FMC 23
JULY 16–18 | NEW ORLEANS
FINANCIAL MANAGEMENT CONFERENCE

HOMECARE & HOSPICE
National Association for Home Care & Hospice

HHFMA
Home Care & Hospice Financial Managers Association

404. Private Duty Analytics and Key Performance Indicators for Success

laissez les bon temps rouler

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Using Data and Metrics to Improve Performance and Value

Perfect Practice Makes Perfect

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YOUR SPEAKERS TODAY

- Maryanna Arsenault, BSW, MPA
- ACHC Certified Consultant Hospice, Home Health, & Private Duty
- Managing Consultant, Corcoran Consulting Group

- Bruce Vanderlaan, BSBA, JD
- Managing Director, Mertz Taggart – Home Care, Home Health, & Hospice

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Overview

❖ Scale your business with Data Oriented Decision Making

✓Data drives the strategy

✓Collect daily & tabulate monthly

❖ Compare your results – otherwise they are just numbers

✓A strategic plan provides a framework with comparisons to goals and/or benchmarks

✓Quantify your fixed costs

✓Closely monitor your variable costs

❖ Calculate your gross and net margins

✓Your gross profit as a percentage of your revenues.

✓Your net profit as a percentage of your revenues.

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What To Do And How To Do It

- **Establish a framework**
- **Identify service lines**
- **Collect the "right" data**
- **Measure – against yourself in previous periods and against others**
  (Home Care Pulse is one place you can gather data on other providers)
- **Benchmarks:**
  - Financial
  - Staffing
  - Clients
  - Sales and Marketing

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Benchmarks

Financial

- Gross Profit Margin
- Adjusted EBITDA
- Revenue Growth

Staffing

- Staffing by Revenue
- Recruitment Sources
- Caregiver Turnover

Clients

- Inquiry Tracking
- Customer Average Lifetime Value
- Average Weekly Hours Per Client
- Quality

Sales and Marketing

- Referral Sources
- Sales Reps

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Financial

❖**Gross Profit**
- ✓Starting point to bottom line profitability
- ✓What goes into cost of sales?
- ✓Two levers:
  - ✓Billing Rates
  - ✓Pay Rates

❖**Adjusted EBITDA**
- ✓Proxy for cash flow
- ✓Critical for valuation purposes
- ✓Three categories of adjustments:
  - ✓Non-recurring items
  - ✓Owner discretionary expenses
  - ✓Market value adjustments

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Benchmarks – Financial

Gross Profit Margin
- Foundation for an agency's financial success
- Need to constantly monitor the **two levers**, billing rates and pay rates, to ensure it stays within expectations

50%
45%
40%
38%
35%
30%
25%

Cost Of Sales Items
- Caregiver Compensation
- Equipment and Supplies Directly Related To Care?
- Scheduling and Case Management?

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Benchmarks – Financial

- **Adjusted EBITDA**
  - Plays a major role in determining the agency's "value"
  - Three categories; non-recurring items, owner discretionary expenses, market value adjustments
  - Certain adjustments can be subjective and will depend on the buyer and the third party conducting QoE
  - Accrual adjustments are **<u>necessary</u>**
  - Margin Benchmarks:

25+%
20%
15%
10%
8%
5%

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Benchmarks – Financial

- **Revenue**
- Changes come from changes in billable rates or changes in billable hours – track and understand each:

	Base Case	+4% Billing Rate	+10% Hours	+20% Hours
Serviced Hours	3,800 hours	3,800 hours	**4,180 hours**	**4,560 hours**
Average Billing Rate	$25.00/hour	**$26.00/hour**	$25.00/hour	$25.00/hour
Weekly Revenue	$95,000	$98,800	$104,500	$114,000
Yearly Revenue	$4,940,000	$5,137,600	$5,434,000	$5,928,000

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Staffing

❖ Recruitment and Retention

- ✓Total applicants
- ✓Applicant conversion rate
- ✓90-day retention rate
- ✓Applicants by recruiting source
- ✓New hires by recruiting source
- ✓90-day retention by recruiting source
- ✓One-year retention by recruiting source

