



The Data Are In: Best Home Care Marketing Practices Revealed

Part 2

White Paper
06-001

Contents

1.	Background	Page 1
2.	Participant Agency Characteristics	Pages 2-3
3.	Outcomes	Pages 3-4
4.	Conversion Ratio	Pages 5-6
5.	Areas of Interest	Page 6
6.	Written Marketing Plan	Pages 6-7
7.	Formal Marketing Budget	Pages 7-9
8.	Sales Team	Pages 9-10
9.	Training	Pages 11-12
10.	Specialty Programs	Pages 12-14
11.	Findings	Page 14
12.	Interpretation	Pages 15-16
13.	Conclusion	Page 16
14.	Side Bar: Action Plan for Sales and Marketing Success	Page 17
15.	About the Authors	Page 17

The conclusion of a two-part series, this article provides the first look at the responses from a study evaluating the best marketing practices of home health agencies across the country. In Part 1, we profiled a few exemplary agencies with the goal of describing a set of common attributes that have lead to success. In Part 2 (below), we delve deeper into the component measures by exploring the first industry-specific benchmarks of marketing success!

Background

With each passing day, sophisticated sales and marketing becomes a more important trait among the industry's leading providers. Ninety percent of survey respondents indicated that they have experienced increased competition over the last three years. Only 51 percent reported that they had increased referrals over the same period with 33 percent citing decreases. The million dollar question, then, is, "What practices are prevalent and which are working?" The need for benchmarked data to determine the answers to these questions is great and we hope that these findings are helpful in planning your sales and marketing strategies.

The data presented in this article was collected from a national survey of home health agencies conducted during the fall of 2005. The survey was designed by OCS (Outcome Concept Systems) and Home Care Marketing Solutions. From the initial responses we are pleased to provide the first report of these findings.

The goal was to uncover the best practices being used by agencies that are successfully growing their referrals. Best practices are defined as being those processes that differentiate an organization as one of the best in their industry. The findings are paired with observations from specific successful home health and hospice organizations to illustrate how these practices are being specifically implemented nationally.

Participant Agency Characteristics

When extrapolating observations from any group of survey respondents, it is important to see how the participants compare with the overall industry. We looked at the following characteristics and found that, for all practical purposes, the agencies that responded were reflective of the industry averages with any differences noted. The mix of agencies by type, size, and setting was consistent with the industry nationally.

Setting

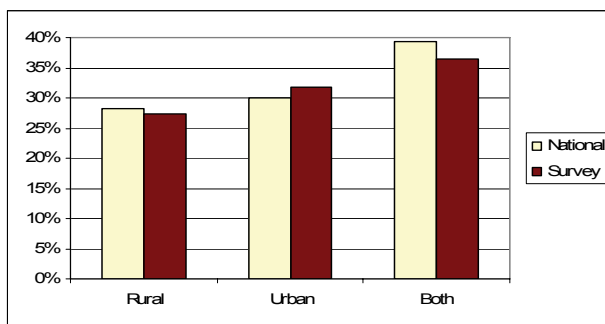


Table One: Agency setting

Size

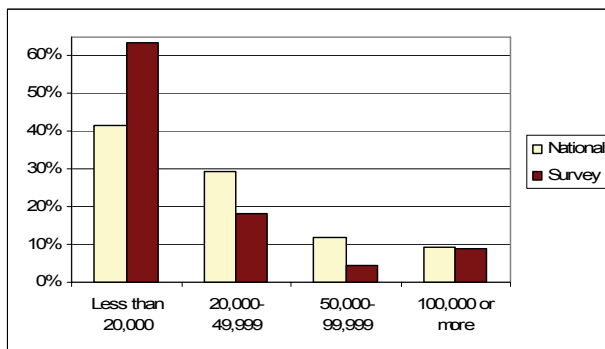


Table Two: Agency Size (visits / year)

The agencies in the study did tend to be smaller, on average, than those in the overall industry. That being said, the number of large agencies (over 100,000 visits per year) participating was consistent with the industry distribution. There was a slightly higher concentration of hospital based agencies participating than in the national data.

