




# 2019 Home Care Cooperative Benchmarking Report

## Quantifying the Cooperative Difference in Home Care

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## About the Report

The ICA Group, in partnership with the Cooperative Development Foundation (CDF), annually conducts the Home Care Cooperative Benchmarking Survey to centralize key data metrics from home care cooperatives and to demonstrate the impact the cooperative model can make in improving industry standards for caregivers and clients. The survey collects quantitative information on businesses and clients, as well as qualitative data on the challenges and opportunities experienced by cooperatives throughout the year. This multi-layered approach to understanding the experience of home care cooperatives provides a comprehensive analysis of this industry model.

The 2019 benchmarking survey was sent to 13 cooperatives in July 2019 to collect data for calendar year (CY) 2018. This report analyzes key trends from the home care cooperative sector in CY 2018, and key changes between CY 2017 and CY 2018. With the highest participation rate yet, 12 home care cooperatives completed the 2019 survey, as well as one unincorporated start-up. Nine of the reporting cooperatives were fully operational in 2018, and were used to perform the industry analysis in this report. Four of the reporting cooperatives were still in the start-up stage in 2018, and reported the opportunities and challenges they experienced during the course of the year.

# Key Findings

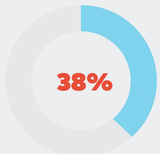
## Business Performance

### Average Wage

**+$0.54**

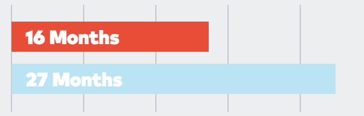
Per hour more than non-cooperative industry peers

### Average Annual Caregiver Turnover




38% versus the industry average of 82%

### Median Caregiver Tenure



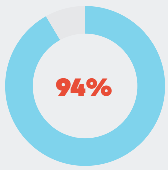

16 months; for cooperatives in operation for 5 or more years, this median increases to 27 months

### Total Client Hours Billed

**3,214,108**

for over 3,000 clients served

### Revenue From Public Payers

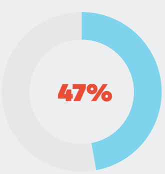



3 of 9 cooperatives provide public pay services

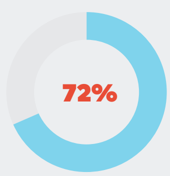
### Total Industry Revenue


representing approximately .01% of the industry

## Caregiver Impact




**Member Owner Rate**

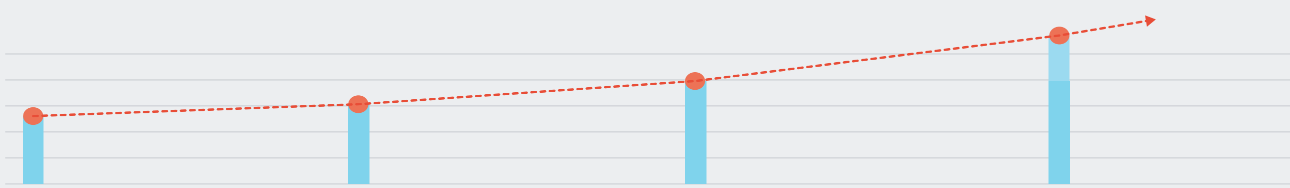



**Rate of Ownership at Small Home Care Co-ops**

**2,470**

**Caregivers Employed by Home Care Cooperatives**

## Industry Growth



**Operational Home Care Cooperatives in 2017**

**8**

**Operational Home Care Cooperatives in 2018**

**9**

**Operational Home Care Cooperatives in 2019**

**12**

**12+ Start-Up Initiatives Underway in 2020**

**12+**

## Considerations for a Competitive and Crowded Industry

### Co-op Size Categories

Participating cooperatives were sorted into segments based on their total number of employees. This data segmentation allows for a more refined analysis that compares cooperative experiences based on size. Employees are defined as cooperative members, non-member caregivers, administrative staff, and management staff.

| | |
|---|---|
| **Small** | Less than 50 employees |
| **Medium** | 50 - 100 employees |
| **Large** | More than 100 employees |

### Industry Consolidation

In 2018, home care cooperatives were impacted by the exponential growth in demand for home-based caregiving services and the industry's shift to meet that demand. Large home care companies and national franchises continue to consolidate ownership and narrow home care options.
These shifts create a highly competitive marketplace where agencies that have the most robust infrastructure for marketing and expedited operations compete for the attention of clients and caregivers, often to the detriment of older and smaller firms.

