Photo: CHCA

Solving the Home Care Crisis

Co-ops poised to impact America's fastest-growing industry

By Katrina Kazda and Nic Miragliuolo

America is facing a home care crisis. As the American population ages to an estimated 71.5 million people by 2030, the home care industry faces a difficult task in recruiting and retaining a large enough workforce. Millions of new personal care aides, home health aides and nursing assistants will need to be hired and trained over the next few decades to meet demand. Despite unprecedented job growth, unemployed and underemployed workers are not flocking to the home care field, and for good reason. The work is low paid, benefits are limited, hours are inconsistent, career ladders are nearly non-existent, and the job is emotionally and physically taxing. With meager incentives and little support, few workers look to enter or stay in the field.

With the right kind of supports, worker-owned home care cooperatives have unique advantages that position them to win in a low-wage, service-focused industry. At scale, home care cooperatives can have a transformative effect in this difficult industry, improving the quality of jobs in the field, the quality of care delivered, and access to care in low-income communities. Already, with ten home care cooperatives across the country in operation, there is a small and growing movement to leverage the benefits of worker ownership to stabilize the home care industry. These co-ops have already shown far better worker retention than industry averages, a key metric in both quality of care and business sustainability. This is attributable to the advantage that a worker-centered business can have in a service-focused industry that typically views workers as expendable assets.

For home care cooperatives to radically change the industry however, they need to leverage the benefits of scale. In a low margin industry, it is difficult for smaller organizations to compete against large firms backed by millions of dollars in private equity and public market investments. Producer cooperatives have been successful in transferring the benefits of scale to small, independently-owned businesses in other industries and—with the right suite of services—they can deliver results and growth to home care cooperatives. A support network modeled on the producer cooperative structure can reduce administrative burdens and expenses through shared services, create and share best practices, and simplify the process of navigating complex regulatory requirements. Home care cooperatives have the right set of tools to build a longterm competitive advantage through better jobs, recruitment and retention. This new strategy in building support for scale could be the ticket to building worker-ownership, creating quality jobs, ensuring better healthcare and transforming the home care industry.

Guided by a shared commitment to improving home care conditions for workers, a group of forward thinking cooperative developers, home care cooperative operators and supportive institutions have come together to bring home care cooperatives to scale. The recently formed Home Care Cooperative Initiative will meet in early November to review extensive research and market strategy developed by The ICA Group, and devise a path forward. While nearly all experts agree that America is facing a home care crisis, cooperatives stand out as a beacon of hope for change ahead.

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Demographic shifts and a struggling workforce

As early as 2020, people aged 65 and older will outnumber children under the age of five for the first time in human history. Driven by significant gains in health care and life expectancy, people turning 65 today can expect to live another decade or more. As AARP's tagline, "Real Possibilities," indicates, becoming a senior citizen today implies fresh opportunities—a new career, world travel and checks off the bucket list. For most, this vision does not include nursing homes or institutional care. In fact, per a 2014 survey by AARP's Public Policy Institute, fully 87 percent of adults age 65+ want to "age in place" in their current home and community, and an estimated 70 percent will need help to do so.

To meet the increased demand for long-term, home-based care created by these significant demographic and preferential shifts, the size of the direct care workforce has already begun to increase, and will need to increase more dramatically over the coming years. Research by the Paraprofessional Healthcare Institute (PHI) found that the home care workforce more than doubled in size between 2005 and 2015, from 700,000 to over 1.4 million. The Bureau of Labor Statistics (BLS) predicts that over 1 million new caregivers will need to enter the field by 2024 to meet demand.

