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# Rebuilding Your Private Duty Agency: Competitive Crossroads

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Vice President  
Partners Private Care


Member of Partners HealthCare, founded by Brigham and Women's Hospital and Massachusetts General Hospital



## Morning Report

Jane Scheduler  
*"I've had 6 referrals this morning"*

Joan Scheduler  
*"I've only had 1"*



*Give that some thought ...*

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## Fundamental Questions

- “How will you position your agency as a market leader?”
- “How will you develop quality measures?”
- “How do you streamline for efficiency and improve operations?”
- “How do you develop your plan to grow desirable volume, develop new programs and build a strong bottom line?”

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## Company Profile

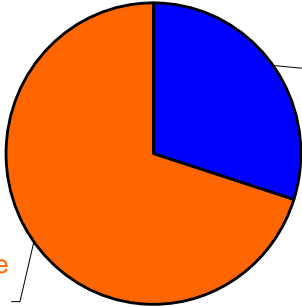
- \$10 Million Private Duty Company
- LLC of a certified home care / hospice / medical product agency in a large Health Care System in the Northeast
- ADC of 1,050 Clients
- Blend of Private Pay & Contract Services
- Growth is expected to come from developing new private pay clients

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Weekly Averages by Branch					
Weekly Statistics	Total	Metro	North	West	South
Referrals	33	6	4	20	3
Admissions	28	5	3	18	2
Cases on Service	1067	53	73	866	75
Hours of Care	7008	1628	1105	3675	600
Hrs / Client / Wk	7	31	15	4	8
Branch FTEs	24	4	3.5	14	2.5

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FY 09 Highlights	
<ul style="list-style-type: none"> <li>▪ Referrals 1,227</li> <li>▪ Admissions 1,066</li> <li>▪ Conversion 87%</li> </ul>	<p>■ Elder Care ■ Private Pay</p> 
<p><u>Elder Care Services</u></p> <ul style="list-style-type: none"> <li>▪ 103,460 Hours of Care</li> </ul>	<p>Elder Care 30%</p>
<p><u>Private Pay Services</u></p> <ul style="list-style-type: none"> <li>▪ 239,873 Hours of Care</li> </ul>	<p>Private Pay 70%</p>
<p><u>Facility Contract Services</u></p> <ul style="list-style-type: none"> <li>▪ 16,065 Hours of Care</li> </ul>	

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## Private Duty = Market Based Philosophy

- What we charge is market based
  - Too high - no one will buy
  - Too low - can't meet expenses
- Employee pay is market based
  - Too high - can't charge enough to meet expenses
  - Too low - employees will go elsewhere
- Thin net profit margins
  - Must manage expenses closely

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## How does a Private Duty Agency Grow in a Down Market?

Review - December 2007 to March 2009

- March 9, 2009: The Dow Jones industrial average plummeted to a 12 year low of 6,547. Three year change is -20.15%.
- Recession was fueled by a collapse of the housing market
- Real estate lost value and wasn't readily selling
- Some real estate companies went out of business
- March 2008: some banks collapsed
- Many job actions in diverse industries
  - Layoffs, frozen raises, pay cuts
- High unemployment
- Elder Care agencies ration approval and create waiting lists services

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## Signs of Market Recovery

March 2009 to the Present

- Stock Market has rallied. The Dow Jones grew by +15.75% compare to the past year.
- Few expected the DJIA would be back over 10,000 so soon
- Unemployment is under 10%, other segments of the economy are stabilizing
- Consumers are hunkered down but retail and real estate sales are showing some gains
- Market panic is slowing replaced by hope that the worst is over, but it might be years before the economy booms again

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## Private Pay Opportunity

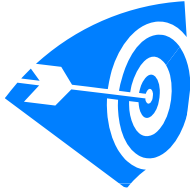
- Home owners staying in the family home longer vs. moving to retirement communities or nursing facilities
- Elderly home owners need personal care services and / or homemaking assistance to stay in the home
- Retirement communities are experiencing unusual unit vacancies and want to keep residents longer so they need private care over and above their assisted living capabilities

