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BUSINESS PLAN - PRIVATE NURSING FACILITIES
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Abstract

The core aim of this paper is to present a business plan that aims to realize a private nursing home facility. Firstly does the author outlines the basis of current private social services environment in Czech Republic and the actual need of the project. The main part of the paper focuses on the practical execution of the plan. Several project possibilities are offered and evaluated with a supporting evidence of expected financial data. Paper aims to present succinct yet coherent analysis on the real facility operation and differences to already existing competitors. Contrary to those, this project gives special attention to personnel (especially nurses and social nurses) who are a key success factor of the business as such.

Keywords

Nursing home, business plan, Alzheimer disease, advanced dementia, social services, private care.

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V Brně, 21.7.2016 ……..……

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"How selfish soever man may be supposed,
there are evidently some principles in his nature,
which interest him in the fortune of others,
and render their happiness necessary to him,
though he derives nothing from it except the pleasure of seeing it.
Of this kind is pity or compassion,
the emotion which we feel for the misery of others,
when we either see it, or are made to conceive it
in a very lively manner.[1]*"*

Introduction

Authors desire is to create value that would not only be profitable but also helpful for others. Following thesis focuses on such combination of goals. Due to personal matters was the author present dozens of times in many types of health or social facilities that subjectively offered various kinds of services. The word *subjectively* is used intentionally for a reason that this does not aim to be a paper that wishes to evaluate level of health care from medical perspective, as the author has no relevant education nor experience to do so. And also for a reason that is commonly believed, that the *subjective* mental perception of something *good* or *positive* has a significant impact on the actual condition of the patient (in the terms of this paper – *client*). Among all public facilities there was one private, a nursing home. It was so different, especially in terms of staff behaviour and overall effort that author started to look deeper into the company, talked to employees discussing the operational issues and the character of the business as such. After gaining more information about the operation, author had the opportunity to get some information about the financial background of the nursing home and its external investors.

The idea of *realistic* plan is a core idea of whole text. Author is not presenting ideas that are way optimistic or even unfeasible. In opposite he always looks for a solution that would work in a real life, day-to-day business.

[1] Smith, Adam. A Theory of Moral Sentiments, p3.

There is just very few limits is services to what extent one can *push* his business in terms of service quality and commitment, in other words there is always a potential to improve the service. And this counts for nursing homes as well. Despite the many times visited nursing home is among the best in Moravia region there has been number of questionable managerial decision in recent history that are limiting for further nursing home improvements. Especially in the area of wages has the facility stack at one point although the management expects still higher performance. The result was just opposite, some of the best employees left the nursing home.

The author put his effort to pick the best from the competitors and enrich it with additional values to *push* the sector even further towards better service for final customer.

Author's main goal in this paper is to focus on business dimension of nursing home yet it is of high importance to present more complex overview of the topic if only to understand the importance of similar projects in the area of Czech republic.

1. Theory

1.1. Business Plan

Business plan as presented is a set of information related to a newly established business entity. It should be usable as a ground document for investors, bank institution and for potential owners who are the main stakeholders for the project. It should be based on truthful and real information so it can present valid information about a current statement and good base for future decision-making.

It is a base document for future planning of a given time horizon. It informs about resources, nature of a business and expected outcomes[2].

Different authors define the business plan as document that is a basic tool to manage own company. It has not only internal but also external use especially if the company is to be financed by external financial sources. In this case it is important to convince the investor about the project attractiveness and profitability[3].

The companies have to define the area in which are they going to do the business and than to present relevant data for the financial background[4].

1.2. Relevant Environment

"Our self-love cannot be separated from the need to be loved by others."[5]

Firstly the author focuses on a typology of both social and medical facilities that supply or offer a care for self-insufficient people[6]. At the beginning it has to be

[2] Synek, M. Manažerská ekonomika. Prague: Grada Publishing. 427p.

[3] Fotr, J. Souček, I. Podnikatelský záměr a investiční rozhodování. Prague: Grada Publishing. 2010. 356p.

[4] KORÁB, V., M. REŽŇÁKOVÁ, J. PETERKA. Podnikatelský plán. Brno: Computer Press, 2007. ISBN 978-80-251-1605-0.

[5] Kant, I.: The Metaphysical Elements of Ethics, Chapter VIII. Exposition of the Duties of Virtue as Intermediate Duties.

mentioned, that self-insufficiency in older generation is often connected and caused with advanced dementia and/or Alzheimer disease[7]. Presented business plan deals mainly with nursing houses seniors which means that advanced dementia and Alzheimer disease are highly relevant attributes of the paper[8]. There are two basic types of facilities divided by the authority that directs them. The first type of nursing homes is public, which are typically run by district or by local hospitals. There are three types of such homes: 1) Nursing home[9], 2) Facility for long-lasting illness[10], and 3) Hospice.

Following graph shows some typical scenarios of how do the potential clients (in public case patients/seniors) proceed

[6] Self-insufficiency is for author's needs understood as lack of person's ability to live on its own without any external help. In this paper the author will focus mainly on people in 50+ age which is often the bottom limit to become a client of nursing home (private sector).

[7] In more detail further in the text.

[8] Most of the clients in nursing homes are in 80+ are group, yet there might be several exceptions caused by injury, mental illnesses or disseminated sclerosis that affect a person in earlier age which results in necessity of care by other which is also a target audience of nursing houses in authors perspective.

[9] In Czech called `Home with nursing service`

[10] (Léčebna dlouhodobě nemocných), which is originally meant to treat patients with long lasting illness caused by injury but it turned into a extended wing of hospital for mostly senior population in recent years. Yet it a temporary facility, with maximum length of stay up to 3months (varies from 2 to 3 months).

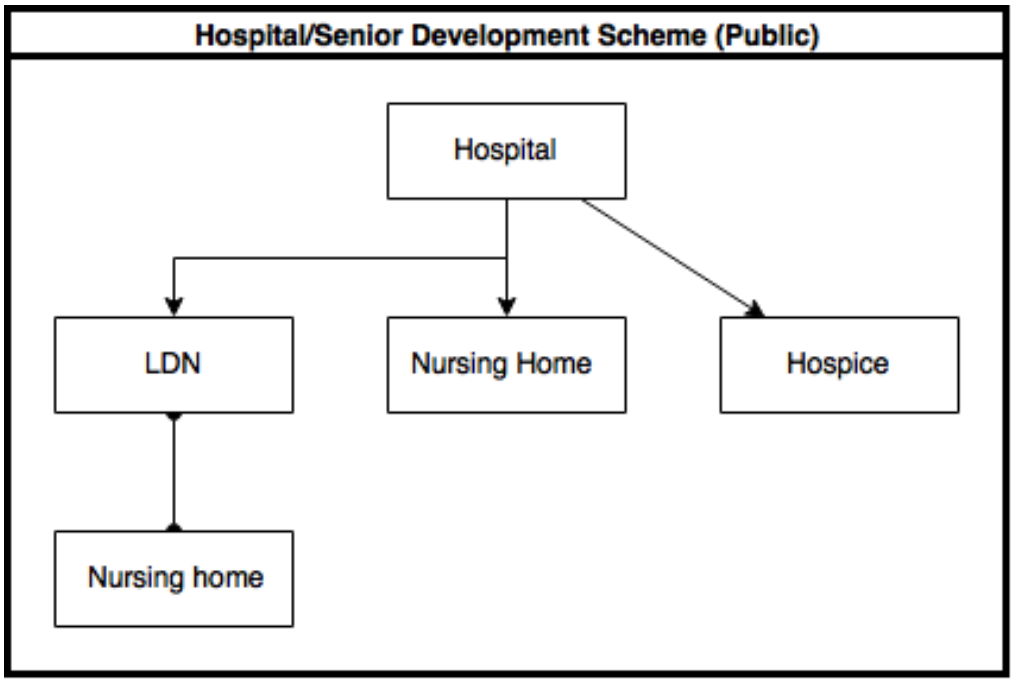

Figure 1: Hospital/Senior Development Scheme (Public)

through the system. It is not necessary to *begin* in hospital yet it is likely. The customer[11] may (and often does) enter directly the nursing home either from its own will or with the help of the family.

The public nursing homes are non-profit organisations with supervision of the district, or city with its authorities and is more accessible for senior population[12]. The payments in South Moravia region are usually up to 12 thousand CZK[13], which means, that most of the seniors are financially sufficient in monthly payments. The couples are seldom in public senior homes and the capacities are mostly occupied by widows or

[11] The author uses the term *customer* from business perspective for the needs of the business plan because the customer embodies an entity which brings money into the system whereas in public sector embodies a patient whose treatment/care is being paid from the social and health security.

[12] There is no strict policy regarding the monthly payments in public senior homes. The prices vary with the regions and the quality of offered services. Yet they do not follow the basic economic principle of scarcity of resources and the supply/demand relationship, which leads to lack of free places and long waiting times.

[13] Sum based on author's own research in region.

widowers[14]. These facilities offer different level of service across Czech Republic as there is no unified ranking or level of services declared. The only apparatus granting certain level of services is "Vážka" licensor of which is a Czech Alzheimer Society[15]. Society developed a certificate system which is targeted to services with care of people with dementia. The certificate is granted for 24months[16] and may be prolonged on request with additional examination. Currently there are 50 facilities across Czech Republic with "Vážka" certificate[17]. The certificate is being granted not only to public NH but also to private ones. The Society examines each received request[18].

Public nursing homes are mostly equipped with triple rooms when two rooms are sharing one bathroom, double rooms are seldom as well as rooms with more beds. Number of beds is often reflected in the price of monthly payment, some nursing homes offer more variants of accommodation so anyone can reach suitable solution.

The philosophy of public as well as of many private nursing homes is to give the customer in senior age just supportive care so the customer can live on its own like he or she would live in its home[19]. This opinion is valid just until certain state of health condition when the customer is no longer self-sufficient yet it is complicated to distinguished that moment precisely which is why the good geriatric care suggest to prevent any inconvenience that may arise on this matter.

Based on the practical (field) experience the author emphasises, that there is no place for only supportive care but complete service is required.

Nonetheless there is a wide range of public nursing homes from the *qualitative* perspective so it cannot be stated that the public services in this area are low-end or worse in general than the private ones, instead it has to be seen from the perspective of

[14] There are about 70% of women in senior homes with respect to demographical state of population.

[15] Česká alzheimerovská společnost, http://www.alzheimer.cz/certifikace-vazka/

[16] Ibid.

[17] http://www.alzheimer.cz/res/data/002/000333.pdf (March 16)

[18] The association is being financed partially from public sources which means that public NH have priority when they request the examination.

[19] For the purposes of this paper author conducted field research to NH (2015-2016) and talked to the staff about functional issues analysed in practical part of the paper but also about feelings of the clients.

every single nursing home. Yet it general the public homes are focus more at the standard and in one time more affordable priced services comparing to some private facilities[20].

LDN is a facility with a purpose of curing patients with long lasting illness, from the definition to an intermediary in between hospital and *normal life*, for a patients who undertaken a serious surgery or whose physical condition is not well-enough to be home and self-care. In recent years due to limited capacities of hospitals likewise demographic evolvement, LDN is often a place to situate a seniors who recently faced a condition witch makes it impossible for the person to be on his/her own. As a result there is on average over ¾ of patients in senior age in LDN[21] some of which go directly to nursing home (weather public or private) and some go back home – those whose physical condition is rather well.

Hospice is a form of facility for terminal stage of illness as well as for palliative care, founded and run publicly[22] accessible in all regions of Czech Republic. It is a latest stage of facility for the patients who enter. Most of them are moving from their homes or from public nursing homes or seldom from LDN[23]. More than 20% of hospices in Czech Republic are run in cooperation with church and nuns who are staffed in these facilities. An interesting point is the very determination of hospices, which does

[20] The difference in between public and private at this point is obvious and is connected with the fundamental contrast in existence of both bodies and way how they are being established and how they operate. Public owned properties (whatever quality of service they offer) are financed from public resources, therefore not profit oriented whereas the private facilities do focus on profit with respect to the shareholders/board or CEO depending on the actual structure. And as the public sector is often close to politics, it is more difficult to execute certain goals or process changes.

[21] Data based on own research conducted in LDN facilities in Brno (LDN U milosrdných bratří I&II, LDN Fakultní nemocnice Brno) and in LDN Znojmo, in autumn 2015.

