

The Five Most Frequently Asked Questions about Private Duty Home Care

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Where are the growth opportunities in home care? How can I reduce my dependency on Medicare? What can I do to improve bottom line? These are the questions being asked by successful home care leaders as they work to recover from the effects of the Balanced Budget Act and the Interim Payment System.

The greatest untapped potential in home health care today is private duty care. As home care agencies shift from Medicare to private duty, many questions arise. From our research and experience in working with thousands of home care leaders across the country, we've identified the five questions about private duty home care most frequently asked by these leaders. Here are the questions along with our responses.

1. What is Private Duty home care?

This is the most significant question for home care leaders to ask. The industry has no clear definition for private duty home care. One of the best definitions came from one of our seminar participants who said, "Private duty is anything that's not Medicare or Medicaid." And he's right.

To understand this question further, it's necessary to segment the home care marketplace. The "Home Care" industry has four parts; home health, hospice, home medical equipment, and home infusion therapy. The home health segment can further be divided into acute care and long term care.

The acute care segment of home health consists of the intermittent skilled care provided under the Medicare and Medicaid home care benefits. Today, many commercial insurers and managed care plans also provide coverage for acute care in the home.

The long-term care segment primarily provides supportive services that assist patients with the activities of daily living so that they can remain independent in their own homes. Four payor groups cover long-term home care; Medicaid Waiver, other government funded supportive services, self-pay, and long term care insurance.

Many people in the home health industry say "private duty" when they mean "self pay." Other agency executives have created a separate company outside of their Medicare certified company, and call it private duty. They put any service there that does not require Medicare certification. This might be self-pay home care, or it might be occupational health, industrial nursing, flu shots, or hospital and nursing home staffing.

The important thing for every home care leader to remember is that each of the segments defined above is a separate business with its own customers. The biggest mistake we see made by agency executives is dumping a number of unrelated businesses into a small company and calling it "private duty home care."

2. What's the best way to market Private Duty?

The first step is to segment the market. Remember that “private duty” has four segments; Medicaid Waiver, other government funded supportive services, self-pay, and long term care insurance.

Let's focus for a moment on self-pay. The best way to market self-pay home care is to clearly understand the needs and wants of the buyer. This is not like your Medicare certified service where most of your referrals come from hospitals and physicians. In the self-pay segment, most of your referrals will come from patients, family and friends, trusted advisors, and community agencies. Less than 25% of your self-pay referrals will come from hospitals or physicians.

This means that you have to develop a consumer-oriented approach to marketing. Clearly the most effective method to grow your business is word-of-mouth advertising... having enthusiastic customers tell their friends and neighbors about your agency and its services.

The most effective advertising source for your agency is the yellow page ads. Make sure your ad stands out from the crowd, and that it emphasizes your self-pay services. We're also seeing much more activity from the World Wide Web. This is particularly true when the children of an aging person live in another city and are looking for services to care for mom or dad. If you are a member of a national home care association such as the National Association for Home Care, make sure you are listed in their online home care search service.

We've found that direct mail can be an effective technique when you target your mailings to people who are in a position to advise an elderly person or family member. These trusted advisors include trust officers in banks, attorneys, financial advisors, clergy, and community leaders. Letting these "centers of influence" know about your agency and its services can be very powerful.

Another opportunity that many agencies miss is having the nurses and therapists in the skilled side of the company refer patients to self-pay. Often when a Medicare patient is discharged from service, there are still needs for assistance with activities of daily living. The home care nurses in your agency should be looking for opportunities to refer patients to "private duty."

3. How can I find and keep good people to staff my agency?

The single biggest barrier to growing your home health care business over the next 3 to 5 years will be your ability to attract and retain the best people. In fact, we're convinced that the agencies that can get the best people will win in the marketplace.

So then, how do you find and keep good people? First you need to give them a reason to work for you. Why would someone want to work for your agency instead of all of the other choices they have? If you can't answer that question, you'll have a tough time finding and keeping good people.

The best answer is to create *Strategic Recruiting Advantage*. Just like you need to have competitive advantage in the marketplace to attract customers, you need to have competitive advantage to attract employees. We call this *Strategic Recruiting Advantage*.

Our research shows that there are five basic sources of *Strategic Recruiting Advantage*:

- **Meaningful work.** People want to work for an organization they can be proud of, doing work that is important and that positively affects the lives of others.
- **Appreciation and Recognition.** People want to feel appreciated for the work they do and the contribution they make.
- **Career Opportunity.** People want to be part of an organization that provides them an opportunity to learn and grow, and to move into positions of higher responsibility.
- **Relationships.** All things being equal, people would rather work with their friends. People want to spend their 2000 work-hours per year with people they like... and with people who like them.
- **Compensation.** It's important for people to feel that they are being fairly compensated. However, if your people are just working for a paycheck, it's unlikely they are supporting your strategy in the marketplace.

