

I Know I am Spending on Sales, What am I Getting for My Investment?

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Goals for Today:

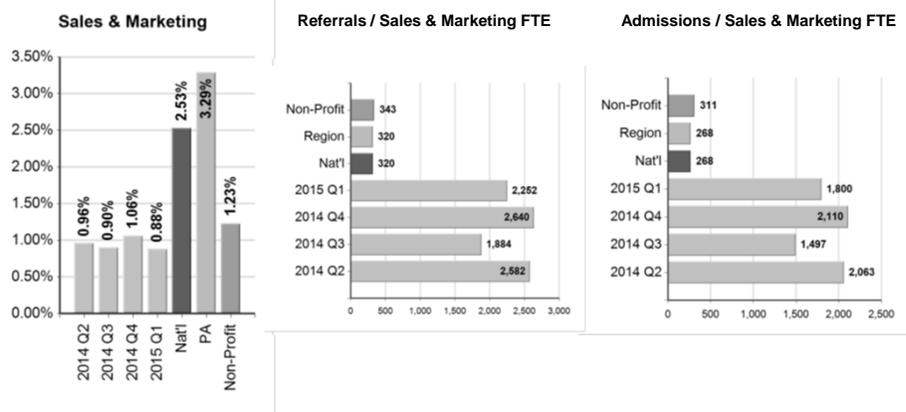
- Discover how to financially manage the sales and marketing program
- Identify the cost per admission as an important management metric
- Determine the true return on investment from sales and marketing
- Leave with understanding of how to calculate ROI and manage sales and marketing program

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Cut Costs while Driving More Referrals

- Today's Reality: Need More Admissions with Less Cost
- Two Ways to Do It:
 - Less People
 - Higher Productivity
- Know Your Numbers
- Professional Sales Skills
- Professional Sales Management

Benchmarks for Sales & Marketing



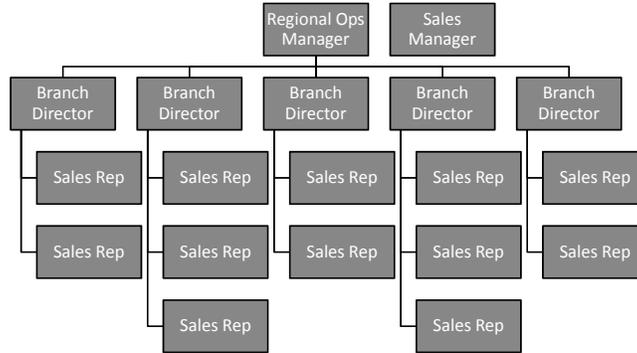
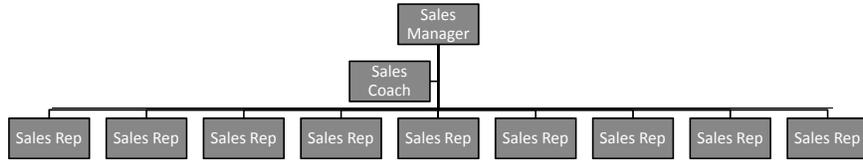
Less People

- Largest part of sales budget is salaries and incentive compensation
- Cannot afford to have adequate performers
- Hire right
- Retain the best
- Training and support
- Structure

Structure

- Sales Management
- Key Account Sales
- Inside Sales
- Specialized by Service Line / Referral Partner Type
- Care Transitions Account Representatives

STRUCTURES:



Sales Team Structure



Key Success factors

- Must have commitment to sales and marketing
- Consistent and persistent
- Focus on *incremental* growth
- Numbers are not that large
- Manageable number of targets
- Ask smart questions
- Planning and preparation

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More Challenges:

- Must be able to grow referrals while managing your costs.
- This workshop explores industry best practices along the entire referral process, from sales to admission.
- Discover sophisticated growth strategies to support your organization's future viability.