[22] In terms of Czech Republic

[23] Hospice is not the core merit of this paper and so the author mentions this type of facility only for overview needs and does not go into any further details about locations, offered service or its quality.

not pose a direct *competition* for presented business plan[24] [25]. Though it has to be mentioned that there are private hospices in Czech Republic as well, currently 7 of them[26] which offer usually medium to high quality services. The target group of hospices is different comparing to nursing home, as the author states previously, it cares about the terminal stare of illness without any age target which means it focuses more on *ill* people than on *old* ones.

The private nursing homes are from the worldwide perspective a well-established organizations that offer a social services mostly along the public facilities and sometimes even the church nursing services.

1.3. Alzheimer, advanced dementia[27]

The author does not aim to present a medical or even geriatric study on senior population yet he considers as important to focus on the most important issues that are relevant to NH.

There are several possible ways of passing away[28]. Some do pass away in natural manner but as the population gets older over the years more and more people face Alzheimer disease and Advanced dementia (further AD) which is related to it. According to official data, one in ten in facing Alzheimer in age over 65, yet one in five in age over 75 and one in three in age over 82 and even every second person over 90 years[29]. There is not any known treatment (2016) to cure the disease and the causes are

[24] The author did execute a brief research with the head-nurses of several local hospices, followed the list at hospice.cz with a question weather their patients/customers ever considered the other option (hospice vs. nursing home) and the answer was always negative. The same case occurred when questioning families of nursing home clients.

[25] Hospice is from the definition a medical facility, not a social one. And so the presence of 24/7 medical care is not just recommended but required.

[26] May 20th, 2016

[27] Neurodegenerative diseases with unclear triggering that affect senior population, especially in advanced societies like Europe and North America with aging populations.

[28] The author focuses strictly on natural and un-biased death in the context of age.

[29] Alzheimer is a chronic neurodegenerative disease that is tight with advanced dementia. One of the early symptom is difficulty o create new memories, secondly the disease affects brain

believed to have genetic background. All available drugs are able to slow down the progress of AD but it is important to underpin the illness right at the beginning, which is seldom the case[30].

1.3.1. Alzheimer Stages[31]

- Early Stage Alzheimer's
  - Not remembering episodes of forgetfulness
  - Forgets names of family or friends
  - Changes may only be noticed by close friends or relatives
  - Some confusion in situations outside the familiar
- Middle Stage Alzheimer's
  - Greater difficulty remembering recently learned information
  - Deepening confusion in many circumstances
  - Trouble knowing where they are
- Late Stage Alzheimer's
  - Poor ability to think
  - Problems speaking
  - Repeats same conversation
  - More abusive, anxious, or paranoid

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centre of speech after that centre of moods and emotion and finally can affect even the function of heart. Causes of the disease are not well known and poorly understood.

[30] Even slight problems with memory loss might lead (in further periods) to advanced dementia or Alzheimer disease.

[31] Consumer Report Drug Effectiveness, Safety, and Price. May 2013. Consumer Reports.http://www.consumerreports.org/health/resources/pdf/best-buy-drugs/AlzheimersFINAL.pdf.

2. Practice

2.1.Executive Summary

Main aim of the practical part, as well as of all text I to present a plan that would be feasible in the real world and so the contain of practical part offers *real life* solution beginning with the land, and continuing with operational cost and incomes that reflect the existing and profitable operations, meaning that no costs nor incomes are artificial or groundless.

In this case, the author suggests the number of customers to 100, especially because ha has supportive financial evidence for this size of nursing home yet is it upon further discussion how would the actual number be set. From the authors' knowledge, gained in the functioning operation, the *brake even number* of customers is 50 to 60 depending of the nursing home location and therefore level of payments for facultative services and wages on the other hand.

An attempt to find feasible locations for the project was done and so there are several options presented. Regarding each option, author conducted a table of specific costs so it is easy to see differences among them. Further are the following financial data presented including profit and loss account, balance sheet and cash flow.

Lastly presents the author evaluation of the business plan supported by SWOT and Porter analysis.

2.2. OGSM

It typically forms the basis for strategic planning and helps to the day-to-day operation. It also aligns the management (in this case director + head nurse + social worker) to the objective of the company and links key strategies to the aimed financial goals and bring visibility and accountability to the work of improving the capabilities of the company[32].

Objectives	To run a nursing home that offers the best possible care about its clients who would feel like at home. Aim of the nursing home is to *have* clients that well treated and enjoy day without any limits.
Goals	To build a facility for 100+ customers that is possible to offer services which benefits from both high-standard social care and deep commitment of nurses.
Strategies	To provide the best available service, the nursing home wants to employ qualified nurses who have a commitment and passion for their job that exceeds given expectations. Author wants all personnel to be highly focused on their job and dedicated to it so the clients would feel like at home.
Measures	The biggest indicator is customer satisfaction and as their ability to express their feelings might be sometimes limited, also a satisfaction of their families. Aim of the nursing home is to *have* clients that well treated and enjoy day without any limits.

2.3. Czech environment

According to microeconomic theory the market on which the author targets his project has quite close to oligopoly structure. There are a small number of facilities on the market, all of which need certain level of legal allowance to start the business and to maintain it. Entry barriers are *high* due to high cost at the beginning of starting a new

[32] Wielded properly, ArchPoint's OGSM process aligns every element of your business. Arch Point. 2016-07-20.

business in this field. In this sense is also the threat of new entrants rather low[33]. Environment of nursing homes has, on the other hand, character of monopolistic competition in the sense of the service offered. It might seem that the purpose of each nursing home is to take care of seniors but there is a significant difference among the actual provided service. There is no objective measurement of the service (or even the facility) quality but at least the *Vážka* award might be a claim of certain quality level.

There are many nursing facilities in the Czech Republic, most of which are public as stated above. Although many of them do not offer the level of service on what the proposed business plan targets[34]. And so most of the public sector nursing homes are not perceived as relevant competitors. Currently there are two companies on the market that are perceived from authors perspective as relevant competitors, it is Anavita and Agel.

Agel is a holding group that invests mostly into medical care facilities. It owns and runs several hospitals and medical centres in North Moravia region, as well as pharmaceutical facilities. Most recently Agel plans to expand horizontally as well as vertically within the medical services that includes even the nursing facilities[35]. Agel built a capacity of such kind in Ostrava region where it targets customers who are demanding mid to high quality service for higher than average prices. In the same market area operates even the following company.

Anavita started with the first operation in South Moravia region in 2010 as a greenfield project with external investor who currently possesses majority of company shares. The majority shareholder is a private investor whose target investment concern is the health case and nursing homes of higher service quality (above market average) prior Anavita project only in Prague but after launching Anavita project the investor naturally expended outside Prague.

[33] Porter's Five Forces

[34] It is a subjective perception of quality of the service and how does the client *perceives* it. It is difficult to measure but on of signs could be that the *better* nursing homes accept the *more complicated* cases where the client requires much more attention and working time of staff comparing to others.

[35] Business plans from winter 2015.

2.4.External environment

For the intended project/business plan the author defines the relevant competitors who might have significant effect on the aimed project. The most relevant competition are, from the nature of the paper, the private nursing homes offering services that could be described as above market average, in other words: high quality, with focus on the customer. And there are not many facilities in target region to offer that.

2.4.1. Economic and Social Reasons

The important aspect when thinking about establishing *new* facility is a fact, that there is a lack of supply in the social services market, especially in terms of private facilities. It is declared by long *waiting lists* in the public nursing homes where the clients wait over 12 months. This assumption is supported by at least two sources of data. Firstly by demographics, that shows aging population in Czech Republic not only in retrospective but also with future predictions.

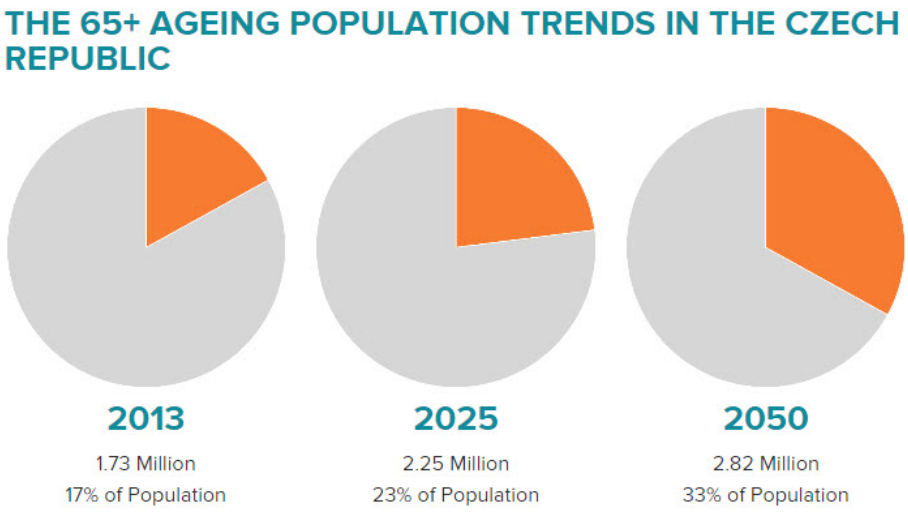

Figure 2: Aging Population in Czech Republic. Source: rahglobal.com

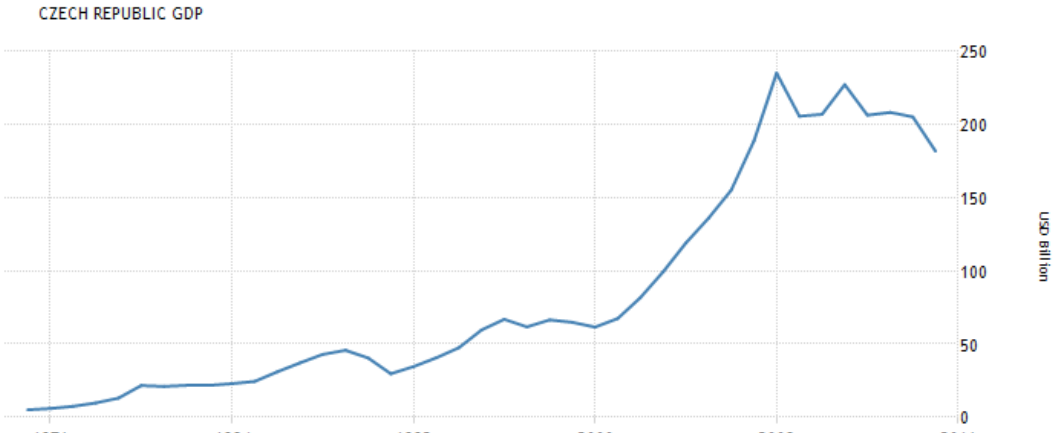

Figure 3: GDP Growth in CZE. Source: tradeconomics.com

With an increasing income (measured by GDP growth) it becomes from this perspective for clients more accessible to pay *extra* money for better services.

Previous graph shows the GDP increase over the past four decades. Although there is a clear increasing trend over the time period, the purchase power of senior population is not strong enough (in most cases) to buy high-end social services from their monthly income and so they typically finance it from own savings or with a help of their relatives.

2.4.2. Anavita

After two years of DS Morava existence[36] new expansion was initialized. Firstly it included acquisition of already established facility of same kind in Brno-Modřice[37] with a capacity of approximately 180 places and a brand new facility in Prague of a similar size. In following year Anavita did another acquisition in Terezín, Czech Republic (capacity more than 150). In year 2014 greenfield project in Olomouc was finished, as well as Jablonec nad Nisou and Plzeň. Overall Anavita has currently more than 1000 customers capacity and almost 600 of staff in whole Czech Republic and so became the n.1 in nursing homes. All of them are run with the same strategy of high-end service with pricing strategy that is determined by the location. Pricing system of nursing homes is described further in the text (3.11.6). At this point we might just mention that the price of services in Anavita facilities varies from 15.000CZK to 30.000CZK per month. Current CEO, who is also the minor shareholder, wants the

[36] Which was Anavita's very first nursing home in South Moravia.

[37] This facility is in compliance with company's strategy and mission.

company to be the market leader among nursing homes in Czech Republic, even the expansion into Slovakian market is evaluated for the future proceeding.

Anavita's wage and employee strategy is based on high-end requirements (skills, effort) and medium wages[38]. It does not count only for nurses with a diploma but for all employees in all facilities.

The author have had the opportunity to visit Anavita's facilities several times in 2014-2016 period and to talk to management as well as nurses, and social workers (these are not nurses with a diploma, but supportive staff, in Czech called *pečovatel/ka*). Based on day-to-day *research* the author discovered both strong and weak-point of each facility and of the company Anavita as well. Yet it has to be mentioned that all related conclusions are based just on author's perspective and sense for doing business in services in general.

