

# **Opportunities for Personal Care Services: An Analysis of Markets in the State of Wisconsin**

**Prepared by:  
The ICA Group  
Brookline, MA**

***November 30, 2015***

---

# Contents

Executive Summary.....	3
National Industry Perspective.....	5
The Wisconsin Market .....	6
Cooperative Care: The Market for Growth.....	7
Strategy A: Growth Through Expansion into New Service Areas.....	8
Methodology.....	8
Relationship Between Size and Service Area .....	8
Analysis of Major Markets in Wisconsin .....	10
Coverage Screen Map .....	11
Market Analysis.....	13
Attractive Markets .....	13
Unattractive Markets .....	14
Market-by-market details .....	16
Strategy B: Growth Within Existing Market.....	20
Opportunity in Current Service Area .....	20
Opportunity within Current Managed Care Organizations(MCO) Funders .....	21
Opportunity to Serve Veterans Through VAs at Higher Rates.....	25
Strategy C: Growth Through Adding New (Medical) Service Lines.....	25
Evaluation of Firm Size within HHA/PCA Industry .....	25
Appendix A: Market Analysis Screens.....	27
Competition .....	28
MCO Enrollment .....	29
Total Funders .....	30
Median Household Income.....	31
Population Density.....	32
% with Public Insurance .....	33
% of Total Population in Home Care Subset .....	34
Appendix B: MCO Coverage by County.....	35

## Executive Summary

The market for personal care services is growing rapidly across the country, fueled by an aging population, medical advances making in-home care a viable alternative in more situations, a growing sense of urgency for the need for more cost-effective treatment options as well as an emerging recognition of the place of home care in the healthcare spectrum of services. In Wisconsin, as in the rest of the nation, the field is highly fractured with over 1,000 firms sharing close to \$1.5 billion in revenue per year.

Significant differences exist amongst the state's 72 counties, with high concentrations of population and (with the exception of Milwaukee proper) higher median income in the southeastern corner of the state, encompassing the cities of Milwaukee and Madison, as well as communities considered part of the wider Chicago-land metro area. This area is currently well-served by existing home care providers. Northcentral Wisconsin represents in many ways an opposite demographic, with far fewer providers and a high concentration of individuals accessing public insurance, a prime market for most home care providers. However, the generally sparse population and highly disbursed nature of residential centers in this region make it a challenging market for home care, an industry where unreimbursed travel time represents a significant cost.

Cooperative Care is a Personal Care Agency (PCA), which means it currently provides only non-medical services. The Coop is considering additional possible markets and strategies for growth, and to this end, the ICA Group evaluated the following options:

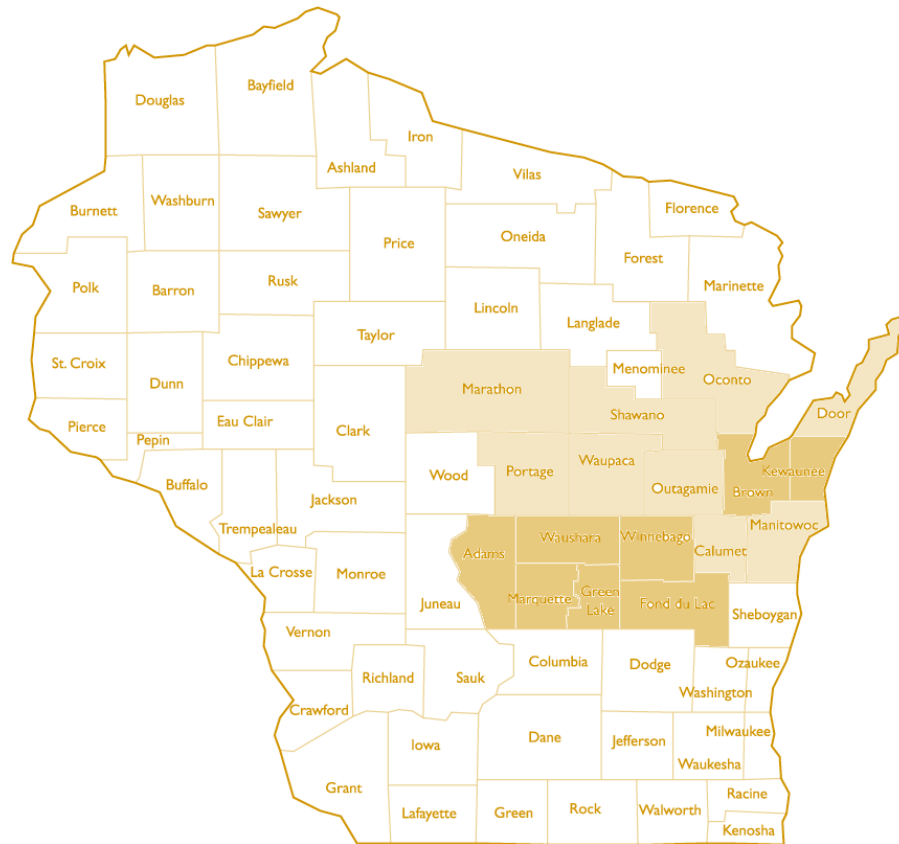
- A. Expand geographically into new markets**
- B. Grow within existing market**
- C. Add new (medical) service lines**

Using a combination of interviews and database analysis and market research that considered current coverage, competition, public program enrollment, concentration of funding agents, as well as demographic factors such as median household income, age, and population density, the ICA Group determined the following:

- A.) Growth is recommended in the following geographical areas (in order of attractiveness):***
  - a. Northeast from its current service area into the Appleton/Oshkosh and Green Bay markets, and***
  - b. North towards Wausau through Portage county into Marathon county***
- B.) There is the opportunity for more business in Cooperative Care's existing service area, especially with regard to partnerships with Managed Care Organizations (MCOs) such as Lakeland Care Districts and Care Wisconsin, and working with Veterans Affairs.***

***C.) Cooperative Care should consider the costs and benefits of adding medical services due to the higher profit margins and revenue associated with Home Health Agencies (HHAs), which provide medical services, as compared to PCAs, which provide only non-medical services.***

Below is a map of the Cooperative Care’s service areas. Dark gold is current service area; lighter gold is area recommended for expansion.



While this analysis was conducted without reference to the existing location of Cooperative Care, the only worker-owned home care cooperative in Wisconsin, these “attractive” markets for expansion fortuitously either border, or are already included in the company’s current service area. This situation lends support to a strategy of aggressive geographic expansion for the Cooperative.

## National Industry Perspective

The demand for home care services is expected to continue to grow at a strong and steady pace, estimated by industry analysts at 6.5% per year over the next five years (2015-2020). Recent and potential future cuts in federal funding, however, have placed pressure on industry profit margins, which are expected to decline by 6-7% in the near future.<sup>1</sup>

Home care is a highly fragmented market, with more than 90% of establishments being single-person entities, and most multi-person establishments still relatively small. The largest player in the industry controls just 3.2% of market share. As a highly labor-intensive, low capital industry there are relatively few obvious economies of scale. Nonetheless, the industry is seeing some heightened merger and acquisition activity recently, as operators scramble to squeeze every efficiency possible from their operations.

The growing population of Americans over 65 is certainly considered a key driver for the industry. The number of senior adults is both growing in absolute terms, and is also growing at a faster rate than the general population, thus making up a larger share as time goes on. Other primary drivers of growth are the growing number of individuals with health insurance (source of 8% of industry revenue), and the relative affluence of the baby boomer generation now reaching retirement. Out-of-pocket payments currently make up about 10% of overall industry revenue, and the current generation of “young” and rising seniors is more likely to be able to afford both private insurance and out-of-pocket payments than previous age cohorts. A sour note on the horizon is the forecast for a decline in Medicare reimbursements, something industry analysts note as a potentially significant industry threat.<sup>2</sup>

While homecare is gaining increased acceptance by healthcare professionals if for no other reason than its superior value proposition (the Medicare program can provide home- and community-based care to three individuals for the same cost as a single nursing home resident according to estimates from the AARP Public Policy Institute), this recognition has not (yet) resulted in increased payments for services. Unlike many other sectors in healthcare, the homecare industry does not have strong political representation and thus has been, and may continue to be, an “easy target” for federal cuts.<sup>3</sup> In response to lower payments, some larger players have developed specialized and chronic disease management services. As a large percentage of Medicare patients suffer from more than one chronic condition (asthma, heart disease, diabetes etc.) such chronic care is expected to be a substantial source of revenue in years to come.

---

<sup>1</sup> IBISWorld 62160

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

## The Wisconsin Market

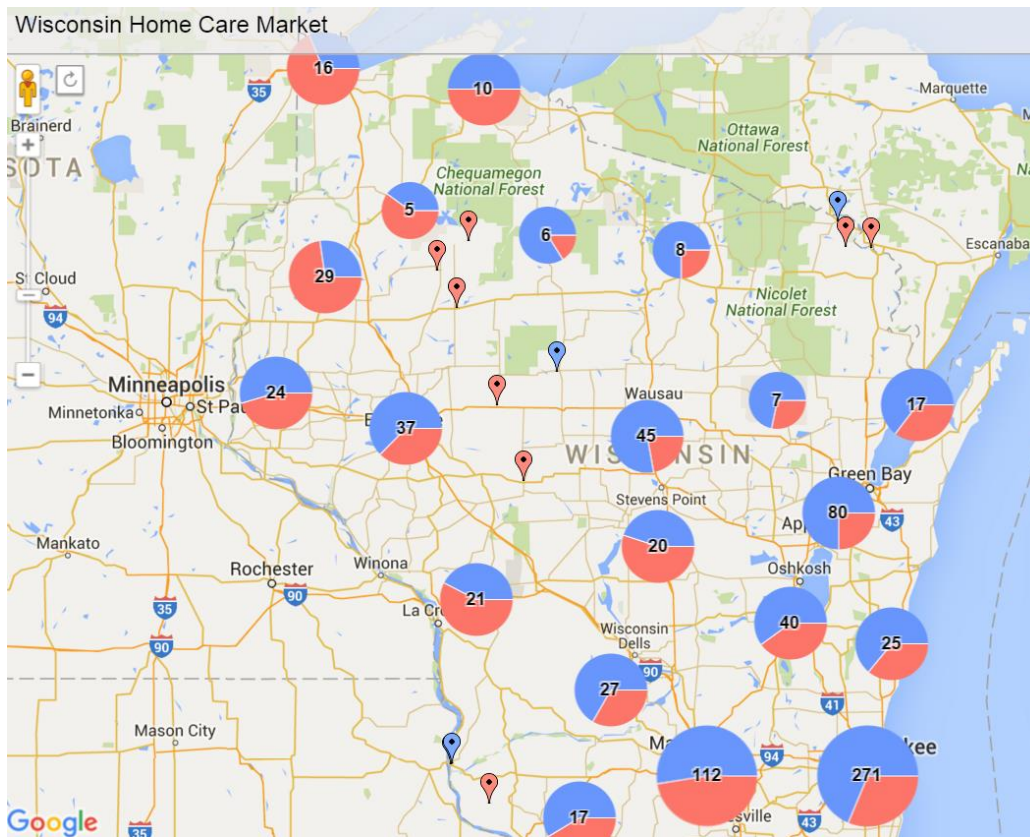
The combined market size for Home Health Agencies (HHAs) and Personal Care Agencies (PCAs) in Wisconsin is almost \$1.5 billion annually, with roughly 54% of revenue being captured by the HHA market and 46% by PCA firms. HHAs provide both non-medical and medical care, while PCAs only provide non-medical care.

### Market Sizes (2013)

NAICS 621610 - Home Health Agencies	Total Establishments	% Establishments	Revenues	% Revenues
Employers	342	9%	\$728,814,135	92%
Non-Employers (1 person)	3,537	91%	\$62,096,000	8%
	<b>3,879</b>	<b>100%</b>	<b>\$790,910,135</b>	<b>100%</b>

NAICS 624120 - Personal Care Agencies	Total Establishments	Revenues	% Revenues
Employers	715	\$650,298,846	96%
Non-Employers (1 person)	1,785	\$29,145,000	4%
	<b>2,500</b>	<b>\$679,443,846</b>	<b>100%</b>

Source: U.S. Census Bureau



Blue is proportion of home health agencies (HHAs). Red is proportion of personal care agencies (PCAs).