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Higher Productivity

- Highly Targeted Sales
- Sales Support
 - Inside sales team
 - Marketing campaigns
- Technology
 - CRM
 - EMR integration
- Referral Center Partnership

Get the Most Out of Your Sales Team

- Structure
 - Two primary models in our industry
- Alignment with Corporate Goals and Objectives
 - Focus
 - Training
 - Incentives

Manage Accounts Wisely

- Account Management Never More Important
- Establish Metrics to Automate
- Call Frequency
- Productivity

Use the Right Metrics

- Measure What's Important
- Admissions
 - By Account
 - Payer Mix by Account
- Number of Calls
 - By Rating
- Calls : Admissions

Targeting

- In today's world of home care and hospice, the focus must be on growing the number of 'A' accounts, expanding their use of our services and protecting those relationships.
- We will never have too many sales people.
- There will always be more potential accounts than we can effectively call on and build relationships with.

Targeting

- The success of the entire sales program will be dictated by the number of patients referred by 'A' accounts
- The success of each sales person will also be dictated by the number of 'A' accounts they manage
- Targeting, Time and Territory Management is driven by servicing and sales strategies for the 'A' accounts.
- Sales Manager should have a relationship with all 'A' accounts

Critical Concepts

- Keep it simple – do not overcomplicate things
- Stay focused and keep your team focused on the right things
- Key measure of success is incremental gain in admissions, net sales increase in revenues
- Manage each sales professional and their territory individually

Establishing Ratings

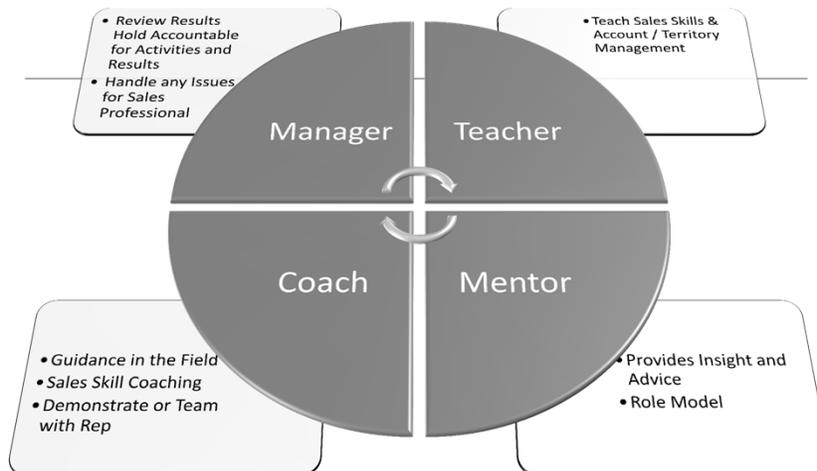
- Use historical admissions for rating and Market Share Data for potential
- Rate accounts 'A', 'B1', 'B2', 'C1', 'C2', 'P1' and 'P2'
- Top Five accounts (T5)
- What percentage of admissions come from 'A' accounts?
- What percentage of your admissions come from 'B' and 'C' accounts?

Sales Management

- Understand four roles of the successful sales manager
- Discover secrets to getting the most out of the team
- Requires Teamwork and Leadership
- Builds on the Basics of Sales

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Four Quadrants of Sales Management



Compensation Models

- Should be at least 65% salary for peak performers.
- Incentives must align with organizational culture and objectives.
- May not create a conflict of interest.
- Should reflect extraordinary performance.
- Simple works

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Incentive Plans

- Establish expectations for year with growth factor
- Recommendation:
 - Base on incremental growth
 - Goal based on historical productivity of territory
 - All systems are inequitable
 - Black and white rules
 - Data must be derived in same fashion

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Incremental Growth

- What is the value of growing a sales territory by 1 admission per month?
- Example:
 - Historical admissions for territory = 30
 - Growth by 1 admission per month
 - Territory generates 78 additional admissions per month
 - End year at 42 admissions per month run rate

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Incentive for Incremental Growth

