Margins Matter:

Hidden Profit Leaks in Home Care Agencies



What's squeezing margins in 2026 — and the moves owners can make to protect them.

By Wendy Barlin CPA

ABOUT YOUR PRESENTER

Wendy Barlin, CPA

- Licensed CPA in Florida and California.
- 25+ years serving the home health market.
- Trusted advisor to both franchisors and franchisees.
- Visiting Angels was my very first client.
- Deeply passionate about this industry and the people it serves.

25+ Years in the industry	**FL · CA** Licensed CPA, two states
Both Franchisors & franchisees	**#1** Visiting Angels, first client

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THE STATE OF PLAY

A growing market — but growth does not equal profit

Many agencies are serving more client, billing more hours and still feeling margin pressure.

$107B+	17.5%	9 in 10	10–20%
Projected 2025 U.S. home care revenue	Share of Americans now aged 65 or older	Seniors who prefer to age in place at home	Typical net margin for a mature agency

Gross margins typically run 30–40%; net margins land near 10–20% for well-run agencies — and far lower for Medicaid-heavy ones.

WHERE YOUR MARGIN QUIETLY LEAKS OUT

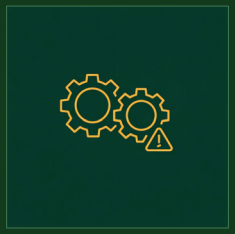
The 3 Biggest Profit Leaks



1 Labor Leaks



2 Revenue Leaks



3 Operational Inefficiency

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1. Labor Leaks - Labor is the LARGEST controllable expense in this business.



-> 5%

Annual caregiver wage growth — outpacing reimbursement, year after year

Overtime & backfill

Open shifts get covered at premium and overtime rates that quietly balloon every payroll run.

Turnover churn

Each caregiver who leaves must be re-recruited, re-screened, and re-onboarded from zero.

Idle scheduled hours

Paid time that never bills — travel, between-visit gaps, and generous clock rounding.

Ratio & overstaffing

Caregiver hours that don't line up with the authorized, billable hours on each case.

CONCERN 01 · WORKFORCE & TURNOVER

Too few caregivers, paid too little, leaving too often

5.4M	$26K	9.7M	~5%
Direct care workers in the U.S. today	Median annual earnings for the role	Projected job openings through 2034	Annual rise in caregiver wages

Wage-replacement math means every departure must be re-recruited in a market that can't fill the openings it already has.

Turnover isn't an HR nuisance — it's a P&L line item.

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CONCERN 01 · THE HIDDEN BILL

What turnover really costs you

The number never shows up on one report — it lives in the white space between your systems.

1

Re-recruiting

Advertising, screening, and onboarding every replacement hire — again and again.

2

Overtime backfill

Existing staff cover open shifts at premium rates while roles sit unfilled.

3

Declined cases

Referrals you turn away because you can't staff them — pure lost revenue.

4

Coordinator burnout

Scheduling chaos drives churn in your office team, compounding the problem.

2. Revenue Leaks

Revenue that is earned but not collected is not revenue – it is leakage.



1 in 5

Claims denied on first pass — and over half are never reworked.

1 Denied claims

One in five claims is denied on submission, and most are never reworked or resubmitted.

2 Unbilled visits

Care that's delivered but never makes it onto a claim simply vanishes from revenue.

3 Authorization gaps

Visits beyond authorized units or lapsed eligibility can't be collected after the fact.

4 Slow collections

Aging AR and under-collected copays quietly erode the cash you've already earned.

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CONCERN 02 · THE BILLER PAYOFF

What a great biller is really worth

A skilled biller or RCM partner is a modest line item that recovers multiples of its cost — in denials avoided, claims collected, and cash pulled forward.

$50–100K	<5%	95%+	12–18
annual cost of a strong in-house biller or RCM partner	denial rate a strong biller targets, down from 9–15%	first-pass clean-claim rate best billers sustain	days faster your cash arrives as AR days shrink

On a $3M agency, trimming AR from 45 to 30 days frees roughly $125K in working capital — cash you already earned. The biller isn't the cost; the leak is.

CONCERN 03 · OPERATIONAL LEAKAGE

Money earned, then quietly lost

Every denied claim and unbilled visit is revenue you already earned but never collected. In thin-margin agencies, the leaks decide the year.

1 in 5	50%+	$57	Gaps
claims denied on first submission	of denials are never reworked	average cost to rework one denied claim	unbilled visits from scheduling errors

More than half of denied claims are simply written off — billions in earned revenue left on the table across the industry each year.

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CONCERN 02 · WHAT TO DO

Protecting revenue you don't control

Diversify payer mix

Shift deliberately toward private pay, where you set the rate and control the margin.

Model the squeeze

Forecast wage vs. reimbursement gaps years out — don't get surprised by predictable math.

Right-size overhead

Fit operating costs inside the 20% envelope before the rule fully phases in.

Price private pay well

Set and revisit private-pay rates strategically to fund care and margin.

PROFIT LEAK 03 · OPERATIONS

3. Operational Inefficiency



25%

Improved caregiver retention in agencies with scheduling automations

1 Manual scheduling

Phone- and spreadsheet-based scheduling breeds gaps, overlaps, and missed visits.