As nationally, the vast majority (83%) of establishments in this industry in the state of Wisconsin are one-person enterprises. However there are over 1,000 firms in the state with paid employees that have current (or potential) capability to provide personal care services. About one-third of these firms are HHAs, while the other two-thirds are PCAs.

About 33% of all Wisconsin HHA/PCA firms are located in the Milwaukee metro area (see map below). About 15% are in the Madison metro area while another 10% are located in Green Bay and surrounding communities.

### Cooperative Care: The Market for Growth



*Cooperative Care's Existing Market- 2015*

Cooperative Care is a ten-year old worker-owned home care cooperative which currently has about fifty employees and averages \$1 million to \$1.5 million in annual revenue. Cooperative Care began by serving a single customer (the county) in Waushara County and currently provides services through multiple funders in Adams, Fond du Lac, Green Lake, Marquette, Waushara, and Winnebago counties of Central Wisconsin, as well as Brown and Kewaunee counties further northeast. Their primary revenue comes through Medicare and Medicaid. The Coop is considering additional possible markets/strategies for growth, and to this end, the ICA Group evaluated the following options:

- A. Expand geographically into new markets**
- B. Grow within existing market**
- C. Add new (medical) service lines**

The results are presented below.

#### Strategy A: Growth Through Expansion into New Service Areas

***Overall Cooperative Care is well positioned for growth geographically in the state due to its central location. Growth is recommended in the following directions (in order of attractiveness):***

- A.) Northeast from its current service area into the Appleton/Oshkosh and Green Bay markets, and***
- B.) North towards Wausau through Portage county into Marathon county***

#### Methodology

##### *Relationship Between Size and Service Area*

To achieve meaningful economies of scale, the cooperative should not stop with the addition of Brown and Kewaunee, but rather continue to add geographic territory in a strategic way in order to achieve the economies enjoyed by the enterprises in the next size cohort.

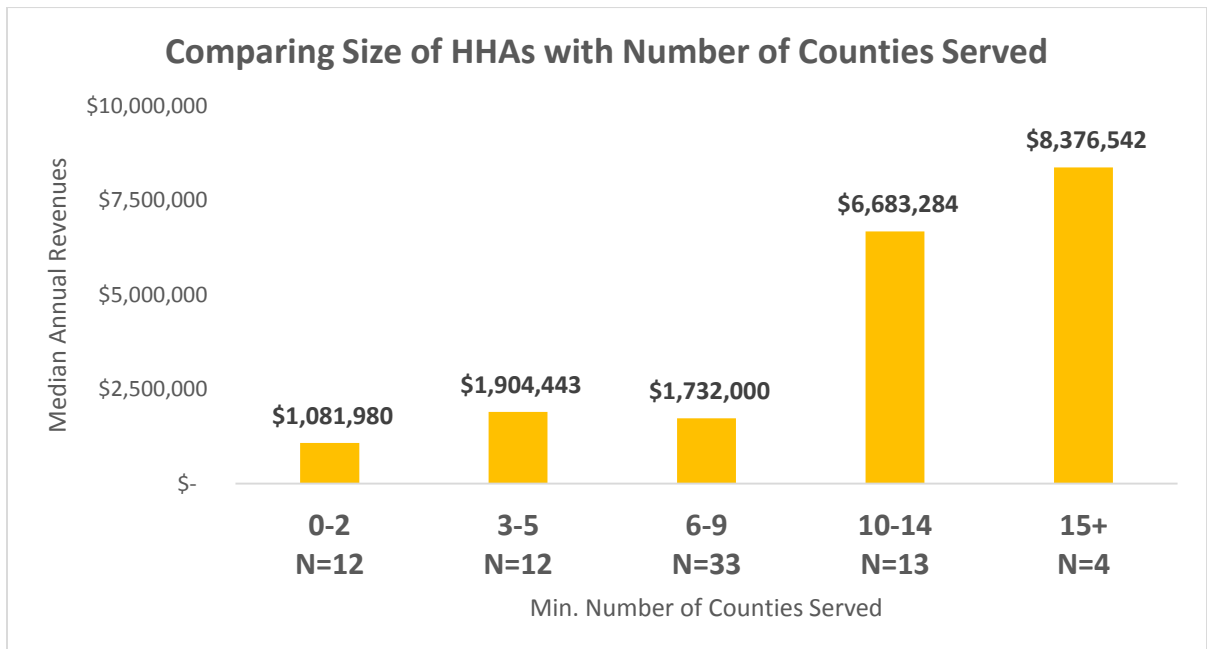
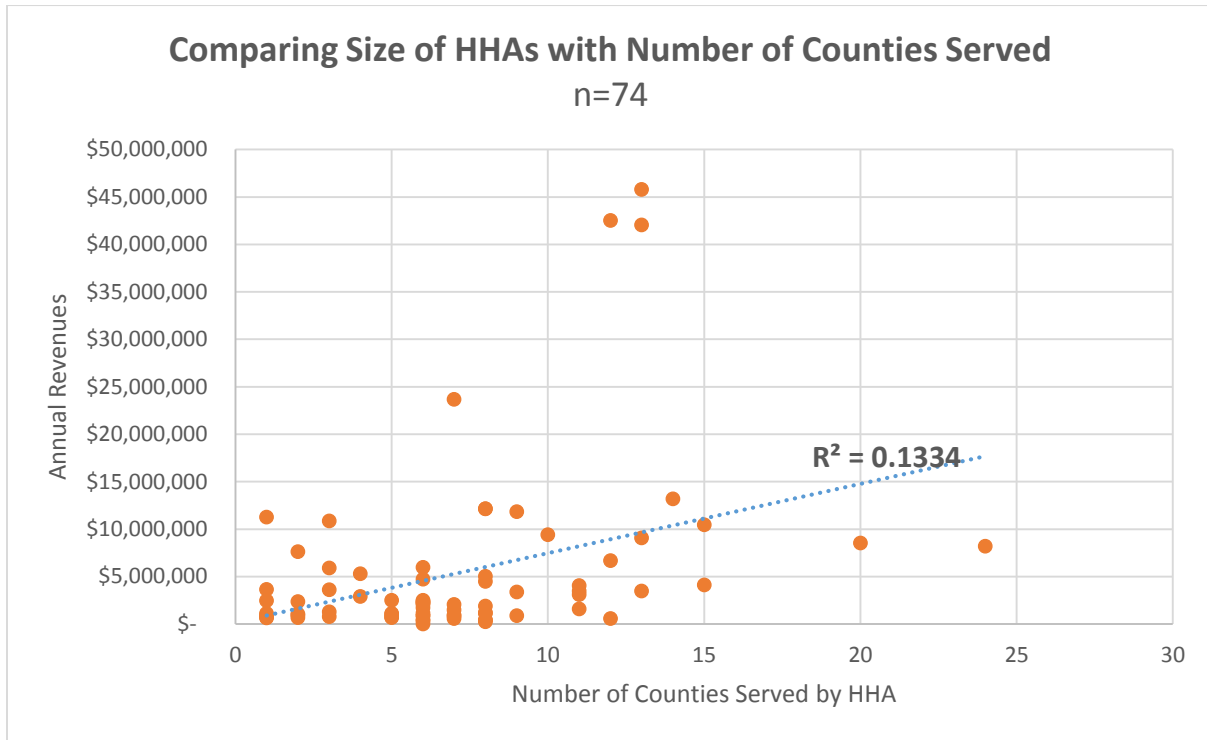
To arrive at these conclusions, we used a publicly available database of HHAs in Wisconsin<sup>4</sup> and found that the number of counties served by an HHA is **loosely correlated** with size of an HHA in annual revenues (see scatter chart below) until number of counties served is ten or greater (see bar chart below). At that point we see quite a large jump in median annual revenues with the service of additional counties. Thus growth through geographic

---

<sup>4</sup> We were only able to access this data regarding HHAs as county coverage data for PCAs was not available for Wisconsin. However, these industry sectors are closely related and share many common characteristics.



expansion is possible, but the commitment should be to serving a wide area of counties grouped in a meaningful way (similar funders etc.) not just incrementally adding a few additional counties. Cooperative Care is currently serving six counties, with an additional two recently brought on board.



### *Analysis of Major Markets in Wisconsin*

On a county-by-county basis, ICA evaluated every market in the state of Wisconsin according to eight criteria found to influence the success of home care enterprises. This analysis was largely done without consideration of where Cooperative Care is currently located. Fortunately, Cooperative Care's current service area borders (or includes) each of the most "Attractive Markets," laying the foundation of an argument in favor of an aggressive geographic expansion strategy.

ICA performed a county-by-county analysis of the market for personal care services across Wisconsin, and then combined counties to produce analysis by major statistical areas.

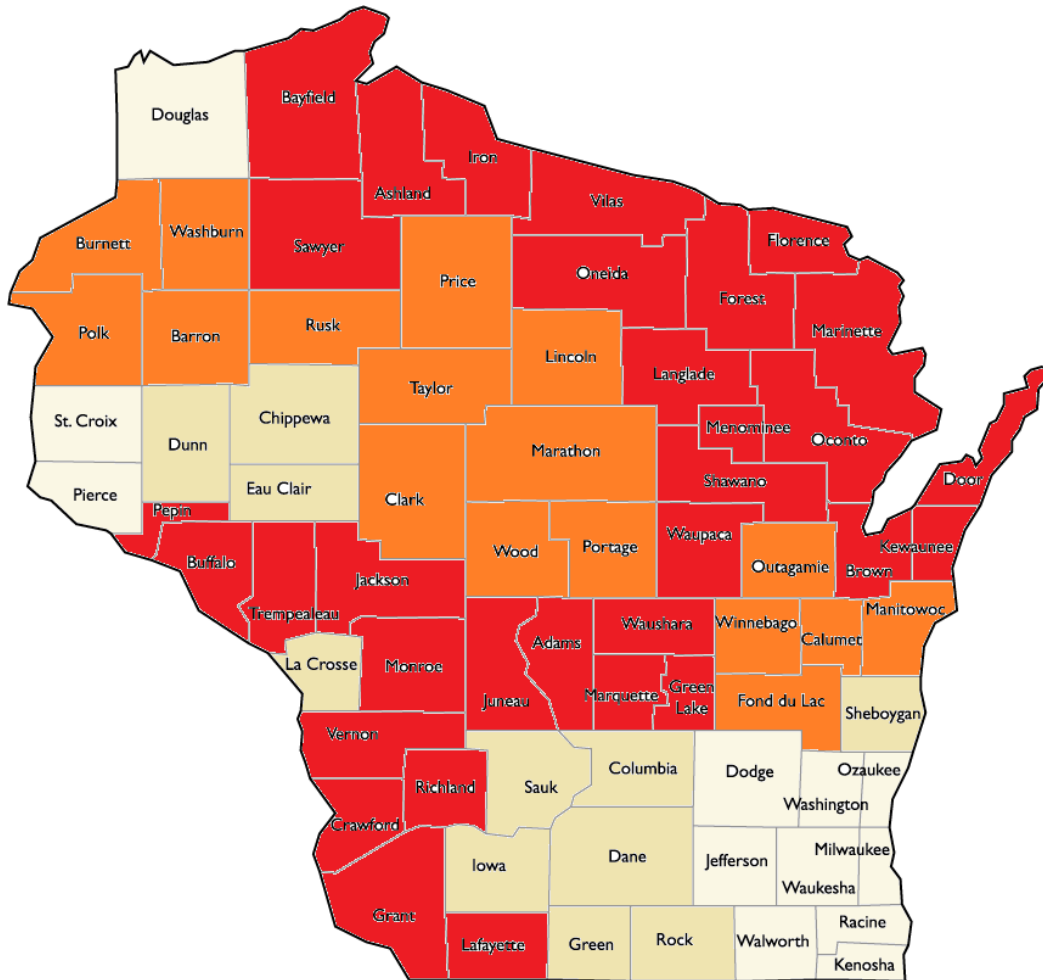
ICA used a number of screens to evaluate each county, and developed an opinion of the opportunity in each county (or lack thereof) based on the combination of multiple screens.

