Quality Care Partners: A Case Study

by Karen Kahn

A PHI Technical Series Publication

Paraprofessional Healthcare Institute

The *Paraprofessional Healthcare Institute (PHI)* is a national nonprofit health care employment development and advocacy organization, based in the South Bronx, New York City, with affiliates in five states.

PHI's mission is to facilitate:

- **The creation of decent jobs for low-income individuals**, with a special emphasis on women who are unemployed or transitioning from welfare to work, and
- **The provision of high-quality care to clients** who are elderly, chronically ill, or living with disabilities.

From within the health care industry, PHI has linked this twofold mission through a **"Quality Jobs / Quality Care"** school of thought: We believe that creating quality jobs for low-income individuals—who comprise the majority of paraprofessional health care workers—is not only consistent with, but necessary to, the provision of high-quality, cost-effective services to long-term care consumers.

We serve PHI's mission through:

- **Practice:** Facilitating the creation of employee-owned health care enterprises, consumer-directed demonstrations, and employer-based training programs—and then fostering a network of those initiatives to assist and challenge one another toward excellence and innovation.
- **Consultation:** Advising key stakeholder groups—including consumers, labor, and concerned providers—in adopting employee-centered innovations in the recruitment, training, job re-structuring, and supervision of paraprofessional health care workers.
- **Policy development:** Promoting fundamental change—on behalf of direct-care workers, public assistance recipients, and health care clients—in both public policy and health care industry practice.

Members of the Cooperative Healthcare Network include: *Cooperative Home Care Associates* and *Independence Care System* of New York; *VNA of Southeast Michigan Training Institute; Good Faith Fund Careers in Health Care* of Pine Bluff, Arkansas; *Home Care Associates* of Philadelphia; and *Quality Care Partners* of Manchester, New Hampshire.

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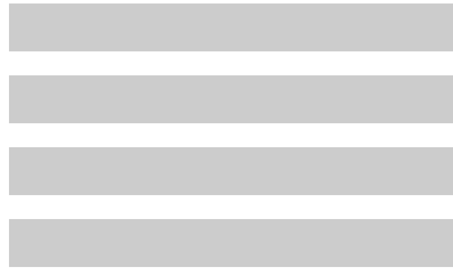

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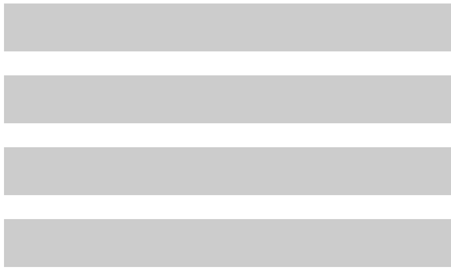

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Executive Summary

Quality Care Partners (QCP), a paraprofessional health care agency in Manchester, New Hampshire, is a sectoral employment initiative sponsored by three of New Hampshire's most influential nonprofit organizations: the New Hampshire Community Loan Fund (NHCLF), New Hampshire Charitable Foundation (NHCF), and New Hampshire Catholic Charities. The goal of the project is twofold: to improve the quality of jobs for low-income workers in the paraprofessional health care sector and to improve the quality of care provided to New Hampshire's long-term care consumers.

This case study documents the development of QCP and its initial entry into the marketplace. In the first part of the case study, we review QCP's history: the decision to use a sectoral employment strategy to create better jobs for New Hampshire's low-income workers, the search for a viable project, the formal establishment of the partnership, the process of acquiring adequate financing to launch the enterprise, the hiring of a Chief Executive Officer and other senior staff to lead the enterprise, and the challenges of developing a viable business plan and a market entry strategy.

In Part II of the case study we document the "lessons" we've learned from QCP's experience. These lessons fall into five general categories:

- **Building Partnerships**: Strong partnerships can bring together the key resources necessary to launching a community-based enterprise. In the case of QCP, the partners brought to the project an exceptional level of financial resources (NHCLF), a wide array of relationships with key actors in the community (NHCF), and extensive experience within the health care sector (Catholic Charities). In addition, the Paraprofessional Healthcare Institute played a key support role, bringing its prior experience developing similar enterprises in New York City, Boston, and Philadelphia.
- **Acquiring Adequate Financing**: Community-based enterprises often suffer from inadequate equity funding and an over-reliance on debt financing. QCP, partly because of the financial strength of the partnership, has been well funded. QCP entered the marketplace with $250,000 in equity and $250,000 in long-term debt financing, giving it the resources to overcome obstacles that might otherwise have stymied the enterprise. Even with these considerable financial resources, the partners continue to support the project by funding "program development." For example, the NHCLF raises funds for the QCP's training program and employs an employment analyst to expand the project's sectoral impact.

- **Identifying Markets**: Although formal market studies are necessary to determining the opportunities in the marketplace, they are not sufficient. QCP's market analysis yielded important information about the demand for paraprofessional health care workers, but also noted some significant obstacles to developing an enterprise. To enter the market successfully, QCP had to *create* a market—i.e., the enterprise had to locate a niche in the complex health care environment that it could successfully exploit to create a profitable business.
- **Hiring Leadership**: The ideal leader for a community-based enterprise is one who knows the industry, appreciates the social goals of the project, has democratic management skills, and possesses the creative energy and drive of an entrepreneur. Finding this kind of highly-skilled and experienced "social entrepreneur" is one of the greatest challenges of this kind of initiative. QCP's first CEO proved to be a poor match for the enterprise. From that experience, we argue that prior to committing full resources to launching an enterprise, sectoral initiatives might consider hiring an entrepreneur on a contractual basis for a six- to nine-month developmental phase, in which the goal would be to develop relationships, shape the entry strategy, and test the entrepreneur's own strengths and weaknesses.
- **Developing Customer Demand:** Sectoral enterprises, like all small businesses, must carefully market their services, balancing their capacity to provide those services against the expectations of customers. QCP has found that it must be constantly aware of the needs of the marketplace, expanding services to meet customer demand while, at the same time, seeking to reshape customer demand to better meet the needs of low-income workers.

Introduction

This case study documents the birth of Quality Care Partners (QCP)—a paraprofessional health care enterprise—as it moved in just two years from "idea" to "reality." Sponsored by three partners—the New Hampshire Community Loan Fund, New Hampshire Charitable Foundation (NHCF), and New Hampshire Catholic Charities—QCP was intentionally structured as a "sectoral employment initiative." The Charles Stewart Mott Foundation of Flint, Michigan, provided the primary funding for the project.

Although not all sectoral employment initiatives are enterprise-development projects, these initiatives generally share four common features.[1] They:

- Target an occupation, or related set of occupations, within a single industry;
- Intervene deeply by becoming a key actor within that industry;
- Focus on improving employment opportunities for low-income people; and
- Work toward long-term, systemic change within that industry's labor market on behalf of low-income participants.

With these goals in mind, the three partners designed QCP to evolve over time into a profitable worker-owned enterprise that would effect long-term change on behalf of New Hampshire's low-income workers.

After considerable research, the initiative partners chose to focus on the health care sector, specifically paraprofessional "direct-care" workers within that sector. QCP would train and employ certified nursing assistants (CNAs), who would work in a variety of care settings in the southern New Hampshire area. The cooperative would place its paraprofessionals through subcontracts with nursing home facilities, home health care agencies, assisted living facilities, adult day care, and other organizations that employ direct-care workers.

The partners chose paraprofessional health care work because it is an occupation that generally attracts female workers with few employment options. Although in New Hampshire all paraprofessional health care workers must undergo training and pass the certified nursing assistant examination, the work doesn't require a high school diploma or formal experience. As a result, many immigrants with poor English language skills and single mothers who have been on public assistance gravitate to the field. Unfortunately for these workers, the jobs pay poorly and are so poorly structured (particularly in home health care, where case assignments are typically sporadic, resulting in only part-time wages) that earning a living wage is difficult. Therefore, QCP's first mission would be to improve the quality of these jobs in order to improve the employment prospects of low-income workers.

