

# Measure What Matters:

## Uncovering the *Iron Triangle* of Home Care Finance

*2017 CDF Home Care Conference*  
*Wednesday, November 8, 2017*

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The ICA Group | [www.ica-group.org](http://www.ica-group.org)



# The ICA Group

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- **Mission-driven** 501c3 non-profit organized as a worker cooperative

*“To expand economic opportunity and self-determination by supporting initiatives that empower workers, build community assets, and root capital locally through employee ownership.”*

- **Leading expert on worker ownership** and the oldest national organization dedicated to the development of worker cooperatives
- **Rigorous business advisory practice** with a deep understanding of worker ownership, structures, and a commitment to serving low-wage workers and communities of color
- **Our work is focused in the following strategic areas:**
  - ✓ **Industry transformation**
  - ✓ **Conversion to worker ownership**
  - ✓ **Strategic consulting**



# Agenda

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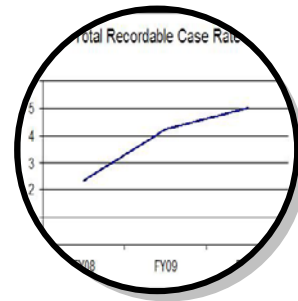
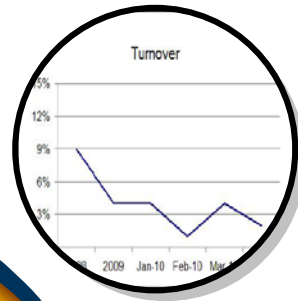
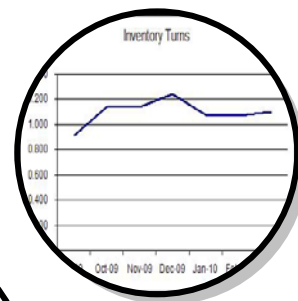
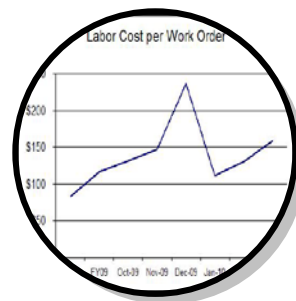
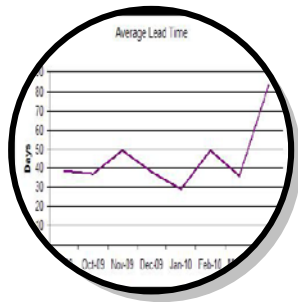
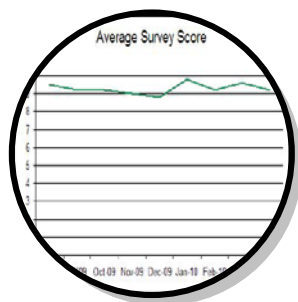
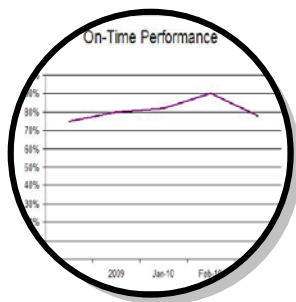
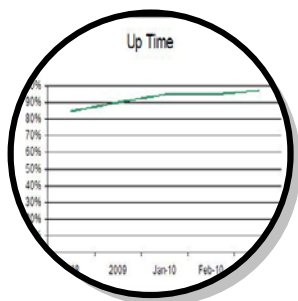


- Of Metrics, Performance Dashboards, and Kaizen
- Exploring Home Care Metrics
- 5 Why's with Metrics Example
- Metrics-Based Recruitment Strategy Framework
- Recruitment Metrics Example
- Uncovering Home Care's *Iron Triangle*...



**How far would you drive  
without your gauges?**





# Metric Defined

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Quantifiable measure that is used to track and assess the status of a specific business process

Metrics are designed for key audiences: *clients, caregivers, office staff, departments, executives*

- Departments look at detailed, specific metrics (*e.g., recruitment interview-show rate*)
- Executives look at overall metrics (*e.g., total hires*)

1. **Measure** to understand effectiveness.
2. **Monitor** to see trends; did *it* improve?
3. **Manage** to act when needed.

"If you can't measure it, you can't improve it."  
– *Peter Drucker, management consultant*

# Starting Point for All Businesses

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## Top Three Metrics for Business Executives/Owners:

- Annual revenue based on last 12 months
- Gross profit margin
- Expenses as % of your gross profit

*“Knowing your numbers is  
the roadmap to success.”*

– Marcus Lemonis





# Specific Metrics for Industries

Billable hours

Production man hours

Product yield

Average collection  
days

Re-work

Inventory accuracy

Scrap

Work-in-progress

Sales or gross margin

On-time delivery

New customers

Overhead absorption

Recruiting

Average sales

Labor efficiency

Reducing inventory

Customer satisfaction

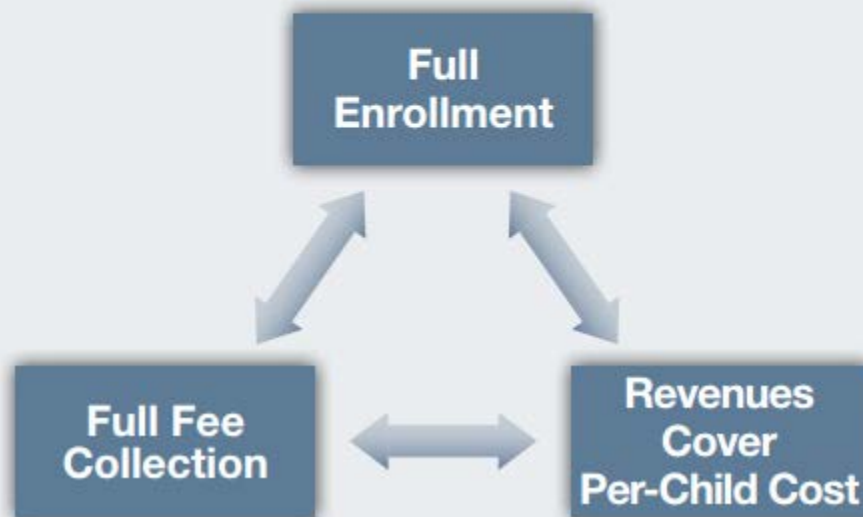
Productivity

Closure rate

Calls per hour

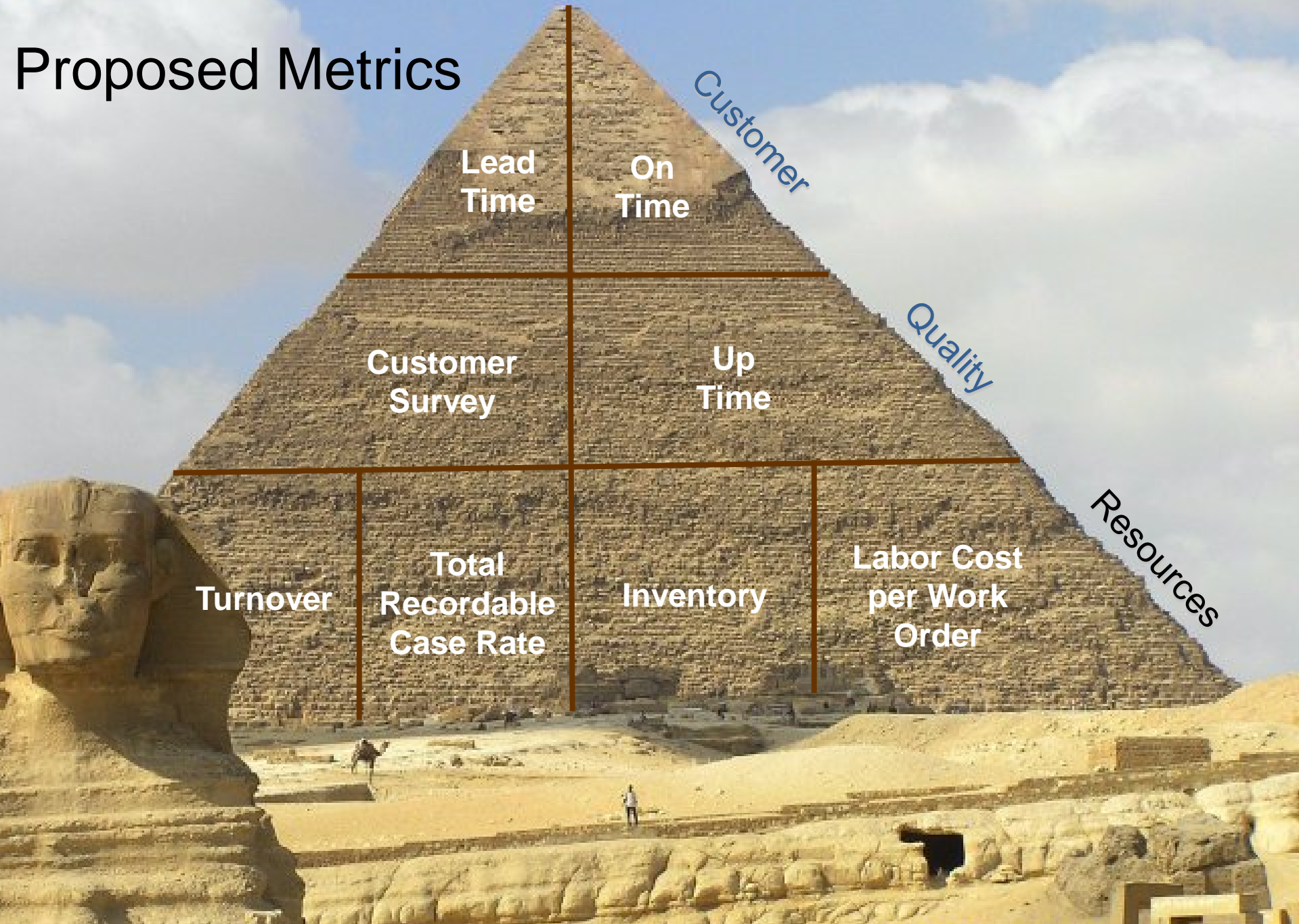
# “Iron Triangle” Key ECE Metrics

## The Iron Triangle of ECE Finance



- Ensure full enrollment, every day in every classroom
- Collect tuition and fees, in full and on time
- Revenue covers per child cost (tuition, fees, and 3rd-party funding)

