



Outsourcing vs. Insourcing: Knowing What Business Functions to Outsource and When

May 2, 2017

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Audience Poll



Take the poll!

1. Would love to outsource certain functions but are afraid you cannot afford to.
2. Are concerned about losing managerial control.
3. Think your business might be too small to outsource certain functions.
4. Feel like you and your team should be able to handle most functions in-house.
5. Do not know how to determine the Return on Investment (ROI) of outsourcing.



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2

Learning Objectives



1. The pros and cons of insourcing versus outsourcing
2. The point at which it is more cost-effective to outsource business functions
3. Commonly outsourced functions in private duty agencies
4. The outsourcing Return on Investment and how it is calculated

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3

Let's Define "Outsourcing"



Outsourcing is the contracting out of any task, operation, job or process that was originally performed by employees within your company to a third party for a significant period of time.

- These outsourced functions can be performed by the third party on-site or off-site.

Outsourcing's negative connotation is propagated mainly by **manufacturing, customer support, call centers and computer programming**. Outsourcing is more commonly called "**offshoring**." This presentation will focus on outsourcing to domestic companies.



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Which one are you?

We value people who seem to juggle countless projects masterfully. But is that modus operandi *achievable* or even *healthy* for everyone?



The left illustration shows a man with six arms, running while juggling a laptop, a clock, a briefcase, a clipboard, and a smartphone. The right illustration shows a man in a meditative pose, surrounded by floating icons of a gift box, a laptop, a folder, and a briefcase, representing a balanced and healthy approach to work.


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Analyze, Prioritize, Achieve Efficiency

The decision to outsource is based on **efficiency**, **lower operational costs** and **higher profits**.

- Analyze your business' core competencies
- Prioritize your limited time as a business owner
 - Where should you be spending your time? What can you alone do?
- Consider the alternatives
 - Outsourcing parts of your operation means having a certain amount of trust and faith that another company will achieve better results than your business could.
 - However, there are risks to not outsourcing. Spreading yourself thin on non-core competencies can hold your business back.

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Decide What to Outsource 

Use these 6 questions to determine the best tasks to outsource:

1. What do we have experience, education, and/or training in?
2. What functions of the business do we lack experience in?
3. What do we know how to do really well?
4. What do we find ourselves spending an inordinate amount of time on every week?
5. If I could take one of our most time-consuming tasks off our plate, what would it be?
6. Are there any functions that cost us too much money to accomplish, or whose results are too inconsistent?

Source: "8 Ways to Reduce Operating Costs" Quickbooks, 2016.

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Pros and Cons of Outsourcing

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Cons of Outsourcing



Cons are subjective. Consider these *potential* disadvantages.

- Loss of managerial control [at some level]
- Hidden costs
- Security and confidentiality
- Quality
- Lack of responsiveness to changes in environment
- Vendor Focus
- Impact on employee morale

Source: "Top 6 Outsourcing Disadvantages" The Balance, 2016.

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9

Pros of Outsourcing



- Reduce costs
- Change from fixed cost to variable cost
- Realignment with core competencies
- Focus
- Expertise
- Better work/life balance
- Business and staffing flexibility
- Continuity and risk management

Sources: "5 Things Small Businesses Should Outsource" Entrepreneur, 2016; "Top 7 Outsourcing Advantages" The Balance 2016.

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Commonly-Outsourced Functions in Private Duty Agencies

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Caregiver Recruiting: MyCNAJobs

- MyCNAJobs offers a **suite of recruitment tools** to help healthcare companies recruit Companions, CNAs, & HHAs.



<p style="text-align: center;"><u>Services</u></p> <ul style="list-style-type: none"> • Marketplace – source candidates in real-time and fill hard-to-recruit positions. • Job Posts – publish jobs across MyCNAJobs’ private network, email and social channels. • Career Fairs – promote a career fair at your office to drive many hires in a day. • Interview Booking – enjoy a full interview schedule each week. • Data, Analytics, & Consulting - Gain insight into recruitment performance and maximize hires 	<p style="text-align: center;"><u>Benefits</u></p> <ul style="list-style-type: none"> • Reduce time-to-hire • Increase reach • Save time and money • Extend your brand • Streamline recruitment • Drive unique applicants • Increase applicant volume
<p style="text-align: center;"><u>Contact</u></p> <p style="text-align: center;">312.566.8520 myCNAjobs.com/hire</p>	

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Training: CareAcademy

- CareAcademy provides high quality online classes for in-home caregivers.