- Historical territory production = 30
 - Bonus for achieving monthly expectation that is calculated adding one admission per month
 - Goal 5:1 return on bonus
 - Assume \$1,000 gross margin per Medicare admission
 - Value of incremental growth = \$78,000 /yr.
 - Bonus pool is \$15,600
 - Incentive plan pays \$800 for hitting monthly goal and \$1500 for hitting quarterly goal

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Poor Incentive Plan Design

Common programs (not recommended):

1. Everyone has a base of XX Medicare admissions
2. Team bonuses
3. Revenue or profitability based
4. Census or ALOS in hospice

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Cost of Sales

- Common metric in other industries
- You must know your gross margin (direct and indirect costs)
- How much is your cost per case?
- How much does it cost to drive one incremental case?
- Know your numbers!

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Calculating ROI

- What is the ROI on your sales team?
 - Gross margin from admissions / Total cost of team including benefits
- Know your breakeven for new sales people
- What is your ROI per initiative?
- What is your ROI per service line?

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Hiring, Recruiting & Retention

- How are your recruiting quality candidates?
- What is your hiring process?
- How are you retaining the best?
- Where is Your Focus?
- The 80/20 Rule
- Cut loose non-performers (sooner than later)

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Incentive Compensation

- What are the goals of your incentive plan?
- How will you measure the results?
- Should be based on objective analysis of data
- Keep it simple
- Rules are black and white and no exceptions allowed
- Keep some powder dry

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Referral Growth Strategies

Two Strategies to Increase Admissions:

- 1) Compete for REFERRALS and win.
- 2) EXPAND the referral partner's use of our services.

It is important strategically that both are considered when developing sales training and processes.

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Review:

- Passion
- Enlist everyone
- Grow referrals while managing costs
- Two ways to grow referrals
- Quality sales professionals with smart targeted strategy
- Are we meeting the needs of our customers / can we verbalize value proposition?

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Franciscan VNS

Franciscan Alliance

- 14 hospital system
- Second largest system in Indiana
- Catholic based health system
- Largest facility is Franciscan St Francis Health in Indianapolis
- Only Pioneer ACO in Indiana and one of the original 32
- Covers Indiana and the south suburban area of Chicago, Illinois
- Gross revenue of over \$4 Billion annually

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Franciscan VNS

Current Statistics

- 100,000 visits annually
- Joined the Franciscan Alliance in 2011
- Part of two physician based Medicare Shared Savings Programs
- \$20,000,000 in annual net revenue
- Over \$2,000,000 annually in services given to the community
- 5 satellite locations
- 450 tele-monitoring units with approximately 350 deployed on average
- Currently employs 250 clinicians and 350 overall FTEs
- Has preferred provider agreements with 4 areas health systems

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Franciscan VNS

Established in 1913

- In 1919 joined the War Chest which later developed into Community Chest, know today as the United Way of Central Indiana
- First Medicare certified agency in Indiana
- Was an integral care giver in the day when most babies were born in their homes, as today it still does many Mother-Baby services
- First agency in Indiana to receive Medicaid certification
- First agency in Indiana to receive State Board of Health Licensure
- Provides home health, hospice, personal care, immunizations both seasonal and travel, as well as many other programs to 30 counties in Central Indiana
- Established tele-monitoring in 1980's

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Basic Financial Information

Home Health only For the Period Ended April 30, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Net Revenue	\$ 4,580,982	\$ 5,519,816	\$ (938,834)
Expenses	<u>\$ 4,675,720</u>	<u>\$ 5,468,071</u>	<u>\$ 792,351</u>
Net Income	<u>\$ (94,738)</u>	<u>\$ 51,745</u>	<u>\$ (146,483)</u>

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Other Statistics or Metrics

Medicare % of Revenue	82%
Medicare Direct Costs %	76%
Medicare % of Admissions	62%
% of Discharges to Home Care	68%
% of Patients w/Wounds	52%
% of Episodes with Therapy	45%
Average Medicare Rev per Episode	\$2,965

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Rate of Return

Scenario 1

- You have a person that has the role of a hospital liaison. You want to know if that role is justified or if you should put that person out in the community to get referrals
 - In 2013 Franciscan VNS had hospital liaisons. We decided that they were not performing as we expected, so we transferred the positions to outside sales staff. This is simplified to a single person analysis, although we had more than one position we were reviewing at the time
 - The liaison brought in roughly 5 admissions per day
 - What if the outside sales position brought in 5 admissions per day but we only got 2 from the hospital?

