



HEALTHCARE FINANCE GROUP | A BUSINESS FINANCIAL GROUP INITIATIVE

The Home Care Agency Financial Health Guide

10 Financial Challenges Every Growing Home Care Agency Should Monitor

Practical financial insights for home care agency owners and operators

BFG

A practical guide to stronger financial visibility

Profitability | Labor | Cash Flow | Receivables | Tax | Financial Management

Growth Creates New Financial Questions

Growth is usually a positive sign for a home care agency. More clients, caregivers, and billable hours can create opportunities to expand the business and increase revenue.

But growth can also make the financial side of the agency more difficult to manage.

Caregiver costs can increase. Overtime can reduce margins. Collections can slow. Billing rates may not keep pace with expenses. Financial reports may not provide the information management needs to make timely decisions.

The result is that an agency can continue growing while experiencing increasing pressure on profitability and cash flow.

This guide highlights 10 financial areas growing home care agencies should monitor.

The purpose is not to diagnose every financial issue. It is to help you identify areas that may deserve a closer look.

1. Profitability

Is revenue growth translating into stronger profit?

Increasing revenue does not necessarily mean the agency is becoming more profitable.

Caregiver wages, payroll-related expenses, overtime, recruiting costs, administrative expenses, and other operating costs can consume a growing share of revenue.

One useful metric is gross profit per billable care hour. It helps connect your billing rate with the direct costs required to provide that hour of care.

Questions to consider:

- Do you know your gross profit per billable care hour?
- Do you regularly monitor your gross margin?
- Is profit growing at the same pace as revenue?
- Do you know which services, clients, or locations generate the strongest margins?

Watch for: Revenue increasing while margins or operating profit remain flat or decline.

2. Caregiver Labor Cost

Do you know the true cost of providing an hour of care?

A caregiver's hourly wage is only one component of labor cost.

Employer payroll taxes, workers' compensation, benefits, bonuses, recruiting expenses, and other labor-related costs can increase the actual cost of every billable care hour.

Without understanding the true caregiver cost per hour, it becomes difficult to evaluate pricing and profitability accurately.

Questions to consider:

- Do you know your true caregiver cost per billable hour?
- Are payroll-related costs included when evaluating labor expenses?
- What percentage of revenue goes toward caregiver labor?
- Are increasing caregiver costs affecting your margins?

Watch for: Making pricing or profitability decisions based only on hourly caregiver wages.

3. Overtime & Scheduling Leakage

Is scheduling quietly reducing your margins?

Overtime, last-minute coverage, and inefficient scheduling can turn otherwise profitable care hours into lower-margin hours.

A small amount of additional labor cost may not appear significant on one shift, but across thousands of billable hours it can materially affect profitability.

Questions to consider:

- What percentage of caregiver hours are overtime?
- Is overtime monitored regularly?
- Which clients or schedules generate the most overtime?
- Are last-minute staffing changes increasing labor costs?

Watch for: Billable hours increasing while labor costs rise even faster.

4. Cash Flow

Can your agency comfortably fund its growth?

A profitable agency can still experience cash-flow pressure.

Home care agencies generally need to pay caregivers and operating expenses on schedule, even when payments from clients or third-party payors have not yet been collected.

As the agency grows, the amount of cash required to support operations can also increase.

Questions to consider:

- How much cash does the agency currently have available?
- How much working capital is required to meet payroll and other obligations?
- Does the agency maintain adequate cash reserves?
- Do you maintain a cash-flow forecast?

Watch for: Revenue growth creating greater difficulty meeting payroll or other major expenses.

5. Accounts Receivable & Collections

How much of your revenue is still waiting to be collected?

Revenue recorded on financial statements does not necessarily mean cash has reached the bank.

Slow collections can place pressure on working capital and make it more difficult to fund payroll and growth.

Accounts receivable should therefore be monitored not only by its total balance but also by how long invoices have remained unpaid.

Collection timing and receivable patterns may also vary depending on the agency's payer mix, including private pay, Medicaid, VA, long-term care insurance, managed care, and other sources.

Questions to consider:

- How much is currently in accounts receivable?
- What percentage of your total accounts receivable is more than 60 days old?
- How much is more than 30, 60, or 90 days old?
- How long does it typically take to collect payment?
- Are overdue accounts being reviewed consistently?

Watch for: Accounts receivable growing faster than revenue or an increasing percentage becoming overdue.

6. Pricing & Billing Rates

Are your billing rates keeping pace with your costs?

Caregiver wages and operating costs can increase over time.

If client billing rates remain unchanged, the agency may continue generating more revenue while earning less profit from each hour of care.

Pricing decisions should therefore consider both market conditions and the actual economics of providing care.