### Increased Competition

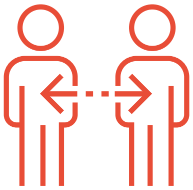
In recent years, the home care industry has seen swaths of new entrants primarily in the private pay market, but also in the public pay market (as a result of Medicaid expansion). This has further fragmented the home care industry, with little to no differentiation between providers. New entrants promise higher wages, but often fall short of providing the client hours necessary to sustain a livable income and rarely offer benefits, adequate training, or on-the-job support. The overabundance of sub-par employment options directly contributes to high industry turnover, forcing caregivers to move between firms seeking an agency that can deliver on the promise of higher wages, benefits, and flexible schedules.

### Undervalued Work

External payers and funding sources continue to drive industry change on county, state, and federal levels. The continued expansion of Managed Care Organizations (MCOs) has increased access to home care services to previously underserved populations, but with more high-cost clients like the elderly and independently disabled, MCOs offset this higher coverage cost with low reimbursement rates and limited hours of services to home care agencies.

# The Cooperative Difference in Home Care

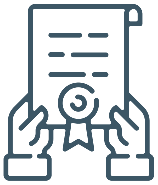
## The Four Pillars of the Cooperative Difference



**Caregiver Turnover & Tenure**

**Wages & Benefits**

**Training & on the Job Supports**



**Leadership & Career Advancement Opportunities**

## Cooperatives - Increase in Total Sector Revenue

**In 2018, the cooperative home care industry experienced a 9% increase in total revenue from the previous year.**

This growth was driven almost entirely by increases in Medicaid reimbursement rates related to state based minimum wage increases.

While home care cooperatives collected more money from payers overall, driving an increase in overall sector revenue, the changes for payer sources shifted in opposing directions. In 2018, an increase in public pay revenue resulting from state mandated minimum wage increases was counterbalanced by a decrease in private pay revenue resulting from a decrease in private pay hours.

**20% Private Pay Sources ▼**

**7% Public Pay Sources ▲**

Private pay clients hire agencies directly by paying out-of-pocket or through independently purchased long-term care insurance. These clients typically pay higher rates for care and are easier to onboard and serve from an administrative standpoint. Therefore, private pay clients are attractive to all home care agencies. However, competition for these clients is fierce, and smaller agencies with less capacity for marketing and sales struggle to attract enough of these clients to stabilize operations. Competition in the private pay market has increased year over year as demand for home care services continues to grow. Both continued consolidation of larger national home care companies and an ever-increasing number of new national franchises entering local markets are adding significant competitive pressure to the marketplace. As a result, home care cooperatives need to invest in marketing and sales to keep up.

| Year | Public Pay Mix | Private Pay Mix | Total Revenue | Total Client Hours |
|---|---|---|---|---|
| 2017 | 94% | 3% | $76.5 mil* | 3.2 mil |
| 2018 | 96% | 4% | $70.5 mil | 3.4 mil |

Depending on a cooperative's payer mix, the strategy for acquiring clients can differ. Private pay clients require targeted and responsive marketing. While this method can be time- and energy-intensive, when done systematically, it can bring high returns to the financial stability of a cooperative. Public pay clients have varying options when choosing a home care provider. If located in a state that utilizes Managed Care Organizations (MCO), they are often limited to selecting a provider from within an MCO network. Being added as a provider to an MCO network requires overcoming costly and time-consuming hurdles, but provides a more direct path to a larger pool of potential clients. In both cases, strong referral partnerships prove critical for home care cooperatives whose primary market differentiator is the "cooperative difference"—higher quality, consistent care from committed caregivers—which is most effectively sold through direct communication and proof of concept.

**In 2018, the home care cooperative industry witnessed a 6% decrease in overall client hours, with the majority of cooperatives experiencing losses.**

For private pay cooperatives, much of this downturn is the result of greater competition in the marketplace and the related difficulty in identifying and attracting private pay clients in a crowded field. For public pay cooperatives, the primary challenge has been cost cutting by MCOs. MCOs receive set amounts per client, or capitated payments, regardless of client needs. This forces MCOs to offset the cost of serving high-needs clients by limiting services to healthier and more independent clients. To manage costs, MCOs will enact strategies such as limiting reimbursable services and service hours, restricting visit frequency based on internal assessments, and cutting service rates. However, home care cooperatives that serve public pay clients still incur the same costs of providing care for these patients, such as travel reimbursement and wages, creating a situation where only the largest of agencies can sustainably serve clients in this market.