Affiliation

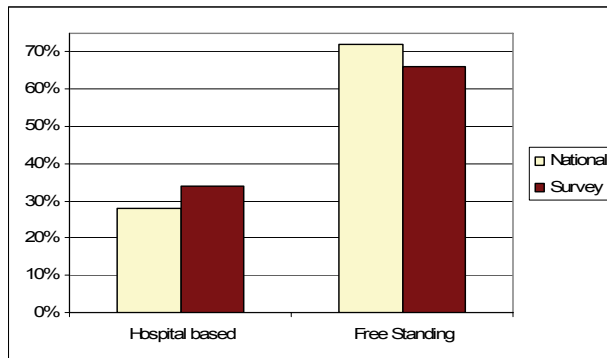


Table 3: Is the agency hospital based or free standing?

Further research is being conducted to look at the differences in practices among different settings and affiliations. While we did not look specifically at whether the agencies are for-profit or not-for-profit, we believe that the distribution is also consistent with the national averages. One trend we observed was of hospital-based HHAs adding to their sales teams to better compete with freestanding agencies that have been historically more aggressive in this area. As referral sources become more sophisticated in their use of home health, they are becoming better educated and more choosy. In the same way that the not-for-profit agencies lag their proprietary counterparts, hospital-based agencies are being pressured from their boards to deliver better performance numbers.

Outcomes

One of the real benefits of the publication of quarterly Home Care Compare report cards on the CMS website is that for the first time there are easily accessible quality measurements available to the general public. Referral sources are now better able to measure quality among home health agencies. In addition, quality has become tangible and measurable. We felt that it would be very important to analyze the respondents to determine if they are delivering outcomes consistent with national norms and to further study the relationship between quality of care and agencies with strong sales and marketing programs.

When comparing Home Health Compare outcomes, the survey participants scored slightly better than the national averages. While the variance was slight and within the margin of error, it was consistent throughout all outcomes measures. Since the agencies that chose to respond to the survey could be expected to be more progressive, it is possible that they have been proactive in managing their quality improvement programs and thus reporting better overall outcomes.