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## Model of Private Care Financial Success

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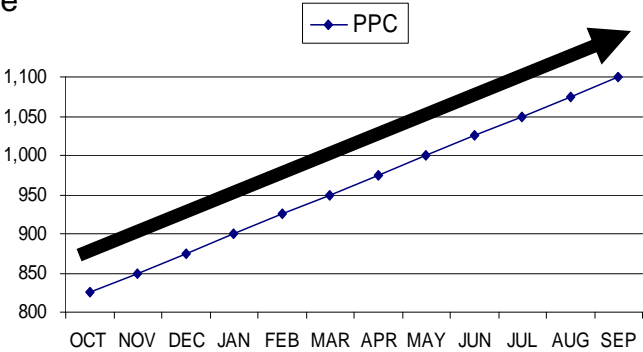
- Excess of Revenue over Expenses
- Invest the Excess Revenue in volume enhancing activities:
  - Sales / Marketing
  - Specialty Employee Training
  - New and Improved Billing Systems
  - New and Improved Patient Intake
  - New and Improved Quality Systems



## Private Care Business Goals

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- Increase
  - Referrals
  - Admissions
  - Hours billed
  - Net Income
  - Profit



Month	PPC Value
OCT	825
NOV	850
DEC	875
JAN	900
FEB	925
MAR	950
APR	975
MAY	1000
JUN	1025
JUL	1050
AUG	1075
SEP	1100

## Private Care Market Position

- How are you perceived in the Market and is it what you want?
  - High End Agency
  - Low Cost Agency
  - Physician Allied
  - Hospital Affiliated
  - Nursing Only
  - Home Health Aide Only
  - Specialty Trained Staff
- Will your position lead to growth? If not, work to change it!

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## Volume Cures All

“**Volume Cures All**” is yesterday’s conventional wisdom

Today’s conventional wisdom is “**The Right Volume Mix Cures All**”

How do you:

- Determine which programs / business lines to promote?
- Plan ahead and determine which referrals to admit and which to pass on?

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## Prepare Your Business Plan

### Determine your:

#### Operating Goals

- Referrals
- Admissions
- Conversion
- Hours of Care

#### Financial Goals

- Total Revenue
- Cost of Service
- Gross Profit Margin
- Fixed Expenses
- Net Income

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## Prepare Your Sales Plan

### How to Grow Volume & Meet Business Goals

- EZ 24.7 referral process
- Define your service area – high income zip
- Hospital liaisons
- Community based liaisons
- Dedicated private care liaison
- Branch managers 50% sales
- Develop written agreements with potential referral sources
- Create an interactive website

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## Prepare Your Sales Plan

### Internal Sales

- Prioritized interagency referrals between Certified, Private Care, Hospice and Products
- CEO and Senior Managers set the stage
- Set team goals, document and distribute internal results
- Highlight positive results through interagency:
  - Newsletters
  - Poster boards
  - Routine Meetings
  - Awards / Recognition

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## Marketing for New Private Pay Cases

### External Sales

- Branch Manager to spend 50% of time on Sales/Marketing related activities
- Interagency Liaison Team
- Nursing Supervisor to attend community networking activities
- Sales calls to:
  - Geriatric Case Managers
  - Elder Law Attorney's
  - Physician Offices
  - Community Agencies / Senior Service Organizations
  - Trust / Bank Officers
  - Created Speakers Bureau
  - Scheduled In-services at Retirement facilities
  - Promote New Website

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## Reenergize Private Duty Nursing

- Offer Specialty Training for Nursing Staff
  - Chronic Care Certification
  - Hospice Training for Temporary Staffing
    - Fill in for vacations, etc
    - Fill in for other community agencies
  - Training for Certified Temporary Staffing
    - Fill in for vacations, etc
    - Fill in during Cerner System Conversion
    - Fill in for other community agencies
  - Telemetry Home Visits
    - Initial home visit
  - Clinical Trials