**The primary and most important screen was "Coverage,"** or the estimated number of frail elderly and disabled adults that could benefit from personal care services (i.e., the home care subset) divided by the number of personal care aides (PCAs) and home health aides (HHAs) employed in the same area. The "Coverage" screen map is presented below.

Those counties that appear darker in (red) color are those deemed most attractive by the coverage screen – that is, these are the counties where there is the highest proportion of potential clients relative to the number currently being served by the available workforce. Those that are orange are the next most attractive, while those counties that appear tan or cream colored are those which either have relatively few potential clients and/or those where the potential client base is already being served by existing home care companies.

A note of caution when using this data is that while the "coverage" metric *does* include the available labor force as one element of its calculation, within the context of this market analysis we did not examine the availability of the necessary workforce as an independent variable; our analysis focused on the effective potential for revenue, not labor supply. Of course the ability to recruit staff that are both qualified and interested in being members of the co-op are additional factors that Cooperative Care must consider and should be addressed in any business plan around expansion.

## Coverage Screen Map



To further identify the most attractive markets, ICA applied seven additional data screens (maps of each of these is included as appendices at the end of this report). These include:

- Competition (# of HHAs/PCAs serving a county)
- Managed Care Organization (MCO) Enrollment (% of the home care subset in a county enrolled within an MCO's Family Care program)
- Total Funders (# of MCOs serving a county)
- Median Household Income
- Population Density
- % of Population with Public Health Insurance Coverage
- % of Total Population in the Home Care Subset

A chart of each county with its score on each of the eight criteria follows as well as a subsequent chart where counties are grouped into markets:

County	Coverage	Competition	MCO Enrollment	Total Funders	Median Household Income	Population Density	% with Public Insurance	Personal Care Demographics
Adams	4	3		1	2	2	4	4
Ashland	4	4	1	1	1	1	4	4
Barron	3	2	3	1	1	3	3	3
Bayfield	4	4	4	1	2	1	4	4
Brown	4	1	4	2	3	4	1	1
Buffalo	4	3	2	2	2	1	3	3
Burnett	3	3	4	1	1	1	4	4
Calumet	3	2	2	2	4	4	1	1
Chippewa	2	3	2	1	3	3	3	3
Clark	3	3	1	2	1	1	2	2
Columbia	2	1	3	2	4	3	2	1
Crawford	4	4	1	1	1	2	3	4
Dane	2	1	1	1	4	4	1	1
Dodge	1	1	4	2	3	3	1	2
Door	4	4	4	2	3	3	3	4
Douglas	1	3	2	1	2	2	3	3
Dunn	2	2	2	1	3	3	2	1
Eau Claire	2	3	1	1	2	4	1	1
Florence	4	4		1	2	1	4	4
Fond Du Lac	3	1	1	2	4	4	2	2
Forest	4	4		1	1	1	4	4
Grant	4	4	2	1	2	2	2	1
Green	2	2	2	1	4	3	2	2
Green Lake	4	2	2	2	2	3	3	3
Iowa	2	4	4	1	4	2	1	1
Iron	4	4	4	1	1	1	4	4
Jackson	4	2	1	2	1	1	3	3
Jefferson	1	1	1	2	4	4	1	3
Juneau	4	3	3	1	2	2	4	3
Kenosha	1	1	3	3	4	4	2	2
Kewaunee	4	3	3	2	4	3	2	3
La Crosse	2	3		2	3	4	1	1
Lafayette	4	3	2	1	3	1	1	2
Langlade	4	4	3	1	1	1	4	4
Lincoln	3	4	2	1	3	2	3	3
Manitowoc	3	2	3	2	3	3	2	3
Marathon	3	3	1	1	4	3	2	2
Marinette	4	3		2	1	2	4	4
Marquette	4	3	3	2	2	2	3	4
Menominee	4	4		2	1	1	4	1
Milwaukee	1	1	2	3	1	4	3	3
Monroe	4	3	1	2	3	3	2	3
Oconto	4	2	4	2	3	2	2	2
Oneida	4	4		1	2	2	4	4
Outagamie	3	1	4	2	4	4	1	1
Ozaukee	1	1	4	3	4	4	1	1
Pepin	4	3	2	2	2	2	2	3
Pierce	1	2	3	1	4	3	1	1
Polk	3	2	4	1	2	2	3	3
Portage	3	3	1	1	3	3	1	1
Price	3	4	1	1	1	1	4	4
Racine	1	1	3	3	4	4	2	2
Richland	4	4	1	1	2	2	3	3
Rock	2	1		1	3	4	3	2
Rusk	3	2	2	1	1	1	4	3
Sauk	2	2	2	1	3	3	2	1
Sawyer	4	3	3	1	1	1	4	4
Shawano	4	2		2	2	2	3	2
Sheboygan	2	1	2	3	3	4	1	2
St. Croix	1	2	4	1	4	3	1	1
Taylor	3	4		1	2	1	3	2
Trempealeau	4	2	1	2	3	2	2	2
Vernon	4	3	1	2	2	2	2	3
Vilas	4	4		1	1	1	4	4
Walworth	1	1	4	3	4	4	1	2
Washburn	3	3	3	1	1	1	4	4
Washington	1	1	3	4	4	4	1	1
Waukesha	1	1	4	4	4	4	1	1
Waupaca	4	3	3	2	3	3	3	2
Waushara	4	2	3	2	1	2	4	4
Winnebago	3	2	4	2	3	4	1	2
Wood	3	4	1	1	2	3	3	2

<i>Ranking of Markets for Personal Care Services in Wisconsin</i>	<i>Overall Score, Weighted by Population</i>
Non-metropolitan- South Central	25.9
Non-metropolitan – Northern	24.7
Green Bay-Shawano, WI CSA	24.7
Manitowoc, WI MSA	24.0
Appleton-Oshkosh-Neenah, WI CSA	23.4
Non-metropolitan - South West	23.0
Fond du Lac, WI MSA	22.0
Wausau-Merrill, WI CSA	21.6
Non-metropolitan - West Central	21.5
<b>Median</b>	<b>21.5</b>
Sheboygan, WI MSA	20.0
Milwaukee-Racine-Waukesha, WI CSA	19.7
Eau Claire-Menomonie, WI CSA	18.8
Douglas County	18.0
La Crosse Metropolitan Area	18.0
Madison-Baraboo, WI CSA	17.8
Minneapolis-St. Paul-St. Cloud, MN-WI CSA	17.7

## Market Analysis

Those markets that appear in green in the chart above are those that are deemed to be the most fertile for additional home care agency capacity. Those that appear in red are designated as “unattractive” for reasons that are described below. To arrive at the composite score, each screen was given a weight of 1-4 determined by the quartile of that county compared with other Wisconsin counties based on the same screen; four was the best score, one the lowest. The coverage criteria was given twice the weight of other screens because in our experience it gives the best sense of market opportunity.

By this analysis, the most attractive markets for Cooperative Car to expand in are (in order):

### Attractive Markets

1. **Green Bay-Shawano, WI CSA<sup>5</sup> (Brown, Menominee, Shawano, Kewaunee, Oconto)**
2. **Manitowoc, WI MSA**
3. **Appleton-Oshkosh-Neenah, WI CSA (Outagamie, Winnebago, Calumet)**
4. **Fond Du Lac, WI MSA**
5. **Wausau-Merrill, WI CSA (Marathon, Lincoln, Wood, Portage)**

<sup>5</sup> A **Combined Statistical Area (CSA)** is composed of adjacent Metropolitan (MSA) and Micropolitan **Statistical Areas** that demonstrate economic or social linkage.

The **Northern, South West, and West Central** areas of Wisconsin may appear attractive at first glance, as they are largely underserved and have low levels of competition. However, they are also sparsely populated with low median household incomes in each county, making them challenging to efficiently serve. The South West Wisconsin market is especially difficult to serve as rates of public insurance are also very low there. For this reason, these areas failed to score highly when the complete analysis was taken into consideration.

Douglas County bears special mention because it is a part of the Duluth MN MSA. Because the majority of the population of the MSA resides in the state of Minnesota and we didn't analyze the Minnesota market, we did not include Douglas County in our list of expansion possibilities. It would not be advisable to expand into Douglas County unless it was part of a larger strategy to expand to serve the entire Duluth MN MSA and an analysis of that possibility is outside the scope of this report.

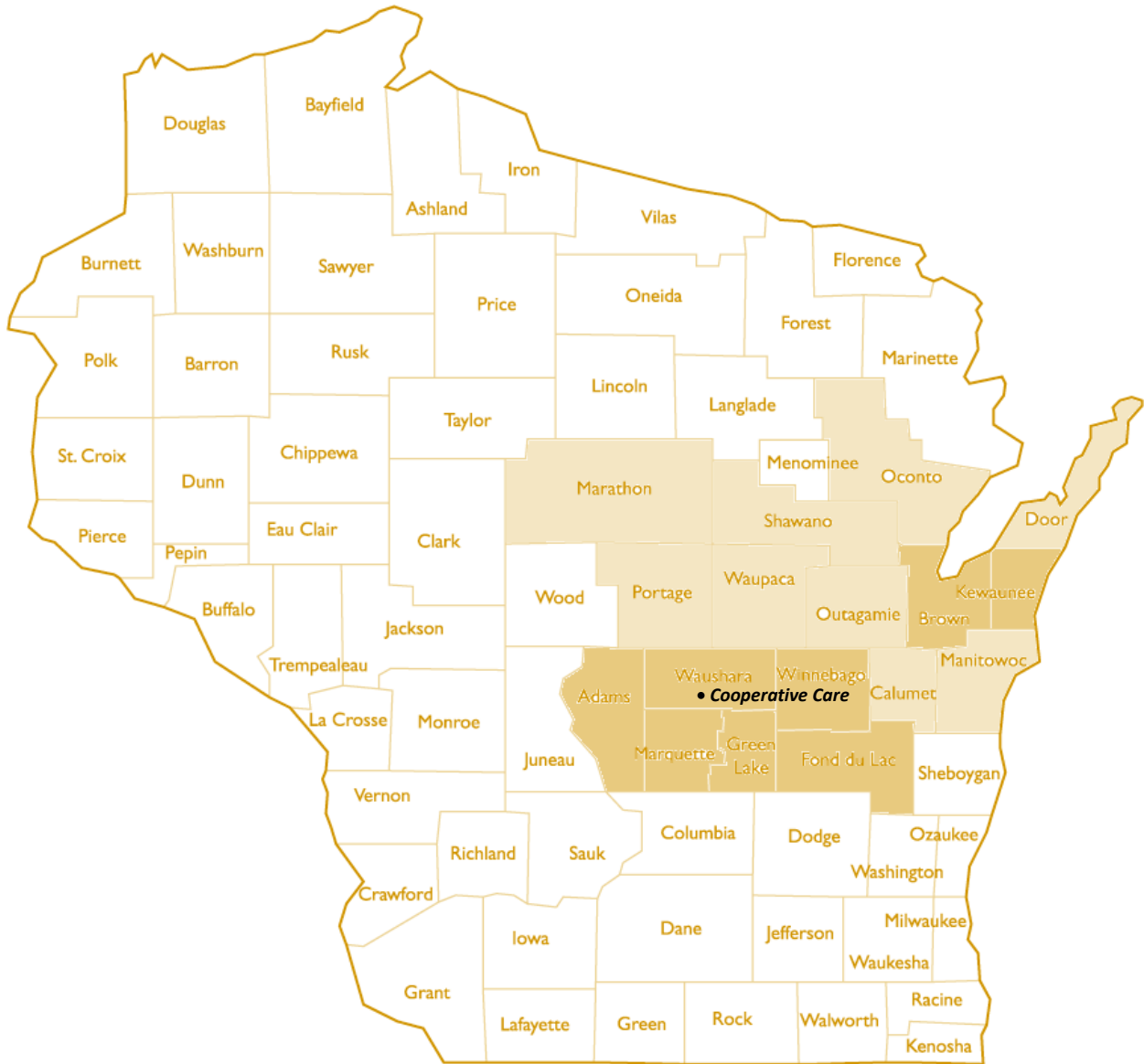
A summary of markets that were deemed "unattractive" for expansion at this time include:

#### *Unattractive Markets*

- 6. Sheboygan, WI MSA**
- 7. Milwaukee-Racine-Waukesha, WI CSA (Dodge, Washington, Ozaukee, Jefferson, Waukesha, Milwaukee, Walworth, Racine)**
- 8. Eau Claire-Menomonie, WI CSA (Eau Claire, Chippewa, Dunn)**
- 9. La Crosse Metropolitan Area**
- 10. Madison-Baraboo, WI CSA (Dane, Green, Rock, Sauk, Columbia, Iowa)**
- 11. Minneapolis-St. Paul-St. Cloud, MN-WI CSA**

Following is a map of what Cooperative Care's service area would look like if the Cooperative were to pursue these four attractive new markets (the coop is already active in Fond du Lac county so market does not require territory expansion):

RECOMMENDED SERVICE AREA  
For  
COOPERATIVE CARE



*Dark gold is current service area; lighter gold is area recommended for expansion.*

### *Market-by-market details*

Following are supporting details about each of the major markets that were considered both “attractive” for expansion and “unattractive.” As above, the attractive markets are labeled in green, the unattractive ones in red.

#### **Attractive Markets for Expansion:**

- **Green Bay-Shawano, WI CSA (Brown, Menominee, Shawano, Kewaunee, and Oconto counties)**
  - Total population: 352,422
    - Green Bay MSA (Brown, Kewaunee; some of Door and Oconto) –
      - **This area is somewhat underserved by direct care staff with evidence of moderate growth potential in private markets**
        - Median household income (MHI) is above average in Green Bay MSA (but below average in more rural northwestern part of CSA)
        - **High competition from lots of smaller providers; may make growth more difficult**
          - Competition highest in Brown county, where the majority of the population lives, but lower than average in Kewaunee and Door counties
        - **(2) MCOs Serving CSA: Two MCOs that Cooperative Care is already working with (Care Wisconsin and Lakeland Care District) serve all of the counties in this market so relationships enabling growth in the public payer sector have already been established**
      - Rural Oconto, Shawano, Menominee –
        - Underserved, but with somewhat **high competition** from existing providers, most likely small firms; the **lower level of need and more rural territory** make this area **less attractive** than the rest of the CSA
          - **Expansion would likely be more successful going up through Kewaunee into Door** versus up into more rural Shawano and Oconto counties
  - **Manitowoc, WI MSA**
    - Total Population: 81,442
      - This area **geographically makes sense** due to the proximity to Brown and Kewaunee counties.
      - There is **some growth potential in private pay** due to higher MHI
        - Underserved, but with higher than average competition



- Fairly dense with above-average proportion of disabled/elderly in area
  
- **Appleton-Oshkosh-Neenah, WI CSA (Outagamie, Winnebago, Calumet)**
  - Total population: 392,660
    - **Some opportunity for growth. The area is somewhat underserved by direct care staff; however competition is high with many small-to-midsized providers active**
    - **Stronger market for private pay:** Lower MCO enrollment, coupled with low rates of public insurance and high MHI, indicates higher proportion of private pay, but lower than average need could make finding new patients difficult (especially with so many existing providers)
    - **Geographically makes sense:** Cooperative Care is already serving people in Winnebago and Brown counties on either side, so expansion into the greater Appleton area would be a natural move
    - **(2) MCOs Serving CSA:** Two MCOs serve all of these counties including Lakeland Care District, where Cooperative Care is already a provider, and Community Care, Inc.
    - **Lower than average proportion of disabled/elderly in area** might make this a somewhat challenging market to locate new clients
  
- **Wausau-Merrill, WI CSA (Marathon, Lincoln, Wood, Portage)**
  - Total population: 307,574
    - Limited growth potential; some **potential in private market around Wausau**
      - Higher MHI indicates some growth potential for private pay, but likely only in the Wausau metro area
    - Somewhat underserved market; current providers are smaller and thus are likely less able to provide comprehensive service
    - **Above average MCO enrollment, which indicates strong public market, but relatively lower need in area is likely the cause**
    - Limited growth potential in public market as rates of public insurance lower; Cooperative Care would need to contract through **Community Care Connections of Wisconsin which is the only MCO serving this CSA**; the Cooperative is not currently a provider with them
    - Higher than average density is a plus because it would facilitate operations

#### **Unattractive Markets for Expansion:**

- **Sheboygan, WI MSA**
  - Total Population: 115,507
    - Better served with direct care employees than average for the state
    - High level of competition, making it a tough market to enter
    - MHI only slightly higher than average and home care demographics are otherwise poor
    - The only advantage for Cooperative Care is the geographic proximity
  
- **Milwaukee-Racine-Waukesha, WI CSA (Dodge, Washington, Ozaukee, Jefferson, Waukesha, Milwaukee, Walworth, Racine)**
  - Total population: 2,025,989
    - Milwaukee-Waukesha-West Allis, WI MSA
      - Tough market to enter and grow because of the high number of existing providers as well as the high number of MCOs
      - Western suburbs of Milwaukee are less well served, and higher MHI for private pay potential, but competition still stiff, and Cooperative Care has no established presence in area (however existing MCO customer Care Wisconsin does serve Dodge and Jefferson counties which may facilitate entrance in the market)
      - **There is some opportunity to expand south of Fond du Lac and Green Lake towards Dodge and Jefferson, but not southeast towards Washington/Waukesha**
      - (4) MCOs Serving CSA: My Choice Family Care, Care Wisconsin, iCare, Community Care, Inc. only one of which is a current customer of Cooperative Care
  
- **Eau Claire-Menomonie, WI CSA (Eau Claire, Chippewa, Dunn)**
  - Total population: 205,008
    - Tough market for growth with strong ratios of direct care staff to those needing home care; the area is already well-served by larger than average providers
    - Higher than average density is a plus because it would facilitate operations
    - There is higher than average enrollment in single MCO serving the area (ContinuUs), but overall need is below average in Eau Claire, which represents 50% of population
    - MHI is average, with lower rates of public insurance in Eau Claire indicates middle-class community not quite able to pay for home care

themselves, but also not poor enough to qualify for public health insurance

- MCO Serving CSA: **ContinuUs. This is another obstacle for Cooperative Care because it currently has no relationship with this MCO**

- **La Crosse Metropolitan Area**

- Total Population: 133,665
  - Made up of La Crosse County, WI (total pop.: 114,638) and Houston County, MN (total pop.: 19,027).
  - Above average coverage (enough direct employees), low competition signals existing firms are larger and would be hard to compete with.
  - MHI only slightly above average, but need is below average.
  - **Cooperative Care could enter this market; however it is geographically isolated with relatively poor demographics to support personal care**

- **Madison-Baraboo, WI CSA (Dane, Green, Rock, Sauk, Columbia, Iowa)**

- Total population: 827,742
  - Tough market to enter and grow because it is already well-served by many providers
  - Attractive markets for private pay, especially the Madison suburbs
  - Lower need overall, although there are benefits from high density
  - Low rates of public insurance but High enrollment in MCOs
  - (2) MCOs Serving CSA: ContinuUs and Care Wisconsin (Columbia County Only)
    - Dane and Rock Counties are enrolled in the CIP/COP waiver program, so it is likely that existing providers already have established relationships with each county, which may be another obstacle to entering this market
  - **Columbia** county is served by both Care Wisconsin and ContinuUs; **Iowa** and **Green** are served only by ContinuUs which may be another obstacle to entering the market.

- **Minneapolis-St. Paul-St. Cloud, MN-WI CSA**

- **St. Croix & Pierce counties, WI**; Populations 84,151 and 40,552, respectively (although only represent about 3% of total CSA population).
  - Tough market to enter and grow because it is well-served by many providers

- Attractive markets for private pay, especially the Twin Cities suburbs
- Low rates of public insurance
- **Attractive demographics in the Twin City suburban communities and some evidence of untapped public market or high private pay, but coverage in area is already well-established leaving relatively little opportunity for new entrants**
- **MCO Serving CSA: ContinuUs is only Wisconsin MCO for entire CSA, but potential for private pay could allow Cooperative Care to win it's own patient business**

### Strategy B: Growth Within Existing Market

A second strategy that Cooperative Care could pursue is to grow its business within its existing eight county service area.

#### Opportunity in Current Service Area

- **Non-metropolitan - South Central**
  - Cooperative Care is currently active in Adams, Fond du Lac, Green Lake, Marquette, Waushara, and Winnebago Counties
  - **Adams, Marquette, Green Lake, and Waushara counties are significantly underserved; and competition is lowest in Adams and Marquette**, indicating a need for more aides in area
  - There are high public insurance rates in the area and low MHI, but MCO enrollment Marquette and Waushara, indicating **untapped public market** as well as **higher than average need in area**
  - ContinuUs MCO is active in Waushara, Marquette, and Green Lake, so there is the opportunity of another provider to start working with and grow through
- **Fond Du Lac, WI MSA**
  - Total population: 101,633
  - Although there are many competitors in this county relative to the rest of the state, the home care subset is somewhat underserved;
  - High MHI and high population density indicate **some minimal growth potential in private pay, although it would be hard to enter because the number of competitors**
  - High MCO enrollment; low population with public insurance and low need indicate a **less desirable public market**.
  - Emphasize growth in other counties in South Central Wisconsin
  - (2) MCOs Serving CSA: Lakeland Care District and Community Care. Current relationship with Lakeland Care District could facilitate entry in this market.

## Opportunity within Current Managed Care Organizations(MCO) Funders

Cooperative Care is listed as a provider of personal care services for two regional Managed Care Organizations.<sup>6</sup> Opportunities may exist to provide additional services to members of these MCOs:

- **Care Wisconsin, Inc.:**
  - Reported \$92.9M in program revenues in 2013
  - Serving **26** Counties: **Brown**, Buffalo, Clark, Columbia, Dodge, Door, **Green Lake**, Jackson, Jefferson, **Kewaunee**, La Crosse, Marinette, **Marquette**, Menominee, Monroe, Oconto, Ozaukee, Pepin, Shawano, Sheboygan, Trempealeau, Vernon, Walworth, Washington, Waukesha, **Waushara**
  - Median HHA/PCA Provider Revenues: \$950,000 (n=43); Average: \$4,125,305
  - Over 300 HHA and PCA providers in MCO (15% HHA to 85% PCA)
  
- **Lakeland Care District:**
  - Serving **13** Counties: **Brown**, Calumet, Door, **Fond du Lac**, **Kewaunee**, Manitowoc, Marinette, Menominee, Oconto, Outagamie, Shawano, Waupaca, **Winnebago**
  - Median HHA/PCA Provider Revenues: \$750,000 (n=18); Average: \$1,819,247
  - About 175 HHA and PCA providers in MCO (17% HHA to 83% PCA)

*Counties above in **BOLD** are currently (or soon to be) served by Cooperative Care.*

Additional MCOs also serve counties that are currently in Cooperative Care's service area:

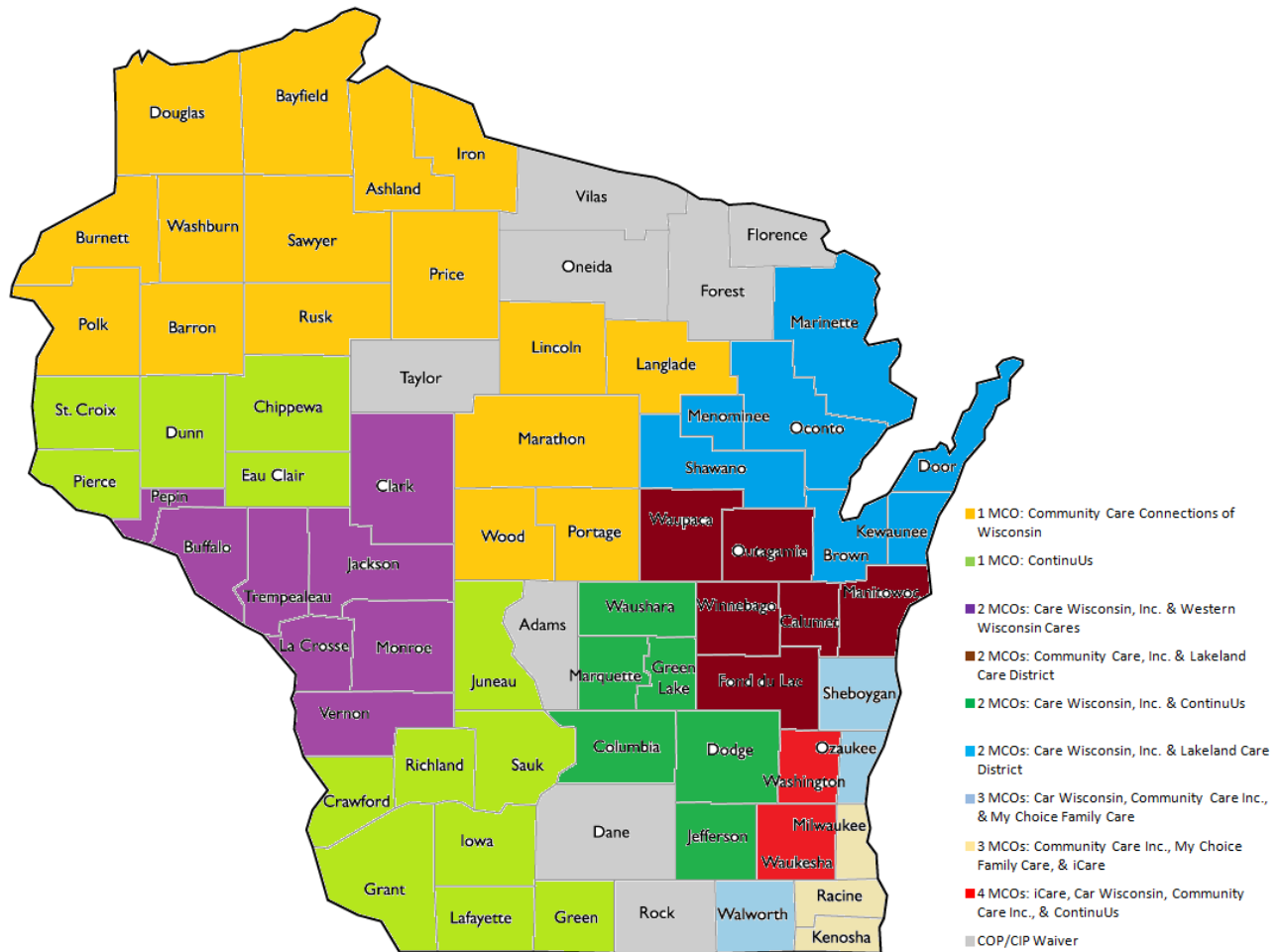
MCOs in Cooperative Care's Service Area:

- **Adams:** COP/CIP Waiver
- **Brown:** Care Wisconsin, Lakeland Care District
- **Fond du Lac:** Community Care, Inc., Lakeland Care District
- **Green Lake:** Care Wisconsin, ContinuUs
- **Kewaunee:** Care Wisconsin, Lakeland Care District
- **Marquette:** Care Wisconsin, ContinuUs
- **Waushara:** Care Wisconsin, ContinuUs
- **Winnebago:** Community Care, Inc., Lakeland Care District

---

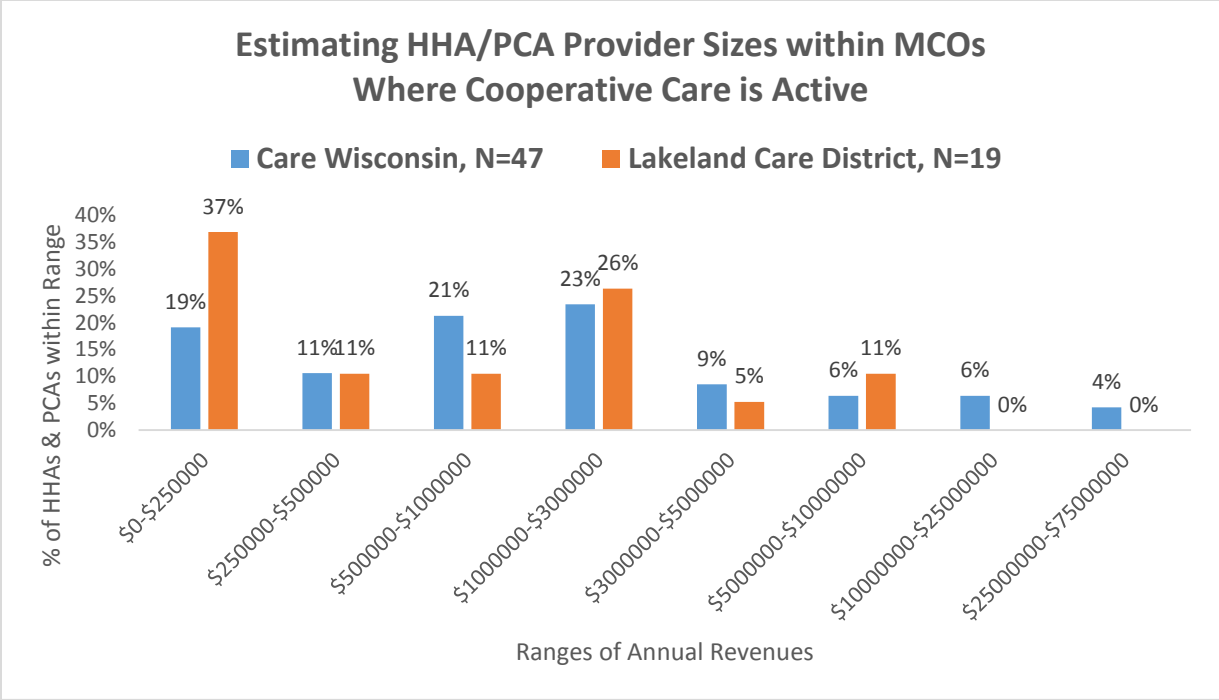
<sup>6</sup> Since 2008 Wisconsin has operated under a statewide system of regional Managed Care Organizations (MCOs) which replaced the former county-by-county piecemeal system previously in place. MCOs contract individually with care agencies and more than one MCO may serve a particular county.

Below is a map showing the coverage and intersection of each of the state's eight MCOs:



**Appendix B** to this report is a list of all 72 Wisconsin counties with their associated MCOs.

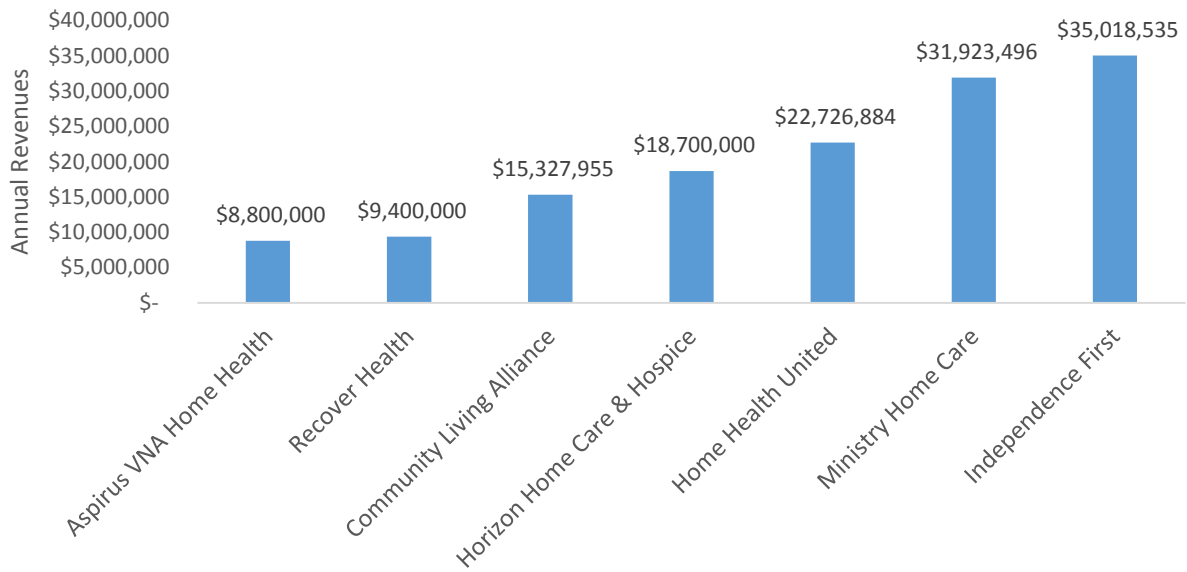
At an estimated \$1.3M in annual revenue Cooperative Care is in the upper two quartiles in terms of revenue size for both Care Wisconsin and Lakeland Care District. A number of very large providers, however, with revenues exceeding \$10M, leave Cooperative Care below the *average* HHA/PCA provider revenue of more than \$4M for Care Wisconsin.



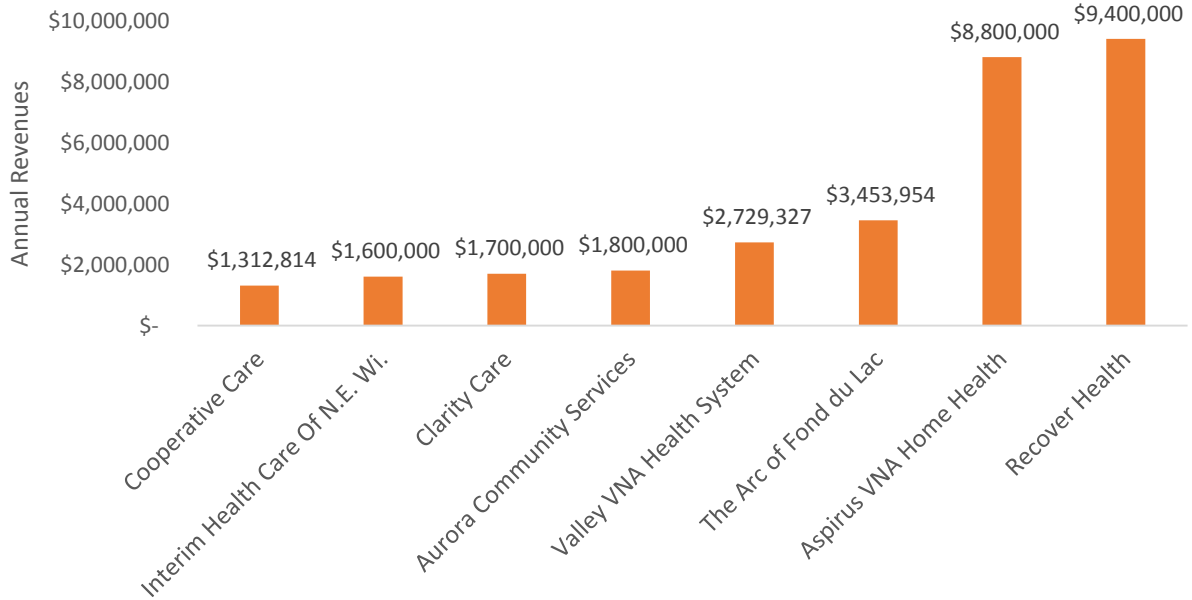
While still a relatively small player for Care Wisconsin, Cooperative Care is among the top providers by size in Lakeland Care District MCO. Thus it might be easier to become leading provider in counties where Cooperative Care’s current service area overlaps with Lakeland’s coverage. These would be Winnebago, Brown, and Kewaunee counties. This area is also more densely populated with higher income households than is the regions served by Care Wisconsin, which is more rural with higher public insurance rates proportionately. Although there is also need for more coverage in Adams, Waushara, Marquette, and Green Lake counties within the Care Wisconsin MCO service area, Cooperative Care is very small compared with other providers there. Becoming a leading contractor/Big Player in the Lakeland Care District may thus be a viable strategy for an agency the size of Cooperative Care, while becoming a major player in the Care Wisconsin market would likely be more challenging.

