

INNOVATIVE BUSINESS
APPROACHES FOR AREA AGENCIES
ON AGING: OHIO AAA'S LIMITED
LIABILITY COMPANY, DIRECTION
HOME

Ohio Association of Area Agencies on Aging and Direction Home, LLC

□ Larke Recchie

- CEO: Ohio Association of Area Agencies on Aging and Direction Home, LLC
- Past experience:
 - AAA Director
 - Senior housing developer and management,
 - Home care agency director



What you will learn

- **Ohio's Area Agencies on Aging experience with developing a Limited Liability Company (LLC) to expand business opportunities**
 - Why Ohio AAAs did a LLC
 - Structuring a LLC
 - Lessons learned
 - Potential business opportunities

Why Did Ohio's AAAs create a LLC

- The Aging Network's Changing Paradigm
 - ▣ Managed Long-Term Services and Support (MLTSS) have changed the paradigm: the AAA traditional role is being altered and usurped
 - ▣ Business practices must evolve to stay relevant.
 - ▣ New business lines may be necessary.
 - ▣ Collaborate and strengthen brand.
 - ▣ Harness power and innovate.

Core Competencies of AAAs

- Recognition of skill base is critical in any enterprise
- AAA Advantage: draw on power that does not exist in the for profit organization:
 - sense of community,
 - altruism - motivate community volunteerism
 - 40 year successful history built enormous goodwill
 - collaborative
 - transparent

Conflict between MCO and AAAs

- AAAs inhabit the LTSS space – cost containment with successful community based approach that MCOs wish to profit from
- AAAs already know how to do what MCOs are promising to deliver in the future
- AAAs are needed in the short run for their core competence but can be an impediment in the long term to MCO's maximizing profit
- Government doesn't go back when policy is a mistake

Comparison of Nonprofit/Quasi-government vs For Profit Organizations

- Mission inspires altruism

MCO can't provide the same mission driven impression:
“What Money Can't Buy” – Harvard Professor, Michael Sandel – “How Markets Crowd Out Morals”

- AAAs call on caregivers to contribute much – consumers/caregivers more skeptical of contributing when the funder is making a profit

Steps to Successful Transformation

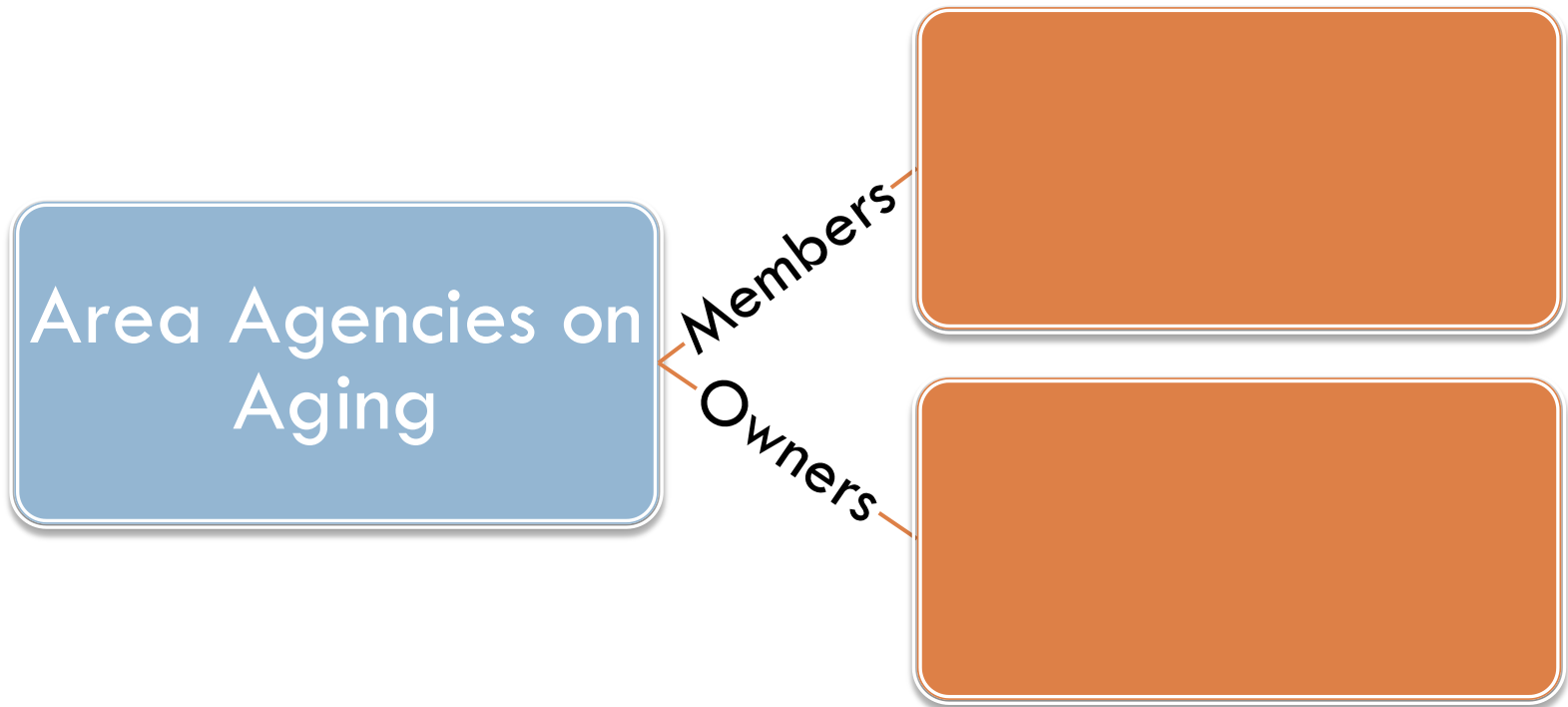
- Harness power and think about innovation.
- Collaborate and strengthen brand
- Structure for success in different market arena
- Focus on Interdisciplinary Collaboration
- Develop innovative funding streams
- Price services for success

