A Place to Start:

A Small Business Workbook For Mental Health Professionals

SELF HELP

CREATING OWNERSHIP
AND ECONOMIC OPPORTUNITY

Community Investing

SELF HELP

The Center for Community Self-Help was founded in 1980 with a singular mission – to re-build and renew distressed communities by creating ownership and economic opportunity for their residents. The Center and its financing affiliates, Self-Help Credit Union and Self-Help Ventures Fund, serve as our state's premier community development financial institution.

Since our fist loan in 1984, Self-Help has provided more than $1.6 billion in financing to 23,000 small businesses and homeowners, with an emphasis on lending to women and minorities and to rural and low-income communities. We are also one of the state's largest lenders to non-profit community organizations and human services providers that serve and employ our constituents.

Self-Help provides important technical assistance to individuals and companies during the lending process and throughout the life of a loan. We are dedicated to strengthening the financial understanding and capacity of our borrowers and to educating ourselves about a borrower's unique situation in order to assess actual, rather than perceived, risk. These efforts may mean some extra work for us, but the results speak for themselves – Self-Help routinely has comparable, or even lower, loan losses than more conventional lenders.

In addition to our lending work, Self-Help serves as a laboratory for economic development models. We partner with public agencies and private funders, and experiment creatively with financing structures, credit enhancements and collateral packages, to identify what works, then share our best practices with our community development peers. With our experience as a guide, we also advocate for legislation that enhances and protects the ownership and economic opportunity our borrowers have worked so hard to create.

Self-Help serves North Carolina with seven regional offices across the state: in Asheville, Charlotte, Durham, Fayetteville, Greensboro, Greenville, and Wilmington. We are also becoming more active in the national lending arena, particularly in lending to human services providers and other community facilities.

INTRODUCTION

Becoming a Private Mental Health Services Provider: A Resource Guide

Starting a new business venture can be quite overwhelming. First, a businessperson must determine if there is a market for the type of service he or she plans to provide. Then there is a myriad of details to consider – from office space and telephone systems to market research and program development. Mental health professionals often fear that the "business of running a business" will distract them from their primary goal: helping people in need.

This workbook will serve as an initial guide through some of the vital questions you must ask yourself as you consider becoming a mental health entrepreneur.

Topics covered include:

Section I	Assessing Your Business Personality
Section II	Understanding Your Market
Section III	Conducting a Feasibility Study
Section IV	Planning Operations
Section V	Managing Your Finances
Section VI	Preparing a Business Plan
Appendix A	Resource List

While the information provided here will put you on the road to building your own business, no workbook can substitute for the advice of seasoned small business professionals. Appendix A provides a number of contacts who can provide technical assistance on a variety of topics.

If you have comments or suggestions about this workbook, please email us at tasha@self-help.org.

Becoming A Private Provider In the New "Participant-Driven" System

Currently, the State of North Carolina provides mental health, substance abuse and developmental disability services to more than 300,000 people through 38 area mental health authorities, at an annual cost of more than $1.8 billion. Prompted by recent judicial decisions requiring states to offer more community-based services, and in an effort to increase efficiency and cut costs in a tight fiscal environment, the N.C. Department of Health and Human Services is now implementing its "Blueprint for Change" – a comprehensive plan that moves North Carolina from a network of state mental health agencies to a system of contracted private providers.

Regional service networks will be developed and managed by Local Management Entities (LMEs). LMEs will collaborate with mental health professionals and community partners to develop local business plans, build a roster of programs and providers, connect consumers to providers, manage the disbursement of state funds and monitor the quantity and quality of services.

By using community-based, private mental health services providers contracting with LMEs, the state hopes to improve quality and access to care while keeping costs low through market competition. In addition, this new system is expected to increase the participation of individuals and families in their own treatment through wider provider choice, better access to services closer to home and more readily available information about treatment options.

The effect of this shift on mental health professionals accustomed to working with and for state agencies will likely be dramatic. Secure state jobs will be replaced by the challenges of entrepreneurship. Where once consumers came into a mental health center, now providers will have to market to their community. The advantages of the new system may also be dramatic, however. Private providers will have the freedom to develop unique and creative programs, target special populations and move locations more easily. In addition, mental health entrepreneurs will be able to manage their own finances – and reap the rewards of successful practices.