❖ Caregiving

- ✓ Total hours per week of service
- ✓ Number of active clients
- ✓ Number of active caregivers
- ✓ Average number of hours per week per client
- ✓ Average number of hours per week per caregiver
- ✓ Hours per week per scheduler
- ✓ Total shifts scheduled
- ✓ Average hours per shift
- ✓ Unfilled shifts
- ✓ Caregiver call-offs within 24 hours of shift
- ✓ Overtime hours worked
- ✓ Overtime hours billed

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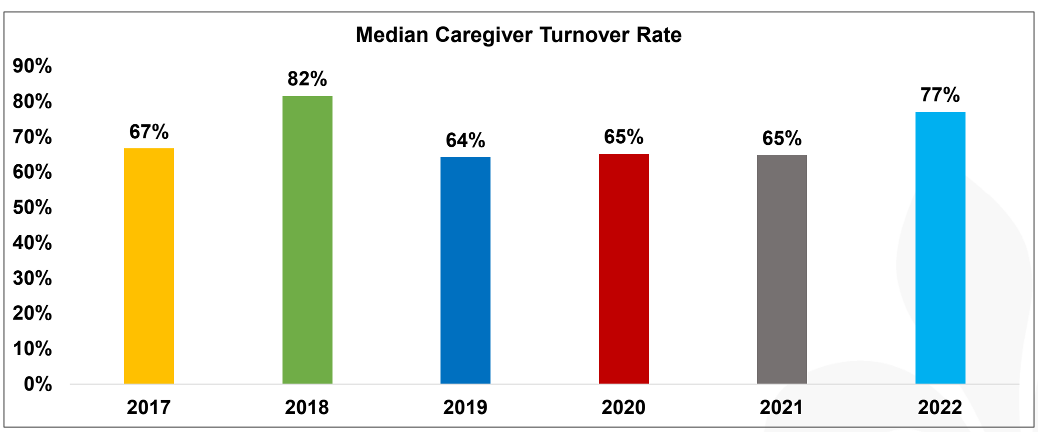
Benchmarks – Staffing



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Source: 2023 HCP Benchmarking Survey

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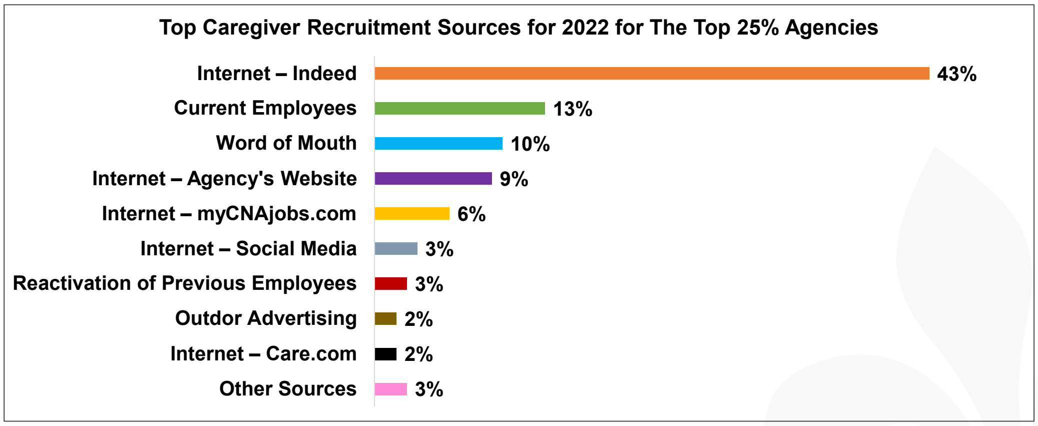
Benchmarks – Staffing



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Source: 2023 HCP Benchmarking Survey