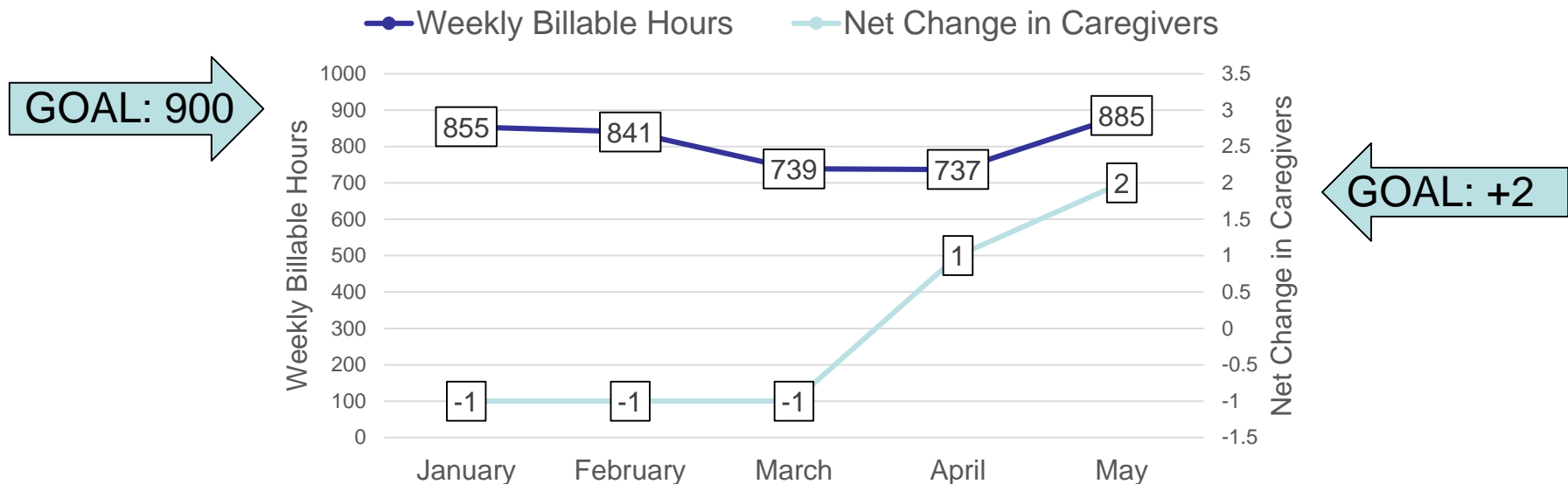
# Proposed Metrics



# Metrics Need...

- **FOCUS:** Metrics that target critical performance areas are known as KPIs, or key performance indicators
  - Metric example: *Goal of adding net 2 new caregivers per month; tracking at +2!*
  - KPI example: *How did adding new caregivers affect plan to grow by 10% overall?*

## Key Metrics



# Metrics Need... (cont.)

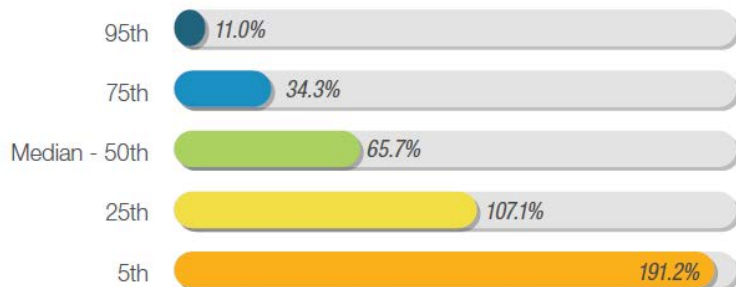


- **CONTEXT:** “Benchmarks” provide context for metrics:
  - Historical performance
  - Tracking against your goals
  - Compared to industry, other companies



## Caregiver Turnover Rates

### 4.15 Caregiver Turnover Rate for 2016 - Percentile Ranking



	2016
Median Revenue	\$1,619,600
Direct Care Expenses	
Caregiver Wages	52.4%
Workers' Comp.	1.9%
Caregiver Benefits (Health, 401K)	0.0%
Caregiver Payroll Burdens	5.5%
Caregiver Recruitment & Retention	0.6%
Caregiver Training	0.1%
Other Direct Care Expenses	0.3%
Total Direct Care Expense	60.9%
Gross Profit Margin	39.1%
Indirect Care Expenses	
Advertising	0.8%
Networking/Events	0.1%
Sales Rep Salaries + Bonuses	0.8%
Other Marketing Expenses	0.1%
Total Marketing Expenses	1.8%
Rent, Maintenance, and Utilities	1.6%

# Measuring Performance: Today's Challenges

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- **Dashboard development** – Move from sets of distributed reports to central and pervasive dashboard: program; financials, operations; advancement.
- **Automate** – Use technology for the mechanical work of data compilation and analysis – Free people to do the high value work of interpreting information and engaging with clients and families
- **Process** – Rethink how we should work to be most efficient, rather than how we've always worked (when times and resources were different)
- **Sell it** – Articulate the value of technology investment in a way that attracts capital

# Example Text Dashboard – Exec.



## ***Performance Dashboard***

Produced by The ICA Group, Fall 2017

Workbook Produced by: Jonathan Ward // jward@ica-group.org // 617-232-8765 Ext. 107

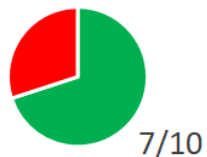
	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>
<b><u>Recruitment/Retention:</u></b>				
Applications	13	44	11	5
Hires	0	2	3	0
Involuntary Turnover	3	2	0	0
Voluntary Turnover	0	0	1	0
Total Turnover	3	2	1	0
Net Change in Workforce	-3	0	2	0

## **Business Metrics:**

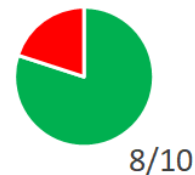
Billable Hours	3,397	3,650	3,524	940
Avg. Bill Rate	\$21	\$20	\$21	\$22
Gross Margin	33%	32%	33%	34%

## **Satisfaction:**

Caregivers



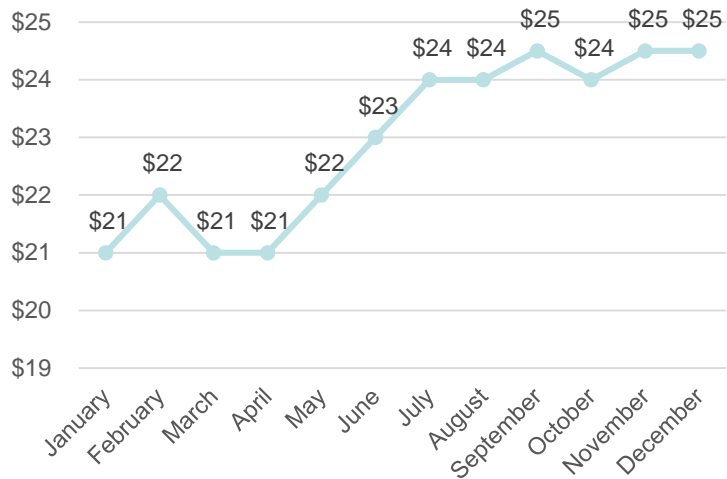
Clients



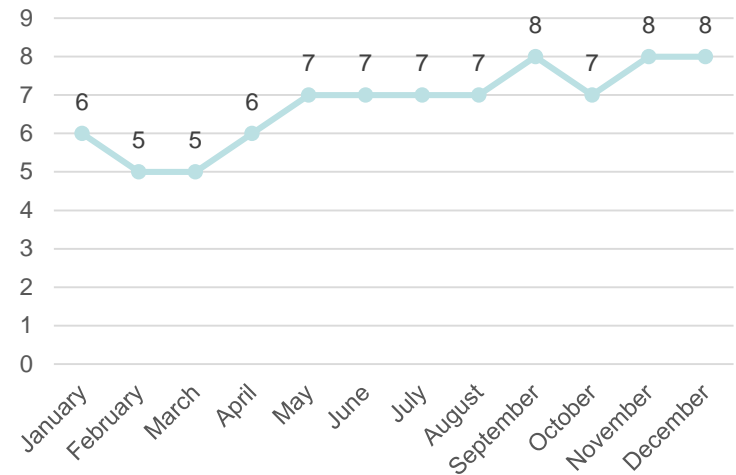
# Example Visual Dashboard – Exec.



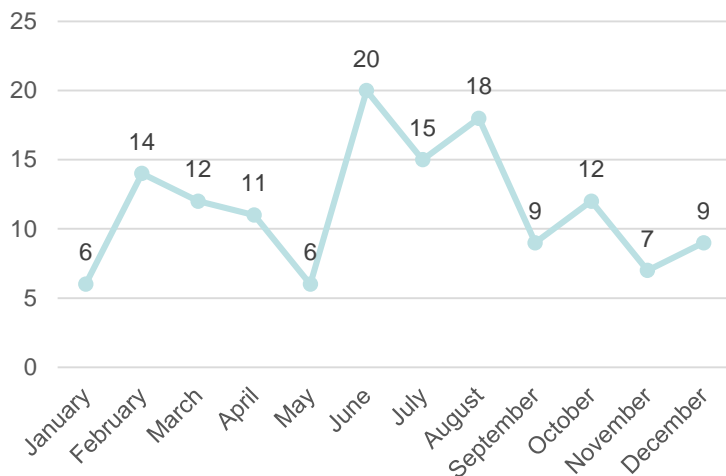
## Average Bill Rate



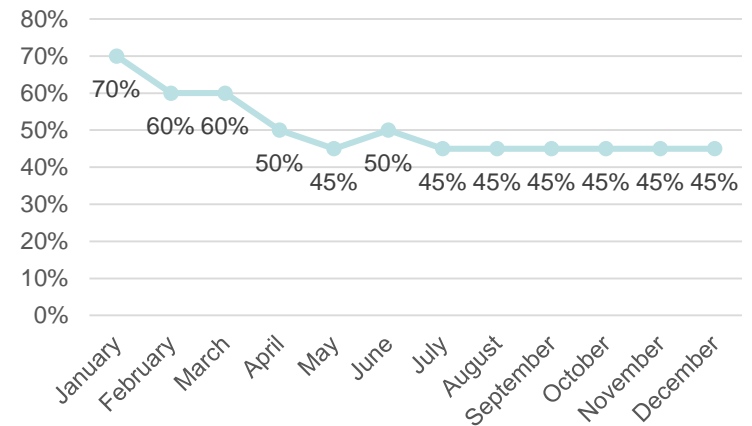
## Client Satisfaction



## Total Applications



## Caregiver Turnover Rate





# What's the Point Again?

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- Metrics make business management simpler
  - *What financial fundamentals drive my business?*
  - *What are biggest revenues sources, costs?*
  - *Are we accomplishing our goals?*
  - *Do we need to make a change?*
- They keep your attention on key +/- drivers
  - *Metrics > Understanding Biz > Making Positive Adjustments*
- Allow you to put resources where needed most
  - *Do we have a retention problem? Or, recruitment?*
  - *Do we need to do more <here>, or is it good enough?*