As a private provider in North Carolina's new network, you have the opportunity to put your experience to work addressing disparities in treatment, advocating for new models of practice, and empowering individuals to become active in the decisions that affect their mental health.

Section I Assessing Your Business Personality

What makes a successful entrepreneur? Drive, self-motivation, analytical ability, flexibility and good "people skills," as well as technical knowledge in the chosen field, are all important qualities to have if you're thinking of starting your own business.

However, there is no set formula for success. Often, strengths in some areas can compensate for weaknesses in others. Use this test to evaluate your professional interests and goals, but don't take it too seriously – it is not designed to tell you whether to start a small business, only to get you thinking.

Read each of the following statements and check whether you strongly agree, somewhat agree, or don't agree.

	Strongly Agree	**Somewhat Agree**	**Don't Agree**	
1.	______	______	______	I'm persistent.
2.	______	______	______	I have a strong drive to succeed.
3.	______	______	______	I am good at my job.
4.	______	______	______	I'm a positive person.
5.	______	______	______	I like to be in control.
6.	______	______	______	I am a self-starter.
7.	______	______	______	I know there is a demand for my particular skills.
8.	______	______	______	I am very organized.
9.	______	______	______	I am self-confident.
10.	______	______	______	I can tolerate some ups and downs in my paycheck.
11.	______	______	______	I have the support of my family in starting a business.
12.	______	______	______	I am self-aware.
13.	______	______	______	I manage my finances well.
14.	______	______	______	I am a "people person".
15.	______	______	______	I can accept criticism.
16.	______	______	______	I'm not afraid to make a decision even if it may be wrong.
17.	______	______	______	I'm disciplined in seeing a job through to the end.
18.	______	______	______	I take chances.
19.	______	______	______	I am intuitive.
20.	______	______	______	I am interested in new ideas and unfamiliar subjects.
21.	______	______	______	I see problems as challenges.
Total	______	______	______	

- Total the columns. The higher the numbers in the first two columns, the better prepared you may be to start your own business.
- The items checked in the "Don't Agree" column may be obstacles to starting your business. Ask yourself how difficult it will be to overcome each item – and be prepared to seek help in these areas.

Test Compliments of Good Work

Section II Understanding Your Market

When starting a business, it can be hard to differentiate between what you perceive as a need or niche to be filled and the real demand for services in your community. By conducting a preliminary market assessment, you are looking to define WHO your potential clients are, WHAT services they need, WHEN and WHERE they can access your practice and HOW and HOW MUCH they are willing to pay for mental health services.

In your market assessment, use a variety of sources of information – community leaders, other mental health professionals, your LME and other small business owners, to name a few. It is important to get as complete a picture as possible. Your evaluation should be both general ("What is the community perception of the need for my services?") and specific ("What time do most people get off work in this area, so I can set convenient hours?"). And remember to remain open to surprise answers that re-direct your planning!

Some basic techniques you can use to complete your market assessment are:

Direct observation	**Questionnaires/Surveys**
Literature reviews/News reports	**Focus groups**
Interviews	**Consultations with people in key positions**

Some questions to consider:

- How many people in my community could benefit from my specific services or skills?
- Where do my potential clients live? Where do they or their parents work?
- How many of them have used mental health services before?
- What is their perception of mental health services? Is it supportive or suspicious?
- Are there similar practices currently operating in my area? Do they have a waiting list?
- What is the rate clients have paid for particular services in the past?
- Does my client base routinely use private insurance or state-funded services?
- How many of my potential clients have been seen at the area mental health agency?
- Is there appropriate office space available on the market? Is it for lease or purchase?
- Can I find space in an area that is accessible to clients without cars?
- If I plan to hire employees, can I find qualified candidates at an affordable cost?
- What type of equipment or materials will my program require?
- Is there a potential to share costs – such as equipment or administration – with others?
- Are there people (clergy, doctors, etc.) in this area who may refer clients to me?