Better jobs, QCP believes, should result in higher quality care for people who are elderly, ill, or living with disabilities. The current system, in which many employers, squeezed by Medicare cuts, undervalue their paraprofessional health care staff, has created an unstable, high-turnover workforce. As a result, families seeking long-term care services are constantly struggling to find consistent, reliable caregivers to assist their loved ones. By providing its employees with superior training, high-quality jobs, and opportunities for advancement, therefore, QCP hopes to achieve its second mission: to provide consumers the highest possible quality of care. In pursuing both missions, QCP hopes to develop a competitive edge in the marketplace and become a valued actor in the industry.

Community enterprises such as QCP take tremendous effort to initiate, but often fail during their early years because of the difficulties of finding adequate financing, profitable markets, and strong entrepreneurial leadership. Nonetheless, when successful, they can be exciting, social-change endeavors, which give low-income people greater control over their lives. With this in mind, the Paraprofessional Healthcare Institute (see sidebar), which has supported QCP's development, decided to document the QCP initiative, hoping that others could learn from our experiences. We see this as the first in a series of case studies that will track the phases of QCP's development and convey lessons learned along the way.

The first half of this study narrates QCP's early history, essentially the "research and development" and "start-up" phases of the business. In the second half, we take a closer look at five themes that arise out of QCP's history—building partnerships, acquiring adequate financing, identifying markets, hiring leadership, and developing customer demand—and provide lessons for others embarking on similar enterprise initiatives.

QCP has been developed in close cooperation with the Paraprofessional Healthcare Institute (PHI), a nonprofit corporation that supports a network of employee-centered paraprofessional agencies and training programs known as the Cooperative Healthcare Network (CHN). PHI founded these agencies on the same principle that underlies QCP's mission*: high-quality paraprofessional care is achieved through creating high-quality paraprofessional jobs.*

PHI assists CHN agencies by providing technical assistance in the areas of fundraising support, recruitment and training, operations, marketing, and policy analysis and advocacy related to improving the quality of care and quality of paraprofessional jobs in the health care sector. PHI believes that small agencies such as QCP can have a significant impact on the paraprofessional labor market by modeling alternative ways of structuring jobs within the industry and alternative ways of recruiting, training, and supporting workers in the workplace. As valued actors in the health care sector, CHN agencies demonstrate the benefits of providing quality paraprofessional jobs for employers, workers, and clients.

Evolution of an Enterprise

Enterprise Initiative (Fall 1996 through Summer 1997)

Establishing a Partnership

In the summer of 1996, the New Hampshire Charitable Foundation, the state's largest community foundation, received a $100,000 Ford Foundation grant to address rural poverty. Attracted to an enterprise-development strategy that would help move low-wage workers into the middle class, the NHCF turned to a long-time grantee, the fifteen-year-old New Hampshire Community Loan Fund. From its initiation, the Loan Fund has had a dual mission: to support both affordable housing and job creation for New Hampshire's low-income residents. However, during its first decade of existence, the Loan Fund had focused almost entirely on the first goal, affordable housing. More recently, Juliana ("Julie") Eades, the Loan Fund's founder and president, had indicated that she also wanted to turn her attention to their second goal, creating high-quality employment opportunities for low-income workers.

NHCF considered the Loan Fund a perfect partner. First, the two organizations had worked closely for years as major players in New Hampshire's funding community and trusted each other implicitly (Vice President and CFO of NHCF Pat Vasbinder until recently sat on the Loan Fund's Board of Directors; Julie Eades sits on the Charitable Foundation's Board of Directors); second, the Loan Fund had what the NHCF lacked—years of experience working directly, day to day, with low-income people. Both organizations had access to substantial economic resources, but the NHCF could bring an additional resource: close relationships with the state's policymakers, developed through their successful public policy initiatives. By late summer '96, the NHCF had agreed to give $90,000 to the Loan Fund to begin researching enterprise-development opportunities for a sectoral employment initiative.

Though the NHCF and the Loan Fund had always been close allies, they had not entered into this kind of working partnership before. Eades insightfully argued that because the organizations had different community roles and organizational cultures, they should clarify their "organizational needs" up front. For example, one area that she thought might cause conflict was the Loan Fund's preference to work quietly behind the scenes compared to the NHCF's high public profile.

The organizations agreed on ground rules that would allow the NHCF to maintain its high public profile, without undermining the Loan Fund's desire to work quietly until an "enterprise" was off the ground. For example, as part of their early strategy, the project

arranged for Jack Litzenberg, senior program officer from the Charles Stewart Mott Foundation, to visit the NHCF to discuss sectoral employment initiatives with a select group of public and private leaders. Even with these ground rules, however, the organizations found that they continually had to review and assess their respective needs. Fortunately, the already close ties, respect, and trust between the two organizations facilitated open and regular communication.

With the grant from the NHCF, the Loan Fund hired Paul Bradley to head up its Enterprise Development/Sectoral Employment Initiative. For six and a half years, Bradley had directed the Loan Fund's Mobile Home Park Cooperative project—a type of sectoral housing initiative. Under Bradley's leadership, the Loan Fund had (1) become a key, valued actor within the mobile home park industry, as both a financier and technical assistance provider; and (2) changed industry practices among banks and state regulatory policy. Bradley had left the Loan Fund to work in private industry in 1994, but Eades knew that he had a long-standing interest in cooperative business development. When she asked him to return to the Loan Fund to do "what he always wanted to do"—develop a cooperative business enterprise—Bradley was ready.

Searching for the Right Sector

Bradley returned to the Loan Fund in September 1996. He began an informal exploration process, in which he talked with people in a wide variety of industries that employed low-income workers—from assembly-plant manufacturing and agriculture to hospitality, food service, and health care. Following the Loan Fund's philosophy that building relationships is the first step in uncovering viable possibilities, Bradley took his time, trying to build his base of knowledge and his connections.

After a few months of "mucking around" (the Loan Fund's term for this early informal market analysis), Bradley convened a sectoral initiative advisory council. He brought together a variety of business owners as well as people involved in welfare-to-work activities to assist him in identifying a viable enterprise strategy. Pat Vasbinder from NHCF served on the council, as did Steven Dawson, president of the Paraprofessional Healthcare Institute and a Loan Fund director. The council had met only a couple of times, when in July '97, the Mott Foundation issued an RFP for new sectoral employment initiatives. Not wanting to miss the chance to bring in substantial funding for the initiative, the partners decided that there was only one sector for which they could feasibly develop a proposal: paraprofessional health care.

The partners settled on the health care sector for three reasons: First, initial market exploration revealed that New Hampshire was experiencing a significant shortage of paraprofessional health care workers. Second, Dawson brought a wealth of experience

working with paraprofessional health care cooperatives. And third, Bradley had been engaged in ongoing discussions with Robert ("Bob") Clohosey, the director of Family Services for New Hampshire Catholic Charities, about an employment training program they had initiated to move single mothers from welfare to work. What was particularly encouraging about the "Our Place" program was that of twelve clients who had chosen employment training, ten had selected CNA training over several other options. Of these, nine entered the workforce and remained employed after six months, with the help of continued support services from Catholic Charities. The Catholic Charities experience suggested that a paraprofessional health care enterprise could reach an untapped source of workers—particularly women moving from welfare to work—to broaden the paraprofessional health care labor pool.

Laying the Foundation (Summer 1997 through Spring 1998)

Expanding the Partnership

Having targeted paraprofessional health care for their initiative, Bradley thanked the advisory council for its initial guidance, formally disbanded it, and recommended in its stead that Catholic Charities be asked to join the Loan Fund/NHCF in a more formal partnership. Catholic Charities would bring two key strengths: expertise in health care, especially long-term care (Catholic Charities is the largest nonprofit manager of nursing homes within New Hampshire), and access to low-income women in need of jobs (through Catholic Charities' broad array of human service programs).

Bradley then organized a formal advisory board, representing the three partners, to help direct his development activities and to assist with the Mott proposal. Pat Vasbinder continued to represent NHCF; Monsignor John Quinn, diocesan director of New Hampshire Catholic Charities, represented his organization; and Julie Eades represented the Loan Fund. Steven Dawson was asked to participate from PHI, and Catholic Charities donated a percentage of Bob Clohosey's time to help staff the project with Bradley.