# What's the Point Again? (cont.)

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**Metrics help you track and assess, so you can manage:**

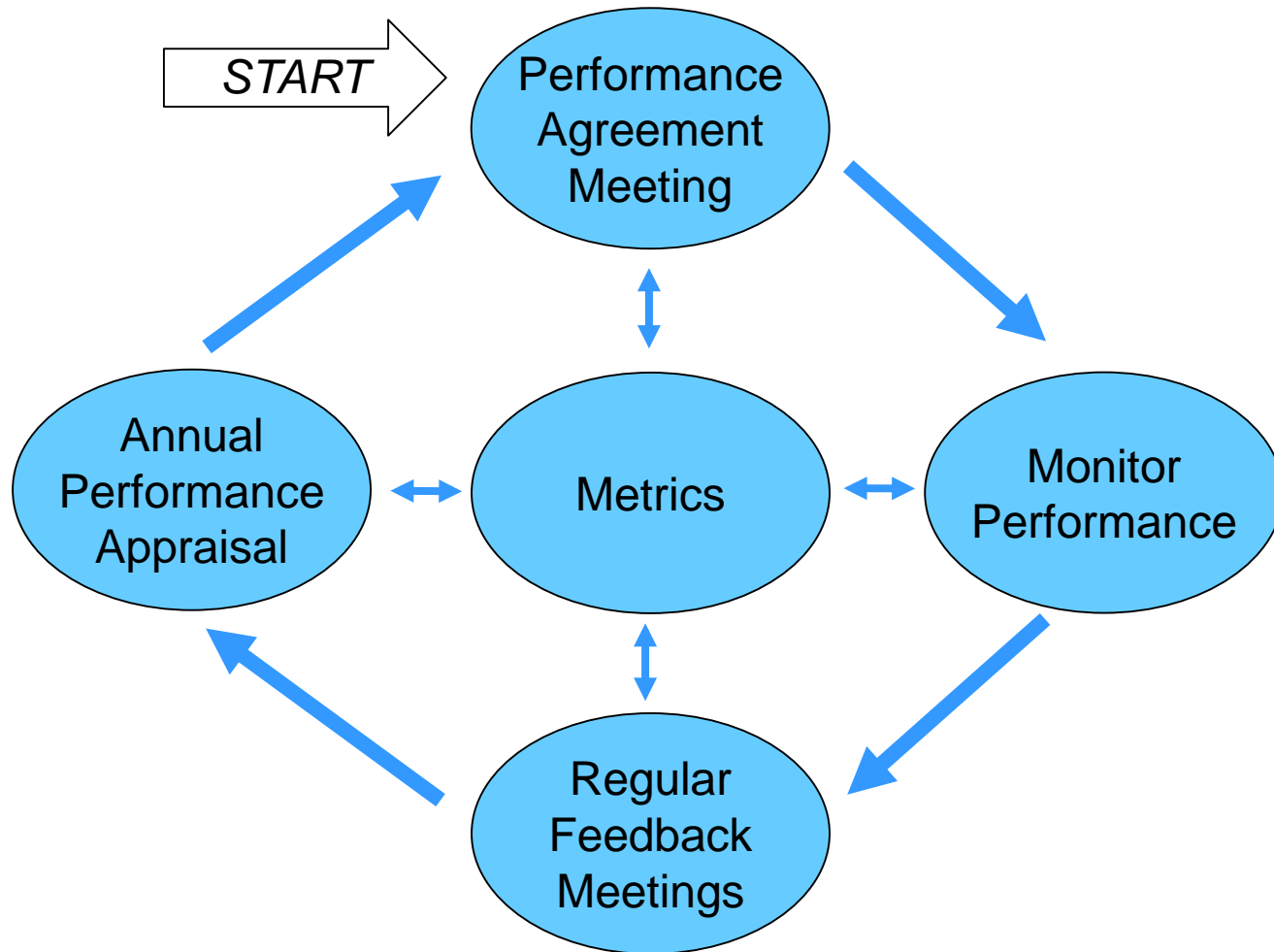
- Do we need to raise rates, or grow clients?
- Are our recruitment channels reaching potential?
- What are the most effective uses of staff time?
- How much should we budget for recruitment?

# Also, Kaizen

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- Meaning “change for the better,” or, in business, *continuous improvement*
- An approach of constantly introducing small incremental changes in a business in order to improve quality and/or efficiency
- Assumes that employees are the best people to identify room for improvement, since they see the processes in action all the time.
- The Toyota Way... “Home Care Coop” Way?

# Metrics and Performance Management



CLIENTS / FINANCIAL / RECRUITMENT-RETENTION

# HOME CARE METRICS



# Home Care Metrics

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- **Clients:**

- Client marketing sources
- Client referral sources
- Sales close rate, inquiries : admissions
- Client growth rates
- Client acquisition costs
- Client satisfaction (NPS)
- *Client generation:*
  - Reaction time
  - Number of calls until contact
  - Email responses

# Home Care Metrics

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- **Financial/Operational:**
  - Billable hours per week
  - Avg. rate per billable hour
  - Payer source
  - Client turnover rate
  - Readmission rates
  - Client average length of service
  - Average sales per office staff FTE
  - Caregiver average lifetime value
  - Client average lifetime value

# Home Care Metrics

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- **Recruitment/Retention:**
  - Total active caregivers
  - Unfilled shifts this week
  - Total job applicants
  - Pre-employment assessments completed
  - Interviews completed
  - Satisfactory background checks
  - On-boarding completed
  - Started first shift
  - 90-day retention rate
  - Turnover rate
  - Caregiver visits per day



# Home Care Metrics

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- ***Example Bundle 1 (SIMPLE):***
  - Revenue (by caregiver, and referral source)
  - Gross Margin (by contract)
  - Operating Margin
  - Days Sales Outstanding
- ***Example Bundle 2 (CLIENT PROFITABILITY):***
  - Client Volume
  - Client Turnover
  - Weekly Billable Hours
  - Client Average LOS
  - Gross Margin
  - Revenue per Visit
  - Inquiry to Admission Ratio
  - Service Failures

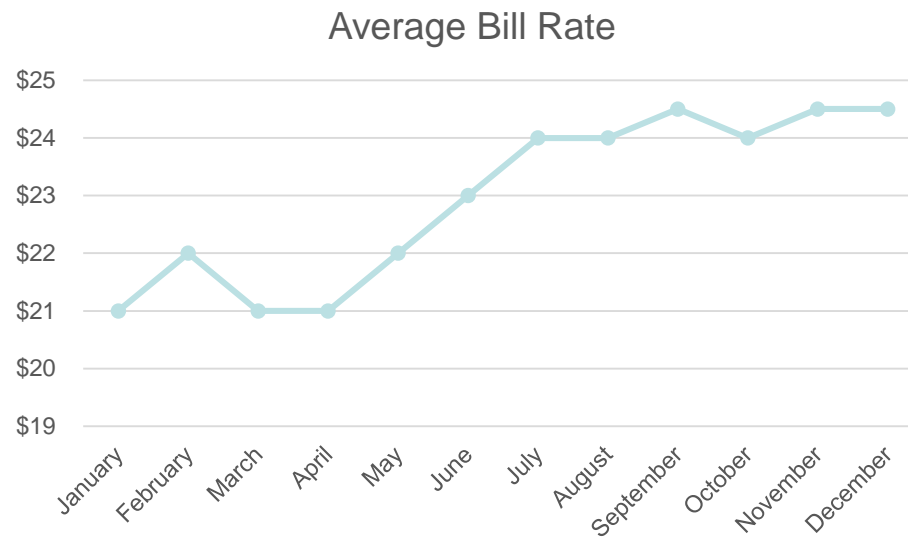
Using Data to Monitor, ID, & Address Key Issues

# **5 WHY'S WITH METRICS**



# 5 Why's Example Using Metrics

Check Out This Situation:

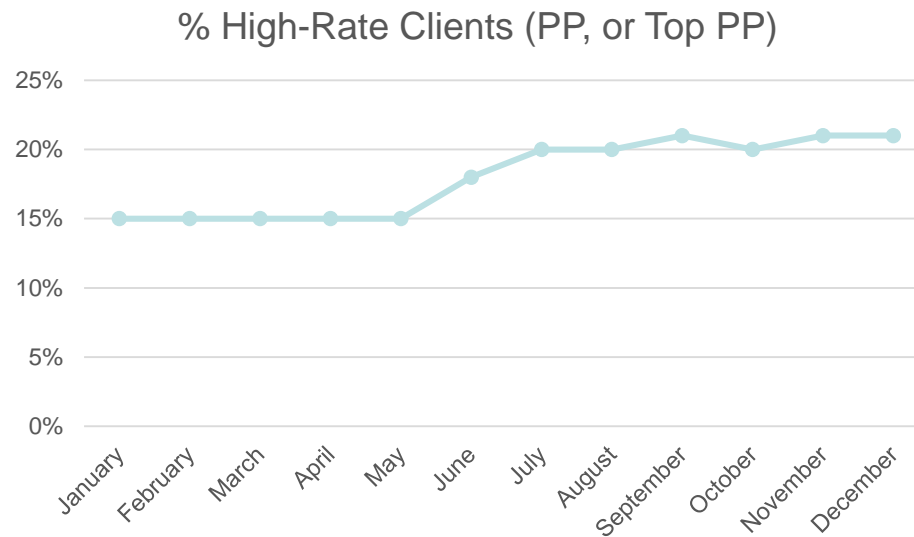


Why are bill rates up? (Why #1)

