

# HME News

THE BUSINESS NEWSPAPER FOR HOME MEDICAL EQUIPMENT PROVIDERS

## Smart Talk

### MANAGEMENT

#### Employee efficiency enhances bottom line



JIM BADTKE

**Q. A historical benchmark for measuring efficient staffing levels used to be one employee for every \$100,000 in revenue. Is this still an accurate ratio?**

**A.** For the most profitable of our clients, we see revenues per employee averaging \$150,000 or more. Another good way to measure employee efficiency is to calculate direct employee expenses (payroll, taxes and benefits) as a percentage of net revenues. Top performing companies consistently keep this ratio under 30%. Keep in mind that several variables can affect these benchmarks, including local labor rates, product mix, business size, use of independent contractors, etc.

One constant to every HME business: Employee costs typically comprise their largest and possibly most important operating expense. Underutilization of employees or overstaffing by just a few employees can have a significant impact on your bottom line.

The good news is that new technologies can dramatically increase employee efficien-

cies. The use of patient fill oxygen systems and portable concentrators, for example, can reduce driver deliveries. Improved billing software—paperless systems and technology that monitor and reduce claim denials—can also boost employee efficiency.

Success over the next several years will require constant attention to costs while continuing to grow revenues aggressively to offset the effects of continual reimbursement pressure. Don't become complacent by only achieving benchmarks; constantly re-evaluate your operations and business model. Remember to get your employee's input early in the process. Their involvement and support will be critical to your success. By offering tools to your staff to become more effective performers, you will not only increase their satisfaction but also bring more value to your company through increased profits. **HME**

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