

Measure What Matters Most – Identifying Your Top Five “Dials”

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One of the things I like to do when I fly is to look in the cockpit as I enter and exit the plane because I am fascinated by the number of dials and gauges located inside. I have often wondered how airline pilots keep track of all the information each of these dials and gadgets provide, until recently. I attended an executive coaching course where the presenter shared some wonderful insights, borrowed from Dan Sullivan, founder of Strategic Coach[™], into how pilots manage to not get distracted by all the dials and gadgets in their cockpit. The answer was so simple, it surprised me. During flight, pilots are trained to focus the majority of their attention on five dials. The rest are secondary and often irrelevant to the successful navigation of an airplane.

However, unlike airline pilots, too often I see home care owners/executives become distracted and even paralyzed by all of the many dials they try to track in their business.

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Focus

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So what are the five dials for home care? Based upon years of working closely with hundreds of leading home care businesses throughout the country, along with the in-depth research provided by Home Care Pulse's annual Private Duty Benchmarking Studies™ (privatedutybenchmarking.com), here are the five dials I would recommend you consistently track for your home care business. Let your team members track everything else.

Dial #1 – Retained Earnings

This is perhaps the most overlooked KPI in a home care business. Yet, it represents the lifeblood of any business, large or small. Retained Earnings is the portion of your net ordinary income that is kept in the business rather than used to distribute dividends to the owners. Based on our research, leading home care businesses (those who bill more than \$2,000,000 a year) set aside approximately 40 percent or more of their net ordinary income as retained earnings. For example, if a business's net ordinary income for April was \$10,000, they might keep \$4,000 in the business as retained earnings.

Dial #2 – Sales per Full-Time Employee (FTE)

Sales per FTE is a simple way of deciding whether or not you might have too many, or too few, support staff members, otherwise known as overhead. Too much overhead can sink any business. To calculate, count up the number of office support staff you have and divide it into your annual revenue. Include all active owners, executives, admins, staffing coordinators, field supervisors, etc. Include part-time staff but only as .5 or half. However, do not include any caregivers. For example, if you have 4.5 office support team members and your annual revenue was \$1,000,000, your sales per FTE would be \$222,222.

Once you understand your sales per FTE figure, you will need to have a reference point as to what is appropriate and what is not. Fortunately, the Home Care Pulse research team has already done the heavy lifting for you and has published their findings in the latest annual Private Duty Benchmarking Study. Based on the responses of more than 600 home care businesses, here is the breakdown of the median sales per FTE dollar figure for each annual revenue range.

\$0-499K : \$125,000

\$500-999K : \$214,286

\$1-1,999M : \$282,051

Leaders \$2M+ : \$334,700



Once you have compared your performance with the appropriate group, then you can figure out where you stand on staffing levels. If your sales per FTE are lower than your revenue range group comparison, it is likely that you have too much overhead and need to look at creating better efficiencies within each key position, letting go of any positions that are not adding enough value.

Dial #3 – Inquiry to Admission Ratio

Knowing your Inquiry to Admission Ratio can help you understand how well you and your team are communicating your unique value to prospective clients. How your company performs in this area sets the stage for the future.

In order to calculate this ratio, there are two important figures to track:

1. The number of inquiries you receive during a given period.
2. The number of new admissions/clients you brought on during that same period.

Once you have those figures simply take the number of admissions and divide it by the number of inquiries for the same period.

As a reference point, our recent findings, as published in the “2013 Private Duty Benchmarking Study,” found that the median Inquiry to Admission Ratio for leading businesses was 40.3 percent while the rest of the industry had a median ratio of 30.7 percent.



Dial #4 – Caregiver Turnover Ratio

Typically, creating happy and highly-satisfied clients is only possible if they are being cared for by a happy and highly-satisfied caregiver. A low Caregiver Turnover Ratio is a great indicator of happy caregivers. The Caregiver Turnover Ratio tells you the percentage of caregivers who have left your company during a given period, which could represent any period from a month to an entire year.