### **Caregivers -** A Shortage of Good Caregiving Jobs

In the US, there are seven[1] clients who need home care for every caregiver currently in the workforce; reflecting an inadequate supply. Accordingly, millions of new home care workers will need to be hired and trained over the next few decades to meet this growing demand. Today, more than three million workers are employed by the home care industry in the U.S., a workforce that has more than doubled in the last decade. Despite unprecedented job growth, the work is low-paid, benefits are limited, hours are inconsistent, training is insufficient, career advancement is nearly non-existent, and the job is emotionally and physically taxing. Home care providers have rated caregiver shortages as the number one threat to their businesses for the last three years[2].

> **Home Health Aide is the 3rd fastest growing job in the nation, and Personal Care Aide is ranked 4th.[3]**

[1] In 2017, OES data expanded the scope for "Services for the Elderly and Persons with Disabilities" to include some positions that were previously classified under "Services in Private Households", subsequently increasing the total number of personal care aides employed nationally and decreasing the national caregiver ratio from the previous 8:1.
[2] Pulse 2018 Benchmark, page 62.
[3] Bureau of Labor and Statistics Employment Projections 2018-2028.

In addition to an interest or calling to provide care and companionship to vulnerable citizens, wages are one of the key drivers that draw caregivers to or from the industry. CY 2017 data from the 2018 Home Care Cooperative Benchmarking Study showed that home care cooperatives paid $1.84 more per hour than non-cooperative competitors, exclusive of benefits. In 2019, with higher quality data and stronger participation, home care cooperative wages were analyzed by a new method to paint a more accurate depiction of the wage landscape. Wage data was dissected to a state level so that comparisons were made according to the context a cooperative operates within. CNA wages were omitted from the analysis because no cooperatives currently employ CNAs. As the field grows, CNA wages will be integrated as needed.*

**On average, home care cooperatives that employed caregivers in 2018, were able to pay $0.52 more per hour than their non-cooperative state competitors.**

## Method:

### Weighted Non-CNA State Wages

$$\text{State X} = \frac{\left(\text{Total \# of PCAs} \times \text{Average PCA Wage}\right) \times \left(\text{Total \# of HHAs} \times \text{Average HHA Wage}\right)}{\text{Total \# of PCAs} + \text{Total \# of HHAs}}$$

### Cooperative Wage Calculation

$$\text{Difference In Wage} = \text{Wage offered by Home Care Co-op in State X} - \text{Weighted Non-CNA Wage in State X}$$

Each cooperative exists in a unique employment market, and therefore, the range of wage differences varied. The bottom of the field paid $2.22 less than their non-cooperative competitors, and the highest paid $3.37 more. Using the new state-based method, the analysis showed that cooperative wages between 2017 and 2018 grew by $0.24. However, the larger state industries on average experienced wage increases for PCA and HHA positions of $0.49.

### Growth in Wages


*Nine cooperatives currently operate within seven states, and weighted non-CNA wage averages were calculated for each of the seven states. These individual totals were then compared against the wage offered by the cooperative in that state to produce a difference that fell above or below the state's non-CNA weighted salary. These differences were then averaged.

There are currently 3 cooperatives in Washington, and because their wages are all very similar, their wage was done as a standard average

In 2018, the home care cooperative sector was also impacted by the national caregiver shortage. Due to caregivers' competing interests, in total, home care cooperatives lost 92 employees in 2018; of those, 55 were member-owners. Many factors influence these shifts. Caregivers can often find equal or higher wages, and more stable and consistent hours of employment in the retail and food service industries. Many caregivers, however, truly love the caregiving profession, and the opportunity for equity, profit sharing, and decision-making afforded by home care cooperatives remains an attractive advantage. In 2018, home care cooperatives cited their top caregiver recruitment method as caregiver referrals, highlighting that engaged and supported caregivers are the best recruitment pipeline for any home care business.

A key driver in these differentials is that larger non-cooperative home care agencies and franchises with centralized operations and leaner administrative costs can respond to the demand for wages faster and in higher amounts. Home care cooperatives will need to grow or identify new and creative revenue sources in the years ahead to maintain their competitive advantage on wages.