The strength of this team cannot be overemphasized. Vasbinder is a key player in New Hampshire's philanthropy community and also has considerable financial expertise; Monsignor Quinn has intimate knowledge of New Hampshire's long-term health care industry; Dawson is a leading expert on sectoral employment initiatives and paraprofessional health care; and Clohosey is at the center of New Hampshire's human services community. Adding Bradley's past experience with the Mobile Home Park Cooperative project, his commitment to the health care cooperative, and his professional competence, the partnership had brought together an extraordinary level of expertise to launch its new enterprise.

Defining the Enterprise

The partners agreed that, at least initially, they would model their enterprise after the Cooperative Healthcare Network agencies supported by Dawson's Paraprofessional Healthcare Institute. The goal of the enterprise would be to:

- Create jobs for low-income women that offer livable wages/benefits;
- Offer workers economic empowerment through ownership of the enterprise;
- Provide high-quality care to New Hampshire residents who are ill, elderly, or living with disabilities; and
- Demonstrate an alternative model for recruiting, training, and employing paraprofessional health care workers, thereby improving the quality of jobs throughout the sector.

This mission appeared viable, but as yet the evidence was merely anecdotal. The Mott proposal would require a more formal market analysis.

The partners commissioned two studies: a business-market analysis and a labor-market analysis. The first, conducted by Gail Sokoloff of the ICA Group, documented several significant trends in the state's demographics, health care industry, and public policy that suggested the possibility of a favorable market for a paraprofessional health care enterprise. These included:

- A growing elderly population (expected to double in size over the next decade) increasingly in need of services;
- Cost pressures on Medicaid and Medicare forcing service delivery to move from professionals to paraprofessionals; and
- State policies promoting community-based alternatives over institutional care.

These trends suggested that, as in other areas of the country, New Hampshire's growing elderly population was becoming increasingly reliant on paraprofessional health care workers to provide daily care and support. In addition, representatives of nursing homes and home care agencies in the southern New Hampshire area reported that they were increasingly unable to retain adequate numbers of CNAs, suggesting a growing gap between supply and demand. Sokoloff, however, also noted two counter trends: (1) the health care industry continued to experience rapid change and consolidation, making it a difficult and unpredictable market to enter; and (2) recent changes in the Medicare reimbursement system had put tremendous pressure on home care agencies, which had responded by reducing the length of client visits. Although these trends were problematic in the short term, Sokoloff predicted that, in the long run, demand for paraprofessional health care workers would grow.

The labor study, conducted by Patricia Fair of Fairhaven Associates, confirmed that paraprofessional health care employment had been experiencing exponential growth. In New Hampshire, both home health care aides and paraprofessionals working in facilities are required by state law to be trained as CNAs. The state Office of Employment Security predicted job growth of between 22 and 42 percent between 1994 and 2005 in this employment sector. Fair's study also confirmed that the large majority of paraprofessional health care workers were women with limited marketable skills and little education. But Fair documented two other critical factors affecting the prospects of a paraprofessional enterprise: First, New Hampshire's unemployment rate was at an all-time low of 2.7 percent, raising the question of whether a large enough pool of unemployed labor existed to staff the new enterprise. Second, the quality of paraprofessional health care jobs, even within a very tight labor market, continued to be very poor. Wages remained low, work was most often part-time, and workers were poorly treated, leading to annual turnover rates of 40 to 60 percent in home care and 60 to 100 percent in facilities.

Thus, in looking at the two studies together, the question for QCP's sponsors became: *Can we develop a profitable enterprise that improves the quality of health care jobs for low-income women by taking advantage of New Hampshire's critical demand for paraprofessional workers?* On the one hand, with the health care industry in flux, inadequate Medicare reimbursement for home care, and New Hampshire's low unemployment rate, it looked like a difficult moment to launch their initiative. On the other hand, the partners saw opportunity: First, QCP, through its connections to human service organizations, could identify new workers and bring them into the labor market; and second, tight labor markets often push employers to improve wages, benefits, and job quality to attract workers, which was QCP's ultimate goal. The partners decided to move forward on the Mott proposal.

Developing an Initial Business Plan

The ICA market study became the basis for the new enterprise's initial business plan. Working with ICA, Bradley began the process of adapting the PHI model, which had been developed in urban centers, to New Hampshire's more suburban and rural environments. In order to overcome key market obstacles—transportation for workers, the short length of Medicare-reimbursed home care visits, and the volatility of the health care sector—the partners agreed that the cooperative should develop a *diverse market strategy, providing high-quality paraprofessional care in a variety of institutional and home settings*. This made QCP's start-up distinct from the initiation of the other CHN paraprofessional enterprises, all of which started solely as providers of home care services.

QCP's start-up, however, would support a labor-market strategy similar to that of other CHN agencies; i.e., one centered on providing decent jobs and accessible career paths explicitly for the long-term advancement of paraprofessionals. This labor-market strategy, by reducing turnover among aides and improving the quality of patient care,

would provide QCP's competitive edge in the marketplace. Therefore, the cooperative would improve the quality of employment for paraprofessionals by offering:

- A minimum of 30-35 hours per week of work;
- Higher than average wages and benefits;
- On-going training to foster advancement; and
- Counseling and support services for employees.

Other parts of the PHI model would also remain intact. Through entry-level, employer-based training and on-going support, the cooperative would create a "culture of inclusion," where the CNA's central role in providing quality care would be valued and supported. In addition, QCP would subcontract services; i.e., QCP would not compete with existing home care agencies, nursing homes, and large health care networks, but would support the mission of those providers as an ally offering the highest quality labor within a "sub-contracting" framework, thereby reducing recruitment and training costs for their customers.

This "noncompetitive" strategy, in which QCP would partner with one or more larger players and train new aides (as opposed to taking from an already scarce labor pool), brought QCP some early support from health care organizations that might otherwise have felt threatened by the emergence of the cooperative in an already difficult market. This reassured QCP that, although the number of potential partners was small, there seemed sufficient demand for CNAs and interest in the cooperative to support its initial development.

Under the original business plan, QCP would need to grow to 60 full-time employees by Year 3 to attain profitability. Although the majority of income would come from subcontracting home health care services, the plan also included a substantial amount of income from facilities staffing (25 to 30 percent) and a small amount from directly contracting private-duty home health care (8 percent). The latter was a largely untapped market in southern New Hampshire, inadequately served by current industry players, who had always focused on more lucrative Medicare-reimbursed cases.

Building Markets & Other Relationships

The partners submitted the Mott proposal in October 1997; in the following months, Bradley continued to explore market opportunities and build relationships with key players in the health care industry. As he learned more about the environment, however, he began to see some problems with the initial business plan.

As an entry strategy, the business plan called for using a "temp-to-place" staffing strategy for hospital settings. In a temp-to-place strategy, QCP would place an aide in a facility for a three-month period. During that three-month period, the aide would remain an employee of QCP. If the "host" facility liked the quality of the aide's work, and the aide wished to stay, the aide would leave the cooperative and become a full-time

employee of the host facility. Over the long run, QCP would develop temporary labor pools for facilities, including hospitals, nursing homes, assisted living facilities, and adult day care.

Although from a business point of view, Bradley liked the temp-to-place strategy, after more discussion, the board rejected the idea, feeling such a strategy of "out placement" would defeat QCP's primary mission—to provide high-quality, full-time jobs for its own employees. In addition, the temp-to-place strategy might dilute QCP's sectoral impact strategy, which depended on being able to demonstrate a capacity to retain workers over the long term.

"Certified" agencies are authorized by the Health Care Financing Administration (HCFA) of the U.S. Department of Health and Human Services to receive reimbursement directly from the federal Medicare program. These agencies must provide a full range of nursing, specialty, and paraprofessional services in order to receive certification. QCP is not Medicare-certified. However, as a paraprofessional-only agency, it can subcontract aides to Medicare-certified agencies and/or directly serve the private-pay market. In the case of their contract with Optima VNS, QCP is subcontracting to serve Optima's private-pay clients, rather than trying to market its services directly to consumers.

Catholic Charities nursing homes also looked less promising than expected as an initial customer. As a sponsor of the project, the partners had hoped that Catholic Charities' nursing homes would "automatically" employ QCP aides. However, the Catholic nursing home administration turned out to be relatively independent in its decision making. Though they believed in the mission of QCP, they had always trained their own CNAs and were happy with the quality of their staff. In their experience, they argued, direct hires were less costly and provided more consistent care than agency hires. QCP would have to earn Catholic Charities' business by demonstrating the quality of its services. Consequently, the Catholic nursing homes were making no contractual promises.

