

How a Home Care Provider Went From \$160K to \$465K in Net Profit in Four Months

The Situation

A home care provider came to us generating \$1,600,000 in annual revenue. On paper, the business looked healthy. Full client roster, a team of caregivers, solid reputation in the community.

But the owner was done. Not burnt out in a dramatic way. Just quietly exhausted in the way that happens when you have been running hard for years and the bank account does not reflect it.

Gross margin was 37%. Net profit was 10%, \$160,000 on \$1.6M in revenue. For a business that took every hour she had, that was not a number she could live with much longer. She had looked at the financials enough times to know something was wrong. She just could not see exactly where.

The first thing we told her was that her revenue was not the problem. That was hard to hear, because adding clients felt like the only lever she knew how to pull. But chasing more revenue into a leaking business just accelerates the leak.

We installed six systems over four months. It was not a straight line.

System 1: Profit Recovery

We start every engagement by looking for profit that is already inside the business but leaking out. In home care, that leakage is significant and largely invisible to owners who are focused on scheduling and compliance.

We audited every line of cost. What we found was not surprising to us, but it was to her.

Caregiver scheduling had idle time built into it that nobody had quantified. Shift gaps, travel time between clients, and last-minute cancellations that were not being billed correctly were bleeding thousands per month. She knew scheduling was messy. She did not know it was costing her that much.

Overtime was the one that surprised her most. Scheduling had been reactive for so long that overtime had become normalized. It was not being managed, it was just being paid. When we mapped actual hours against scheduled hours and built a forward-looking scheduling model, the overtime spend dropped significantly within the first 30 days. It had been hiding in plain sight on every payroll run.

Vendor contracts had not been looked at in three years. PPE, software subscriptions, insurance premiums, payroll processing. Some were renegotiated. Some were replaced.

Billing consistency was another leak. The agency was running a mix of weekly and monthly billing cycles with no standardized process behind it. Some families were routinely three to four weeks behind on payment before anyone followed up. A standardized weekly billing cycle with a clear collections process was implemented. Outstanding receivables dropped significantly within 30 days and cash flow stabilized in a way the owner had not experienced before.

Combined, the profit recovery work added \$120,000 in annualized profit before we touched a single thing on the revenue side.

System 2: Market Dominance

Home care is a commoditized market. Most agencies compete on price, availability, and some version of compassionate care. Families shop around. Decisions come down to hourly rate. Nobody wins.

We repositioned her agency around a specific niche: dementia and Alzheimer's care. Instead of a general home care agency, she became the specialist.

She was resistant to this at first. Her instinct was that narrowing the positioning would cost her referrals. It is a common fear and it is almost always wrong.

Dementia and Alzheimer's care is the fastest growing segment in home care. Families actively seek specialists because the care needs are genuinely different. A confused, agitated, or wandering parent requires a different skill set, different protocols, and a different caregiver temperament than standard personal care. Families who are living this know it immediately, and they will pay for someone who actually understands it.

For her dementia clients, we built a proprietary care framework around cognitive support, safety protocols, and structured daily routines. Caregivers went through specific dementia care training. The intake process, care plans, and family communication were all redesigned around the unique demands of cognitive decline.

For her broader client base, we built a second proprietary framework built entirely around family confidence. Most adult children who hire a home care agency are not primarily worried about whether their parent gets a shower and a meal. They are worried about whether anyone is really paying attention. Whether someone will call them before something goes wrong rather than after. Whether they made the right decision. The framework addressed this directly. Every non-dementia client was assigned a named care coordinator as a single point of contact. Intake included a structured conversation with the family, not just the client, to understand their specific concerns and communication preferences. Regular proactive updates were built into the care schedule so families received a call or message before they felt the need to make one themselves.

Her marketing, her intake conversations, and her proposals shifted to reflect both frameworks.

Within six weeks, something changed in her consultations. Families stopped leading with what is your hourly rate. Referral sources, including discharge planners, neurologists offices, and geriatric care managers, started sending her clients specifically because she was the only agency in her market that could articulate exactly what made her different in concrete, operational terms rather than vague promises about quality and compassion.

She did not lose the generalist referrals she feared losing. She just stopped competing for the low-margin ones.

System 3: Pricing Power

Her rates had been set the way most home care agencies set rates. Look at what competitors charge. Land somewhere in the middle. Do not rock the boat.

We rebuilt the pricing model from scratch.

First we calculated the true cost of care delivery: caregiver wages, payroll taxes, supervision time, scheduling overhead, insurance, admin load per client. When we laid it out properly she was quiet for a moment. Her margins on certain service types were almost nothing once the real costs were in the picture.

The dementia specialization created something she did not previously have: a legitimate reason to charge more. Specialized dementia caregivers command higher wages. The training investment is real. The protocols are more demanding. In Southern California, standard non-medical home care runs \$30 to \$45 per hour. Dementia-specialist agencies command \$40 to \$55 per hour. That \$10 to \$15 per hour premium, roughly 30% above standard rates, is well established in the market and families expect it when they are engaging a genuine specialist.

We built a tiered model. Standard personal care for non-dementia clients, specialized dementia care as the core offering, and a premium family support tier that included structured family briefings, a dedicated care coordinator, and proactive plan reviews. Each tier priced to reflect the value delivered, not just the hours provided.

Then came the conversation she had been dreading. We told her the base rate needed to go up.

She raised it. Two clients left. She called us the day the second one gave notice and she was not happy. We understood. Losing clients you have had for a while feels personal in home care. We asked her to hold the line for 30 days.

