



Transforming
Lives

AFH Administrator Training

Module 3: Becoming a Small Business
Adult Family Home Administrator Manual, Version 5.2

Agenda

- Business Planning
- Up Front Costs
- Finances
- Legal Requirements
- Charging and Billing
- Disclosure of Charges



Learning Objective

At the end of this module, you will be able to...

- Discuss the key points of developing a business plan
- Describe the importance of financial feasibility
- Explain the value of keeping neat and accurate records
- Identify pricing strategies
- Determine the amount of liability insurance you need

What Do You Know?

True or False

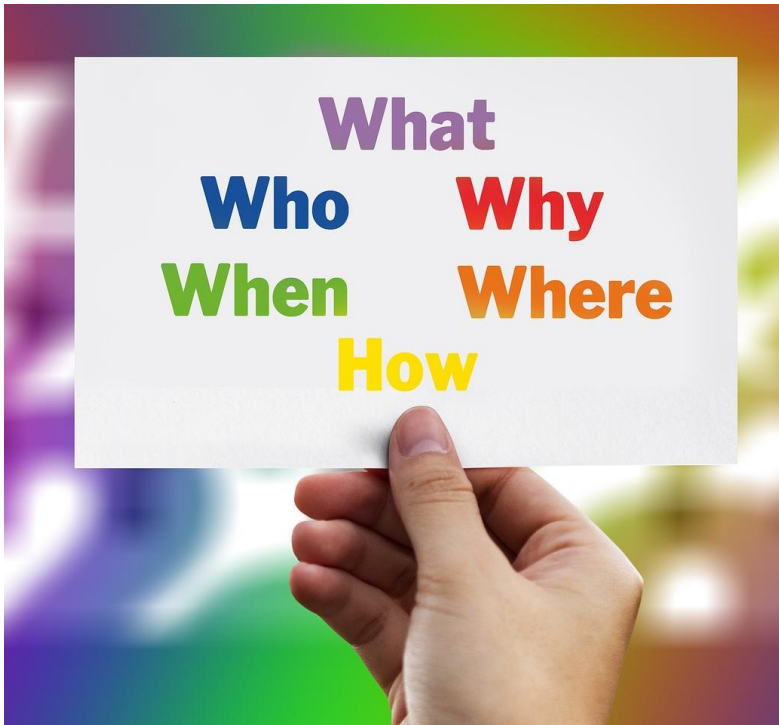
1. A vision statement describes how you want people to feel when they interact with your company.
2. You will need money to start your business.
3. You don't need to separate your personal accounts from your business accounts.

Business Planning

- Your roadmap to success
- What are you doing?
- How will you get there?
- How much money do you need?
expect to make?
- Living document



Mission and Vision Statements



- **Mission** = the “What”, “How”, and “Why”
 - The purpose of your business and how you serve your customers
- **Vision** = the “Why”
 - How you want people to feel when they interact with your business

Know Your Competition

- Direct Competitors
- Indirect Competitors
- Competitor Analysis Grid

Start Up Costs

The amount of money you need to get ready to admit your first resident



On Your Own – Prepare Your Start Up Costs – Page 11

Startup Costs Example		Notes	Your Startup Costs	Notes
Training	\$2,000	Basic Training; HCA certification; AND Administrative Training for Terry and Charles		
Business Structure (LLC Formation)	\$250	LLC Registration Fee		
Licenses (State and local business licenses and AFH license)	\$3,000	Still need to research		May need city license CORPORATE BUSINESS FEES
Marketing (Printing business cards, flyers, developing a website)	\$1,000	Kinko's COSTCO ONLINE VENDORS		
Insurance (House, Liability)	\$350	First six months		
Improvements	\$10,000	Entry ramp, widen doors, grab rails, new washer and dryer, new fridge, beds, and bedroom furniture		
Equipment/Furniture	\$6,000	Kitchen equipment, cleaning equipment, linens, towels, washer/dryer, fridge, beds and bedroom equipment, additional couch, and chairs for living room, first aid equipment, fire extinguishers, fax machine. computer		If possible, recommend having 2 rooms ready for licensing
Supplies	\$900	Three-day emergency supply kit, cleaning supplies, office supplies		
Unexpected Costs	\$3750	Costs for inspection and licensing compliance Home Inspection		
TOTAL	\$27,250			



