


BRINGING CARE HOME

A Focus on Profitable Business: Agency Growth and the Bottom Line

Arthur St. Germain
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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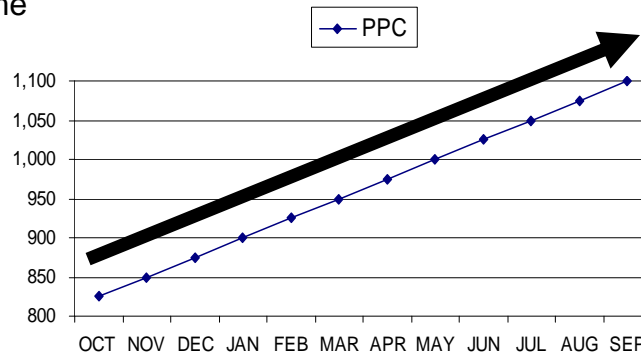
Fundamental Questions

- “Will an increase in referrals automatically lead to an increase in the bottom line?”
- “Are all admissions good for business?”
- “How do you build a strong bottom line?”
- “How do you develop your plan to grow desirable volume?”

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Business Goals

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



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Company Profile

- \$10 Million Private Duty Company
- LLC of a certified home care provider 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 new private pay clients

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PPC Weekly Averages by Branch

	<i>Metro</i>	<i>North</i>	<i>West</i>	<i>South</i>
<i>Referrals</i>	6	4	20	3
<i>Admissions</i>	5	3	16	2
<i>Cases</i>	53	73	866	75
<i>Hours of Care</i>	1628	1105	3675	600
<i>Hrs / Client / Wk</i>	31	15	4	8
<i>FTEs</i>	4	3.5	14	2.5

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FY 09 Highlights

- Referrals 1,227
- Admissions 1,066
- Conversion 87%

Elder Care Services

- 103,460 Hours of Care

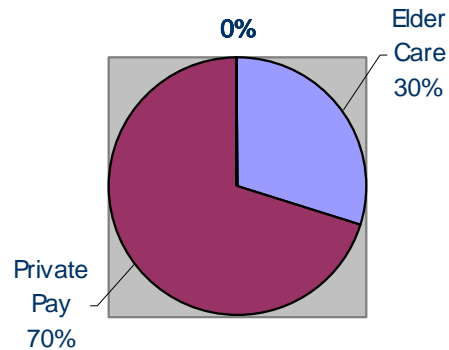
Private Pay Services

- 239,873

Contract Services

- 16,065

- Elder Care
- Private Pay



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Private Duty = Market Based Philosophy

- Hourly Rates are 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 Market Based Agency Grow in a Down Market?

December 2007 to March 2009

- 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
- Some banks collapsed beginning in March 2008
- Many job actions in diverse industries
 - Layoffs, frozen raises, pay cuts
- High unemployment
- March 9, 2009, The Dow Jones industrial average plummeted to a 12 year low of 6,547

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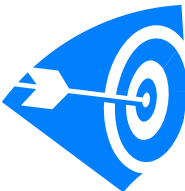
Signs of Market Recovery

March 2009 to the Present

- Stock Market has rallied since March
- Few expected the DJIA would be back over 10,000 so soon
- Unemployment is close to 10% but other parts of the economy are stabilizing
- Consumers are still hunkered down but retail and real estate sales are showing some gains
- The panic of last fall is slowing replaced by the resignation that the worst is over, but it might be years before the economy booms again

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Private Pay Opportunity	
BRINGING CARE HOME	<ul style="list-style-type: none"> ▪ Retirement communities experiencing open units ▪ Home owners staying in the family home longer vs. moving to retirement communities or nursing facilities ▪ Economy forcing Elder Care agencies to ration approval and create waiting lists for income eligible homemaking and personal care services ▪ Elderly home owners need personal care services and / or homemaking assistance to stay in the home

Model of Private Care Financial Success	
BRINGING CARE HOME	<ul style="list-style-type: none"> ▪ Excess of Revenue over Expenses ▪ Invest the Excess Revenue in: <ul style="list-style-type: none"> ▪ Specialty Employee Training ▪ New and Improved Billing Systems ▪ New and Improved Patient Intake ▪ New and Improved Quality Systems <div style="text-align: right; margin-top: 20px;">  </div>

Volume Cures All

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

How do you:

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

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

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Determine Your Business Goals

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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How To Get the Right Volume

Focus on Business that meets your Gross Profit Margin Goal

Private Duty Industry Standard

- 35% to 40% Gross Profit Margin

Our Goal

- 40% Gross Profit Margin

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What is Gross Profit Margin?