Anavita has a competitive advantage in several strategic points. First of all, their organizational/management structure is horizontal with only 3-4 layers, and so the CEO receives just 2-3 reports. The CEO can work easily with 1-2 reports and so the cooperation is quite flexible.

[38] Wages are problematic topic for more than a year. The employees were promised a wage increase (in the proportion of about 10-15%) mainly for nurses who have been receiving wages below market average. For example, an experienced nurse with a diploma has approximately 1500CZK per month less (in average) than with comparable number of working hours in state hospital. Moreover the nurses employed in Anavita stated that the work in Anavita is much more demanding comparing to work in hospital what is in their opinion more relaxing especially during the night shifts. (Based on own research and discussions among the author and the nurses in Šanov and Brno facilities). At this point we face an unusual situation when the wages in public facility are higher (for a similar output) comparing to private sector which is generally known for higher wages.

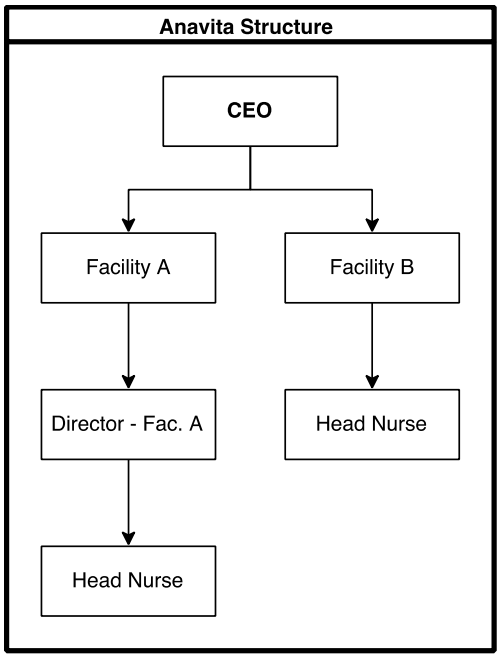

Figure 4: Anavita Structure

Two applied scenarios are shown in previous structure. In some facilities there are facility directors directly subordinated to the CEO, yet in other there is no management, only the facility head-nurse, what is not a typical managerial position, more health-managerial. Moreover the absence of facility directors has no obvious scheme or reason. The CEO is continuously searching for new managers but cannot find any suitable ones. As a result, he executes the whole decision-making process himself with no one else. The obvious question is weather it is possible for one executive manager to cover efficiently 7 facilities and to still be in the picture what is going on in each of them.

The structure of the facilities itself is very similar across the country. Number of customers varies from 120 to about 200. From a perspective of managerial decision-making it might be more appropriate for the company to have the same structure in each facility.

As a result of not an ideal structure, Anavita had to leave the joint venture in Jablonec nad Nisou, where there was an organizational issue in the relationship among employees and the CEO regarding their wages and employment contracts. After a series of denouncements towards local government and employee inspection. Anavita was

afterwards put into a position where it was obliged to leave the joint venture contract with local investor.

From a perspective of an external unbiased person, the company currently faces a discrepancy between required and offered on both internal (relationship – CEO vs. employees, and external – claimed service vs. employee capabilities). Moreover there is a lack of supply on the market with nurses (less than demanded in general) and so the wages should be therefore higher, especially when the CEO wants to offer high-end service for the customers[39].

2.5. Business Plan – Practical Part

Author's goal is to present a succinct, yet complex business plan that is focused on a actual construction and launching a new nursing home that would follow strictly given strategy and mission. A lot of patience was paid to functional requirements as they are in the real life. Author's goal is to present as feasible and real material as possible that can be taken to investor with whom the actual realization can be discussed and so just a limited attention is given to theoretical framework of this case yet most of it is focused on the practical use of the paper. Beside the operational questions a patience was paid to find a suitable location, and even the land where the nursing home could be situated.

2.5.1. Choice of Market Entry Mode

Purpose of this brief subchapter is to succinctly present a concept is the nursing home exposure (locality) and some basic parameters of the building.

The author would like to establish the nursing home most likely within the South Moravia region for following reasons. First of all the author knows the area and

[39] There is currently high level of employee fluctuation and overall substitution of higher quality employees (according to experience and popularity among customers) with less experienced ones who are willing to work for lower wages. This problem counts mostly for facility Šanov, South Moravia but similar problem is occurring in other nursing homes as well – Olomouc, Brno-Modřice.

so the contacts needed are more approachable. Secondly is there a presence of a big city – Brno, which means *demand* of offered service and potential clientele and also purchase power of relatively *wealthier* city compared to further areas in South Moravia.

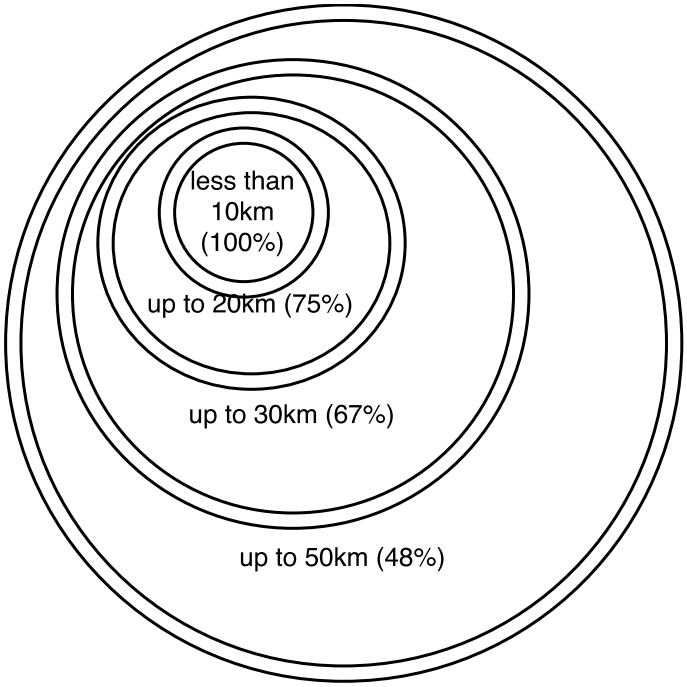

Figure 5: Work Commute - Employees

The graph shows the willingness of the employees commute to work. It has to be mentioned that the research[40] was conducted in Šanov facility, and so the results are mostly relevant for it. In this facility most of the workers commute to work on daily basis, even from Znojmo (30km)[41]. There is no direct correlation between willingness to commute and the wage or qualification of the employee. On the other hand the

[40] Authors own research conducted in the facility during several visits. Typically with informal way of questions, yet with a majority of employees.

[41] Some employees mentioned, that they do commute from Znojmo (30km), usually two or three people sharing one car (regarding the shifts), even thought the wages are similar or sometimes even lower to comparable facility in Znojmo. As a reason they usually stated the aimed quality of the service offered in Šanov nursing home compared to other closer to Znojmo. That leads to an interesting conclusion that the employees (at least some of them) do choose the facility according to its *goodwill* and quality as well as customers/clients do. There is certainly a sense of non-financial stimulus for the employees that can be seen in their decision-making.

employees do no perceive public nursing homes that are in close area from Šanov facility as a substitutable employer[42].

Personnel-wise it seems appropriate to locate the nursing-home in close destination to bigger city (even though the wages in the city itself might be higher comparing to outskirts) because the personnel might be likely willing to commute from more remote location approximately up to 50km. Yet the typical downside of situating a large building (discussed further) in or very near to a large city is the price of land.

Author considered three possible scenarios how to launch the nursing home project (greenfield, joint venture, acquisition). The fist possibility is a basic greenfield project. It would require both land and nursing home construction with all needed requirements. The price is high but the project can be adjusted to specific needs. Two relevant cons are price of the land (the closer to Brno the more expensive the land is in general) and the length of the construction which means there would have to be period longer than one year to actually start the operation.

Joint venture is not a typical approach towards social services in Czech Republic but yet this option was considered as well. The only known example is Anavita's plant in Jablonec nad Nisou where the business relationship close to JV was established upon the company itself and the local investor who was responsible for reconstruction of the facility as well as for all investments into it. Anavita was responsible for marketing, services and especially for the operations as such. The issue is who to JV with. A public or state sector is not the appropriate way because of the money flow and overall different approach towards services and would not be even feasible because of the limited payments for services in public facility as discussed further (chapter 3.11.6). The second option within the JV is one with a private entity. Even here are two possible approaches – vertical and *horizontal JV*. Horizontal would include cooperation of two,

[42] This point is related to the previous one, when the author discussed the non-financial stimulus. This surprisingly counts even for lower qualified personnel such as cooks and cleaning-ladies who mentioned that they want to work in a *good* facility that offers the best care possible. In this sense a *superstar phenomenon* works very well, meaning that employees have a tendency to work in the *best* facility in the region. (term best is obviously subjective and highly dependant on the perception of the person. Interestingly is this phenomenon somehow *stronger* in peoples decision-making than an minor wage incentive.

prior separate, business entities, which intention is growth in scale (services, customers, etc.). The second option is *vertical JV*, that might be executed either by equally sized entities or unequally sized ones which intention is to *fill the gap* in a sector that they operate in. By cooperation they might increase the quality or help one another to fill the weaker dimension (e.g. personnel, health/medical service, executives) and share common outcomes. It is however rather difficult to find a suitable partner in this area who is on one hand interesting to be partnered with and for whom would be the just beginning business interesting to invest in. JV is not a typical way of conducting business in social services and there is no example in South Moravia region[43].

Third evaluated option is an acquisition. Most significant advantage is the length of the process, that takes significantly less time to carry out comparing to greenfield, especially because of the construction itself and also for the launch time that a company cannot get rid of. Questionable point is the price. The *market* with companies in this field is not a very opened one and to get information as an outsider is difficult. Yet the author put an effort into finding out weather there is any relevant business entity for sale[44] but there was not any single one. The last acquisition in this field was purchase of nursing home in Modřice, Brno by Anavita. The acquisition value is not publicly discussed, but the unofficial statement made by Anavita managers mentions sum close to 250mil CZK[45][46]. It was a full takeover with all claimed rights, old management was dismissed including the head-nurse and over 20% of overall personnel. Provisional head-nurse from Šanov was delegated to spend majority of the week here and to *bring up* a new head-nurse chosen for this nursing home[47]. Yet for not closer specified reason

[43] The only known case is Anavita's *ad hoc* JV in Northern Bohemia. For the issues with problem-solving however the JV is no longer in existence, Anavita left the facility and the local investor took over the whole facility including all operations.

[44] Questions targeted to management of Anavita and Agel in period spring-summer 2016.

[45] For a relevant comparison, the facility in Šanov (which has 2/3 capacity as facility in Modřice), South Moravia required an investment of approx. value 70mil CZK.

[46] This was a price for 3year old facility with *low* (not closer specified) profitability and high staff fluctuation.

[47] She spent there first 6 months after the facility acquisition to establish *corporate culture* (principles applied in all Anavita facilities) and comprehensive *strategy* that has been core for the company to differentiate and to *justify* the premium charged for the services. For this six

(most likely the remoteness or lack of the *core*-management presence) the facility has never been a full success in terms of culture and the claimed high-end services[48]. Nonetheless were the investors satisfied with Modřice location, mostly because it did fulfilled their financial interest[49].

For the purposes of this paper and a potential nursing home that it focuses on, the acquisition has only limited feasibility for two reasons – the supply of suitable facilities in the target region and their approachability for the *customer* (weather it was a business entity or a single person) in relationship with the price[50]. Private social services are strongly based on reputation and so the acquisition would have to be done towards an entity with a strong one which typically means even higher price. To purchase a facility with a weak brand-name is highly risky as it is difficult in this sector, especially in its private part, to restore a name on the outside[51].

As mentioned above, each and every way of starting a nursing home has its advantages and disadvantages. Not only for the reasons mentioned but also because *very few*[52] existing facilities currently offer a level of service that we do target on. The author is convinced that there is still a space in this market to be filled that is has not

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months of extra effort, the head-nurse was paid 50.000 CZK as a wage premium. The author mentions this insight in relation to wages that are discussed further in the text.

[48] Financially was the facility more successful, especially because of the higher monthly payments (reason of the location – very close to Brno) and lower cost in terms of cost per room (triple bedrooms comparing to double rooms in Šanov).

[49] Author does not possess official statement about the *payback* as a financial indicator, still it is a long-term investment with medium/low operating profit but with increasing value of the company as such. Operating profits are discussed further, yet the net operating profit after tax in most profitable facilities varies in between 1 and 1,5 mil CZK (according to company's financial statements. The information may be purpose-built.