Liability Insurance

- Research costs and plan for this expense
- You must purchase both commercial and professional liability insurance before you admit your 1st resident **OR** within 10 working days of becoming licensed – whichever comes first.
- Your insurance company may have additional requirements; find out what they are now



Overhead Costs

- Expenses you must pay to keep your doors open
- Usually figured monthly
- Estimate high
- Unanticipated expenses



Identify your overhead costs – page 13

EXAMPLE			
Overhead Expenses	Monthly Cost	Non-monthly costs	Notes
Advertising	30		See marketing plan
Insurance		2,500	Liability – pay \$350 2/year
Professional services		200	Legal, tax prep (March)
Office supplies	10	research	Fax machine
Web page	35	500	
Activity Costs	20		Excursions/arts and crafts
Repair/ Maintenance		1,000	Annual estimate
Supplies	50		Cleaning, and adult materials
Travel	30	195	Business mileage, conference
Subscriptions			
License Renewals		900	Annual
Bed Fee		225	
Equipment		500	New computer – still researching
Loan Payment	375		Loans may be deducted as rent. Interest can be taken off personal taxes
Miscellaneous	500		Unplanned-cash reserve
TOTAL COSTS	\$1,050	\$5,795	



Variable Costs

- Cost of “Goods” or “Services” Sold (COGS/COSS)
- Cost varies
- When planning a menu; determine the cost per resident



How to Calculate Food Costs Per Student – Pages 14-15

The 4 Cornerstones of Fiscal Management

- Getting a handle on personal finances
- Separating personal finances from business finances
- Using financial projections
- Managing cash

Fiscal Management

- Financial Goals
- Separate your personal finances from your business finances
- Record keeping
- Filing System
- Receipts
- Know your costs

Personal Net Worth Statement



On Your Own - Start Your Own Personal Net Worth Statement

Personal Net Worth Statement			
Net Worth Statement for:		Date:	
Assets	Amount	Liabilities	Amount
Checking Account		Credit Cards	
Savings Account		Visa	
Retirement Accounts		Mastercard	
Investments			
Automobile		Automobile loans	
Residence		Mortgage	
Personal Property		Medical Bills	
Other		Student Loans	
		Other	
Total Assets	\$	Total Liabilities	\$ -
		Net Worth	\$ -

Personal Financial Statement Template					
These numbers are completely RANDOM. Enter your own financial information. DO NOT WRITE IN COLORED CELLS.					
Account Name	Account Type	Institution	Asset Value	Owed	Balance
Retirement accounts, 401k			Assets	Liabilities	
IRA - SIMPLE	SIMPLE	Institution name	\$ 5,000.00	\$ -	\$ 5,000.00
IRA - ROTH	ROTH		\$ -	\$ -	\$ -
IRA - SEP	SEP		\$ -	\$ -	\$ -
Cash on hand	Cash		\$ 15,000.00	\$ -	\$ 15,000.00
Personal Bank - No. 1	Bank - cash		\$ 1,000.00	\$ -	\$ 1,000.00
Personal Bank - No. 2	Bank - cash		\$ -	\$ -	\$ -
Investment Accounts					
Investment account No. 1	Investment account		\$ -	\$ -	\$ -
Investment account No. 2	Investment account		\$ -	\$ -	\$ -
Other Bank Account	Cash - Emergency		\$ -	\$ -	\$ -
Health Savings Account (HSA)	Cash - health care		\$ -	\$ -	\$ -
Real Estate					
House No. 1 - address	Rental property		\$ 350,000.00	\$ 304,000.00	\$ 46,000.00
House No. 2 - address	Personal home		\$ 150,000.00	\$ 90,000.00	\$ 60,000.00
AFH #1			\$ -	\$ -	\$ -
Business you own					
Business 1	My AFH	Business Asset - est. valu	\$ -	\$ -	\$ -
Auto, boats, other vehicles					
Car # 1 - Make Model	Personal car?	Bank (or title owner)	\$ 5,500.00	\$ -	\$ 5,500.00
Car # 2 - Make Model	Business car?	Bank (or title owner)	\$ -	\$ -	\$ -
Boat # 1 - Make Model			\$ -	\$ -	\$ -
RV #1 - Make Model			\$ -	\$ -	\$ -
Owed to you					
Business Loan Name	Loan to...	Business who owes YOU	\$ -	\$ -	\$ -
Personal Loan Name	Loan to...	Person who owes YOU	\$ -	\$ -	\$ -
Personal property					
Collectibles you own	Personal property		\$ -	\$ -	\$ -
Expensive or valuable items you own	Personal property		\$ -	\$ -	\$ -
General personal items property - estimated	Personal property		\$ -	\$ -	\$ -
Credit and other financial obligations					
Student Loan	RN / BSN	Fed Student Loan	\$ -	\$ 39,000.00	\$ (39,000.00)
Consumer Credit Card 1	Consumer credit debt		\$ -	\$ -	\$ -
Consumer Credit card 2	Consumer credit debt		\$ -	\$ -	\$ -
Student Loan	Student Loan		\$ -	\$ -	\$ -
Home Equity Line of Credit	HELOC	Mortgage loan debt	\$ -	\$ 10,000.00	\$ (10,000.00)
NEW DEBT ITEM			\$ -	\$ -	\$ -
NEW DEBT ITEM			\$ -	\$ -	\$ -
Total Assets and Liabilities			\$ 526,500.00	\$ 443,000.00	\$ 83,500.00
Your Estimated Net Worth is:			\$ 83,500.00		



