BUSINESS PLAN

Joseph Center for Hearing and Tinnitus Relief

Name Removed, Owner

www.josephcenterforhearing.webs.com

July 5, 2013
1. EXECUTIVE SUMMARY

1.1 Product

Services & Products

The Joseph Center for Hearing and Tinnitus Relief (JCH) will offer a broad range of products and services to meet the audiology needs of its target market. A holistic offering of products and services will be provided over two phases:

PHASE ONE – The Mobile Clinic

Services: JCH will operate solely as a mobile audiology clinic during the first year of operation. The purpose of the mobile unit is to allow efficient delivery of audiological services, capitalization of cost effectiveness, and versatility of care to JCH’s target market. Services will include comprehensive hearing evaluations, industrial hearing conservation programs, hearing instrument fittings, geriatric audiology services for patients in nursing homes and long-term care facilities, and tinnitus management utilizing sound therapy machines and hearing devices.

Products: JCH will offer a variety of products to its patients. These will include hearing aids, assistive listening devices, noise protection, and custom ear molds. The center will also offer patients an opportunity to purchase supplies such as batteries, hearing aid cases, and cleaning materials either online or from the mobile clinic. Order forms for additional supplies will be accessible via the center’s website, josephcenterforhearing.webs.com, which has already been launched and is currently available for viewing on the web.

PHASE TWO – Expansion to the Brick and Mortar Clinic

Services: JCH will expand to offer both mobile and in-house services during the second year of operation. The purpose of the brick and mortar facility is to offer patients more diagnostic services establish permanency in location, increase staff to optimize patient capacity, and to develop an interactive tinnitus management program that involves stress reduction therapy through use of tinnitus management software, equipment and physical exercise. Services will include those of phase one as well as comprehensive audiological evaluations in an audiometric booth, otoacoustic emissions testing, auditory evoked potentials assessments, tinnitus management, and in-house hearing aid fitting, dispensing and drop off services.

Products: JCH’s products will include those of phase one as well as tinnitus sound therapy systems,
tinnitus maskers, and a subscription to an innovative interactive tinnitus management application that will be available for use via any Apple or Android device. Products may be purchased online at www.josephcenterforhearing.webs.com, at the mobile clinic, or in-house at the brick and mortar location.

1.2 Customers

The Joseph Center for Hearing and Tinnitus Relief (JCH) will target adults with hearing concerns (including tinnitus), geriatric patients in nursing home or long-term care facilities, hearing aid users, and industrial workers exposed to loud levels of noise.

In the Greater New Orleans (GNO) market, the need for audiology services amongst these populations is immense; yet, this area is largely underserved. According to our research, over 400,000 individuals (17% of adults, 47% of geriatric patients, 100% of hearing aid users, and 100% of industrial workers) in the GNO area require some degree of audiological services (National Institute on Deafness and Other Communication Disorders). Hence, this is a strong market for JCH.

1.3 What Drives Us

The Joseph Center for Hearing & Tinnitus Relief L.L.C. (JCH) will be an owner operated limited liability audiology clinic located in Greater New Orleans, Louisiana, that will provide quality, patient-centric audiology and tinnitus relief services to geriatric patients in nursing homes and long-term care facilities, hearing instrument users, industrial workers exposed to loud levels of noise, and other adults with hearing concerns. The Center will use holistic treatment approaches and advanced technology, under the supervision of a qualified, doctoral-level audiologist, to deliver exceptional measures of care.

To meet the needs of patients in its target market in Greater New Orleans (GNO), JCH will operate in two phases. In Phase One (Year 1), JCH will operate solely as a mobile audiology practice, which will cater to the audiology needs of geriatric patients, particularly those in nursing facilities, hearing instrument users, and industrial workers. In Phase Two (Year 2 and onward), the practice will expand to include in-house audiology services in its brick-and-mortar facility. This will include an innovative tinnitus management program involving stress reduction therapy. Combined, the JCH will be able to meet the needs of individuals with hearing concerns in both Greater New Orleans and peripheral areas, therefore, affording these patients better access to audiological care.
2. COMPANY DESCRIPTION

2.1 Mission Statement

It is the mission of the Joseph Center for Hearing and Tinnitus Relief to provide quality audiological services to adult patients with limited access to care through a combination of mobile and in-house facilities. The center is committed to providing quality in-house, peripheral, and mobile audiological services to diverse adult patient populations, coordinating hearing conservation programs, and educating the community on hearing loss.

2.2 Principal Members

Management and Staffing Plan

Phase One- The Mobile Clinic

In phase one (year 1), JCH will consist of the following principal members:

Practice Owner

As founder, owner and lead audiologist of JCH, Name Removed, MS is uniquely qualified to manage this opportunity. Ms. Name Removed received her Master of Health Care Management from the University of New Orleans and will receive her Doctor of Audiology degree in 2015 from Washington University School of Medicine in Saint Louis, Missouri, ranked third in the nation for Audiology. Ms. Name Removed has previous training in sales, marketing, and management and served as marketing coordinator for Banker's Life Insurance Agency in Baton Rouge, Louisiana and health care management consultant for a local clinic in New Orleans, Louisiana. She has also had four years of clinical audiology training at several major hospitals, clinics, and private practice facilities in Houston, Texas, New Orleans, Louisiana, and Saint Louis, Missouri.

Full-time Lead Audiologist

The Lead Audiologist is responsible for assessing, treating and diagnosing persons with hearing loss and related disorders. The Lead Audiologist will educate and supervise staff, plan and conduct treatment programs for patients, drive develop and coordinate the industrial hearing conservation program, develop and coordinate the tinnitus management program, engage in marketing activities to promote business for JCH, and assist in managing staff including the part time audiologist and audiology assistant. This candidate must be committed to high-quality patient care and hold a doctoral degree in Audiology. This candidate must also be eligible for Louisiana licensure. Additional duties, salary information, and minimum qualifications may be found in the Lead Audiologist job summary in the appendix.
The business owner, Name Removed, is currently pursuing a doctoral degree in Audiology and will serve as JCH’s Lead Audiologist.

**Part-time Patient Care Coordinator**

The part-time patient care coordinator represents the practice in the coordination of all patient appointments. The patient care coordinator ensures accurate entry of patient information, organizes and manages medical records, performs receptionist’s functions, schedules and manages patient appointments, and supports the practice manager and other staff. This candidate must hold a high school diploma and have a minimum of two years of experience in medical office billing and coding. Additional duties, salary information and minimum qualifications may be found in the Patient Care Coordinator job summary in the appendix.

JCH will hire two part-time patient care coordinators in phase one to assist with billing and office management.

Phase Two- *Expansion to the Brick and Mortar Clinic*

In phase two (year 2 and onward), JCH will consist of principal members from phase one and will expand to include the following employees.

**Full-time Clinic Manager**

The clinic manager organizes, monitors, and controls JCH business operations including accounting, billing and coding, and office management. The clinic will be responsible for hiring and training office staff, monitoring and evaluating office staff performance, supervising medical billing, coding and banking, overseeing payroll, establishing office policies and procedures, ensuring compliance with health care regulations, providing educational materials to patients, communicating with patients regarding injury and complaints and ensuring patient satisfaction. The candidate must possess a bachelor degree in business, health care management, or a related field. Additional duties, salary information and minimum qualifications may be found in the Clinic Manager job summary in the appendix.

Person X will serve as the JCH clinic manager. Ms. X has a Master degree in organizational management and two Bachelor degrees—one in business and the other dietetics. She has worked as a department supervisor at a local nursing home facility for over 20 years. For several of those years, her department has received high rankings from the Joint Commission on Accreditation of Healthcare Organization (JCAHO). She possesses a unique health care management skill set that will be highly advantageous to JCH.

**Part-time Audiologist**

The part-time Audiologist is responsible for assessing, diagnosing and treating patients with hearing loss and related disorders. The part-time Audiologist will administer hearing evaluations and examine patients to collect information on type and degree of hearing loss, perform hearing aid fittings, dispenses, and repairs, refer patients to additional medical or educational services, recommend assistive
listening devices when appropriate, and assist with managing tinnitus therapy sessions. This candidate must possess a Master degree in Audiology and have at least 3 years of experience working with the adult population and dispensing hearing aids. Additional duties, salary information and minimum qualifications may be found in the part-time Audiologist job summary in the appendix.

The part-time Audiologist will work 25 hours per week (3 days per week) performing hearing evaluations, hearing aid consultations, fittings, and dispenses, tinnitus management therapy sessions and related diagnostic procedures.

**Audiology Assistant**

The Audiology Assistant will be a skilled technical worker who will assist the audiologist in performing routine clinical tasks as well as industrial hearing screenings and tinnitus management therapy sessions. The Audiology Assistant will assist in preparing the clinic for patient appointments, regulate infection control by wiping all audiology equipment between patients, assist with cleaning and repairing hearing aids, manage inventory and supplies, accompany the audiologist on industrial hearing screenings, help facilitate tinnitus therapy sessions, and maintain patient information and confidentiality. This employee must hold a high school diploma or equivalent and must be willing to attain certification from the Council for Accreditation in Occupational Hearing Conservation (CAOHC). Additional duties, salary information and minimum qualifications may be found in the Audiology Assistant job summary in the appendix.

The Audiology Assistant may be a part-time or PRN position.

### 2.3 Legal Structure

The Joseph Center for Hearing and Tinnitus Relief will be single member limited liability corporation (L.L.C.). Name Removed will be the business owner.
3. MARKET RESEARCH

3.1 Industry

Audiology Industry Background

The U.S. hearing healthcare industry consists of audiologists, hearing aid dispensers, speech language pathologists, assistants and technicians. Of these several practitioners, audiologists are the only hearing professionals who require a doctoral level degree. Hence, audiologists spend four years learning how to assess, diagnose, and treat hearing loss in a doctoral program. Audiologists are the primary health care professionals who evaluate, diagnose, treat and manage hearing loss and balance disorders in adults and children (American Academy of Audiology).

Audiologists provide services such as:

• Comprehensive audiological evaluations consisting of air, bone, and speech audiometry.

• Hearing instrument services including assistive listening devices, hearing aids and cochlear implants.

• Advanced audio-diagnostic services, including neuro-audiological evaluation and non-medical diagnosis of hearing and balance disorders.

• Industrial and preventive audiological services, including noise level measurements, dosimetry, and hearing screenings.

Audiology Industry Size

The U.S. hearing care industry is comprised of more than 105,000 practitioners who provide hearing instruments and hearing services to diverse populations of people. Of the 105,000, practitioners, approximately 16,000 are audiologists (American Speech-Language and Hearing Association).

Approximately 72% of audiologists are employed in health care settings including 47.1% in nonresidential health care facilities, 24.5% in hospitals, 1.0% in residential health care facilities; 8.5% in schools and 7.7% in colleges and universities (American Speech-Language and Hearing Association).

Though there are 16,000 audiologists in the U.S., many of these professionals do not provide audiological care to the public on a full-time basis. A more realistic estimate of the number of full-time
audiologists (100% audiology-only practitioners) is about 12,000 to 13,000 (U.S. Bureau of Labor and Statistics, 2012). On average, a full-time audiologist sees 123 patients per month, with a standard deviation of 70 patients, and spends 7 hours per day in direct patient contact (American Speech-Language and Hearing Association).

Furthermore, of the 16,000 audiologists, 2,760 (17%) audiologists are in private practice (Dave Smriga). A survey of the 2011 U.S. Hearing Care Distribution Segments estimated that 23% of the hearing industry consists of independent, autonomous locations. Additional statistics showed 8% of distribution segments were corporately owned, 32% were branded distribution, and 37% were corporate affiliates (Dave Smriga, 2011).

Additional industry statistics indicate that there is a shortage of industrial and geriatric audiologists. According to statistics, from the American Speech-Language Hearing Association though 30 million U.S. workers are exposed to noise on a daily basis, only 100 to 200 audiologists devote 100% of their professional practice to industrial or occupational audiology (American Speech-Language and Hearing Association). Likewise, though 48-82% of elders in nursing homes have hearing loss (Benstock, 1986), only 2% of audiologists provide services in nursing homes (Busacco, 2009).

**Industry Growth Pattern**

It is projected the audiology industry will experience continued growth for the next eight years (American Speech-Language Hearing Association). The U.S. Bureau of Labor and Statistics estimates that employment in the audiology industry will grow by 37% by 2020 resulting in 4,800 new jobs (U.S. Bureau of Labor and Statistics).

In addition, rapid growth of hearing loss in older populations will cause the number of persons with hearing and balance impairments to increase noticeably. Most notably, members of the rising “Baby Boomer” demographic are now entering the age where the possibility of neurological disorders and associated hearing disorders increases.

Increased medical advances also cause the demand for audiologists to rise. More sophisticated biomedical technology results in the improvement of survival rates for premature infants and trauma and stroke victims, who if multiply involved, may need assessment and treatment for hearing loss. Increased awareness of the importance of early identification and diagnosis of hearing disorders in infants will also expand the industry. In fact, most states now require that all newborns be screened for hearing loss and receive appropriate early intervention services which are typically provided by an audiologist.

Audiologist employment in educational services will also rise due to an increase in elementary and secondary school enrollments, including enrollment of students with severe to profound hearing loss. The Individuals with Disabilities Education Act guarantees special education and related services to all eligible children with disabilities.

Similarly, the demand for audiologists in private practice is expected to rise due to the increased need for direct services and contract services with hospitals, schools, and nursing facilities. In addition, increased noise exposure among military personnel, industrial workers, and younger generations
proctors the growing need for more audiological services.

Industry Trends

1. **Cerumen removal**: Several routine audiology procedures and tests are complicated by cerumen in the ear canal. However, many audiologists do not offer cerumen removal services due to risk of injury to the ear canal or perforation of the ear drum. To respond to this trend, JCH will partner with a physician’s office that has the resources and expertise to remove cerumen from an occluded canal.

2. **Over-the-Counter Hearing Aids**: In response to consumer demands for more affordable hearing aid devices, companies such as United Health Care and major retail facilities such as Best Buy and Costco have expanded their product line to include over-the-counter hearing aid technology at more affordable costs. For JCH, this expansion of hearing aid offerings presents an advantage. To remain abreast in this competitive market, JCH must respond to consumer demands. Since many individuals in the JCH’s target market cannot afford customized, prescription hearing aids but still require treatment that exceeds that provided by assistive listening devices and amplifiers, over-the-counter hearing aids provide a viable option for them. Moreover, because of JCH’s commitment to care afore profits, it will offer this more affordable alternative to patients who need it.

3. **Noise exposure**: Noise exposure is one of the most prevalent occupational hazards, particularly for industrial workers. Noise-induced hearing loss can be caused by a one-time exposure to an intense “impulse” sound, such as an explosion, or by continuous exposure to loud sounds over an extended period of time, such as noise generated in a woodworking shop (NIDCD). As the need for increased productivity amongst industrial facilities has increased over the past decade, the prevalence of noise-exposure has increased as well—workers are working longer shifts, machines are running longer and louder, and the possibility of chemical explosions present an omnipresent danger on the worksite. Since much of the Greater New Orleans economy relies on manufacturing, refining, mining, and construction, the demand and need for noise-exposure programs industrial in this region are immense. To respond to this de-
mand, JCH will offer in-depth industrial hearing conservation programs to workers of industrial firms in the area via the JCH mobile clinic.

