

# To Sell Or Not To Sell—The Story of Two GCMs Who Did

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As the care management industry has grown and matured, the nature of our practices has also changed. Increasing demand for our services led first to larger practices and to the integration of more services. Anticipating the coming of the “Age Wave,” the trend toward integration has evolved into the beginnings of industry consolidation, as individual practices have been bought out by and incorporated into larger businesses.

Joining a larger company poses a number of new questions for care managers and presents a number of new opportunities. If the trend continues, an increasing number of practitioners will have to evaluate whether selling their practices or joining larger companies works for them. As two care managers who took the plunge, we decided to share our experience and our evaluation process.

## Personal Histories, Psychologies And Styles

**Claudia:** I always saw myself as someone who wanted to work toward social change or to help people. As a hospital and agency social worker, I discovered that I enjoyed and was good at engaging older patients, but I also found those organizations’ bureaucratic structures immensely frustrating. Having a private practice allowed me to advocate for my clients and fight the systems’ inequities without having to face conflicting demands from a supervisor or from my organization, and it addressed my perfectionist tendencies. On the other hand, private practice didn’t provide the collaborative aspects of agency or

hospital work. Before I knew it, I’d hired an associate who soon became my partner.

Private practice provided a balanced outlet both for my idealistic tendencies and for my newly discovered entrepreneurial side. My partner and I had plenty of frustrations as social workers turned business owners. We lacked a lot of business and technological know-how, and the money to attract and retain all the staff we needed to serve our growing client base. But we never really thought about selling our business; we always imagined we would find some or all of those things in a third partner. When people began to approach us with an interest in buying our practice, I was initially skeptical. But as the offers continued, I sensed this was the start of a trend I would eventually have to address.

We decided to sell when I got sick and my partner did not want to bear sole responsibility for our practice. Having made that decision, we saw a host of opportunities it could provide; at the same time, we anticipated that it could raise some questions or problems for us and for our business.

**Steve:** Like many other sole proprietors, I at times felt stretched in multiple directions by the knowledge that I alone was accountable for the success of my operations. I worked an average of 65 hours per week with a full complement of clients (billing 30 hours each week), served as my company’s primary marketing and sales person, managed the back office administration, supervised and supported my four care managers, and was a husband and father of two

young children. After more than 10 years, I was interested in exploring new means of getting support. While I had always enjoyed the frenetic pace and multitasking aspects of running a business, I knew I wouldn’t be able to keep up the pace indefinitely. Also, as my company grew, I found that I lacked the business acumen to manage the growth effectively. While in the earlier years, I could get by with a “seat-of-your-pants” management style, I knew that such a style would not suffice for long.

When approached by BankAmerica Ventures, I entered into the discussion as a healthy skeptic, but I came quickly to the realization that a sale could provide me with a means of taking my business to the next level. My goal of reaching more clients with quality services was limited only by the availability of resources such as staff time and capitalization. I was interested in entering a larger arena, in which I would have expanded opportunities for professional growth, additional means of contributing to the field, and added financial support and security. What follows are some of the issues that we both grappled with as we each considered the sale of our respective companies.

## Opportunities For Professional Growth

**Claudia: Learning new business skills.** The process of negotiating a sale was an education in and of itself. I’d never taken a course in accounting or economics and didn’t see myself as a numbers person but I was excited by my exposure to business evaluation and business negotiation, and it was an opportunity to learn new concepts and skills.

**Learning about related fields.** As a care manager, I had always worked from a social model. SeniorBridge offered the opportunity to work on a different scope of practice using a model that integrated nursing services, which would enable me to learn more about the medical aspects of care management and about the issues related to government

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regulation of healthcare, with which I had always avoided grappling.

**Steve: Expanding your vision and developing a business model.** I was particularly interested in learning more about the “big picture” of growing a business. Working closely on the design and implementation of an innovative model with care management at its core would be exciting, and I would have the opportunity to work closely with industry experts who had strong core competencies in strategic planning, sales and marketing, finance, human relations, and operations.

**Moving from micro to macro.** I had always wondered how it would be to use my professional skills outside of the direct service work I had done for over 15 years. Having the time to focus on the model, on the communication of the brand, on involvement in professional organizations, on training staff and other professionals, would allow me to leverage what I do best to deliver maximum value to the new company. In each of these areas, I looked forward to continued growth, learning and development.