Structure of Direction Home, LLC

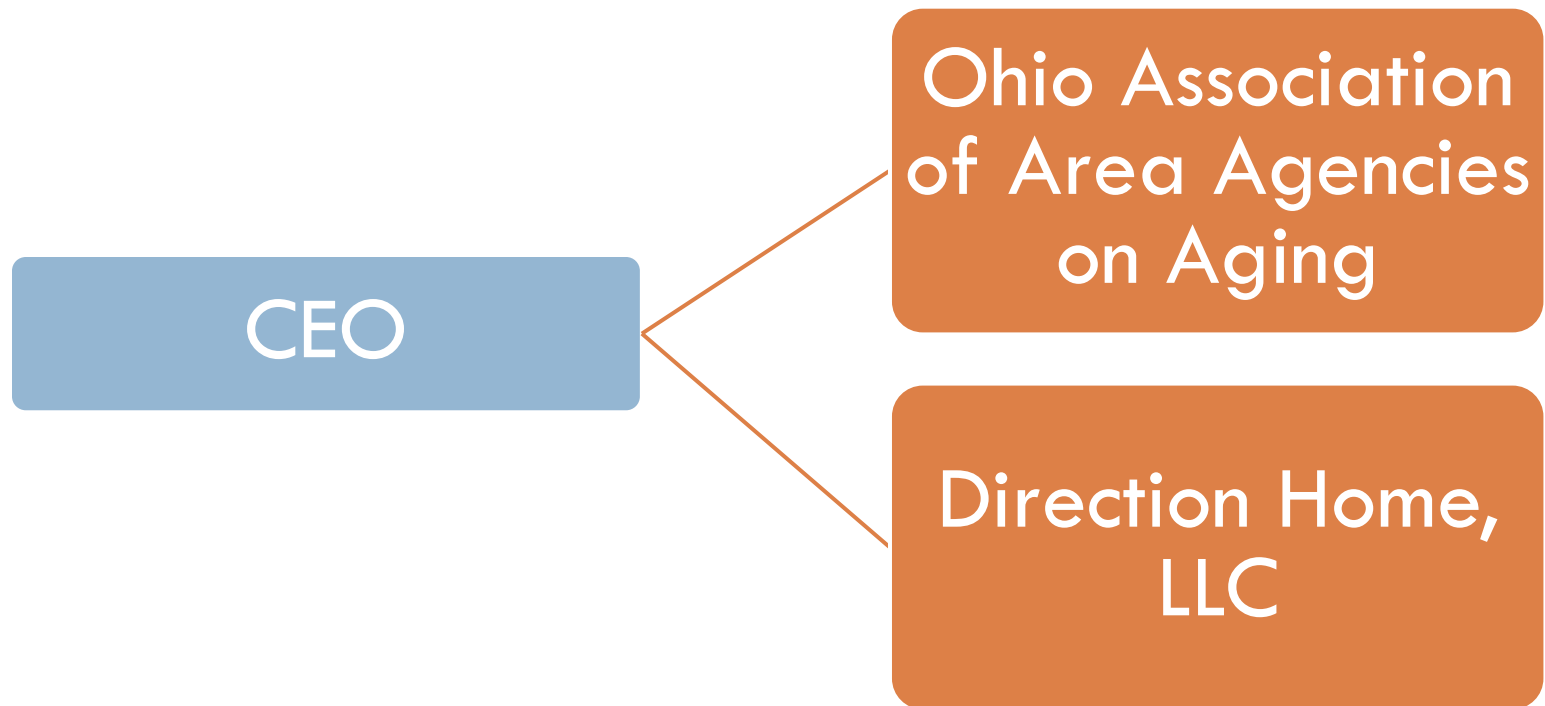
- Direction Home, LLC
 - Rebranding of AAAs for new markets
 - Limited Liability Company owned by 12 AAAs: “For-Benefit” organization
 - Operates as one entity selling statewide services of AAAs