Two markets, however, appeared to provide real growth opportunities. First, the private-pay home health care market, as distinct from the publicly funded Medicare program, was clearly underserved. In conversations with the Optima Visiting Nurse Service (Optima VNS, a Medicare-certified home health care agency that, at the time, was affiliated with a Catholic-owned health system), Bradley learned that the VNS turned private-pay clients away because they didn't have enough CNAs to serve the market. Moreover, without available aides, they could do nothing to promote their private-pay unit. This private-pay business looked much more promising than entering the market on the Medicare side, where agencies were cutting back services as a result of large federal budget cuts.

Second, in an informal conversation with Bradley, the state commissioner of health and human services suggested that QCP could expect a growing market for paraprofessional workers in congregate care facilities. Therefore, Bradley began looking at what facilities existed in the area and initiating conversations with the primary providers within those facilities.

During this exploratory period, the QCP partners also shared their concept with state-level policymakers. Although the partners agreed that they would be unable to influence policymaking until they had established themselves in the marketplace, they discussed their goals with the governor's office and received a supportive response. The partners considered these initial contacts as laying a foundation for later policy work that would broaden QCP's sectoral impact. Once the enterprise was more firmly established, QCP intended to work closely with a health care employment policy specialist hired under the auspices of the New Hampshire Community Loan Fund (primarily with Mott Foundation funds), who would focus exclusively on paraprofessional health care and low-income employment issues.

The state of New Hampshire established the Health Care Transition Fund to "invest in innovative approaches and solutions to improve health services at the local level throughout New Hampshire." In receiving funding through this community grant program, QCP became the first CHN enterprise to receive public support for its paraprofessional training program through a health care funding stream as opposed to workforce development funds. This is significant, as it means that the state has recognized that the quality of training and support provided to paraprofessional workers impacts the quality of health care provided to New Hampshire's citizens. QCP will continue to seek health care dollars to support its training program, rather than trying to rely solely on workforce development funds.

Financing

Acquiring adequate financing is one of the major stumbling blocks for most community-based enterprise initiatives. It is often difficult to raise funds from traditional finance sources, unwilling to take risks on a business enterprise with social-change goals. However, with the Loan Fund and the NHCF as two major sponsors, QCP was particularly fortunate. The original $90,000 from NHCF was supplemented by two other development grants, totaling an additional $75,000. With in-kind services provided by all three sponsors (office space, staff time, and related costs from the Loan Fund; staff time for Bob Clohosey from Catholic Charities and Pat Vasbinder from NHCF), the initiative proceeded, during its first year, without significant financial worries.

Then, in April 1998, the Loan Fund received word from the Mott Foundation that it had been awarded one of ten national "sectoral" grants, providing a three-year, $450,000 commitment to the QCP initiative. Within the next few months, with the help of Catholic Charities, QCP secured an additional $50,000 in equity, plus a $50,000 interest-free, five-year loan from the national Catholic Campaign for Human Development. Furthermore, the Loan Fund itself agreed to provide an equity grant of $100,000 and long-term debt capital of up to $200,000.

Together, these commitments provided the bulk of resources needed for start-up costs, including development expenses, plus $150,000 in equity and $250,000 in long-term debt. In addition, in early 1999, as the enterprise was entering the market, the project secured a commitment for an additional $100,000 in equity from a quasi-public agency called the New Hampshire Community Development Financing Authority.

Throughout winter/spring 1999, QCP was also raising financial support for its training program, which would be funded separately from the business. At start-up, the cooperative had raised $161,500 in grants from private foundations, individual donors, and the New Hampshire Health Care Transition Fund, specifically to fund pre-employment training. In addition, the welfare department had agreed to pay for the training costs for women transitioning from public assistance.[2]

QCP Start-Up (Summer 1998 through Winter 1999)

Leadership: Hiring a CEO

Following the receipt of the Mott funds, QCP's Board of Directors was formally established. Advisory board members Pat Vasbinder of NHCF and Steven Dawson of PHI became official directors; they were joined by Jodi Sturgeon, vice president of the Loan Fund, and Mary Mongan, vice president of Catholic Charities Board of Trustees and a former state commissioner of health and human services. Paul Bradley and Bob Clohosey continued to staff the project, with Bradley responsible for day-to-day operations and Clohosey acting as ambassador to the Manchester community. Clohosey's commitment to the project and his deep roots in the community were invaluable in opening doors in Manchester and bringing community stakeholders on board.

Ready to hire a leadership team to move QCP from concept to reality, the board began to search for a CEO. Although the other CHN cooperatives had hired their initial CEO's from outside the health care industry, the QCP board hoped to find an industry insider who could navigate the unpredictable seas of the current market. Therefore, they felt lucky to find a candidate who had developed and managed a private-pay home care service within a large health care organization. The board agreed unanimously on the new hire.

Clearly, the board had great hope for their new CEO. As Bradley describes it, he had "laid the foundation," and now it was time for the CEO to "build the house." However, within a matter of just a few months, it became clear that the "fit" between the selected CEO and the board was a poor one. By August, at the CEO's three-month review, the board and the CEO mutually agreed to part.

Fearing that they could quickly lose momentum, the board authorized Bradley, with the assistance of ICA and PHI, to move forward with the hiring of the training director and negotiating contracts with customers. To move quickly on hiring a new CEO, the board, with the help of PHI, identified a consultant with expertise in the health care sector to carry out the job search.

Operationalizing the Plans

At the September 1998 board meeting, when the decision was made to begin a new executive search, the board made a second strategic decision: to pursue Optima VNS as its

primary customer. Optima had remained interested in QCP, despite its recent months of indecision and turmoil. As the largest health care network in the region, Optima appeared to provide QCP a viable entry strategy. Moreover, Bradley had found that Optima shared much of QCP's mission. For example, Optima had recently instituted self-directed nurse/aide teams in their Medicare home care division to improve quality of care. In particular, Bradley was impressed with the visionary leadership of Deb Grabowski, the VNS director, and was convinced that she understood the quality jobs/quality care mission of QCP.

In his conversations with Grabowski, Bradley learned that the VNS had been unable to bring the same quality improvement strategies that they had implemented in their Medicare division to their private-pay division. Aides in the private-pay division were paid on a per-diem basis, leading to relatively high turnover and inadequate staffing; as a result, Optima often turned away private-pay clients. QCP, by promising a steady, high-quality workforce, offered a solution. Optima, however, didn't want to lose its current per-diem workforce, as aides on the private side of their business often moved over to the Medicare side when openings became available. A viable relationship with Optima, thus, required growing the private-pay business; QCP offered to enter into a joint marketing agreement with Optima in order to increase the number of private-pay clients.

In October, Bradley was ready to begin serious negotiations for a contract with Optima VNS, but he faced a problem. With a customer contract imminent, QCP would need aides to fill positions, yet QCP had no training director. Dissatisfied with the training director candidates recruited before the CEO left, Bradley recommended an alternative route: QCP would hire its "counselor/recruiter" first, someone who could quickly develop the networks necessary to bring in a class of trainees. Then, during the initial start-up period, QCP would contract with an existing CNA training provider, allowing the cooperative to delay hiring a full-time training director.

For the counselor/recruiter, Bradley already had a person in mind. He hired Jeanne Karr, a social worker deeply rooted in the Manchester community, with experience working with single mothers as well as the elderly. Karr began work on November 30, 1998, though QCP had yet to find a new CEO.

With Jeanne on board and the consultant searching for a CEO, Bradley could focus his attention on customer contracts and a viable business plan. Negotiations with Optima continued, with a new twist. In November, Optima announced that they had received a contract for a new assisted living facility (ALF), which would open in September 1999. Optima would need 25 aides to staff the facility, and they were hoping that QCP could fill that role. Bradley was thrilled, for this was just the break QCP needed to "make the numbers work." With 25 aides able to secure full-time shifts through the ALF, QCP's costs

would be significantly reduced. Transportation would be a less problematic issue, and QCP would not have to pay travel time for a large percentage of aides.