Here are the numbers you need to track in order to calculate it:

(A) Active Caregivers at the end of the previous period (i.e. 2012)

(B) Active Caregivers at the end of the current period (i.e. 2013)

(C) Terminated/Quit Caregivers during the same period

Here is the formula, as recommend by the Department of Labor:

Step 1: $(A+B) / 2 = Y$

Step 2: $(C/Y) \times 100 = \text{Caregiver Turnover Ratio}$

Once calculated, it is important to compare your performance with other comparison groups in the industry in order to understand if improvement is needed. Over the past 4 years, the overall median caregiver turnover rate continues to rise, with the latest overall caregiver turnover ratio being at 52.6 percent.

However, home care businesses that have been in operation for 10 or more years have a turnover ratio of 43.1 percent, which is a more acceptable range to shoot for. Of course, driving your caregiver turnover down takes a consistent valiant effort and usually includes creating strategies focused on formally and informally recognizing and rewarding good behavior from caregivers.

Our Quality Satisfaction Management research (based on interviewing thousands of caregivers each month) shows that 71 percent of those we interviewed during the most recent 3-month period, placed a higher importance on being recognized verbally as opposed to receiving a pay raise.

Dial #5 – Client Satisfaction Management

We recently asked over 600 home care businesses to identify the top three things they feel set their home care business apart from others. Although they could choose from over 32 different options, ranging from specializing in dementia care to providing greater affordability, the top five choices all related back to providing their clients with above average care and service.

Here are the top five from the 2013 Study:

1. High Quality Caregivers
2. 24/7 Availability
3. Client Satisfaction
4. Exceptional Customer Service
5. Professionalism of Agency



Formally capturing and measuring the satisfaction level of your clients, known as client

satisfaction management, is key to identifying where improvements can be made and knowing who your happy clients are, so you know who you need to ask for referrals. It can also help strengthen loyalty among your clients, caregivers and referral sources. So when developing your client satisfaction management program, make sure to do your homework when it comes to measuring client satisfaction, and keep in mind that cheaper methods, such as mailed surveys, may not provide you with the best and most accurate results.

In Conclusion

Although you may come up with a few additional dials, it is important to keep the amount of dials to a manageable number. Do not misunderstand, I believe in tracking many dials as a business owner, but delegate the majority of these other dials to the rest of the team and train them to know when it is appropriate to share the results of these dials with you. This way you can focus the majority of your time and energy in the areas that will have the greatest positive impact on the future growth of your business.



About The Author

Aaron Marcum, is the Founder of Home Care Pulse, a leading Quality Satisfaction Management firm specializing in capturing and measuring client and caregiver satisfaction for hundreds of home care businesses throughout North America. Aaron and his team also produce the annual Private Duty Benchmarking Study, the largest and most comprehensive study for the private duty home care industry, now in its 4th edition. Prior to starting Home Care Pulse, Aaron successfully owned and operated his own private duty home care business in Salt Lake City. For more information on how the Home Care Pulse Quality Satisfaction Management Program can help turn your clients into your best promoters, contact us at info@homecarepulse.com or by phone at (877) 307-8573. A similar version of this article also appeared in the June edition of Private Duty Insider, which is published by Decision Health.

About Home Care Pulse's Performance Benchmarking and Quality Satisfaction Management Program

Home Care Pulse is the industry's leading firm in performance benchmarking and quality satisfaction management and serves hundreds of home care businesses across North America. They are the industry's top resource for education, business development, certification, and proof of quality, including the prestigious Best of Home Care® awards. Visit www.homecarepulse.com to learn more about our VANTAGE program, or visit benchmarking.homecarepulse.com to learn about the Private Duty Benchmarking Study, the home care industry's largest and most comprehensive annual study, featuring benchmarks on finance, sales, marketing, operations, and more.

Call (877) 307-8573 to contact Home Care Pulse for more information or email them at: info@homecarepulse.com.

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