In an industry where home care agencies already struggle to attract caregivers, recruiting and retaining over 1 million new caregivers in six years is a daunting task. The 2015 Homecare Benchmarking Survey published by *Home Care Pulse* found that the current

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Home care cooperative owner Rosa Tavarez and her client Floyd Betts. Photo: Dave Sanders/CHCA

rate of turnover at home care agencies is over 60 percent nationally and has been increasing steadily since 2009. The study found that turnover rates among home care agencies in the bottom 25th percentile exceeded 100 percent, and the bottom five percent exceeded 170 percent. The ICA Group, a national consulting firm committed to fostering employee ownership, estimates that the home care industry will need to recruit and train a staggering 13 million new caregivers to meet demand by 2024 if current turnover rates persist. That is nearly four percent of the current U.S. population.

Equally staggering are the costs of turnover. Using a conservative cost of turnover at 20 percent[1] of annual wages and the 60 percent turnover rate, the industry-wide cost of caregiver turnover exceeds $6.5 billion per year—a number equivalent to 10 percent of the $61.8 billion in Medicaid dollars spent on home care in 2016. Without more caregivers entering and staying in the home care industry, America's senior citizens will be left in a serious lurch.

The retention and recruitment issues that the industry is facing are directly related to the lack of quality jobs in the industry. Across the U.S., the hourly median wage for workers in the direct care workforce is a meager $10.70 per hour—just 46 cents more than the median wage for retail and food service workers. In fact, caregivers (home care aides, personal care aides and some nursing assistants) in eight states (California, West Virginia, Texas, New Mexico, Nevada, Virginia, Louisiana and Alabama) have a median hourly wage that is less than the median hourly wage for retail and food service occupations. Further, between 2005 and 2015, caregivers' wages—when adjusted for inflation—decreased slightly. As a result, 24 percent of home care workers live in households below the federal poverty line (compared to 9 percent of all U.S. workers), and over half of all home care workers rely on some form of public assistance to make ends meet.[2]

Home Care Industry

Caregiver Turnover
60%

Yearly Cost of Turnover
$6.5 BILLION

To make matters worse, hours are inconsistent (two-thirds of home care workers work part time or for part of the year, usually not by choice). Benefits are limited and, where available, hard to access. Unlike other industries where an employee might expect to begin their career at an entry level and eventually work their way up the ladder to better jobs, home care offers almost no opportunities for career advancement or pay raises. Many career home care workers will make no more than $10-12 per hour at the end of a 40-year career, with no benefits to speak of.

The demographics of the home care workforce will create even more difficulties for worker recruitment over the coming years. The direct care workforce is

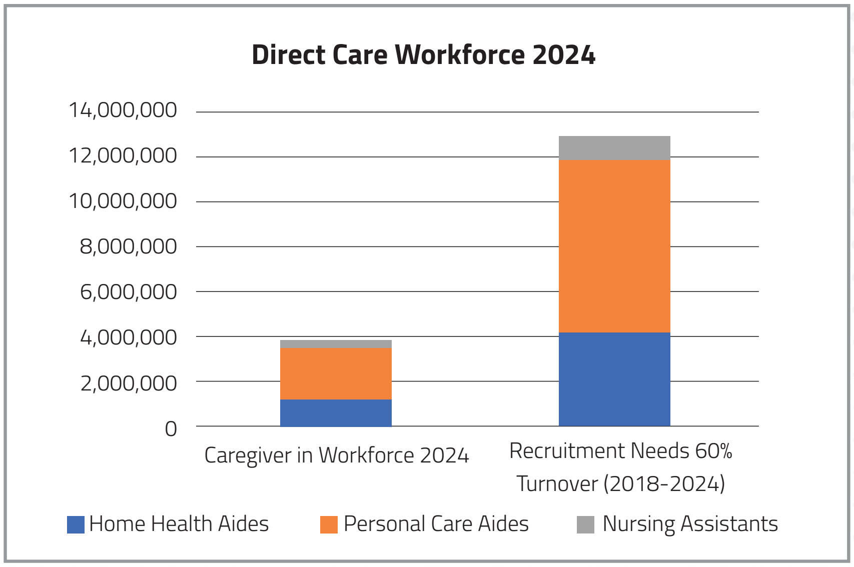
1 Paraprofessional Healthcare Institute. (2017). *The Cost of Frontline Turnover in Long-term care.* [online] Available at: https://www.phinational.org/sites/default/files/clearinghouse/TOCostReport.pdf [Accessed 24 Aug. 2017].

