Successful Strategies for Small Home Care Providers

The Conventional Wisdom
Small Agencies Can't Survive!

Goals for this Session
- Identify the challenges for small organizations.
- Identify key strategies for success.
- Identify ways to achieve success.
If You're a Small Agency, You're Not Alone!

Medicare-certified Home Health Agencies

<table>
<thead>
<tr>
<th>Revenue Group (Agency Total Revenue)</th>
<th>Count</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$500,000</td>
<td>3,425</td>
<td>14%</td>
</tr>
<tr>
<td>$500,000-$2M</td>
<td>4,144</td>
<td>35%</td>
</tr>
<tr>
<td>$2M-$5M</td>
<td>2,311</td>
<td>20%</td>
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<tr>
<td>$5M-$10M</td>
<td>921</td>
<td>8%</td>
</tr>
<tr>
<td>$10M-$20M</td>
<td>457</td>
<td>4%</td>
</tr>
<tr>
<td>&gt;$20M</td>
<td>241</td>
<td>19%</td>
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The Environment is Rewarding Large Agencies

- Health system formation – large geographic reach.
- Referral source, ease of use, and selective contracting – decreasing number of agencies they use.
- Decreasing reimbursement - increasing managed care - low cost.
- Need for capital for investment in technology.
- Emergence of risk-sharing relationships.
Benefits of Small Organizations

- Fewer layers of existing processes.
- Lines of accountability, clear.
- Communication easier with fewer people.
- Faster results/greater impact.
- Easier to make and measure the impact of changes.
- Referral sources have easy access to decision maker.

If You are a Small Agency and You Are Surviving…

You Need to be Better

- Lower cost.
- Better outcomes.
- Higher patient satisfaction.
- Excellent responsiveness.
- Create a niche.
- You need to be aware of your market.
- You need to prepare your agency - educate your board.
- You need to have a plan.

Strategic Management Model
Case Study: Importance of Having a Plan

Walpole Area VNA, Inc

- 108 Year Old Non-Profit.
- Pride.
- $5M Revenue.
- Four and One Half Stars.
- HHVB 90th Percentile.
- Home Care Including MCH, Palliative Care.
- Web Based EMR.
- History of Profitability, No Debt.
- New CEO.

New CEO identifies need for:

- Strategic Plan.
- Business Development Plan.
- Optimization of Technology.
- Process Improvement.

The Value of Planning

- Educates Board and Staff about realities of the environment.
- Identifies priorities and resources needed.
- Gains agreement on direction and priorities.
- Creates a holistic view of the environment and the agency’s position.
- Helps to facilitate change.

Conducted a Planning Process

- Engaged staff to identify their ideas for the future.
- Engaged Board in a planning process including:
  - Agency trends.
  - Market data.
  - Interviews with referral sources and competitors.
  - SWOT analysis.
  - Development of goals.
The Results (In a Nutshell)

- Keep costs low.
- Keep outcomes high.
- Survey the market for potential partners:
  - Develop criteria.
  - Open dialogue.
- Identify needs of referral sources and help them meet them/secure relationships.

Identifying Strategies to Operate More Efficiently Critical Strategies

Three areas to Consider when Looking for Optimal Operational Efficiency are:

- Adapting innovation;
- Outsourcing; and
- Process review and process improvement.

Adapting Innovation is Critical to Organizations of All Sizes: You Don’t Have to be Large to be Innovative

- Ideas for innovation that have advanced small organizations include:
  - Moving to Web-based documentation systems.
  - Moving to ‘paperless’ medical records.
  - Implementing payroll management systems that include HR Management.
  - Utilization of Telehealth.
  - Establishment of supply management systems.
  - Establishing NP Programs for re-hospitalization prevention and decreasing emergency room use.
- Partnering with Community Para-Medicine Programs:
  - Deliver intensive care response in the home.
  - Identify acute and long term needs of patients to avoid hospitalization.
Outsourcing

Definition of Outsourcing:
Outsourcing involves the contracting of a business process or operational non-core function to another party. The concept of outsourcing became popular around the early 80s.