[50] In a relation with the Anavita's acquisition of Modřice facility we can evaluate the eligibility of this option as *low* as it requires highly strong investor or other source of finance that is rather difficult to get in this volume, especially for a beginning business entity.

[51] Chiefly as the portion of the payment (up to 12.000CZK/month) comes from the public sector – social expenses.

[52] Single units in Czech Republic.

been used until now especially because of the high barriers of entry, or more precisely the high entrance costs.

The greenfield approach has the most significant advantage in the ex ante adjustability[53] and the fact, that the investor/executive manager can set everything to be made-to-measure. And so the author is considering and focusing mostly on the greenfield as a best way to meet author's requirements.

2.5.2. Land – practical solution

The author considers many options in close neighbourhood to Brno that may be suitable for evaluated construction. Further locations were evaluated as the most suitable:

- Rozdojovice – all services in Rozdrojovice or Brno, within 10km, first aid within 10minutes.
- Šumice (near Pohořelice) – basic services within 15minutes (Pohořelice), all services within 35minutes (Brno)
- Mělčany – all services within 25minutes (Brno)

All these locations have pros and cons that shall be briefly discussed.

Rozdojovice, a suburb few kilometres far from Brno and close to Brno Reservoir is a traditional Moravian village, that has been growing due to suburbanization trend in recent years. It created a border between agronomic monocultures from eastern side and mixed forests on west and north. Yet it is just a few kilometres from the *border line*[54] of Brno, which includes it into "Brno-venkov" region. As a result, the price of land is high, average square metre costs 3000-5000 CZK[55].

Šumice, is a small village south from Brno (about 30min drive from the city centre) with only 300 inhabitants and area 24ha[56]. Comparing to Rozdrojovice, the real estates face much lower demand. Price of land is approximately 1000 CZK/m^2. Moreover comparing to Rozdrojovice, Šumice village has a significant amount of land

[53] In terms of size, level of comfort, settings, location, design, etc.)

[54] 5 kilometres.

[55] Price based on 8 lands that are currently on sale in the locality. All of them are in private possession.

[56] http://www.sumice.eu/o%2Dobci/ds-50/p1=52

in its ownership and so it has much stronger position when dealing with smaller developers unlike Rozdrojovice, that has no land in its possession, all grounds are private (majority from 282ha). On the other hand, Šumice is much more remote locality comparing to Rozdrojovice which is just on the border of the city. Also in size, when Rozdojovice offers the basic services including school, shop and partial medical care. Šumice is in this sense much smaller locality. That is also the reason for lower prices of land. Others are subjective as attractiveness of the surroundings (much more appreciated in Rozdrojovice), level of the view (also subjected) directed to Brno Reservoir and surrounding woods.

Mělčany is a village equally sized as Šumice, the same direction from Brno, just 8km closer. The price of land is in between of Rozdrojovice and Šumice and so is the subjective perception of the area. There are no customer services in the village nor is the medical care[57].

The overall attractiveness of the area is not that crucial for the business for following reasons. After consultancies with a geriatrician, the author can state, that the locality is not much of a concern for the nursing home clientele, especially those affected by advanced dementia or/and Alzheimer disease. There are much more important aspects for these people, especially with a focus on their primary needs – foods and high quality nourishment and health care (more attention to this important topic is paid further in the text). More focus is to be paid to the *internal* instead of the *external* abilities of the nursing home.

2.5.3. Land with profit potential

As the author mentions earlier, that he conducts the paper to be as useful in practical execution as possible and so he done an attempt to find in advance a suitable land. He did approach the current major of Rozdrojovice, Dan Stránský, who agreed on

[57] At this point, the author has to mention that it is not vital nor crucial for the aimed business to have all needed services at the *doorstep* (doctor, medical care as first aid, hairdresser, laundry service, cafeteria, etc.) because the nursing home has the ability and sometimes even the existential need to carry them out on its own. The medical care, for instance, would be executed directly in the nursing home as discussed further.

a meeting regarding this matter. The meeting took place on 21st April 2016 and the major just confirmed that there is no land in the property of the village that may be sold to private sector but he really liked the idea of having a nursing home in Rozdrojovice district what potentially increases the village *value* for potential inhabitants as well as for current locals. That is a good sign for the potential business plan that the local government is going to support the idea as well as the project rather than to refuse it. The author has been presented a solution for a potential nursing home land. In the Rozdrojovice land register there has been historically a land in the SW part of the village on the border with land register Brno. It has of approximately 36.000m^2 and is currently registered as plough. If it would be unified (into one are) however, the major and the local government in Tišnov are willing to convert it into a *lot site* that would allow not only a construction of a nursing home but also further developer use of the lot e.g. further construction of basic network (water, electricity, gas) and possible further retail or let[58]. Slight disadvantage (and also a reason why no one made an attempt in the past to conduct it) is the fact, that the 36.000m^2 area is split into several parts (as shown in the attached Figure 4). This requires to purchase the land first from the private owners, unify it formally, connect it to Rozdrojovice land register and then to use it for the purpose of the nursing home[59]. The author counts as well with a possibility that some of the *acreage* owners would not be willing to sell the land.

This point was also discussed with the major who suggested that in a case that just a few owners would not be willing to sell their land and wish to keep the possession, the commune is ready to provide them with an *equal*[60] acreage in near distance.

[58] To agree on the change of the register, current major has a condition, that a standard road (6m width) would be constructed on a side of the land so the owners could reach their cottages more easily, as they currently have to take a longer route thru the village.

[59] Such attempt would have to be conducted via independent entity, such as *farmer*. The reason is the fact that the current owners of the land would presumably not be willing to sell the *acreage* to an investor with a feeling that there might be a significant financial surplus for him.

[60] In terms of *bonity* which is the most significant factor in acreage relations.

Figure 6: Possible Land Use. Katastrální úřad.

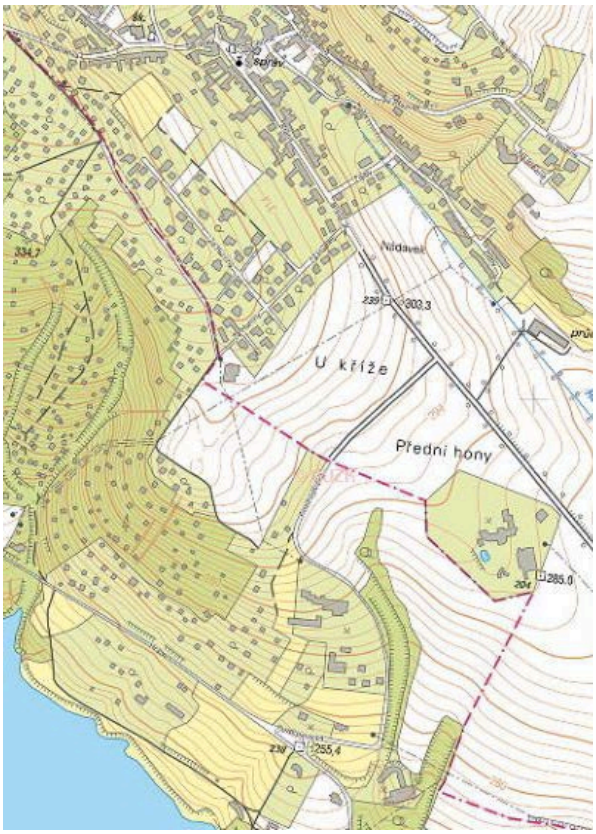
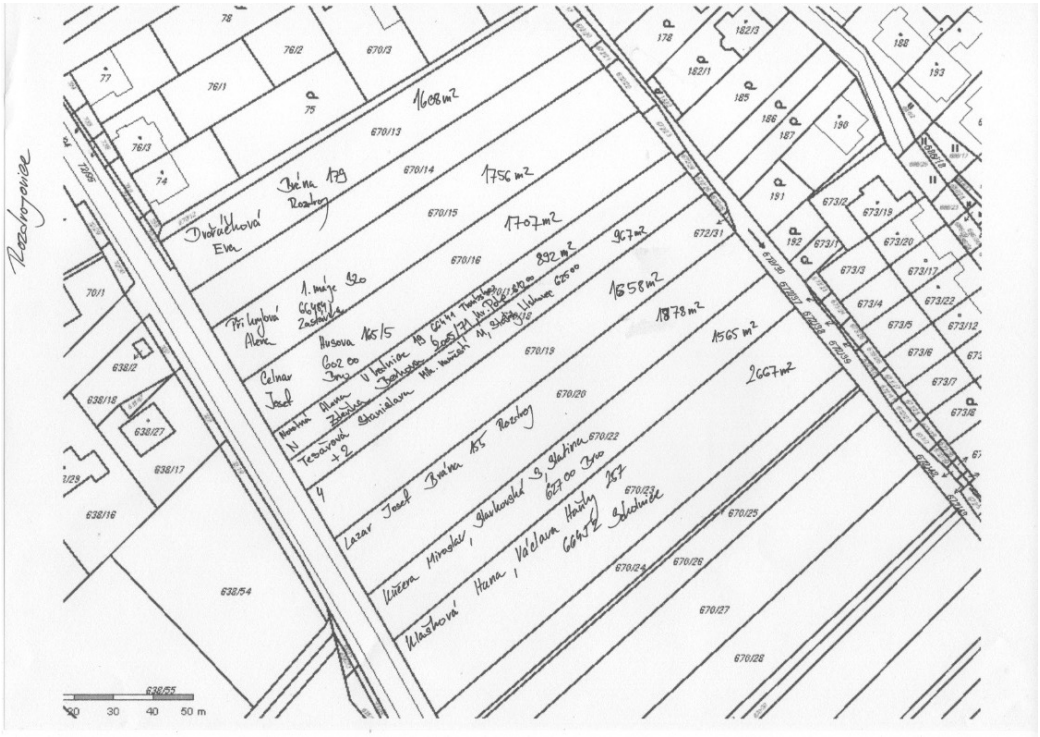


Figure 7: Colour picture of the land, different perspective.

Within the Rozdojovice land register there is one more possibility of the nursing home implementation, a series of parcels e.g. 760/13 to 760/23 in similar owner structure as the previously mentioned just smaller in size, approximately 40% (depending on what part/how many parcels would be bought). These parcels are located just few hundred metres from the original location north-east from the main road coming to Rozdrojovice.



Both presented location have potential for project realization from the technical perspective, however is the original location more suitable for its bigger size, not that the project would use whole area but there is bigger potential for further use[61].

[61] The price of acreage in the area is up to 350CZK/m^2. If it would be also the case of mentioned land, it would cost 12.600.000CZK in total. Yet the market value of building land in the are is almost 4.000CZK (the closest land is currently (July 4th, 2016) on sale for 3.650CZK. And so if 6.000m^2 were used for the nursing home, there is still 30.000m^2 to be sold for market price. The area-developing costs must be subtracted (approx. 20.000.000CZK including the road and all networks) there is still a large surplus left, almost 90.000.000CZK. that might go as an investment to the nursing home.

Costs for 36.000m^2 (m^2, total)	350CZK, 12.600.000CZK
Developing costs (network + road), approximate value (for 30.000m^2)	20.000.000CZK
Area used for the nursing home	Up to 6.000m^2
Area to be sold as a building plant	30.000m^2
Gain for the land retail (3.650CZK/m^2)	**89.500.000CZK**

Figure 8: Land financial objectives

Presented option has a great financial outcome that would be a source of finance to the project, on the other hand, it requires a very strong investor to bring in who would be able to finance it at the beginning (purchase the land from the current owners) and during the development stages until suitable to be sold. It counts even for the construction and launch of the operation that would preferable be started as soon as possible (after gaining the area).

2.6.KSF, success determinants

Nursing home is a facility that offers *service.* In the presented case it aims to the best available service in the area and that would not be possible without the best personnel. The author believes, that the *quality* on the nurse/social nurse is not equal to their education or years of experience. The most important aspect is dedication, focus to details and real passion about the job, that rather difficult to measure, but is immediately to be seen on the customers.

The modern or even fancy building or surrounding are important visuals but in the case and term of nursing home, these are aspects that get less and less important with increasing age or decreasing health condition. It usually targets more on families than on clients themselves although high standards of cleanness and hygiene are obviously required. Anyway these aspects are requirement for any successful facility and do not differentiate the good from the best. In authors opinion the key success factors in this area are the nursing home personnel and their attitude. To be able to offer that kind of service, aimed nursing home charges premium to monthly payments comparing to public nursing homes what makes it more expensive but on the other hand

more available in the sense, that there is usually *some* spare capacity comparing to public nursing homes with wish lists. The higher price of services also allows the facility to pay wage premium to its staff that would not be dependent on the wage *classes* that strictly determine income of nurses in public sector.

