

OPERATE. OPTIMIZE. EXIT.

# Home-Based Care Underwriting Readiness Checklist

A practical checklist for home health, hospice, and home care operators preparing for growth, recapitalization, or a future transaction.



## Financial Readiness

Revenue quality, profitability trends, and financial reporting standards



## Referral & Growth

Referral base diversification and growth narrative development



## Payer Mix & Reimbursement

Payer exposure analysis and reimbursement durability



## Labor & Workforce

Workforce stability, retention strategy, and productivity metrics

**50-70%**

of executed LOIs fail to close

 in the home-based care sector

## QUICK PREVIEW

- ☒ Revenue quality analysis
- ☒ Margin durability review
- ☐ Workforce stability check
- ☐ Compliance readiness

[Review the Full Checklist →](#)

# How Buyers Underwrite Value



## Buyer Underwriting Philosophy

Understanding how buyers evaluate value, risk, and readiness

Buyers do not underwrite home-based care businesses on financial performance alone. They underwrite durability. This checklist is designed to help operators assess whether the business is prepared for the way buyers actually evaluate value, risk, and readiness.

The strongest outcomes usually start before a process begins. This checklist covers 10 critical areas that buyers scrutinize during due diligence, from financial readiness to clinical quality, operational efficiency, and market positioning.

**Key Insight:** 50-70% of executed LOIs fail to close in the home-based care sector. Preparation is essential to avoid becoming a statistic.



## Assessment Framework

10 critical areas of underwriting readiness

### Financial Readiness

Revenue quality, profitability, reporting

### Referral & Growth

Referral base, growth narrative

### Payer Mix

Reimbursement, exposure analysis

## How to Use This Checklist



Yes

In place & documented



In Progress

Partially in place



No

Not in place

### Optional Enhancement

You may also add an internal owner, priority, and notes column if you want to turn this into a working transaction-readiness tool.



### Pro Tip

Focus on the areas where you have the most "No" responses first. These are likely to be the biggest red flags for buyers.

# Financial Readiness

## Revenue Quality

- ☐ We can clearly explain our historical revenue growth by year.
- ☐ We can distinguish organic growth from acquired growth.
- ☐ We can explain the main drivers of census, admissions, and revenue performance.
- ☐ We have clear visibility into revenue by service line, payer, and geography.
- ☐ We understand whether any recent growth was driven by one-time or non-recurring factors.

## Financial Reporting

- ☐ Monthly financial reporting is timely, accurate, and consistent.
- ☐ Financial statements reconcile cleanly across management reports and supporting schedules.
- ☐ We have clean add-backs and can support each one credibly.
- ☐ We are prepared for a quality of earnings review.
- ☐ We can explain material fluctuations without scrambling for backup.

## Profitability and Margin Durability

- ☐ We can clearly explain historical EBITDA and margin trends.
- ☐ We can explain any recent margin improvement or decline with supporting data.
- ☐ We understand branch-level or market-level profitability.
- ☐ We can identify the key drivers of labor cost, productivity, and margin performance.
- ☐ Our reported earnings are supported by consistent operational performance, not temporary conditions.

# Referral and Growth Readiness

## Referral Base

- ☐ We understand our top referral sources by volume and revenue contribution.
- ☐ Our referral base is reasonably diversified.
- ☐ We are not overly dependent on one hospital, physician group, payer, or channel.
- ☐ We can show referral trends over time.
- ☐ We can explain why referral relationships are durable.

## Growth Story

- ☐ We can articulate a clear and credible growth narrative.
- ☐ We can support our growth story with actual performance data.
- ☐ We know which markets, branches, or service lines are driving growth.
- ☐ We can explain our pipeline of future growth opportunities.
- ☐ We can distinguish durable growth opportunities from aspirational ones.

# Payer Mix and Reimbursement Readiness

## Payer Exposure

- ☐ We understand our payer mix by percentage of revenue.
- ☐ We can explain our reimbursement profile and any recent rate pressure.
- ☐ We know whether we are overly exposed to one payer class or contract structure.
- ☐ We can explain any material reimbursement risk in the business.
- ☐ We have visibility into collections, denials, and reimbursement trends.

## Reimbursement Durability

- ☐ We can explain how reimbursement changes may affect future performance.
- ☐ We understand where payer mix supports value and where it introduces risk.
- ☐ We have a clear view of any compliance or billing vulnerabilities tied to reimbursement.
- ☐ We can show buyers that the revenue base is durable, not just current.

# Labor and Workforce Readiness



## Workforce Stability

- ☐ We track turnover for key clinical and operational roles.
- ☐ We understand our labor stability by branch, geography, or service line.
- ☐ We can explain recent turnover trends and what is driving them.
- ☐ We have a credible recruiting and retention strategy.
- ☐ We are not overly dependent on a small number of key employees.