Questions to consider:

- When were your billing rates last reviewed?
- Have rates kept pace with caregiver wage increases?
- Do you understand the margin generated at your current rates?
- Are some services or clients significantly less profitable than others?

Watch for: Rising labor costs without corresponding changes in billing rates or margins.

7. Tax Planning

Are taxes being planned during the year or addressed after the year ends?

Tax preparation and tax planning are different activities.

Waiting until the tax return is prepared may limit the opportunity to evaluate potential tax strategies before year-end.

Growing agencies should have greater visibility into expected tax obligations as business conditions change.

Questions to consider:

- Do you receive proactive tax planning during the year?
- Are estimated tax payments calculated and monitored?
- Do you generally know your expected tax liability before year-end?
- Has your business structure been reviewed for tax efficiency?

Watch for: Significant tax liabilities becoming apparent only when the return is prepared.

8. Financial Visibility & KPIs

Do your financial reports tell you what you need to know?

Traditional financial statements are important, but growing agencies may need additional operating information to understand what is happening inside the business.

Useful KPIs may include:

- Revenue per billable hour
- Caregiver cost per hour
- Gross profit per billable care hour
- Gross margin percentage
- Labor cost percentage
- Overtime percentage

- Accounts receivable aging
- Operating profit margin
- Cash reserves

Questions to consider:

- Are your books current?
- Do you receive financial statements regularly?
- Does management review financial KPIs each month?
- Can you quickly access the information needed to make a financial decision?

Watch for: Discovering financial problems weeks or months after they began.

9. Growth & Forecasting

Do you understand the financial impact of your next stage of growth?

Adding clients, caregivers, locations, or service areas can create opportunity, but each growth decision can also affect payroll, cash requirements, overhead, and profitability.

Forecasting can help management evaluate those effects before committing resources.

Questions to consider:

- Does the agency maintain a budget?
- Do you maintain a rolling cash-flow forecast?
- Can you estimate the financial impact of hiring additional caregivers?
- Do you evaluate cash and working-capital requirements before expanding?
- Can you model how changes in revenue, labor costs, or pricing could affect profitability?

Watch for: Making expansion decisions based primarily on expected revenue without evaluating the additional costs and cash required.

10. Owner Profit & Business Value

Is the business creating financial value for its owner?

A growing agency should ultimately create value beyond simply generating more revenue.

Profitability, predictable cash flow, reliable financial reporting, operational efficiency, and effective financial management can all influence the financial strength of the business.

Owners should understand not only what the agency earns today, but whether its financial systems are supporting a stronger and more sustainable business.

Questions to consider:

- Is the agency generating consistent operating profit?
- Does the business generate sufficient profitability and cash flow to support appropriate owner compensation while maintaining adequate working capital?
- Is profitability becoming stronger as the agency grows?
- Can the agency operate with reliable financial information and processes?
- Is growth contributing to the long-term financial value of the business?

Watch for: Significant revenue growth without corresponding improvement in owner profitability or the financial strength of the agency.

How Many of These Areas Can You Answer Confidently?

A financially healthy home care agency requires visibility across more than one number.

Consider these six broader areas:

Profitability Health	Are pricing, labor costs, and operating expenses producing healthy margins?
Caregiver Labor Health	Do you understand caregiver costs, overtime, and the financial impact of scheduling?
Cash-Flow Health	Does the agency have sufficient cash and working capital to meet obligations and support growth?
Accounts Receivable Health	Are receivables collected promptly and is aging monitored consistently?
Tax Health	Are taxes monitored and planned proactively throughout the year?
Financial Management Health	Do you have timely reporting, KPIs, budgets, and forecasts to support decisions?

If several of these questions were difficult to answer, the issue may not necessarily be poor financial performance. It may indicate a financial visibility gap, important information that management is not currently measuring or reviewing consistently.

The BFG Home Healthcare Agency Financial Health Assessment can help you evaluate both financial performance indicators and financial visibility across six key areas.

Take the Next Step

Take the BFG Home Healthcare Agency Financial Health Assessment

The BFG Home Healthcare Agency Financial Health Assessment is designed to help you evaluate your agency across:

- Profitability Health
- Caregiver Labor Health
- Cash-Flow Health
- Accounts Receivable Health
- Tax Health
- Financial Management Health

The assessment takes approximately 7 to 10 minutes, subject to internal testing, and can help identify financial performance and visibility areas that may deserve closer attention.

[Take the BFG Home Healthcare Agency Financial Health Assessment](#)

Want to Discuss Your Agency's Financial Priorities?

Healthcare Finance Group helps home care agencies strengthen financial visibility across accounting, payroll, cash flow, financial reporting, tax planning, and financial management.

[Book Your Home Healthcare Strategy Session](#)

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