

*The Social Enterprise Case Study Series provides an insight into how different types of social enterprises are currently operating in Australia. Social Traders has developed this series by consulting closely with individual enterprises to capture an inside perspective on the development of the enterprise and their challenges and successes.*

## Cooperative:

# Bawrunga Aboriginal Medical Service

## Summary

Bawrunga Aboriginal Medical Service (BAMS) is an Indigenous owned and managed not-for-profit community cooperative, established in Bowraville NSW in 1999, to address the need for affordable, accessible, and high quality health and medical services through the provision of culturally appropriate primary health services for the local Indigenous population.

BAMS' core social goal of fulfilling the unmet health and medical needs of Indigenous communities is achieved through their operation of commercial medical clinics tailored to Indigenous needs. These clinics offer bulk billing General Practitioner (GP) services to the whole community (both Indigenous and non-Indigenous people).

Today BAMS operates five medical clinics in the Nambucca Valley and NSW Western Region, sustained through bulk billing income. With a primary focus on preventative health education, BAMS deliver a range of community outreach programs utilising funds generated from the clinic business, including early childhood nutrition, substance abuse prevention, healthy lifestyles and youth related projects. Unlike traditional AMS', BAMS is the only bulk billing medical clinic in Australia that is self-funded and caters for both Indigenous and non-indigenous members of the community.

<b>Establishment Costs</b>	\$700,000 for five clinics, initial clinic funds provided by the BAMS Directors, subsequent clinic funds provided by BAMS
<b>Years to break even</b>	4
<b>Annual Turnover</b>	\$1,500,000
<b>Annual Profit</b>	\$60,000
<b>Staff</b>	18 (including five GPs)
<b>Social Outcomes</b>	Operation of bulk billing medical clinics in 5 communities; Investment of \$140,000 towards primary health programs for Indigenous communities
<b>Support</b>	CEO wage-free for eight years; Nominal Rents; Significant volunteer effort



## Background

The Nambucca Valley is situated midway between Sydney and Brisbane on the east coast of Australia. The Nambucca district has a significant Aboriginal population, particularly at Bowraville and Nambucca Heads, and was identified in the Australian Bureau of Statistics Census 2001 as having the third lowest average income level in the state. The region suffers from a broad range of health, education, housing and employment issues that are intrinsically linked with the cycle of poverty that occurs within many Indigenous communities.

The Nambucca region has suffered for a long time from a critical lack of affordable, accessible and high quality culturally appropriate health and medical services for local Indigenous communities.

An attempt by Government in the late 1990s to establish the first funded Aboriginal Medical Service (AMS) in the Nambucca region resulted in the service being delivered in Bowraville by an AMS located in the neighbouring region of Kempsey. Unfortunately, the different locations, Indigenous tribes and agendas of the Kempsey and Nambucca communities created ongoing conflict.

It was apparent that an externally owned and controlled medical service was not going to effectively understand, engage with or meet the needs of the Nambucca Valley community. Therefore, in early 1999, after much consultation with elders, other community members and local advocates, a community meeting was held to propose that the Bowraville clinic be incorporated as a company in its own right, thereby removing its dependence on Kempsey.



The meeting was attended by around 100 local residents who supported the proposal and gave the Bowraville management a mandate to cut ties with Kempsey (including giving up funding and infrastructure) and establish a new company - *Bawrunga Aboriginal Medical Service Inc.* The meeting was also attended by the Aboriginal Health and Medical Research Council of New South Wales (AH&MRC), who provided support and subsequently coordinated and subsidised the incorporation of BAMS.

## Feasibility and Establishment

The Board undertook the following process to make BAMS operational:

- Set up office in 1999 in the home of one of the Directors (founding CEO);
- Over a period of nine months, developed a five year business plan for the medical service;
- Identified a vacant building owned by the Nambucca Shire Council;
- Approached the Council with a proposal to occupy the building;
- Capitalised on their connections in the health sector to secure the first GP for the clinic;
- Began operating a clinical service in 2001.



Although the Board did not possess great business expertise, they had extensive collective experience and knowledge of the local community and the health service system.