2.7.Personnel

Staff and personal aspect in general is one of the most important attributes of successful business, especially when conducted in the area of services. It even strongly counts for the nursing home where is the actual care directly displayed at the clients in the length of their stay.

There are two core groups of workers in the nursing home – nurses with diploma and social nurses[62]. They together stand for majority of the personnel, along them there are several cleaning ladies and eatery staff – volume of both groups depends on the size of the nursing home. Both services could be even outsourced. The author suggests to outsource neither of these two services – cleaning ladies because the requirements are very specific and not just task oriented but also timely demanding and so the outsourced service might possibly be much more expensive. The same counts for the food service for the clients as well as for the staff. The clients are about to get food 5 times a day which is very important for them.

Nursing home facility has to have a laundry service either internal or external. Here would the author favour the idea of outsourcing, especially for relatively high equipment requirements and extra labour force for a full-time. There have to be a basic laundry in the home anyway for the clients cloths. This is usually cheaper to wash in the facility because required equipment is not that expensive as for sheeting and also the volume is lower.

Nursing home is primarily a social service facility, not a medical one, still the presence of a doctor on periodical basis is a requirement to be able to target the high-

[62] Here the terminology is not unified, Czech sources call them *pečovatelé,* a term that is not commonly used in English literature which uses terms *social/home nurse* for one without an official health nurse diploma which works in the field as a supportive staff.

end service. Preferably would the nursing home make a contract with a geriatrician who would be coming on weekly basis, keeping a record of all clients and provide a medial service of a practical doctor and moreover he would be 24/7 on a phone (able to arrive at any time)[63]. Such service is not common and is typically paid to the doctor[64]. The typical monthly payment is 20.000 - 50.000CZK depending on the location, size of the nursing home and the quality of the doctor.

As the author mentions earlier, his attempt is to realize a nursing home, that would offer the very best services in the area and to achieve it the clients have to be provided with the best possible care which is the most important aspect in the age and the condition of nursing home clients. It has to be mentioned that with increasing age a typically worsen health condition, the clients have, from some point of view, very *simple* needs close to primary needs with a strong personal feeling end emotions towards the personnel. It means that certain standard of quality, building and surroundings is obviously required yet it is not the most important issue. Much more valid for the customers is the feeling that they are at home what brings us back to the high quality personnel which is the vital part of the project.

[63] This is in author's opinion the most decent way how manage *relationship* of client and doctor. The reasons are also practical. It if logistically highly demanding to manage dozens (according to nursing home volume) of clients when visiting their own doctors. And so it is more comfortable to have a *private* doctor who visits the nursing home and comes to the clients instead of the ambulance. This counts for the situation when someone passes away and the doctor final body examination – that is the reason why the doctor has to be available non-stop.

[64] Geriatric care is required for the clients and as this group is often affected by Alzheimer disease and/or advanced dementia also a presence of psychiatrist is appropriate. In ideal case, there is one doctor who has two attestations (geriatrics and psychiatry), if none is found than the nursing home needs two doctors.

2.8. Wages

Aim of this subchapter is not only to discuss the employee wages but also to present a possible scenario of number of certain groups of employees. Nurses have a centrally set wages in so called *classes* according to number of years in service, this does not count for a private sector however where it is up to employer how does he set the wage. The usual attribute of private sector is that the wages are throughout the sectors higher comparing to public one due to its higher requirements - longer shifts, overtimes, higher demanded verve, or anything else that is not required elsewhere. Ironically enough the wages in Anavita's Šanov facility have been lower comparing to market average and also to those in public hospitals, hospices or social facilities. The author thinks however that it is also a root of many problems in the facility that cause strategic issues in whole operation and so the author believes it is not a wise approach to follow the low-wage strategy that might save some money on the operations but turns out to cause more problems with unsatisfied nurses and staff as such.

Following table shows current number of workers and their wages [65]. Significantly alarming number is the 3 at nurses, which means 1/3 of minimum required volume. Even more the fact, that the facility leadership wanted to implement new strategy of working shifts that requires 12 nurses. It turns out that the 6 of 9 nurses left (or are currently leaving) their current position for the reason that they are unsatisfied with their wages[66] and the fact that they are working for s *higher good* is not working in a long run.

Wages - Šanov Facility (May_2016)		
Position	**Number of workers**	**Wage (before tax) + personal component**
Social Nurse	29 (currently 25)	11.000 + 3.000

[65] Table shows tha wages in Anavita's facility in Šanov to compare it with the aimed project and to show differencies.

[66] That are lower than elsewhere.

Nurse (with diploma)	9 **(currently 3)**	14.000 + 4.000
Head Nurse	1	20.000 + 7.000
Actuate Worker	3	14.000 + 3.000
Technician	1	12.000 + 3.000
Kitchen Staff	3	11.000 + 2.000

Table 1: Wages in current nursing home

Author believes that the staff has to be fairly paid, as the shifts include weekends, bank holidays, etc. and he presents a different structure of wages that is more reflecting location (closer to Brno) and high requirements towards personnel.

Number of workers in each group depends obviously on a number of clients. Based on debates with nursing home CEOs, the minimal profitable size is 70 clients in double-rooms. Than the more clients are situated in a room (triple, etc.) the lower the construction cost are as well as the requirements for square metre size. It would be unreasonable however to enlarge the room capacity over 3 people because in that case it would be loosing the *high-end* character.

Wages - Projected Nursing Home		
Position	**Number of workers**	**Wage (before tax) + personal component**
Social Nurse	30	14.000 + 4.000
Nurse (with diploma)	9	17.000 + 5.000
Head Nurse	1	23.000 + 7.000

Actuate Worker	3	15.000 + 4.000
Technician	1	14.000 + 3.000
Kitchen Staff	4	14.000 + 3.000

Table 2: Wages in projected nursing home

Besides mentioned positions, there is a small number of further jobs that might be discussed and decided weather they would be included into the company structure or outsourced. It includes the already mentioned laundry worker (for the clients cloths), accountant and social worker. Depending on the size and character of the garden, the position of a gardener is questionable. In the contrast it cannot be recommended to outsource *actuate workers* whose job is to dedicate their attention to seniors usually during two time periods of a day – morning after breakfast and afternoon after the siesta when the clients typically get together and spend about two hours with these specialized workers. The program can vary from simple debate about current news to a manual *work* when clients cut out shapes, work with paper or any other simple art that catches their attention. Actuate workers also organize cultural events – concerts, external guests, canis-therapy, etc. the importance of actuate worker is to be seen already at the Šanov example, where they do receive almost the same wage as nurses. That is not necessary a bed think, in author's opinion, because the presence of enthusiastic and carrying actuate workers during the daytime period is crucial for the client[67].

Last interesting position is the *social worker*. According to the Czech legislation, nursing home is a *social facility* what makes the position of social worker *de jure* most important. It should take care about the home administrative, training of social nurses, so called *methodologist* for the facility. Its important role is also to communicate with a Social Security Department which is a significant institution for the fact that it is a source of money (further discussed in chapter 3.11.6). The wage scenario is shown in following table.

[67] The author has a practical experience with a 85y. old woman who repeatedly mentioned that the presence of one specific actuate worker is

Social Worker - Šanov	Number - 1	27.000 (before tax)
Social Worker - Nursing Home	Number - 1	25.000 + 5.000 (before tax)

Figure 9: Importance of Social Nurse

It shows one of the possible wage schemes that are not binging. It is highly dependant on the home culture how it splits the work in between the social worker and the head nurse. Here shows the author few simple scenarios of duty distribution among these two personnel.

- Head Nurse (HIGH), Social Worker (LOW) – head nurse is responsible for all social and medical workers – nurses + social nurses, she does the recruitment, practical execution of her position, and communicates with families (later described further). In this case, the head nurse prepares materials for insurance agencies, takes shifts with the doctor when he visits his patients for the reason she is the superior of all medical and social staff and she has the best overview of the patients health condition. Social worker is *de jure* responsible for the work of social nurses who have a social, not a medical status. She runs the record of the clients and represents the home on the outside towards Social Security Department and Inpection, which is legally obliged to visit every facility (at least) once in three years.
- Head Nurse (MEDIUM), Social Worker (MEDIUM) – head nurse is responsible for both social and medical workers, including the staffing, recruitments and the cooperation with the doctor as still she represents the medical face of the facility, but the insurance agencies are in the social worker agenda who represents the home externally as a social facility.
- Head Nurse (LOW), Social Worker (HIGH) – the nurse cares exclusively about the medical issues starting with the personnel, where she focuses strictly on the nurses (with a medical diploma) and the social nurses are in the attention of Social Worker for the fact they are not a medical employees. If we would assume there is usually more than 3 social nurses to one diploma nurse, it leaves majority of the agenda and responsibility to the social worker.

It cannot be decided at this point which model is the best, most efficient or easiest to apply in the real operation. It is dependent on each and every case, set of the employees and situation. Also is the character of each employee different and can be changed only to certain extent. Author suggests that there should be a base-line presented by an *official* home mission and strategy described in a *task* detail so everyone knows what the position includes.

Other services are very easy to outsource, the chemistry for instance has typically a significant turnover with a nursing home and so it is very easy to find a partner for mutually beneficial cooperation. There is no need to describe equal business cooperation because it evolves naturally in temporary market economy. And is not a concern of this paper.

For the good quality of the services as for a efficient working environment it is desirable to minimize the employee fluctuations. The author believes, that it can be minimize not only by fair wages but also by good working environments and company culture[68].

[68] At this point the author wants to mention the current case of Šanov and its operation issue. Due to decreasing company culture (mostly caused by misunderstanding of CEO and the head nurse and especially of CEO and the facility director, who were both giving the head nurse different *orders* as well as different goals were measured) and unfulfilled promises of wage increase not only for herself but also for all staff, she did left the company. After her deposition, another nurses left the facility (that also caused the decrease from 9 to 3 nurses) with a comment that they do not wish to work there is the head nurse is gone. From author's perspective mostly because she was fighting for them even more than for herself and by he exemplary work she set a certain benchmark in the nursing home environment. She also had an important role among all Anavita's nursing homes as she always helped with new facility establishing and in other facilities during the *standard* operation when any organizational issue occurred.

2.9. Communication with external environment

The author would like to point out some facts that might be obvious for those who have an experience with such facility but the others might find interesting, including the author.

Due to the condition of most clients, communication is done mostly among the nursing home and the client's family usually from two sources either from the head nurse – who informs about the health change of the health condition, examinations, surgeries and even about death. The other information come from the administrative worker who keeps the record about the used medicals (for the extra charges) and about their health condition for the purposes of Social Security Department. Importance of this work will be discussed in the chapter that focuses on the money outflow and inflow where the author mentions the importance of this institution for each private home[69].

Often discussed topic is noticing the family about client death. It is, from one perspective, a common issue (given the age rate of the clients) yet it is a very unpleasant notice for each family. Typically in *social facilities* it is a task of a social worker to inform the family, in others however this duty is left for a head nurse for her deepest insight into the client's previous condition, health examination or even the *cause* of the death.

This responsibility, similarly as those previously discussed, is left upon the decision of the facility, every single one follows different model.

2.10. Medical care in the social facility

It was previously mentioned, than nursing home is a social not a medical facility that has several indications. Firstly, the *social* facility is not obliged to have a non-stop medical care (practically a doctor) within the home. It is a case of a hospice and a LDN.

The *standard* approach would theoretically mean that the client, wherever he comes from, it still carries over the general practitioner from previous location (usually the place of living). This assigned doctor has *de jure* duty to provide medical care not only in the place of his/her office but also in the home of the patient. And as the patient moves to the nursing home (which might be several or even dozens of kilometres away)

[69] Papeš, et. Al. 2003.

the doctor would theoretically maintain the duty to visit its patient even in this location *on request*[70] what happens only in unique cases. However the general practitioner receives monthly payments for having the patient enlisted in the index no matter weather/or how often the patient visits them. So it would never come from the general practitioner intention to banish the patient as he presents a source of finance.

Usual approach is one that adopts a new *central* general practitioner as the client moves into the facility. That creates an advantage for both the client, that it has a medical care (usually on weekly basis) in the nursing home and also for the head nurse who has centralized record of most of the clients whose condition can be discussed periodically. This is the typical way how is the relationship conducted.

The nursing home is not legally obliged to provide its clients with a medical services as it remains an issue of public health system, yet the author believes that such service is one of the cornerstones that divide ordinary nursing homes from *high-end* ones.