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## Reenergize HHA Caregiver Staff

- Offer Specialty Training for HHA Caregiver Staff
  - Alzheimer's
  - Chronic Care Management
  - Dementia
  - Hospice
- Offer New Home Health Aide Training Program
  - Focus on Nursing Students
- Promote new specialty training to referral sources and clients to differentiate our agency from the competition

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## Always Look to Reduce Expenses

### Closely manage expenses and reduce when possible

- Office Staff
- Real Estate
- Equipment
- Regionalize services
  - Human Resources
  - Billing
  - Intake
  - Marketing
  - On-Call

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## Develop New Adjunct Pilot Programs

### Tuck-in Program

- Home Health Aide will be dispatched to the client's home **within 4 hours**
- Next day services can be ordered if the call comes in after hours
- Certified Nurse evaluation will be provided within 24 hours  
This first home visit would consist of a minimum of 4 consecutive hours of service at a charge of \$95

### Safe at Home Program

- Home Health Aide will be dispatched to the client's home **within 4 hours**
- Next day services can be ordered if the call comes in after hours
- Certified Nurse evaluation will be provided within 24 hours  
The home visits would consist of a minimum of 4 consecutive hours of service for 5 days at a charge of \$450

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## Repackage and Promote Services

- Change Block HHA Hours to:  
*Premium 24.7 Home Health Care*
- Change Block time nursing to:  
*Premium 24.7 Nursing Care*
- Change General Transportation to:  
*Medical Appointment Personal Transportation Services*
- Change Family Care Assistance to:  
*Respite Care*

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## Diversify From Standard Private Pay

### Consider Other Referral Sources:

- Facility staffing
- Contracts with Elder Service Organizations
- Public Health Departments
- School nursing
- Vaccinations in industry
- Commission for the Blind
- University Services for students
- Preferred Provider for Assisted Living Facilities
- Community Health Centers
- Veteran's Services

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## Creating a Customer Service Culture

### How to Grow Volume & Meet Business Goals

FIRST IMPRESSIONS MATTER – *Get staff on the same page*

Develop scripts for all staff

- Reception
- Intake
- Sales calls
- Schedulers/coordinators

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## Creating a Customer Service Culture

### **“Above and Beyond” Telephone Scripting**

- Answer the call at or before three rings.
- Be warm and enthusiastic.
- Speak clearly.
- Use positive vocabulary.
  - Replace “OK or No Problem” with “Certainly or Very Well”
  - Replace “I don’t know” with “Let me find that out for you”

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## Creating a Customer Service Culture

### “Above and Beyond” Telephone Scripting

Most callers like to know the name of the person they are speaking with. The way to do that is for the receptionist/staff in each Branch to follow the same script.

#### Script for General calls coming into the Branch

- Phone Rings and is answered with:
- ***Good Morning, (or afternoon), Partners Private Care, (name) speaking, how may I help you?***

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## Creating a Customer Service Culture

### Service Recovery Plan

- Routine employee and customer contact is key to a successful case ... utilize telephone / home visits
- Develop a list of Never Events that serve as a guideline
- Develop a policy for immediate response
  - By telephone
  - In person
  - Official correspondence
- Develop a policy for how you will make it up to the customer
- Execute the plan

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## Develop Your Quality Plan

### Client Questionnaire

#### Caregiver Section

- Dress
- Timeliness
- Competence
- Friendliness
- Privacy

#### Office Staff Section

- Helpfulness
- Scheduling
- Finding Replacements
- Billing
- Cost

### Summary Questions

- Overall the degree to which we meet client needs
- Overall the likelihood of recommending to others

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## Recent Quality Survey Results