2 Paraprofessional Health Care Institute, U.S. Home Care Workers: Key Facts, https://phinational.org/sites/phinational.org/files/phi-home-care-workers-key-facts.pdf

90 percent women (over 50 percent women of color and over a quarter immigrant), and the median age is 45 with 28 percent of workers over the age of 55. As these workers age out of the workforce, they will need to be replaced with a younger and more diverse workforce, including notably, more men. Training requirements for home care workers are typically low and allow for workers with low levels of education or experience to enter the industry—at surface, a boon for the home care industry. But low levels of training paired with low wages and poor benefits, inconsistent hours, inadequate staff supports and a general lack of understanding of the difficulty of the job results in higher turnover as new caregivers are not adequately prepared for the job and look elsewhere for work.

Seventy-two percent of home health care revenue comes from public programs and reimbursement rates are low, driving down wages across the industry. Nationally, per-hour Medicaid reimbursement rates ranged from $13.43-18.82 on average in 2015, barely enough to cover agencies' costs to hire, train and supervise employees—let alone offer pay raises or benefits of any sort.[3] The remaining 28 percent comes from a mix of private pay, longterm care insurance and private pay insurance.[4] Competition for private pay—the most lucrative revenue source—is strong, backed in some cases by tens of millions of dollars of venture capital for those testing primarily tech-based solutions to the home care crisis. But even private pay rates are low, given the precedent set by public pay rates and the reality of individuals' ability to pay. As the Baby Boomer generation ages, the already small private pay pool is likely to decrease as few can afford long-term care out-of-pocket. In nearly all states, the annual cost of home care is already well over 100 percent of state median wages, meaning those in the private-pay market today may very quickly find themselves in the public-pay market tomorrow.[5]

For agencies of all stripes, finding more money for increased salaries and benefits, training and worker supports, and investments in career advancement opportunities feels like a pipe dream, especially as the



Affordable Care Act remains under fire and hundreds of billions of dollars for home health reimbursements are at risk. Given this environment of low wages, agencies that can offer more competitive hourly wages and consistent hours can significantly reduce turnover. This is supported by the most recent Homecare Pulse survey that found turnover rate is tied directly to caregivers' pay, with an estimated 13 percent reduction in turnover rate for every $1 increase in hourly wages. But low margins make it difficult for home care agencies to increase salaries. Tapping into the private pay market is certainly a strategy many companies are pursuing, and here worker-owned cooperatives can gain advantage through increased quality, smart marketing and relationship building, but more will need to be done to affect any significant shift in worker outcomes in the home care industry. Here cooperatives offer a guiding light.

The cooperative advantage

In the home care industry, there are five main factors that are consistently correlated with successful recruitment and, importantly, retention of home care workers: increased wages, access to employer-sponsored health insurance, quality training, peer

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3 Kaiser Family Foundation, Medicaid Home and Community-Based Services Programs: 2013 Data Update, October 2016, http://www.kff.org/report-section/medicaid-home-and-community-based-services-programs-2013-data-update-report-8800-02/

4 Paraprofessional Health Care Institute, U.S. Home Care Workers: Key Facts, https://phinational.org/sites/phinational.org/files/phi-home-care-workers-key-facts.pdf

5 https://www.genworth.com/about-us/industry-expertise/cost-of-care.html

mentoring and opportunities for advancement—in short, worker-focused investments. Few home care companies are willing or able to make these investments in their workers, however, and instead resort to "quick-fix" recruitment strategies such as sign-on bonuses, gas cards and promises of higher pay, primarily through contract-based work. Competition is fierce, particularly as home care franchises continue to mushroom and agencies fight to attract workers from an already limited and shrinking pool. Karen Kulp, President of Home Care Associates (HCA), a cooperative home care company based in Philadelphia, notes franchise recruiters going so far as to approach workers outside of HCA's building or in the lobby.