A New Leadership Team

The hiring consultant brought four CEO candidates to the attention of the QCP board. Of the four, one stood out: Walter Phinney, former director of Seacoast Hospice and, at the time, vice president of quality improvement for a large home health care company in Massachusetts. Phinney seemed to have the energy and "can-do" spirit that QCP needed, plus he seemed superbly competent. He agreed to start in mid-January.

The board felt sure Phinney possessed the leadership qualities essential to leading an effort such as QCP. With years of experience in human resources, he seemed ready and able to build a workplace culture that offered support, respect, and empowerment to paraprofessional workers. He also had an insider's understanding of the health care market and recognized the difficulty of the task ahead. Attracted to QCP's mission, he, nonetheless, expressed concern: Could QCP fulfill that mission in the current marketplace?

Though Phinney lacked formal financial training, he took advantage of the resources available to him. With technical assistance from ICA and PHI, he immediately tackled the business plan and made it his own. He was dismayed to find that, assuming the reimbursement rate currently being negotiated and the business strategy initially proposed, QCP might not actually reach profitability until Year 5. Although Phinney understood that the initial strategy was designed to "buy market share" by offering a lower reimbursement rate, he was convinced that the cooperative could not wait five years to make a profit (even if they had sufficient equity to absorb those losses). He wanted to offer employees ownership as soon as possible, and he could do so only after having two consecutive profitable quarters (see sidebar). By reformulating operational costs (in part, made possible by staffing the ALF), Phinney found that he

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QCP's by-laws rely on a "stewardship model" for developing cooperative ownership. Because the company was expected to lose money initially, the partners did not feel it was appropriate to ask low-income workers to buy shares right away. Furthermore, placing immediate and total control of a company in the hands of individuals unaccustomed to the responsibilities of business ownership had proven disastrous in other attempts at worker ownership in the U.S. over the past two decades.

Therefore, the partners decided that ownership and control of QCP would be transferred to the workers gradually as the company achieved various financial benchmarks. Until then, the Loan Fund and the representatives it appoints to the Board of Directors (including those of the sponsoring partners) essentially will hold the cooperative "in trust." After two consecutive profitable quarters of operation, membership in the cooperative will be offered to eligible employees. Workers will be able to pay the $500 membership fee over a three-year period, through an initial $25 fee followed by $3 installments deducted from their weekly wages. Ownership rights—to participate in the election of the cooperative's Board of Directors and share in profits (and losses)—will "vest" immediately upon payment of the initial $25 fee.

Although QCP will encourage workers to join the cooperative, membership will be strictly voluntary. Worker-owners will elect directors to the board, replacing one appointed director at a time until worker-owners hold a majority of seats (i.e., five of nine). At that point, the Loan Fund will continue to hold two seats and the Board of Directors will elect two outside directors.

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could reach his goal of two consecutive profitable quarters by Year 3, even with the lower reimbursement rate.

The business plan seemed feasible, but as yet QCP had neither employees nor anywhere to place them. Phinney needed to finalize a training agreement, as well as customer contracts. Though the Optima VNS proposal was on the table, as yet there was no final agreement—nor had QCP been able to negotiate a contract with Catholic Charities or any other major service provider.

The Training Program

Though QCP originally planned to use the Red Cross to train their first group of employees, Karr decided to contract with ASPIRE Educational Services, a small CNA training program, which allowed for greater flexibility. Working with Katie Moody, PHI's training consultant, Karr negotiated with ASPIRE for a four-week training program that would include the state CNA curriculum as well as the "soft skills" training (problem solving, job readiness, QCP's expectations) developed by PHI.[3] As a plus for the relationship with Catholic Charities, Karr secured an agreement to have the trainings take place at one of the Catholic Charities' nursing homes.

Karr worked closely with Moody to design QCP's first training program and to recruit participants. There was, however, a certain degree of tension as PHI tried to introduce its time-intensive and rigorous recruitment and intake procedures, which had been developed based on their experiences with home care cooperatives in urban areas. Bradley and Karr weren't convinced those procedures were entirely appropriate to New Hampshire's more suburban and rural environment.

These tensions were aggravated by a secondary problem: QCP's relationship had begun to fray with Our Place, the Catholic Charities program that had initially brought Bradley and Bob Clohosey together. Although QCP had always intended to welcome Our Place clients into its training program, Bradley had tried, from the beginning, to dampen expectations. He knew start-ups often suffer from unforeseen delays, and he didn't want Our Place clients to make decisions about their personal futures based on a "concept"—a company and training program that did not as yet exist. These warnings, however, had little impact, and the Our Place social workers, who had been very excited about QCP and its potential for serving their clients, had become frustrated and disillusioned as their clients waited for training to begin.

Karr, thus, found herself in the difficult position of trying to smooth troubled waters. This would not have been an enormous problem for someone as personable as Karr, if not for the fact that PHI was recommending focusing their recruitment efforts on candidates over the age of 21. CHN agencies had found, time and time again, that young workers could not handle the isolation and responsibilities of home health care. Since most of Our

Place's clients were teenage mothers, this left Karr trying to explain to the already-disgruntled Our Place staff that these younger candidates might have difficulty with QCP's rigorous assessment and intake process. In fact, this turned out to be true. None of the clients suggested by Our Place in this first round of recruitment fit QCP's requirements. The experience, however, both exacerbated the frustrations between QCP and Our Place and emphasized the need for a clearer relationship between PHI and QCP.[4]

Much of the tension between QCP and PHI was resolved when QCP agreed to follow PHI's recommended recruitment strategies and, then, evaluate and revise those recommendations based on their experience. Thus, following PHI's advice, Karr set up meetings with private and public social service agencies throughout Manchester and asked caseworkers to direct appropriate clients to the program. She then scheduled information sessions, where interested people could find out about QCP, its training program, and its supportive work environment.

However, with only four weeks to recruit, Karr found herself unable to sign up the 60 candidates that PHI recommended for the first round of information sessions. She had thought that 60 was a high target, believing that in the smaller community of Manchester, the attrition rate among those who expressed interest would be smaller than the 90 percent experienced by most CHN companies. Nonetheless, she was both surprised and troubled when only 26 people showed up for the first session, and disappointed when only 3 of these made it through the entire intake and assessment process required to begin training.

Though three was a very small (and thus costly) training class, the QCP board decided to proceed, believing that it was important to take this first essential step toward actually conducting business. This, it turned out, was exactly the right decision, for developing service capacity proved to be just what QCP needed to unlock stalled contracts.

Looking back, both PHI and QCP staff agree that tension between their organizations arose largely because of the ambiguous, relatively undefined nature of PHI's role. PHI's president served on the Board of Directors and remained closely involved in QCP's development, but PHI was neither a formal sponsor nor a direct funder of the project, as had been the case with the previous start-ups with which PHI had worked.

Being so closely involved with QCP, PHI failed to realize that as a technical assistance provider, it needed to define its role more explicitly. With a formal contract, both PHI and QCP would have been clearer about responsibilities and expectations. Following these initial difficulties, the leadership of each group agreed on clarifying contract language describing their relationship.

Conclusion: A Viable Business Takes Shape

With training underway, Phinney focused his attention on finalizing customer contracts. Catholic Charities agreed to make QCP its "preferred provider," when aides were needed to fill in for vacationing or ill employees. In addition, Phinney quickly negotiated a contract with a small, private nursing home. QCP's first employees would be working in facilities, rather than within home settings, after all.

The Optima contract proved slow to finalize. In addition, a new kink appeared: Optima could not employ the aides as home health care workers until their licenses had been issued, but that process would take six weeks from the time the aides took their CNA exams. Though Optima agreed to employ them as homemakers during that time, QCP would be earning less money for that "lower" level of service. In addition, Phinney and Karr feared the aides would forget essential skills and would require a refresher course before beginning their official CNA duties.

When Optima initially assigned the first QCP aides only limited duties, Phinney began considering a host of other options, including providing aides to school systems and ambulatory services. He sees his role, as CEO, to create a flexible organization that can switch directions easily in the unpredictable health care market. Fortunately, in the intervening months, demand for QCP aides—especially from understaffed nursing homes—increased so rapidly that providing enough work for newly trained aides never became an issue. Thus far, all graduates who desire full-time work are employed at least 35 hours per week. Ironically, the enterprise has turned away hundreds of hours of requested work because it can't recruit and train workers quickly enough to meet demand.