**320 Surveys mailed, 106 returned, for a 33% return**

### **Caregiver Staff Sample Results:**

99% of all responders rated our caregivers as very good or good for being appropriately dressed

93% of all respondents rated our caregivers as very good or good in terms of arriving as scheduled

98% of all responders rated the friendliness of our caregivers as very good or good

97% of all responders rated our caregivers concern for their privacy as very good or good

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## Recent Quality Survey Results

### Office Staff Sample Results:

90% of all respondents rated the helpfulness of the person who answered the telephone as very good or good

85% of all respondents rated how well the office staff dealt with their problems and complaints as very good or good

89% of all respondents rated how well their scheduling needs are met as good or very good

93% of all respondents rated how well their billing and cost questions were handled as very good or good

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## Recent Quality Survey Results

- The overall degree to which Partners Private Care met your needs and expectations:
  - 94% of all respondents rated the overall degree to which Partners Private Care met their needs and expectations as very good or good
- The overall likelihood of your recommending Partners Private Care to others:
  - 95% of all respondents rated the overall likelihood of their recommending Partners Private Care to Others as very good or good.

**PROMOTE YOUR RESULTS**

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BRINGING CARE HOME	<b>How To Get the Right Volume</b>
	<b>Focus on Business that meets your Gross Profit Margin Goal</b>
	Private Duty Industry Standard
	<ul style="list-style-type: none"> <li>▪ 35% to 40% Gross Profit Margin</li> </ul>
	Our Goal
	<ul style="list-style-type: none"> <li>▪ 40% Gross Profit Margin</li> </ul>

BRINGING CARE HOME	<b>What is Gross Profit Margin?</b>
	Income Statement
	<ul style="list-style-type: none"> <li>▪ Revenue             <ul style="list-style-type: none"> <li>▪ Billing \$900,000</li> </ul> </li> <li>▪ Cost of Service*             <ul style="list-style-type: none"> <li>▪ Direct Care Salary - <u>\$536,000</u></li> </ul> </li> <li>▪ Gross Profit \$364,000</li> </ul>
	Gross Profit / Revenue = Gross Profit Margin
	364,000 / 900,000 = .40 or 40%
	* Some may include taxes, benefits, workers comp and unemployment insurance

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## Gross Profit Margin Formula

$$\begin{array}{rcccl}
 \text{Bill Rate} & - & \text{Pay Rate} & = & \text{Gross Profit} \\
 \$ 23.75 & & \$ 13.50 & & \$ 10.25 \\
 \uparrow & & \uparrow & & \\
 \text{insert bill rate} & & \text{insert pay rate} & & \\
 \text{above} & & \text{above} & & 
 \end{array}$$


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Formula for Calculating Gross Profit Margin

**Gross Profit Margin = Gross Profit divided by Bill Rate**

$$\begin{array}{rcccl}
 \text{Gross Profit} & / & \text{Bill Rate} & = & \text{Gross Profit Margin} \\
 \$ 10.25 & & \$ 23.75 & & 43\%
 \end{array}$$

\* Branch Managers are authorized to discount rates that have a GPM of 38% per hour  
 \* Finance Manager must approve any discounts that have a GPM of 37% to 33% per hour  
 \* VP must approve any discounts that have a GPM of 32% or less per hour

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## Case Study #1

- North Branch showed a declining gross profit margin
- Cluster Staffing Program represented 30% of overall hours at the lowest rate of reimbursement with no rate relief in sight
- Year after year, managing the Cluster Program was taking an increasingly greater amount of administrative time
  - Telephone time increased
  - Scheduling time increased
  - Nurse Supervisor time increased
  - Branch Manager time increased