A caveat about this observation is that we did not investigate the relative merits of Lakeland Care District vs. Care Wisconsin as a payer/partner. It may be that one agency is much more efficient than the other, pays in a more timely fashion, has an easier reporting system to navigate etc. All of these factors would also enter into an expansion strategy, because all of them have associated costs. This observation is based solely upon publicly available size and revenue data.

### Selected Top HHA/PCA Providers in Care Wisconsin



### Top HHA/PCA Providers in Lakeland Care District





## Opportunity to Serve Veterans Through VAs at Higher Rates

A third opportunity that Cooperative Care could pursue while staying within its existing geographic footprint is to aggressively target additional business through the Veterans Administration, a relatively well-paying market. Vet Centers across the country provide a broad range of counseling, outreach, and referral services to combat Veterans and their families.<sup>7</sup> There are 13 outpatient clinics and five vet centers in the state of Wisconsin including:

- Green Bay MSA – Brown: One Outpatient Clinic, One Vet Center
- Appleton MSA – Outagamie: One Outpatient Clinic

## Strategy C: Growth Through Adding New (Medical) Service Lines

The final strategy to be examined is the opportunity for Cooperative Care to grow through the addition of new lines of service.

### Evaluation of Firm Size within HHA/PCA Industry

HHAs, which provide medical services, are generally bigger than PCAs, which provide non-medical services. One way a PCA like Cooperative Care can grow is to become more like an HHA and offer higher-margin medical services, in addition to personal care.

Industry profit margins are higher at 7.3% for HHAs (NAICS 621610) vs. 3.5% for PCAs (NAICS 624120).

Becoming an HHA, however, is not without obstacles: recruiting a higher-skilled workforce, navigating tighter labor market (national nursing shortage), and achieving necessary training/certifications. Some comparisons of the two types of entities in Wisconsin indicate how much larger the potential market is with the inclusion of home health services:

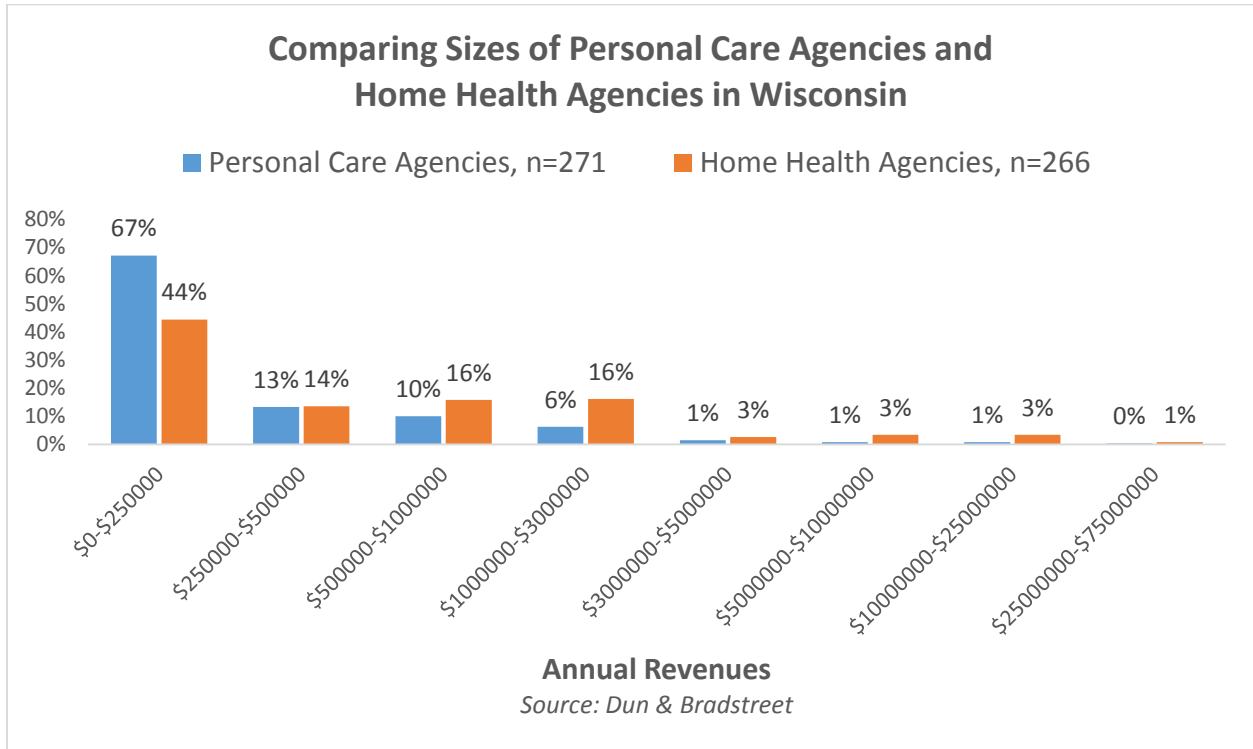
### **HHAs are bigger than PCAs:**

- 10% of HHAs in Wisconsin have revenues exceeding \$3M versus only 3% of PCAs.
- Median revenue for HHAs (\$2,380,692; n=72) almost three times that of PCAs (\$840,000; n=17)
- Middle 50% of HHAs have revenues between \$1M and \$6M (i.e., 25<sup>th</sup> and 75<sup>th</sup> percentiles) versus between \$250K and \$1.7M for PCAs
- Maximum revenue for HHAs is \$45M (ThedaCare At Home, the third largest health employer in Wisconsin serving 14 counties with hospitals to home care) versus \$35M for PCAs (Independence First, serving individuals with disabilities through independent living centers and personal care); both of these firms have diverse

---

<sup>7</sup> <http://www.vetcenter.va.gov/>

service lines beyond home health and personal care with a full spectrum of service lines spanning medical needs and resources for individuals with disabilities



At its current size, Cooperative Care is already in the top 20% by revenue of all PCA-only service providers in Wisconsin. While our earlier analysis indicates additional market opportunity is present for PCA-only services through geographic expansion and/or working existing market relationships more thoroughly, it may be that it ultimately makes more sense for Cooperative Care to amend its business model to include home health services. The costs and benefits of adjusting business models in this way is beyond the scope of this report, but is presented as future food for thought for Cooperative Care leaders.

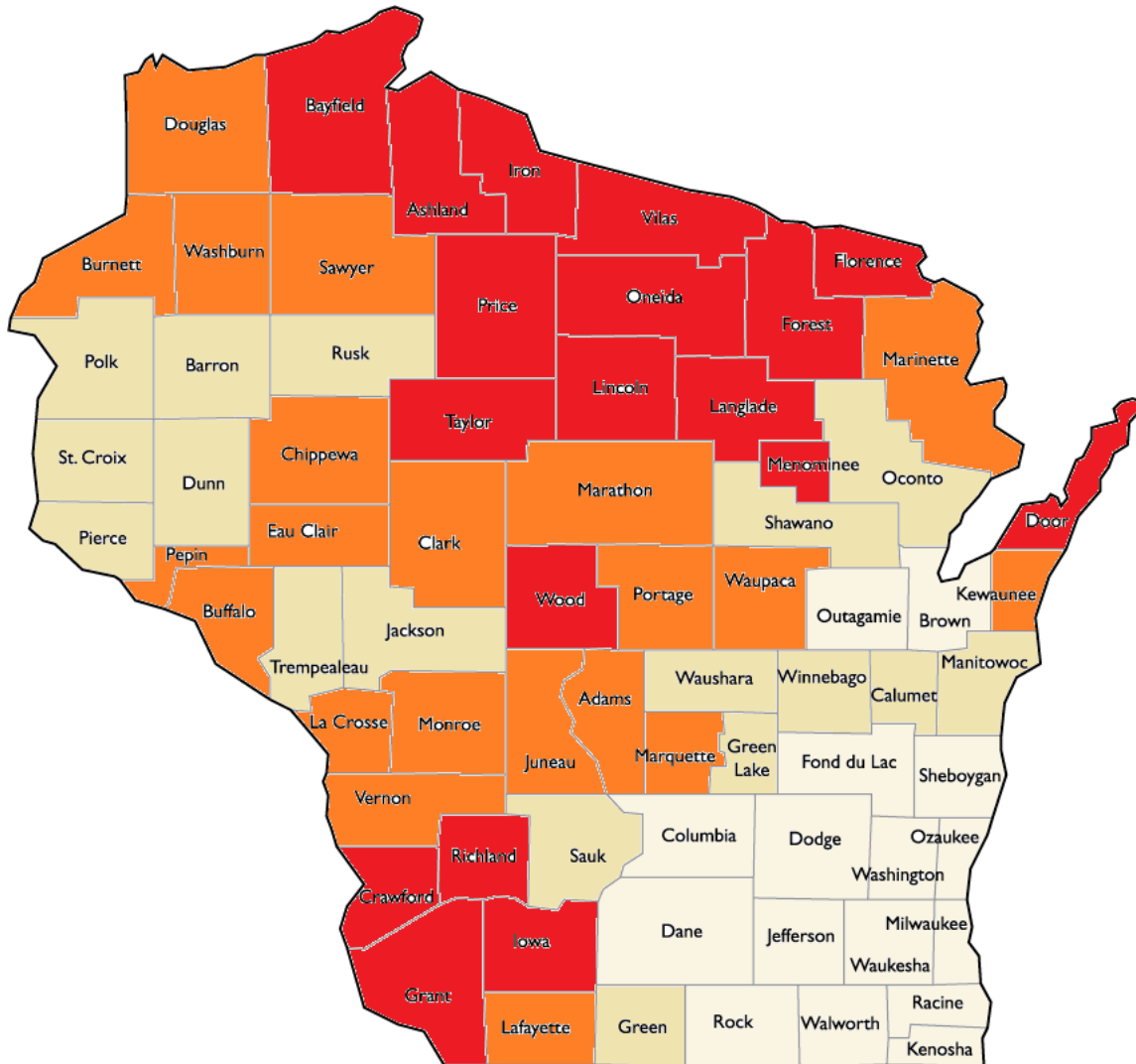
## Appendix A: Market Analysis Screens

Maps are provided below illustrating the relative strength of Wisconsin's 72 counties according to the following secondary market screens:

- Competition (# of HHAs/PCAs serving a county)
- Managed Care Organization (MCO) Enrollment (% of the home care subset in a county enrolled within an MCO's Family Care program)
- Total Funders (# of MCOs serving a county)
- Median Household Income
- Population Density
- % of Population with Public Health Insurance Coverage
- % of Total Population in the Home Care Subset