4. **Tinnitus Therapy:** Approximately 50 million people in the US suffer with tinnitus or ringing in the ears. Of those 2-3 million people suffer with a disabling form of tinnitus also known as bothersome tinnitus (American Tinnitus Association). Currently, the most effective option for tinnitus management is amplification. However, other approaches have been sought, particularly, biofeedback, cognitive therapy, medication, sound therapy, and for the most extreme case, a cochlear implant. The JCH will offer its patients several options to mitigate the effects of bothersome tinnitus. More specifically, JCH will offer amplification, an interactive tinnitus management program application accessible through Apple and Android products, and an opportunity to participate in actual stress reduction classes such as yoga.

5. **Mobile Clinics:** Approximately 2,000 mobile health clinics in the United States have 6.5 million patients annually (Mobile Health Map). Mobile clinics are found to be a cost-effective delivery model for primary and secondary preventative care, based on savings from health improvement and emergency department avoidance. For audiology, specifically, a mobile health care unit can not only be used to reach patients in peripheral location but also in contracting audiological services with industrial facilities in surrounding areas. JCH will respond to the growing trend of mobile healthcare by operating solely as a mobile audiology clinic in Phase One and then continuing to run a mobile audiology unit in Phase Two. JCH projects to serve over 1,500 patients in the Greater New Orleans area annually using its mobile clinic facility.

6. **Patient engagement:** As the pervasiveness of technology continues to rise exponentially, there is an exponential demand for healthcare providers to adopt a patient engagement approach. The Patient Engagement Framework is a model created to guide healthcare organizations in developing and strengthening their patient engagement strategies through the use of eHealth tools and resources (National eHealth Collaborative). The JCH plans to respond to the trend of patient engagement by offering patients simple but secure access to their patient records and 24 hour access to the JCH website, [www.josephcenterforhearing.webs.com](http://www.josephcenterforhearing.webs.com) where they can learn more about audiology, tinnitus, and hearing conservation as well as pose questions or leave messages for the Center’s staff via the website’s discussion forum or direct email. JCH will also publish a monthly hearing healthcare newsletter that will
be available on the JCH website and sent to current patients preferred email addresses.

3.2 Customers

Target Market

JCH will target the following populations of people within the Greater New Orleans area:

· Adults age 18 and older with hearing loss and tinnitus

· The "baby boomer" population, which consists of adults ages 55-65.

· Geriatric patients in nursing homes and long-term care facilities, which consists of adults age 65 and older.

· Adult hearing instrument users

· Industrial workers and other persons exposed to loud levels of noise.

According to our research, over 400,000 individuals (17% of adults, 47% of geriatric patients, 100% of hearing aid users, and 100% of industrial workers) in the Greater New Orleans (GNO) area require some degree of hearing services (National Institute on Deafness and Other Communication Disorders). Hence, this is a strong market for JCH. JCH will afford to its patients services and products that are customized to meet their needs.

JCH will locate and focus its efforts primarily on adults age 55 and older. This includes the baby boomer generation, which consists of individuals 65 and older, in the GNO area. According to market data, this subset is at the greatest risk for hearing loss. The National Institute on Health (NIH) predicts that approximately 30-35% of adults between the ages of 65 and 75 have age-related hearing loss, which requires hearing aid services. Since almost half of the population in Greater New Orleans consists of individuals age 55 and older (U.S. Census Bureau), this creates a good market for JCH. NIH further estimates that 40-50% of adults age 75 and older have age-related hearing loss (National Institute on Health). Since over 70% of nursing home and long-term care facilities patient population consists of adults age 65 and older, nursing homes and long-term care facilities are an ideal target population for JCH. In addition to these findings, Minimum Data Set (MDS) analysis, a federally mandated process for clinical assessments of all residents on Medicare or Medicaid in nursing homes, requires that nursing homes assess the communication and hearing patterns of residents. However, after surveying the 30 nursing homes in GNO, it was determined that there are no nursing homes that provide audiological services to its residents. There are currently 30 nursing homes in the Greater New
Orleans area that JCH will target. Cumulatively, if each nursing home was at maximum capacity, this would result in a total of 4,472 patients.

### Nursing Homes in GNO Area

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<th>Name and Location</th>
<th>Medicare/Medicaid</th>
<th>Total # Beds</th>
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<tbody>
<tr>
<td>Covenant Home</td>
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<tr>
<td>5919 Magazine Street New Orleans, La 70115</td>
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<td>Good Samaritan Rehabilitation and Nursing Center</td>
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<td>6400 Hayne Blvd New Orleans, La 70126</td>
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<td>St. Anthony’s Nursing Home</td>
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<td>John J Haikel Jr Nursing Home an Rehabilitation Center</td>
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<td>Our Lady of Wisdom Health Care Center</td>
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<td>Willow Wood at Woldenberg Village</td>
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<td>Unity Nursing and Rehab Center 1539 Delachaise St New Orleans, La 70115</td>
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<td>Waldon Health Care Center</td>
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JCH will also target industrial workers in Greater New Orleans who are exposed to loud levels of noise. According to our research there is a total of 41,524 industrial employees in Jefferson parish and 119,500 in Orleans parish, resulting in a total of 161,024. Industrial hearing tests are regulated by the Occupational Safety and Health Administration (OSHA), which requires all firms to provide employees that work in environments with occupational noise exposure at or exceeding 85 decibels for an 8 hour work day, 92 decibels for a 6 hour work day, and 95 decibels for a 4 hour work day to receive annual hearing tests. OSHA also recommends that employers enroll these employees in a worksite Hearing Conservation Program, which is often facilitated by an audiologist. If firms do not adhere to OSHA standards, the firm can be fined.

**Jefferson Parish Industrial size**

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<tr>
<th>Industry Sector</th>
<th>Total Companies</th>
<th>Employees</th>
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<td>Arts, entertainment and recreation</td>
<td>178</td>
<td>4,267</td>
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<tr>
<td>Construction</td>
<td>1,366</td>
<td>13,140</td>
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<tr>
<td>Manufacturing</td>
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<td>Mining</td>
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<td>Transportation and Warehousing</td>
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<tr>
<td>Utilities</td>
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**Orleans Parish Industrial size**

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<thead>
<tr>
<th>Industry Sector</th>
<th>Employees</th>
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<tr>
<td>Arts, entertainment and recreation</td>
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<td>Construction and Extraction</td>
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<tr>
<td>Installation, maintenance and Repair</td>
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<td>Production</td>
<td>23,590</td>
</tr>
<tr>
<td>Trade, transportation and utilities</td>
<td>38,040</td>
</tr>
</tbody>
</table>
JCH market segmentation strategy is both demographic and geographic for a number of reasons:

- The patients in Greater New Orleans will not, and often cannot, travel more than 25 miles to see a doctor. They would rather “wait it out” on all but urgent matters.

- JCH is a general audiology practice that will treat adult patients of all ages, incomes, physical abilities, races, and ethnicities. Yet, a 73% of the center’s patients are projected to be 55 and older.

- The expected growth of the Greater New Orleans population is 2.4% and 2.1% respectively (U.S. Census Bureau), which makes Greater New Orleans an ideal location for a broadly geographic marketing approach.

- Greater New Orleans has over 200,000 persons employed in industrial facilities who are in need of hearing conservation programs.

### 3.3 Competitors

Competitor Analysis

The following is a list of competitors in the Greater New Orleans hearing industry.
<table>
<thead>
<tr>
<th>Competitor</th>
<th>Points of Parity</th>
<th>Points of Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern Discount Hearing</strong></td>
<td>• Family owned and operated for over 43 years</td>
<td>• Listed in the Better Business Bureau</td>
</tr>
<tr>
<td>120 Meadowcrest St. Suite 200</td>
<td>Offer</td>
<td>• Location is near Ochsner Westbank</td>
</tr>
<tr>
<td>Gretna, LA</td>
<td>• Hearing tests at no charge</td>
<td>• Directly linked to an otolaryngology practice.</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td>• Identifies need for cerumen (earwax) removal but does not offer cerumen removal services.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Does not allocate adequate time to counseling and educating patients on hearing loss.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Do not provide tinnitus management or therapy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Only dispense hearing aids from one manufacturer.</td>
<td></td>
</tr>
<tr>
<td>LSU Medical Center</td>
<td>• Targets Newborn infants to elderly patients</td>
<td>• Directly linked to the LSU Health Sciences Center - notable in New Orleans area</td>
</tr>
<tr>
<td>1900 Gravier Avenue, 9th Floor</td>
<td>• 3 Audiologists on staff</td>
<td>• Cochlear implants</td>
</tr>
<tr>
<td>New Orleans, LA 70112</td>
<td>• Positive reviews</td>
<td>• Cerumen removal</td>
</tr>
<tr>
<td></td>
<td>Diagnoses and treats a variety of hearing disorders and provides services from the newborn infants to the elderly patients.</td>
<td>• Pediatric Center</td>
</tr>
<tr>
<td>Competitor</td>
<td>Points of Parity</td>
<td>Points of Difference</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td><strong>Kim Juneau Hearing, L.L.C.</strong></td>
<td>• Experience: 28 years</td>
<td>• Saturday appointments available</td>
</tr>
<tr>
<td>175 Brookhollow Esplanade</td>
<td>• Financing available</td>
<td>• Google Ad</td>
</tr>
<tr>
<td>New Orleans, LA 70123</td>
<td>• Certified Doctor of Audiology</td>
<td></td>
</tr>
<tr>
<td>Provides assistance with</td>
<td>• Free hearing evaluations</td>
<td></td>
</tr>
<tr>
<td>personal hearing needs including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>amplification, tinnitus therapy,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>swim plugs or miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>supplies such as hearing aid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>batteries.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offers</td>
<td>• Hearing Tests</td>
<td></td>
</tr>
<tr>
<td>• Tinnitus Therapy</td>
<td>• Swim Plugs</td>
<td></td>
</tr>
<tr>
<td>• Hearing Aids</td>
<td>• Saturday appointments available</td>
<td></td>
</tr>
<tr>
<td>• Free hearing evaluations</td>
<td>• Google Ad</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cree Hearing Center</strong></td>
<td>• Experience: 30 years</td>
<td>• Provider to Special Service</td>
</tr>
<tr>
<td>3330 Lake Villa Drive, Suite 100</td>
<td>• State-of-the-art equipment and premium product lines</td>
<td>Organizations</td>
</tr>
<tr>
<td>Metairie, LA 70002</td>
<td></td>
<td>• 2 Locations: Metairie and</td>
</tr>
<tr>
<td>Diagnoses and services a full</td>
<td></td>
<td>Covington</td>
</tr>
<tr>
<td>line of hearing instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>designed by multiple manufacturers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No weekend hours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offers</td>
<td>• Hearing Tests</td>
<td></td>
</tr>
<tr>
<td>• Tinnitus Evaluation</td>
<td>• Pediatric/Newborn Audiology</td>
<td></td>
</tr>
<tr>
<td>• Pediatric/Newborn Audiology</td>
<td>• Balance Assessment</td>
<td></td>
</tr>
<tr>
<td>• Auditory Brainstem Response</td>
<td>• Auditory Processing Disorder Evaluation</td>
<td></td>
</tr>
<tr>
<td>• Auditory Processing Disorder</td>
<td>• Hearing Aids</td>
<td></td>
</tr>
<tr>
<td>Evaluation</td>
<td>• Assistive Listening Devices</td>
<td></td>
</tr>
<tr>
<td>• Hearing Aids</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Assistive Listening Devices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor</td>
<td>Points of Parity</td>
<td>Points of Difference</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------</td>
<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>Associated Hearing, Inc.</td>
<td>• No obligation checkup</td>
<td>• Metairie and Northshore offices</td>
</tr>
<tr>
<td>433 Metairie Road, Suite 101</td>
<td></td>
<td>• Demo hearing aids</td>
</tr>
<tr>
<td>Metairie, LA 70005</td>
<td></td>
<td>• Walk-ins welcome</td>
</tr>
<tr>
<td>Weaknesses</td>
<td></td>
<td>• Starkey products only</td>
</tr>
<tr>
<td>• No Au.D.s on staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audiological Associates</td>
<td>• Experience: 39 years of experience</td>
<td>• Industrial hearing testing</td>
</tr>
<tr>
<td>25 Madera Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenner, LA 70065</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weaknesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• No website</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hearing Clinic of Greater</td>
<td>• Pledge to providing high-quality hearing health care</td>
<td>• 2 Locations: New Orleans and River Ridge</td>
</tr>
<tr>
<td>New Orleans, L.L.C.</td>
<td>• Treatment of immediate or chronic problems</td>
<td>• Results immediately available</td>
</tr>
<tr>
<td>3434 Prytania Street, Ste 240</td>
<td>• Comprehensive Hearing Evaluations</td>
<td>• Concise but Detailed explanations of offered procedures on website</td>
</tr>
<tr>
<td>New Orleans, LA 70115</td>
<td>• All patients seen by a licensed Doctor of Audiology</td>
<td>• Services the musician and industrial population.</td>
</tr>
<tr>
<td>Provide patients with the</td>
<td>• Hearing Aid Services</td>
<td></td>
</tr>
<tr>
<td>best comprehensive hearing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>healthcare Reserves for Hearing,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor</td>
<td>Points of Parity</td>
<td>Points of Difference</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>Doctor’s Hearing Center</td>
<td>• Experience: 15 years</td>
<td>• Concierge Service</td>
</tr>
<tr>
<td>5258 Veterans Blvd</td>
<td>• Board Certified Dr. Of Audiology</td>
<td>• Red carpet treatment</td>
</tr>
<tr>
<td>Metairie, LA</td>
<td>• Hearing Aid Fittings</td>
<td>• Physician Liaison</td>
</tr>
<tr>
<td>M-F: 9 am - 5 pm</td>
<td>• Expert Evaluations</td>
<td>• Patient &amp; Family Counseling</td>
</tr>
<tr>
<td></td>
<td>• Free Personalized Consultation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Latest in Hearing Technology</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Concierge Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Red carpet treatment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Physician Liaison</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Patient &amp; Family Counseling</td>
<td></td>
</tr>
<tr>
<td>Hearing Health Care of Louisiana, Inc.</td>
<td>• Best hearing aid technology available to patients</td>
<td>• 8 offices: Baton Rouge, Hammond, Houma, Gonzales, Gretna, Lafayette, Metairie, and Mandeville</td>
</tr>
<tr>
<td>2600 Belle Chase Hwy</td>
<td>• Free hearing test</td>
<td>• Offer online hearing tests.</td>
</tr>
<tr>
<td>Suite 203</td>
<td>• Hearing aid services</td>
<td></td>
</tr>
<tr>
<td>Gretna, La 70056</td>
<td>• Aural Rehab coaching</td>
<td></td>
</tr>
<tr>
<td>3750 Veterans Memorial Blvd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metairie, LA 70002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited testing/services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audiphone Hearing Instruments</td>
<td>• Digital and Analog Hearing Instruments</td>
<td>• Sells hearing instruments and devices.</td>
</tr>
<tr>
<td>3333 Kingman St., St 205</td>
<td>• Wireless Technology</td>
<td></td>
</tr>
<tr>
<td>Metairie, LA 70006</td>
<td>• Full Range of Services - Batteries, Repair Lab, Hearing Testing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Several hearing aid brands</td>
<td></td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

### 3.4 Competitive Advantage

There are 10 businesses that offer audiology services within the Greater New Orleans (GNO) area.
These comprise of 1 hearing aid clinic within an ENT practice, 3 hearing aid dispensers, 2 audiology clinics linked to hospitals and 4 private practice audiologists. JCH will have several advantages over these competitors.

