



**2026 ANNUAL
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**The Money is in the Margins:
Uncovering Profit in Home Care**

Presented by: Dana Charumbira, Managing Director | The Home Care CPAs

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Introduction

"Home care is growing faster than ever — but why do so many agencies still struggle with cash flow and profit?"

- The Problem**
Rising labor costs, pricing pressure and hidden inefficiencies are squeezing margins.
- The Insight**
An agency can show strong top line growth but have a shrinking Gross Profit and growing Net Loss
- The Purpose**
Understanding your margins — not just revenue — is the key to financial strength.

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Key Terms

Term	Definition
Sales/Revenue/Income	Income generated by selling products or services.
Cost of Sales (COS)	Total input cost to create or prepare your product or good for sale.
Gross Margin (GM)	The Dollar value of your Sales less your Cost of Sales
Gross Profit (GP)	Gross Margin Displayed as a percentage of Sales.
Overhead (OH)	Costs required for business operations but not directly related to product/service output.
Net Income	The profit remaining after deducting COS & OH (all expenses) from Sales. Referred to as the 'Bottom Line'.
Return on Sales (ROS)	Net Income Displayed as a percentage of Sales.
Accrual Basis	Accounting method when sales and costs are recorded at time they are incurred.
Cash Basis	Accounting method when sales and costs at recorded at the time cash is exchanged.
Working Capital	The funds required to run your business.

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The Margin Mastery Framework: 4 Steps

- 1 Measure What Matters**
Go beyond the P&L. Track costs per hour or visit, per caregiver, and per payer. Include hidden costs like travel time and mileage.
- 2 Analyze for Insight**
Compare margins by payer, service type (private pay vs. claim-based), and client profile. Use benchmarks to find the gaps.
- 3 Optimize for Impact**
Adjust pricing and scheduling based on data. Streamline overtime, simplify billing workflows, and renegotiate payer contracts.
- 4 Monitor Continuously**
Build a dashboard. Track KPIs like Gross Margin per Caregiver Hour, Aggregate Gross Margin, Avg Price per Hour, Avg Pa Rate per Hour and Gross Margin by Payer Type.

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Step 1 & 2: Measure & Analyze

Measure What Matters
Track costs per hour/visit, per caregiver, and per payer. Include hidden costs: travel time, recruitment, turnover.

Analyze for Insight
Compare margins: private duty vs. claim-based payers. Not all clients are equally profitable — know which. Use benchmarks to spot low performers.

Key KPIs to Track

- Gross Margin per Caregiver Hour
- Gross Margin by Payer Type
- Cost per Visit by Service Line
- Billable vs. Total Caregiver Hours
- Admin Cost as % of Revenue

Real conversations with owners — understanding profitability at an hourly and contract level

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Case Study: Finding \$250K in Hidden Profit

Scenario
A mid-sized Northern California agency struggling with profitability despite steady revenue growth.

Process

- Conducted margin analysis by payer and client.
- Mismatch between caregiver wages and price per hour eroded profit in 30% of visits.
- Identified least profitable cases, adjusted scheduling, communicated rate increases if the same caregiver was required, reviewed payer contracts.

Result

Within 9 months:

- 4.5% margin improvement
- \$250K+ additional annual profit
- 0 new clients required

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Key Takeaways: Turning Insight into Action

- Margins tell your real story**
Not your top line. Revenue can mask deep inefficiencies that only margin analysis reveals.
- Data beats habit**
Every pricing and scheduling decision made from data — not gut — strengthens your position.
- Every % point counts**
A single 1% margin improvement can unlock thousands in annual profit without adding a single client.

"In home care, the money isn't in more hours — it's in smarter hours."

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Thank You!

Dana Charumbira
Managing Director | The Home Care CPAs
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