## Productivity and Staffing Model

- ☐ We can explain clinician productivity and staffing efficiency.
- ☐ We understand contract labor usage and its impact on margins.
- ☐ We know where staffing constraints could limit growth.
- ☐ We can explain how labor performance affects service quality and profitability.
- ☐ We have enough management depth to support continued growth.

# Clinical Quality and Compliance Readiness

## Clinical Quality

- ☐ We track the clinical quality indicators that matter most in our business.
- ☐ We can explain our quality performance clearly and confidently.
- ☐ We understand where quality performance is strong and where it needs improvement.
- ☐ Quality reporting is visible to leadership and reviewed regularly.
- ☐ We can connect clinical quality to enterprise value and buyer confidence.

## Documentation & Chart Readiness

- ☐ Documentation is timely, complete, and consistent.
- ☐ We have a regular internal chart audit process.
- ☐ We are confident buyers will find documentation discipline, not surprises.
- ☐ We can support the integrity of the care model through our records.
- ☐ We are not relying solely on clean surveys as proof of quality.

## Compliance Readiness

- ☐ We understand our key compliance risks.
- ☐ We have processes in place to identify and escalate issues early.
- ☐ We can explain how compliance is managed across the organization.
- ☐ We are prepared to answer diligence questions on billing, documentation, and clinical oversight.
- ☐ Compliance concerns would not come as a surprise to leadership.

# Operational and Leadership Readiness

## Operational Readiness

- ☐ We have clear visibility into performance by branch, market, or region.
- ☐ We can identify high-performing and underperforming locations.
- ☐ We understand the main drivers of performance variance across the business.
- ☐ We can explain which markets are most strategic and why.
- ☐ We are not masking underperformance inside consolidated reporting.

## Systems and Processes

- ☐ Core reporting is consistent across locations and functions.
- ☐ Operational data is easy to pull, review, and explain.
- ☐ Our systems support management visibility rather than limit it.
- ☐ We have repeatable processes, not overly manual workarounds.
- ☐ We can demonstrate that the business can scale without breaking.

## Leadership Readiness

- ☐ We can clearly explain who owns each core function of the business.
- ☐ The company is not overly dependent on the founder or one executive.
- ☐ We have a credible middle-management bench.
- ☐ Leaders can speak confidently and consistently about their areas.
- ☐ The organization looks transferable, not personality-dependent.

## Decision-Making & Control

- ☐ Leadership has strong visibility into the metrics that matter most.
- ☐ Reporting supports proactive decisions, not reactive explanations.
- ☐ We can communicate the business clearly at both summary and detail levels.
- ☐ We are aligned internally on our strengths, risks, and priorities.
- ☐ We can tell a buyer-ready story that matches the underlying data.

# Market Positioning and Transaction Readiness

## Market Positioning Readiness

- ☐ We can clearly explain what differentiates us in the market.
- ☐ We understand how buyers are likely to view our market position.
- ☐ We can explain why our footprint, service mix, and relationships matter.
- ☐ We know which buyer universe is most likely to value our strengths.
- ☐ We can articulate why this business is strategically attractive.

## Buyer Fit

- ☐ We understand the difference between how strategic and financial buyers may view the business.
- ☐ We know which parts of the story are most likely to resonate with each type of buyer.
- ☐ We can frame the business around value drivers, not just history.
- ☐ We are prepared to position risk areas with clarity and credibility.

## Transaction Readiness

- ☐ We have identified the main risks buyers are likely to focus on.
- ☐ We have a plan to address or frame those risks before going to market.
- ☐ We know which parts of the story are strongest and deserve emphasis.
- ☐ We have enough internal readiness to respond to diligence efficiently.
- ☐ We are prepared to enter a process from a position of confidence, not reaction.

# Scoring Guide

Tally your total "Yes" responses across all sections to assess your underwriting readiness level.



## **41–50 Yes** | Strong underwriting readiness

The business is likely to present well in diligence and inspire buyer confidence, though some refinements may still improve value.



## **26–40 Yes** | Moderate readiness

The foundation is in place, but buyers may still identify gaps that create friction, increase scrutiny, or affect value.



## **0–25 Yes** | Early-stage readiness

Significant work may be needed before the business is positioned the way buyers will want to evaluate it.



### **Scoring Tips**

Focus on the areas where you have the most "No" responses first. These are likely to be the biggest red flags for buyers. Consider working with an advisor to address critical gaps before going to market.

### FINAL TAKEAWAY

"Underwriting readiness is not just about getting through diligence. It is about making the business easier to trust, easier to understand, and easier to value. The strongest outcomes usually start before a process begins."

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Montauk AI works with home-based care operators to assess buyer readiness, sharpen positioning, and prepare for the way sophisticated buyers actually evaluate value, risk, and transaction potential.

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