

# The Philadelphia Inquirer

Karl Stark, "Nonprofit with for-profit ideas," April 21, 2008



*Robert Fishman, executive director of Resources for Human Development, stands between his business coordinator, Naeemah Solice-Nelson (left), and pharmacist manager Jean O'Neal.*

Resources for Human Development is a growing social service agency that manages \$165 million in contracts in 11 states. The Philadelphia nonprofit serves people who are homeless, mentally ill, developmentally disabled and drug addicted.

The nonprofit has been starting for-profit businesses, and using the profits to serve more people. Executive director Robert Fishman and Stanley L. Shubilla, associate to the executive director, discussed the nonprofit's newest venture: a for-profit pharmacy.

Q: Why is RHD starting the for-profit SQA Pharmacy Services Inc.?

Fishman: RHD is facing a cutback in funds to take care of a number of needy populations. We are looking to be able to take care of those populations by entering into businesses, which can augment our ability to take care of the uninsured. We saw the closed-end pharmacy as one of a number of businesses that we could look at as an opportunity because we were giving that business to the private sector.

Q: How was the private sector doing?

Fishman: They were performing adequately, but they were falling short with mistakes and with lack of the quality we were looking for ... they are also taking a decent profit away from the nonprofit needs.

Q: Isn't there a risk to starting a new business?

Fishman: We have a 38-year history of starting businesses in the nonprofit and for-profit sectors ... we know there are risks, but we know how to run large and small businesses. We are currently running \$165 million of contracts.

Shubilla: We were able to ensure we had a market sufficient to break even. That's about where we are . . . It opened in September 2006. We're serving about 650 to 700 people. Within the first half of this year, we expect to see a profit . . . We're now talking about going to the not-for-profit community and talking to them about a vehicle-leasing business. We wouldn't enter that business unless and until we had a sufficient number of nonprofits to join us.

Q: How does the SQA Pharmacy work?

Fishman: The pharmacy delivers the monthly drug needs for clients who live in a group home. And they are distributed by staff to the individual clients. These are consumers who are not free or capable of going to a pharmacy to buy their own drugs. They are dependent populations . . . We established an independent for-profit corporation that we have an interest in that is running the pharmacy. The nonprofit is not running the pharmacy.

Q: How much money did it take to start?

Shubilla: We received an equity commitment of \$250,000 from our New Market Venture Capital fund, set up by the federal government. We were one of six for-profit entities to establish this fund in the country. We also got a \$650,000 line of credit from Wachovia. The total was about \$900,000. We're not anywhere near utilizing our working capital line.

Fishman: We had a business relationship with Wachovia and they stepped up. We were able to secure an interest rate for this venture that was equal to what RHD was getting.

Q: How will you grow this?

Fishman: We're going to start marketing outside of RHD to other nonprofits, assisted-living facilities, and small under-100 nursing homes. At the same time, we are beginning to serve units in 11 states. We've already started to serve a group home in Florida. And we are finalizing licenses for Tennessee, Massachusetts Connecticut, Delaware . . . We are also inviting inquiries from other nonprofits that want to use this system.

Q: What's the significance of this effort for nonprofits?

Fishman: We control, and have been able to improve, the quality of the service. We can recapture ultimately 75 percent of the profit produced by the pharmacy and donate it back to nonprofit needs of the uninsured. We call this a crossover business. A portion will be used to address social needs without dependence on a taxing authority . . .

Nonprofits have always looked for tax dollars or donations dollars. This is a different path where nonprofits join together to run businesses, and they will own a portion of the business. Like any stockholder they will get an income if the venture does well . . . SQA may not use its profits other than fueling the health care needs of the community . . .

Q: How is this different from other nonprofits that have for-profit subsidiaries?

Fishman: The difference is we are allocating the profits for a broader social population and social needs, rather than RHD's. . . . The percentage of donations given by a corporation's profit is something like 1 percent. We are allocating 75 percent.

Q: If you've been running for-profit ventures for 25 years, why aren't you generating more money?

Shubilla: It's only now reaching the level where we are going to start achieving some benefit . . .

Fishman: We were too busy growing the nonprofit . . . We have over \$1 million to invest in these crossover businesses.

Shubilla: We're not always looking to throw off profits. The industrial cleaning company we had employed 100 low-income people at its peak . . . If we could break even, that was a success. Sometimes it isn't a cash profit. It's a social profit.

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