Functional Outcomes

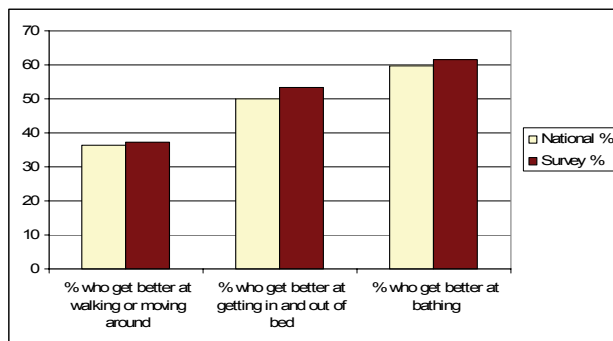


Table Four: Functional Outcome Measures

Clinical Outcomes

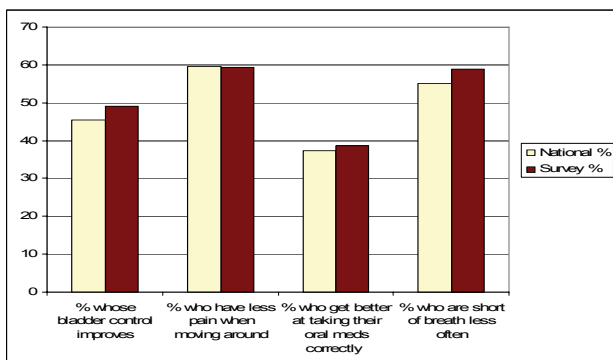


Table Five: Clinical Outcomes Measures

Utilization

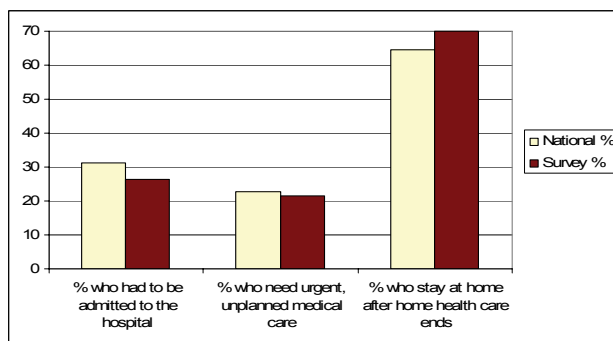


Table Six: Utilization Measures

Conversion Ratio

There are three basic ways for an agency to grow their referrals: develop new referral sources, increase the yield from existing referral sources, and increased conversion ratio. Therefore, we felt that one of the first important measures to look at is conversion ratio. Conversion ratio is defined as the number of admissions divided by the number of referrals, or contacts with potential client patients. In any conversation about conversion ratio it is important to consider the fact that the definition of a "referral" vary dramatically from agency to agency. This makes any comparisons imprecise and, as such, the data reported in this study should not be used for the purpose of establishing pure benchmarks. It is included, however, as it represents an important aspect of operations when analyzing strategies to increase referrals.

The goal for conversion ratio should never be 100 percent. It has been our experience that any agency reporting close to complete conversion is either not recording all referrals or is not getting all of the calls from their referral sources. The findings of an average conversion ratio of 82 percent reported in this study are consistent with the results from other studies and those observed first hand by the author in agencies across the country. The most interesting finding was that about 40 percent of the respondents reported that they were converting over 90 percent of their Medicare referrals into admissions. 90 percent is a realistic goal; but regardless of the specific number your agency targets, you should monitor the ratio closely to catch any changes that may provide early signs of other important trends.

Conversion ratios are certainly one important area of marketing to watch. Likewise, it is a smart area to set aggressive, but realistic, goals. It is as important to be mindful during this process of how you set, communicate, monitor, and report the goals for conversion ratios. If the intake department is feeling too much pressure to improve in this area, they may start recording referrals differently. Their listening changes, and they may be tempted to discourage referrals if they think they may

turn into non-admits. This will have an effect that is contrary to the desired result. For that reason it is one measure to analyze, but should not be overemphasized nor the sole determining factor in bonuses or raises. This has been a common mistake in practice in all types of agencies.

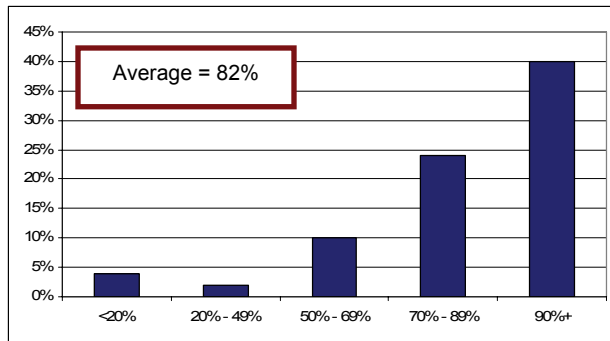


Table Seven: What is your conversion ratio? (admissions/total referrals)

Areas of Interest

The survey was broken down into four basic areas: planning, sales team attributes, training, and the existence of specialty programs. The planning section included items such as, written marketing plan, a formal marketing budget, and formal sales goals. Sales team attribute measures considered whether or not the respondents employ a full time marketing director, a full time sales manager, or outside sales people. The training elements were the provision of sales training for the intake department and if they had a Customer Relationship Management (CRM) solution in place. Finally, specialty programs were especially of interest as a component of an agency's marketing program. We asked if participants offer specialty programs; if so, we wondered what types and if the programs were developed for marketing purposes.

Written Marketing Plan

The existence of a written marketing plan is an important determinant and a visible sign of how serious an organization is about the promotion of their services. Anecdotal evidence tells us that three to five years ago less than 10 percent of agencies. The trend in this area is a positive sign. Today, more than half of

respondents indicated that they have a formal marketing plan. This is a critical component of any sales and marketing strategy because without a written plan (and it must be in writing) there is no way to expect that the agency will be successful in long-term growth or that it will be able to survive under competitive pressures.