JCH will use a unique direct marketing business strategy to capture its target market. Unlike JCH competitors, JCH will not wait for its patients to come to a brick and mortar clinic. Instead, JCH will go to its patients. This will be done through the mobile unit. JCH will provide industrial services to workers in industrial facilities with loud noise levels, and geriatric audiology services to residents in nursing homes and long-term care facilities in GNO area through use of a mobile clinic. This direct approach will be responsible for JCH's good productivity in the first months of operation.

JCH will be the only audiology practice located on the Westbank of Greater New Orleans fully operated by a doctoral level audiologist. There are two hearing aid dispensers located in this area; however there are no full-service audiology clinics. A full-service audiology clinic could provide complete diagnostic audiological assessments to patients with hearing loss, which are not provided in hearing aid dispensing clinics. Complete diagnostic audiological assessments not only determine whether there is a hearing loss but also whether there is a more serious medical condition that requires immediate medical service such as an acoustic tumor. A non-full service hearing clinic would miss this.

JCH will also be the only audiology clinic with mobile capacity extending beyond industrial audiology services. JCH will offer mobile industrial and geriatric audiology services in GNO, which will include hearing evaluations, hearing aid fittings and dispense, and nursing home/long-term care facility services. Nursing homes and long-term care facilities are an untouched market for audiology in the GNO area. After surveying 30 nursing homes, we found that none provide annual hearing tests to its residents through an audiologist. JCH will be the only practice in the GNO region to directly service nursing home patients.

Furthermore, although there are 3 clinics in GNO that offer tinnitus services, JCH will be the only clinic to offer interactive tinnitus management services with use of relaxation and stress reduction techniques, tinnitus software, and yoga or meditation classes. Most clinics provide tinnitus management through hearing aids or sound devices, however, none have assumed this innovative, stress reduction approach.

A detailed analysis of the Joseph Center for Hearing and Tinnitus Relief chief competitors is provided in the appendix.

### 3.5 Regulation

The following regulations apply to JCH:

Professional License: Louisiana state licensure in Audiology is administered by the Louisiana Board of Examiners for Speech-Language Pathology and Audiology. Applicants must pass the Praxis exam, have over 400 clinical hours, and earn a Doctor of Audiology degree. A notarized application, official
transcripts and a check or money order in the amount of $150 must be submitted to the board. Further information about the application process for licensure may be found at lbespa.org.

Funds for professional licensure will be paid from the audiologist’s own expenses. JCH will not cover this expense. Proof of licensure will be required prior to hiring the clinical audiologist.

Occupational License and Permit: Louisiana occupational license is issued through the secretary of state. The cost to file a reservation for a limited license liability company is $100.00 and $25.00 per year for renewal.

This expense will be deducted from the JCH account. This cost is included in start-up expenses. A detailed summary of start-up expenses can be found in the financial projections section.

Employee Identification Number (EIN): This is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN.

JCH will apply for an EIN online. This is a free service provided by the IRS.

National Provider Identification (NPI) Number: This is a Health Insurance Portability and Accountability Act (HIPAA) Standard. The NPI is a unique identification number for covered health care providers. Covered health care providers and all health plans and health care clearinghouses must use the NPIs in the administrative and financial transactions adopted under HIPAA. An application for the NPI is available online at https://nppes.cms.hhs.gov/NPPES/Welcome.do.

There is no charge or annual fee for an NPI number.

Health Insurance Portability and Accountability Act (HIPAA): This is the single most significant legislation affecting the health care industry since the creation of the Medicare and Medicaid programs in 1965. HIPAA affects all individuals, providers, payers and related entities involved in health care. The HIPAA Privacy regulations require health care providers and organizations, as well as their business associates, develop and follow procedures that ensure the confidentiality and security of protected health information (PHI) when it is transferred, received, handled, or shared. This applies to all forms of PHI, including paper, oral, and electronic, etc. Furthermore, only the minimum health information necessary to conduct business is to be used or shared (http://www.dhcs.ca.gov).

JCH will offer its entire staff a training course on HIPAA and patient information confidentiality through licensed HIPAA personnel.
Occupational Safety and Health Administration (OSHA): Although OSHA will not directly impact JCH, knowledge of OSHA standards and regulations is necessary to implement hearing conservation programs. OSHA’s hearing conservation program requires employers to monitor noise exposure levels in a way that accurately identifies employees exposed to noise at or above 85 decibels (dB) averaged over 8 working hours or an 8 hour time weighted average (TWA) (OSHA).

JCH will familiarize with OSHA standards and finance the certification and training of the industrial audiologist and audiology assistant in hearing conservation from the Council for Accreditation in Occupational Hearing Conservation (CAOHC). The cost is approximately $250 per individual for 2 years. This cost is included in start-up expenses. A detailed summary of start-up expenses can be found in the financial projections section.
4. PRODUCT/SERVICE LINE

4.1 Product or Service

Core Services and Products

JCH will offer a broad range of products and services to meet the hearing needs of its target market. This will be conducted through two phases. A more detailed description of core services and products can be found in the appendix.

Phase One- The Mobile Clinic

SERVICES

Comprehensive Audiological Evaluations: JCH will offer complete audiological evaluations which include air, bone, speech, and immittance testing. All testing will include documentation of results of hearing evaluation, reporting of significant changes or abnormalities, and referring patients for further evaluation if necessary.

This service will be available at both mobile and brick and mortar facilities.

Industrial Consulting: JCH will provide contract-negotiated mobile hearing services with industrial facilities in the Greater New Orleans area based on OSHA regulations for industrial hearing conservation programs. Industrial consultations will include:

• Evaluating the noise level within the industrial facility
• Establishing a baseline hearing test for recently hired employees
• Performing annual hearing evaluations for industrial workers
• Recommending appropriate noise protection
• Training workers on the effects of high levels of noise exposure and the importance of wearing hearing protection
• Reporting significant changes and documenting results of all hearing evaluations
• Ensuring that the facility is following OSHA guidelines, and referring patients for further diagnostic assessments when necessary.
This service will be available through the mobile clinic.

**Hearing Aid Fitting and Dispensing Services**: JCH will provide hearing aid services for patients with hearing loss. These services include:

- Fitting and dispense of hearing aids with appropriate fitting targets using electroacoustic analysis
- Follow-up visits to make necessary changes or repairs
- Hearing aid drop-off/pick-up maintenance and repair service
- Assistive listening devices for patients needing hearing assistance
- On-site accessory products for hearing aids including batteries, hearing aid cases, custom earphones, swim plugs, custom ear plugs, and noise protection.

This service will be available through both mobile and brick and mortar facilities.

**Geriatric Hearing Wellness Program for Nursing Home/Long-term Care Facilities**: JCH will offer mobile hearing evaluations and hearing instrument services for residents of nursing homes and long-term care facilities who require annual hearing tests. JCH will also offer trainings for employees and staff of nursing homes and long-term care facilities on how to effectively communicate with residents who have hearing loss. These services will include:

- Bedside hearing tests
- Fitting and dispensing of hearing aids with appropriate prescription targets
- Assistive listening devices to nursing home or long-term care facility residents
- In-service trainings to nursing home and long-term care facility staff
- Communicating information about hearing loss with the social worker
- Coordinating fun educational activities on hearing loss with the Director of Activities
- Individually counseling residents on their hearing loss
- Free counseling to nursing home or long-term care facility residents’ family members on hearing loss and communicating with their family members with hearing loss
• Documenting results of hearing test, reporting significant findings, and making referrals when necessary.

This service will be available through the mobile clinic.

PRODUCTS

JCH will offer a variety of products to its patients. These will include:

Hearing aids: JCH will partner with several hearing aid manufacturers to provide to its patients a broad variety of hearing aid options. Among these manufacturers are Widex, Phonak, Unitron, Starkey, Oticon, Resound, and Seimens. Hearing aids will be procured from hearing aid manufacturers at wholesale price with an average markup of 300%.

Hearing aids will be available by appointment only.

Hearing aid accessories: JCH will offer patients an opportunity to purchase hearing aid accessories and hearing aid maintenance items. These include batteries, hearing aid cases, hearing aid cleaning materials, dessicator, and cleaning spray. Hearing aid accessories will be procured from companies at wholesale price with an average markup of 100%.

Order forms for additional supplies will be accessible via the center’s website, josephcenterforhearing.webs.com.

Assistive listening devices: JCH will offer its patients a broad selection of assistive listening devices including amplified telephones, FM systems, and pocket talkers. Motiva, Oaktree Products Inc., and Comfort Audio are major manufacturers of wholesale assistive listening devices. Assistive listening devices will be procured from manufacturers at wholesale price with an average markup of 100%.

Order forms for assistive listening devices will be accessible via the center’s website, josephcenterforhearing.webs.com.

Noise protection: JCH will offer its patients a variety of custom noise protection. These include custom ear plugs and ear muffs. Industrial workers, military personnel, pilots, and other persons exposed to loud levels of noise will be good candidates for this product. Appropriate noise protection will be determined by the audiologist. Noise protection will be procured from manufacturers at wholesale price with an average markup of 100%.
Custom noise protection will be available by appointment only.

**Custom ear molds:** JCH will offer its patients custom ear molds with their hearing aids. Custom earmolds will be ordered along with hearing aids to ensure comfort and best fit. The cost of a custom ear mold will be included within the hearing aid price.

Custom earmolds will be available by appointment only.

**Sound therapy devices for tinnitus:** JCH will offer sound devices to patients with bothersome tinnitus. These devices will assist patients by masking the tinnitus. Sound devices will be procured from manufacturers at wholesale price with an average markup of 100%.

Order forms sound devices will be accessible via the center’s website, josephcenterforhearing.webs.com, however it is recommended that patients who are interested make an appointment with an audiologist.

**Phase Two- Expansion to the Brick and Mortar Clinic**

**SERVICES**

Services provided in phase two will consist of all of the services provided in phase one and will expand to include an interactive tinnitus management program.

**Tinnitus Management Program:** JCH will offer a complete tinnitus management program within the clinic. The tinnitus management program will include:

- Assessment of tinnitus including audiological evaluation, pitch, loudness matching, and masking

- Recommendation of appropriate tinnitus sound therapy device or hearing aid with tinnitus masking program

- Incorporation of a tinnitus “relaxation station” where patients may come in for daily or weekly tinnitus therapy sessions

- Interactive tinnitus management program that involves stress reduction therapy through use of tinnitus management software

- Tinnitus management therapy program application available on any Apple or Android device
• Weekly stress reduction exercises through yoga or meditation classes offered by a contracted expert yoga instructor.

• Dietitics consulting service with a contracted dietitian.

This service will only be available at the brick and mortar facility.

PRODUCTS

Products available in phase two will consist of all products in phase one and expand to tinnitus management systems.

**JCH Tinnitus App:** JCH will provide to patients an innovative tinnitus therapy application that will be available for use via any Apple or Android device. This app will provide patients with education on tinnitus, a tinnitus assessment survey, and tinnitus masker sounds. Two levels of this product will be available- an entry level free tinnitus app and an upgrade version for $1.99. A yearly subscription to the upgraded version of the JCH tinnitus application will be free for patients enrolled in the JCH tinnitus program.

Future Expansion of Services

Future expansion of services may include otoacoustic emissions testing, auditory brainstem response testing, mobile drug and spirometry screening in conjunction with mobile hearing tests, and aural rehabilitation.

4.2 Pricing Structure

Core Services and Products Pricing Structure:

JCH services and products will be conducted in two phases. Services in Phase One- The Mobile Clinic- will include comprehensive audiological assessments, industrial consulting services, hearing aid fitting and dispensing services, and the geriatric wellness program. Products in Phase One will include hearing aids, hearing aid accessories, assistive listening devices, noise protection, custom ear molds, and sound therapy devices for tinnitus. JCH will aim to provide high quality diagnostic services and sophisticated hearing instrument technology to patients in the GNO area at affordable costs.
Services in Phase Two- Expansion to the Brick and Mortar Facility- will expand to include the tinnitus management program. Products in Phase two will expand to include the JCH tinnitus application. This interactive tinnitus therapy application will be developed by the JCH with the help of a software designer and will be available for use via any Apple or Android device. A yearly subscription to the tinnitus therapy application will be included in the cost of the tinnitus therapy program.

In both phases, hearing aids will be procured from hearing aid manufacturers at wholesale price with an average markup of 300%. The average cost per hearing aid is $1850. Hearing aid batteries, cleaning kits, assistive listening devices, custom earmolds, and noise protection will be procured from manufacturers at wholesale prices at an average markup of 100%. Exact prices for these may be found below. The cost for assistive listening devices will vary by product and manufacture.

The JCH service pricing structure is calculated based on the cost of providing the service- the professional work performed, the practice expenses, and the professional liability insurance. JCH cost per service or product was compared to competitors and also local Medicare reimbursement rates.

**COST PER VISIT**

Service: Initial cost per appointment or office visit

JCH cost per service: $35.00 per patient

**TESTING SERVICES**

Service: Otoscopy

JCH cost per service: $30.00

Medicare Reimbursement: Varies

Service: Cerumen removal

JCH cost per service: $50.00
Medicare Reimbursement: $0.00

Service: Comprehensive audiological evaluation including air, bone and speech testing
JCH cost per service: $124.48
Medicare Reimbursement: $36.96

Service: Pure tone audiometry, air only
JCH cost per service: $64.68
Medicare reimbursement: $32.34

Service: Pure tone audiometry, air and bone
JCH cost per service: $88.60
Medicare Reimbursement: $39.14

Service: Speech audiometry threshold
JCH cost per service: $49.02
Medicare Reimbursement: $24.51

Service: Speech audiometry threshold, with speech recognition
JCH cost per service: $76.92
Medicare Reimbursement: $38.46

Service: Acoustic immitance testing
JCH cost per service: $63.22
Medicare Reimbursement: $31.61

Service: Tympanometry and reflex threshold measurements
JCH cost per service: $41.52

Medicare Reimbursement: $20.76

Service: Tone decay
JCH cost per service: $66.04

Medicare Reimbursement: $33.02

Service: Stenger Test, pure tone
JCH cost per service: $35.40

Medicare Reimbursement: $17.70

Service: Stenger Test, speech
JCH cost per service: $35.88

Medicare Reimbursement: $19.40

Service: Tympanometry
JCH cost per service: $28.60

Medicare Reimbursement: $14.30

Service: Acoustic reflex threshold
JCH cost per service: $35.88
Medicare Reimbursement: $15.32

Service: Distortion product evoked otoacoustic emissions; limited evaluation
JCH cost per service: $65.49
Medicare Reimbursement: $21.78

Service: Distortion product evoked otoacoustic emissions, limited
JCH cost per service: $65.49
Medicare Reimbursement: $18.72

Service: Auditory brainstem response testing, comprehensive
JCH cost per service: $262.08
Medicare Reimbursement: $131.04

**INDUSTRIAL CONSULTING SERVICES**

Service: Industrial consulting/ JCH Hearing Conservation Program
JCH cost per service: $140 per person

Service: Evaluation of noise levels in industrial facility
JCH cost per service: $150.00

Service: Baseline audiological assessment
JCH cost per service: $75.00 per person
Service: Annual Industrial Hearing Screening
JCH cost per service: $75.00 per person

Service: Custom noise protection
JCH cost per service: $30.00

Service: Trainings/ Workshops
JCH cost per service: $150.00 per session

Service: Reporting and Documenting
JCH cost per service: $10.00 per person

Service: OSHA Compliance for Hearing
JCH cost per service: $250.00 per month

Service: Facility Maintenance Fee
JCH cost per service: $10.00 per person

Service: Ear protector attenuation measurements
JCH cost per service: $90.54

Medicare Reimbursement: $45.27

Service: Ear protector evaluation
JCH cost per service: $35.88

**TINNITUS THERAPY**

Service: Tinnitus Assessment including pitch, loudness matching, and masking
JCH cost per service: $122.54
Medicare Reimbursement: $61.27