Section II Notes on Understanding Your Market

Section II Notes on Understanding Your Market

Section III Conducting a Feasibility Study

Once you have a clear sense of your potential market, community support and initial obstacles, your attention should turn to a frank assessment of the feasibility, not just of any business – but YOUR business. A feasibility study is an effective way of asking whether you are capable of carrying out a business plan. Going beyond the earlier assessment of your personality and work style, a feasibility study asks practical questions that are important to starting, growing and maintaining a small business.

Some questions to consider:

- Can I practically run a business in addition to the other constraints on my time – family, community and personal?
- What income do I need to live on? Will the market and rate for my services support my current lifestyle?
- What other sources of financial support do I have – from a spouse, my family, etc. – to rely on if times are tough?
- How close am I to retirement? Do I have enough years left to build a successful practice?
- How long have I been in this community? How close are my ties to decisionmakers and referral sources?
- Do I plan to stay in this area? If I were to move, would I still be able to maintain this practice?
- Am I appropriately licensed to practice in my chosen field?
- Do I feel I have something unique to offer? Can I differentiate myself from my competitors?
- What is my relationship with my LME? Do I feel comfortable working with them?
- Do I have the technological knowledge to use computer reimbursement systems, make decisions about the infrastructure of my business, etc.? If not, is someone reliable available to help me with those issues?
- Will working hours that are convenient for my client base suit my life? My temperament?
- What specific offers of assistance have I received from the local chamber of commerce, referral sources and other practitioners? What specific interest has been expressed by potential clients?

Section III Notes on Conducting a Feasibility Study

Section III Notes on Conducting a Feasibility Study

Section IV Planning Operations

The operations plan is designed to show how your business will operate on a daily basis. It's best to start with broad categories, and then reduce each one to detailed plans. For example, you may decide to break your business down into the following functions:

Client Services	**Human Resources/Personnel**
Building/Space	**Community Awareness and Outreach/Relationship with LME**
Office and Financial Administration	**Coordination of Business Functions/Decisionmaking**

Then, describe in detail how each function will be handled. And remember – ALL CATEGORIES INTERRELATE, so if your business will employ more than just you, it's important to think through how to ensure a smooth flow of communication.

Some questions to consider:

Client Services

- What are the specifics of my program? Will I do individual and/or group sessions? What ages, genders, mental health diagnoses or other categories will I serve?
- What hours will I be open?
- Do those categories meet the goals and demands of the LME and state authorities?
- On what terms will I contract with the LME? Who will manage the contract?
- What system will I use to document sessions and services? Does it interface properly with the LME reporting system? Is it adaptable to the requirements of insurance providers?
- What system will I use to track client requests and follow up on problems?
- What other community resources, such as in-patient facilities, can I access for particular client conditions? What are their admissions criteria?
- Am I properly licensed to provide the services I plan to provide? What are the continuing education requirements and how can I best satisfy them? How do I stay up-to-date on changes in my field?
- How and on what schedule will I get client feedback? How will I use that information to refine my program?

Building/Space

- What is the most space I could use? What is the least space I could get away with?

If I am leasing space:

  - Are there renovations necessary to make my program work? Is the landlord amenable to structural changes?
  - What is the term of the lease? Does it allow me sufficient time to establish a location? On the other hand, is the term so long that it prevents me from changing location if necessary?
  - What are the other terms of the lease? Is it fair? Are there hidden costs or risks?

If I own or am purchasing space:

  - Are there renovations necessary to make my program work? Do the changes make the space hard for other potential owners/tenants to use?
  - Do I plan to rent out any part of my building? If so, who are my prospective tenants? How do I ensure that their operations do not interfere with my business?
  - If I operate out of part of my home, have I planned how to address disruptions from and to my family?

- Who will clean my offices or building? Who will provide other regular services, such as pest control, carpet cleaning, etc.?
- What is my neighborhood like? What is my plan for security for my employees, my clients and myself?
- Is my office space and building in compliance with all city and state codes, including handicapped access and parking?

Office and Financial Administration

- What will be the corporate form for my organization – i.e., sole proprietorship, partnership, corporation, limited liability company, or non-profit organization?
- How will the form affect my programming? My tax and financial planning?
- What office equipment, technology and records systems do I need to manage state reimbursements, LME compliance, client files, insurance submissions, ordering of supplies, accounting/bookkeeping, and other office functions?
- Who will manage and maintain these office systems and on what schedule?
- Who will answer the phones? Do I need an answering service, pager or cell phone for off-hours? How will my practice address client emergencies?
- What professional services – such as legal or accounting – do I need? For what matters?
- Which policies do I need for malpractice, liability and property insurance?
- Will I accept insurance from clients? If so, which plans? Will I file for my clients?