The Benefits of Outsourcing

"Small business, augmented by a global pool of human capital, can compete directly with the biggest players in their space and win."
Nancy Mann Jackson, "How to Build a Better Business with Outsourcing"

Outsourcing Ideas

- Virtual Executive Assistants
- Marketing
- Graphic Design
- Web Design
- Human Resources
- Public Relations
- Information Technology
- Billing
- Financial Oversight
- Coding
- Quality Review
- Telehealth
When to Outsource

- Different for every company.
- Can be related to growth or from the beginning.
- Every company must identify core competencies and focus on them.
- Cost benefit analysis critical.
- Contract critical:
  - HIPAA Compliance.
  - Data Protection.
  - Back up plan.
- Look at:
  - Highly skilled needs (Financial Oversight).
  - Highly repetitive (Coding).
  - Specialized knowledge (Telehealth, Coding).

Process Improvement:
Strategies for Process Improvement
One Idea, Adapt a Lean Management Approach

What is Lean Management?

- Lean can apply to every business, every process.
- It is NOT a tactic, cost reduction program, but a way of thinking and acting for an organization.
- Lean is NOT a program or short term cost reduction program, it is the way a company operates.
- Many healthcare organizations are using lean principles.
  - "Lean Thinking", by Womack and Jones, founders of the Lean Enterprise Institute and the Lean Enterprise Academy, describes lean and the thought process, the overarching key principles that must guide your actions when applying lean techniques and tools.

The Lean Concept

- Maximize customer value while minimizing waste.
- Create more value for customers with fewer resources.
- Lean organizations understand customer value and focus key processes to continually increase it.
- Ultimate goal:
  - "Provide perfect value to the customer through a perfect value creation process that has zero waste."
The Lean Concept

Instead of optimizing separate technologies, assets, and vertical departments, the focus is on optimizing the flow of products, services and the value stream as it flows horizontally across technologies, assets, and departments TO customers.

Responding to your customer to products and services that have fewer defects, high variety, high quality, and low cost.

Eliminate waste along the entire value stream to create processes that need less:

▪ Human effort
▪ Less space
▪ Less capital
▪ Less time

Process Improvement and Lean Begin with Mapping Value Streams

▪ Begins with the current state of how material and information flow presently.
▪ Draws a leaner future state of how they should flow.
▪ Helps achieve a shared understanding of how it works and can work better.
▪ The process of mapping value streams:
  > Write each process step on post-it note and arranging them on wall mounted paper. Quickly shows duplicated, unnecessary, and missed steps.
  > Remove and relocate the notes as the process is improved.
▪ Next Step: Create an implementation plan and timetable.

Example: Improving Medical Supply Management

Began with mapping current process:

▪ Supplies purchased in bulk from supplier.
▪ Clinician calls office with request for supplies for patient.
▪ Supplies come into the office unpackaged and then re-packaged for each patient.
▪ Clinician picks up supplies for the patient.
▪ Clinician delivers supplies to patient with visit or drops them off.
Challenges with Process

- Supply cost $54 per episode, state benchmark was $35 per episode.
- No controls on supplies purchased, quantity, and quality.
- Clinicians have to come into the office to retrieve and deliver supplies.
- Availability of ‘just in time’ supplies differed by clinician.
- Administrative hours for ordering, unpacking, and re-packing supplies.

New Process

- Committee selected vendor based on criteria.
- Contract negotiated.
- Committee established formulary.
- Vendor established the ability for clinicians to order directly from the home and have supplies delivered directly to the client, in most cases within 24 hours.
- Committee established formulary for trunk box with ‘just in time’ supplies and process for tracking of trunk box supplies used.
Other Examples of Common Processes For Improvement

- Patient scheduling.
- Moving to 'paperless' medical records.
- Authorization and re-authorization of visits and care with insurance providers.
- Decreasing 'Days to RAP', improving cash flow.
- Weekend office management.
- Move from mail to E-Fax of POC, orders, F2F.

Know Your Market

- Who are your competitors? What are their strengths and weaknesses?
- What is your market share?
- Who are your referral sources and what do they need, what insurers and alternative payment models they are involved in?
- What makes you special? Why do your referral sources refer to you?
- Be alert to changes in your market.
- If/when you sell, merge, acquire who will your target be?

There May/Will come a Time When You Can't Make it on Your Own

- Constantly be assessing changes in the market and listen to your large health systems.
- Keep your Board of Directors involved.
- Deal from strength.
- Don't wait too long if you are not thriving.
Controlling Your Future

“The best way to predict the future is to create it.”

- Peter Drucker

Thank You!

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