# Home Care Metrics



- Higher bill rates from more, high-rate business:



Why is high-rate business up? (#2)

# Home Care Metrics



- More high-rate business from more existing clients referring new clients:



Why are client referrals up? (#3)

# Home Care Metrics



- New client referrals are up because existing clients are happier:

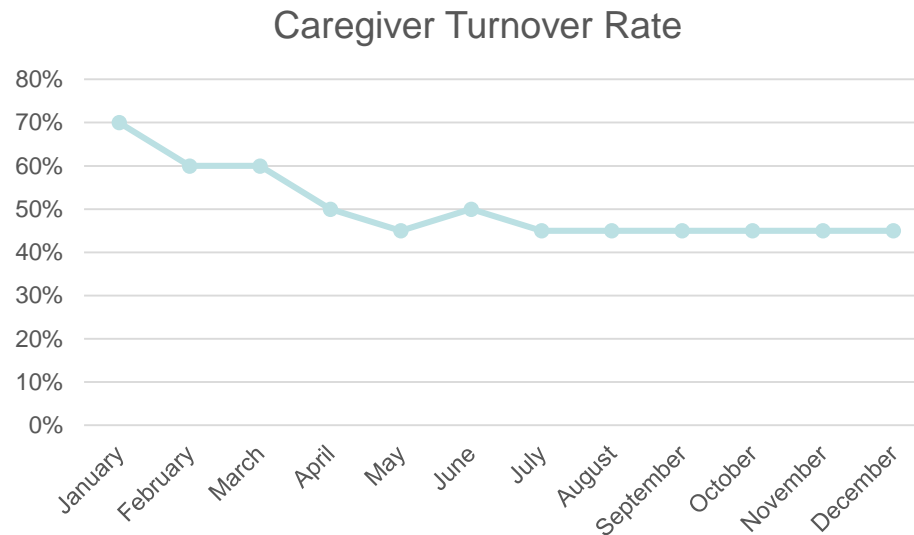


Why are existing clients happier? (#4)

# Home Care Metrics



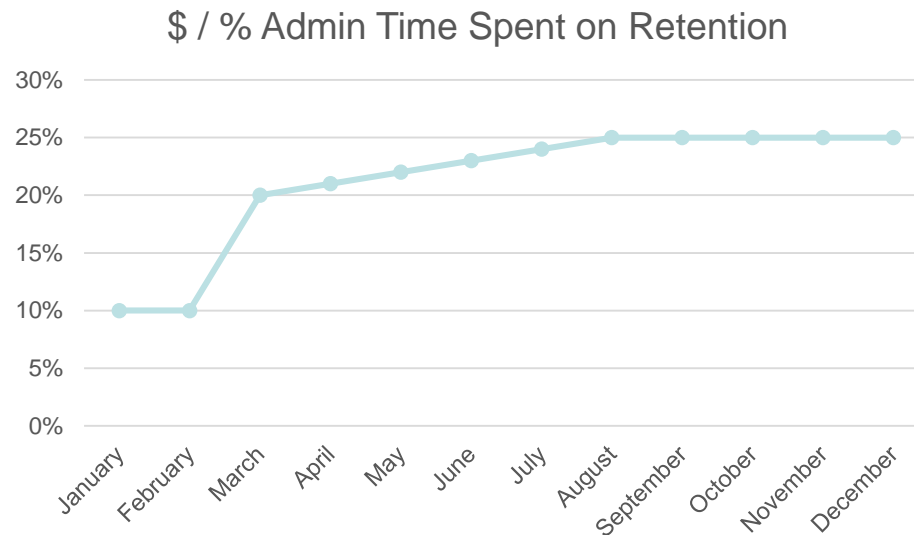
- Clients are happier because caregiver turnover is down:



Why is caregiver turnover down? (#5)

# Home Care Metrics

- Turnover is down because the company spent more on retention:



TAKEAWAY >>> Now that you know, how can you free up more resources for retention (i.e., caregiver recognition, mentor program development, raises, etc.)???



Pulling It All Together to Methodically Boost Your Recruitment

# **METRICS-BASED RECRUITMENT STRATEGY**



# Metrics-Based Recruitment Strategy

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## 1. Build a Predictable Recruitment Model:

- A. Recruitment Benchmarking
- B. Cost-per-Hire
- C. Recruitment Channel Throughput
- D. Recruitment Goals

## 2. Generate Budget & Allocate Resources:

- A. Understand whether sufficient channels exist
- B. Get draft recruitment budget

## 3. Optimize Recruitment by making slight improvements in key areas



myCNAjobs.com

# 1. Building a Recruitment Model

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## A. Recruitment Benchmarking:

*Begin to measure, so that you can monitor and manage!*

- Recruitment sources
- Call-back rates
- Interview show-up rates
- % caregivers passing screening
- % making through internal processing
- % showing up to orientation
- % accepting position
- Avg. wage rate

# 1. Building a Recruitment Model

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## **B. Cost-per-Hire (CPH):**

*Understand what it costs you to hire, so you can budget accordingly.*

- A. All-inclusive cost - both internal time and external cost - to recruit one caregiver who begins working for your agency.
- B. This includes things such as employee time reviewing resumes and scheduling interviews, advertising locally and online, handling interviews and rescheduling, etc.

# 1. Building a Recruitment Model

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## C. Recruitment Channel Throughput:

*Determine how many candidates each recruitment channel is realistically able to deliver! Think about it, and write it down.*

- Some channels can inexpensively deliver a few candidates (e.g., CNA school with limited class sizes)
- Other channels can expensively deliver lots of candidates
- *Need combination of channels*

# 1. Building a Recruitment Model

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## D. Recruitment Goals:

- A. “How many caregivers do I need to hire per month to grow my business?”
- B. This requires financial modeling to understand what scale is necessary to accomplish owners’ goals and operate sustainably



# Metrics-Based Recruitment Strategy

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## ~~1. Build a Predictable Recruitment Model:~~

- ~~A. Recruitment Benchmarking~~
- ~~B. Cost-per-Hire~~
- ~~C. Recruitment Channel Throughput~~
- ~~D. Recruitment Goals~~

## **2. Generate Budget & Allocate Resources:**

- A. Understand whether sufficient channels exist
- B. Get draft recruitment budget

## **3. Optimize Recruitment** by making slight improvements in key areas



myCNAjobs.com

## 2. Recruitment Budgeting

### Generate Budget & Allocate Resources:

- i. Combine all info compiled in Step 1
- ii. Compare goals with channel potential to understand whether sufficient channels exist, or not
- iii. Use CPH totals to generate draft recruitment budget

GOAL MONTHLY HIRES = 12-14 Caregivers / Month		
<b>Local CNA School</b>	<b>Online Job Board</b>	<b>Newspaper Ad</b>
CPH: \$85	CPH: \$342	CPH: \$483
Total Monthly Hire Limit: 3	Total Monthly Hire Limit: 9	Total Monthly Hire Limit: 10
<b>Optimization Strategy:</b> Work to see if you can seek out one more hire each month	<b>Optimization Strategy:</b> Focus on lowering cost per hire through process improvements. You need this channel to hit your recruitment goals.	<b>Optimization Strategy:</b> Use this channel only when needed.



# 3. Optimize Recruitment

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Use specific metrics to optimize operational processes and office team:

- **No caregiver call-back vs. interview no-show**
  - Use data to see what step needs to be addressed; consider division of labor and recruitment specialization within admin team; some people will be better than others at recruitment; train the strongest
- **Or, is it your interview-to-hire rate? Or, orientation no-shows?**
  - If that's what the data says, consider what can be done to shorten the process; who's doing the interviewing?
  - Slight improvements make big differences

Another Example.

# RECRUITMENT METRICS

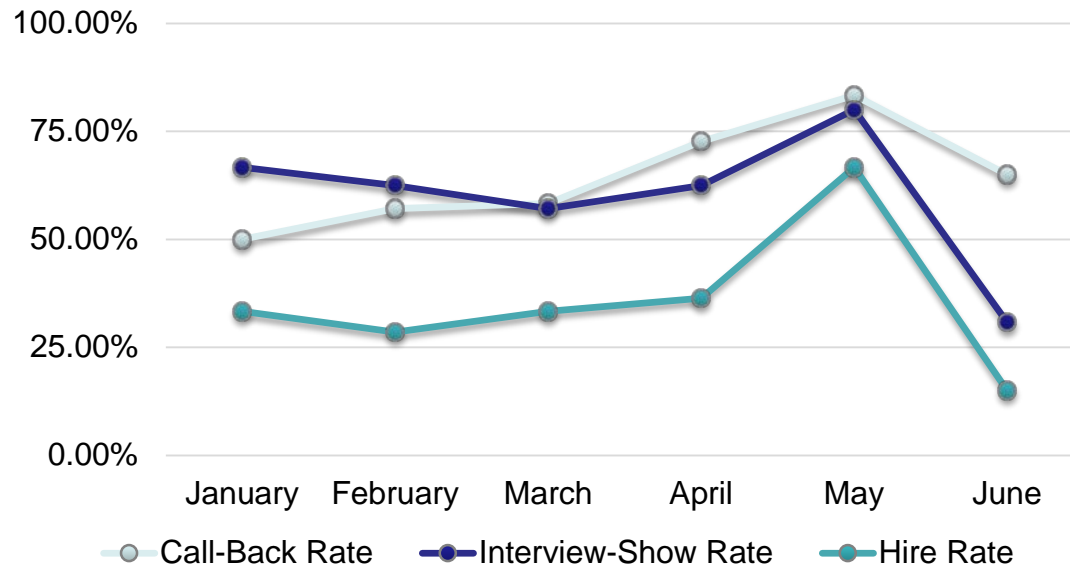


# Check Out This Situation



	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
Applied	5	14	12	11	6	20
Called Back	3	8	7	8	5	13
Interviewed	2	5	4	5	4	4
Hired	1	2	2	2	2	1
Call-Back Rate	60%	57%	58%	73%	83%	65%
Interview-Show Rate	67%	63%	57%	63%	80%	31%