Income Statement

- | | |
|----------------------|--------------------|
| ▪ Revenue | |
| ▪ Billing | \$900,000 |
| ▪ Cost of Service* | |
| ▪ Direct Care Salary | - <u>\$536,000</u> |
| ▪ Gross Profit | \$364,000 |

Gross Profit / Revenue = Gross Profit Margin

$$364,000 / 900,000 = .40 \text{ or } 40\%$$

* Some may include taxes, benefits, workers comp and unemployment insurance

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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

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Case Study #1 – Cluster Program

- Two 24.7 shifts covering two separate buildings = 336 hours/week
 - Staffed by 15 Caregivers
 - Four 8 hour day shifts (7-3/3-11) billed at \$18.50/hr
 - Two 8 hour night shifts (11-7) billed at \$16.00/hr
 - 200 annual visits of unreimbursed nursing
 - \$1,000 annual unreimbursed travel expenses
- ** *Turning down long hour private cases due to staffing capacity issues to fill Cluster Program Caregiver Slots*

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Cluster Case Study Gross Profit Margin															
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Cluster Case Study					
BRINGING CARE HOME	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		
	Nursing Visits 200 x \$31 / hr		\$6,200		
	Travel		\$1,000		
	Revenue		\$309,520	\$74,560	24%
	Actual Cost of Care		\$234,960		

Cluster Case Study Bill vs. 48 Hours Premium Full Bill																							
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Hourly Cases + RN Visits Annualized																														
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Case Study #1 Conclusions

- Next Steps
 - 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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North Branch Marketing Opportunities

- North Branch also houses
- Certified program
 - Hospice program
 - Personal emergency response program
 - Telemonitoring nurses station

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Marketing for New Private Pay Cases

Internal Marketing

- Reintroduce Private Pay Services to Colleagues
 - Attend clinical meetings to educate staff
 - Sponsor staff in-services
 - Offer 5% employee discount to staff
 - Promote in house success stories
 - Conduct co-marketing



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Marketing for New Private Pay Cases

External Marketing

Reintroduce Private Pay Services to the Private Pay Community

- Branch Manager to spend 50% of time on Sales/Marketing related activities
- 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
 - New Website in Development

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Reenergize Private Duty Nursing

- Offer Specialty Training for Nursing Staff
 - Disease Management Certification
 - Hospice Training for Temporary Staffing
 - Fill in for vacations, etc
 - Fill in for other community agencies
 - Oasis Training for Certified Temporary Staffing
 - Fill in for vacations, etc
 - Fill in during Cerner Conversion
 - Fill in for other community agencies
 - Telemetry Home Visits
 - Initial home visit



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Reenergize HHA Caregiver Staff

- Offer Specialty Training for HHA Caregiver Staff
 - Alzheimer's
 - Disease 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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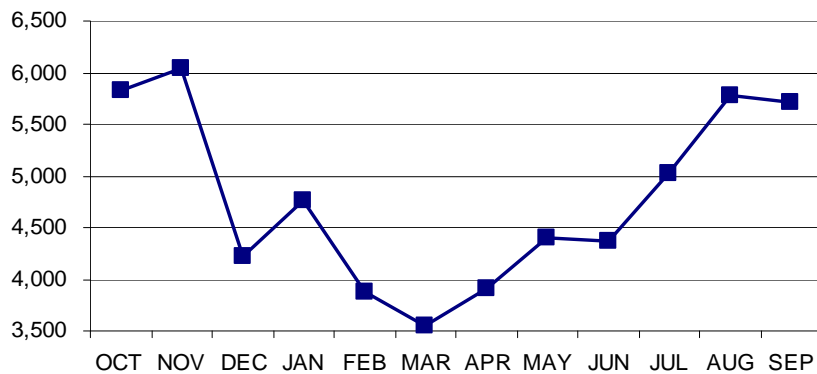
Reduce Expenses

Manage Expenses and Reduce When Possible

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

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Branch Actual Performance in Hours



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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

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Case Study #2 - Background

- Notified this past June 2009 by our clients attorney's that the long standing workers compensation case would be settled
- Effective September 2009, 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 2 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 could immediately take over all aspects of the case at a substantial discount

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Our Research

We conducted our own market survey and determined that:

- Our rates were reasonable for the area
- Our rates were not the lowest and not the highest
- We were around the 75th percentile

Exactly where we wanted to be!

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Negotiation Process

Usual Home Health Aide Rate = \$23.75

- Already discounted to \$22.50
- He opened the negotiation at \$17.00 (representing the lowest rate he could get from another provider)
- We offered \$21.45 (approx a 5% discount)
- He countered at \$18.00
- We came back with \$21.00
- He replied no more than \$19.00

We went back to the drawing board ...

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Negotiation Process

We knew ...

- 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	
BRINGING CARE HOME	<ul style="list-style-type: none"> ▪ 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

Margin Analysis at Offered HHA Rate									
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Margin Analysis at Offered HHA + RN Rate	
Daily Revenue 12 hrs x 19.00 = \$228 1 Nursing Visit <u>90</u> \$318	Daily Pay 12 hrs x 13.75 = \$165 1 hr RN time = <u>31</u> \$196
\$318 Revenue - <u>196</u> Pay \$ 122 Gross Profit	
Gross Profit / Revenue = Gross Profit Margin $122 / 318 = .38$ or 38% Not Yet at Goal of 40%	

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Margin Goal Achieved at New Rate	
Daily Revenue 12 hrs x \$20.00 = \$240 1 Nursing Visit <u>90</u> \$330	Daily Pay 12 hrs x \$13.75 = \$165 1 hr x \$31.00 <u>31</u> \$196
\$330 Revenue - <u>196</u> Pay \$134 Gross Profit	
Gross Profit / Revenue = Gross Profit Margin $134 / 330 = .40$ or 40% Goal	

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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 = to Goal
- Case represents < 5% of Branch Business - could have gone to break even without harming overall margin

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THANK YOU!

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Vice President
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