2 Rework & errors

Fixing avoidable mistakes — reworked claims and re-keyed data — burns paid hours.

3 Disconnected systems

Scheduling, EVV, payroll, and billing that don't talk force the same work twice.

4 Poor visibility

Without clean dashboards, small leaks go unnoticed until they quietly compound.

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CONCERN 03 · OPERATIONAL EFFICIENCY

Hours that vanish when systems don’t talk

Manual workflows and disconnected scheduling, EVV, and billing systems quietly burn paid office hours every week — time that automation hands straight back.

8–15 hrs
a week lost to manual, spreadsheet-and-phone scheduling

20–30%
of a scheduler’s day spent re-keying and chasing confirmations

400+
hours reclaimed a year when automation cuts billing rework ~80%

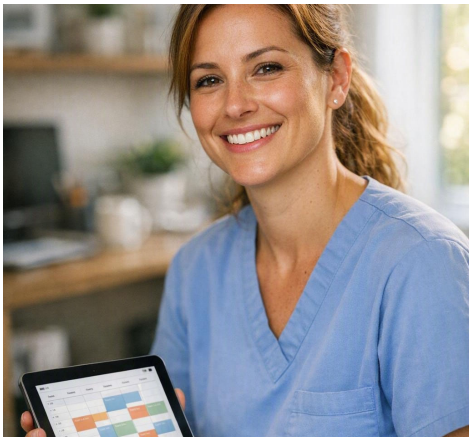
60–80%
fewer scheduling errors once disconnected systems are integrated

One agency cut billing from eight hours to 30 minutes per pay period after consolidating systems — while 51% of agencies now rank scheduling their #1 operational challenge and integrated tools cut missed visits 30–50%.

CONCERN 03 · THE HUMAN PAYOFF

Less admin, happier staff, lower turnover

- Turnover is an operational problem, not just an HR one — documentation burden, unpredictable schedules, and after-hours charting are top drivers of burnout.
- Automate the busywork and caregivers spend their time on care, not paperwork — agencies using scheduling technology report 15–25% better retention.
- Coordinators stop firefighting open shifts and late-night call-offs, so burnout stops cascading through the back office too.
- Every departure you prevent avoids a full re-recruit, re-screen, and re-onboard — the caregiver you keep is the cheapest one you’ll ever staff.



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THE BOTTOM LINE

The three leaks compound — so should your response

1	2	3
Measure	**Model**	**Modernize**

Owners who measure, model, and modernize will hold their margins while the rest absorb the squeeze.

What Strong Agencies Do Differently

- **Track Margins by Payer, by Client, by Service Line**
- **Days Revenue Outstanding**
- **Collections %**
- **Measure Utilization**
- **Standardize Workflows**
- **Automate Workflows**

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CONCERN 01 · WHAT TO DO

Turning retention into margin

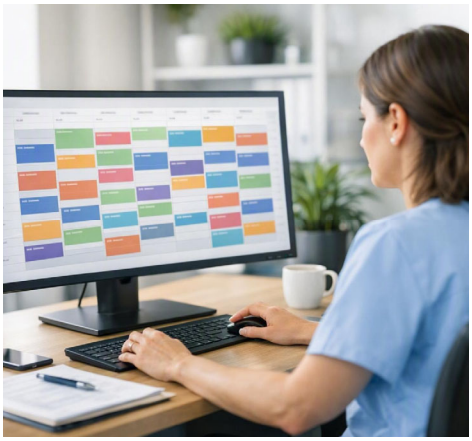
- Put a real number on turnover — track cost per departure so the board can see the P&L impact.
- Invest in recognition and career paths; small retention gains beat expensive re-recruiting.
- Stabilize schedules to protect coordinators from burnout and reduce cascade churn.
- Build a continuous caregiver pipeline instead of hiring only in crisis.



CONCERN 03 · WHAT TO DO

Plugging the Revenue leaks with tighter operations

- Get claims clean at intake — verify eligibility and authorizations before the visit.
- Automate scheduling and electronic visit verification so no delivered care goes unbilled.
- Track denials by root cause and appeal systematically instead of writing them off.
- Consider outsourcing revenue cycle management when in-house capacity can't keep up.



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CONCERN 03 · WHAT TO AUTOMATE

Where to automate first

Smart scheduling

Auto-generate optimized schedules, catch conflicts, and fill open shifts without the phone tree.

One connected system

Link scheduling, EVV, billing, and payroll so data is entered once — no double entry across tools.

Clean-claim automation

Verify eligibility and authorizations and scrub claims at intake, before anything is submitted.

Real-time dashboards

Track visits, denials, utilization, and AR live so small leaks surface before they compound.

BEFORE YOU LEAVE THIS ROOM

Pick ONE thing to focus on.

Not the whole list — one move you can own and start this week. Which one is yours?

Name it out loud to the person beside you.

Audit your margins

Track profit by payer, client and service line to find the leaks.

Fix the workflow

Standardize and automate to stop the daily drain on your team.

Sustain the gains

Watch DRO, collections % and utilization every single month.

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Profit protects the care you provide

Wendy Barlin CPA

Sources: KFF; CMS (Medicaid Access Final Rule, HH PPS CY2026); PHI Key Facts 2025 & BLS; AARP Public Policy Institute; McKnight's Home Care; Activated Insights Benchmarking Report.

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