Financial Statements

- Cash Flow Statement
- Know your household income and expenses
- Balance your budget

Assignment # 5 – 12-Month Cash Flow

Based upon your financial goals and your current income and expenses, create a realistic budget for next month (pages 8-9)



Assignment #5 Tables

Revenue Projections Worksheet

Revenue Projections	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Resident 1 - Income	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00
Resident 2 - Income			4,200.00	4,200.00	4,200.00	4,200.00
Resident 3 - Income				3,741.30	3,741.30	3,741.30
Resident 4 - Income				4,550.10	4,550.10	4,550.10
Resident 5 - Income					5,700.00	5,700.00
Resident 6 - Income						8,500.00
Total Income Received	3,582.00	3,582.00	7,782.00	16,073.40	21,773.40	30,273.40

Revenue Projections	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Resident 1 - Income	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00	3,582.00
Resident 2 - Income	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00
Resident 3 - Income	3,741.30	3,741.30	3,741.30	3,741.30	3,741.30	3,741.30
Resident 4 - Income	4,550.10	4,550.10	4,550.10	4,550.10	4,550.10	4,550.10
Resident 5 - Income	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00	5,700.00
Resident 6 - Income	8,500.00	8,500.00	8,500.00	8,500.00	8,500.00	8,500.00
Total Income Received	30,273.40	30,273.40	30,273.40	30,273.40	30,273.40	30,273.40

* Note: Use the monthly Total Income Received from Revenue projections into the income received field on the Cashflow Statements

		Daily Rate	30 Day Month	Type
B-H	Resident 1	119.40	3,582.00	Medicaid
	Resident 2		4,200.00	Private
C-M	Resident 3	124.71	3,741.30	Medicaid
D-H	Resident 4	151.67	4,550.10	Medicaid
	Resident 5		5,700.00	Private
	Resident 6		8,500.00	Private