2.10.1. The General Practitioner

Given the health condition of the clients and the number of them in general, visiting a specialist is on a daily basis. Clients are usually driven to big hospitals (in our case Brno) or to specialized workplaces. It is usually conducted with a help of ambulance that comes to the nursing home according to reservation organized by the head nurse. The client is always driven to the medical facility with a social nurse company. This is conducted across all spectrum of medical facilities weather it is a dentist, gynaecologist or hospital examination.

[70] This is very complicated to execute in real life. Already for the reason that the patients *usually* face a condition that is contrary to self-ability to *call* the doctor and so the duty would have to be transferred either to the family (which would be difficult to execute) or in reality to head-nurse. The author have spoken on this matter with a head-nurse in Šanov), who stated that it would be highly complicated if the client would keep its own (previous) doctor because he/she would have to be available for her (the head-nurse) if needed which is seldom the case. From her experience, just few clients have ever kept the doctor, usually for family matters (the doctor was a family friend).

Beside the specific examination there is still the periodical presence of general practitioner who has also a preventive and consulting role[71]. And it is the one to recommend specialized examinations for a client when needed and to be able to manage such situations, the periodical visit combined with the information from the home nurses (usually transferred to the head nurse) is there to secure it.

Following chart shows the *situation evolvements* in the case the client has any health issue. The *basic* cases[72] are dealt with the g. practitioner, the more serious cases with specialized doctor or in the hospital.

Nonetheless it has to be mentioned, that there is a *will* to keep the client in the nursing home as much as possible and minimize the stay in hospital because the author is sure that the care in *high-quality* nursing home is *better* and for the client more eligible than the one in hospital or any medical facility[73].

[71] Author previously mentioned that it is highly advantageous if the *contracted* general practitioner has an attestation in geriatrics what is the most relevant are in the nursing home. The additional attestation in psychiatry is even better if it could be embodied in one doctor. Such combination is seldom however and would be solved by implementing two doctors – a geriatrist (general practitioner) and a psychiatrist.

[72] Author does not wish to make any medical statements, however he focuses on the day-to-day operation that is significant for potential costs.

[73] Based on a discussion with some clients of Anavita (those who have been in *better* condition, which means in earlier stages of Alzheimer disease or Advanced dementia) the author realized that the clients have subjectively a feeling that the nursing home environment is much better for them and they look forward to come back. It corresponds with the initial idea of aimed home, that clients should feel at home not like in some social *facility* where they were located for the rest of their life. From this perspective, the term *Home* is very important.

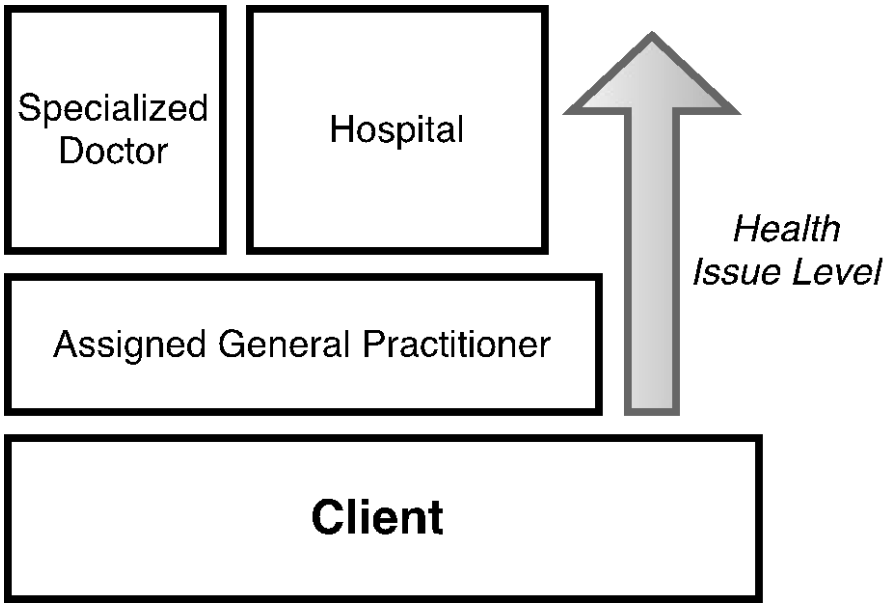


Figure 10: Proceeding

The general practitioner assigned by the nursing home has an important position because he presents a *medical* service in a social facility. In a real life he prescribes a medicine for most of the clients and if there were theoretically 100 clients in the nursing home, his capacity would be filled by most of them, usually about 90%[74]. This number is important from a financial perspective for both entities – the doctor and the nursing home.

There are two basic sources of income for the doctor. Firstly he receives monthly payment from assurance company[75] and from nursing home. The caputa-payments is approximately 50CZK/month[76] for each patient for being enlisted by the doctor. The more significant sum is the internal payment from nursing home[77] that is contracted with the doctor. Its high importance for the nursing home declares the fact,

[74] Based on other private nursing homes.

[75] Both terms are used with the same meaning – assurance company and insurance agency.

[76] Basic sum in 2014, can vary according to examinations, visits of the patients, etc.

[77] There is no given amount that should be offered to the doctor, it is based upon the contract of the parties as well as on the location, quality of the doctor and number of clients that are taken care of. It can be set as a fixed tariff payment or *per caputa.* The level can significantly vary from approximately 20.000CZK to 50.000CZK per month.

that it has an approximate value of two standard nurses despite the fact, it is only a part-time contract.

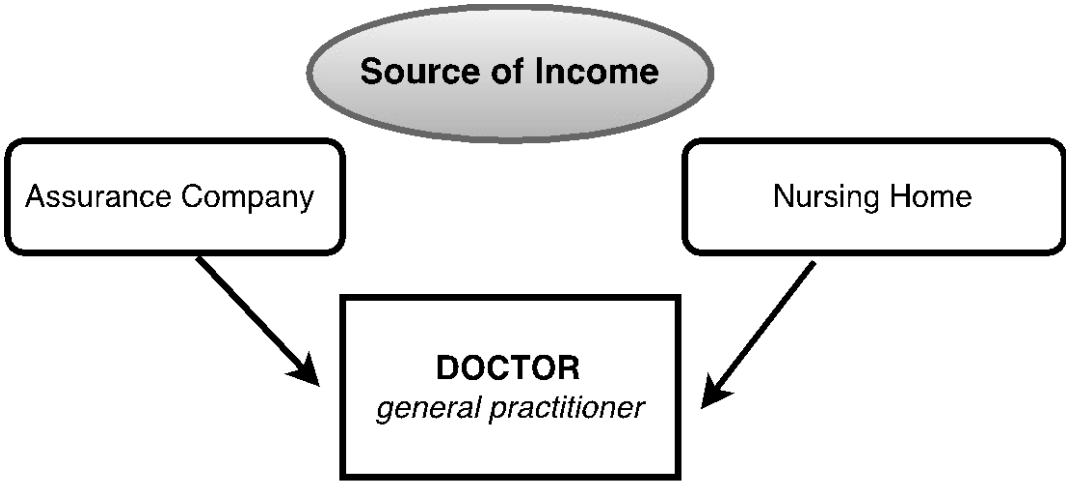


Figure 11: Doctor - Sources of Income

2.11. Financial plan

„This money could not be stolen
because it was too heavy for the thieves to carry,
but wagons were needed for everyday transactions.“[78]

Nursing home project is an interesting idea, not only for its social dimension but also as a profit generator – in our case in two ways. Firstly there is a potential in gaining the land in full area (36.000m^2) most of which could be sold in the future. From the locations presented earlier (Mělčany, Šumice, Rozdrojovice) this is exclusively a case of Rozdrojovice area. For all three locations however, the operational profit is valid.

In following part, the author is going to present different possible scenarios (different locations) all of which are based on the principle of *greenfield* project. The operational plan is going to be shared for all options, for purpose of the paper we can ignore the marginal differences in operational costs among different locations.

[78] Barry Eigchengreen, The description of copper money in *Globalizing Capital* in chapter 2 *The Gold Standard*, page 12.

2.11.1. Rozdrojovice A

The first option is the biggest land of all, about 36.000m^2 of acreage (currently) with a potential of further profitmaking by selling a majority of the land as building parcels. This possibility makes it unique among others, because where they use the land just for purpose of nursing home, this option includes two business plans – the main one (nursing home) and the supportive one (the developing project). The advantage of this solution is obvious – money from the developing activities and following land sale would create a *value* that could be used for a nursing home construction.

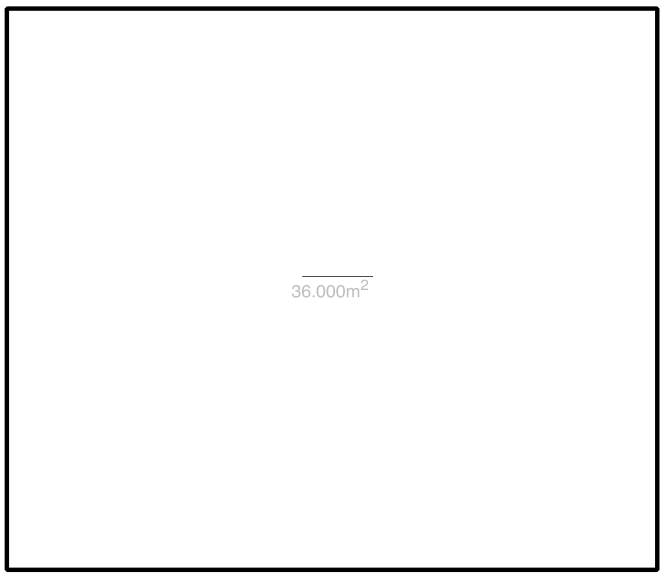


Figure 12: Division of the Land (36.000m^2)

On the other hand, it is the most time-consuming option project in several ways. First issue is the land buy out. It was mentioned previously in the paper, that this part is not apparent. The acreage is currently in the private possession and most likely higher than market price would have to be offered to the current owner to make them to sell the land. Initial financial plan would be in this case following.

Nursing Home - Initial Costs - Rozdrojovice I	
subject	*amount*
Land	10,000,000 - 12,000,000 CZK
Developing costs	20,000,000 CZK
Building	50,000,000 - 80,000,000 CZK
Vehicles	1,500,000 CZK
Other ex ante payables (project, lawyer, licence, other costs)	1,000,000 CZK
Total	**82,500,000 - 114,500,000 CZK**
Total after selling the land	**27,000,000 (initial surplus) - 5,000,000 (initial cost)**

Table 3: Initial Costs Rozdrojovice I

However it is the only option where the payback is realized right at the beginning and so the invested amount of money would be needed just for a short period of time, after which would be the business not only self sufficient but also profitable.

2.11.2. Rozdrojovice B

Second option operates with a possibility, that an acreage would be purchased, what makes it similar to the previous option that includes developing costs, yet here is the land significantly smaller and the possibility that some portion of the land could be further capitalized is limited. Moreover the land is in private hands of several owners what requires the buyout as in the previous case. The biggest advantage here is the price of the land given the interesting location close to Brno. Time requirements of the project are high.

Nursing Home - Initial Costs - Rozdrojovice II	
subject	*amount*
Land	6,000,000
Building (hillside -> higher costs)	60,000,000 - 90,000,000 CZK
Developing costs	5,000,000 CZK
Vehicles	1,500,000 CZK
Other ex ante payables (project, lawyer, licence, other costs)	1,000,000 CZK
Total	**73,000,000 - 103,500,000 CZK**

Table 4: Initial Costs Rozdrojovice II

The financial analysis shows high cost of the project due to higher building cost (even in the same volume) for the lands' hillside orientations that leads to higher expenses. Others remain the same. The final volume might be decreased by sell of part of the developed land as building sites by approximately 20%. This information cannot be confirmed however by the author of the project, and so no impact on the total values is recognized.

2.11.3. Mělčany

Third option – Mělčany is presented to demonstrate different approach towards land gaining. Although the area is perceived as *less attractive* comparing to Rozdrojovice and is also more remote, the price of land[79] is much higher comparing to previous two cases for one important fact – that the land discussed here in Mělčany is already a *building site* whereas both locations in Rozdrojovice are farmlands. Either of

[79] Discussed in the paper. In terms of m^2.

decisions would have a significant impact on the project initialization and launch of the operation that could be executed much more easily.

