tuesday and Thursday office hours from 10:00-6:00 p.m. As the APRN will not seek hospital admitting privileges, a local physician has consented to be a referral source for admissions as well as for consulting support for the APRN. Coverage will need to be provided for vacations and days off for the solo-practice APRN provider.

The current structure is about 600 square feet, with an additional space adjacent of another 300 square feet. A ramp needs to be added onto the new structure, and door widths may need to be widened. Bathroom and washroom facilities need to be wide enough accommodate wheel chairs. Worktables and chairs throughout the facility need to be adjustable to accommodate the height of the CEO. A layout of the proposed clinic is on the next page.

Figure 1: Proposed Layout Of The Trvh Clinic



Kitchen and Waiting Room Area= 20’x15’
Exam rooms and office=20’x24’

Operational goals and objectives are crucial to the achievement of this project. For planning purposes the following goals and objectives have been established.

The long-term goal is to provide all levels of family care and health promotion education services to individuals and communities of Northeast Iowa.

Short-term goals to accomplish the long-term goal are as follows:

1. Open a small part-time practice with focus on clinical services in chronic disease and women's healthcare.
2. Become the premier health service for women and the elderly in the area within five years.
3. Provide education that is offered to assist people in managing their own healthcare, individually and group settings which are convenient, accessible, affordable, and tailored to the individual's lifestyle.
4. Incorporate culturally sensitive healthcare that includes individual languages, food customs, healthcare behaviors, and family norms as part of all healthcare delivered.

Operational objectives are those activities designed to achieve the objectives. The following list of activities will initiate the opening of the clinic and the initial operation of the project.

1. Begin and continue networking with other healthcare professionals, by August 2004, for referrals, information, and back up for clinical support.
2. Become American College of Nurse Practitioners, certified, by September 2005.
3. Obtain licensure to practice in Iowa as APRN by October 2005.

4. Become federally certified to prescribe controlled substance and prescriptions by October 2005.
5. Obtain a business license by November 2005.
6. Obtain funding by December 2005.
7. Develop marketing materials by January 2006.
8. Develop clinical support documents, client record formats, procedures, policies, client education materials, and business related material, Occupational Health and Safety Act (OSHA) standards, legal control documents, and billing records by February 2006.
9. Redecorate and remodel by February 2006.
10. Hire staff for training and orientation by March 2006.
11. Plan and schedule opening day in March 2006 for April 2006.
12. Evaluate at three months, six months, and ongoing thereafter.

Financial objectives are as follows:

1. Secure funding for working capital by January 2006.
2. Become financially self-supporting and pay off lenders by April 2007.
3. Demonstrate a profit by April 2008.

APPENDIX H

FINANCIAL/CASH FLOW STATEMENTS

FINANCIAL /CASH FLOW STATEMENTS

Assumptions are routinely used in forecasting financial pages. It is assumed the APRN will see an average of 15-30 clients per week, based on three project cash flow budgets, a pessimistic, a most likely, or an optimistic cash flow budget. There may be some seasonal fluctuations in visits, such as flu immunizations in the fall, upper respiratory infections in the fall and winter, well child exams before school starts in August, but the nature of chronic disease management requires frequent monitoring, usually every three to six months, which would stabilize the number of average visits.

If the optimistic cash flow budget were operating, another staff person, either a licensed practical nurse or a registered nurse would be added in the second year to accommodate the higher rate of clients. Compensation figures include a 10% benefits package the first year with an increase to 15% in subsequent years.

It is anticipated that there will be an average reimbursement rate of about $60.00 per visit, as the most frequent type of visit, although the budget is based on a reimbursement rate of $45.00 per visit. Suggestions were frequently made by small business owners to estimate a lower projected income and a higher expense rate, and plan accordingly.

A loan will be requested for the first year. A line of credit for $50,000 for working capital payable at current rates of interest will allow the practice to operate for the first three to six months without the constraint of waiting for initial reimbursement from third party payers, which can take a period of time. Startup funds will come from personal funds and owner equity. Funding will be paid back in full by the end of the second year of operation, prior to the APRN receiving full benefits.

The following pages include cash flow projections for start up costs and the first year of operation. A quarterly projections is included for the most likely cash flow as well.

Table 1: Start Up Expenses

Accountant…….…….…….$ 800.00

Legal……..…….……..……. 2,400.00

SUPPLIES

Refurbishing/remodeling Office…..…….…….……25,000.00

Exam room supplies

EKG machine…….……..……..……1,000.00

Exam table…….……..……..500.00

Otoscopes.(2)……..……...…750.00

Blood Pressure equipment…..…….…..…….…….400.00

Microscope…….……..…….…700.00

Refrigerator…….…….…….. . 200.00

Phones…….…….…….…350.00

Computers/Programs…….…….…….…..500.00

Marketing…….…….……600.00

Miscellaneous……..…….……10,000.00

TOTAL…….……..$43,200.00

Table 2: First Year Budget

Rent ($333. /month x 12)	3,996.00	
Utilities ($225/month x12)	2,700.00	
Office Supplies	1,000.00	
Educational Supplies	2,682.00	
Payroll:		
APRN $20/hr (10% benefit) x 30hr	34,320.00	
NA/rec $8. /hr (10% benefit) x 20 hr	9,250.00	
Liability insurance	1,300.00	
Transportation	1,300.00	
Contractual costs (legal and accountant)	3,000.00	
TOTAL	$59,548.00	($4,962/month)

CASH FLOW

20 hrs/ week, 30 patients/week

@ $45 per patient visit, 50 weeks per year

TOTAL $67,500.00

20 hrs/week, 26 patients/week

@ $45 per patient visit, 50 weeks per year

TOTAL $58,500.00

20 hrs/week, 30 patients/week

@ $50 per patient visit, 50 weeks per year

TOTAL $75,000.00

Table 3: Annual Projections-First Year Most Likely

	April	May	June	July	August	Sept.
Income		1,108	3,067	5,270	5,515	5,515
Expenses	4,971	4,971	4,971	4,971	4,971	4,971
Net	-4,971	-3,863	-1,904	299	544	544
	Oct.	Nov.	Dec.	Jan.	Feb.	March
Income	5,515	5,515	5,515	5,515	5,515	5,515
Expenses	4,971	4,971	4,971	4,971	4,971	4,971
Net	544	544	544	544	544	544

This projection is based on approximately $60,000 per year in expenses, and projected revenues based on an average of 30 client visits per week at an average of $45.00 reimbursement per visit, with an annual income of $67500. Higher reimbursement rates could mean a reduction in the numbers of patient visits that would be required to meet the cash flow projections.