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:

- **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

Area Agencies on Aging

Members

Owners
Management Structure

CEO

Ohio Association of Area Agencies on Aging

Direction Home, LLC
LLC Enterprise Management

- CEO
- COO/Legal
- Contracted Financial Management
- Contracted Development/Management Services
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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