Service: Tinnitus Therapy Session
JCH cost per service: $130.00 per session

Service: Relaxation Tinnitus Program cost of enrollment
JCH cost per service: $350 per month

**HEARING AID SERVICES**

Service: Hearing aid evaluation
JCH cost per service: $75.00

Service: Hearing aid programming, monaural
JCH cost per service: $40.00

Service: Hearing aid programming, binaural
JCH cost per service: $76.00
Service: Hearing aid fitting/ orientation/ check
JCH cost per service: $40.00

Service: Electroacoustic analysis, monaural
JCH cost per service: $55.00

Service: Electroacoustic analysis, binaural
JCH cost per service: $110.00

Service: Hearing aid repair, monaural
JCH cost per service: $150.00

Service: Hearing aid repair, binaural
JCH cost per service: $300.00

Service: Hearing aid dispensing fee, monaural
JCH cost per service: $90

Service: Hearing aid dispensing fee, binaural
JCH cost per service: $180

Service: Custom ear mold, monaural
JCH cost per service: $75
Service: Custom ear mold, binaural
JCH cost per service: $150

Service: Ear impression, monaural
JCH cost per service: $75

Service: Ear impression, binaural
JCH cost per service: $150

Product: Dry aid kit
JCH cost per product: $10.00 each

Product: Mini dry aid kit
JCH cost per product: $9.00 each

Product: Cleaning spray
JCH cost per product: $8.00 each

Product: Audiowipes, pk of 36
JCH cost per product: $7.00 each

Product: Audiowipes, pk of 160
JCH cost per product: $19.99 each
Product: Battery Tester
JCH cost per product: $15.00 each

Product: Wax guards
JCH cost per product: $5.00 each

Product: Size 10 batteries, per card
JCH cost per product: $4.50

Product: Size 13 batteries, per card
JCH cost per product: $5.50

Product: Size 312 batteries, per card
JCH cost per product: $5.50

Product: Size 675 batteries, per card
JCH cost per product: $6.50

Product: Hearing aid case, small
JCH cost per product: $5.00 each

Product: Hearing aid case, large
JCH cost per product: $8.50 each
NURSING HOME SERVICES

Service: Training/ workshop for nursing homes

JCH cost per service: $150.00 per session

4.3 Product/Service Life Cycle

JCH Product Life Cycle

JCH products and services life cycle resembles that of the growth stage. The initial introduction of hearing instruments and audiological services has already been achieved through medical assessments and diagnosis. These services were mostly distributed by Master level audiologists who worked at ENT clinics and distributed these products and services under the supervision of an ENT physician. However, the industry has changed. The Doctor of Audiology (Au.D) degree has enhanced audiologists’ qualifications to become private practitioners and thereby resulted in more private practice audiologists in the field. The doctoral level audiologist has only existed for 24 years. The Au.D was founded in 1989. In 2007 it was required by the American Board of Audiology that all audiologists graduating after 2007 must receive a doctoral degree in audiology to practice (The American Academy of Audiology).

Currently, 17% of audiologists are in private practice. The demand for audiologists in private practice is expected to rise due to the increased need for direct services and contract services with hospitals, schools, and nursing facilities for patients with hearing loss. In addition, increased noise exposure among military personnel, industrial workers, and younger generations proctors the growing need for more audiological services (American Speech-Language Hearing Association).

Marketing is essential to JCH productivity. There is a great need for increased awareness and education among patients and medical professionals of audiological products and services and the related benefits. For this reason, it is important for JCH to take advantage of direct marketing strategies. JCH will use several direct marketing strategies to capture its target market of industrial workers in loud noise levels, and nursing home and long-term care patients in phase one, and expand to include marketing strategies to capture its target market of tinnitus patients and the baby boomer population (adults between ages 50 to 65) in phase two. Direct marketing strategies include an “every door” direct mailing strategy through the local post office, hiring a list broker to gain a list of nursing homes and industrial companies within the GNO area, and advertising events and contact information on a local billboard near the major interstate. To finance these marketing efforts, JCH will allocate $5,000 in its startup to the marketing budget.
There are several industry trends that may potentially impact the JCH products and services life cycle. Among these is cerumen removal, over the counter hearing aids, increased noise exposure, tinnitus therapy, mobile clinics, and patient engagement. The following is a summary of how each industry trend may potentially influence the JCH products and services life cycle.

**Industry Trends**

1. Cerumen removal: Several routine audiology procedures and tests are complicated by cerumen in the ear canal. However, many audiologists do not offer cerumen removal services due to risk of injury to the ear canal or perforation of the ear drum. This could potentially detour patients from receiving care from an audiologist if the ENT physician has the capacity to not only remove the cerumen but also perform a hearing test and dispense hearing aids. To respond to this trend, JCH will partner with a physician’s office that has the resources and expertise to remove cerumen from an occluded canal and that does not have the capacity to offer audiological services.

2. Over-the-Counter Hearing Aids: In response to consumer demands for more affordable hearing aid devices, companies such as United Health Care and major retail facilities such as Best Buy and Costco have expanded their product line to include over-the-counter hearing aid technology at more affordable costs. Many audiologists oppose over-the-counter hearing aids. For JCH, this expansion of hearing aid offerings presents an advantage. To remain abreast in this competitive market, JCH must respond to consumer demands. Since many individuals in the JCH’s target market cannot afford customized, prescription hearing aids but still require treatment that exceeds that provided by assistive listening devices and amplifiers, over-the-counter hearing aids provide a viable option for them. Moreover, because of JCH’s commitment to care afore profits, it will offer this more affordable alternative to patients who need it. It is hoped that by meeting this need, JCH will achieve an increase in sales and stabilize, rather than be overcome by this new product.

3. Noise exposure: Noise exposure is one of the most prevalent occupational hazards, particularly for industrial workers. Noise-induced hearing loss can be caused by a one-time exposure to an intense “impulse” sound, such as an explosion, or by continuous exposure to loud sounds over an extended period of time, such as noise generated in a woodworking shop (NIDCD). As the need for increased productivity amongst industrial facilities has increased over the past decade, the prevalence of noise-exposure has increased as well—workers are working longer shifts, machines are running longer and louder, and the possibility of chemical explosions present an omnipresent danger on the worksite. Since much of the Greater New Orleans economy relies on manufacturing, refining, mining, and construction, the demand and need for noise exposure programs industrial in this region are immense. There are few audiology practices in GNO that offer industrial audiology services. To respond to this demand, JCH will offer in-depth industrial hearing conservation programs to workers of industrial firms in the area via the JCH mobile clinic.
4. Tinnitus Therapy: Approximately 50 million people in the US suffer with tinnitus or ringing in the ears. Of those 2-3 million people suffer with a disabling form of tinnitus also known as bothersome tinnitus (American Tinnitus Association). Currently, the most effective option for tinnitus management is amplification. However, other approaches have been sought, particularly, biofeedback, cognitive therapy, medication, sound therapy, and for the most extreme case, a cochlear implant. The JCH will offer its patients several options to mitigate the effects of bothersome tinnitus. More specifically, JCH will offer amplification, an interactive tinnitus management program application accessible through Apple and Android products, and an opportunity to participate in actual stress reduction classes such as yoga. It is JCH’s goal to capture this huge market and provide patients with effective treatment and therapy.

5. Mobile Clinics: Approximately 2,000 mobile health clinics in the United States have 6.5 million patients annually (Mobile Health Map). Mobile clinics are found to be a cost-effective delivery model for primary and secondary preventative care, based on savings from health improvement and emergency department avoidance. For audiology, specifically, a mobile health care unit can not only be used to reach patients in peripheral location but also in contracting audiological services with industrial facilities in surrounding areas. JCH will respond to the growing trend of mobile healthcare by operating solely as a mobile audiology clinic in Phase One and then continuing to run a mobile audiology unit in Phase Two. JCH projects to serve over 1,500 patients in the Greater New Orleans area annually using its mobile clinic facility.

6. Patient engagement: As the pervasiveness of technology continues to rise exponentially, there is an exponential demand for healthcare providers to adopt a patient engagement approach. The Patient Engagement Framework is a model created to guide healthcare organizations in developing and strengthening their patient engagement strategies through the use of eHealth tools and resources (National eHealth Collaborative). The JCH plans to respond to the trend of patient engagement by offering patients simple but secure access to their patient records and 24 hour access to the JCH website, www.josephcenterforhearing.webs.com where they can learn more about audiology, tinnitus, and hearing conservation as well as pose questions or leave messages for the Center’s staff via the website’s discussion forum or direct email. JCH will also publish a monthly hearing healthcare newsletter that will be available on the JCH website and sent to current patients preferred email addresses.

4.4 Intellectual Property Rights

JCH will secure the following intellectual property rights.
Tinnitus Application:

In phase two (year 2) of operation - Expansion to the Brick and Mortar Clinic- JCH will expand to offer both mobile and in-house services. The purpose of the brick and mortar facility is to offer patients more diagnostic services, establish permanency in location, increase staff to optimize patient capacity, and to develop an interactive tinnitus management program that involves stress reduction therapy through use of tinnitus management software, equipment and physical exercise. As part of this innovative approach to tinnitus therapy, JCH will launch a free tinnitus application, accessible through any Apple or Android device. The tinnitus application will include information to educate the patient on tinnitus, a survey to assess the tinnitus, and tinnitus masker sounds that may be used to mitigate the impact of tinnitus. JCH will copyright the tinnitus management program to maintain legal ownership.

4.5 Research & Development

Currently, JCH does not have any research and development activities planned. However, if any are planned in the future, updates will be made to this section of the business plan.
5. MARKETING & SALES

5.1 Growth Strategy

JCH will start and expand the practice by operating in two phases.

Phase One – *The Mobile Clinic*

In phase one (year 1) JCH will operate solely as a mobile audiology clinic. During this phase, JCH staff will consist of 3 employees - the lead audiologist (business owner) and 2 part-time employees who will be in charge of billing, coding, administrative and industrial audiology assistant duties. The purpose of the mobile unit is to allow efficient delivery of audiological services, capitalization of cost effectiveness, and versatility of care to JCH’s target market. Services will include comprehensive hearing evaluations, industrial hearing conservation programs, hearing instrument fittings, geriatric audiology services for patients in nursing homes and long-term care facilities, and tinnitus management utilizing sound therapy machines and hearing devices.

During this phase, JCH projects to schedule 1,728 patient appointments through nursing homes and long-term care facilities, dispense 36 hearing aids, and consult with 600 industrial workers. At an average billing rate of $160 per patient appointment, $1850 per hearing aid, and $140 per employee enrolled in the industrial hearing conservation program, potential gross revenue is $427,020 in year one.

To accomplish this sales goal, JCH will pursue contracts to provide mobile hearing services to 30 nursing homes in the Greater New Orleans (GNO) area. These nursing homes average capacity is 130 residents per nursing home. If JCH is able to secure contracts with each nursing home, this would create a nursing home patient base of 3,900 individuals. According to the National Institute on Health, 20% of individuals with hearing loss purchase hearing aids. Since approximately 70% of nursing home patients have severe hearing loss, if one were to predict the number of nursing home residents who will need a hearing aid, the estimate would be 546 residents. JCH will further pursue contracts to provide mobile hearing services to 20 industrial facilities with an average enrollment of 30 employees in the hearing conservation program. The combination of these strategies will allow JCH to accomplish its sales goal in year one and expand to include a larger facility in year two.

Phase Two- *Expansion to the Brick and Mortar*
In phase two, JCH will expand to include a brick and mortar facility. The purpose of the brick and mortar facility is to offer patients more diagnostic services, establish permanency in location, increase staff to optimize patient capacity, and to develop an interactive tinnitus management program that involves stress reduction therapy through use of tinnitus management software, equipment and physical exercise. Services will include those of phase one as well as comprehensive audiological evaluations in an audiometric booth, otoacoustic emissions testing, auditory evoked potentials assessments, tinnitus management, and in-house hearing aid fitting, dispensing and drop off services.

JCH will hire a part-time audiologist to deliver in-house services at the brick and mortar clinic, a clinic manager to manage and supervise office staff, and an audiology assistant. This will increase JCH staff size to 6 employees. This increase in staff will allow JCH to schedule an additional 1,296 patient appointments. Combined, the mobile and brick and mortar facilities project to schedule 3,024 patient appointments (nursing home and clinic patients), dispense 100 hearing aids, and consult with 1,080 industrial workers. At an average billing rate of $160 per patient appointment, $1850 per hearing aid, and $140 per employee enrolled in the industrial hearing conservation program, potential gross revenue is $820,040 in year two.

To accomplish this goal, JCH will maintain previous contracts with the 30 nursing home facilities in GNO. JCH hearing aid goal of 100 hearing aids is based on a conservative value. However, if one considers the research provided by the National Institute on Health, one may predict JCH to have 604 patients with hearing loss who may purchase hearing aids in year two. During this year, JCH will secure 36 contracts with industrial facilities with an average enrollment of 30 employees in the hearing conservation program. The combination of these strategies will allow JCH to accomplish its sales goal in year two.

5.2 Communication

Marketing Strategy

To stand out from competitors, and secure its target clientele, the Joseph Center for Hearing and Tinnitus Relief must create brand awareness and build momentum before opening. As a result, the clinic must have a strong marketing strategy that emphasizes the unique benefits of the clinic’s services.

In the months before the Joseph Center for Hearing and Tinnitus Relief’s grand opening, the clinic plans to use a mixture of traditional and non-traditional marketing methods to create a strong presence in the Greater New Orleans (GNO) community. Viable marketing methods include building a user friendly website and utilizing social media; creating a tinnitus application; designing a logo for the mobile unit; hosting and participating in community health events; securing listings on websites advertising audiological services in New Orleans; networking with members of the GNO business,
industrial, and medical community; word-of-mouth advertising; print advertising; offering free hearing screenings at organizational and community meetings; and outdoor advertisements. The following are ways that JCH will reach its target customers.

Phase One- *The Mobile Clinic*

**The Website:**

JCH has already begun to promote brand awareness through its website. The site is very user friendly and the information is easy to access. There is also a discussion forum where viewers can tune in to the latest topics on hearing loss. The JCH website is currently available for viewing and may be accessed at www.josephcenterforhearing.webs.com. In addition to the website, JCH will also use social media including Facebook, twitter, Google plus, Google blogger, and Instagram to build awareness. Constant up-keep of the JCH website and social media pages will be conducted by the administrative staff. Website expenses will be $150 per year. These funds will be used for website development (including the purchase of a domain name), design, art, and multimedia.

Budget: $150 per year

**The Mobile Clinic:**

The mobile clinic will serve as a huge marketing tool. The outside of the mobile unit will contain the JCH logo in a large colorful graphic design. It will also contain the JCH telephone number and website. This will increase brand awareness for JCH whether the mobile unit is parked outside of the business office or traveling on the road. The cost of the graphic design is included in the mobile unit purchase price.

Budget: $1000.00

**Community Service Events:**

JCH will also participate in community service events prior to opening and provide free hearing screenings to participants. Recently, JCH’s owner and future lead audiologist participated in a free community health fair sponsored by Jubilee Respite Services in GNO. During the health fair, the JCH staff issued handouts on hearing loss and Presbycusis and educated participants on hearing loss.

**List Brokers:**

JCH will hire a list broker to gain a list of nursing homes and industrial businesses within the GNO area. List brokers provide businesses with exact listings of the type of firms that they wish to target. This will eliminate the need to search the internet and other public resources for businesses. It will also
allow the owner to allocate time to other tasks. The cost per list is approximately $.15 per name. These costs will be deducted from the JCH marketing funds.