## Recruitment Metrics

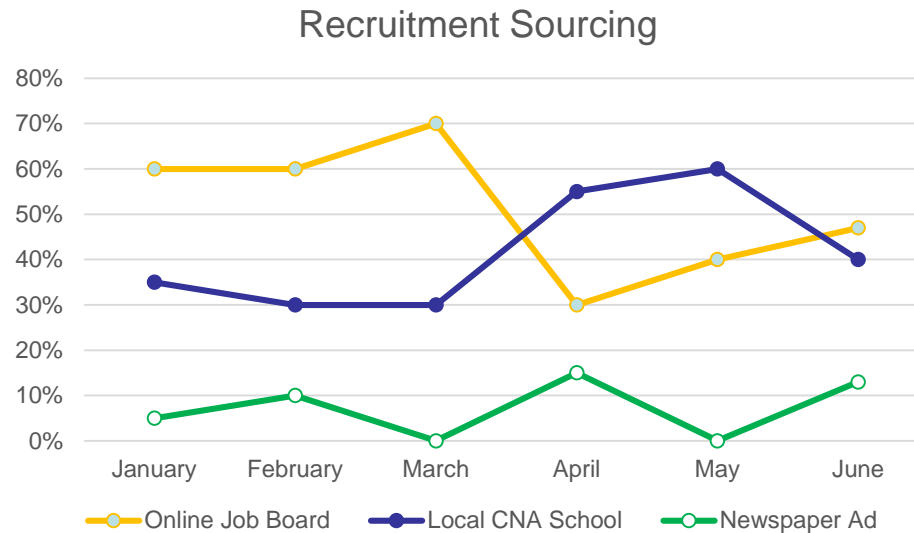


# Closer Look at Recruitment Sources



## APPLICATIONS >>>

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
Online Job Board	55%	55%	65%	35%	15%	50%
Local CNA School	35%	30%	30%	55%	60%	40%
Newspaper Ad	10%	15%	5%	10%	25%	10%
	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>



# One Step Further...



	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>TOTAL</u>
Applied, OJB	4	4	4	2	2	3	19
Applied, LCS	2	2	2	3	4	2	15
Applied, NA	-	1	-	1	-	1	3
<b>Total Applications</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>37</b>
Hired, OJB	-	2	2	1	-	1	6
Hired, LCS	1	1	1	2	2	1	8
Hired, NA	-	-	-	1	-	-	1
<b>Total Hires</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>15</b>
Online Job Board	\$300	\$300	\$300	\$300	\$300	\$450	<b>\$1,950</b>
Local CNA School	\$0	\$0	\$750	\$0	\$0	\$0	<b>\$750</b>
Newspaper Ad	\$100	\$0	\$100	\$0	\$100	\$0	<b>\$300</b>
	<i>Total Hired</i>	<i>% Total</i>	<i>Hire Rate</i>	<i>Cost-per-Hire</i>	<i>Total Spend</i>		
Cost-per-Hire, OJB	6	40%	32%	\$325	\$1,950		
Cost-per-Hire, LCS	8	53%	53%	\$94	\$750		
Cost-per-Hire, NA	1	7%	33%	\$300	\$300		
<i>Avg. per Month</i>	2.50		41%	\$200	\$500		

What Would Your Key Metrics Be?

# ***IRON TRIANGLE* FOR HOME CARE FINANCE?**



# Home Care Metrics

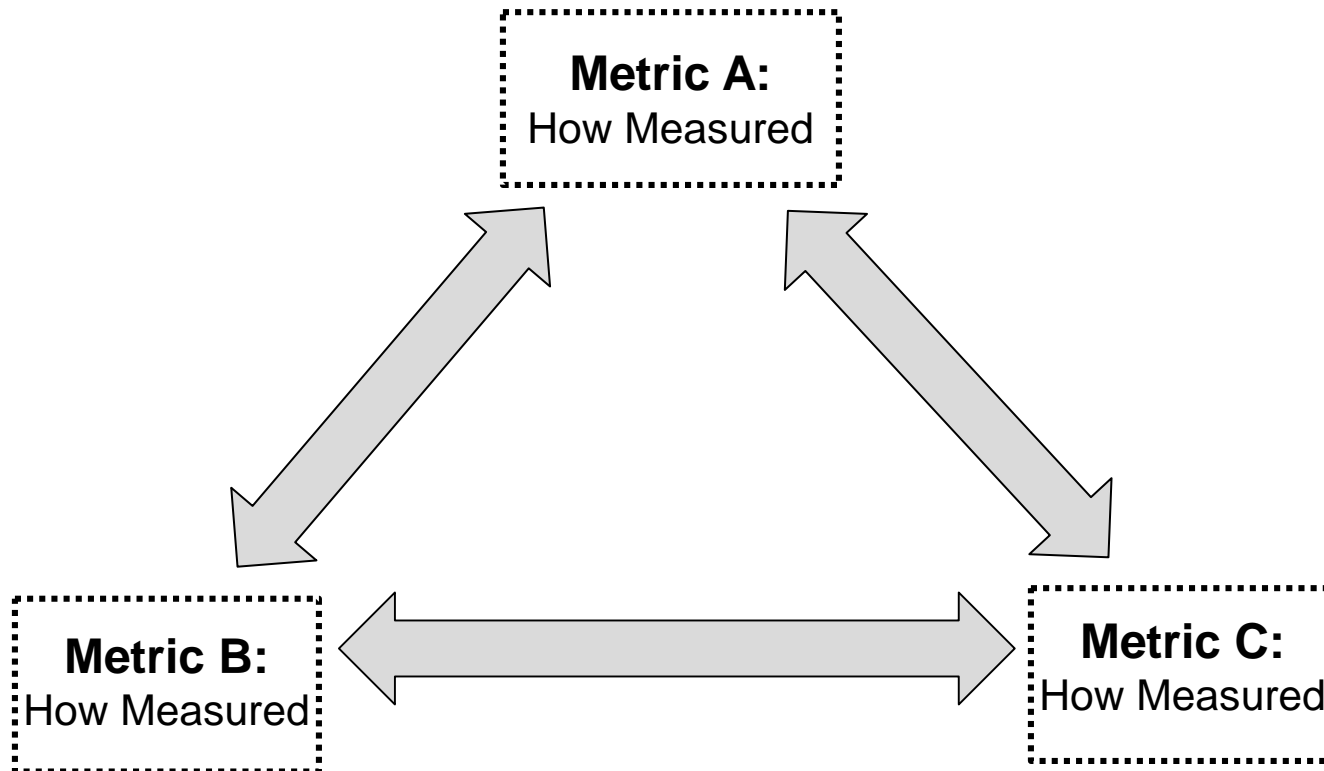
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- **Consider key audiences:** caregivers, clients, office staff, departments, executives
- **Also, consider key operational areas:** sustainability/scale, profitability, collections, workforce, client satisfaction
- *Think about what fundamentally drives success and performance in each area...*
- Ensure benchmarks exist or could be understood for each metric

# Home Care's Iron Metrics?

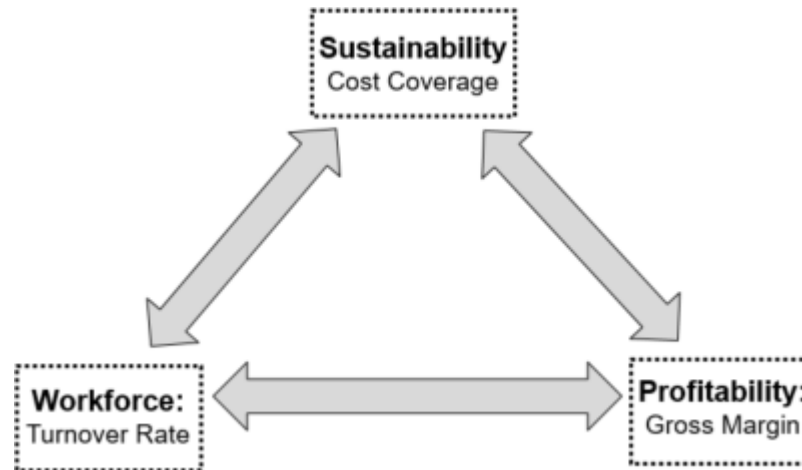
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# Home Care's Iron Metrics? (cont.)