Cashflow Projections	Start Up	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Cash In														
1 Beginning Cash		22,700	14,012	5,324	561	839	3,942	10,020	16,298	22,576	21,154	19,732	18,310	
2 Income Received		3,582	3,582	7,782	16,073	21,773	30,273	30,273	30,273	30,273	30,273	30,273	30,273	264,703
3 Other Cash in (loan, owner's investment,	45,000	-	-	-	-	-	-	-	-	-	-	-	-	45,000
4 Total Cash In (2+3)	45,000	3,582	3,582	7,782	16,073	21,773	30,273	30,273	30,273	30,273	30,273	30,273	30,273	309,703
5 Cash Available (1+4)	45,000	26,282	17,594	13,106	16,634	22,612	34,215	40,293	46,571	52,849	51,427	50,005	48,583	
Cash Out														
6 Training	400													400
7 Entity Registration	250													250
8 Improvements	3,000													3,000
9 Equipment	5,000													5,000
10 Food Costs	1,000	275	275	550	1,100	1,375	1,650	1,650	1,650	1,650	1,650	1,650	1,650	16,125
11 Advertising	500	500	500	500	500	500	500	300	300	300	300	300	300	5,300
12 Insurance liability	3,000	250	250	250	250	250	250	250	250	250	250	250	250	6,000
13 Professional Services	1,000													1,000
14 Office Supplies	1,500	100	100	100	100	100	100	100	100	100	100	100	100	2,700
15 Website	500	35	35	35	35	35	35	35	35	35	35	35	35	920
16 Repair / Maint.	100	100	100	100	100	100	100	100	100	100	100	100	100	1,300
17 Supplies	1,000	150	150	150	150	150	150	150	150	150	150	150	150	2,800
18 Travel/Gas	150	100	100	100	100	100	100	100	100	100	100	100	100	1,350
19 Subscriptions														-
20 Business Phone	350	35	35	35	35	35	35	35	35	35	35	35	35	770
21 Licenses AFH, Business	3,500	175	175	175	175	175	175	175	175	175	175	175	175	5,600
22 Loan Payment		850	850	850	850	850	850	850	850	850	850	850	850	10,200
23 Association Fees	50	50	50	50	50	50	50	50	50	50	50	50	50	650
24 Staff Wages					2,000	4,000	8,000	8,000	8,000	12,000	12,000	12,000	12,000	78,000
25 Staff Ovd (tax, LNI, etc.)					600	1,200	2,400	2,400	2,400	3,600	3,600	3,600	3,600	23,400
26 Utilities		500	500	500	600	600	650	650	650	650	650	650	650	7,250
27 Placement Fees														-
28 Business Taxes (est.)														-
29 Mortgage		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
31 Other	1,000	150	150	150	150	150	150	150	150	150	150	150	150	2,800
32 Total Expenses	22,300	7,270	7,270	7,545	10,795	13,670	19,195	18,995	18,995	24,195	24,195	24,195	24,195	222,815
33 Cash Available (5-32)	22,700	19,012	10,324	5,561	5,839	8,942	15,020	21,298	27,576	28,654	27,232	25,810	24,388	
34 Owner's Draw		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	7,500	7,500	7,500	7,500	70,000
35 Ending Cash	22,700	14,012	5,324	561	839	3,942	10,020	16,298	22,576	21,154	19,732	18,310	16,888	



Calculate the Break Even Point For Your Home

1. Use your projected costs from your cost projections worksheet
Annual expenses/Annual gross profit per adult = Number of adults to reach breakeven
2. Now calculate how many adults you will need to care for to cover your costs and the owner's draw
Annual expenses = owner's draw/Annual revenue per adult=Number of adults to cover expenses and owner's draw



On Your Own - Calculate the Break Even Point for Your Business

Tax Time

- Set aside a percentage of your net income
- Keep personal and business finances separate
- Keep accurate/up-to-date records
- Keep all receipts





Self-Audits

- Keep a regular weekly schedule
- Catch issues before they happen or grow

Pricing Strategies

- How much should you charge?
- Do your research
- What can you offer?
- Levels of Care
- Advantage - Disadvantage

Goal	Strategy
Ensure adequate cash flow	
Increase the number of adults in care	
Meet or beat the competitor's prices	
Maintain or create a certain image	
Improve customer relations	

Billing and Invoicing Private Pay Residents

- A crucial part of your business
- Be clear and accurate
- Keep it simple
- Should not be a surprise

ABC ADULT FAMILY HOME 1 ANYWHERE STREET ANYWHERE TOWN 99999					
Patient Name	License number	Billing Date	Admission Date	Invoice Number	
	99999	DATE	DATE	1	
Insurance Coverage	Name and address of guarantor				
NAME OF INSURANCE CO.	Name of resident or AIP Address of resident	ABC ADULT FAMILY HOME 1 ANYWHERE STREET			
Service Date	Description of services	Cost	Rent		TOTAL
11/5/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/6/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/7/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/8/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/9/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/10/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/11/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/12/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/13/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/14/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/15/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/16/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/17/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/18/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/19/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/20/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/21/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/22/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/23/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/24/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/25/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/26/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/27/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/28/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/29/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
11/30/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/1/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/2/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/3/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/4/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
12/5/2012	Meals, ADL assist, personal care, medication mgmt	\$ 96.77	\$ 32.26		\$ 129.03
TOTAL BILLING DUE 11/5/2012 TO 12/05/2012					\$ 4,000.00
Submitted by: NAME OF PROVIDER					