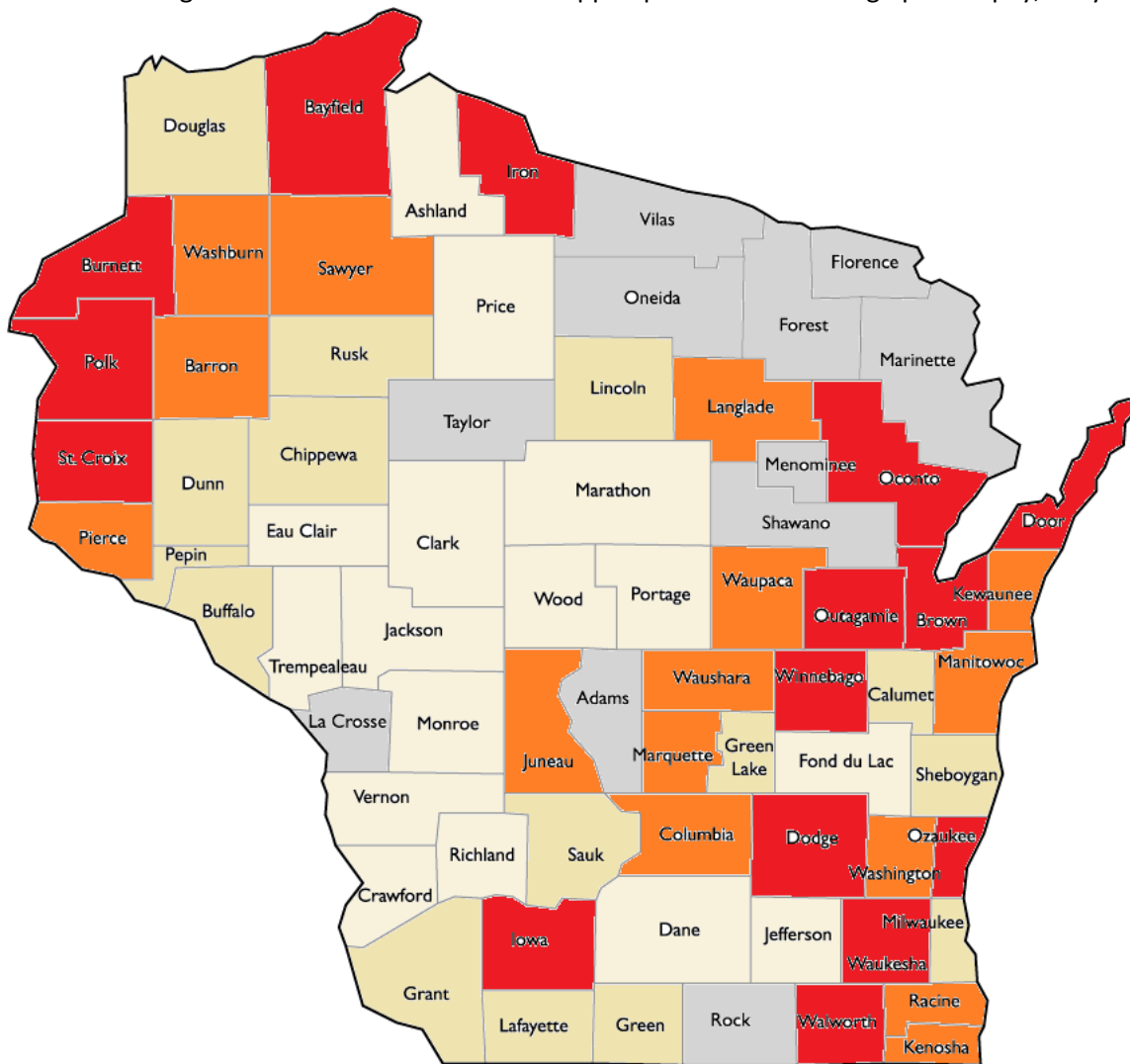
## Competition

Red/Orange = Fewer providers serving area



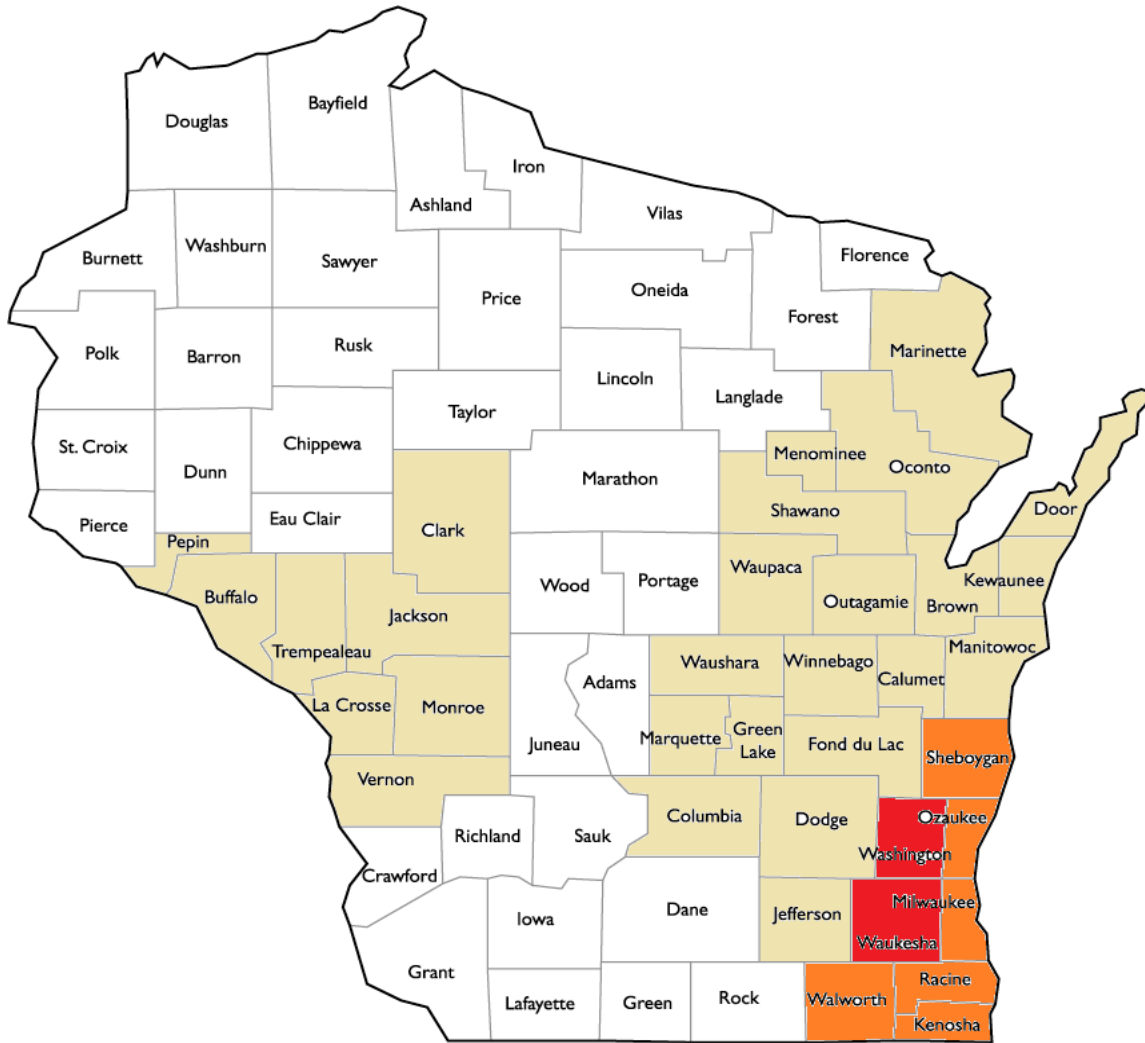
## MCO Enrollment

Red/Orange = Less than average proportion of home care subset enrolled in the Family Care program of an MCO serving that area... indicates either untapped public market or high private pay; Gray = No Data