Which of these five sources is your unique factor? How can you leverage this to create true *Strategic Recruiting Advantage* to find the people you need?

Once you have defined your unique factor in terms of getting good people, then you need to apply creative marketing techniques to communicate your message. Too many agencies still rely on classified ads in the Sunday paper. The only people reading those ads are your former employees who are now working for someone else and thinking about changing companies again. Think about other forms of promotion to find the people you need. In the past, we assumed that the people we wanted to hire were actively looking for a new job. Today, the very best people are already happily working for someone else. Find ways to reach them, and to appeal to their needs and wants. Discover what it will take to attract great people away from where they are already working.

Some of the most effective techniques include word-of-mouth and staff referral programs. Look for innovative ways to let your own staff know that you have open positions to fill. Develop incentives and rewards for employees who bring in a new employee and a bigger incentive if the employee stays longer than 6 months or a year.

4. How much should I charge?

Another of the major challenges facing managers of private duty companies is how much to charge for services. This is often compounded by the fact that many private duty companies provide services under Medicaid Waiver and other government funded supportive services. In most cases, the government tells you what they will pay on a per-hour or per-unit of service basis. This is usually high volume, low margin business.

The agencies that provide these services often feel they have to charge their self-pay customers the same rates they are being paid by the government programs. This just isn't so. If your self-pay customers have higher expectations and place more demands on you and your people, then they will need to pay a higher price.

The real key to pricing is to understand the economics of your business. What are your direct costs of employing home care workers? What are your costs to recruit, hire, train, schedule, and supervise them? How much is left over for gross margin? What is your overhead cost to operate your business? How much is left for net profit?

After doing a thorough analysis of your costs of operation, you will be in a better position to set your prices. For example, you may conclude that you need to charge 2 to 2 ½ times the direct cost of your field staff. If you are paying \$7.00 per hour, your employment taxes and workers comp cost you 10%, or .70, and your transportation costs

average .30 per hour, then your direct costs per hour are \$8.00. You need to be charging your self-pay clients somewhere between \$16.00 and \$20.00 per hour.

The next question to address is... “How much will the market bear?” What are other agencies in your market charging? Where are your prices in comparison? It’s important to develop a pricing strategy relative to the marketplace. Do you want to be the lowest price? The highest price? Somewhere in the middle? We advise our clients that you can’t be profitable in this business and try to compete on low price. Some of our most successful private duty companies are actually the highest price in their markets by a substantial margin. The key is to not price yourself so high that you step over the “threshold of pain,” the price over which your customers will not go.

5. What’s the secret to making money in Private Duty?

There are really five secrets to making money in the private duty home care business:

- **Promise a lot and deliver more.** Develop a customer-focused culture in your company where you always meet or exceed customer expectations. The two most critical areas of service quality are reliability and continuity. If you make sure your people always show up on time, and that you send the same caregiver to the customer each day, you will be miles ahead of your competition.
- **Hire the best people.** The home care agencies that can create *Strategic Recruiting Advantage* will be able to get the best people. The agencies with the best people win in the marketplace.
- **Keep your marketing and your recruiting in balance.** Most agencies get out of balance. They either have too many cases and not enough people, or they have too many people and not enough cases to keep them working. The magic is in the mix.

- **Charge higher prices.** If you are not making money, raise your prices. You may have fewer cases but you will have more margin. Then be sure you have the people to staff the cases you get. Many first-time customers will try another agency at a lower price. But they'll be back when they find out that the low price provider can't deliver the services.
- **What gets measured gets managed. What gets rewarded gets repeated.** Pay close attention to the numbers. Track results weekly. Prepare complete financial reports monthly. Chase your receivables. Pay attention to the details.

The private duty home care marketplace is loaded with future potential as the aging population increases and more people need assistance with the activities of daily living to remain independent. Focus your marketing efforts. Hire the best people. Make a commitment to superior service. Watch your numbers. You'll be among the home care leaders who are able to capture a piece of this rapidly growing opportunity to serve your community's elderly.

About the Author: *Stephen C. Tweed, CSP*, is a nationally known home health care strategist, professional speaker, author, and consultant. He works with home care companies that want to grow, and with home care leaders who want to get ready for the future. He is the author of three books, including *Strategic Recruiting: Finding the Employees You Need in Home Health Care*. He is a principal in the firm of **Tweed Jeffries, LLC** in Louisville, KY, Chairman and CEO of *Leading Home Care... A Tweed Jeffries Company*, and President of the **National Speakers Association**. He can be reached at Stephen@leadinghomecare.com or www.leadinghomecare.com

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