Once a formal marketing plan is established, that plan must be executed. Execution is certainly an area of difficulty, not only in home health, but in all areas of business. It has been said, many times by many people, that most businesses fail not because of strategy, but because of an inability to bring strategy to life. There is a tendency to start making changes immediately without careful consideration of the inadvertent repercussions of changes, and when those unforeseen results have the effect of diluting the plan. On the flip side, often plans are overdone. Leadership feels as though until every last detail is perfect, it should not be put into place. Yet plans are never perfect, and the organization that waits until they are will be waiting so long that the points that went into creating the plan are moot. A third common problem is that groups tend to stay the course of the plan, no matter how the landscape around them changes, and it always does. The plan should be maintained as a living document that is modified to reflect successes, failures and changes in the marketplace.

Formal Marketing Budget

An important component of any marketing plan is the budget allocated to execute on the plan – the resources required to bring the plan to life. More than half of the respondents indicated that they have a formal budget. Of those agencies with a budget, 76 percent reported increased referrals. The other areas of interest in the budgeting process are the elements included in the budget and the methodology employed in calculating it. The preponderance of agencies use either an increase over the amount in last year's budget, an amount per project, or some combination thereof. Less than five percent reported using a percentage of revenues to determine their budgets.

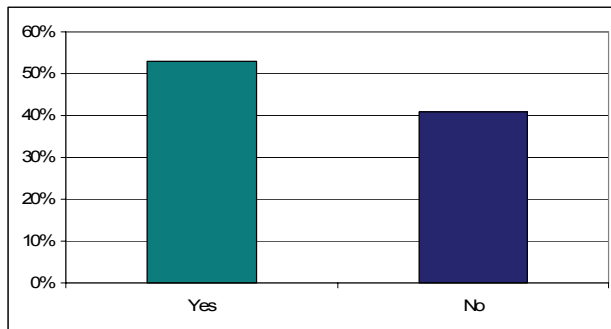


Table Eight: Do you have a formal written marketing budget?

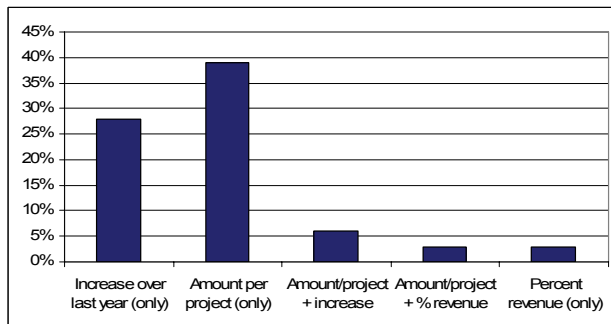


Table Nine: What method do you use to calculate the next year's budget?

There was disparity in what was included in the marketing budget and bears further research. Since there was such a wide variance in the composition of the budgets, it was not possible to report average marketing budget figures. The largest single variable was the inclusion of salaries in the marketing budget. Some included marketing personnel, marketing director, intake, outside sales and sales management in their budget calculations while others did not. Their inclusion has a dramatic effect on the budgetary amounts as a percentage of revenues.

Following are the items identified as included (percentage of question respondents):

- ❑ Brochures 90%
- ❑ Yellow pages advertising 77%
- ❑ Advertising specialties – giveaways 77%
- ❑ Print advertising 77%
- ❑ Entertainment 48%
- ❑ Business Cards 41%
- ❑ Radio 41%
- ❑ Direct Mail 41%

- ▣ Inside Sales Salaries 31%
- ▣ Outside Sales Salaries 28%
- ▣ TV advertisements 21%

Establish Sales Goals

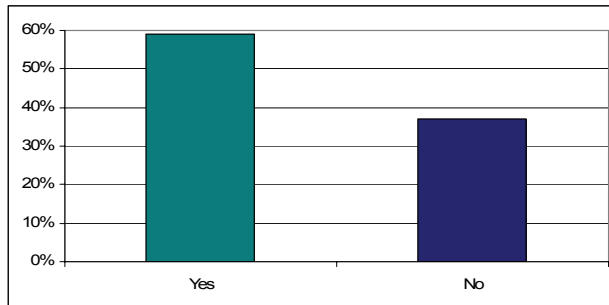


Table Eleven: Do you have established sales goals?