Unlike traditional Aboriginal Medical Services, BAMS is not a member of the AH&MRC, despite receiving initial support from this organisation, and has never received government funding. BAMS has received some philanthropic funding for the social and preventative programs it supports, but not for the operation of the clinic service.

Today, BAMS' entire operating revenue comes from 'facility fees' charged by BAMS to GPs as a percentage of their service fee. GPs bulk bill through Medicare, and then pay 40% of the fee charged to BAMS. The 40% fee employs organisational staff and funds the delivery of primary health services.

This financial model was not always the case and BAMS has learnt by trial and error over the journey. Initially, BAMS did not receive any of the bulk billing revenue generated by GPs, resulting in a financial loss. The introduction of contractual 'facility fee' agreements with GPs has increased revenue and improved sustainability.

### **BAMS' Growth:**

<b>2001</b> <b>Unpaid CEO</b> <b>1 Part time &amp; 1 Full time GP</b> <b>Volunteer – run</b>	<b>2009</b> <b>Full Time Paid CEO</b> <b>5 Contracted Full Time GPs</b> <b>18 Paid Staff</b>
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### **Company Strategy**

In establishing BAMS, the ultimate aim was for an independent and self-reliant model that meant BAMS was not beholden to government politics, restrictions placed on funding and alternate agendas. The Board of Directors had three key objectives in mind:

1. Address the lack of primary health education and services in the area that were both affordable and culturally appropriate for the local Indigenous communities;
2. Achieve a financially self-sustaining Aboriginal medical clinic, moving away from the 'welfare' mentality of traditional Aboriginal health services; and
3. Build a bridge between Indigenous and non-Indigenous people in the community, to help overcome racism and barriers to working together.

BAMS prides and distinguishes itself on its unique model as the only Aboriginal Medical Service that operates as a genuine business, not relying on Government grant funding to secure its sustainability. All revenue is derived through 'fee for service' and is invested back into the enterprise, with any profits reinvested in preventative and social programs, and enterprise development in the community.

BAMS is a non-profit community cooperative, which is owned and operated by Indigenous community members. The decision to choose this structure over a for-profit was based on the consensus opinion from public consultation at the time that the health needs of local Indigenous communities would be best met through community control and reinvestment in



community. A key benefit and competitive advantage of this model is that it enables the service to more easily design, modify and offer services based on community feedback and the need. Further, the commitment to, and investment in community conveys a sense of ownership and self determination in local Indigenous communities, thereby ensuring “client loyalty”.

BAMS’s demonstrated success has led to significant interest in the adoption and application of their unique model in other settings, and BAMS are already advising two traditional AMS on how they can transition to the BAMS model. A future aim of BAMS is to continue past negotiations with the Commonwealth Health & Ageing Department, to be employed by government as a consultant service to assist other traditional Aboriginal Medical Services (AMS) to adopt a more businesslike and self-sustainable approach.

## Company Structure and Governance

BAMS was incorporated under the Association Incorporations Act (1984). The company was initially incorporated with five Directors, all local Indigenous community members passionate about the vision. There are currently seven community-elected Indigenous Directors, who are well respected community elders with deep association and respect in the local community. There is one non-executive Director, who is a medical practitioner with more than 10 years experience in rural Indigenous health. Each Director serves a term of two years with new and returning Directors elected by the 35 members of the cooperative.

## Marketplace

BAMS continues to expand its clinics and outreach services, targeting its operations in regions with limited or no access for Indigenous people to culturally appropriate bulk billing primary health services (i.e. general practice clinics).



Within the communities that it operates, BAMS’ services are offered to all, providing a market that includes not only the local Indigenous community, but all people in the region who may require primary health and medical services. Their unique ability to successfully cater for this broad patient base is seen by the strong utilisation of the services by non-Indigenous sections of communities, with widespread support from the Indigenous community. This gives them a significant edge over traditional AMS as well as other for-profit private medical clinics.

Effective advertising and marketing has been crucial in engaging the community with their clinic and other service programs, as well as enabling them to recruit GPs. BAMS has done this effectively since their early days, and continues to invest in different forms of media advertising and campaigns.

The cooperative structure of the organisation provides an additional benefit, as the members as owners of the organisation are users and advocates of the clinic.