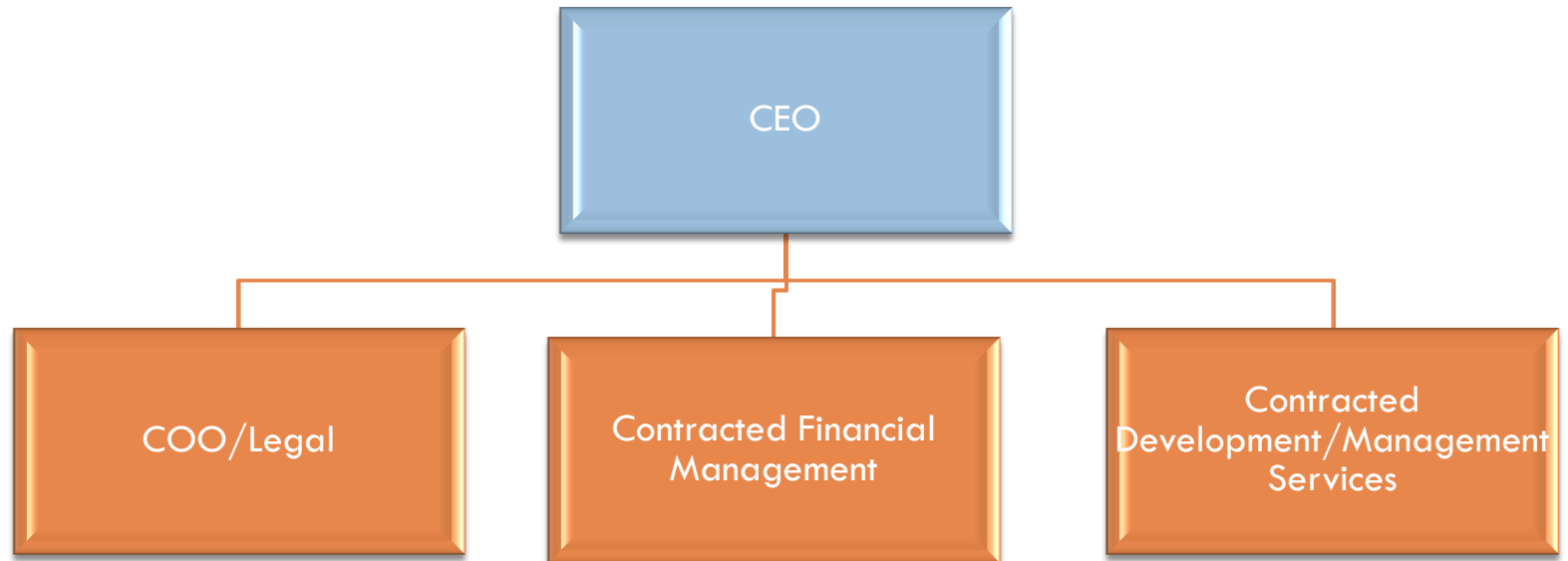
Legal Structure



Management Structure



LLC Enterprise Management



Structure for success in different market arena

Direction Home, LLC operates as a “For Benefit” company

- Any profit is distributed to AAAs for mission related activities (nontaxable)
- Can provide other important benefits:
 - Borrowing
 - Surety Bonding
 - Letters of Credit
 - Centralized contract compliance and accounting

For Benefit Company

- For benefit company can be fashioned out of these legal entities to achieve its objectives:
 - LLC,
 - Limited Partnership
 - L3C

Focus on Interdisciplinary Collaboration

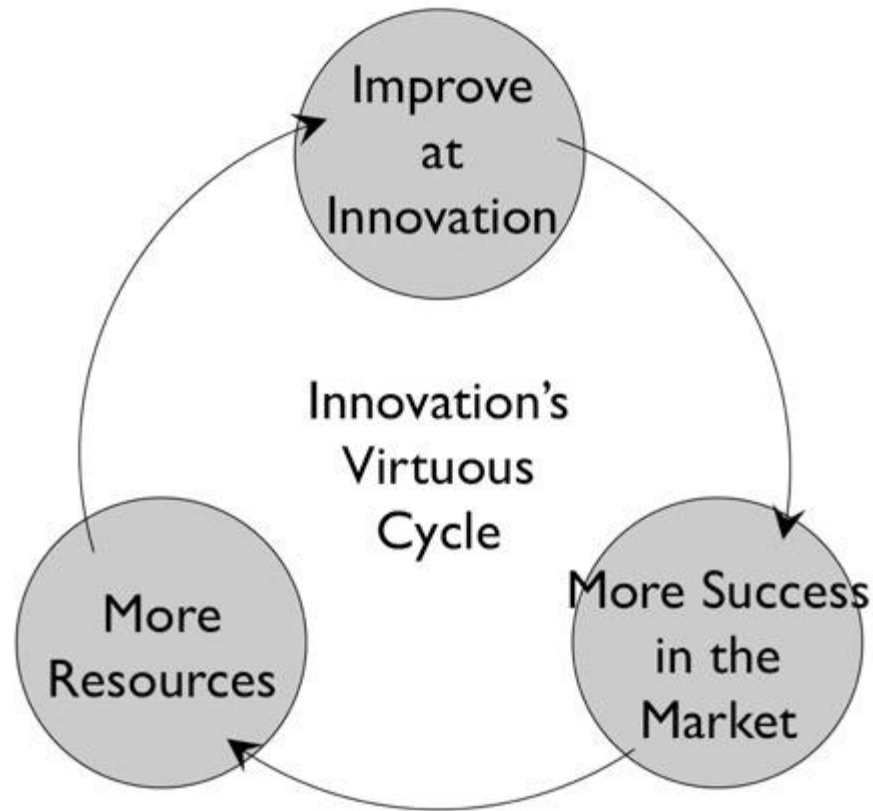
- Hospitals
- Physician practices
- Insurance companies
- Managed Care companies
- Retirement Systems
- Housing
- Other community based organizations

Lessons Learned

- Initial investment makes life easier
- Plan for legal costs, marketing costs, insurance, back office
- Innovation means starting small sometimes
- MCOs will want your activities to fit into their design
- Product pricing is essential
- Willingness to talk through tough issues and to help out – weigh when something is AAA opportunity and when beneficial to act as statewide contractor
- Friendly competition is okay but collegiality is most important

Quality of services. Continue to innovate.

Virtuous cycle



Thank You

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