



Supporting Quality Health Care Services at Home

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Homecare Industry Revenue Growth Fell in 2001 Says Report Issued by AAHomecare

(Alexandria, Va.) – The overall homecare industry revenue growth in 2001 of 10 percent fell by 3 percent from the 13 percent growth seen in 2000, according to the American Association for Homecare’s (AAHomecare) just-released *2002 Financial Performance Survey Report*—an annual benchmarking survey of financial and management practices at homecare companies based on data from operations in 2001. Among other findings in the report were:

- 9 percent of participating companies that reported making an acquisition experienced an overall growth rate of 16 percent (down from 31 percent in 2000), though their average growth rate on continuing business was 8 percent.
- Overall Accounts Receivable Days Outstanding (DSO) increased in 2001, the first such increase since 1998.
- Although Medicare and Medicaid continue to be the dominant payers again in 2001, combined representing 46 percent of revenue, companies in all size ranges reported an increase in managed care as a payer source. However, respondents noted significant “churning” with managed care contracts, citing low reimbursement and slow payment as reasons for terminating contracts.
- Hospital ownership of firms decreased to 25 percent in 2001, a 10 percent drop from the 35 percent figure seen in 2000.
- A new section on clinical efficiencies revealed that 52 percent of a Respiratory Therapist’s time is spent on patient visits, with the remainder focused on documentation, communications, and scheduling.

Regarding overall report findings, survey consultant, William Cron, Ph.D., Professor of Marketing at Texas Christian University in Fort Worth, Texas, stated, “The data show that, whether a company is a small ‘niche’ provider or a large ‘mixed-market’ provider, it can be successful if it strategically selects, manages, and grows its homecare markets and carefully controls personnel and inventory costs. Optimizing these operating characteristics is a daily challenge. Good managers attenuate their strategies on a continuous basis to deal with changes in the business environment—both internal and external.”

Commenting on specific changes from the 2001 survey report, Editorial Board member Bob Cucuel (American Homecare Supply, LLC) observed, “Rather than increasing, you would have expected the DSO to drop 2-3 days since the managed care capitated business now represents 4 percent of the industry’s payer mix, versus 1 percent last year. The underlying reasons are likely attributable to several factors, including reporting requirements, documentation, etc.” Commenting on the drop in hospital ownership of homecare companies, Cucuel added, “We have noticed a trend of health systems exiting the HME/RT business over the last few years as they focus on their core competencies. The driving factor to this decision is most likely the level of profitability they had historically experienced.”

Reflecting input from 119 firms of various sizes and business lines representing \$3 billion in total annual revenue and operating 1,686 locations employing more than 26,800 people, the report presents analyses industry-wide, by company size range, and along key business lines (home medical equipment, respiratory, home infusion, re/hab and assistive technology, home health nursing, and mixed-market) for such key benchmarks as industry growth, accounts receivable management, billing productivity, inventory and purchasing management, and human resource cost and productivity.

“The benchmarking power of AAHomecare’s *2002 Financial Performance Survey Report* increased significantly from 2001—we had a 20 percent increase in participation reflecting a 72 percent increase in number of locations and a 52 percent increase in number of employees represented—which added greatly to the statistical basis. New participants also reflected all company size ranges, from the very smallest to the very largest, improving the quality of the subset analyses,” said Dr. Cron, who has conducted this survey for more than 20 years for AAHomecare and predecessor organizations. Added Cron, “The very fact that the wide range of companies that participated in the study had these comprehensive performance data so readily available, indicates a high level of management sophistication. By benchmarking against the companies in this study—literally the ‘best of the best’—a company can evaluate its performance and identify specific aspects which demand attention.”

Dr. Cron will present the report and useful financial management insights at the Medtrade 2002 Conference and Expo at the Georgia World Congress Center in Atlanta, Georgia, on October 31, from 8:00 – 9:00 am.

The study, free to survey participants, can be purchased from AAHomecare by visiting AAHomecare’s Web site at aahomecare.org or calling Allison Barton-Kramer at 703-535-1883. The cost is \$250 for AAHomecare members, \$500 for non-members.

The American Association for Homecare (AAHomecare) is the unified voice that represents all elements of homecare under one roof—from home medical equipment to home health services, and from respiratory and home infusion therapy to rehabilitative and assistive technology. With 3,000 members, AAHomecare is dedicated to advancing the value and practice of quality health care services at home, while building a community of support for the homecare industry.

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