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Rate of Return

Here is the analysis:

Salary	\$ 75,000	Net Admissions per day	2
Benefits - 30%	22,500	Per year @ 240 Days	480
Travel	10,000	Medicare Revenue	\$ 1,560,000
Entertainment	10,000	Medicare Direct Costs	\$ 1,170,000
Total Costs	<u>\$ 117,500</u>	Medicare Margin	\$ 390,000
ROI			
Investment	\$ 117,500		
Return	\$ 390,000		
ROI	331.91%		

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Rate of Return

Scenario 2

- You are below budget and wish to gain back what you have lost.
 - So far during 2015, you are \$146,483 below what you budgeted for year for Net Income
 - You want to hire 2 outside sales staff to cover this amount plus their expenses
 - What is the volume these new staff will have to generate by the end of the year to gain back your losses, get above your budget, as well as cover their expenses
 - Can you do this in 6 months?

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Rate of Return

Here is the analysis: Costs

Salary	\$ 75,000
FTE	2
Total Salaries	150,000
Benefits - 30%	45,000
Advertising	35,000
Travel	5,000
Entertainment	<u>5,000</u>
Total Investment	<u>\$ 240,000</u>

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Rate of Return

Here is the analysis: Building the Return

Marketing must cover	\$	386,483
Building ROI		
Medicare Oper Episodse Rate	\$	3,250
Direct Cost Percentage		75%
Margin on each new Admission	\$	813
Goal for New Marketing Staff		476

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Rate of Return

Here is the analysis: How much do they need to bring into the Agency?

They Bring in a total of		480
Per Staff		240
Per day over 6 months		2
Revenue	\$	1,560,000
Direct Costs	\$	1,170,000
Net Margin	\$	390,000

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Rate of Return

Here is the analysis: The Return

Return	\$ 390,000
Investment	\$ 240,000
ROI	162.50%

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Rate of Return

Scenario 3

- You want to increase therapy case percentage to 55%
- Will more sales efforts to get therapy increases payoff?
- Will you be able to cover the sales and marketing expenses?
- What will be the return on increased activity to gain therapy referrals?

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Rate of Return

Here is the analysis:

Medicare per Episode Rate	\$ 3,750
Direct Cost Percentage	65%
Margin on each new Admission	\$ 1,313
Advertising	\$ 25,000
Entertainment	\$ 7,500
Travel	\$ 7,500
Total	<u>\$ 40,000</u>
How many referrals would cover this?	31

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Private Duty Program

Personal Care Services

- Anticipated need for 2016 and beyond
 - Aging population
 - Reduced benefits from Medicare and various pension-based health plans
 - Family unit spread over a large geographical area
 - Baby boomers have acquired wealth
 - Aging in place
 - Services in the home are more acceptable than ever

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Private Duty Program

What care Private Duty do?

- Establish new and different care services
- Cannot be bed, bath and sitting services
- Must meet the needs of the community
- Can be used in conjunction with Value Based Purchasing
- Can be used with ACOs to reduce re-admissions
- Can be used to reduce diversion
- Can be an option for Emergency Rooms

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What Have We Learned

- Marketing must be done in the community, as the hospital liaison model does not have as much potential, since all services are becoming more community based in population health management models
- With a small amount of growth, it can overcome a loss or get an agency into a more positive situation to budget
- Marketing is an essential part of the changing delivery model
- Marketing is necessary for service line growth such as Private Duty or just for new business development

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QUESTIONS