Budget: $200.00

**Free Seminars and Family Consulting:**

JCH will host free seminars at nursing homes and long-term care facilities on communicating with elders who have hearing loss. JCH will distribute a free survey to assess the need for audiological care in nursing homes. JCH will also provide free consulting services for families of nursing home residents who are concerned about their family member’s hearing.

**FREE Hearing Protection at Games and Events:**

GNO is well known for its large music festivals and football games in the Superdome. There are several music festivals and football games that occur each year. JCH will secure an opportunity to distribute free hearing protection at festivals, particularly Jazz Festival, and Saints football games. Hearing protection packages will contain the JCH logo and contact information. JCH will solicit employees and PRN staff to assist with distribution. Costs for hearing protection and PRN staff will be deducted from JCH marketing funds.

Budget: $1100.00

**Physicians:**

JCH will market to physicians in an innovative way. Physicians are a great referral source for audiologists. JCH will particularly target primary care physicians, ENTs and optometrists/ophthalmologists. JCH will purchase Universal Hearing Screeners through Oaktree Products Inc. at wholesale price and distribute these to physicians in the local GNO area. Each screener will contain the JCH logo and contact information so that physicians are reminded of JCH each time a screener is used. Wholesale price per screener is $19.99 if a minimum order of 20 screeners is purchased. Costs for the screeners will be deducted from JCH marketing funds.

Budget: $500.00

Phase Two – *Brick and Mortar Facility*

**Happy Hour Event/ Grand Opening:**

In phase two, JCH will host a happy hour event to announce the business’ grand opening. Physicians, business owners, industrial facilities managers, nursing home and long-term care facilities directors and administrators, council members and members of the medical community will be invited to this event. During this event, JCH will conduct a short power point presentation introducing the business and
services that it will provide. The grand opening celebration is scheduled to occur within months of JCH initial start of operation. The purpose of the celebration is to build awareness of JCH for leaders within the community.

Budget: $1000.00

**FREE Tinnitus App:**

JCH will launch a tinnitus application accessible through any Apple or Android device that will provide individuals with information to educate them on tinnitus, a survey to assess the type of tinnitus, and tinnitus masker sounds that they may use to mitigate their tinnitus. There will be two versions of the app, a free version and an upgraded version. The upgrade will cost $1.99. The upgrade is free for patients enrolled in the JCH tinnitus management program and may be renewed annually.

Budget: $5,000.00

**Celebrity Endorsement:**

JCH will build brand awareness by targeting a local celebrity with hearing loss in the GNO area and securing a celebrity endorsement. There are several famous local musicians and athletes who have hearing loss. JCH does have one celebrity in mind. Costs for the celebrity endorsement will be deducted from the JCH marketing funds.

Budget: $5,000.00

**Direct Mailing:**

JCH will partner with the local post office and utilize direct mailing to reach neighborhoods that contain large elder populations. Benefits of direct mailing include: efficient use of advertising, highly selective, targeted, and personalized mailing system, the response is easily measured, and there is a high quality of reproduction.

Budget: 1,000

**Billboard:**

JCH will purchase a billboard on I-10, one of the major interstate highways in GNO. It is approximately $1500 per month to run a billboard ad. However, the costs for the billboard vary by location. Costs will be deducted from JCH marketing funds.

Budget: $1500.00

The start-up marketing activities are projected to cost $5,000. The clinic will focus strongly on delivering comprehensive audiology services in a warm, pleasant
environment. In addition, the Joseph Center for Hearing and Tinnitus Relief will maintain consistent communication with its patients via weekly e-blasts that will educate patients about the latest developments in hearing loss treatment, management, and prevention. All of these factors will result in patient satisfaction and high referral rates.

5.3 Prospects

JCH will use a direct marketing strategy to capture its target audience. JCH will not solely depend on a sales team or a website to distribute products and services, because its distribution channel is very much directly to the consumer. Direct marketing enables JCH to engage directly with its target audience.

JCH based its direct marketing approach on research. Research shows that direct marketing enables an organization to reach its target market specifically, allows use of a variety of marketing mediums, and encourages patients to respond immediately (Switzer.com). It also allows organizations to build a list of potential or existing patients (Switzer.com). In addition to research, patient preference shows that when choosing an audiologist patients look for a clinician who is knowledgeable, skilled, and who will listen carefully to their hearing concerns. Patients are more likely to return to an audiologist whose location and hours are convenient and accessible, who have short waiting times for appointments and waiting room waits, whose staff is friendly and helpful, and who work effectively with their insurance provider.

Education and counseling is a great approach to reaching industrial workers and nursing home residents. JCH will reach industrial workers by speaking at local conferences and joining professional groups. JCH will reach nursing home residents by providing free counseling services to nursing home residents and resident’s family members on hearing loss.

JCH will utilize the following direct marketing approaches:

Phase One-The Mobile Clinic

The Mobile Clinic:

The mobile clinic will serve as a huge direct marketing tool. JCH will utilize the mobile unit to perform audiological tests for industrial facilities and nursing home residents. The outside of the mobile unit will contain the JCH logo in a large colorful graphic design. It will also contain the JCH telephone number and website. This will increase brand awareness for JCH whether the mobile unit is parked
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Phase Two – *Brick and Mortar Facility*

**FREE Tinnitus App:**
JCH will launch a tinnitus application accessible through any Apple or Android device that will provide individuals with information on tinnitus as well as free tinnitus masker sounds that they may use to mitigate their tinnitus.

**Direct Mailing:**

JCH will partner with the local post office and utilize direct mailing to reach neighborhoods that contain large elder populations. Benefits of direct mailing include: efficient use of advertising, highly selective, targeted, and personalized mailing system, the response is easily measured, and there is a high quality of reproduction.
6. FINANCIAL PROJECTIONS

6.1 Profit & Loss

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<th>Year 2</th>
<th>Year 3</th>
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### 6.2 Cash Flow (01/01/2013 to 12/31/2013)

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<td>$1,060,522</td>
</tr>
<tr>
<td><strong>CASH RECEIPTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Sales</td>
<td>$0</td>
<td>$54,600</td>
<td>$94,920</td>
<td>$94,920</td>
<td>$244,440</td>
</tr>
<tr>
<td>Collections from CR</td>
<td></td>
<td>$114,672</td>
<td>$172,008</td>
<td>$172,008</td>
<td>$458,688</td>
</tr>
<tr>
<td>Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan/Cash Injection</td>
<td>$50,000</td>
<td>$285,000</td>
<td>$585,120</td>
<td>$585,120</td>
<td>$1,505,240</td>
</tr>
<tr>
<td><strong>TOTAL CASH RECEIPTS</strong></td>
<td>$50,000</td>
<td>$454,272</td>
<td>$852,048</td>
<td>$852,048</td>
<td>$2,208,368</td>
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<tr>
<td><strong>TOTAL CASH AVAILABLE</strong></td>
<td>$60,000</td>
<td>$454,294</td>
<td>$1,139,743</td>
<td>$1,614,853</td>
<td>$3,268,890</td>
</tr>
<tr>
<td><strong>CASH PAID OUT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>$6,071</td>
<td>$3,928</td>
<td>$16,072</td>
<td>$9,492</td>
<td>$35,563</td>
</tr>
<tr>
<td>Gross Wages</td>
<td>$34,763</td>
<td>$88,442</td>
<td>$231,246</td>
<td>$231,246</td>
<td>$585,697</td>
</tr>
<tr>
<td>Outside Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Supplies</td>
<td>$1,000</td>
<td>$2,250</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$15,250</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Advertising</td>
<td>$4,000</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$52,000</td>
</tr>
<tr>
<td>Car, delivery &amp; travel</td>
<td>$6,294</td>
<td>$8,738</td>
<td>$12,032</td>
<td>$12,032</td>
<td>$39,096</td>
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<td>Accounting &amp; legal</td>
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<td>$500</td>
<td>$2,125</td>
<td>$2,125</td>
<td>$4,900</td>
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<tr>
<td>Rent</td>
<td>$6,000</td>
<td>$12,000</td>
<td>$18,000</td>
<td>$18,000</td>
<td>$54,000</td>
</tr>
<tr>
<td>Telephone</td>
<td>$300</td>
<td>$600</td>
<td>$900</td>
<td>$900</td>
<td>$2,700</td>
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<tr>
<td>Utilities</td>
<td>$400</td>
<td>$800</td>
<td>$2,400</td>
<td>$2,400</td>
<td>$6,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Taxes (real estate, etc.)</td>
<td></td>
<td>$36,341</td>
<td>$68,163</td>
<td>$68,163</td>
<td>$172,667</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>$59,978</td>
<td>$166,599</td>
<td>$376,938</td>
<td>$370,358</td>
<td>$973,873</td>
</tr>
<tr>
<td>Loan principal payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Capital purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Other startup costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Reserve and/or Escrow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>Others withdrawal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL CASH PAID OUT</strong></td>
<td>$59,978</td>
<td>$166,599</td>
<td>$376,938</td>
<td>$370,358</td>
<td>$973,873</td>
</tr>
<tr>
<td><strong>CASH POSITION</strong></td>
<td>$22</td>
<td>$287,695</td>
<td>$762,805</td>
<td>$1,244,495</td>
<td>$2,295,017</td>
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## 6.3 Break-Even Analysis

<table>
<thead>
<tr>
<th>VARIABLE COSTS</th>
<th>Fixed Costs ($)</th>
<th>Variable Costs (%)</th>
<th>Variable Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods Sold</td>
<td></td>
<td>50</td>
<td>57600</td>
</tr>
<tr>
<td>Inventory/ Office equipment</td>
<td>2250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Labor</td>
<td>81250</td>
<td>5.07</td>
<td>23040</td>
</tr>
<tr>
<td><strong>FIXED COSTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$18,916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
<td>0.7%</td>
<td>$3,250</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td>4.0%</td>
<td>18000</td>
</tr>
<tr>
<td>Mobile Unit</td>
<td>5832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile unit insurance</td>
<td>$2000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile unit gas</td>
<td></td>
<td>0.9%</td>
<td>4200</td>
</tr>
<tr>
<td>Rent</td>
<td>$18,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>$900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>$1200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malpractice insurance</td>
<td>$2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$36,341</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal portion of debt payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners draw</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Fixed Costs</strong></td>
<td>$168689</td>
<td>37.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Variable Costs</strong></td>
<td>$106090</td>
<td>23.3%</td>
<td></td>
</tr>
</tbody>
</table>
### 6.4 Balance Statement

**YEAR 1**

**Assets**

- **Start Date:** 08/01/2015  
  **End Date:** 07/31/2015

<table>
<thead>
<tr>
<th>Current Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank (cash on hand and cash from outside source)</td>
<td>60000</td>
</tr>
<tr>
<td>Accounts Receivable (Medicare and industrial contracts)</td>
<td>285000</td>
</tr>
<tr>
<td>Inventory (hearing aids)</td>
<td>57600</td>
</tr>
<tr>
<td>Prepaid Expenses (car insurance, malpractice, rent, car)</td>
<td>30388</td>
</tr>
<tr>
<td>Supplies</td>
<td>2250</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>12000</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$447,238</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery &amp; Equipment (office, diagnostic)</td>
<td>13880</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>1582</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL FIXED ASSETS (net of depreciation)</strong></td>
<td>$15,462</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$462,700</td>
</tr>
</tbody>
</table>

**Liabilities & Equity**

<table>
<thead>
<tr>
<th>Current Liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable (outside funding, equipment financed)</td>
<td>61625</td>
</tr>
<tr>
<td>Employees benefits</td>
<td>18916</td>
</tr>
<tr>
<td>Sales tax payable (sales tax on hearing aids)</td>
<td>15984</td>
</tr>
<tr>
<td>Interest Payable</td>
<td></td>
</tr>
<tr>
<td>Taxes Payable</td>
<td>36341</td>
</tr>
<tr>
<td>Notes, short term (due in 12 months)</td>
<td></td>
</tr>
<tr>
<td>Current part, long-term debt</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>$132,866</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long Term Debt</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans payable</td>
<td>0</td>
</tr>
<tr>
<td>Notes payable to stockholders</td>
<td>0</td>
</tr>
<tr>
<td><strong>LESS: short-term portion</strong></td>
<td></td>
</tr>
<tr>
<td>Other long-term debt</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM DEBT</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; EQUITY</strong></td>
<td>$132,866</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owners Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>0</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OWNERS EQUITY</strong></td>
<td>$329,834</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; EQUITY</strong></td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; EQUITY</strong></td>
<td>$462,700</td>
</tr>
</tbody>
</table>
6.5 Financial Assumptions

6.5.1 Assumptions for Profit and Loss Projections

Profit and Loss Assumptions

PRE-START UP

Beginning cash:
Assume that beginning cash is $60,000. This will be secured from owner’s equity ($10,000) and outside funding ($50,000). Outside funding will be secured from the hearing aid manufacturer. The hearing aid manufacturer will sponsor startup costs. In return JCH will sell the manufacturer’s hearing aid products. This is a common partnership that takes place between hearing aid manufacturers and private practice audiologists.

OPERATING EXPENSES STARTUP

Purchases: Assume that cash purchases include office equipment, furniture, and diagnostic equipment purchased up-front. More expensive diagnostic equipment will be financed over a period of 3 years at a rate of 8%. The total pre-startup cash purchase is $6,071.

- **Office equipment:** 2 desktop computers ($1000), 1 ipad ($600), 1 backup drive ($200), and 2 printers ($400). The office equipment will be purchased up-front resulting in a total of $1930 before taxes.

- **Furniture:** 2 shelves ($338), 5 chairs for the mobile clinic ($200), 2 desks ($500), office seating ($300), 3 tables ($75), 3 file cabinets ($169), and 2 telephones ($100). The furniture will be purchased up-front resulting in a total of $1,582 before taxes.

- **Diagnostic equipment:** 2 otoscopes ($250) and 1 sound level meter ($75) up-front at a cost of $700 will be purchased up-front. 2 automatic diagnostic audiometers ($4,430), 1 portable diagnostic audiometer ($4,000), 1 hand held tympanometer ($1,995), and clinic software ($1200) will be financed over a period of 3 years.
The estimated cost per month is $491 with an 8% financing rate. Pre-startup expenses will include 4 months cost of diagnostic equipment for a total of $2559.

**Gross wages (exact withdrawal):** Assume that pre-startup gross wages will be **$34,763**. This includes 4 month wages for 2 part time administrative assistants ($12/ hour) and 4 month salary for 1 full-time audiologist/ practice owner ($81,250).

**Supplies (office and operation):** Assume that pre-startup office supplies will be **$1000**. This will include, paper, printer cartridges, staplers, hole punchers, file folders, cleaning supplies, toilet paper, hand soap, hand sanitizer, writing utensils, paper clips, white out, etc.

**Advertising:** Assume that JCH will allocate **$4,000** of pre-startup expenses to advertising and marketing. This will include website expenses as well as other marketing endeavors.

**Car, deliver, and travel:** Assume that pre-startup car, delivery and travel expenses will include the cost for gas ($350) during month 1 of operation, insurance ($1000), 4 months of lease expenses (486), and sound proofing the mobile unit ($3000). The mobile unit will be purchased on a three-year lease. Pre-startup expenses total **$6294**.

**Accounting and Legal:** Assume that pre-startup accounting and legal fees will total **$150**. This expense is for the Louisiana occupational license. JCH will not pursue accounting and legal services until start of operation.