Human Resources/Personnel

- Will I have employees? If so, how many? If I have employees, who will do the hiring and background checks?
- What will be our salary structure and benefits, including medical, dental, life and/or disability insurance, paid vacation and/or personal leave? On what schedule will salary and benefits be reviewed? Who will decide what changes are made?
- Who will conduct annual reviews and respond to grievances? Who will develop and monitor sound personnel policies over time?
- Who will make the decision to terminate an employee? What will our procedure be?
- How will we recruit and retain good employees?

Community Awareness and Outreach/Relationship with LME

- What is the core message of my practice? Have I developed a mission statement and guiding principles?
- How is my business best marketed in this community? To the client base I will serve?
- Should I use traditional forms of advertising (phone book, newspaper)? Will I depend primarily on referral sources? Do I need to get more creative about marketing?
- What community activities can I participate in that will help to build strong contacts?
- Are there individuals or community organizations that I should plan to speak to, participate in conferences with or otherwise build relationships with?
- Do I have a strong contact or contacts at the LME? Can I get reliable information about the status of my contract and feedback on my services from the LME?
- Am I aware of the political climate at the LME and state levels? Am I sufficiently connected to influence decisions that affect my practice? Will I at least know of changes that are coming before they get here?

Coordination of Business Functions/Decisionmaking

- Am I required to have a board of directors? If so, whom will I ask to serve on it?
- What specific decisions will I entrust to my board and what will I decide myself?
- If I have employees, what authority will I give each of them to make decisions?
- Do my employees know who makes what decisions? Is there a clear method of communicating concerns and suggestions?
- Have I scheduled a regular time to take care of the details of running a business, to address emerging concerns, to evaluate progress on goals and to refine my plans?

Section IV Notes on Planning Operations

Section IV Notes on Planning Operations

Section V Managing Your Finances

As you know, a business cannot operate without money! Once you have developed a general idea of your program and operations, you must inevitably turn to financial matters.

Managing your finances starts with accurate CASH FLOW PROJECTIONS and a comprehensive, detailed BUDGET. These two financial tools work together – projections of revenue tell you where to limit your budget, which in turn determines your projected costs and identifies new sources of income. With these tools in hand, you can then prepare a proposal for financing from outside sources – either grants (if you're a non-profit) or bank financing (whether you are for- or non-profit).

As you complete each tool, be conservative but also realistic and BE PREPARED TO EXPLAIN YOUR ASSUMPTIONS!

CASH FLOW PROJECTIONS
(see basic form at www.self-help.org/commerciallending/cf3.asp)

Some cash flow questions to consider:

- What will my regular costs be? Which are monthly (rent, utilities, payroll/accounting) and which are annual (continuing ed costs, licensing fees, annual audit, insurance)?
- What are special up-front costs that are unlikely to be repeated (such as attorney and incorporating costs or expenses to adapt owned or lease space to the new business)?
- At what rate will my costs increase over time?
- Have I provided for bonuses and/or increases in staff compensation – including my salary?
- Will I need outside financing? What will the monthly payments and other costs be?
- At what rate will I build up reserves? What is my target total reserve?
- How many clients will my business serve at the start? What is my goal for total number of clients? At what rate will I add clients?
- What is my expected total monthly revenue? What is my projected revenue per client?
- Where will the revenue come from – state reimbursement, insurance, client-pay, other?
- From the time I see a patient, how long will it take for revenue to come in?
- How long will it take for me to get registered with the LME system? How will that affect the timing of my cash flow?
- Will there be revenue from other sources, such as special events, the occasional use of my space by other organizations or fundraising?
- What causes dips or spikes in demand for my services – e.g., seasonal variations, "macro" events, etc.?