### Opportunities To Contribute To The Field Of Elder Care

**Claudia: Increasing public awareness of care management.** I was drawn to the idea of joining a care management company with national scope, because I saw it as a chance to help implant in the public mind the idea that care management is a valuable and necessary service. The marketing efforts of profitable companies play important roles in promoting their industries, using financial resources that are difficult for a fragmented industry of small individual practices to amass.

**Establishing a reliable, nationwide standard of care.** As an active member of NAGCM for many years, I had become acquainted with col-

leagues all around the country. As I made referrals to colleagues in other areas, I was aware of the vast diversity of practices in our association and didn't believe I could have confidence in every member in the directory. The idea of a national company with unified standards on which I could depend seemed like a reasonable and appealing response and it was a concept I believed would also help consumers have faith in our services.

**Steve: Building strategic alliances.** Being part of a larger organization would afford me opportunities that would have otherwise been unavailable, for creating strategic alliances with key influencers in the eldercare market, with allied professional groups, and with business leaders, all of which could only help our profession gain even greater acceptance and credibility.

**Embracing an emerging trend.** To my knowledge, my practice would be one of the first care management-only practices to have been approached by venture capital investors. I wanted to help ensure the success of what I believed would be an important and significant trend and a wonderful opportunity for care managers.

### Financial Opportunities

**Claudia: Resources to improve your business.** Becoming part of a larger business would mean more money to spend on the practice. I was aware of several ways in which this could both improve the quality of our services and grow the business:

**Acquiring advanced technology.** The first time I met the CEO of SeniorBridge (then Cambridge Companions), Larry Sosnow, I was awed by their technological resources. My own practice had afforded a single computer for billing. And I hadn't even learned to use email. Meanwhile, I was being shown networked personnel and client services systems I could access from

the internet, which were capable of carefully tracking not only client billing but also referrals and other resources, and which could benefit not only the business itself but the quality of the services I could offer clients.

**Training and maintaining a staff.** Financial backing also provided the resources to train our staff, both professionally and in the use of new business technology. It also provided the opportunity to provide our staff with well-deserved benefits.

**Increasing your client base.** In my own practice, I had relied more or less on word of mouth, personal contacts and referrals to attract new clients. The financial resources of a larger company would allow for a marketing budget to attract new clients and grow the business exponentially.

**Rewarding your years of hard work and investment.** I had seen colleagues grow their businesses and reputations, and then seen their businesses decline as their energies diminished. My partner and I had once paid as little as \$3,000 and 20% of the first year's earnings to buy the declining practice of another care manager. There was something sad

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about having so little to show for so many years of hard work. Selling my business while it was thriving gave me an exit strategy: I would get cash for what I had already accomplished, and the business would have a chance to continue growing beyond my own energies. Meanwhile, since I would receive stock in the new company, I would continue to benefit financially from the new company—potentially much more than I could possibly have done by incrementally growing my own business.

### Steve: Resources to do it right.

My goal, like Claudia's, had always been to grow and sustain my client base without compromising quality. I knew I could not continue growing without adequate capitalization, which could afford me support resulting in efficient economies of scale.

### Adding a home care component.

While I had thought of integrating a home care service into my existing care management business, I also knew that in order to be successful, I would have to do it right. This would entail being the employer, offering benefits, developing a training program, developing a means of effective supervision, and having a robust quality-assurance program. Doing it right takes resources, including the right specialists in human resources, operations, technology, and finance.

### Marketing and outreach.

Marketing dollars would be essential in order to reach beyond my existing contacts. Capital would be needed to create a brand and disseminate information; it would be critical to educate both clients and referral sources. Having the resources to help support allied organizations would pay off, as well.

### Systems...Systems...Systems....

Cost-effective service delivery for larger companies requires the right technological supports. These include not only phone systems and computers, but also effective software to ensure the smooth operations: billing, payroll, scheduling, client notes, assessments, and quality assurance.

### Finding financial security.

Owning a smaller company allowed me to take a good salary and to enjoy a number of financial perks. As I evaluated and negotiated the sale of my company, I realized that, as the business grew and became more successful, my salary and bonus opportunities would be greater than if I were to continue on my own. From the beginning, it was made clear to me that the sale of my practice would be primarily a "stock deal" which, as I learned after some investigation, is typical in start-up venture capital deals. This would give me partial ownership of the new company.

of working on a corporate team daunting, particularly when I did not have control over who else would make up that team. I was very concerned that not everyone involved would share my values or work ethic.