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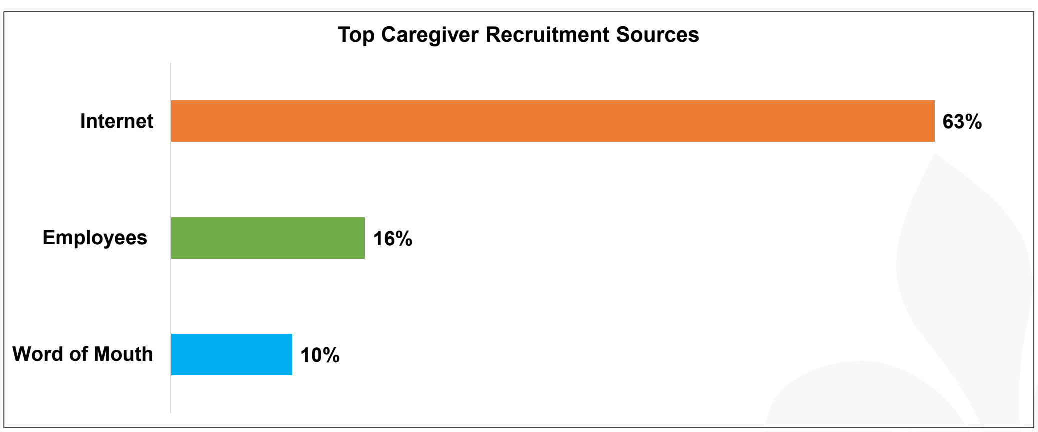
Benchmarks – Staffing



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Source: 2023 HCP Benchmarking Survey

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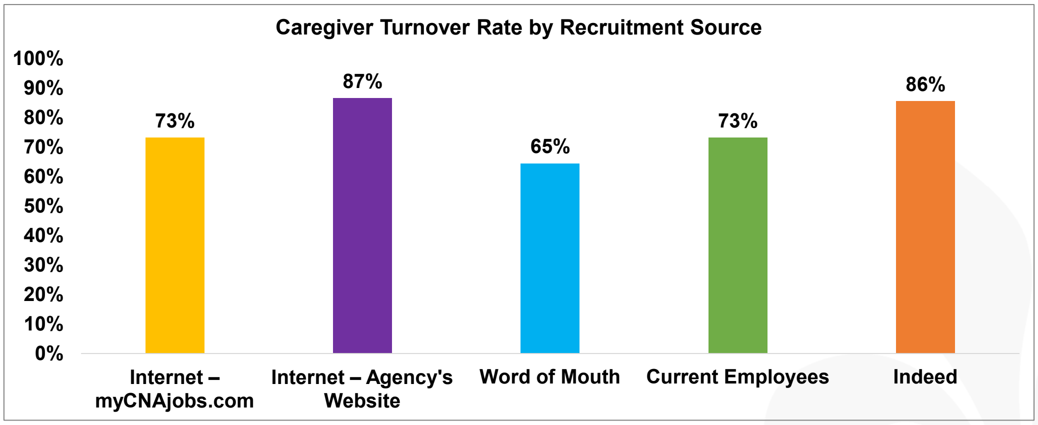
Benchmarks – Staffing



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Source: 2023 HCP Benchmarking Survey

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Staff Retention

- **Why employees stay:**
  - Training
  - Fair Treatment
  - Recognition
  - On-going education
  - Professional growth/development opportunities

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Manage for Maximum Effectiveness

- Train all staff for maximum effectiveness
- Streamline Scheduling
- Once expectations are set – monitor

- **The Benefits**
  - Cost Savings
  - Improved Care
  - Enhanced Employee Morale

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Reward Staff Strategically

- **Performance Based Incentives – Office Positions**
  - Clearly defined (and achievable) goals
  - Distribute on a fixed timeframe
- **Examples**
  - Scheduler – Quarterly
    - 0.5% Bonus for Maintaining <1% Unbillable Overtime
    - 1% bonus for maintaining <5% Total Missed Shifts
  - Recruiter – Monthly
    - 1% for Hiring / Onboarding / Getting 7 New Caregivers to 1st Shift successfully
- **The Benefits**
  - Motivation & Retention
  - Fairness & Transparency
  - Increased Productivity