QCP's business plan as it entered the marketplace assumed a diverse market strategy, but relied heavily on its partnership with Optima—particularly the success of the Assisted Living Facility (ALF). The ALF, however, has not fulfilled its promise. Although the VNA originally expected to use 25 full-time aides at the facility when it reached full capacity, that number has been reduced to 14. Moreover, residents have not moved in as quickly as expected; thus, as of this writing, the ALF provides QCP with only eight FTE positions.

As a result of the ALF's inability to provide as many jobs as expected, QCP moved more rapidly into diversifying its market strategy. The enterprise now has twelve separate contracts, nine with nursing homes and three with home care providers. The demand for home care aides, it turns out, has decreased over the last year, as home care agencies have continued to struggle with cutbacks in Medicare. As yet, home care agencies have not put much effort into marketing private pay services; thus, this emerging market is still virtually untested. QCP may see a shift in the balance between the availability of facilities-based

and home-based work when its contract with Optima VNS to market private pay services takes effect in the fall of 2000.

In its first year of operation, QCP has discovered that the most difficult challenge it has faced has been balancing supply and demand. Workers would like day-time shifts that allow them to balance work with the needs of their families; the demand in the marketplace is for CNAs willing to work second and third shifts, as well as weekends. QCP has had to turn away qualified training candidates who have been unwilling to work nontraditional hours. In New Hampshire's tight labor market, QCP's inability to provide jobs with standard daytime hours has made recruitment an even more formidable task.

Nonetheless, with concerted effort, QCP has met its recruitment and training goals for its first year of operation. The agency has trained 44 aides, and 24 are currently employed.[5] QCP has overcome the difficulties of New Hampshire's tight labor market by recruiting new workers into the labor pool and by offering its workers higher than average wages and benefits, advanced career opportunities, and a workplace in which they feel valued and respected. In addition, QCP's sponsors continue to seek solutions to employment barriers such as transportation and child care. Although QCP workers could be recruited to become full-time employees of the nursing facilities in which they work, none have chosen to leave the agency. Their connection to QCP—built during training and sustained by a culture that is inclusive and caring—is solid.

As QCP celebrates its first anniversary as an employer and long-term care service provider, the enterprise has reason to be optimistic. With an enthusiastic leadership team; 24 graduates working in the field; a Board of Directors with knowledge, experience and deep relationships throughout the state, and a solid financial base, QCP successfully entered the marketplace and exceeded its first-year financial goals. Although it may yet face serious obstacles as a small enterprise in a volatile market sector, QCP's strong foundation has carried it a long way toward becoming a profitable and influential sectoral initiative.

Lessons Learned

Like all sectoral employment initiatives, QCP is a project with ambitious goals. Although it is too early to predict QCP's future, we can draw several lessons from the cooperative's early development and start-up. These lessons fall into five categories: Building Partnerships, Acquiring Adequate Financing, Identifying Markets, Hiring Leadership, and Developing Customer Demand.

Building Partnerships

Sponsored by three of New Hampshire's strongest nonprofit organizations, QCP has had advantages that many community-based employment initiatives have lacked. The lead "organizing" partner, the New Hampshire Community Loan Fund, brings to the project years of community development experience (if not enterprise development per se), a highly competent staff, and the luxury of a solid organizational base. The Loan Fund's unquestioned stability—with more than $8.5 million in lending capital—allowed it to provide financing to the project as well as staff, office space, and other resources necessary to the pre-development and start-up phases.

The staff of the Loan Fund, particularly President Julie Eades, Enterprise Director Paul Bradley, and Vice President Jodi Sturgeon, are not only competent professionals, but they are fully committed to improving opportunities for low-income people. Eades has been described as a visionary, but one who turns her vision into reality. The Loan Fund staff is not deterred by obstacles, delays, or wrong turns in the road—throughout the development of QCP, they confronted difficulties, adapted to changes in the environment, and held on to their vision in order to move ahead.

The Loan Fund gained valuable support from their partners in the development of QCP. In addition to providing initial funding for the project, the New Hampshire Charitable Foundation's position as the state's largest philanthropy provided the project with access to New Hampshire's "movers and shakers" in private industry as well as public service. The NHCF's involvement has already brought the project additional charitable donations as well as access to the governor's office. The Board of Directors has also been strengthened by Pat Vasbinder's financial expertise, community connections, and willingness to look for resources in unexpected places. As QCP moves into the marketplace and develops a reputation as a valuable player, it will be able to draw on NHCF's policy expertise and statewide network to develop alliances to support changes in the paraprofessional health care sector.

QCP's third sponsor, New Hampshire Catholic Charities, brings two other important resources to the project: access to New Hampshire's human services community (and,

thus, the low-income workers the project hopes to recruit) and the commitment of a major long-term care provider to the project's success. Despite the initial frustrations experienced by the Our Place staff, Catholic Charities' involvement in the project boosts QCP's "insider" status, giving it greater credibility as it seeks customers and begins to promote change. Already, QCP has been fortunate to have former Health and Human Services Commissioner Mary Mongan appointed to the board. Mary has been able to soothe fears of QCP as a competitive force among long-term care providers throughout the state.

QCP's founding partnership brought together a wealth of resources—including considerable expertise (especially with PHI's participation through the Loan Fund), community and industry networks, and funding—not often available to start-up community enterprises. Important to understand, however, is that the partners needed to learn to work together, to overcome differences in style and needs as the project progressed. Trust and open communication are essential to developing the close working relationships necessary for long-term success. For example, Paul Bradley worked closely with Catholic Charities' human service providers to further their understanding of a sectoral enterprise strategy. Bradley also recognized that he should have brought Catholic Charities nursing home division into the project earlier, in order to pave the way for the nursing homes to become a QCP customer. *Partnerships, it seems, are as dependent on having the right people within organizations actively involved as on having the right organizations.*

These lessons are relevant to the misunderstandings with Catholic Charities' Our Place program as well. The Our Place staff were excited by the QCP proposal and expected that their clients would benefit from the project, which would provide them with CNA training and jobs. Although warned about the unpredictability of a start-up business, the social workers were, for the most part, "out of the loop." Their enthusiasm led them to develop unrealistic expectations and, consequently, they were severely disappointed by delays, which left their clients unsure as to whether they should wait or start another CNAprogram. Then, when the training finally got underway, the staff were dismayed to learn that not only would eligible clients have to "apply" to the QCP training program (with no guarantee of admittance), but also their teenage clients were not considered optimal applicants. Moreover, their already-licensed aides could not become QCP employees at this time, because QCP was only considering hiring aides through their own entry-level training program. Had there been clearer, ongoing communication among the partners, and with PHI, it might have been possible to keep the Our Place social workers better informed, so that they would have been better prepared to advise their clients appropriately.

PHI's role in the misunderstandings with Our Place is important as well. Consultants are much like partners: Communication and trust are essential for the relationships to

work well. Although QCP and PHI had a longstanding, creative relationship, a formal contract would have clarified their roles and expectations and would have helped QCP's leadership more easily select those elements of PHI's model that were relevant to New Hampshire's more rural/suburban setting.

Acquiring Adequate Financing

A start-up enterprise requires financing for development as well as enough equity and debt to ride out the expected and unexpected losses of the early years. Balancing equity and debt financing is difficult for community enterprises. Debt typically must be repaid on a timely basis, causing both a drain on cash flow and a reduction in profitability (a loan's "principal" must be paid out of profits). Equity is a far more "patient" form of capital—it typically is only repaid in later years, usually when the company is in a strong financial position. In some cases, equity can be even more flexible, with little or no expectation of repayment.

When an enterprise has too little equity, it is forced to rely too heavily on debt financing. The result is often a very "tight" cash flow, making it difficult to pursue opportunities and grow the business. In the case of a worker-owned cooperative, morale may suffer as the company's small profit is directed toward lender repayments rather than to workers in the form of dividends.