Nursing Home - Initial Costs - Mělčany	
subject	*amount*
Land	10,000,000 CZK
Building	50,000,000 - 80,000,000 CZK
Vehicles	1,500,000 CZK
Other ex ante payables (project, lawyer, licence, other costs)	1,000,000 CZK
Total	**62,500,000 - 92,500,000 CZK**

Table 5: Initial Costs Mělčany

Initial costs required for land are the highest among all previously mentioned, yet it is the most actionable one.

2.11.4. Šumice

Last option to be discussed is the one in Šumice, a village situated about 30km south from Brno. It is not a desirable location from a perspective of investors or new developing projects, etc. yet it has some advantages, especially in much cheaper building sites that are developed for almost immediate building possibility. The local major would support the idea of a nursing home because there is a potential increase in number of working places available for local inhabitants. This point makes a strongest voice in Šumice (for its relative remoteness from Brno), where the people commute to work usually to Pohořelice (10km) or even further.

Nursing Home - Initial Costs - Šumice	
subject	*amount*
Land	5,000,000 CZK
Building	50,000,000 - 80,000,000 CZK
Vehicles	1,500,000 CZK
Other ex ante payables (project, lawyer, licence, other costs)	1,000,000 CZK
Total	**57,500,000 - 87,500,000 CZK**

Table 6: Initial Costs Šumice

It would not be wise, at this point, to support just one of the presented options as any of them has its specifics. Interestingly the most expensive option has a potential to combine two business ideas together and so one can practically make money for another and cover the capital needed at the beginning. It also depends on the investor himself which type of investment he wants to choose and what is his risk aversion. The projects vary not only in prices (initial required investments). Different projects have different implement time that negatively correlates with the potential gain from the project.

2.11.5. Operational Costs

Following table shows the financial plan independent on any of the operational site, in other words, following set of costs and incomes is independent on the location and in these terms is *universal.*

OPERATIONAL COSTS				
	subject		*period*	*amount*
Wages[80]	Nurses	With Diploma	month	355 528,80 CZK
		Social	month	969 624,00 CZK
		Head	month	53 868,00 CZK
	Actuate Workers		month	102 349,20 CZK
	Technitian		month	30 525,20 CZK
	Kitchen Staff		month	122 100,80 CZK
	Social Worker		month	53 868,00 CZK
	Director		month	62 864,00 CZK
Other Costs	External Accountant		month	20 000,00 CZK

[80] All wages include social and health security payments according to the Czech law.

	Laundry	month	35 000,00 CZK
	Food	month	350 000,00 CZK
	Water, electricity, gas	month	100 000,00 CZK
	Doctor	month	50 000,00 CZK
	Other Costs	month	50 000,00 CZK
Total		**month**	**1 911 500,000 CZK**

Table 7: Operational Costs

Presented table shows monthly costs as they are in a real operation. Wages follow the previously mentioned scheme, however they are not final. It would highly depend on the operation itself and on the number of customers. These aspects would have an impact on potential wage increase. Costs of external accountant are in this sense fixed where there is low dependence on the number of clients. Yet the laundry and food cost vary with the number of clients equally. Running costs are not fully fixed but they are not equal to the number of clients. Costs for doctor base on the type of established partnership, weather it would be a monthly fixed payment or a payment for each client. Author counts, in the cost analysis, with a fifty thousand CZK per month, which is a value with a premium for a *high quality* doctor. Other costs include wage benefits for employees, wage taxes, other marginal running costs as petrol into a company car, mobile phone tariffs, etc. These costs include also software costs. In the nursing home terms, Cygnus 2[81] is one of the best software available[82].

[81] By IReSoft, s.r.o. Source: www.cygnus2.cz

[82] It helps with the evidence of clients, evidence of entry requests, attendance, contracts, relevant accounting, executed health care, current health notes, etc. This software is a good solution for any health facility and especially social services. Such software is paid on monthly basis and the price is increasing with more unlocked areas. It might be interesting to consider

2.11.6. Operational income

Following table shows nursing home monthly incomes based on assumption of 100 clients in the facility.

Payments from clients follow the 380CZK per day multiplied by total capacity. This sum is the maximum payment that *can* be requested for social services in Czech Republic. It is also the amount that is requested in public nursing homes where there are long waiting lists to enter the home. Above this payment the private nursing homes apply payment for so called *facultative services* that are something *extra* comparing to public nursing homes. It also includes a presence of actuate workers and various programmes for clients such as concerts (in the nursing home), debates with interesting people, cultural experience, visit of a theatre, etc. By charging the *premium* the nursing home can assure the very best services among the competitive nursing homes.

OPERATIONAL INCOME		
subject	*period*	*amount*
P. from clients	Month	1 140 000,00 CZK
P. for facultative services	Month	1 200 000,00 CZK
P. From Social Security Department	Month	400 000 - 1 200 000 CZK
Total	**Month**	**2 740 000 - 3 540 000 CZK**

Table 8: Operational Income

self-development of similar software by external company. This approach would decrease the dependence on other subjects in the long run.

Payments from Social Security Department are given by the law and appertain to those who take care about self-insufficient person. There are three levels of monthly payments 4, 8, or 12 thousand CZK depending on the level of self-insufficiency of the person[83]. It can be based on physical as well as mental condition. This payment belongs to an entity that cares about the person weather it is a member of a family or a nursing home.

Total operational income counts only with *confirmed* values that are based on a full occupation of the capacity – for the purposes of the paper, 100 clients. The capacity would obviously not be filled from the very beginning of the operation and so the operational income would be lower as well but in this case it would be almost equalled especially by lower wage and food costs. However in the *payback* we cannot count with the first year as a profit making, for the mentioned of not fully used capacity.

Price for facultative services was set considering the location, aimed level of service and demand in the area.

2.11.7. Profit and Loss Account

Following tables show Profit and loss account for the given project in three forms – optimistic, realistic and pessimistic. Yet even the optimistic table is based on real possibilities of the project. The most significant variable is the varying amount of the payments from the Social Security Department.

	Profit and Loss Account - Realistic	
		Apr
Sales	**Volume/quantity of product/service sold**	100

[83] There is also a possibility of so called level 0, that means 800CZK per month and is usually conceded to those with just limited (slight) level of self-insufficiency. These people are however not the typical clients of nursing homes because they live usually on their own and do just seldom use nursing home services.

	Unit price of product/service sold	32
	Total sales	**3 200**
	Unit cost of product or materials sold or used	0,00
	Costs of sales (COS - cost of products used/sold)	0,00
	Gross profit (sales minus cost of sales)	**3200,00**
	Percentage gross profit	100%
Fixed Costs (Overheads)	**Employee costs (salaries and nat. ins.)**	1750,71
	External Accountant	20,00
	Laundry	35,00
	Food	30,00
	Running Costs	50,00
	Doctor	25,00
	Depreciation	166,67
	Other expenses	25,00
	Total Fixed Costs (Overheads)	**2102,38**
	Profit before tax	**1097,62**

Table 9: Profit and Loss Account – Realistic

	Profit and Loss Account - Optimistic	
		Apr
Sales	**volume/quantity of product/service sold**	100
	unit price of product/service sold	35
	total sales	**3 480**
	unit cost of product or materials sold or used	0,00
	Costs of sales (COS - cost of products used/sold)	0,00
	Gross profit (sales minus cost of sales)	**3480,00**
	Percentage gross profit	100%
Costs (Overhead	**Employee costs (salaries and nat. ins.)**	1750,71
	External Accountant	20,00
	Laundry	35,00

	Food	30,00
	Running Costs	50,00
	Doctor	25,00
	Depreciation	166,67
	Other expenses	25,00
	Total Fixed Costs (Overheads)	**2102,38**
	Profit before tax	**1377,62**

Table 10: Profit and Loss Account - Optimistic

Profit and Loss Account - Pessimistic

		Apr
Sales	**volume/quantity of product/service sold**	100
	unit price of product/service sold	27
	total sales	**2 680**
	unit cost of product or materials sold or used	0,00
	Costs of sales (COS - cost of products used/sold)	0,00
	Gross profit (sales minus cost of sales)	**2680,00**
	Percentage gross profit	100%
Fixed Costs (Overheads)	**Employee costs (salaries and nat. ins.)**	1750,71
	External Accountant	20,00
	Laundry	35,00
	Food	30,00
	Running Costs	50,00
	Doctor	25,00
	Depreciation	166,67
	Other expenses	25,00
	Total Fixed Costs (Overheads)	**2102,38**
	Profit before tax	**577,62**

Table 11: Profit and Loss Account - Pessimistic

2.11.8. Payback

PAYBACK				
Scenario/ Project	**R I**	**R II**	**Šumice**	**Mělčany**
Best	Before launch	5y and 49days	4y and 16days	4y and 144days

Worst	4y and 123days	22y and 162days	19y and 98days	20y and 21days

Table 12: Payback

Presented table with payback shows all previously discussed projects on which are implemented both possible scenarios[84] the optimistic and pessimistic. The biggest difference from all is in the case Rozdrojovice I, that is the only one example, that reaches the *payback* even before initial launching its operations. It manages that for obvious reasons that are embodied in the further sale of most of the land that should be purchased. The author uses the two *extreme* scenarios to present different cases in terms of the project cost and the operation profit. The price nor the profits can be determined ex ante, they are based just on the anticipated values and want to show two *extreme* situations. The actual result will most likely be within the two values and will depend on many operational factors as well as on the investor.

Two projects Šumice and Mělčany has similar payback periods in both scenarios what shows their similar positions. Both projects count with a construction on building site that is in both cases more expensive comparing to the locations in Rozdrojovice yet they do not require such amount of additional costs to develop the sites. On other hand these two project are much faster realisable because they lack the issue of buying out the land from current owners, transforming it into a building sites administratively and also its further development with networks.

The payback is based on two variables both of which can be influenced. The price of the project does not depend on the land but also on the quality of the building itself – used materials, size, spaciousness, used equipment etc. and it is entirely up to the investor what level of mentioned units is he going to use. The other important variable is the operational income that consists from three parts, where the payments from Social Security Department are fixed, yet they *usually* reach the average level of approximately 10.000CZK in real operation. It is based on the level of self-insufficiency of the clients. The price for facultative services was set to approximately market

[84] Best and worst according to the operational costs and income ratio. As a best scenario the author uses *lowest* cost of the project with *highest* operational profit. For the *worst* scenario the *highest* project cost with *lowest* operational profit was used.

average[85], which is rather low for aimed standard of services. Such level would be set at the very beginning (as a gesture for first customers) to have a competitive advantage over relevant competitors and than increased by approximately 10% when the home would be full.

2.11.9. Balance Sheet and Cash Flow and Depreciation

Author presents further financial data regarding the presented project. Cash flow is drawn in three different scenario regarding the actual performance and is includes depreciation of the building. As more possibilities of the building price is presented, a *neutral* price that seems to be realistic was chosen and counted in the depreciation in Cash Flow.

Other equipment, especially for the interiors might be a subject of subsidy from the regional government (often the case) and so author did not include it into the depreciation.

2.12. SWOT Analysis

Presented SWOT analysis is reflecting the area of nursing homes with a focus on the aimed project.

[85] In location Rozdrojovice I and Rozdrojovice II.

Figure 13: SWOT Analysis

Among strengths, the author mentions a service differentiation compared to other nursing homes. However it is difficult to measure, presented nursing home aims to offer the highest service available. The project considers four location options, two of which have great location that is seen as strength. Also a payment diversification can be understood as strength as the Social Security payment is denominated every month regularly.

Given the physical and/or mental condition of some clients it is very difficult to end the offered service and to fire him/her in case of payment issues, etc. The nursing home as such has also rather high mandatory cost that contains mostly the employee wages. The business, as it is presented in the paper, is focusing on one service only and so it is highly dependent on the incomes from this operation.

The biggest opportunity for nursing home is the demography and its development favouring the senior population. As a result there is less representing the younger generation that would care about their parents or grandparents. The saturation of the market is not very likely within few years due to relatively high barriers of entry, which means relatively lower competition comparing to other sectors of services.

External threat however, is located in the already established nursing homes with good reputation and large number of clients. Further is a potential threat in the presence of public sector as a stakeholder. Currently is the payment from Social Security Department in no danger but it is not certain in a long run that it is going to be maintained. Politics can be an important decision maker in the future[86].

2.13. Risk Analysis

There is no business, even in current era full of technology that would be able to exclude any signs of risk. Especially in the area of services, there are certain vulnerable areas. The nursing home is highly dependent on one *service* – offering nursing services in full extent and to ensure that, the facility employs given number of personnel. Any issue in this area would case significant problems. It starts with the recruitment. It is highly important to pay extra attention to hiring every single employee and watching their first steps when they meet with the clients because their commitment to *help* is an aspect of high importance. There are many things that can be easily learned when working in services but the behaviour towards senior population has to be embodied in every single person that is willing to work in this area. It is possible to provide the people with suggestions, tools and practical training led by the skilled nurses, yet the commitment cannot be learned. Here comes the potential risk with personnel, that it might be difficult to find *enough* nurses and *social nurses* with such effort.