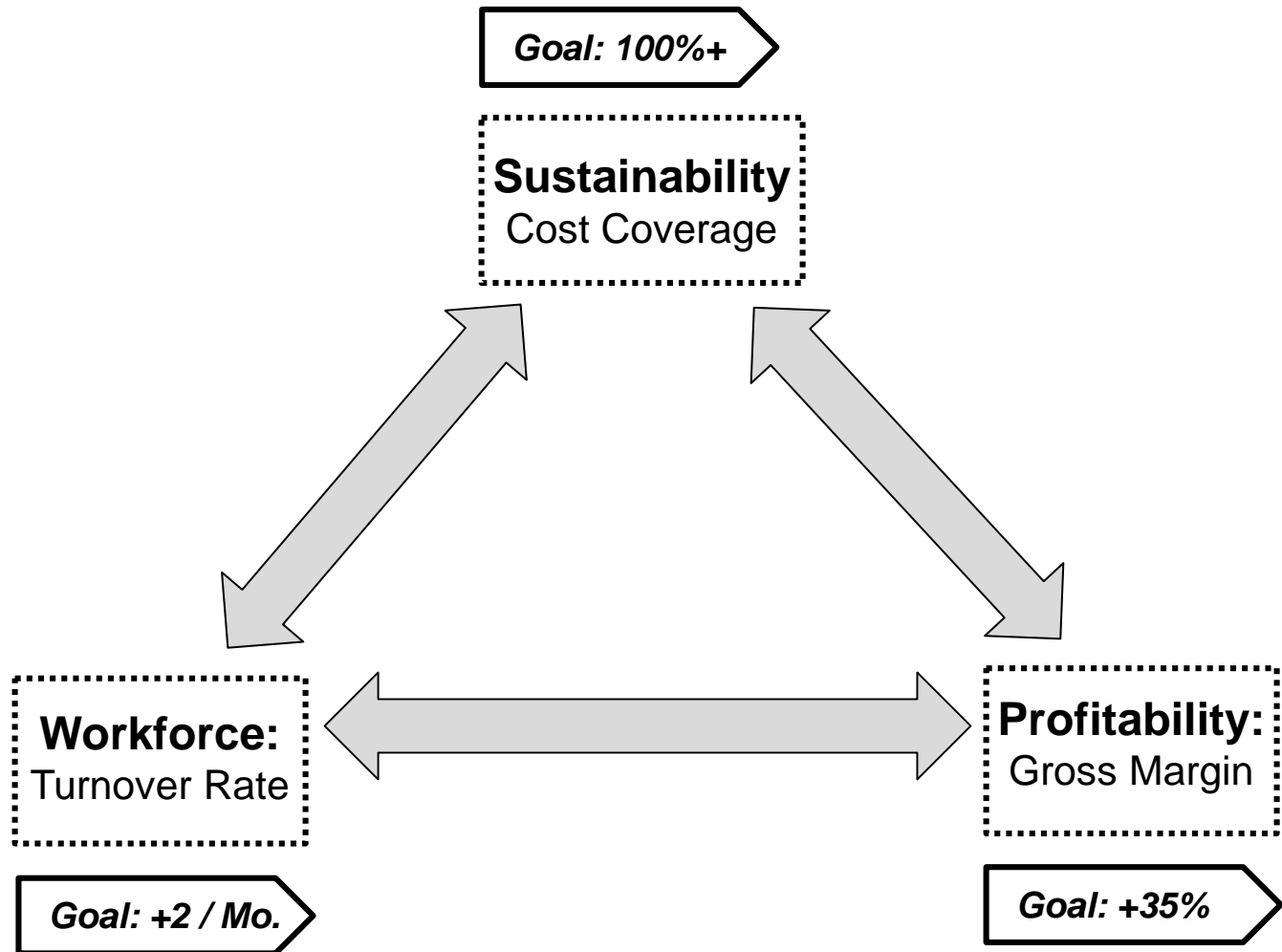
- **Sustainability:** Cost coverage
- **Profitability:** Gross margin
- **Workforce:** Turnover rate

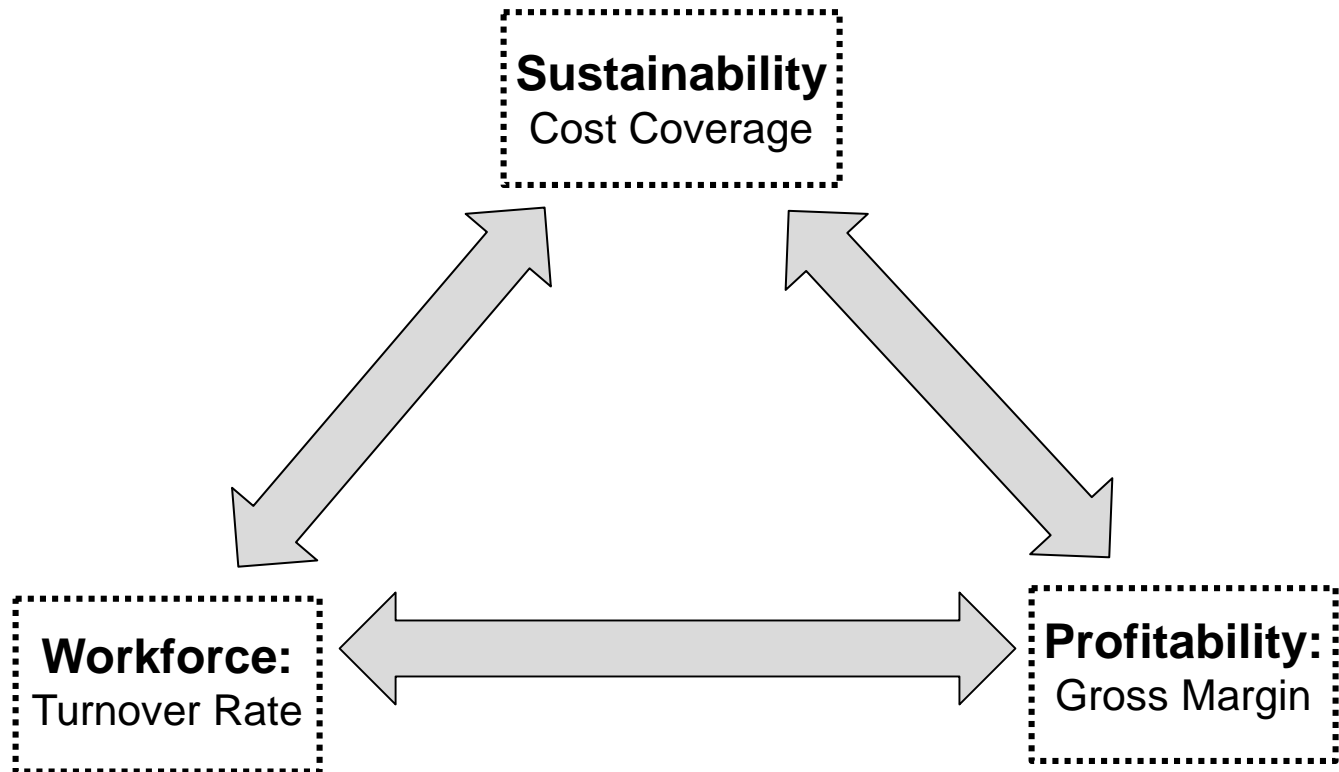


- *Collections: Days sales outstanding*
- *Clients: Client referrals*

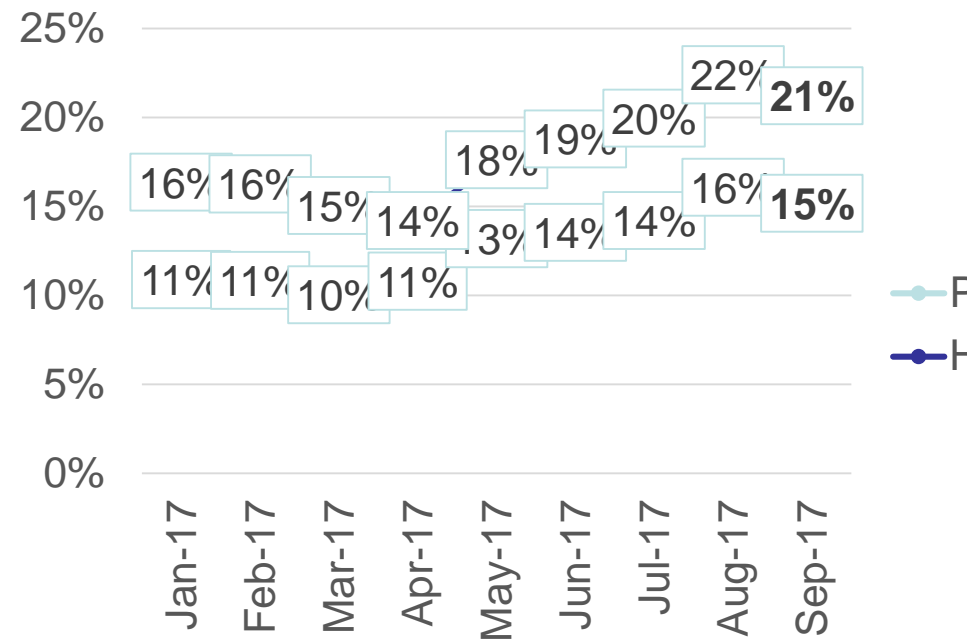
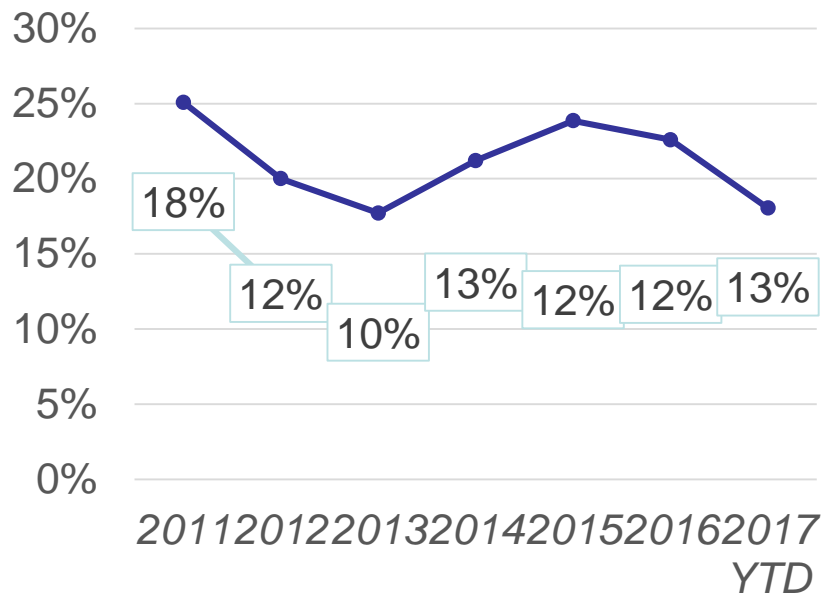
**Thank You!**  
Questions?