**Losing a client-centered focus.** I also had some concerns that a new corporate structure would negatively affect my clients. First of all, I was worried that the profit motivation of the corporate world would compromise a commitment to client care. And secondly, I was worried about the impact of corporate bureaucracy. As we got bigger, would we lose connection to our client and to our clinical services?

**Losing industry diversity.** I could see numerous benefits to having a national company with unified standards. But I worried that consolidating the industry could homogenize it in a bad way. Care management is all about attentive, personalized service. The last thing I wanted to do was to promote the idea of "vanilla" care management.

**"As I weighed the pros and cons of selling my business, I could foresee several downsides and potential problems I feared would be difficult for me or would negatively impact my business and work."**

### Steve: There

were many unknowns—I did not know anyone else with a similar-sized business that had gone through this kind of transition. The anticipated challenges came to me in waves of questions.

After much thought, I decided that it would be worth moving forward, since the potential payout would far exceed the calculated risk.

### Anticipated Challenges

**Claudia:** As I weighed the pros and cons of selling my business, I could foresee several downsides and potential problems I feared would be difficult for me or would negatively impact my business and work.

**Losing personal control.** Having had a private practice for many years, I was obviously concerned about not being in charge. On the other hand, when conflicts had arisen with my partner, we had always managed to work them out. Still, I found the idea

### Issues of control and autonomy.

How would it be to share the responsibility and accountability? How would conflict be resolved? Would my input be valued and listened to? What if the model would compromise the quality of professional services? Would others on the management team share my values and vision?

**Unknown new stressors.** While I knew what to expect in managing my care management business, home care was something new: new staff, roles, processes, protocols, responsibilities, liabilities, and accountabilities. Would I be successful in mastering these new areas? Would I enjoy the process?

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**Redefining success.** Given that the investors' expectations were tied to growth, I was assuming that there would be a significant change in the way in which we were operating. What would this change be like? Previously, I had measured my success by my ability to deliver quality services and generate enough revenue to accommodate a nice lifestyle. While I desired growth, it was not essential. Now, the perception of the business's success would be evaluated in terms of the growth of our client base, revenue, and profit margins, through the delivery of quality services.

### Epilogue

**Claudia:** It has been several years since I sold my business. I have learned far more than I ever imagined, and my new position has opened doors I would never have even approached as a private practitioner. I have had the opportunity to collaborate with and learn from leaders of related fields, which has been extremely exciting, and I have seen the potential for such collaborations to provide concrete benefits to our industry and our field. But all good things require tremendous amounts of work, and this may not be for everyone. It has been a difficult transition. I have had to be extremely flexible and tolerant of differences within our company. It has been challenging to maintain my own entrepreneurial style and values and apply them within a larger organization. But my ability to do so, and my continued investment in the new company, has made it a positive experience. Given the chance to go back, I would do it all over again.

**Steve:** I have enjoyed the last four and a half years since I sold my

business, since the new business has provided me with new learning experiences along with new challenges. I have appreciated our new company's focus on business metrics, quality assurance, and strategic planning. As I look back, the time has gone by very quickly. I am astonished to see what we have been able to accomplish in a relatively short time span. With the integration of a home care service, our revenues have grown to 55 times my original annual revenue. The pace at which I am working at times feels as if I were working in "dog years." But while the pace has changed, the focus on maintaining a care-management centered model has not. It has been a positive experience, one in which the rewards have clearly outweighed the challenges.

### Conclusion

We were pleased to have the opportunity to collaborate on this article. We see a trend of consolidation, and believe over time, more and more professionals with small to moderate sized businesses will be approached with an offer to join a

larger company. We are keenly aware that the issues and questions that emerge when considering "to sell" or "not to sell" are unique to the individual. Selling to a larger company is not the only option, as there are new models emerging in which smaller practices are coming together setting up cooperative larger ventures. Our hope is that the thoughts and ideas shared will provide the reader additional insight into what issues each of us faced as we evaluated selling our practices. The future for our industry is an exciting one, full of opportunities for growth and development.

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## Revised GCM Referral Brochure Available!

The GCM Referral Brochure has recently been revised and is now available for purchase. The brochure can be used by chapters or chapter affiliates, or by individual members of GCM as marketing piece that can be handed out at conferences, or to perspective referral sources, to educate about what geriatric care management is and how to find a professional geriatric care manager.

The brochure is available for 75 cents each, 100 for \$60 or 250 for \$125, and can be ordered by contacting Terri Anthony at the GCM office at [tanthony@kellencompany.com](mailto:tanthony@kellencompany.com) or by phone at (520) 881-8008, ext. 107.