QCP was fortunate to have two financially strong, well-placed organizations backing its early development. The $90,000 grant secured through the NHCF for the initial costs of exploration allowed the Loan Fund to direct its financial contribution toward providing QCP adequate equity and debt financing: The Loan Fund successfully secured for QCP $250,000 in equity and $250,000 in long-term debt. (Including, with the help of New Hampshire Catholic Charities, the $50,000 in equity and $50,000 in debt obtained from the national Catholic Campaign for Human Development.)

QCP, however, hasn't relied entirely on the financial resources of its partners; it has garnered substantial foundation support as well. The $450,000 three-year grant from the Mott Foundation has covered much of QCP's early development and training costs, giving the enterprise the capacity to enter the market more carefully and to absorb unexpected delays such as the termination of the first CEO.

QCP has also relied substantially on foundations to fund its pre-employment training program. Thus far, QCP has successfully brought in $61,500 in individual donor and private foundation grants for this program. In addition, the partners were particularly pleased to receive a $100,000 training grant from the New Hampshire Health Care Transition Fund. This was the first step toward an emerging funding strategy designed to lessen reliance on workforce development funds by pursuing more public health care dollars.

QCP's sponsors will also continue to assist the enterprise through "program funding." These are funds in the partners' budgets that support the work of QCP; for example, staff time and other internal resources that are supporting QCP's continued development. Although QCP is now a separate legal entity, the Loan Fund continues to raise funds for QCP's training program and has hired an employment analyst to do research and advocate solutions to systemic employment barriers that affect low-income health care workers. It is unlikely that QCP could ever, on its own, afford to support a policy analyst, yet the project's sponsors recognize the importance of this public policy role in expanding the project's sectoral impact.

Identifying Markets

The Loan Fund's initial, informal process of looking for possible enterprise-development opportunities was not unusual. They had learned from their many years of community development work that relationships are key to identifying and taking advantage of opportunities. As it turned out, their relationship with PHI became the key factor in determining their sectoral strategy.

Having a model on which to base their new enterprise, however, did not guarantee that New Hampshire could support a paraprofessional health care cooperative. To make this decision, QCP commissioned formal business-market and labor-market analyses. Although as noted below, the former turned out to be more useful than the latter, neither could provide definitive answers concerning QCP's potential for success.

For example, the business-market analysis clearly identified a growing demand for CNAs. The number of potential customers, however, was small, and other market barriers existed as well: poor reimbursement rates, transportation for direct-care employees, short visits to home care clients. The market study was equivocal; the partners would need to do more than simply tap into existing markets.

The market study, thus, did provide the partners with an important lesson: To ensure success the enterprise would have to *create* a market for its services—and no market study can describe how to create a market. In the case of QCP, it wasn't so much that demand was low but that the current opportunities would make it difficult to provide CNAs with better jobs. As a consequence, QCP proposed partnering with Optima VNS to expand the private-pay market, thereby creating better placement opportunities (i.e., full-time jobs) for its aides. QCP's prospects for success were strengthened by a stroke of luck (something that often factors into a start-up's success): the opening of a new assisted living facility. Yet the assisted living facility has not provided as many jobs as expected, forcing QCP to diversify its market strategy and rely more heavily than anticipated on providing CNAs to short-staffed nursing homes.

The labor study, for the most part, only confirmed what QCP already knew: Paraprofessional health care attracts women workers with few other options (usually due to lack of education and job experience) and the jobs are so poorly structured that it is almost impossible to earn a living wage. The state of New Hampshire collected so little information on the paraprofessional sector that QCP probably could have gathered what little information there was simply by contacting the Office of Employment Security. What QCP found most useful were two focus groups conducted as part of the labor study. These sessions gave the project partners a chance to talk directly with workers and hear what they felt would make their jobs better. Most importantly, workers reported that they felt ignored, disrespected, and, sometimes, even abused in the workplace; they were particularly concerned that their jobs offered few opportunities for advancement. These later became issues that QCP would make a top priority.

Much like the market study, the labor study couldn't answer QCP's most important question: Considering New Hampshire's low unemployment rate, could the cooperative's pre-employment training program bring sufficient numbers of new workers into the labor force to create a viable company and satisfy customer demand? Although QCP felt confident that its connections to low-income communities, particularly through the Loan Fund and Catholic Charities, would boost its potential to recruit new workers, there was simply no way of knowing whether a sufficiently large pool of underemployed and unemployed low-income people could be attracted to paraprofessional health care jobs.

Ultimately, the creation of an enterprise is a leap of faith into the future. Market studies, at best, provide a one-time "snap shot" of the present—which, by the time they are completed, has already become the past—and they can draw only imprecise predictions of trends into the future. New enterprise ideas are created, not found, in the "niches" that lie between those trends. Community organizations hoping to create a new business strategy must therefore enter into the future with a thoughtfully considered plan, yet must always be prepared to adapt that plan within a constantly changing landscape.

Identifying Leadership

One of the greatest challenges for sectoral employment initiatives is finding the right leadership. The ideal candidate needs to know the industry, appreciate the social goals of the project, have democratic management skills, and possess the creative energy and drive of an entrepreneur. Since it is difficult to find a person who meets all these criteria, many community enterprises will compromise in one direction or another, with the hope that consultants and mentors can bring their manager up to speed in areas where existing leadership skills may be weak.

As they began their CEO search, the QCP board focused on finding someone from inside the health care industry, who would understand the business and regulatory environments that would affect QCP's prospects for success. Although in the past, CHN agencies had recruited managers from outside the industry, the rapid changes taking place in the health care sector made that strategy no longer appropriate. The current climate, the board concluded, would make it difficult for an outsider to make accurate assessments of the marketplace.

QCP also needed to find a CEO who understood the company's mission. The partners did not want their enterprise to become "another staffing agency." The CEO would need to be as concerned with creating quality jobs as with providing quality care. Moreover, the structure of QCP required that the new leadership be able to create a "culture of inclusion" and nurture worker involvement in decision making. Although QCP's first CEO possessed these characteristics, it soon became clear to all that the "fit" between the board and their initial choice for the CEO was a poor one.

Fortunately, Walter Phinney, QCP's "second" CEO also came from within the health care industry, understood the company mission, and possessed strong management skills. Phinney is an excellent example of a "social entrepreneur," having both a social vision and business skills. His belief in the value of the frontline worker propels him into the marketplace. Though it is difficult to sell an untested service, Phinney's enthusiasm and sincerity help him to convince customers that together they can provide higher quality jobs and higher quality care. In just a few short months, Phinney made QCP his own, revising the business plan, feeling out markets, and re-evaluating the PHI recruitment and training model and its appropriateness for the New Hampshire environment. As he entered the marketplace, he remained flexible, seeking contracts across a variety of health care facilities and focusing recruitment efforts on candidates willing to fill the current demand for second- and third-shift work.

Comparing the differences between the two CEOs—why, with similar backgrounds, one was a good fit for the enterprise while the other was not—is not appropriate here. However, a key lesson was the board's willingness to meet the question of leadership head-on—quickly, within three months of the first hire, agreeing to make a change. Although impossible to determine, equivocation and delay on this central question of leadership might well have jeopardized the entire initiative.

QCP's experience with hiring their first CEO was not unusual; finding the right leadership for a start-up sectoral enterprise often takes more than one try. A prudent strategy for a sectoral enterprise start-up might be to structure the initiative into four stages: (1) an initial "mucking around" phase to select the industry/occupation, (2) a brief feasibility study, to identify major factors and trends, (3) a "development" phase, in which an

entrepreneur is hired on a contractual basis for a six- to nine-month period—to develop relationships, shape the entry strategy, and test the entrepreneur's own strengths and weaknesses, and (4) the start-up phase, in which full resources are committed to launch the enterprise.

Finally, one other lesson on leadership is important here: The demands of a sectoral enterprise strategy—creating a profitable business, providing a supportive workplace, delivering a quality product or service, and engineering impact on the rest of the labor market—are nearly crushing in their expectations. No one leader, no matter how talented, can expect to manage such a burden alone. Fortunately, the teamwork that has developed between the two initial leaders within QCP—Walter Phinney as CEO and Jeanne Karr as counselor—allowed the two of them to use each other as sounding boards, rely upon each other's strengths, and share both the worries and the successes of forging a totally new business concept.