In an industry where two-thirds of direct care workers work part-time or for part of the year—many not by choice—guaranteed hours have a stabilizing effect for both workers and clients.

While few of the tens of thousands of home care companies in the U.S. are willing—or able—to make deep investments in their direct care workers as a strategy to combat recruitment and retention challenges, home care cooperatives are a notable exception to this rule. Cooperative Home Care Associates (CHCA), the nation's largest worker-owned cooperative, employing over 2,000 workers, presents a strong case in point. Long before New York's minimum wage increase and revision of the Fair Labor Standards Act to include "companionship workers," CHCA was offering its caregivers above-average wages, overtime pay and benefits totaling over 85 percent of CHCA's hourly contract rate.

Today, CHCA continues to be the leader in worker-focused benefits for home care workers. The cooperative offers free four-week home health aide training, financial literacy training, peer mentoring and coaching, career advancement opportunities, opportunities for company ownership, and an equal voice in the operations of the company. Caregivers who complete CHCA's four-week training program receive dual certification as a Certified Home Health Aide and Personal Care Assistant, and are guaranteed employment in CHCA. Notably, CHCA also offers a unique guaranteed-hours program. Under the program, CHCA provides eligible employees with 30 hours of guaranteed work, provided they meet set requirements, including a commitment to accept all assignments and be on call every other weekend. In an industry where two-thirds of direct care workers work part-time or for part of the year—many not by choice—guaranteed hours have a stabilizing effect for both workers and clients. Together, these investments have resulted in a 15 percent turnover rate, almost unheard of in the industry. CHCA has economies of scale on its side, but smaller cooperative agencies show similarly promising results.

Home Care Associates in Philadelphia, an offshoot of CHCA, has more than 200 workers and offers a similar package of competitive wages and benefits, training and career advancement, and ownership and voice. HCA boasts an average length of employment of nearly four years in an industry in which three-quarters of workers have been employed less than 12 months. At Wautoma, Wisconsin-based Cooperative Care—which employs 35 caregivers and derives 85 percent of its revenue from Medicaid funding—the majority of employees have been with the cooperative for more than two years, and 30 percent have been with the agency for more than five, including three founders who have been with the organization since its founding 15 years ago. The turnover rate for home care companies in the Great Lakes region where Cooperative Care is based is 89 percent. In a rural area like Wautoma, where medical facilities are scarce, the support of home care workers is a lifeline for many homebound seniors and individuals with disabilities.[6] Similarly sized Circle of Life in Washington has a turnover rate of 30 percent, half the national average.

This investment is paying off. When comparing a traditional home care agency with a home care cooperative of the same size, the ICA Group found that lower turnover rates can save just under $250,000 a year for an organization with 100 full-time equivalent employees. This savings is equivalent to the salaries of 11.25 full-time employees a year, or nearly 10 percent

6 Bau, M. and Harrington, D. (2003). House calls: In-home care givers form cooperative to provide vital service for elderly, disabled in rural Wisconsin. Rural Cooperatives, (Vol. 70, No. 3).

of salary and recruitment expenses. Retention of workers over the long-term allows cooperatives like CHCA to invest saved time and money into training and supporting their employees—and well trained and supported workers provide better care. Access to reliable, quality care improves client retention, which boosts referrals of new clients and workers, ultimately increasing company sustainability. More simply, investing in workers saves money, builds stability and raises quality. The challenge for smaller-scale home care cooperatives—particularly those reliant on public funding—is accessing the upfront capital to make these investments possible.

Home care cooperatives have a clear "cooperative advantage" in retaining workers and providing higher quality care to recipients. CHCA, HCA, Cooperative Care, Peninsula Home Care and the six other home care cooperatives operational across the U.S. are, however, hardly immune to the struggle to recruit new workers. For many, if not most, recruitment of enough workers to meet demand is undermining their stability and prospects for growth. At the crux of the home care staffing crisis for both traditional home care agencies and home care cooperatives alike is the elephant in the room—a deep public underinvestment in home care and home care workers.