The final component in the area of planning is whether or not the agencies set sales goals. Almost 60 percent did report having sales goals and 68 percent of those agencies reported increased referrals. Sales goals should be an integral part of the marketing plan, but even more importantly they should be in the agency's business plan. For many agencies an important value-added practice is the dissemination of these goals. They should be discussed and shared openly with all agency staff. Some type of thermometer in a visible location has been very successful in agencies attempting to gain buy-in from all staff on achieving sales goals. The more ownership employees have over a specific company goal the more successful the company will be in attaining and exceeding these goals. The very lifeblood of the agency is reflected in these goals, for they represent the revenues of the agency and therefore the funds that allow the caregivers to continuing serving their patients.

Sales Team

The measures in the sales team component of the survey asked if participants employed a full time marketing director, a sales director, and an outside sales team. The survey found the most common practice to be the outside sales team, cited by 55 percent of the surveys, followed by full time marketing directors at one third of the agencies and sales managers in 18 percent. What we have observed is that the

outside sales team, when properly trained, is able to generate much greater results when they are actively managed by a sales manager. Typically one sales manager can manage up to twenty sales people. They should be riding along with the sales people, coaching them and holding them accountable for producing their results. Expectations are that the number of sales managers will be increasing over the next three to five years until the majority of agencies with five or more sales people will employ one sales manager.

Full Time Marketing Director

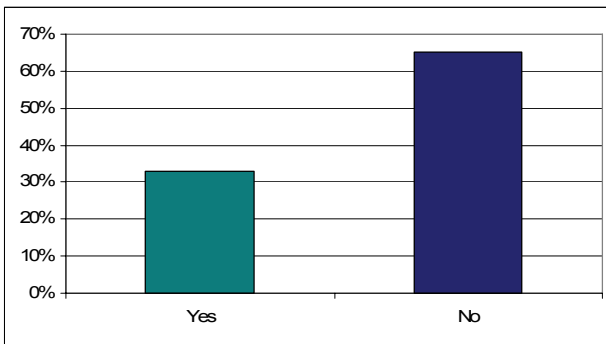


Table Twelve: Do you have a full time Marketing Director?

Full Time Sales Manager

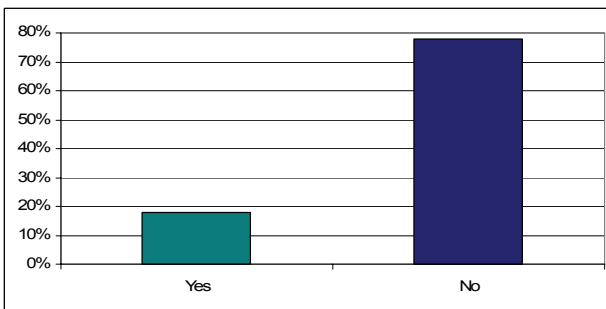


Table Thirteen: Do you have a full time Sales Manager?

Employ Outside Sales Team

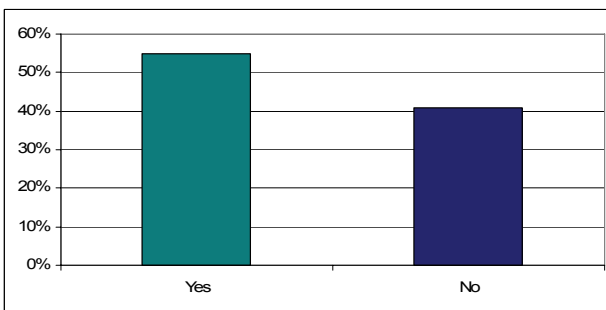


Table Fourteen: Do you have outside sales people?