BRINGING CARE HOME	<b>Case Study #1 – Cluster Program</b>
	<ul style="list-style-type: none"> <li>▪ Two 24.7 shifts covering two separate buildings = 336 hours/week</li> <li>▪ Staffed by 15 Caregivers</li> <li>▪ Four 8 hour day shifts (7-3/3-11) billed at \$18.50/hr</li> <li>▪ Two 8 hour night shifts (11-7) billed at \$16.00/hr</li> <li>▪ 200 annual visits of unreimbursed nursing</li> <li>▪ \$1,000 annual unreimbursed travel expenses</li> </ul> <p><i>** Turning down long hour private cases due to staffing capacity issues to fill Cluster Program Caregiver Slots</i></p>

BRINGING CARE HOME	<b>Cluster Case Study Gross Profit Calculation</b>			
	<b>Daily Revenue</b>		<b>Daily Pay</b>	
	32 hrs x 18.50 = \$592	(not including RN time)		
	<u>16</u> hrs x 16.00 = <u>\$256</u>	32 hrs x 13.50 = \$432		
		<u>16</u> hrs x 12.00 = <u>\$192</u>		
	48 hrs                      \$848	48 hrs                      \$624		

## Cluster Case Study Gross Profit Margin

Formula for Calculating Gross Profit

**Gross Profit = Hourly Bill Rate minus Hourly Pay Rate**

<u>Bill Rate</u>	-	<u>Pay Rate</u>	=	<u>Gross Profit</u>
\$ 848.00		\$ 624.00		\$ 224.00
↑		↑		
insert bill rate above		insert pay rate above		

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Formula for Calculating Gross Profit Margin

**Gross Profit Margin = Gross Profit divided by Bill Rate**

<u>Gross Profit</u>	/	<u>Bill Rate</u>	=	<u>Gross Profit Margin</u>
\$ 224.00		\$ 848.00		26%

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## Cluster Case Study

Cluster Program Case Study	Daily	Annual	Annual Gross Profit	Annual Gross Profit Margin
Revenue	\$848	\$309,520	\$81,760	26%
Direct HHA Pay	\$624	\$227,760		
ADD IN ...				
Nursing Visits 200 x \$31 / hr		\$6,200		
Travel		\$1,000		
Revenue		\$309,520	\$74,560	24%
Actual Cost of Care		\$234,960		

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Cluster Case Study Bill vs. 48 Hours Premium Full Bill																				
BRINGING CARE HOME	<b>Comparison ... Cluster vs. Private Hours Billing</b>																			
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Cluster Daily Billing</th> <th style="width: 50%;">48 Hours Daily Billing</th> </tr> </thead> <tbody> <tr> <td>32 hrs x 18.50 = \$592</td> <td></td> </tr> <tr> <td><u>16 hrs x 16.00 = \$256</u></td> <td></td> </tr> <tr> <td>48 hrs                 \$848</td> <td>48 hrs X \$23.75 = \$1,140</td> </tr> <tr> <td>Daily Pay</td> <td>Daily Pay</td> </tr> <tr> <td>32 hrs x 13.50 = \$432</td> <td></td> </tr> <tr> <td><u>16 hrs x 12.00 = \$192</u></td> <td></td> </tr> <tr> <td>48 hrs                 \$624</td> <td>48 hrs x \$13.50 = \$648</td> </tr> <tr> <td>Gross Profit =         \$224</td> <td>Gross Profit         = \$492</td> </tr> <tr> <td>Gross Profit Margin = 26%</td> <td>Gross Profit Margin = 43%</td> </tr> </tbody> </table>	Cluster Daily Billing	48 Hours Daily Billing	32 hrs x 18.50 = \$592		<u>16 hrs x 16.00 = \$256</u>		48 hrs                 \$848	48 hrs X \$23.75 = \$1,140	Daily Pay	Daily Pay	32 hrs x 13.50 = \$432		<u>16 hrs x 12.00 = \$192</u>		48 hrs                 \$624	48 hrs x \$13.50 = \$648	Gross Profit =         \$224	Gross Profit         = \$492	Gross Profit Margin = 26%
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Cluster vs. Private Billing Annualized																					
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Cost of Care	\$242,720																				