Developing Customer Demand

In the first several months of operation, Phinney learned some additional lessons concerning marketing the cooperative's services. Contract negotiation, Phinney notes, is only the first step in generating referrals. Once a contract is negotiated, QCP's scheduler must build relationships with the corresponding mid-level staff person in the customer's organization—the individual who makes the "field-level" decisions concerning case referrals. Upper management, who are authorized to negotiate contracts, are not involved in this day-to-day referral process. Therefore, QCP's contractual agreement is of little value if those who make referral decisions are not confident that the cooperative will be able to provide quality services.

Building these relationships is an ongoing process. In the case of QCP, especially important is providing an accurate estimate of the number of aides available. In the early stages of providing services, this number has been small, but growing. Phinney is finding that QCP is constantly balancing the need to encourage customers to use its services with the need to avoid creating expectations the cooperative cannot yet meet. As a result, customers must be encouraged to increase the number of aides they use each time a new class graduates from training. Marketing, QCP is learning, must be an intensive, carefully planned, and continuous process of balancing capacity and expectations.

In addition, QCP is balancing yet another set of complex needs: As a sectoral enterprise with a social-change mission, QCP must juggle its business need for customers with its desire to influence industry and regulatory practice. In essence, QCP must carefully negotiate its place within the industry, both to survive as a profitable enterprise *and* to develop a strong position from which to advocate change.

Conclusion

The entrepreneurial attitude of Walter Phinney and Jeanne Karr, combined with their industry expertise and human resources experience, make for an exceptionally talented leadership team for a community enterprise such as QCP. In turn, their leadership is supported by a strong Board of Directors, with representation from each of QCP's sponsoring partners. The partners bring a wealth of resources, from industry expertise to community networks to access to equity. Although QCP still faces many challenges, it enters the marketplace from a position of strength. On behalf of both New Hampshire's direct-care workers and their health care clients, QCP's sponsors hope those strengths will be sufficient to create the kind of market success necessary for long-term sectoral impact.

Footnotes

[1] See *Jobs and the Urban Sector: Privately Initiated Sectoral Strategies*, by Peggy Clark and Steven L. Dawson. The Aspen Institute, November 1995.

[2] QCP discovered that although the welfare department stated its willingness to fund client training, the department was reluctant to direct clients to the program. New Hampshire Employment team members initially found the screening criteria to be "too exclusive"—they didn't want to recommend clients to a program that might reject them. Their interest was in moving clients into jobs as quickly as possible. This experience paralleled that of other CHN agencies, which have had trouble recruiting trainees through welfare departments since the passage of the 1996 "welfare reform" act.

Over time, however, QCP has developed a closer relationship with the New Hampshire welfare department, and the department's caseworkers have come to understand what kinds of clients will succeed in the program. As a result, referrals have been forthcoming. During its first year of operation, QCP reports that about 19 percent of its trainees received public assistance prior to entering the program. Although the majority of these trainees did not come through direct referrals from the state's welfare-to-work program, in most cases, the welfare department has agreed to pay for their training.

[3] QCP considered three-, four-, and five-week training options. The three-week option, Jean decided, was too short to include the soft skills curriculum, and five weeks seemed too long for trainees who would have no income while in the program.

[4] QCP has since decided to set its age preference at 19 years old, in part because many of its aides will be working in facilities, an environment that is less isolating than home care and allows for more direct supervision.

[5] QCP's attrition rate was relatively high during its first few training cycles. As the management team has refined the recruitment and training process, the retention rate has improved.

Additional Publications Available from the Paraprofessional Healthcare Institute

TECHNICALMANUALS

Recruiting Quality Health Care Paraprofessionals. August 2000. (26 pgs.) $8.00
This "best practice" document describes the successful recruiting strategies used by the Cooperative Healthcare Network, a network of employee-centered home care agencies and training programs.

A Guide to Recruiting Quality Health Care Paraprofessionals. Fall 1999. (65 pgs.)
This in-depth guide to implementing the recruitment strategies discussed in "Recruiting Quality Health Care Paraprofessionals" is distributed with consultancy services offered by PHI.

A Guide to Developing an Employer-Based Home Health Aide Training Program. Forthcoming, Fall 2000.
A guide to implementing a home health aide training program that is trainee-centered, emphasizes participatory learning techniques, and incorporates soft-skills development. This in-depth manual is distributed with consultancy services offered by PHI.

CASE STUDIES

We Are the Roots, by Ruth Glasser and Jeremy Brecher. Center for Cooperatives, University of California Press, Forthcoming.
A book-length exploration of the culture of a home care cooperative in the South Bronx.

"We Are the Roots: The Culture of Home Health Aides," by Ruth Glasser and Jeremy Brecher. In the *New England Journal of Public Policy.* Vol. 13, No. 1. Fall/Winter 1997. $5.00.
A chapter of the larger book-length study, this article focuses on the contribution of the workers' culture to the success of Cooperative Home Care Associates.

Closure: Cooperative Home Care of Boston. Accomplishments and Analysis. By Steven L. Dawson. April 2000. (17 pgs.) $5.00.
CHCB, an initially highly successful enterprise, succumbed after six years to the forces of a changing marketplace. This paper describes CHCB's accomplishments and analyzes the causes of its closure.

POLICY PAPERS

Survey of State Initiatives to Improve Paraprofessional Health Care Employment. Paraprofessional Healthcare Institute and National Citizens' Coalition for Nursing Home Reform. Forthcoming.
This survey of long-term care ombudsman in the 50 states identifies the varied state taskforces and legislative initiatives that are affecting paraprofessional wages and benefits, training requirements, supervision and management, and staffing ratios.

Health Care Workforce Issues in Massachusetts, by Barbara Frank and Steven L. Dawson. Presented at the Massachusetts Health Policy Forum, June 22, 2000. (32 pgs.) $5.00.
Arguing that the price of labor must rise to attract direct-care workers, Frank and Dawson make a number of key recommendations for changes in state policy and provider practice.

Direct Care Health Workers: The Unnecessary Crisis in Long-Term Care, by Steven L. Dawson. A paper prepared for the Domestic Strategy Group of the Aspen Institute. May 2000. (55 pgs.) $5.00.
Dawson examines the structure of long-term care, its financing, and the current labor crisis, arguing for sectorwide restructuring supported by labor, welfare, and health care policies that work together to support high-quality care for consumers, decent jobs for workers, and a more rational environment for providers.

Paraprofessionals on the Front Lines: Improving Their Jobs—Improving the Quality of Long-Term Care, by Mary Ann Wilner and Ann Wyatt. A conference background paper prepared for the AARP Long-Term Care Initiative. AARP, 1998. (75 pgs.) $5.00.
This paper explores the role of the paraprofessional in long-term care and highlights the relationship between the paid caregiver and the consumer.

Confronting the Decline of Paraprofessional Care, by Steven L. Dawson. Presentation before the AARP National Conference: Paraprofessionals on the Frontlines: Improving Their Jobs—Improving the Quality of Long-Term Care. September 1998. (8 pgs.) $5.00.
Dawson advocates reshaping policy and practice in ways that value the front-line worker and allow front-line workers to bring more value to long-term care.

Welfare to Work after "Welfare Reform": New Barriers Encountered by the Cooperative Healthcare Network, by Andy Van Kleunen. July 1998. (22 pgs.) $5.00.
Van Kleunen examines the impact of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, the Welfare-to-Work Jobs Challenge, and the restructuring of federal workforce development programs on employer-based pre-employment training for paraprofessional health care workers.

Welfare to Work: An Employer's Dispatch from the Front, by the Cooperative Healthcare Network. January 1998. (10 pgs.) $3.00.
Key lessons for policy makers and practitioners concerning successfully employing and retaining workers transitioning from welfare.

Jobs and the Urban Poor: Privately Initiated Sectoral Strategies, by Peggy L. Clark and Steven L. Dawson, et al. The Aspen Institute. November 1995. (41 pages.) $5.00.
Analyzing four sectoral initiatives, this report proposes a definition for "sectoral employment development," explores thematic issues, and makes recommendations for pursuing sectoral development as an approach to improving employment prospects in urban areas.

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