



TIP SHEET

# Managing Costs to Increase Your Home Care Business' Profitability

This tip sheet covers the factors influencing agencies' cash flow as well as ways to proactively manage expenses through methods such as client base expansion and effective communication.

# Introduction

These days, agencies face plenty of economic challenges, many of which involve increasing expenses across the board. According to a third-party [home care industry survey](#) commissioned by AxisCare, 71% of companies consider the rising costs of staff, supplies, and services to be a noteworthy concern.

Waiting for these ballooning expenses to deflate is simply not an option. Agencies will need to take proactive measures to attack the problem from both sides: bringing in more revenue while trimming costs whenever possible.

## Cost Management for Home Care Agencies

### ***Rising Costs of Staff***

It's become increasingly difficult and expensive to recruit and retain caregivers for a number of reasons. Namely, two major forces are pushing up against each other to create friction: a growing demand for in-home care and persistent shortages of qualified staff.

In the above-mentioned [industry survey](#), 54% of respondent companies said they were encountering significant obstacles in recruiting caregivers. But that's just the beginning – another 46% said they were also experiencing challenges related to retaining employees. The larger the company, the more prevalent these recruitment and retention issues become.

### ***Growing Supply Costs***

Due to economic pressures like inflation and the supply-and-demand disparity mentioned above, it's also becoming more expensive to purchase essential supplies. Even bare necessities like gasoline for caregivers' vehicles are surging, and as a result, cost-of-care services have risen [to the tune of 15-40%](#).

## Cost Management Cont.

### **Concerns With Operational Expenses**

Aside from outright cost increases for staff and supplies, cracks in an agency's operational infrastructure are a key cause of financial strain. If not managed carefully, recurring expenses like staff salaries, insurance, marketing, and other administrative costs can lead to waste.

From overpaying for services to absorbing lost wages due to scheduling errors, plugging these "leaks" can return a surprising amount of money back to agencies' pockets.

## How to Increase Home Care Business Profits

### **Increase Client Base**

More clients equals more revenue. Seems obvious enough, but the sales and outreach process can demand significant human and financial resources.

Establishing a passive [referral program](#) requires an initial investment of time and money upfront, but if executed properly, it will pay dividends over time.

By [establishing local partner networks](#), agencies can receive referrals from within patients' communities. Senior centers, healthcare providers, rehab clinics, and similar businesses have frequent contact with older adults and their families; if you build relationships with these key players, you can leverage their trusted status within their communities to acquire new clients.

### **Diversify Payer Sources**

If your agency is relying heavily on a single-payer source, it may be hurting your bottom line. Just like a stock portfolio, [payer diversification](#) increases an agency's ability to weather financial storms and remain stable through market turbulence.

According to the industry survey, 61% of respondents identified private pay as a significant area of potential growth, and 54% felt the same about the Department of Veterans Affairs. Simply opening your agency up to a new source of revenue can significantly broaden your client base.

# Increase Home Care Profits Cont.

## ***Invest in Staff Training***

[Caregiver training](#) is a great way to improve the quality of your service and caregiver satisfaction in one fell swoop. Proper training provides staff with the tools they need to do their jobs effectively, as opposed to providing minimal education and leaving them to resolve issues on the fly. Caregivers who don't feel supported are far more likely to become disillusioned with their jobs, frustrated with the lack of resources, and ultimately leave the agency.

As a knock-on effect, the better you train your fleet of caregivers, the more satisfied your clients will be with the breadth and quality of the service they receive. This will, in turn, reduce patient churn and may even lead to referrals that grow your client base.

## ***Improve Caregiver Retention***

As mentioned earlier, nearly half of all surveyed agencies are currently experiencing issues keeping staff on board, and 50% said that a caregiver retention system will be important to leverage in the future. With staff shortages growing and demand for caregivers on the rise, there are a [number of strategies](#) agencies can adopt, but it must be a top-to-bottom effort.

Starting with recruitment, [carefully worded job postings](#) and paid trial periods can ensure the right people make it through the initial vetting process. Once they're in, agencies should provide caregivers with plenty of professional development opportunities, performance incentives, schedule flexibility, and more.

## ***Improve Client Retention***

A [retention strategy](#) is the key to establishing a steady stream of revenue while reducing the costs associated with acquiring new clients. Retained clients often yield a higher lifetime value, and satisfied long-term clients are more likely to refer other people in their demographic. The result: an organic, cost-effective growth loop.

## Increase Home Care Profits Cont.

### ***Improve Client Retention Cont.***

To keep clients locked in, agencies should focus on delivering personalized care to the best of their abilities, maintaining open lines of communication with clients and their families, and soliciting feedback to address concerns proactively instead of being caught on their back foot. Loyalty programs and consistency among assigned caregivers can also strengthen client relationships.

## Conclusion

With prices on the rise and operational challenges aplenty, proactively managing costs is essential to preserve home care agencies' profitability. By taking a two-pronged approach to revenue generation and cost reduction, agencies can position themselves for sustainable growth, from expanding their client roster and diversifying payer sources to investing in both staff training and retention. On the client side, maintaining strong relationships through personalized care and seamless communication can further work to stabilize and grow agency revenue.


## Prepare Your Non-Medical Home Care Agency Now

Home care technology is the gateway to major leaps forward in efficiency and waste reduction. Want to see how AxisCare can help your agency achieve larger margins? [Schedule a demo](#) today.

### Learn More

Visit [axiscare.com/contact](https://axiscare.com/contact) to schedule a call with our team.

 [sales@axiscare.com](mailto:sales@axiscare.com)

 (800) 930-7201



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## References & Resources:

- [The Future of Home Care: A 2024 Survey of the Home Care Industry & Future Trends](#)
- [Navigating Economic Challenges in Home Care Services](#)
- [7 Ways to Create a Successful Home Care Referral Program](#)
- [How to Get the Best Leads for Your Home Care Agency](#)
- [Payer Diversification Strategies for Home Care Agencies](#)
- [Tip Sheet: 7 Reasons Why Caregiver Training Matters](#)
- [White Paper: Caregiver Recruitment & Retention Strategies for Home Care Agencies](#)
- [Caregiver Job Description Template: Your Go-To Guide](#)
- [6 Strategies to Attract & Retain Home Care Clients](#)