BUDGETING
(see basic form at www.self-help.org/commerciallending/cf3.asp)

Some budgeting questions to consider:

- What are the essential items I need to get my business started – e.g., program materials, marketing tools, rental or purchase of space (including up-front deposits and costs of adapting space to the needs of my business), deposits on utilities, incorporating costs and professional services?
- In an ideal world, what other items would I like to have for my business?
- Looking at each item, will it directly contribute to building revenue now?
- If a budget item does not directly contribute to revenue now, does it clearly serve to enhance my business over time? When exactly will I see a "return" on my investment?
- Have I included items that various professionals have recommended – for example, a contractor's itemized list of costs of repairs or my small business consultant's list of suggested materials?
- Have I included reserves in my budget? If not, how will I cover unexpected expenses?
- What is the amount I need for each budget item? What is my total overall budget?
- Are there places where I could trim if necessary? Are there costs that can be deferred?
- Have I included a sufficient salary for myself? Is it in line with what I'm making now?
- Will I own or rent my space?
- What are the initial costs, if any, of becoming a contracting provider with my LME?
- What costs are associated with financing – e.g., hiring a fundraising consultant to raise grants or contributions, or closing costs for a bank loan?

FINANCING OPTIONS

When your cash flow projections and budget are complete, you may notice "holes" in your finances. Maybe reimbursements from the state don't come in fast enough to meet monthly expenses or your program design calls for materials that you can't pay for out of cash. You may then consider outside financing. Talking with Self-Help or your local lender is the best first step to learn what financing options are available to you. Briefly, the most common types are:

Grants: Non-profit, 501(c)(3) organizations will almost always look first for grants to add to their revenue. Grants may come from foundations, corporations, individuals or other non-profits. This money is "free," but it often has special restrictions attached, so it is imperative that you understand the requirements of any grant you accept and report timely on your compliance with its terms.

Loans: Both for-profit and non-profit organizations may choose to apply for loans from banks, credit unions or even foundations (who may make low-interest loans in the form of "PRIs," or "Program-Related Investments"). Typical loans are:

- ✓ Facility Loan – Financing for the purchase, construction, improvement or renovation of a property you own or lease. A facility loan is structured much like a home mortgage, with an appraisal, survey and sometimes an environmental assessment required. Closing costs can usually be financed through the loan, which is secured by the real property.

- ✓ Bridge Loan – A bridge loan can be used to provide cash flow to keep you operating when other sources of revenue – such as state reimbursements, grants or insurance payments – are slow coming in. A bridge loan is typically short term and is repaid when the expected revenue arrives.

- ✓ Working Capital Loan – A working capital loan is used to supplement cash flow, and is often a lower-cost alternative to credit cards. This type of loan can be structured as a revolving line of credit (available to be drawn, repaid and re-drawn up to a maximum amount, with interest charged on the outstanding balance) or as a term loan (disbursed at closing, with interest paid on the entire balance and principal repaid on a set schedule).

Bond Financing: Available for well-established organizations with large project financing needs (usually more than $1 million). A business must typically be rated by a rating agency or have strong support from a rated entity to participate in bond financing. As the availability of bonds depends on strict financial criteria, it would not be a very common form of financing among mental health professionals.

Section V Notes on Managing Your Finances

Section V Notes on Managing Your Finances

Section VI Preparing a Business Plan

A sound business plan is a key element to any new venture. A business plan should capture the information you have gathered from your market assessment and your feasibility study, filter it through the mechanics of your operational and financial structures, and provide you with a clear map of where you're going and how you're going to get there.

A business plan has two functions:

EXTERNALLY, it should communicate your organization's objectives to community members, state contracting agencies, referral sources and potential funders, as well as current and future clients.

INTERNALLY, your business plan will serve as a functional guide that you can (and should) refer to periodically to make sure your business stays on track.

Key Elements of a Business Plan

Executive Summary

The Executive Summary is a brief, precise and informative description of your business, highlighting your strengths, addressing any important weaknesses and outlining the basic steps you will take to achieve your goals.