**Rent:** Assume that rent is $1500 per month in year 1. Pre-startup expenses will include 4 months of rent totaling to **$6000**.

**Telephone/ Internet:** Assume that telephone expenses will be $75 per month (AT&T small business telephone and DSL package). Pre-startup expenses will cover 4 months of telephone service totaling to **$300**.
Utilities: Assume that 4 months of electricity expenses will be allocated to pre-startup utilities, totaling $400. This cost is based solely on electricity. According to the property management staff, gas, water and property tax expenses are covered in the monthly lease and do not have to be included in start-up utility expenses.

Insurance: Assume that malpractice insurance will be $1000 and covered in the pre-startup insurance expenses.

Total start-up expenses is $59,978.

PROFIT AND LOSS YEAR 1- THE MOBILE CLINIC

Based on the expected Year 1 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected sales for year 1 is $454,272. Considering the estimated operating expenses of $130,258 (total expenses are $166,599 with income taxes), the Joseph Center for Hearing and Tinnitus Relief will have an ending cash balance of $287,673 in Year 1.

JCH will not begin operating until it has secured contracts with at least 3 nursing home facilities and 3 industrial facilities to perform testing. This will help JCH to schedule hearing evaluations ahead of time, meet its financial goals and afford operating expenses for the first 3 months. Total operating costs per month is listed in more detail below.

A detailed, month to month explanation of the Year 1 profit and loss statement is below.

SALES YEAR 1

Sales: Assume that JCH will generate $454,272 in sales in year 1. These sales will be a combination of cash sales, collections from CR accounts, and receivables (Medicare receivables and contract receivables).
Cash Sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit. Each patient will be charged a $35.00 fee to see the audiologist. An average of 130 nursing home patients will be seen per month. This number was estimated by averaging the total patient capacity of the 30 nursing homes that JCH will target. Approximately 130 nursing home patients are within each nursing home. If 130 nursing home patients are seen each month with a charge per doctor’s visit of $35.00 per patient, revenue from cash will equal $4550 per month, thereby totaling $54600 in cash sales for year 1.

Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. If an average of 8 hearing aids is sold per month at $1850, revenue from credit card receipts will total $14,800 per month. This assumption was based on research from the National Institute on Health (NIH). According to the NIH, 20% of adults with hearing loss purchase hearing aids (National Institute for Deafness and Communication Disorders). Based on this percentage, if JCH sees 130 nursing home patients per month, then approximately 26 hearing aids could be sold in one month and 312 per year. However, JCH used the very conservative estimate of 8 hearing aids sold per month to calculate its monthly projection of $14,800. This monthly projection results in $177,600 per year in collections from CR Accounts. After deducting a 3% credit card transaction fee and the initial cost of the hearing aids ($600), a net total of collections from CR accounts is $114,672.

Loan/ Other cash injections:
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan/other cash injections is $285,000 in year 1.

- Revenue from contract receivables: Assume that revenue from contract receivables is generated from industrial hearing assessments. Contracts will be secured with industrial facilities. An average of 20 contracts will be secured in year 1 with an average employee capacity of 30 employees. Year 1 goal is to target 600 industrial workers. If 600 industrial workers are screened each year at a rate of $140 per worker, revenue from contract receivables will equal $7,000 per month resulting in a total of $77,000 in revenue from contract receivables per year. Projections estimate that payment for industrial contracts will be received in month 2; therefore, the revenue
from contract receivables in month 1 is $0 and $7,000 for the 11 months to follow.

- **Revenue from Medicare Receivables**: Assume that revenue from Medicare receivables is generated from Medicare reimbursement for audiology tests provided to residents in nursing home and long-term care facilities. It is estimated that JCH will see an average of 130 nursing home patients monthly. This estimate was derived by finding the average patient capacity of the 30 nursing homes that JCH will target. Medicare reimburses approximately $160 per comprehensive audiological evaluation. If 130 nursing home patients are seen each month with a charge of $160 per visit, revenue from Medicare Receivables is $20,800 monthly resulting in $208,000 for the year. Projections estimate that JCH will not receive Medicare payment until 30 to 60 days after submitting a claim. Therefore, revenue for months 1 and 2 is $0. It is estimated that revenue from Medicare receivables will be collected in month 3. For this reason, revenue from Medicare Receivables is $0 in months 1 and 2 and increases to $20,800 in month 3.

**Cost of goods sold**: Assume that $600 will be deducted from each hearing aid sale to cover the wholesale cost of the hearing aid. If 8 hearing aids sold per month, cost of goods sold per month will total $4800 or $57600 per year. Included in cost of goods sold is also the credit card transaction processing fee. This fee will total $5328 in year 1. Therefore the cost of goods sold in year 1 will be $62,928. Making gross profit in year 1 $454,272.

**OPERATING EXPENSES YEAR 1**

**Salary (office and overhead)**: Assume that JCH startup funds will cover the first 4 months expenses for gross wages. JCH gross wages will include wages for 2 part time administrative assistants ($12/ hour) and salary for 1 full-time audiologist/practice owner ($81,250). The part time administrative assistants will each work 20 hours per week. Gross monthly wages (exact withdrawal) will total $8,690 resulting in a total of $104,290 in year 1. After deducting the first 4 months wage expenses covered by pre- startup funds, the gross wages expense totals $69,526 in year 1.

**Payroll (taxes, etc)**: Assume that payroll taxes are $18,916 during year 1. This includes taxes and fringe benefits for year 1 (this calculation is based off salaries for
part time and full-time employees and was done using the payroll calculator at paycheckmanager.com).

**Supplies and office operation:** Assume that JCH startup funds will cover the first 3 months of office supplies expenses. After deducting the first 3 months expenses for office supplies ($500 for month 1, $250 for month 2, and $250 for month 3) covered by pre-startup funds from the supplies and office operation, the supplies and office operation expense totals $2,250 in year 1.

**Advertising and Marketing:** Assume that JCH startup funds will cover the first 3 months of advertising and marketing. JCH will allocate $1500 a month to a marketing endeavor. After deducting 4 months expenses of $4,000 toward marketing and advertising, total marketing expenses are projected to be $12,000 in year 1.

**Car, delivery, and travel:** Assume that JCH startup funds will cover the first 4 months of car, delivery, and travel expenses. Car, delivery, and travel expenses include cost of the lease for the mobile vehicle ($486 per month), cost for sound proofing the mobile vehicle ($3000, which will be deducted from startup), travel and gas for the mobile vehicle ($350 per month), and car insurance ($1000 per 6 months). The mobile vehicle will be leased with no down payment placed at the time of purchase. The lease is $486 per month. After deducting 4 months expenses from car, delivery, and travel, total car, delivery, and travel expense is projected to be $8,738 in year 1.

**Accounting and legal:** Assume that accounting and legal expenses include costs for occupational license and permits ($125 per year), accounting fees ($100 per hour), and attorney fees ($100 per hour). The cost for the occupational license and permit ($125) was included in startup funds. After deducting the occupational license expenses from accounting and legal fees, this results in accounting and legal fees of $500 in year 1. Costs will increase as the practice expands and accounting and legal services become more necessary.

**Rent:** Assume that 4 months of rent is included in pre-startup funds. Cost of rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management). After deducting 4 months of rent, total cost of rent is projected to be $12,000 in year 1.
Telephone/ Internet: Assume that 4 months of telephone fees is included in the startup expenses. The business telephone will be serviced by AT&T. AT&T small business telephone and DSL package is approximately $75 per month plus tax. After deducting 4 months of telephone expenses, total telephone service expenses are projected to be $600 in year 1.

Utilities: Assume that 4 months of utilities is included in startup funds. The cost of utilities is estimated to be $100 per month. This estimate was taken from smallbusiness.chron.com. Utility costs will be low in year 1, because the majority of JCH assessments will be performed on the mobile unit. After 4 months of utilities is deducted, utilities expense totals $800 in year 1. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 1.

Insurance: Assume that malpractice insurance will total $2,000 in year 1. Six months cost of malpractice is covered in pre-startup funds. After 6 months of insurance is deducted, insurance costs in year 1 is $1000.

Other expenses (Diagnostic equipment): Assume that JCH start-up funds will cover the first 4 months expenses for diagnostic equipment. JCH will purchase 2 automatic diagnostic audiometers ($4,430), 1 portable diagnostic audiometer ($4,000), 1 hand held tympanometer ($1995), and clinic software ($1200). Diagnostic equipment (2 automatic audiometers, portable audiometer, and hand-held tympanometer) and software will be financed over a period of 3 years. The estimated cost per month is $491 with an 8% financing rate. After deducting the first 4 months expenses covered by pre-startup funds from the total cash purchases, the diagnostic equipment expense totals $3928 in year 1.

As a result, total expenses in year 1 are $130,258 (total expenses are $166,599 with income taxes)

Income taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $465,039 in year 1, occupational taxes will total, $36,341 in year 1. When income taxes are deducted, total expenses for year 1 are $166,599.
Ending profit is $287,673 in year 1.

PROFIT AND LOSS STATEMENT YEAR 2- EXPANSION TO THE BRICK AND MORTAR

Based on the expected Year 2 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected sales for year 2 is $852,048. Considering the estimated expenses of $305,525 ($376,938 with income taxes) the Joseph Center for Hearing and Tinnitus Relief will have a net profit of $478,360 after taxes in Year 2.

A detailed, explanation of the Year 2 Cash Flow Projection is below.

SALES YEAR 2

Sales: Assume that JCH will generate $852,048 in sales in year 2. These sales will be a combination of cash sales, collections from CR accounts, and receivables (Medicare receivables and contract receivables).

Cash sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit for nursing home patients and in house appointments. Cash sales are projected to increase in year 2 due to JCH expansion and ability to schedule almost twice as many patient appointments in year 2 as it did in year 1. JCH will aim to meet its same goal of 130 nursing home patients each month with a charge per doctor’s visit of $35.00 per patient. If JCH meets its target, revenue from cash will equal $4550 per month, thereby totaling $54,600 in cash sales from nursing homes in year 2. JCH will further aim to meet its goal of 96 patient clinic appointments with a charge per appointment of $35.00 per month, totaling $40,320 in year 2. The combined sales from nursing home and clinic appointments are $94,920 in year 2. JCH hopes to meet this goal by hiring an in-house audiologist and serving 224 patients per month.

Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. Having 2 audiologists will allow JCH to increase its first year goal of selling 8 hearing aids per month. In fact, it is projected that JCH will sell 12 hearing aids per month at $1850. If JCH sells 12 hearing aids per month at $1850 per hearing aid, revenue from credit card receipts will total $22,200 per month. This results in a projection of $26400 per year in collections from CR Accounts. This is the revenue from sales before cost of goods is deducted. To get the net value for collections from CR accounts, deduct cost of hearing aids sold ( $600) from the net value. Also, deduct 3% of cost of sale from each credit card transaction. Therefore, total net collections from CR accounts are $172,008.

**Loan/ Other cash injections:**
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan and other cash injections is $585,120 in year 2.

- **Revenue from contract receivables:** Assume that revenue from contract receivables is generated from industrial hearing assessments. In year 2, JCH will increase its industrial contracts goal from 20 to 36 industrial contracts. The goal in year 2 is to target 1,080 industrial workers. If 1080 industrial workers are screened at a rate of $140 per worker, revenue from contract receivables will equal $151,200 in revenue from contract receivables in year 2.

- **Revenue from Medicare Receivables:** Assume that revenue from Medicare receivables is generated from Medicare reimbursement for hearing evaluations provided to residents in nursing homes and in house patient visits to the brick and mortar facility. It is estimated that JCH will see an average of 130 nursing home patients and schedule 96 in house appointments monthly. Medicare reimburses approximately $160 per comprehensive hearing evaluation. If 130 nursing home patients and 96 clinic patients are seen each month with a charge of $160 per visit, revenue from Medicare Receivables is $36,160 monthly resulting in $433,920 for the year.

**OPERATING EXPENSES YEAR 2**
Gross wages (exact withdrawal): Assume that JCH gross wages will include wages for 2 part time administrative assistants ($12/ hour), 1 part time audiologist ($35), 1 full time clinic manager ($50,000) and 1 full-time audiologist/ practice owner ($81,250). Gross monthly wages (exact withdrawal) will total $15,397 resulting in a total of $184,770 in year 2. An additional $46,476 will be added to this for payroll taxes and fringe benefits. Total gross wages in year 2 will be $231,246.

Supplies and office operation: Assume that JCH expense for office supplies is $500 / month. This expense totals $6000 in year 2.

Advertising and Marketing: Assume that JCH will allocate $1500 a month to a marketing endeavor. Marketing expenses are projected to be $18,000 in year 2. Marketing will become more essential for securing patients when the brick and mortar facility opens.

Car, delivery, and travel: Assume that JCH car, delivery, and travel expenses include cost of the lease for the mobile vehicle ($486 per month), travel and gas for the mobile vehicle ($350 per month), car insurance ($1000 per 6 months) and maintenance ($200 per month). The mobile vehicle will be leased with no down payment placed at the time of purchase. The lease is $486 per month. Car, delivery, and travel, expense is projected to be $12,032 in year 2.

Accounting and legal: Assume that accounting and legal expenses include costs for occupational license and permits ($125 per year), accounting fees ($100 per hour) and attorney fees ($100 per hour. The cost for the occupational license and permit will cost $125 in year 2. A total of $2000 will be allocated to accounting and legal costs, totaling $2,125

Rent: Assume that rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management).

Telephones: Assume that the business telephone will be serviced by AT&T at a rate of $75 per month. Total telephone service expenses is projected to be $900 in year 2.
Utilities: Assume that the cost of utilities is $200 per month. It is anticipated that utilities will increase with increased staff and increased patient load in the brick and mortar facility. Utilities expense is expected to total $2,400 in year 2. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 2.

Insurance: Assume that malpractice insurance will total $2,000 in year 2.

Other expenses (cash purchases): Assume that JCH will purchase additional equipment for expansion. This includes furniture, office equipment and diagnostic equipment. Furniture and office equipment will be purchased up-front ($3,688). Diagnostic equipment will be financed over a period of 5 years ($300 plus financing rate). In addition to these, JCH is also paying for equipment financed in year 1 ($491 per month). The total expenses for cash purchases in year 2 is $16,072.

- Furniture: Desk ($500), seating ($1,000), tables ($100). Shelves ($338), and display boxes ($150).
- Office equipment: Desktop computers ($1,000), I pad ($1,200)
- Diagnostic Equipment: 1 Audiometer ($6,000), sound booth ($8,000), GSI tympstar ($4,000)

Income taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $852,048 in year 2, occupational taxes will total, $68,163 in year 2. After income taxes are deducted, total expenses in year 2 are $376,938.

Net profit after taxes will be $478,360 in year 2.

PROFIT AND LOSS STATEMENT YEAR 3- EXPANSION TO THE BRICK AND MORTAR

Based on the expected Year 3 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected net sales for year 3 is $852,048. Considering the estimated expenses
of $298,945 ( $370,358 with income taxes), the Joseph Center for Hearing and Tinnitus Relief will produce a net profit of $484,940 after taxes.

A detailed, month to month explanation of the Year 3 Cash Flow Projection is below.

SALES YEAR 3

Sales: Assume that JCH will generate $852,048 in sales in year 3. These sales will be a combination of cash sales, collections from CR accounts, and receivables (Medicare receivables and contract receivables).

Cash sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit for nursing home patients and in house appointments. JCH will see 130 nursing home patients and schedule 96 in house patient appointments with a charge per appointment of $35.00 per month, totaling $40,320 in year 3. The combined sales from nursing home and clinic appointments are $94,920 in year 3.

Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. It is projected that JCH will sell 12 hearing aids per month at $1850. If JCH sells 12 hearing aids per month at $1850 per hearing aid, revenue from credit card receipts will total $22,200 per month. This results in a projection of $266400 per year in collections from CR Accounts. Cost of hearing aids sold is $600 and is deducted from this profit. Approximately 3% cost of sale is deducted from each credit card transaction. Therefore, total net collections from CR accounts in year 3 is $172,008.

Loan/ Other cash injections:
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan and other cash injections is $585120 in year 3.

   o Revenue from contract receivables: Assume that revenue from contract receivables is generated from industrial hearing assessments. In year 3, JCH will secure 36 industrial contracts with industrial facilities containing 30 employees each. The yearly goal is to target 1080 industrial workers. If
1080 industrial workers are screened each year at a rate of $140 per worker, revenue from contract receivables will equal $151,200 in revenue from contract receivables in year 3.

- **Revenue from Medicare Receivables:** Assume that if 130 nursing home patients and 96 clinic patients each month with a charge of $160 per visit. Revenue from Medicare Receivables is $36,160 monthly resulting in $433,920 for the year.

**OPERATING EXPENSES YEAR 3**

- **Gross wages (exact withdrawal):** Assume that JCH gross wages will be the same in year 3. These include wages for 2 part time administrative assistants ($12/ hour), 1 part time audiologist ($35), 1 full time clinic manager ($50,000) and 1 full-time audiologist/practice owner ($81,250). Gross monthly wages (exact withdrawal) will total $15397 resulting in a total of $184,770 in year 3. An additional $46,476 will be allocated toward payroll taxes and fringe benefits. Total gross wages for year 3 will be $231,246.

- **Supplies and office operation:** Assume that JCH expenses for office supplies ($500 / month) will be the same as year 2. Supplies and office operation, the supplies and office operation expense totals $6000 in year 3.

- **Advertising and Marketing:** Assume that JCH marketing budget will be the same as year 2. JCH will allocate $1500 a month to a marketing endeavor. Marketing expenses are projected to be $18,000 in year 3.

- **Car, delivery, and travel:** Assume that JCH car, delivery, and travel expenses are the same. Car, delivery, and travel include cost of the lease for the mobile vehicle ($486 per month), travel and gas for the mobile vehicle ($350 per month), car insurance ($1000 per 6 months) and maintenance ($200 per month). The mobile vehicle will be leased with no down payment placed at the time of purchase. The lease is $486 per month. Car, delivery, and travel, expense is projected to be $12,032 in year 3.
Accounting and legal: Assume that accounting and legal expenses are the same. Accounting and legal expenses are projected to be $2,125 in year 3.

Rent: Assume that rent is the same. Rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management).

Telephones: Assume that the business telephone will be serviced by AT&T at a rate of $75 per month. Total telephone service expenses are projected to be $900 in year 3.

Utilities: Assume that the cost of utilities is $200 per month. It is anticipated that utilities will increase with increased staff and actually seeing patients in the brick and mortar facility. Utilities expense is expected to total $2,400 in year 3. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 3.

Insurance: Assume that malpractice insurance will total $2,000 in year 3.

Other expenses (Cash purchases): Assume that JCH will continue to pay for diagnostic equipment financed during years 1 ($491) and 2 ($300). The total expense for cash purchases in year 3 is $9492.

Total expenses are $298,945 in year 3 (with income taxes expenses total $370,358).

Taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $852,048 in year 3, occupational taxes will total, $68,163 in year 2. Total expenses are $370,358 with income taxes.

Net profit after taxes in year 3 will be $484,940
6.5.2 Assumptions for Cash Flow Analysis

PRE-START UP

Beginning cash:
Assume that beginning cash is $60,000. This will be secured from owner’s equity ($10,000) and outside funding ($50,000). Outside funding will be secured from the hearing aid manufacturer. The hearing aid manufacturer will sponsor startup costs. In return JCH will sell the manufacturer’s hearing aid products. This is a common partnership that takes place between hearing aid manufactures and private practice audiologists, which is an alternative from taking a bank loan.

CASH PAID OUT STARTUP

Purchases: Assume that cash purchases include office equipment, furniture, and diagnostic equipment purchased up-front. More expensive diagnostic equipment will be financed over a period of 3 years at a rate of 8%. The total pre-startup cash purchase is $6,071.

- **Office equipment**: 2 desktop computers ($1000), 1 ipad ($600), 1 back up drive ($200), and 2 printers ($400). The office equipment will be purchased up-front resulting in a total of $1930 before taxes.

- **Furniture**: 2 shelves ($338), 5 chairs for the mobile clinic ($200), 2 desks ($500), office seating ($300), 3 tables ($75), 3 file cabinets ($169), and 2 telephones ($100). The furniture will be purchased up-front resulting in a total of $1,582 before taxes.

- **Diagnostic equipment**: 2 otoscopes ($250) and 1 sound level meter ($75) up-front at a cost of $325 will be purchased up-front. 2 automatic diagnostic audiometers ($4,430), 1 portable diagnostic audiometer ($4,000), 1 hand held tympanometer ($1995), and clinic software ($1200) will be financed over a period of 3 years. The estimated cost per month is $491 with an 8% financing rate. Pre-startup expenses will include 4 months cost of diagnostic equipment for a total of $2559.

Gross wages (exact withdrawal): Assume that pre-startup gross wages will be $34,763. This includes 4 month wages for 2 part time administrative assistants ($12/ hour) and 4 month salary for 1 full-time audiologist/practice owner ($81,250).
Supplies (office and operation): Assume that pre-startup office supplies will be $1000. This will include, paper, printer cartridges, staplers, hole punchers, file folders, cleaning supplies, toilet paper, hand soap, hand sanitizer, writing utensils, paper clips, white out, etc.

Advertising: Assume that JCH will allocate $4,000 of pre-startup expenses to advertising and marketing. This will include website expenses as well as other marketing endeavors.

Car, deliver, and travel: Assume that pre-startup car, delivery and travel expenses will include the cost for gas ($350) during month 1 of operation, insurance ($1000), 4 months of lease expenses (486), and sound proofing the mobile unit ($3000). The mobile unit will be purchased on a three-year lease. Pre-startup expenses total $6294.

Accounting and Legal: Assume that pre-startup accounting and legal fees will total $150. This expense is for the Louisiana occupational license. JCH will not pursue accounting and legal services until start of operation.

Rent: Assume that rent is $1500 per month in year 1. Pre-startup expenses will include 4 months of rent totaling to $6000.

Telephone/Internet: Assume that telephone expenses will be $75 per month (AT&T small business telephone and DSL package). Pre-startup expenses will cover 4 months of telephone service totaling to $300.

Utilities: Assume that 4 months of electricity expenses will be allocated to pre-startup utilities, totaling $400. This cost is based solely on electricity. According to the property management staff, gas, water and property tax expenses are covered in the monthly lease and do not have to be included in start-up utility expenses.

Insurance: Assume that malpractice insurance will be $1000 and covered in the pre-startup insurance expenses.
Total start-up expenses is $59,978.

CASH FLOW YEAR 1- THE MOBILE CLINIC

Based on the expected Year 1 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected sales for year 1 is $454,272. Considering the estimated expenses of $166,599, the Joseph Center for Hearing and Tinnitus Relief will produce a cash position of $287,695 in Year 1.

JCH will not begin operating until it has secured contracts with at least 3 nursing home facilities and 3 industrial facilities to perform testing. This will help JCH to schedule hearing evaluations ahead of time, meet its financial goals and afford operating expenses for the first 3 months. Total operating costs per month is listed in more detail below.

A detailed, month to month explanation of the Year 1 profit and loss statement is below.

SALES YEAR 1

Sales: Assume that JCH will generate $454,272 in sales in year 1. These sales will be a combination of cash sales, collections from CR accounts, and receivables (Medicare receivables and contract receivables).

Cash Sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit. Each patient will be charged a $35.00 fee to see the audiologist. An average of 130 nursing home patients will be seen per month. This number was estimated by averaging the total patient capacity of the 30 nursing homes that JCH will target. Approximately 130 nursing home patients are within each nursing home. If 130 nursing home patients are seen each month with a charge per doctor’s visit of $35.00 per patient, revenue from cash will equal $4550 per month, thereby totaling $54600 in cash sales for year 1.
Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. If an average of 8 hearing aids is sold per month at $1850, revenue from credit card receipts will total $14,800 per month. This assumption was based on research from the National Institute on Health (NIH). According to the NIH, 20% of adults with hearing loss purchase hearing aids (National Institute for Deafness and Communication Disorders). Based on this percentage, if JCH sees 130 nursing home patients per month, then approximately 26 hearing aids could be sold in one month and 312 per year. However, JCH used the very conservative estimate of 8 hearing aids sold per month to calculate its monthly projection of $14,800. This monthly projection results in $177,600 per year in collections from CR Accounts. After deducting a 3% credit card transaction fee and the initial cost of the hearing aids ($600), a net total of collections from CR accounts is $114,672.

Loan/ Other cash injections:
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan/other cash injections is $285,000 in year 1.

- **Revenue from contract receivables:** Assume that revenue from contract receivables is generated from industrial hearing assessments. Contracts will be secured with industrial facilities. An average of 20 contracts will be secured in year 1 with an average employee capacity of 30 employees. Year 1 goal is to target 600 industrial workers. If 600 industrial workers are screened each year at a rate of $140 per worker, revenue from contract receivables will equal $7,000 per month resulting in a total of $77,000 in revenue from contract receivables per year. Projections estimate that payment for industrial contracts will be received in month 2; therefore, the revenue from contract receivables in month 1 is $0 and $7,000 for the 11 months to follow.

- **Revenue from Medicare Receivables:** Assume that revenue from Medicare receivables is generated from Medicare reimbursement for audiology tests provided to residents in nursing home and long-term care facilities. It is estimated that JCH will see an average of 130 nursing home patients monthly. This estimate was derived by finding the average patient capacity of the 30 nursing homes that JCH will target. Medicare reimburses approximately $160 per comprehensive audiological evaluation. If 130 nursing home patients are seen each month with a charge of $160 per visit, revenue from Medicare Receivables is $20,800 monthly resulting in $208,000 for the
year. Projections estimate that JCH will not receive Medicare payment until 30 to 60 days after submitting a claim. Therefore, revenue for months 1 and 2 is $0. It is estimated that revenue from Medicare receivables will be collected in month 3. For this reason, revenue from Medicare Receivables is $0 in months 1 and 2 and increases to $20,800 in month 3.

CASH PAID OUT YEAR 1

Purchases: Assume that JCH start-up funds will cover the first 4 months expenses for diagnostic equipment. JCH will purchase 2 automatic diagnostic audiometers ($4,430), 1 portable diagnostic audiometer ($4,000), 1 hand held tympanometer ($1995), and clinic software ($1200). Diagnostic equipment (2 automatic audiometers, portable audiometer, and hand-held tympanometer) and software will be financed over a period of 3 years. The estimated cost per month is $491 with an 8% financing rate. After deducting the first 4 months expenses covered by pre-startup funds from the total cash purchases, the diagnostic equipment expense totals $3928 in year 1.

Gross wages (exact withdrawal): Assume that JCH pre-startup funds will cover the first 4 months expenses for gross wages. JCH gross wages will include wages for 2 part time administrative assistants ($12/ hour) and salary for 1 full-time audiologist/practice owner ($81, 250). The part time administrative assistants will each work 20 hours per week. Gross monthly wages (exact withdrawal) will total $8,690 resulting in a total of $104,290 in year 1. After deducting the first 4 months wage expenses covered by pre-startup funds, the gross wages expense totals $69,526 in year 1. With the addition of $18,916 for payroll, taxes, and fringe benefits, gross wages will total $88,442.

- Payroll (taxes, etc): Assume that payroll taxes are $18,916 during year 1. This includes taxes and fringe benefits for year 1 (this calculation is based off salaries for part time and full-time employees and was done using the payroll calculator at paycheckmanager.com).

Supplies and office operation: Assume that JCH pre-startup funds will cover the first 3 months of office supplies expenses. After deducting the first 3 months expenses for office supplies ($500 for month 1, $250 for month 2, and $250 for month 3) covered
by pre-startup funds from the supplies and office operation, the supplies and office operation expense totals $2,250 in year 1.

**Advertising and Marketing:** Assume that JCH pre-startup funds will cover the first 3 months of advertising and marketing. JCH will allocate $1500 a month to a marketing endeavor. After deducting 4 months expenses of $4,000 toward marketing and advertising, total marketing expenses are projected to be $12,000 in year 1.

**Car, delivery, and travel:** Assume that JCH pre-startup funds will cover the first 4 months of car, delivery, and travel expenses. Car, delivery, and travel expenses include cost of the lease for the mobile vehicle ($486 per month), cost for sound proofing the mobile vehicle ($3000, which will be deducted from startup), travel and gas for the mobile vehicle ($350 per month), and car insurance ($1000 per 6 months). The mobile vehicle will be leased with no down payment placed at the time of purchase. The lease is $486 per month. After deducting 4 months expenses from car, delivery, and travel, total car, delivery, and travel expense is projected to be $8,738 in year 1.

**Accounting and legal:** Assume that accounting and legal expenses include costs for occupational license and permits ($125 per year), accounting fees ($100 per hour), and attorney fees ($100 per hour). The cost for the occupational license and permit ($125) was included in pre-startup funds. After deducting the occupational license expenses from accounting and legal fees, this results in accounting and legal fees of $500 in year 1. Costs will increase as the practice expands and accounting and legal services become more necessary.

**Rent:** Assume that 4 months of rent is included in pre-startup funds. Cost of rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management). After deducting 4 months of rent, total cost of rent is projected to be $12,000 in year 1.

**Telephone/ Internet:** Assume that 4 months of telephone fees is included in the pre-startup expenses. The business telephone will be serviced by AT&T. AT&T small business telephone and DSL package is approximately $75 per month plus tax. After
deducting 4 months of telephone expenses, total telephone service expenses are projected to be $600 in year 1.

Utilities: Assume that 4 months of utilities is included in pre-startup funds. The cost of utilities is estimated to be $100 per month. This estimate was taken from small-business.chron.com. Utility costs will be low in year 1, because the majority of JCH assessments will be performed on the mobile unit. After 4 months of utilities is deducted, utilities expense totals $800 in year 1. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 1.

Insurance: Assume that malpractice insurance will total $2,000 in year 1. Six months cost of malpractice is covered in pre-startup funds. After 6 months of insurance is deducted, insurance costs in year 1 is $1000.

Taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $465,039 in year 1, occupational taxes will total, $36,341 in year 1.

Year 1 cash position: $287,695.

CASH FLOW STATEMENT YEAR 2-EXPANSION TO THE BRICK AND MORTAR

Based on the expected Year 2 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected net sales for year 2 is $852,048. Considering the estimated expenses of $376,938, the Joseph Center for Hearing and Tinnitus Relief will produce a cash position of $762,805 in Year 2.

A detailed, month to month explanation of the Year 2 Cash Flow Projection is below.

CASH SALES YEAR 2

Cash sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit for nursing home patients and in house appointments. Cash sales are projected to increase in year 2 due to JCH expansion and ability to schedule almost twice as
many patient appointments in year 2 as it did in year 1. JCH will aim to meet its same goal of 130 nursing home patients each month with a charge per doctor’s visit of $35.00 per patient. If JCH meets its target, revenue from cash will equal $4550 per month, thereby totaling $54600 in cash sales from nursing homes in year 2. JCH will further aim to meet its goal of 96 patient clinic appointments with a charge per appointment of $35.00 per month, totaling $40,320 in year 2. The combined sales from nursing home and clinic appointments are $94,920 in year 2. JCH hopes to meet this goal by hiring an in-house audiologist and serving 224 patients per month.

Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. Having 2 audiologists will allow JCH to increase its first year goal of selling 8 hearing aids per month. In fact, it is projected that JCH will sell 12 hearing aids per month at $1850. If JCH sells 12 hearing aids per month at $1850 per hearing aid, revenue from credit card receipts will total $22,200 per month. This results in a projection of $26400 per year in collections from CR Accounts. This is the revenue from sales before cost of goods is deducted. To get the net value for collections from CR accounts, deduct cost of hearing aids sold ( $600) from the net value. Also, deduct 3% of cost of sale from each credit card transaction. Therefore, total net collections from CR accounts are $172,008.

Loan/ Other cash injections:
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan and other cash injections is $585,120 in year 2.

  o Revenue from contract receivables: Assume that revenue from contract receivables is generated from industrial hearing assessments. In year 2, JCH will increase its industrial contracts goal from 20 to 36 industrial contracts. The goal in year 2 is to target 1,080 industrial workers. If 1080 industrial workers are screened at a rate of $140 per worker, revenue from contract receivables will equal $151,200 in revenue from contract receivables in year 2.

  o Revenue from Medicare Receivables: Assume that revenue from Medicare receivables is generated from Medicare reimbursement for hearing evaluations provided to residents in nursing homes and in house patient visits to the brick and mortar facility. It is estimated that JCH will see an average of 130 nursing home patients and schedule 96 in house appointments monthly. Medicare reimburses approximately $160 per comprehensive hearing eval-
evaluation. If 130 nursing home patients and 96 clinic patients are seen each month with a charge of $160 per visit, revenue from Medicare Receivables is $36,160 monthly resulting in $433,920 for the year.

CASH PAID OUT YEAR 2

Cash purchases: Assume that JCH will purchase additional equipment for expansion. This includes furniture, office equipment and diagnostic equipment. Furniture and office equipment will be purchased up-front ($3688). Diagnostic equipment will be financed over a period of 5 years ($300 plus financing rate). In addition to these, JCH is also paying for equipment financed in year 1 ($491 per month). The total expenses for cash purchases in year 2 is $16,072.

- **Furniture**: Desk ($500), seating ($1000), tables ($100). Shelves ($338), and display boxes ($150).
- **Office equipment**: Desktop computers ($1000), I pad ($1200)
- **Diagnostic Equipment**: 1 Audiometer ($6,000), sound booth ($8,000), GSI tympestar ($4000)

Gross wages (exact withdrawal): Assume that JCH gross wages will include wages for 2 part time administrative assistants ($12/ hour), 1 part time audiologist ($35), 1 full time clinic manager ($50,000) and 1 full-time audiologist/practice owner ($81,250). Gross monthly wages (exact withdrawal) will total $15,397 resulting in a total of $184,770 in year 2. Payroll, taxes, and fringe benefits totals $46,476 in year 2, resulting in a gross total of $231,246 in year 2.

Supplies and office operation: Assume that JCH expense for office supplies is $500 / month. This expense totals $6000 in year 2.

Advertising and Marketing: Assume that JCH will allocate $1500 a month to a marketing endeavor. Marketing expenses are projected to be $18,000 in year 2. Marketing will become more essential for securing patients when the brick and mortar facility opens.

Car, delivery, and travel: Assume that JCH car, delivery, and travel expenses include cost of the lease for the mobile vehicle ($486 per month), travel and gas for the mobile vehicle ($350 per month), car insurance ($1000 per 6 months) and maintenance ($200 per month). The mobile vehicle will be leased with no down payment placed at the time
of purchase. The lease is $486 per month. Car, delivery, and travel, expense is projected to be $12,032 in year 2.

Accounting and legal: Assume that accounting and legal expenses include costs for occupational license and permits ($125 per year), accounting fees ($100 per hour) and attorney fees ($100 per hour. The cost for the occupational license and permit will cost $125 in year 2. A total of $2000 will be allocated to accounting and legal costs, totaling $2,125

Rent: Assume that rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management).

Telephones: Assume that the business telephone will be serviced by AT&T at a rate of $75 per month. Total telephone service expenses is projected to be $900 in year 2.

Utilities: Assume that the cost of utilities is $200 per month. It is anticipated that utilities will increase with increased staff and increased patient load in the brick and mortar facility. Utilities expense is expected to total $2400 in year 2. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 2.

Insurance: Assume that malpractice insurance will total $2,000 in year 2.

Taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $852,048 in year 2, occupational taxes will total, $68,163 in year 2.

Year 2 cash position: $762,805.

CASH FLOW STATEMENT YEAR 3-EXPANSION TO THE BRICK AND MORTAR

Based on the expected Year 3 caseload, the Joseph Center for Hearing and Tinnitus Relief’s projected net sales for year 3 is $852,048. Considering the estimated expenses of $370,358, the Joseph Center for Hearing and Tinnitus Relief will produce a cash position of $1,244,495 in Year 3.

A detailed, month to month explanation of the Year 3 Cash Flow Projection is below.
CASH SALES YEAR 3

Cash sales: Assume that revenue from cash sales is generated from the $35.00 cost per doctor visit for nursing home patients and in house appointments. JCH will see 130 nursing home patients and schedule 96 in house patient appointments with a charge per appointment of $35.00 per month, totaling $40,320 in year 3. The combined sales from nursing home and clinic appointments are $94,920 in year 3.

Collections from CR Accounts:
Assume that revenue from credit card receipts is generated strictly from hearing aid sales. It is projected that JCH will sell 12 hearing aids per month at $1850. If JCH sells 12 hearing aids per month at $1850 per hearing aid, revenue from credit card receipts will total $22,200 per month. This results in a projection of $266400 per year in collections from CR Accounts. Cost of hearing aids sold is $600 and is deducted from this profit. Approximately 3% cost of sale is deducted from each credit card transaction. Therefore, total net collections from CR accounts in year 3 is $172,008.

Loan/ Other cash injections:
Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total revenue from loan and other cash injections is $585120 in year 3.

- Revenue from contract receivables: Assume that revenue from contract receivables is generated from industrial hearing assessments. In year 3, JCH will secure 36 industrial contracts with industrial facilities containing 30 employees each. The yearly goal is to target 1080 industrial workers. If 1080 industrial workers are screened each year at a rate of $140 per worker, revenue from contract receivables will equal $151,200 in revenue from contract receivables in year 3.

- Revenue from Medicare Receivables: Assume that if 130 nursing home patients and 96 clinic patients each month with a charge of $160 per visit. Revenue from Medicare Receivables is $36,160 monthly resulting in $433920 for the year.

CASH PAID OUT YEAR 3

Cash purchases: Assume that JCH will continue to pay for diagnostic equipment financed during years 1($491) and 2 ($300). The total expense for cash purchases in year 3 is $9492.
Gross wages (exact withdrawal): Assume that JCH gross wages will be the same in year 3. These include wages for 2 part time administrative assistants ($12/ hour), 1 part time audiologist ($35), 1 full time clinic manager ($50,000) and 1 full-time audiologist/ practice owner ($81,250). Gross monthly wages (exact withdrawal) will total $15397 resulting in a total of $184,770 in year 3. An additional $46,476 will go toward payroll taxes and fringe benefits, resulting in total gross wages of $231,246 in year 3.

Supplies and office operation: Assume that JCH expenses for office supplies ($500 / month) will be the same as year 2. Supplies and office operation, the supplies and office operation expense totals $6000 in year 3.

Advertising and Marketing: Assume that JCH marketing budget will the same as year 2. JCH will allocate $1500 a month to a marketing endeavor. Marketing expenses are projected to be $18,000 in year 3.

Car, delivery, and travel: Assume that JCH car, delivery, and travel expenses are the same. Car, delivery, and travel includes cost of the lease for the mobile vehicle ($486 per month), travel and gas for the mobile vehicle ($350 per month), car insurance ($1000 per 6 months) and maintenance ($200 per month). The mobile vehicle will be leased with no down payment placed at the time of purchase. The lease is $486 per month. Car, delivery, and travel, expense is projected to be $12,032 in year 3.

Accounting and legal: Assume that accounting and legal expenses are the same. Accounting and legal expenses are projected to be $2,125 in year 3.

Rent: Assume that rent is the same. Rent is $1500 per month, resulting in $18,000 per year. Rent costs cover pest control, waste disposal, property taxes, gas, and water expenses (This information was retrieved directly from property management).

Telephones: Assume that the business telephone will be serviced by AT&T at a rate of $75 per month. Total telephone service expenses are projected to be $900 in year 3.

Utilities: Assume that the cost of utilities is $200 per month. It is anticipated that utilities will increase with increased staff and actually seeing patients in the brick and mortar facility. Utilities expense is expected to total $2,400 in year 3. Property management stated that gas and water will be included within the purchase of the lease. Therefore the costs for gas and water are assumed to be $0 in year 3.
Insurance: Assume that malpractice insurance will total $2,000 in year 3.

Taxes: It is estimated that occupational taxes for limited liability corporations is 8% on the excess of over $200,000. Since it is projected that JCH total revenue will be $852,048 in year 3, occupational taxes will total, $68,163 in year 2.

Year 3 cash position: $1,244,495

6.5.3 Assumptions for Break-Even Analysis

BREAK EVEN ANALYSIS YEAR 1

Assume that JCH total fixed and variable expenses will be $224,199 in year 1. This is a total of $18,683 monthly expenses (cost of goods plus total operating expenses in year 1). To meet cost of expenses monthly, JCH must perform 854 hearing evaluations in year 1. This results in approximately 71 hearing evaluations per month or 18 per week. Since JCH goal is to see 130 patients per month, it is expected that JCH will break even by its second week of operation. Further revenue made from testing is profit.

Assume that JCH cost of goods (hearing aids) is $57,600 in year 1. This is a total of $4800 monthly. To meet its monthly expenses, JCH must sell 3 hearing aids at a cost of $1850 per hearing aid. According to the break-even analysis, 50% of hearing aids must be sold to cover variable cost.

6.54 Assumptions for Balance Sheet

Start Date: 08/01/2015 End Date: 07/31/2015

A balance sheet was derived for year 1 start date: 08/01/2015 end date: 07/31/2015.

ASSETS

Current assets: Assume that current assets is the sum of cash in the bank at startup ($60,000), accounts receivable from Medicare and industrial contracts ($285,000), hearing aids inventory (57600), prepaid expenses including car insurance, malpractice, rent, and the mobile unit lease ($30,388), supplies ($2,250) and marketing expenses ($12,000). Total current assets are $447,238.
Accounts receivables: Assume that revenue in this category is generated from contract receivables and Medicare receivables. Total accounts receivable are $285,000.

- **Revenue from industrial contract receivables**: Assume that revenue from contract receivables is generated from industrial hearing assessments. Contracts will be secured with industrial facilities. An average of 20 contracts will be secured in year 1 with an average employee capacity of 30 employees. Year 1 goal is to target 600 industrial workers. If 600 industrial workers are screened each year at a rate of $140 per worker, revenue from contract receivables will equal $7,000 per month resulting in a total of $77,000 in revenue from contract receivables per year. Projections estimate that payment for industrial contracts will be received in month 2; therefore, the revenue from contract receivables in month 1 is $0 and $7,000 for the 11 months to follow.

- **Revenue from Medicare Receivables**: Assume that revenue from Medicare receivables is generated from Medicare reimbursement for audiology tests provided to residents in nursing home and long-term care facilities. It is estimated that JCH will see an average of 130 nursing home patients monthly. This estimate was derived by finding the average patient capacity of the 30 nursing homes that JCH will target. Medicare reimburses approximately $160 per comprehensive audiological evaluation. If 130 nursing home patients are seen each month with a charge of $160 per visit, revenue from Medicare Receivables is $20,800 monthly resulting in $208,000 for the year. Projections estimate that JCH will not receive Medicare payment until 30 to 60 days after submitting a claim. Therefore, revenue for months 1 and 2 is $0. It is estimated that revenue from Medicare receivables will be collected in month 3. For this reason, revenue from Medicare Receivables is $0 in months 1 and 2 and increases to $20,800 in month 3.

Inventory: Assume that inventory is the cost of hearing aids to JCH. Each hearing aid will cost JCH $600. JCH has a goal to sell 8 hearing aids per month or 96 hearing aids per year, which equals a total of $57,600.

Prepaid expenses: Assume that prepaid expenses are malpractice insurance, car insurance, rent, and the mobile unit lease. Total prepaid expenses are $30,388.

- **Car Insurance**: Assume that car insurance for the mobile unit is $2,000 per year.
- **Insurance**: Assume that malpractice insurance is $2,000 per year.
- **Rent**: Assume that rent is $1500 per month, totaling $18,000 per year.
Mobile unit lease: Assume that the mobile unit monthly lease expense is $486 per month. The unit will be leased for a period of 3 years.

Office supplies: Assume that JCH startup funds will cover the first 3 months of office supplies expenses. After deducting the first 3 months expenses for office supplies ($500 for month 1, $250 for month 2, and $250 for month 3) covered by pre-startup funds from the supplies and office operation, the supplies and office operation expense totals $2,250 in year 1.

Marketing expenses: Assume that JCH startup funds will cover the first 3 months of advertising and marketing. JCH will allocate $1500 a month to a marketing endeavor. After deducting 4 months expenses of $4,000 toward marketing and advertising, total marketing expenses are projected to be $12,000 in year 1.

Fixed assets: Assume that fixed assets include office equipment ($1930), diagnostic equipment ($11,625), and furniture ($1582). Total fixed assets are $15,462.

- Office equipment: 2 desktop computers ($1000), 1 ipad ($600), 1 back up drive ($200), and 2 printers ($400). The office equipment will be purchased up-front resulting in a total of $1,930 before taxes.

- Furniture: 2 shelves ($338), 5 chairs for the mobile clinic ($200), 2 desks ($500), office seating ($300), 3 tables ($75), 3 file cabinets ($169), and 2 telephones ($100). The furniture will be purchased up-front resulting in a total of $1,582 before taxes.

- Diagnostic equipment: 2 otoscopes ($250) and 1 sound level meter ($75) up-front at a cost of $700 will be purchased up-front. 2 automatic diagnostic audiometers ($4,430), 1 portable diagnostic audiometer ($4,000), 1 hand held tympanometer ($1995), and clinic software ($1200) will be financed over a period of 3 years. The estimated cost per month is $491 with an 8% financing rate. Total diagnostic equipment value is $11,625.

LIABILITIES

Current liabilities: Assume that current liabilities include accounts payable, employee’s benefits, sales tax, and taxes payable totaling $132,866.

- Accounts payable: Assume that accounts payable are the outside funding and
financed diagnostic equipment totaling $61,625.

- **Employee’s benefits**: Assume that employee’s benefits include tax and fringe benefits totaling $18,916.

- **Sales tax**: Assume that sales taxes are deducted for hearing aids sold. Sales tax per hearing aid are $166.50 totaling $15,984 for 96 hearing aids sold in one year.

- **Income taxes**: Assume that income taxes are 8% of the business profit for year 1. If business profit is $454,262 the year 1 taxes will be $36,341.

Long term debt: Assume that JCH has no long-term debt in the form of mortgages or notes payable.

Total owner’s equity: Assume that total owner’s equity equals total assets less total liabilities. According to the balance sheet, total assets for JCH in year 1 will be $462,700. Total liabilities will be $132,866. The total owner’s equity is **$329,834**, resulting in a total liabilities and equity of $462,700.