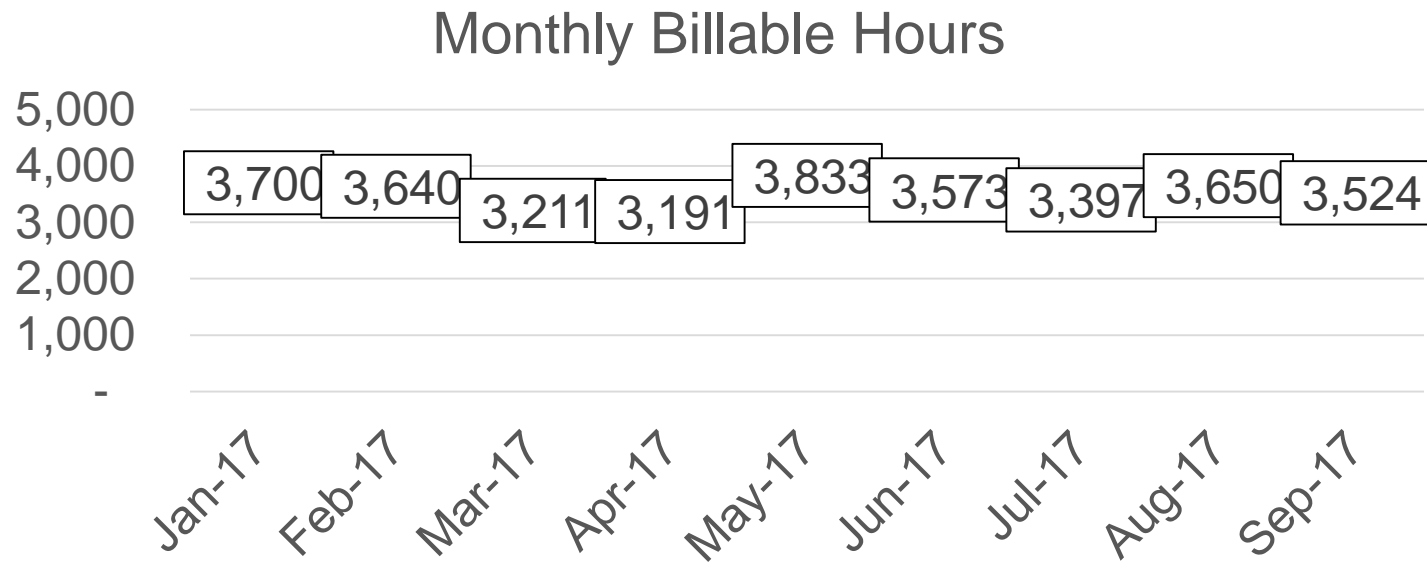




# Raise the Roof!



# Monthly Billable Hours 2017



# Direct Cost Structure

## Benchmarks:

	<b><i>Home Care Coop</i></b>	<b><i>Great Lakes %</i></b>
<b>Caregiver wages (+ mileage/travel)</b>	<b>62.39%</b>	<b>52.80%</b>
Workers' comp	2.04%	1.60%
<b>Caregiver benefits (Health, 401k, PTO)</b>	<b>4.57%</b>	<b>0.10%</b>
Caregiver payroll burdens	6.05%	5.50%
Caregiver recruitment and retention	0.56%	0.80%
Caregiver training	0.60%	0.20%
Traveling expenses	0.00%	0.30%
Other direct care expenses	0.18%	0.50%
<b><i>Total Direct Care Expenses</i></b>	<b>76.40%</b>	<b>61.80%</b>

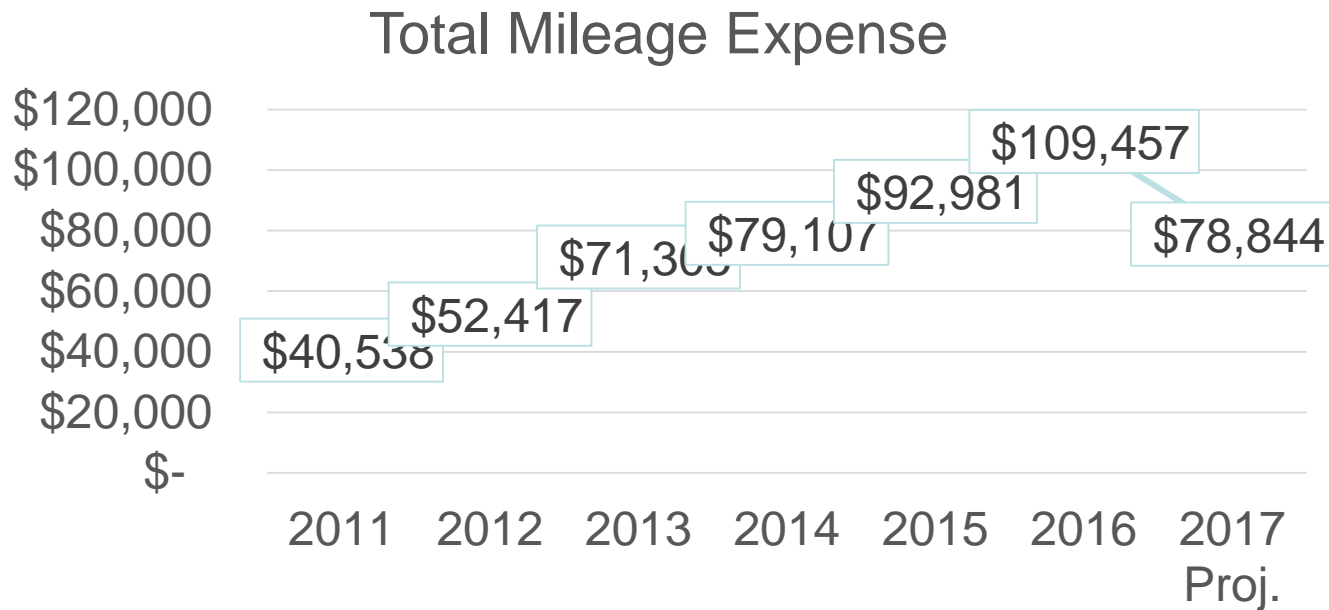
# Overhead Cost Structure / Profitability

## Benchmarks:

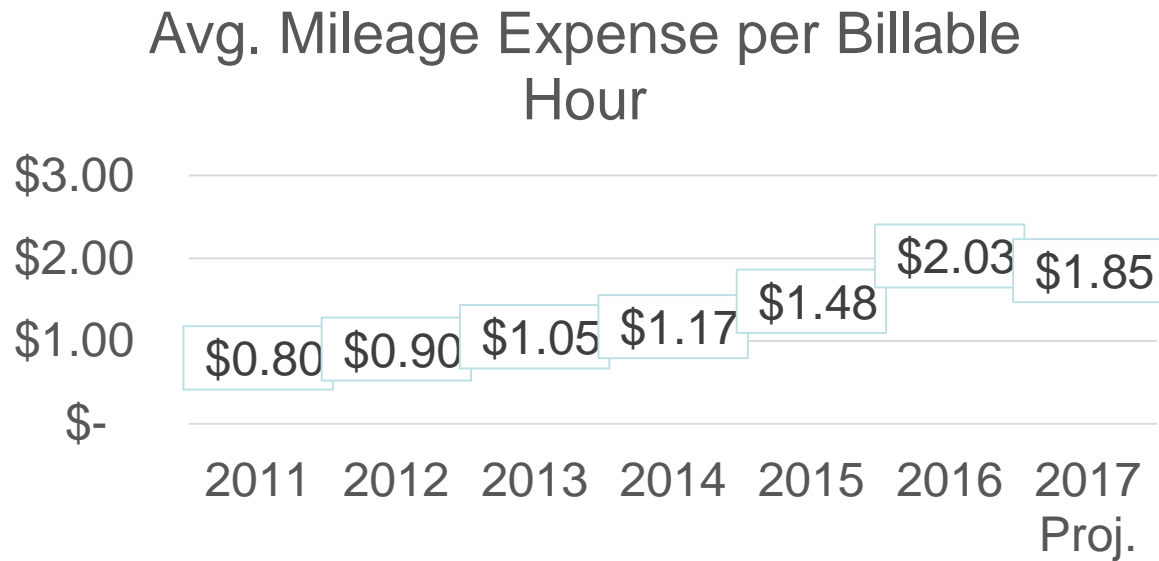
	<b><i>Home Care Coop</i></b>	<b><i>Great Lakes %</i></b>
<i>Total Direct Care Expenses</i>	76.40%	61.80%
<b>Gross Profit</b>	<b>23.60%</b>	<b>38.30%</b>
Marketing Expenses	0.36%	2.10%
Rent, Maintenance, Utilities	1.81%	1.60%
Office Support Wages	17.39%	11.00%
Scheduling Software	0.72%	0.40%
Other Operating Expenses	6.26%	2.00%
Charitable donations	0	0.00%
Interest expenses	0.37%	0.00%
<b><i>Total Indirect Care Expenses</i></b>	<b>26.92%</b>	<b>17.10%</b>
<b>Net Income</b>	<b>-3.31%</b>	<b>21.20%</b>