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Clients

Monitor and Measure to Improve Performance

- ❖ **Inquiry Tracking**
  - ✓ Impact on revenue
- ❖ **Historical Customer Average Lifetime Value**
  - ✓ Client retention is key
- ❖ **Average Weekly Hours Per Client**
  - ✓ Lower revenue concentration is less risky
- ❖ **Quality**
  - ✓ The Quadruple Aim

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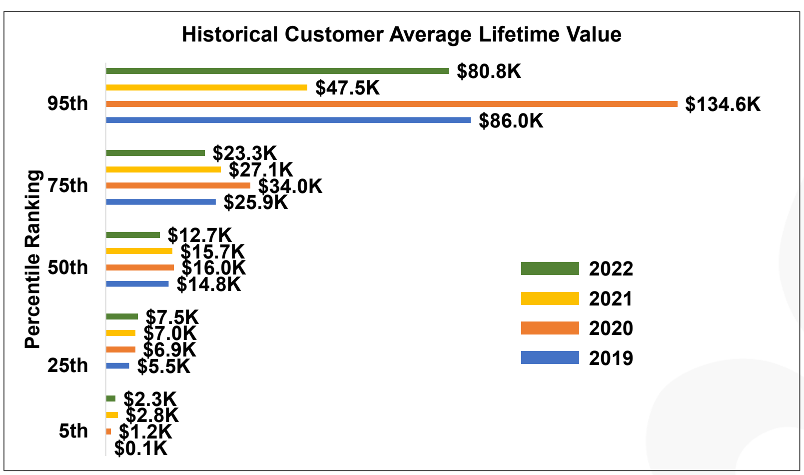
Benchmarks – Clients



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Source: 2023 HCP Benchmarking Survey

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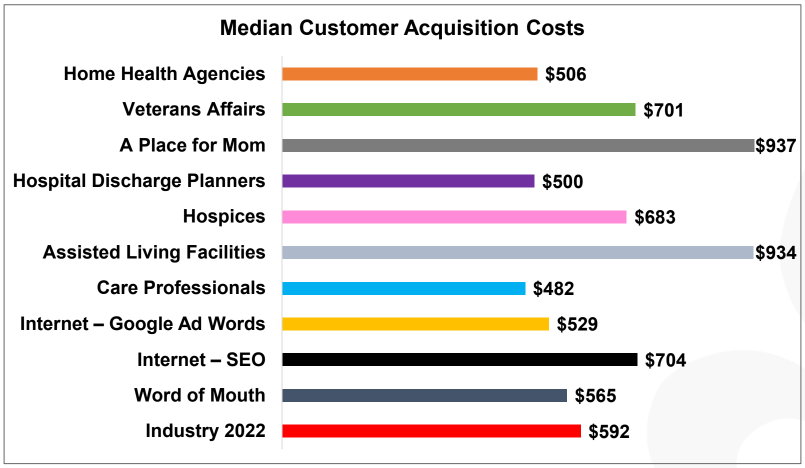
Benchmarks – Clients



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Source: 2023 HCP Benchmarking Survey

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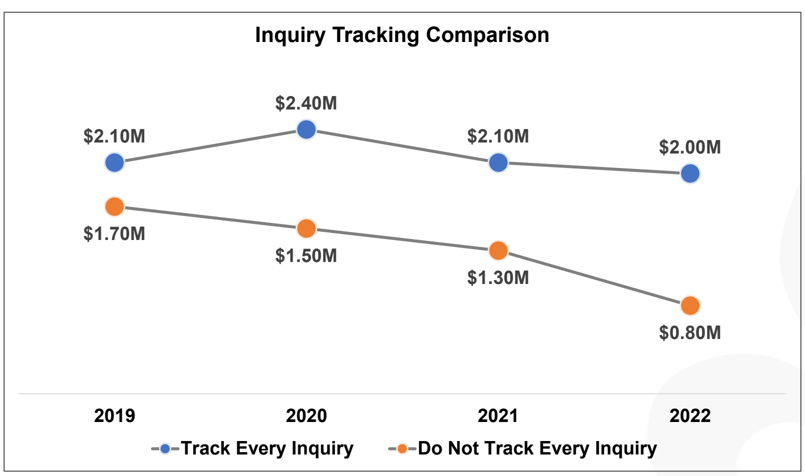
Benchmarks – Clients