Disclosure of Charges Form

- WAC requirement
- In addition to requirements in WAC [388-76-10540](#)
- Given to residents at admission
- NOT part of your application packet
- RCS will review during inspections

Washington State Department of Social & Health Services Transforming Lives		Adult Family Home Disclosure of Charges Required by RCW 70.128.280	DATE 4/12/2022
HOME / PROVIDER'S NAME Your AFH Home – SAMPLE - SAMPLE		LICENSE NUMBER TBD	
<p>NOTE: The term "the home" refers to the adult family home / provider listed above.</p> <p>The information in this form is meant to help people search for a home that best suits their needs and choices. The lists of services and charges on this form are not necessarily complete or binding. In addition to looking at these forms, potential residents and their family members may wish to contact the home directly by phone or email, interview the providers at the home, and use other available resources to choose a home that most fits their needs.</p> <p>The care, services, items, and activities listed on this form do not reflect all required and/or available care, services, items, and activities that an adult family home provides for residents. This form may not be used on its own to meet the requirements of section 388-76-10540 WAC. Unless listed individually on this form, charges for care, services, items, and activities are included in the daily and/or monthly rate. For more information on reasonable accommodations and the regulations for adult family homes, see Chapter 388-76 of Washington Administrative Code or call the Long Term Care Ombuds with questions at 1-800-562-6028.</p> <p style="text-align: right;">Table of Contents</p> <p>Medicaid Information Admission Fees Deposits Prepaid Charges Other Fees / Charges Daily and/or Monthly Rates Personal Care Medication Services Other Services Items Activities Other Charges (Not covered by Medicaid, Medicare, or other programs) Resident Acknowledgement of Receipt</p>			
Medicaid Information			
<p>Medicaid payments made by DSHS are considered payment in full for the services, items, activities, and room and board. Supplementation (Medicaid payments plus additional payment/s) of this rate is only allowed in limited situations. See WAC 388-105-0050 or speak to your case manager for more information on supplementation.</p> <p>The home must fully disclose the home's policy on accepting Medicaid payments. The policy must clearly state the circumstances under which the home provides care for Medicaid eligible residents and for residents who become eligible for Medicaid after admission. (WAC 388-76-10522). The home may change any policy with a 30 day written notice.</p>			
<p><input type="checkbox"/> The home is a private pay facility and does not accept Medicaid payments.</p> <p><input type="checkbox"/> The home will accept Medicaid payments under the following conditions:</p> <p style="text-align: center;"><i>(Select only ONE option only. If you select the "Accept Medicaid with conditions..." add a summary description of your Medicaid Policy, see below:</i></p>			
ADDITIONAL COMMENTS REGARDING MEDICAID			
<p>We accept Medicaid as a payment source after resident has resided in the AFH for 12 months. We required 90 days' notice prior to Medicaid conversion.</p>			
Admission Fee *			
<p>If the home requires payment of an admission fee, the home must give full disclosure in writing. (WAC 388-76-10540)</p>			
<p><small>* This section does not apply to residents receiving Medicaid, as this is either covered by Medicaid or not applicable to residents paying Medicaid.</small></p>			
<small>ADULT FAMILY HOME DISCLOSURE OF CHARGES REQUIRED BY RCW 70.128.280 DSHS 16-448 (REV. 08/2021)</small>			



Summary Review

During this Module We Learned...

- The key points of developing a business plan
- The importance of financial feasibility
- The value of keeping neat and accurate records
- Different pricing strategies
- The amount of liability insurance you need and to discover if there are other requirements
- Other?

Test Your Knowledge

True or False

1. A mission statement provides the “what,” the “who,” and the “how,” of your company.
2. Startup costs are how much money you need to “open your doors”.
3. The Disclosure of Services Form is an optional form to help resident understand your services.





Get Ready For Your Next Class

- Read assigned modules
- ASSIGNMNET #5:
Do a 12-month projection and cash flow statement for your business
- Review for Quiz #1 (Modules 1-3)