## Financials

In the early years of its establishment and operation, BAMS was kept afloat through personal financing by the Directors, and a reliance on generous individuals who provided significant and invaluable time as volunteers.

BAMS did not break even until 2004 and was only able to start paying some administrative staff in 2005. Initially there were four – five unpaid staff, and the CEO of BAMS worked unpaid for eight years. This equates to a personal investment of \$500,000 - \$1,000,000.

BAMS currently has a turnover of approximately \$1,500,000 providing clinical services to 10,200 clients annually. BAMS needs to see 30 – 40 patients per GP per day to be sustainable. BAMS made a profit of approximately \$60,000 in the 2007/08 financial year and since establishment has contributed \$140,000 in profits to over 15 social and preventative programs in the community. One of these projects is a pharmacy program that assists individuals to access medications they could not otherwise afford.

It has cost BAMS approximately \$700,000 to establish the cooperative and all five clinics. Each clinic cost about \$90,000 to set up. BAMS are building an asset base, which includes the recent purchase of the Nambucca Heads clinic building, purchased with a low interest 100% loan through Indigenous Business Australia in early 2009 at a cost of \$629,000. Their other key asset is the 'goodwill' of the business, which BAMS currently values at around \$300,000 per GP.

## Stakeholder Relations

The CEO of BAMS highlights partnerships with community, local government and organisations as crucial for success. The Nambucca Shire Council's early support in the form of free rent for a period of time was integral in getting BAMS on its feet. BAMS has worked hard to create partnerships with other local councils to expand their services into other communities. This involves the development of MOUs with local government and other venture partners for the provision of set up and infrastructure costs.



BAMS also partners with various organisations and services where appropriate. For example, in addition to utilising the Coffs Harbour Division of General Practice's service of free training for GPs, BAMS are working with them on a diabetes program. The support of the medical fraternity enables BAMS to attract and retain good doctors to meet the diverse needs of the people in all districts where BAMS operates.



## Challenges

It is an ongoing battle for BAMS to stay afloat. The company only makes a small profit and there is constant pressure to recruit and retain GPs. BAMS has been able to attract GPs from overseas and they put great effort in to keeping their GPs happy.

***“People are unscrupulous and you can not afford to be too trusting in this game.”  
Leavina Reid, Founder and CEO BAMS***

The competitive market of General Practice has been challenging. BAMS were taken advantage of in their early days when their first full-time GP took clients and established a private practice next door. This experience led to the introduction of a risk reduced contractual system, whereby GPs now commit to a minimum three year period of service as contractors.

It has been a challenge for BAMS to achieve its social goals and remain financially viable, let alone profitable. With a core social purpose, and an unwillingness to compromise this, it took BAMS a long time to reach financial stability. Due to the ongoing financial pressure and expansion of BAMS' services, investment in social initiatives is often delayed and limited.

## Success Factors

BAMS' success is founded on the incredible passion and commitment of the founding Board, who collectively provided the capital and time to turn vision into reality.

Today, the main elements of BAMS' ongoing success include:

- The ability and expertise of the management to fully utilise the various programs to recruit suitably qualified doctors to provide bulk billing medical services in the clinics;
- Targeting specific rural communities that can capitalise on the competitive advantage of the BAMS model, ensuring sufficient demand to achieve financial sustainability of the medical services in these communities;
- Active collaboration and partnerships with Government and NGOs to access various additional grant funding that is used to provide non-commercially viable but essential preventative health/social services; and
- A willingness to use mainstream services where needed, such as non-Indigenous run patient transfer services, rather than restricting themselves to Aboriginal services, which can be expensive and sparsely available.

BAMS' strategy and ability to secure venture partners has been a key to their success in establishing additional clinics, and this will continue to be an important avenue for achieving their broader social goals.



The ultimate success is that BAMS is embraced by the whole Nambucca community. The local Indigenous residents favour the cultural sensitivity of BAMS' clinic, and receive the wider benefit of the numerous social and preventative outreach programs. At the same time, as the current non-executive Director states, "BAMS offers high quality professional services", making it a competitive business and giving the broader community access to sparsely available bulk billing services, with the added benefit of knowing they are supporting the important social work of BAMS.

## For More Information

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