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Source: 2023 HCP Benchmarking Survey

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Benchmarks – Clients

- **The Quality Differentiation**
  - Avoidance of unplanned hospitalization
  - Maintenance or improvement in functionality
  - Falls avoidance
  - Client and caregiver satisfaction
- **The Quadruple Aim**

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Sales and Marketing

❖**Referral Sources**
- ✓ New clients by referral source
- ✓Average hours per week per client by referral source
- ✓Clients with the highest total lifetime dollar value

❖**Sales Reps**
- ✓Referral sources that are more likely to convert
- ✓Team member(s) most successful at converting inquiry calls into home assessments
- ✓Team member(s) most successful in converting assessments into a client.

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Benchmarks – Sales and Marketing

- **Know your referral sources**
  - Which one provides higher quality referrals?
  - Which one is more profitable?

Referral Sources	Referrals	Clients	Conversion %	Gross Billing	Profit	Gross Profit Margin %
Google	30	12	40%	$43,200	$19,440	45%
Word of Mouth	18	15	83%	$54,000	$22,680	42%
Elite Orthopedic Clinic	14	6	43%	$21,600	$8,208	38%
Empathy Home Care	8	4	50%	$14,400	$5,616	39%
Harmony Care Services	8	6	75%	$21,600	$9,072	42%
Angelic Home Care	7	4	57%	$14,400	$6,336	44%
Silvercrest Hospital	7	3	43%	$10,800	$4,644	43%
Total	**92**	**50**	**54%**	**$180,000**	**$75,996**	**42%**

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Benchmarks – Sales and Marketing

- **Monitor and Incentivize Sales Reps**
  - Compare time periods to identify trends – individual or market
  - Conversion % and Hours are most important:
    - Median Weekly Billable Hours per Care Coordinator/Scheduler – 850 hours
    - Median Weekly Billable Hours per office/support staff – 205 hours

Sales Rep	Referrals	Clients	Conversion %	Hours
Lesley	44	21	48%	713
John	36	29	81%	860
Darren	32	12	38%	520
Barbara	26	18	69%	630
Luis	22	6	27%	220
Total	**160**	**76**	**48% (avg.)**	**2,943**

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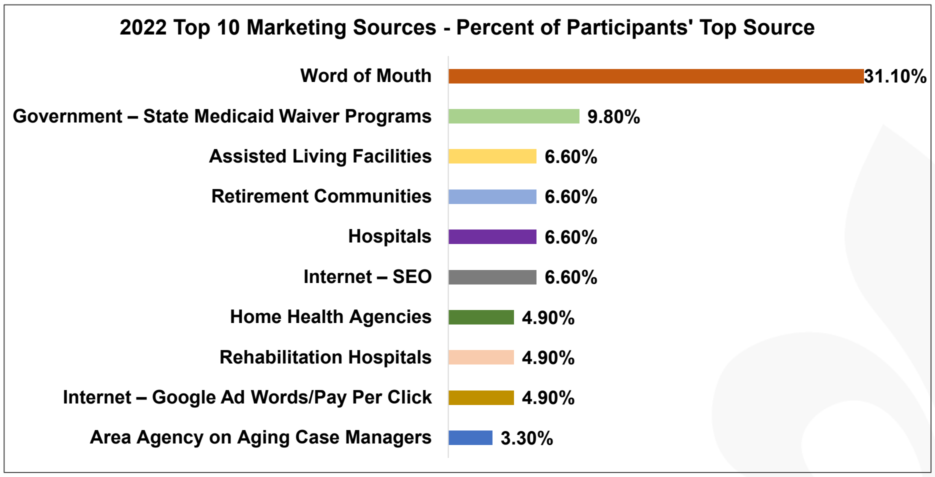
Benchmarks – Sales and Marketing



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Source: 2023 HCP Benchmarking Survey

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Q&A

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