By the end of that month the revenue impact of the repricing had replaced both clients and then some. Average revenue per active client was up 18%. She stopped bringing up the two clients who left.

The repricing added \$70,000 to annualized net profit.

System 4: Customer Value Optimization

Acquiring a new home care client is expensive and slow. Referral relationships take months to build. Families take weeks to decide. Onboarding is intensive.

Most agencies do all that hard work and then never think about expanding the relationship.

We put three mechanisms in place.

The 30-day care review. Every client got a formal review at 30 days where the care coordinator assessed whether the plan was actually meeting their needs. With dementia clients this is especially important because cognitive decline progresses and care needs change. It consistently surfaced unmet needs that translated into additional hours or a tier upgrade. It also built trust with families who were not used to anyone checking in proactively.

A family communication protocol. A lot of her clients had adult children who did not live locally. Those family members carried anxiety and guilt about a parent's declining cognition. We built a simple outreach cadence that kept them informed with regular updates on their parent's condition, mood, and daily routine. Families who felt informed renewed longer, escalated less, and referred more.

A caregiver consistency program. In dementia care, caregiver consistency is not just a nice-to-have. It is clinical. Familiar faces reduce agitation and behavioral issues significantly. A rotating cast of caregivers is genuinely harmful for this population. We built retention mechanisms that tied caregiver scheduling preferences and small incentives to long-term client assignments. Consistent caregivers meant clients stayed calmer, families stayed happier, and clients stayed longer. Average client tenure moved from 7 months to 11 months over the engagement period.

Lifetime client value increased by over 85%. Eighteen percent more revenue per month across four additional months of average tenure. That number compounds. It changes the economics of every new client acquired going forward.

System 5: Strategic Partnerships

She had referral relationships. She worked them the way most people do. Periodic drop-ins. A holiday gift basket. Hoping to stay top of mind.

It was not a system. It was hope with occasional effort.

We built a three-tier referral partner program.

Neurologists and memory care clinic staff. These are the first professionals families encounter after a dementia diagnosis. We developed a structured outreach protocol for this group: same-day response guarantees on referrals, clear communication back to the referring practice after each placement, and a resource packet for newly diagnosed families that the practices could hand out

under their own name. Neurologists referred more because working with her made them look good to their patients' families.

Geriatric care managers, elder law attorneys, and financial advisors. This group works with families navigating the full complexity of a dementia diagnosis, not just the care piece. We developed a co-education series, small breakfast briefings on topics relevant to dementia care planning, that positioned her as the expert resource rather than just another agency on a list.

Complementary providers. Adult day programs, memory care facilities with waiting lists, and assisted living communities whose residents occasionally needed in-home support before transitioning. Formal mutual referral agreements with the top providers in each category.

Referral volume from structured partnerships increased 40% over the first 90 days compared to the prior period. That was not from working harder. It was from working the relationships differently.

System 6: Systemization

None of the above is sustainable if the owner has to personally execute or oversee it.

When we started, she was the scheduling manager, the relationship manager, the quality control department, and the person who handled anything that fell through the cracks. Which was a lot.

We documented every core process. Caregiver onboarding and dementia training protocols, client intake, care plan development, scheduling, billing cycles, partner communication cadences, and the 30-day care review. Each process assigned to a role with clear accountability and measurable outputs.

She pushed back on the documentation work. It felt slow and administrative when she wanted momentum. We pushed back harder. The documentation was the momentum. Without it, everything we had built would revert to depending on her.

We built a simple operating dashboard. Not a complex reporting system. Just the eight numbers that told her whether the business was healthy without her having to dig for them.

Six weeks into systemization she was working three days a week in the business instead of six. She used the time she got back to focus on the neurologist relationships that were driving the highest-value referrals. That decision alone accelerated the referral growth we had already started.

The Result

Four months in, annualized revenue had moved from \$1,600,000 to approximately \$2,050,000. Driven by two sources: the 18% increase in average revenue per active client from the pricing restructure applied across the existing base, and new client volume from the 40% referral lift.

These are separate and non-overlapping contributions. The tenure improvement from System 4 compounds the value of both over time but is not included as an additional revenue line in this figure.

Net profit moved from \$160,000 to \$465,000. Net margin moved from 10% to 23%. That improvement did not apply only to the new revenue. The overtime controls, billing standardization, vendor renegotiations, and broader pricing discipline from the profit recovery work changed the margin profile across the entire existing revenue base. Every service type that had been running thin got repriced or restructured. The margin improvement compounded across both old and new volume simultaneously.

She still runs the business. She just does not live inside it anymore.

What changed in four months was not the market, the competition, or the economy. The clients were already there. The revenue was already coming in. What changed was that for the first time the business had systems behind it. The owner stopped being the system.

The Numbers at a Glance

	Before	After
Annual Revenue	\$1,600,000	\$2,050,000
Net Profit	\$160,000	\$465,000
Net Margin	10%	23%
Avg. Revenue Per Client	Baseline	+18%
Referral Volume	Baseline	+40%
Average Client Tenure	7 months	11 months
Owner Days in Business	6 days/week	3 days/week
Timeline		4 months

Is This Relevant to Your Business?

The owner came to us quietly exhausted. Not burnt out in a dramatic way. Just worn down by the gap between how hard the business demanded and what it was actually returning.

Four months later the gap was closed. Not because the market changed, or because the owner found more clients, or because the owner worked harder. Because for the first time the business had systems behind it instead of a person holding it all together.

She still runs the business. Just not from inside it anymore.

The systems installed here are not home care specific. They are profit systems that work in any service business where the owner is generating revenue but not keeping enough of it.

Leighton Williams
Ivy Tower Management