Other risk that might seem obvious is the customer. Nursing home has a given capacity and relatively high mandatory cost so it would be disturbing if the capacity would not be fully used in the long run. However there is still (and even increasing) demand for social services which, means this is not a very disturbing threat.

2.14. PORTER Analysis

Presented Porter Analysis scenario shows an author's view of business situation in the environment. Rivalry among already existing competitors is *medium* due to the

[86] Potential tendency of government saving could theoretically cause lowering of this income unit.

fact they are already well establish, compete on the market that has a same character and the offered service is just slightly differentiated. For a customer it is not easy to distinguish between *good* or *bad* nursing home unless he has a professional experience with similar facility.

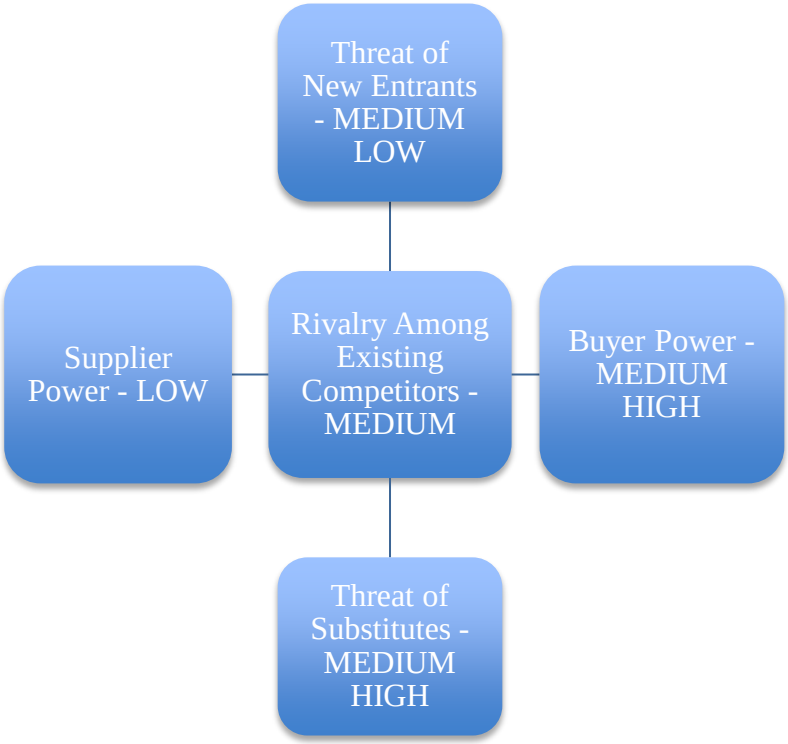
Threat of new entrants is not very high as there is a significant barrier of entry – the initial investment. Although the health care/social services environment is profitable an interesting for new entrants, its capital requirements makes it more difficult to be entered.

The power of suppliers is low, almost marginal as it is very easy to substitute one supplier with another and they are unimportant for the service itself.

Power of buyers/customers is relatively high because it is up to them what nursing home do they choose. The facility is also highly dependent on their payments what makes their bargaining power even higher. On the other hand people (weather the customers themselves or their families) *usually* choose the nursing home in a location close to their previous home, which means they have only limited possibilities to choose from in the terms of location. As a result they typically choose just from few nursing homes within the region[87]. That corresponds with the threat of substitutes. We have to clearly define what is the real substitute. Weather it is *any* nursing home (private of public) of even other social or health facility like hospice[88].

[87] The range in which are the customers/families willing to travel is increasing with subjective *quality* of the facility. They are usually willing to travel further to nursing homes with a good reputation for example embodied in the Vážka certificate.

[88] Author talked to many families who have their parents in nursing home who usually mentioned they did choose the nursing home based on recommendation of some known person or even of the general practitioner who knows the condition of his patients and is usually well informed about the nursing home qualities within the region.



2.15. Control and Evaluation

As every operation where there is relatively large number of employees, even the nursing home requires methods how to *control* work of the personnel. The most important attribute of nursing facility is how are the clients treated and that is difficult to measure, yet there are several actions that can be measured and controlled. Such control can be *tailored* using the software. In each room there should be a table with barcodes or QR codes each assigned to an action (for example: given fluids, visited toilette, client controlled in the night, lunch,…) and the assigned nurse or social nurse would confirm the act by scanning it with special element or smartphone. There could be even an application for the workers where they could confirm those actions. Mentioned table/board could be even uniquely printed for every single client as they have different needs.

Some level of evaluation is already embodied in the system of wages. It includes personal component that is usually a motivation because it can be easily lowered or even removed from the monthly wage. Most importantly it is highly recommended to have an experienced and committed head nurse and social worker who are a *spine* of nursing home personnel.

3. Conclusion

On the previous pages did the author present an idea that was enlighten while being present in the actual nursing home. Author had the chance to look deeper into the company's structure and to compare its financial data from different operation. That helped the paper to be as realistic as possible and not to focus on the theory in wide extent but rather to spend most of the paper on practical solution that would bring the project closer to realization.

In the practical part did the author present solutions how to locate the facility not only in different areas but on different types[89] on the land as well. One of the offered solutions combines nursing home with a developing project that makes the project highly financially important in a way that the *payback* is reached even before the

[89] Before the project launch.

nursing home starts to produce money. It needs to be mentioned however that this project requires purchasing the land, that is currently split-up, from current owners and unify it into one block. Further investment into the land development would be required, including a 6m wide road for remote cottage owners. All these cost are mentioned in the project. Although this project would not be the fastest to execute nor the cheapest for initial financial requirements, it is easily the one to be recommended moreover would it be supported by the major and local government. Obviously is the authors' voice recommendatory and it depends also on the investor what *way* does he want to choose. Other offered projects are easier to execute, yet they are less profitable.

The author intentionally did not consider a role of a bank or similar financial institution as a first entity to approach to as a source of capital as he believes that the discussed level of capital needed can be financed only with help of already established investor.

Balance Sheet

expected after 1st year

(all numbers in thousands CZK)

ASSETS		**LIABILITIES**	
Current Assets		**Current Liabilities**	
Cash	0 CZK	Accounts payable	8 000 CZK
Accounts receivable	9 000 CZK	Short-term notes	8 000 CZK
(less doubtful accounts)		Current portion of long-term notes	

Inventory	50 CZK	Interest payable	1 000 CZK
Temporary investment		Taxes payable	
Prepaid expenses		Accrued payroll	
Total Current Assets	9 050 CZK	**Total Current Liabilities**	17 000 CZK
Fixed Assets		**Long-term Liabilities**	
Long-term investments		Mortgage	20 000 CZK
Land	10 000 CZK	Other long-term liabilities	50 000 CZK
Buildings	70 000 CZK	**Total Long-Term Liabilities**	70 000 CZK
(less accumulated depreciation)			
Plant and equipment	0 CZK		
(less accumulated depreciation)		**Shareholders' Equity**	
Furniture and fixtures	1 000 CZK	Capital stock	
(less accumulated depreciation)		Retained earnings	3 050 CZK
Total Net Fixed Assets	81 000 CZK	**Total Shareholders' Equity**	3 050 CZK
TOTAL ASSETS	90 050 CZK	**TOTAL LIABILITIES & EQUITY**	90 050 CZK

Table 13: Balance Sheet

Payback is counted with 100% occupancy and is balanced with a full wage costs. If 80% occupancy is expected, than the payback is prolonged by 17%.

	Rozdrojovice I	Rozdrojovice II	Šumice	Mělčany
Better	0,236742424	3,456439394	2,722537879	2,959280303
Worse	0,434027778	8,984375	7,595486111	8,029513889

PAYBACK				
Scenario/Project	**Rozdrojovice I**	**Rozdrojovice II**	**Šumice**	**Mělčany**
Best	before launch	3y and 166days	2y and 263days	2y and 350days
Worst	86days	8y and 359days	7y and 217days	8y and 10days

Nursing Home - Cash Flow Projection - Realistic

Starting date: Jan-18

	Beginning	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
Cash on hand (beginning of month)		0	644	1 289	1 933	2 577	3 221	3 866	4 510	5 154	5 799	6 443	7 087	
CASH RECEIPTS														
Cash sales		3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	36 000
TOTAL CASH RECEIPTS		3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	3 000	36 000
Total cash available	0	3 000	3 644	4 289	4 933	5 577	6 221	6 866	7 510	8 154	8 799	9 443	10 087	
CASH PAID OUT														
External Accountant		20	20	20	20	20	20	20	20	20	20	20	20	240
Laundry		35	35	35	35	35	35	35	35	35	35	35	35	420
Food		350	350	350	350	350	350	350	350	350	350	350	350	4 200
Running Costs		100	100	100	100	100	100	100	100	100	100	100	100	1 200
External Doctor		50	50	50	50	50	50	50	50	50	50	50	50	600
Wages		1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	21 009
Other expenses		50	50	50	50	50	50	50	50	50	50	50	50	600
SUBTOTAL		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
TOTAL CASH PAID OUT		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
Cash on hand (end of month)	0	644	1 289	1 933	2 577	3 221	3 866	4 510	5 154	5 799	6 443	7 087	7 731	
OTHER OPERATING DATA														
Depreciation		166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	2 000

Table 14: Cash Flow Projection - Realistic

Nursing Home - Cash Flow Projection - Optimistic

Starting date	Jan-18
Cash balance alert minimum	

	Beginning	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
Cash on hand (beginning of month)		0	1 184	2 369	3 553	4 737	5 921	7 106	8 290	9 474	10 659	11 843	13 027	
CASH RECEIPTS														
Cash sales		3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	42 480
TOTAL CASH RECEIPTS		3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	3 540	42 480
Total cash available	0	3 540	4 724	5 909	7 093	8 277	9 461	10 646	11 830	13 014	14 199	15 383	16 567	
CASH PAID OUT														
External Accountant		20	20	20	20	20	20	20	20	20	20	20	20	240
Laundry		35	35	35	35	35	35	35	35	35	35	35	35	420
Food		350	350	350	350	350	350	350	350	350	350	350	350	4 200
Running Costs		100	100	100	100	100	100	100	100	100	100	100	100	1 200
External Doctor		50	50	50	50	50	50	50	50	50	50	50	50	600
Wages		1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	21 009
Other expenses		50	50	50	50	50	50	50	50	50	50	50	50	600
SUBTOTAL		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
TOTAL CASH PAID OUT		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
Cash on hand (end of month)	0	1 184	2 369	3 553	4 737	5 921	7 106	8 290	9 474	10 659	11 843	13 027	14 211	

OTHER OPERATING DATA														
Depreciation		166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	2 000

Table 15: Cash Flow Projection - Optimistic

Nursing Home - Cash Flow Projection - Pessimistic

Starting date	Jan-18
Cash balance alert minimum	

	Beginning	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Total
Cash on hand (beginning of month)		0	384	769	1 153	1 537	1 921	2 306	2 690	3 074	3 459	3 843	4 227	
CASH RECEIPTS														
Cash sales		2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	32 880
TOTAL CASH RECEIPTS		2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	2 740	32 880
Total cash available	0	2 740	3 124	3 509	3 893	4 277	4 661	5 046	5 430	5 814	6 199	6 583	6 967	
CASH PAID OUT														
External Accountant		20	20	20	20	20	20	20	20	20	20	20	20	240
Laundry		35	35	35	35	35	35	35	35	35	35	35	35	420
Food		350	350	350	350	350	350	350	350	350	350	350	350	4 200
Running Costs		100	100	100	100	100	100	100	100	100	100	100	100	1 200
External Doctor		50	50	50	50	50	50	50	50	50	50	50	50	600
Wages		1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	1 751	21 009
Other expenses		50	50	50	50	50	50	50	50	50	50	50	50	600
SUBTOTAL		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
TOTAL CASH PAID OUT		2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	2 356	28 269
Cash on hand (end of month)	0	384	769	1 153	1 537	1 921	2 306	2 690	3 074	3 459	3 843	4 227	4 611	

OTHER OPERATING DATA														
Depreciation		166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	166,7	2 000

Table 16: Cash Flow Projection - Pessimistic

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5. List of Figures

All figures are created by the author himself if not stated otherwise.

6. List of Tables

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