Training

Providing sales training appears to be one of the highest bang-for-the-buck actions an agency can take. While less than a third of the agencies responding to the survey claimed to provide sales training for their intake department, the impact was dramatic in those that had undertaken this type of training. It only makes sense, as the most direct contact with the referral sources occurs in intake. If these key staff members are trained to ask for additional business and listen for opportunities, the increase in referrals can be dramatic.

We included the question about customer relationship management (CRM) software in the training component, as it represents a change in an agency's approach to the customer relationship. The most successful implementations of CRM solutions, in all industries, have been shown to involve a culture change. The most explosive results in home care have come when CRM is combined with a well trained intake staff that has access to the CRM database. Despite the value in tracking and organization sales leads and sales and marketing activities in a CRM application, only just over one-in-ten agencies that sent in a survey have invested in a CRM solution.

Provide Intake Sales Training

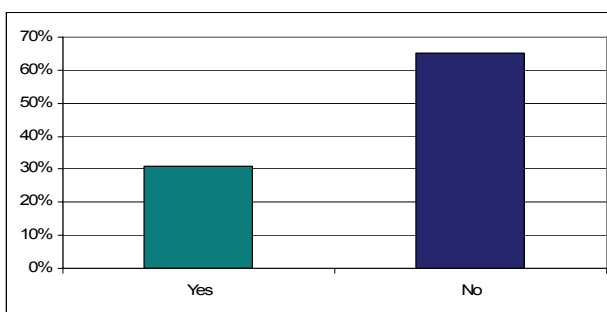


Table Sixteen: Do you provide sales training to your intake staff?

Customer Relationship Management (CRM) Solution in Place

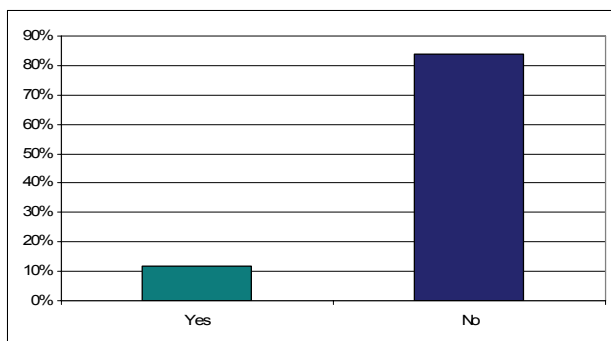


Table Seventeen: Do you have a CRM solution?

Specialty Programs

In response to the question “Do you market specialty programs to your referral sources?” over three quarters replied in the affirmative. Interestingly, within this group of respondents only a little over 60 percent reported increased referrals. While this would seem counterintuitive, since only 16 percent had not yet implemented specialty programs, the dataset shows a less dramatic impact. The other issue to consider is how the programs are used for marketing purposes. About one third of the agencies said that they had created specialty programs for marketing purposes. Many agencies have developed specialty programs but have not built any marketing campaigns around them. Specialty programs should serve as cornerstones in the process of differentiating an agency from its competition. This will result in agencies seeing an increase in referrals and stronger physician relationships, as well as improved outcomes.

The most common types of specialty programs were therapy (57%), wound care (49%), cardiac (43%), telehealth (37%) and diabetes (33%). The therapy specialty programs included both ortho and neuro, with the majority focused on hip and knee replacements. The focus on therapy specialty programs makes sense from a payment perspective and from the number of available cases that require home therapy.

Telehealth programs were more prominently featured, and seemingly increasing in numbers each day. One of the largest returns on telehealth investment experienced by home care agencies to date is the amount of new business generated. As there are more agencies in each service area that offer telehealth, no longer will it be sufficient to be the first. The onus will be on the ability to create specialized programs that use telehealth as one component of a comprehensive and innovative approach to care. The value proposition and competitive advantage must be based on the agency and its services, not a monitor. This is an area that requires close management to realize these returns, as it is easy to take the technology of telehealth for granted and underutilize or misuse this care practice.