CareAcademy

Services

- Online classes for caregivers
- Agency concierges for an extra set of hands to manage tracking, sending reminders, and support
- Access our training via mobile phone and tablets
- Videos designed to bring new caregivers onboard
- Caregiver Certification Knowledge Tests & Badges

Benefits


- Access to classes, forums, resources, and more, 24/7/365.
- Complete online training anywhere, at your own pace.
- Spanish language supports and 24/7 customer service
- Instruction Led by Geriatric Specialists

Contact
1-866-227-3895
careacademy.com

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Revenue Cycle Management & Billing: FHS

- FHS provides financial advocacy, outsourced billing, revenue cycle management and payment processing services to streamline revenue collection for senior care providers.



FHS SENIORCARE
PAYMENT SOLUTIONS®

Services

- **Revenue Cycle Management** – FHS can bill and collect from any financially responsible party.
- **Private Pay** – secure, automated electronic payment processing for clients’ convenience.
- **Third Party Billing** – upfront benefit research and verification; explanation of benefits for clients and providers; claims submission; balance billing.
- **Financial Advocacy** – support for delays, denials and appeals.

Benefits

- Reduce overhead and labor costs.
- Focus on growth and quality care.
- Gain a competitive edge in the market.
- Add profitable revenue streams.
- Diversify your payer mix.
- Advanced funding so you can meet payroll
- Decrease care-to-cash time.

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Intake & Answer Service: FRAX



FRAX provides a 24/7 contact center and full back office support tailored specifically for senior care.



Services

Frax Front Office

- Front Office Agents at Frax answer your phones like they were in your local office. Frax screens employment inquiries, schedules appointments for orientations, and triages schedule interruptions. Emphasis is placed on securing a commitment to accept a "sofa visit."

Frax Back Office

- Frax can be your bookkeeper, payroll processor, and so much more!

Benefits

- Focus your time and effort on more important business tasks.
- Delegate your intake to an experienced team.
- Reduce and control labor and overhead.
- Increase revenue and grow business.


Contact

888-987-Frax (3729)


www.FraxOutsourcing.com

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Marketing: corecubed



corecubed is a full-service marketing firm exclusively serving the in-home care industry.



Services

Digital Services

- SEO
- Websites
- Blogging
- Email Marketing
- Social Media
- Reputation Management

Brand Building Services

- Brand Messaging
- Graphic Design
- Marketing Strategy
- Presentations
- Sales Tools

Benefits

- Because they already understand industry terminology, audience psychology, and agency challenges, they know how to market aging care services better
- Get measurable results at an affordable price.

Contact

800.370.6580

corecubed.com

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HR: Staff One



Staff One offers comprehensive human resources solutions for growing businesses.



Services

- Recruiting and selection
- Training and development
- Risk and safety management
- Compliance management
- Benefits management
- Performance management
- Payroll and tax administration
- Employer liability management
- Retirement services
- Business services

Benefits


- Reduce Liability
- Increase Employee Productivity
- Decrease Total Cost of Labor
- Increase Profits
- Reduce Turnover
- “Big company” benefits without the “big company” hassle.

Contact

1.800.771.7823
www.STAFFONE.com

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17



Calculating Outsourcing ROI

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18

Perform a Cost Analysis

Measure the differential costs—the costs that can be avoided by outsourcing—and compare them to the costs of outsourcing.

- **Step 1:** Clearly define the business function to outsource.
 - Ensure the function is clearly defined, and that all workflow steps are identified and understood.
- **Step 2:** Calculate the in-house costs that could be avoided.
 - First itemize all the costs related to the process, including direct costs (salaries, equipment, supplies, etc.) and indirect costs (general admin and internal services).
 - Be sure to include YOUR TIME as owner. (Hint: 2,080 work hours in a year.)
- **Step 3:** Calculate the total costs of outsourcing.
 - Essentially, the vendor’s cost + your time and energy to manage the vendor.
- **Step 4:** Subtract the costs of outsourcing from in-house costs to determine savings.

Source: “Keep it In-House or Outsource?” Quickbooks, 2016.

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Costs Checklist

Direct / Hard costs	
Staff labor	Staff total compensation: salary + benefits
Overhead	Rent, utilities, etc.
Supplies	Office products, paper, pens, etc.
Equipment	Computers, printers/fax machines, phones, software license, etc.
Human resources	More internal staff requires more HR
Indirect / Soft Costs	
Owner’s time	Your ‘salary’ divided by 2,080 of working hours in a year.
Turnover cost*	<ul style="list-style-type: none"> 16% of annual salary for low-wage, high turnover (<\$30K/year) Ranges from 20% to 75% of annual salary for mid-range (\$30 - \$50K/year)
Opportunity cost	How many more client cases could you win with the time/resources?
General admin cost	More staff = more time/resources to manage their schedules, evaluate performance, provide coaching and training, etc.