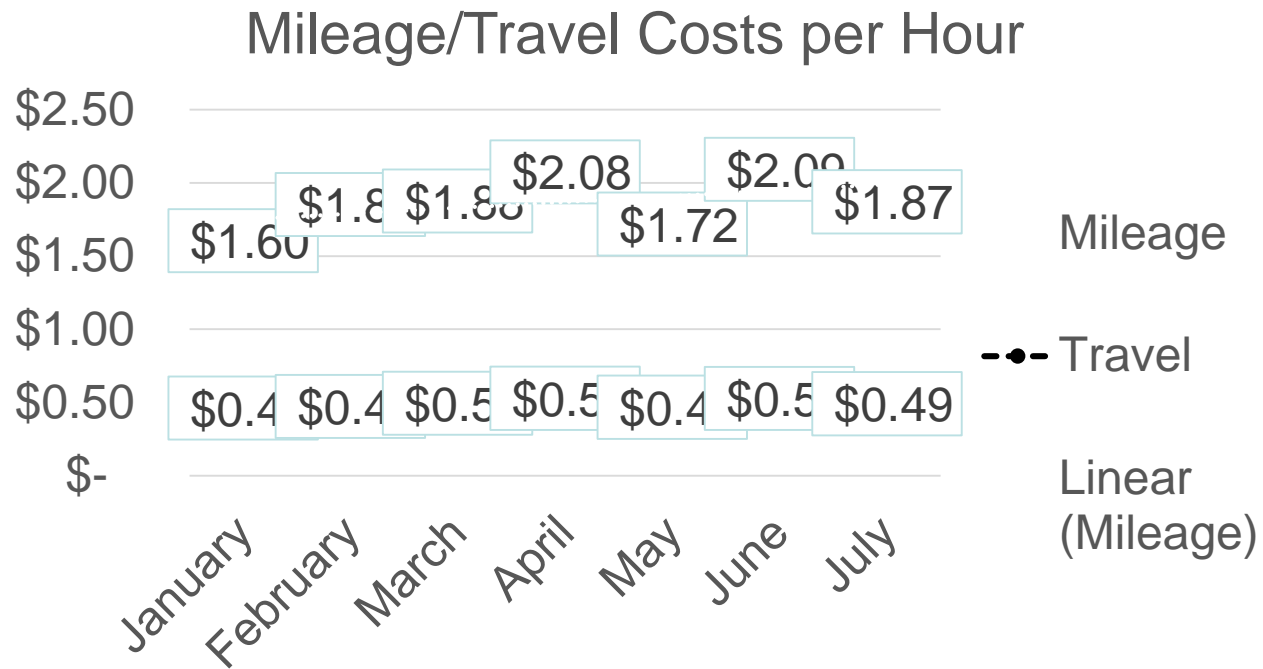
# Creeping Mileage Expense, \$ Annual



# Creeping Mileage Expense, \$ per Client Hour

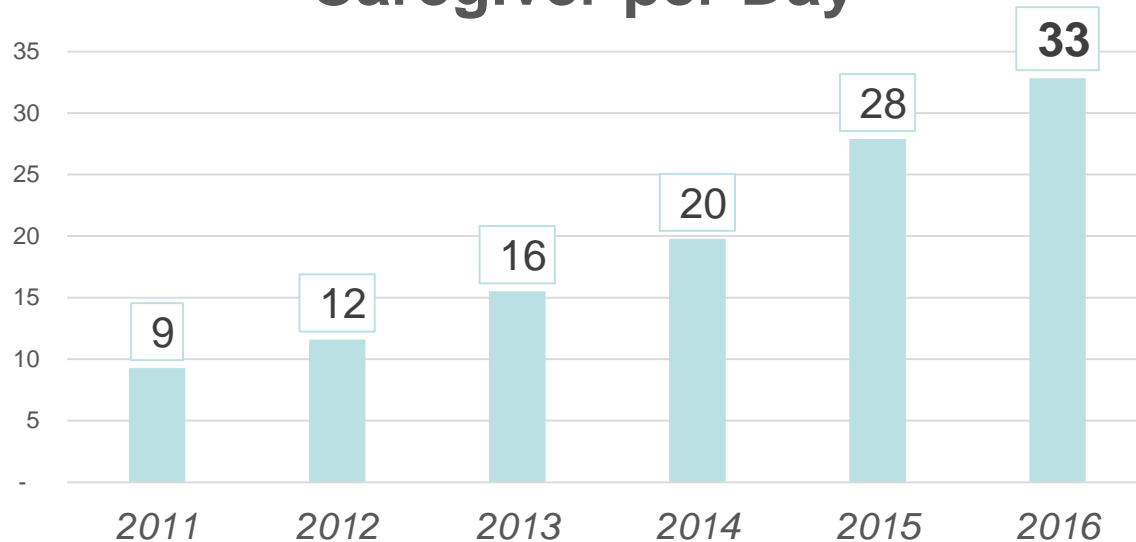


# Mileage/Travel 2017



# Expensive, Yes – But, also, Bad for Turnover?

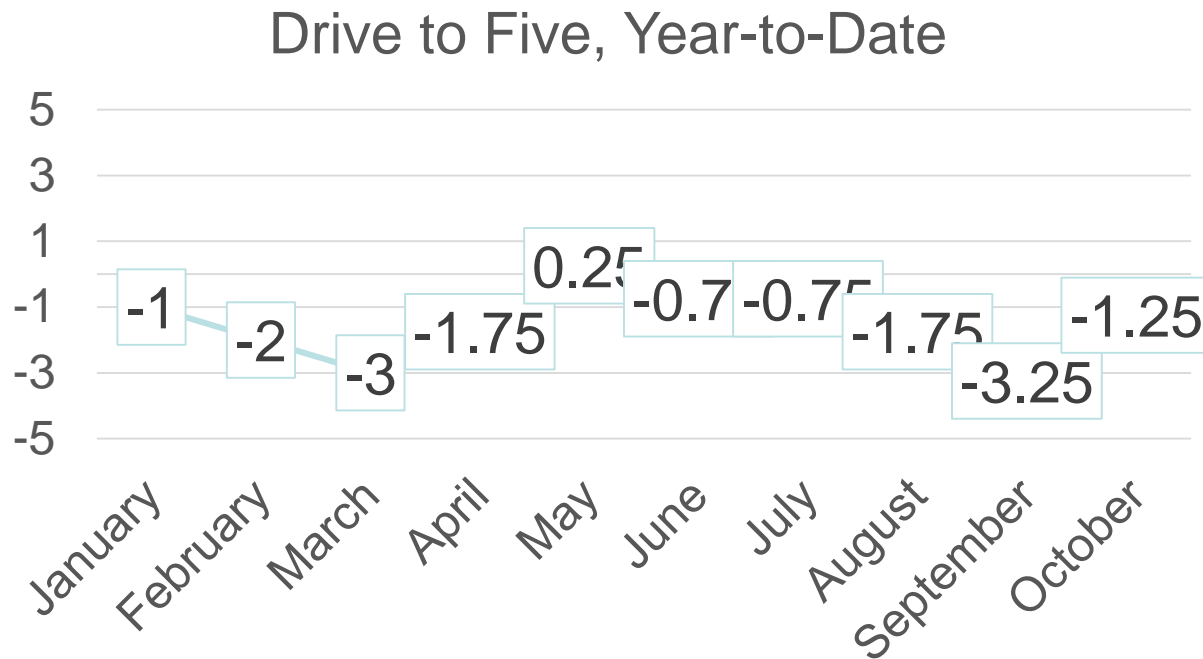
**Avg. Miles Driven per Caregiver per Day**



# Hires Made; Turnover Impedes Progress

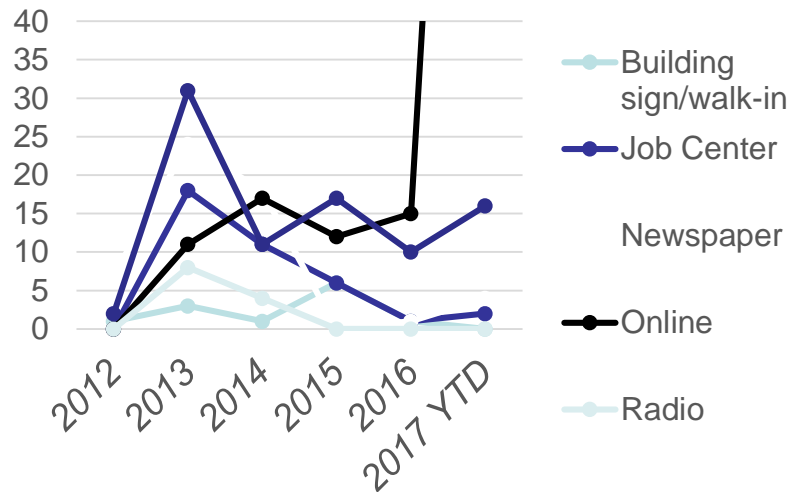


# “Drive to Five”



# Applicant Sourcing Over Time

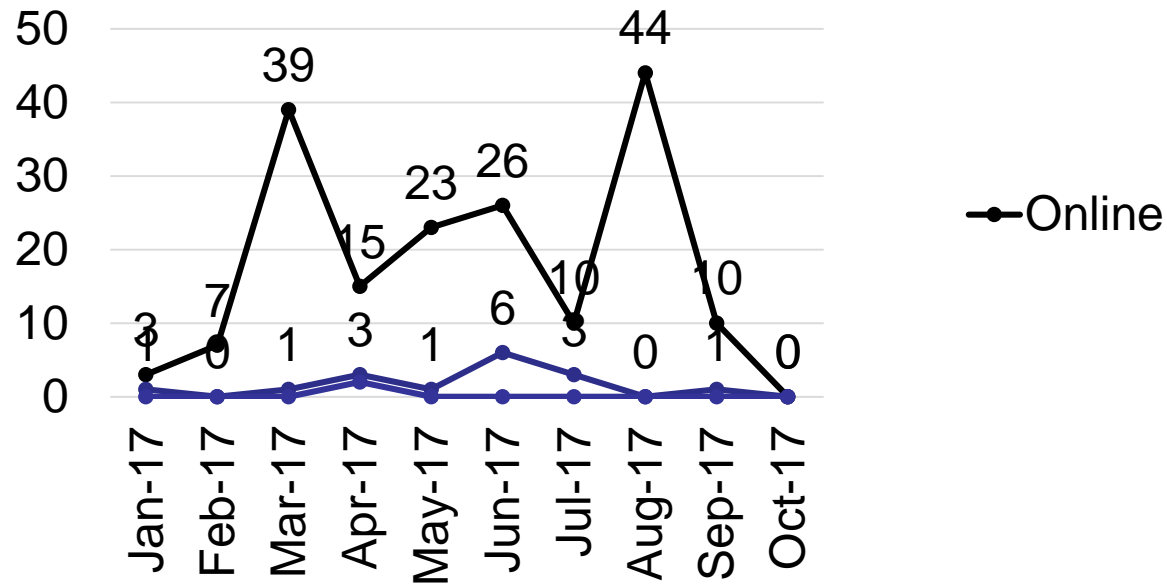
**Applicant Sources Over Time:**  
Declining Reliance on Medium Mix...  
Just Online & Referrals



	2012	2013	2014	2015	2016	2017 YTD
Building sign/walk-in	10%	3%	2%	15%	4%	0%
Job Center	0%	19%	18%	15%	4%	1%
Newspaper	70%	25%	29%	0%	4%	2%
Online	0%	12%	27%	29%	54%	89%
Radio	0%	8%	6%	0%	0%	0%
Referral	20%	33%	18%	41%	36%	8%

# Online Applications Roaring in 2017

**Applicant #'s by Source, 2017 So Far**





# Very Few Actually Hired from Online Apps



# Referrals, While Scarcer, Have Better Results

