

Sector Support Briefing

Financial Viability and Sustainability: CHSP today and in the new program

Purpose

The purpose of this Brief is to summarise some key points and strategies presented at the 'Understanding and Improving financial viability for CHSP providers' hosted by a collaboration of SSD organisations on the 30th of January 2023. The webinar was facilitated by Stewart Brown.

Key points

- Service providers need to maximise their profit (surplus for NFPs) – without profit/surplus, organisations cannot maintain their mission.
- The Home care market is growing – and this is expected to continue growing, so existing providers need to build capital for growth and investment. Even NFPs need to make a surplus to reinvest in their business, such as for marketing costs.
- Revenue Streams are dependent on meeting contract outputs:
 - Systems need to reflect those outputs accurately. Government will be looking at underperforming programs and may reduce their funding for next year. This would have an influence on providers' cash flow and the management of their Backoffice/fixed costs.
 - There will be enhanced reporting, which will lead to increased administration so providers should look at minimising costs.
 - There is a direct correlation between outputs and costs of these outputs. Systems need to facilitate the measurement of the real service/activity costs.

Strategies:

- 1) Critical to understand the cost of providing each service type, in relation to the price set by Government. Note that the Client Fees policy has not been determined yet.
- 2) Need to understand what information managers, Board members, etc. need to do their work. Not all KPIs are financial, but they are all drivers of financial health. E.g., productivity data (billable hours of staff).
- 3) Grant Funding no longer available for medium to long-term working capital – it is now monthly. Will be affecting your investment income (no big lump sum to invest at beginning of year or earning interest revenue).
- 4) Simplify reporting where possible: use dashboards, KPIs. What are the drivers of financial performance? It is recommended not to wait for the Accounts team to do it once a month. Many drivers can be monitored on a daily/weekly basis. If these KPIs are positive and are meeting targets, this is an indication that the business is making money.

Monitoring financial Performance:

- Through financial KPIs.
- Through Client Satisfaction: number of calls, missed visits, cancellation, complaints, compliments, move to other providers, etc.
- Through business development: marketing, client conversion rate, client engagement time.

Some more strategies - short term

- 1) Maximise outputs across all programs. If there is no demand for certain services, transfer outputs across more in demand programs, if possible.

- 2) Minimise manual intervention as much as possible: automate things to reduce risk of error and increase efficiency.
- 3) Monitor profitability by activity/location: should we continue to deliver those services, or change? Is there a demand for service? Are they profitable?
- 4) Establish breakeven points for fixed costs – and then make decisions accordingly, e.g. reduce backoffice costs, increase service delivered, etc.

Medium to Long term

- 1) Understand the reforms and their impact on your business model and service delivery model – will they work in new environments?
- 2) Understand your price and cost impact.
- 3) CHSP will become part of a retail environment and there is an increased need to invest in marketing to maintain business share.
- 4) Establish new systems to meet the new reporting requirements.
- 5) Assess your business: which services are you specialised in? Are you providing services in a niche market? Will this be sufficient in the new environment? Should you build partnerships with other providers (mergers, joint ventures, etc)?
- 6) Workforce: establish workforce plan, being a major focus across care sectors and need to have a plan to recruit and retain staff.

Disclaimer: Please note that resources for this webinar are not available to stakeholders who did not register for this event. While this Brief has been developed with the greatest care, the information provided is of a general nature and is based on personal notes taken during the event. Professional advice should be sought if required.

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