Telehealth works well in conjunction with a good cardiac program and enables an agency to differentiate itself among cardiac specialty programs. The ability to offer a level of monitoring previously only available in an institutional setting enables the cardiologist to safely transition patients to the home setting quicker. This improves the facility's and the referring physician's outcomes, not to mention the patient's peace-of-mind. As pay for performance becomes a reality, the real-time monitoring of telehealth will provide real incentives for the referral source to ask for and use this specialty approach to care. Additionally, a key component of the agency's sales presentation must address the cost savings to the hospital that can keep its CHF patients from being readmitted following discharge.

We also asked if the specialty programs were developed for marketing purposes and found that one-third of agencies who market specialty programs created at least one specialty program for marketing purposes. This adds to the conclusion that most programs were not initially conceived for marketing purposes. The opportunity for those agencies that already have programs is to package them and use them as marketing tools. For those that are initiating new ones, the prospect for marketing returns can support the investment in the program development. The most successful specialty programs have been developed to meet a need in the community or showcase an agency's strength and with the involvement of one or

more physicians. By involving the referral sources up front you achieve greater buy-in and advocacy from the beginning.

What Types of Specialty Programs are Offered?

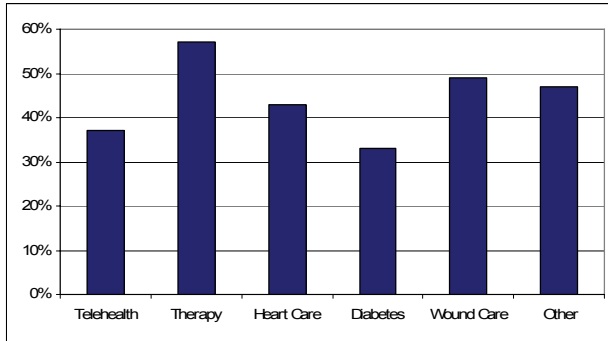


Table Eighteen: What types of specialty programs do you offer? (multiple responses allowed)

Findings

Since the purpose of this study was to determine what was working in the areas of sales and marketing, each measure was analyzed for effectiveness based on whether agencies that employed the specific measure saw an increase in their referrals over the last three years of operation. Following are those attributes that demonstrated the greatest effectiveness ranked in order of effectiveness:

Agencies Reporting Increased Referrals

Provide Sales Training for Intake Staff	83%
Have Formal Marketing Budget	76%
Employ Full Time Sales Manager	75%
Employ Full Time Marketing Director	73%
Written Marketing Plan	68%
Set Formal Sales Goals	68%
Have Outside Sales Team	65%
Market Specialty Programs	61%

Interpretation:

There appear to be several areas that should direct the focus for home care agencies to grow referrals. Sales training for all staff is important, but is especially important for the intake personnel. They are the single most important component in the entire process as they have the most direct contact with the referral sources. They are interacting with them at the moment of truth, when the referral is actually given. Presumably, the referral source is never happier with you and your agency than at that moment. It is incumbent upon the intake staff to underscore how much your organization appreciates the referral and the trust placed in your company, and to constantly reinforce the referral source instinct to go to your agency for all of their home care needs. By implementing simple questions in the process that will ask the referral source if they have anyone else that will need services, or to find out if they are familiar with one of our specialty programs, agencies can see a dramatic increase in referrals with simple and low-cost techniques. Another by-product of this training is higher referral source satisfaction ratings.

There is a growing interest in CRM solutions and with only 12 percent of agencies reporting having one in place, there can be tremendous opportunity to use a CRM application as a point of differentiation or a strategic tool. Billions have been invested in CRM in other industries and the findings have been that the software is only one part of the solution. The cultural change necessary to make the investment really pay off is one that involves focusing the attention of all members of the agency staff on the customer. This training goes hand in hand with sales training for intake staff.