Working for (but not waiting for) public investment

Within the home care industry, worker-owned cooperatives solve half of the puzzle. Worker-owned agencies reduce turnover and increase retention, which ultimately increases quality of care. The missing piece, however, is efficiencies of scale. Here, purchasing and producer cooperatives offer an interesting model to consider.

With over 9,000 retail owners between the two purchasing cooperatives, True Value and Ace Hardware are among the best-known success stories within the co-op ecosystem. In this structure, member businesses benefit from lower costs from bulk purchases, along with group advertising, branding and other marketing activities. Similarly, producer cooperatives like Organic Valley and Ocean Spray band independent farmers together to buy farm inputs, equipment and insurance, hire managers and salespeople, market and advertise together, and manage distribution networks. Both structures combine the benefits of large-scale resource efficiencies with the benefits of local ownership and control.

Within home care, the most time and cost consuming activities for company management are unsurprisingly recruitment, scheduling and supervision of caregivers, and billing. Other costs include new client intake and record management, marketing and selling, and payroll processing. Nearly all tasks could be consolidated centrally and shared among multiple small cooperatives, significantly reducing the burden on any one entity without compromising company autonomy. Consolidating or sharing these activities would free up both financial resources and management time to bring in new business, enhance training and prioritize other worker benefits, all of which will further support company stability and growth. As a networked group, these cooperatives could compete for contracts not available to smaller, individual agencies, allowing them to bring in more capital. Finally, as a consolidated group, home care cooperatives could better advocate for policy changes at the state and national level.

Cooperative Home Care Associates provides a view into how this could work. As a large institution, CHCA can leverage efficiencies of scale that allow it to maintain a low percentage of overhead costs. Additionally, CHCA is networked with the Paraprofessional Healthcare Institute (PHI) and Independence Care System. PHI, also based in New York City, is a nonprofit organization that works to improve longterm services and supports for elders and individuals with disabilities, as well as improve the job quality of the direct-care workers who provide those services. Independence Care System is a New York-based managed care plan that serves more than 46,500 members who have physical disabilities and chronic conditions to live at home and participate fully in community life.

PHI created and continually improves upon CHCA's training program and works closely with CHCA to develop and test new worker focused programs. As a nonprofit organization, PHI draws on foundation funding to support this work, which benefits the work of CHCA and many other home care agencies nationally. Independence Care System provides a strong client pipeline through institutional contracting. Together, the three institutions form a strong voice to advocate for public policy that supports quality jobs and quality in-home care.

By achieving efficiencies of scale and strategically leveraging resources, CHCA can better support its worker focused investments that drive recruitment and retention and increase quality. An organization that fills the roles of PHI, ICS and a producer cooperative for all home care cooperatives on a national scale could transform the home care industry.

Scaling home care cooperatives

Creating high-quality jobs in home care will ultimately require policy change to address systemic underinvestment, but in today's political environment this will likely be a long wait. In the meantime, despite growing demand, an average of 900 home care companies close up shop each year and large, national conglomerates are increasingly gaining ground through mergers, acquisitions, franchising and game-changing joint ventures. What these larger companies have on their side is efficiencies of scale. In home care, it is largely a numbers game and at low margins, every penny counts. What large, national conglomerates lack however, is investment in workers.

The true "secret-sauce" needed to improve recruitment and retention and solve the home care crisis is combining efficiencies of scale with the cooperative-ownership model. Cycling time and financial savings from shared services back into organizations and their workers in the form of increased wages, better benefits, advanced training, worker supports and career development pathways is what will truly make a difference, and being worker-owned and controlled will ensure that this investment is made. In turn, increased worker retention in home care cooperatives will further improve quality of service, increasing client retention and client lifetime revenue, an important metric of business success, ultimately allowing co-ops to scale. While the challenges ahead are great, home care cooperatives may just be the key to solving America's home care crisis.

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