## Case Study #1 Conclusions

- Next Steps After Analysis
  - Transition out of Cluster Program
    - Notify Caregivers
    - Notify Clients
    - Smooth and seamless transition
  - Focus on Marketing for New Clients
    - Redirect efforts to focus on private pay long hour clients



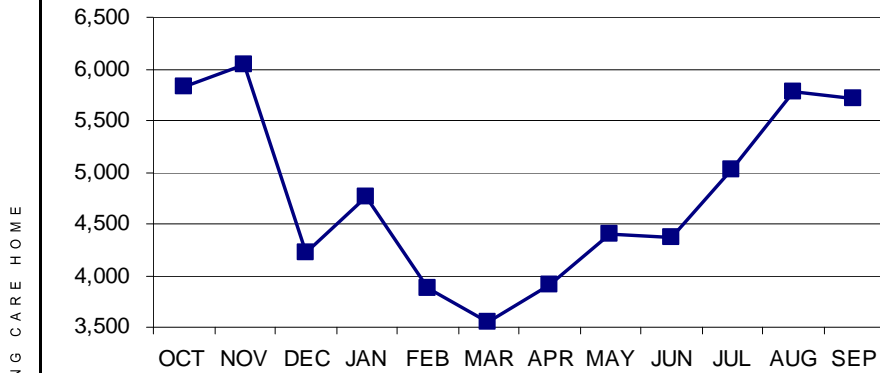
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## Marketing for New Private Pay Cases

- Renewed Marketing in the North Branch
- Reintroduce Private Pay Services in the Area
    - Attend clinical meetings to reeducate clinical staff
    - Sponsor staff in-services
    - Offer 5% employee discount to staff
    - Promote in house success stories
    - Conduct co-marketing w Certified

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## Branch Actual Performance in Hours



## Case Study # 2 Complex Medical

Client suffered disabling injuries in a work related event

- Additional health issues secondary to tainted antibiotics
- Complicated non-healing wounds
- Multiple skin issues
- Weight loss
- Start of Service, June 2007, expected to continue indefinitely
- 84 hrs / week of HHA services billed at a slightly discounted rate at the Metro Office
- Nursing Visit every day billed at the full rate
- All services billed to workers compensation insurance

## Case Study #2 - Background

- Notified by our clients attorney's that the long standing workers compensation case would be settled
- At settlement, we were to privately bill the client for the 84 hours of weekly home care and bill a newly created trust fund for the daily nursing visit
- However, after 3 years of excellent care, the attorney decided to "bid" the case to multiple home care companies expecting to negotiate a substantially discounted rate

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## Case Study #2

- The Attorney representing the client researched 10 other companies and concluded that:
  - All companies were willing to offer substantially discounted rates
  - Not all companies could also offer nursing
- The Attorney narrowed the field to 3 companies who he felt could immediately take over all aspects of the case at a substantial discount

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	Our Research
BRINGING CARE HOME	<p>We conducted our own mini market survey and determined that:</p> <ul style="list-style-type: none"> <li>▪ Our rates were reasonable for the area</li> <li>▪ Our rates were not the lowest and not the highest</li> <li>▪ We were around the 75<sup>th</sup> percentile</li> </ul> <p style="text-align: center;"><u><i>Exactly where we wanted to be!</i></u></p>

	Negotiation Process
BRINGING CARE HOME	<p>Usual Home Health Aide Rate = \$23.75</p> <ul style="list-style-type: none"> <li>▪ Already discounted to \$22.50</li> <li>▪ He opened the negotiation at \$17.00 (representing the lowest rate he could get from another provider)</li> <li>▪ We offered \$21.45 (approx a 5% discount)</li> <li>▪ He countered at \$18.00</li> <li>▪ We came back with \$21.00</li> <li>▪ He replied no more than \$19.00</li> </ul> <p>We went back to the drawing board.</p>

## Negotiation Process

We knew that:

- We had to offer a deeper discount to keep the case
- the case could continue on indefinitely
- the case would be a combination of daily home care and nursing



### Decision Matrix:

*Rather than haggling back and forth we decided to conduct a margin based analysis and make a good business decision about the case*

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## Analysis

- Metro Branch providing the service was averaging 1,800 HHA hrs / week
- Most Branch hours are private pay at full rate
- The Branch enjoys an overall 43% profit margin
- No services provided at \$19.00 / hour

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## Margin Analysis at Offered HHA Rate

Formula for Calculating Gross Profit

**Gross Profit = Hourly Bill Rate minus Hourly Pay Rate**

	<u>Bill Rate</u>	-	<u>Pay Rate</u>	=	<u>Gross Profit</u>
Bill Rate 12hrs x \$19	\$ 228.00		\$ 165.00		\$ 63.00
	↑		↑		
	insert bill rate above		insert pay rate above		
Pay Rate 12hrs x \$13.75					

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Formula for Calculating Gross Profit Margin

**Gross Profit Margin = Gross Profit divided by Bill Rate**

	<u>Gross Profit</u>	/	<u>Bill Rate</u>	=	<u>Gross Profit Margin</u>
	\$ 63.00		\$ 228.00		28%

Short of  
40% Goal

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 \* Finance Manager must approve any discounts that have a GPM of 37% to 33% per hour  
 \* VP must approve any discounts that have a GPM of 32% or less per hour

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## Margin Analysis at Offered HHA + RN Rate

Formula for Calculating Gross Profit

**Gross Profit = Hourly Bill Rate minus Hourly Pay Rate**

	<u>Bill Rate</u>	-	<u>Pay Rate</u>	=	<u>Gross Profit</u>
Bill Rate 12hrs x \$19 RN Vst \$90	\$ 318.00		\$ 196.00		\$ 122.00
	↑		↑		
	insert bill rate above		insert pay rate above		
Pay Rate 12hrs x \$13.75 1hr RN \$31					

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Formula for Calculating Gross Profit Margin

**Gross Profit Margin = Gross Profit divided by Bill Rate**

	<u>Gross Profit</u>	/	<u>Bill Rate</u>	=	<u>Gross Profit Margin</u>
	\$ 122.00		\$ 318.00		38%

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## Margin Goal Achieved at New Rate

Formula for Calculating Gross Profit

**Gross Profit = Hourly Bill Rate minus Hourly Pay Rate**

	<u>Bill Rate</u>	-	<u>Pay Rate</u>	=	<u>Gross Profit</u>	
Bill Rate 12hrs x \$20 RN Vst \$90	\$ 330.00		\$ 196.00		\$ 134.00	
	↑ insert bill rate above		↑ insert pay rate above			

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Formula for Calculating Gross Profit Margin

**Gross Profit Margin = Gross Profit divided by Bill Rate**

	<u>Gross Profit</u>	/	<u>Bill Rate</u>	=	<u>Gross Profit Margin</u>	
Pay Rate 12hrs x \$13.75 1hr RN \$31	\$ 134.00		\$ 330.00		41%	Exceeded Goal

\* Branch Managers are authorized to discount rates that have a GPM of 38% per hour  
 \* Finance Manager must approve any discounts that have a GPM of 37% to 33% per hour  
 \* VP must approve any discounts that have a GPM of 32% or less per hour

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## Case Study #2 Conclusions

- Presented Features and Benefits of Continued Service to Attorney
- Finalized Negotiations at \$20.00/hr for HHA
- Finalized Negotiations at \$90/Nursing Visit
- Achieved a Case Profit Margin Exceeding Goal
- Case represents < 5% of Branch Business - could have gone to break even without harming overall margin

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# THANK YOU

Arthur St. Germain  
Vice President  
Partners Private Care

Member of Partners HealthCare, founded by Brigham and Women's Hospital and Massachusetts General Hospital