*Source: “There Are Significant Business Costs to Replacing Employees” Center for American Progress, 2012.

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Estimating Employee Costs

As a general rule, business owners should expect an employee to cost an additional 25% - 30% on top of base salary each year.

Cost	Calculation
Employment Taxes & Benefits	1.25 to 1.4 times the base salary
Space/Rent	Average employee cube = 8 X 8 = 64 square feet Average cost to rent nearly 2K sq. feet in Miami = \$5Kmo Average cost per employee year = nearly \$2,000
Equipment	\$1000 for a computer \$250 – 300 per telephone handset \$500+ for software license
Supplies	General rule of thumb = \$200/year/employee
Training	\$1,200/year/employee
Recruiting	\$3,500/employee
Productivity	During first month, 25% productivity. Lost productivity is 75% of salary. Employees are fully productive at 5 months.


Sources: "How much does an employee cost?" Boston Business Journal, Joseph G. Hadzima, Jr., Senior Lecturer, MIT, 2005; "Why a \$14/hour employee costs \$20" Catherine Clifford, CNN Money, 2010; Training Magazine survey, 2007; "The Cost Of Hiring A New Employee" Annie Mueller, Investopedia, 2011.

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What is the Real Cost?


- While it might seem that hiring an outside vendor will result in spending more money, the truth is, in the long run, delegating certain tasks to subject matter experts will save you money and should generate even better results.

Let's take a look at some ROI examples so you see what I mean by saving money and getting better results...



Source: "8 Ways to Reduce Operating Costs" Quickbooks, 2010.

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ROI Example – Marketing 

corecubed
AGING CARE MARKETING


Outsource SEO to Corecubed

- Search Engine Optimization services for home care agency websites.
 - \$1,200 for the first month gets an agency: proprietary SEO tools, a baseline analysis of the site for benchmarking performance, and an SEO strategy for moving forward.
 - The price then drops to \$700/month. It is a minimum 6-month contract.

Vs. Perform SEO In-house

- Between the subscriptions you pay for DIY SEO tools, and the time you spending doing link research, link outreach, on-page optimization, off-page optimization, meta data, keyword research, competitor analysis, and fixing technical issues on the site, ***you spend as much or more than if you outsource to corecubed.***
- And you do not get the additional things they do as part of their SEO services that work to improve a home care agency's website ranking.

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ROI Example – Phone/Intake Service 

FRAX
FRACTIONAL OUTSOURCING


Outsource Phone Service to Frax

- Frax can handle overlapping calls, increasing the odds of live-answering all calls, and does so on a 24/7 basis with no lapses due to turnover, holidays, etc.
 - A \$500K agency might incur Frax fees of \$15K for a year of 24/7 coverage.
 - A \$1 million agency might incur Frax fees of \$22K for a year of 24/7 coverage.
 - A \$3 million agency might incur Frax Fees of \$27K for a year of 24/7 coverage.

Perform Phone Service In-house


- A single employee with annual earnings of \$24-36K has an actual cost of \$28-41K, assuming a 15% burden, and making no further allowances for training and turnover.
- And this single employee presumably can provide 40 hours of coverage per week, and can only be on one task (call) at a time.
- Thus, outsourcing phone service to Frax can **save you up to \$14,000 year** and ensure all calls are answered live, 24/7, with no lapse in phone coverage.

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Conclusions

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Takeaways

Outsourcing allows you to:

- Focus on your core competencies
- Reduce/smooth costs
- Leverage vendor expertise and infrastructure
- Enhance service
- Invest in growth

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FHS is Your Strategic Business Partner 


- FHS is an extension of your team
- Have third party billing experts on speed dial
- FHS has 30 years' experience streamlining the financial relationship between families, senior care providers, and funding sources:

PRIVATE PAY 	LONG TERM CARE INSURANCE 	VETERANS ADMINISTRATION 	MEDICAID WAIVER 	NON-PROFIT AGENCIES 	WORKERS COMPENSATION 
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For Seniors and Families	For PHA Agencies
<ul style="list-style-type: none"> ▪ Insurance policy research ▪ Financial advocacy ▪ Peace of mind ▪ Faster care starts ▪ More holistic care 	<ul style="list-style-type: none"> ▪ Enhance your services ▪ Outsource cumbersome process ▪ Appeal to a broader set of clients ▪ Better \$ flow & lower ops costs ▪ STAND OUT from competitors

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29