Beyond wages, the 2019 Benchmarking Survey found that home care cooperatives provided a wide variety of opportunities and supports to caregivers, including, eight of nine cooperatives:

- Provide training that exceeds the state minimum requirement, and six of nine pay for training time
- Provide training for board members including financial literacy, equipping caregivers with valuable and transferable leadership skills
- Offer opportunities to participate in administrative work as a way to become familiarized with the business, round-out work hours and support the business
- Organize team building and social events to reduce caregiver isolation and facilitate the natural development of peer supports

Additionally, the 2019 Benchmarking Survey found:

- Seven cooperatives provide caregiver coaching and/or peer mentors
- Six cooperatives offer opportunities for speaking engagements, policy advocacy work and/or committee work
- Five cooperatives offer short-term financial supports for caregivers experiencing personal financial emergencies

These additional opportunities and supports create a unique environment in the home caregiving profession that encourages caregivers to stay.

## Clients

Unprecedented growth in the nation's elderly population, paired with a cultural shift towards aging at home, is driving historical growth in the home care sector. According to U.S. Census projections, a quarter of the national population will be 65 and older by 2060, 19.7% of this group will be 85 or older. Nine in ten seniors want to "age in place" in their current home and community, and an estimated 70% will need help with basic daily living activities to do so.

*A Commitment to Caring: Turnover & Tenure*

For this rapidly growing population, the consistent availability of quality caregivers is paramount for long term health. However, in the home care industry 82% of caregivers quit their jobs or leave the industry entirely each year, creating significant challenges for both agencies and clients. This is up from 67% last year, already an industry high[1]. For clients, high caregiver turnover is highly disruptive, resulting in inconsistency of care at best, and a degraded care experience. For home care agencies, turnover in caregivers jeopardizes the quality standards an agency builds its reputation upon and creates significant administrative and financial burdens. The estimated cost of turnover is $2,600 per caregiver lost[2].

> **Home care cooperatives outperform the broader home care industry with an average annual caregiver turnover rate of only 38%, demonstrating that ownership and democratic participation results in meaningful differences for both caregivers and clients.**

While turnover increased by 15% in the broader home care industry, turnover increased only 8% in the cooperative sector from 30% in CY 2017 further validating the cooperative advantage. As worker-led businesses, home care cooperatives prioritize improved working conditions and on-the-job supports.

Tenure for the national home care industry sits at a 15-month median, while median tenure for home care cooperatives sits at 16 months. The tenure range for home care cooperatives is highly influenced by the operational age of a cooperative, however. Tenure for home care cooperatives that have been in operation for five years or more jumps to 27 months. As younger cooperatives continue to establish themselves and carve out their space in the market, tenure will continue to increase. Finally, for sector leaders, those with the longest tenure and most robust caregiver supports tenure rises to a high of 65 months, a tenure nearly unheard of in the larger home care industry.


[1] 2018 and 2019 Home Care Pulse Benchmarking Studies
[2] 2017 Home Care Benchmarking Study

## Key Takeaways

As a sector, home care cooperatives:

- Pay higher wages
- Have lower caregiver turnover
- Provide better training
- Decrease caregiver isolation
- Engage caregivers to stay longer

This is achieved by centering caregiver needs and engaging cooperative member-owners in the operations of the business. Valued, supported and engaged caregivers are more committed and provide higher quality care for clients, creating a win-win-win situation for caregivers, clients, and agencies, as well as the health care industry as a whole. However, the road ahead will be challenging. As the rest of the industry "wakes up" to the importance of caregivers, home care cooperatives will have to work harder to stay ahead of the curve. This will be made more difficult by the continued shortage of caregivers entering and remaining in the field, the ever-increasing competition, particularly from well-funded home care chains and franchises, continued downward pressure on rates by the federal government and MCOs, and increases in regulatory requirements. But when working together, the opportunity is great.

In the years ahead, home care cooperatives and the supportive sector must:

- Work together to raise the voices of caregivers and advocate for increased state and federal funding for home care services and pro-caregiver regulations
- Pool financial resources to better compete with well-funded national chains, franchises, and private equity firms—particularly on marketing, sales, and caregiver benefits
- Continue to solidify the "cooperative difference in home care" through standardized training and care quality standards
- Establish new and diversified revenue streams, build new and stronger referral partnerships, and pursue growth and agency acquisitions

With growing interest in the home care cooperative sector from caregivers, clients, government leaders and funders, these advances are possible. Already, home care cooperatives and their supporters are regularly connecting, collaborating, and sharing best practices and emerging trends. Additionally, the development of a "secondary cooperative," a cooperatively-run sector support association, is under way. As Kippi Waters of Peninsula Home Care Cooperative eloquently stated, "The adage 'strength in numbers' holds great import in the world of caregiving. We all want the very best care for our community [elders] and know we cannot do it alone. It's an honor to be part of a cooperative family that is collectively working together to raise the bar of excellence in home care."