Description of Business

- ✓ Describe your business, including target client base and parameters of service
- ✓ Briefly state who you are NOT serving and why
- ✓ Present your mission statement and guiding principles
- ✓ Note special challenges

Marketing and Community Relations Plan
Management/Operations Plan
Financial Plan

Above all, when preparing a business plan, be HONEST. Clearly assess your ability to meet your goals. With a critical eye, evaluate whether your plan is a good fit with your proposed market. Allow some colleagues and small business advisors to read your plan and take their suggestions seriously. It is always best to plan conservatively and exceed your expectations. Dream big, but start small.

Section VI Notes on Preparing a Business Plan

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In Closing

Moving from secure employment into the sometimes rough seas of entrepreneurship is a daunting challenge. Some will take to it naturally. Others will need much support and guidance. But whether you are a seasoned business owner or new to private practice, it is comforting to know that the waters are not uncharted. There is a wealth of knowledge and experience available to you for the asking. The list of resources that follows is a good place to start.

Self-Help has more than 20 years' experience working hand-in-hand with new entrepreneurs to understand each business' unique character and to develop financing plans that are flexible, creative and affordable. Our in-depth knowledge of human services providers helps us to appreciate the delicate balance you will learn to strike between the hard rules of business and the more nuanced qualities of mental health care.

Please contact Self-Help at 1-800-476-7428 to let us know how we can help.

Good luck!

Appendix A

Resources

Self-Help Credit Union
Self-Help is an innovative lender providing financing to businesses and non-profit organizations in North Carolina. We specialize in lending and technical assistance to enterprises that need special attention not available from traditional banks.
www.self-help.org
1-800-476-7428

Small Business and Technology Development Centers
Operating through the state university system, SBTDC's provide business counseling. They can assist with marketing plans, licensing procedures, financial projections and organizational development, among other topics. For an SBTDC in your area, contact:
www.sbtdc.org
1-800-258-0862
1-919-715-7272

Small Business Center Network
North Carolina Community College System
Small Business Centers are located at most local community colleges. They provide seminars and courses on starting and running a business.
www.ncccs.cc.nc.us
1-919-733-7051

North Carolina Serving Businesses
A resource website for entrepreneurs about the rules and regulations for operating a business within the State of North Carolina. Topics range from basic start-up information to permits, taxes, and insurance requirements.
http://www.ncgov.com/asp/basic/business.asp

SCORE (Service Corps of Retired Executives):
Counselors to America's Small Businesses
SCORE provides small business mentoring and advice on a full range of business topics. Business counselors are well-versed in how to develop effective business plans and create strategies for growth.
www.score.org
1-800-634-0245

U.S. Small Business Administration
Congress created the U.S. Small Business Administration (SBA) in 1953 to help America's entrepreneurs form successful small enterprises. Today, SBA's program offices in every state offer financing, training and advocacy for small companies.
www.sba.gov
1-800-827-5722

Resources

The North Carolina Center for Women Business Owners
At the Women's Center of Fayetteville
The Center offers a variety of empowerment and educational programs, as well as ongoing training, for women entrepreneurs. Many of the Center's clients are socially and economically disadvantaged, from both inner-city and rural areas.
www.wcof.org
1-910-323-3377

North Carolina Institute of Minority Economic Development
The North Carolina Institute of Minority Economic Development targets both minorities and low-wealth individuals seeking business assistance within North Carolina. The center provides orientation, short- and long-term training, mentoring and networking to enhance all aspects of the entrepreneurial effort.
www.ncimed.org
1-919-956-8889

Good Work
Good Work is a non-profit organization that helps people start and expand small businesses by offering intensive business training and on-going assistance to entrepreneurs. Their current emphasis is in the Triangle area of North Carolina.
www.goodwork.org
1-919-682-8473

Forms of Business Ownership
This article presents an overview of the four basic legal forms of ownership for small businesses: sole proprietorship, partnership, corporation, and limited liability company.
http://www.onlinewbc.gov/docs/finance/org_form.html
1-202-205-6673

Free Management Library
This website offers a highly integrated library of resources for non-profit and for-profit businesses.
http://www.mapnp.org/library/topics.htm

Online Tests

Personal Flexibility Skills Test
www.aimmconsult.com/SamplePBAFlex.html

Quiz For Small Business Success
www.sbaonline.sba.gov/gopher/Business-Development/Success-Series/Vol1/Quiz

Entrepreneurial Test
www.onlinewbc.gov/docs/starting/test.html