Having a well-constructed and defined marketing plan will always pay big dividends, not only in the first year you make the effort, but in subsequent years with more deliberate, focused, and effective plans. The budget is an important part of the plan, as are sales goals. The real difference between highly successful home care sales and marketing organizations and all of the rest is their ability to accurately

plan and project their business over the coming year. With a solid plan in place, the key ingredient becomes execution.

Specialty programs are a fact of life in home health care today. While they were a novelty and an innovation in previous years, today they are a necessity. Specialization enables an agency to form a bond with its customers by designing service delivery models that are customized. By nature this forms a much stronger bond with the referral source and makes competition for their referrals that much more difficult. Start the program development with a needs analysis and then construct the program as the solution.

Conclusion

The most successful agencies are proactive. Based on the responses to this survey, all indications are that sales and marketing is no exception to this rule. Hiring the right people to sell the agency's services to the community and providing them with ongoing training is a must. Management with an understanding of the importance of coordinating and supporting the sales and marketing programs is also returning big payoffs. Given the increase in competition with each passing year, agencies must have a keen focus on continued improvement in their sales and marketing programs. The return on the investment made in these programs is critical. It all starts at where an agency is today and establishing the plan for the next three to five years. Once the plan is in place, only execution becomes the issue.

Watch for further reporting of additional information regarding sales and marketing from OCS and Home Care Marketing Solutions over the coming year. Thank you to all of the survey participants and we encourage all the readers of this report to download the white papers and participate in future surveys and research.

Side Bar:

Action Plan for Sales and Marketing Success

Based on the study results, the following action steps should be implemented by agencies wishing to increase their referrals and grow their businesses:

- 1) Provide Sales Training for Intake Staff
- 2) Establish a Written Marketing Plan Complete with Formal Budget and Sales Goals
- 3) Employ and Train an Outside Sales Team
- 4) Manage the Marketing and Sales Processes
- 5) Develop Specialty Programs that Meet a Known Need in the Community
- 6) Execute on Your Plan

About the Authors:

Michael Ferris is the founder of Home Care Marketing Solutions, the leading resource for home care and hospice sales, marketing and customer service consulting and training. He is the author of four books on these subjects and is a frequent speaker at state and national home care associations and home care providers. Mike has worked with some of the leading agencies in the U.S. to develop strong customer centric sales and marketing programs. He is also a proponent of the importance of Legendary Customer Service in home care business development. Contact Mike at mike@hcmarketingsolutions.com

Christine Lang is the Senior Director of Product Strategy for OCS. Christine leads OCS Product Management, Data Analysis, and Data Consulting efforts. Christine is a frequent contributor to industry publications, particularly ...home health line's "Benchmark of the Week" series. She has authored several white papers, and has presented at numerous national and regional conferences. With eight years of experience with OCS, Christine is truly an expert in the home health benchmarking arena. Christine holds Degrees in Mathematics and Political Science from the University of Washington and serves on the Advisory Board of three different University Alumni Organizations. She is also active in a number of Seattle non-profit organizations and coaches high school gymnastics. Contact Christine at chrlan@ocsys.com

About Outcome Concept Systems

Founded by a pioneer in the area of home care outcomes, OCS has provided organizations with performance improvement solutions since 1992. With over 1,500 clients spanning all 50 states, OCS maintains the nation's largest proprietary home care benchmark database comprised of patient-level data across all business components: clinical, financial, operational, visit utilization and patient satisfaction. OCS uses this information to provide the home health, hospice and private duty markets with relevant research and industry education, as well as business intelligence products and services. Endorsed by trade associations throughout the country and recommended by major MIS vendors, OCS is the premier quality management vendor for post acute care. For more information, access OCS' web site at www.ocsys.com or call 206.325.3396.

CARING Magazine January 2006

By: Michael T. Ferris and Christine Lang



1818 East Mercer Street, Seattle, WA 98112
206.325.3396 • www.ocsys.com • www.obqi.com