



ESSENTIALS

TO SELL YOUR HOME CARE BUSINESS

A GUIDE FOR HOME CARE AGENCY OWNERS

You've established a home care agency, built relationships, and provided care for those among us who need it most. Now you're considering selling your home care business, and you have questions.

"Where do I start?"

"What's my business worth?"

"How does the process work?"

The first thing to understand is what prospective buyers are looking for. In addition to the monetary value of your agency, there are six essential factors that buyers consistently analyze when considering the purchase of a home care agency.

Strong Leadership

1.

Buyers want to have a smooth transition of ownership and operations. For this reason, they want to make certain that the leadership (Executive Director/Administrator and his or her team) is committed to running the business efficiently and effectively going forward. The business leader sets the tone for the entire staff. He or she should demonstrate the capacity to lead through ownership change with a positive outlook.



2.

Committed Staff

Another thing buyers look at when considering a company is staff turnover. High turnover is a major risk factor. Buyers often see this as a concern for the agency's reputation and capacity to fulfill staffing requirements and run smooth operations. When there's low turnover, it shows that you as the owner and/or the leadership team is doing something right. You're making a warm and comfortable workplace for your staff. Again, a higher staff turnover is unattractive to buyers and they will be expecting an explanation if that's a concern of your agency.

Quality Outcomes

3.

Demonstrating quality outcomes is particularly important if your agency provides medical care. If you are a high-star rated agency with CMS, you're probably focusing on things that are driving patient satisfaction and quality outcomes - you're delivering the right home visit to the right need. Most top-performing, 5-star home health agencies capture most of the business in their market. Some studies have shown that these agencies secure more than twice as many admits as 4- and 4.5-star rated organizations, which in turn experience more than 2- to 3.5-star rated organizations. So quality outcomes typically indicate greater revenue as well as better patient care - attractive qualities for buyers.

4.

Organized Operations

Your buyers will likely ask to see how you run your business day to day. What's your dashboard look like? What cash is coming in? What are the billable hours? What's going on in recruiting and hiring? How is the leadership administratively running the agency? Your agency should be able to show that your administration and operations are running like a well-oiled machine. The processes that are in place are efficient and free from hiccups. You should also be able to show what happens in the event something doesn't go smoothly. What are the measures you take when there is a dilemma with staffing, billing, a negative public review?

Accurate Financials

5.



Prospective buyers want to ensure your financial department has accurate, clean, and clear financial statements. While you may have been tracking lots of things via cash to minimize the tax burden at year end, when it comes to selling your agency, you want to have accrual-based financial statements for the last three years. A buyer may want to look back for a year or two to notice trends. Is your agency heading in the right direction? Is it growing? For this reason, it's critical to have clear, accurate, and clean financial statements.

6.

Reliable Referral Sources

Buyers will want to know who your referral sources are and if the relationships with them are well-established and comfortable. Having some reliable partnerships in the market is key. A great selling point is demonstrating that particular health organizations pick up the phone to call your agency first when they have a home care need. The agency's future stream of revenue will rely partly on these relationships. Having diversified referral sources is also important. Having one partner refer more than 15% of your clients, is a risk. If something should happen to that relationship, it could mean sudden loss of business. Having a diverse group of reliable referral sources makes buyers more comfortable.

Additional Factors Buyers Consider

While the above are the most significant factors buyers look at, there are additional things they will analyze, including:

- Location and area population
- Client concentration
- Licensing
- Established marketing resources
- Size of your agency
- Private vs. franchise
- Owner involvement
- Reputation

WANT TO LEARN MORE?

We can help with:

- How to value your business
- The factors impacting the value of your business
- What you can do to prepare
- A typical sale timeline and process

AYA Enterprises has extensive experience advising home care business owners with sale preparation, transaction assistance, and exit planning.

**Get in touch with us
for a free consultation.**



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