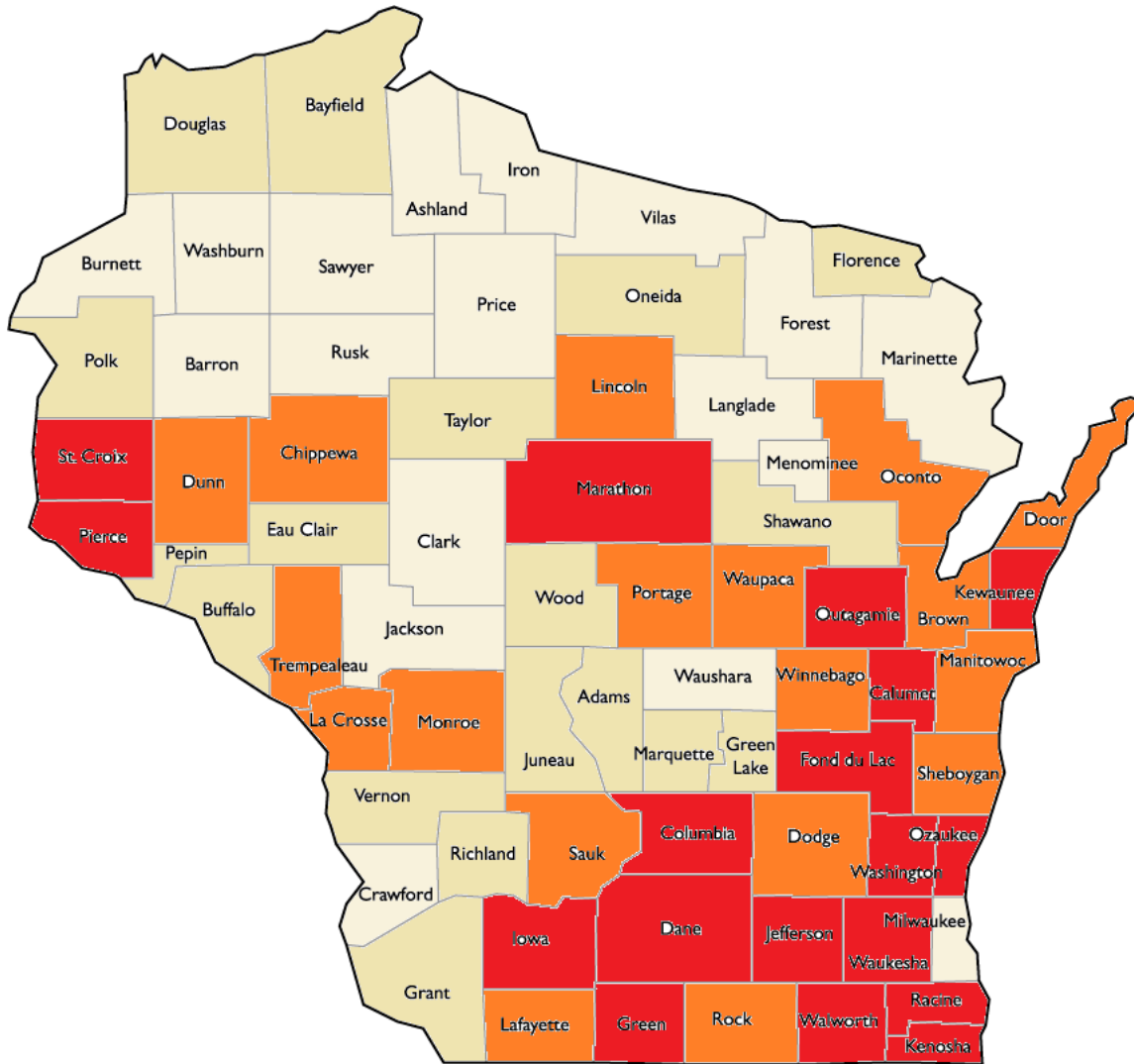


## Total Funders

Red = 4 MCOs serving; Orange = 3; Yellow = 2; White = 1

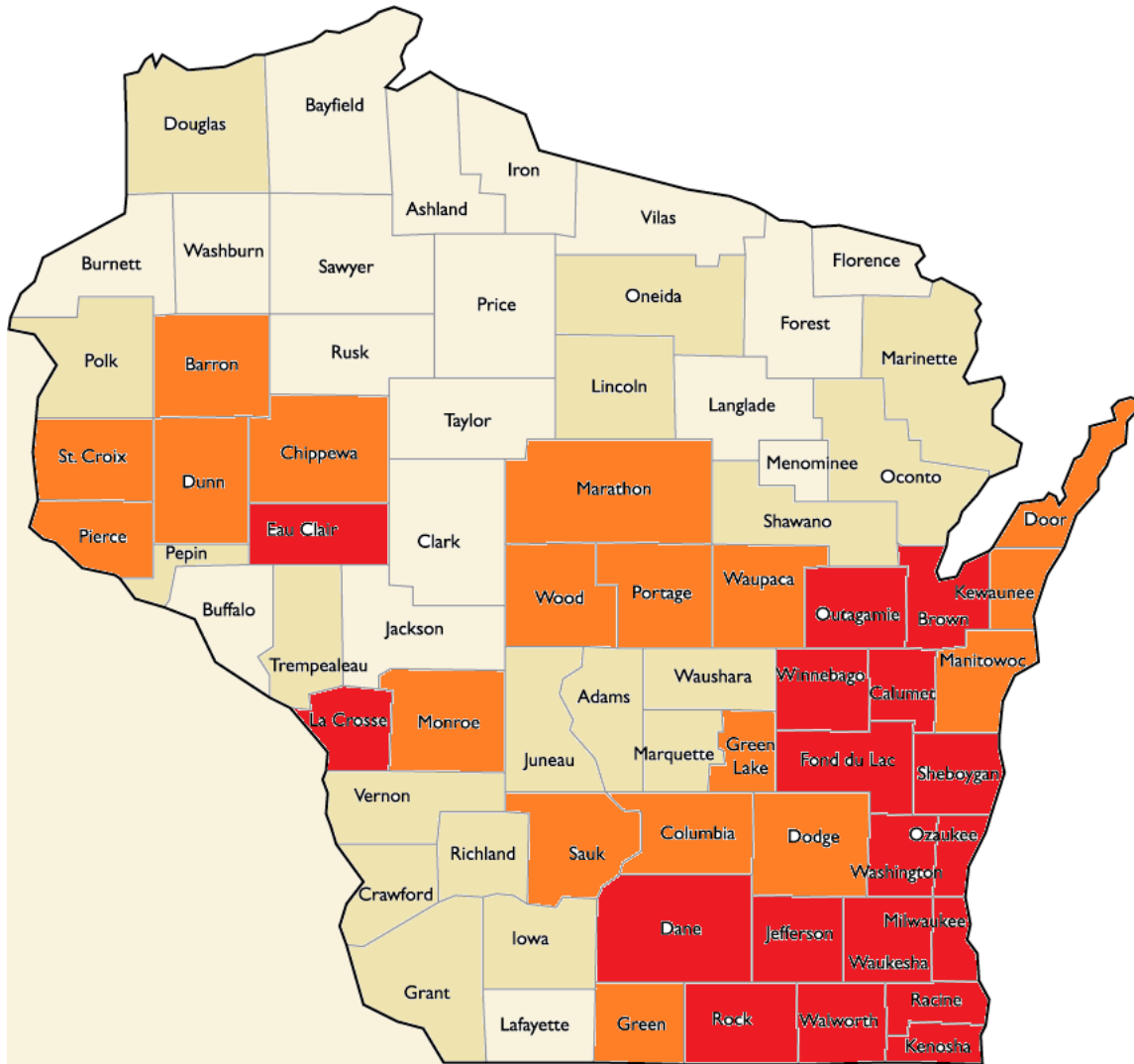


Median Household Income  
Red/Orange = Higher MHI



# Population Density

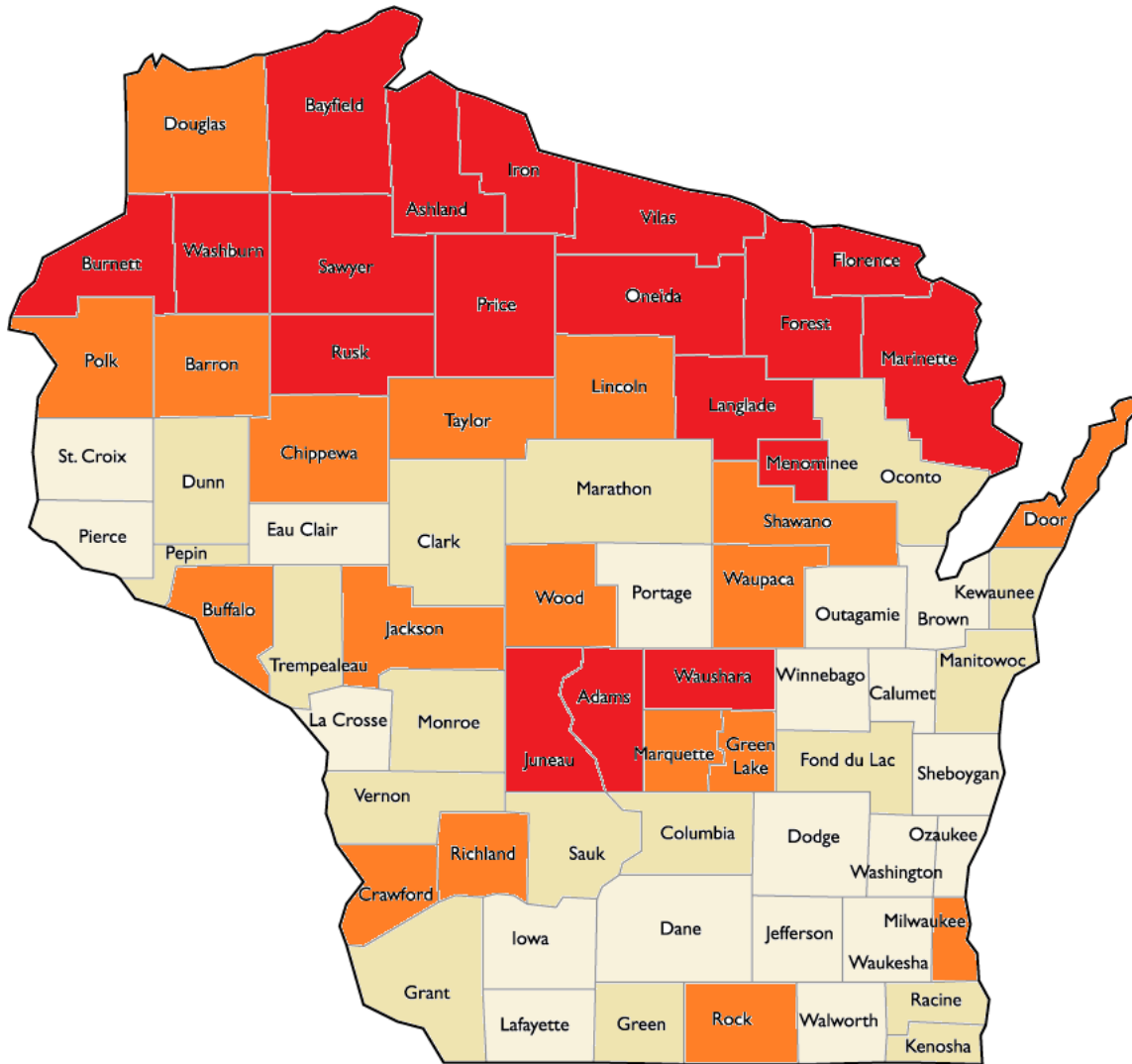
Red/Orange = Higher density





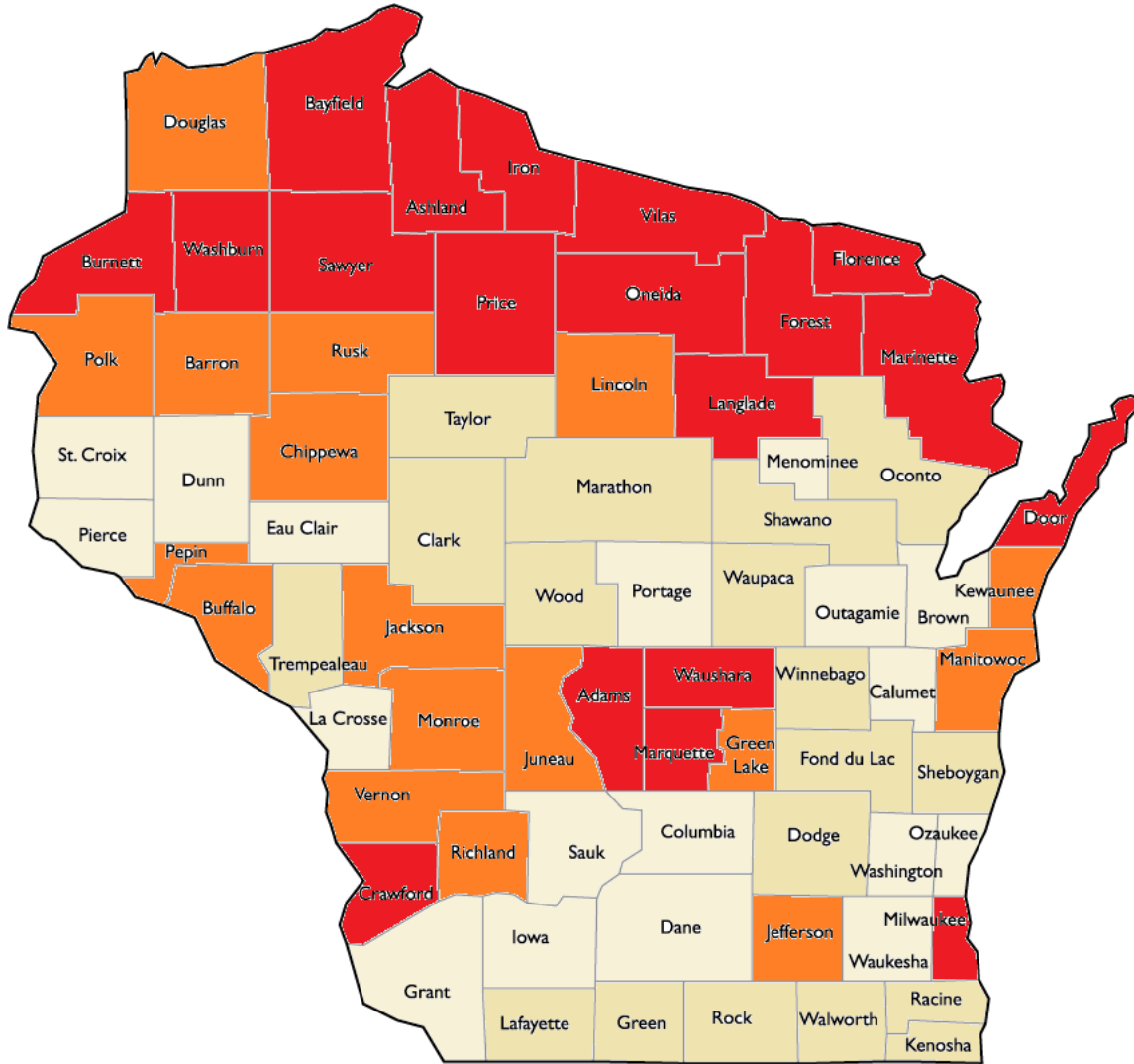
### % with Public Insurance

Red/Orange = More with public insurance



% of Total Population in Home Care Subset

Red/Orange = proportionately more frail elderly and disabled adults in county; not nominally more... that's on the density screen



## Appendix B: MCO Coverage by County

	Care Wisconsin, Inc.	Community Care Connections of Wisconsin	Community Care, Inc.	Continuus	iCare	Lakeland Care District	My Choice Family Care	Western Wisconsin Cares	COP/CIP Waivers	Totals
Adams									x	1
Ashland		x								1
Barron		x								1
Bayfield		x								1
Brown	x					x				2
Buffalo	x							x		2
Burnett		x								1
Calumet			x			x				2
Chippewa				x						1
Clark	x							x		2
Columbia	x			x						2
Crawford				x						1
Dane									x	1
Dodge	x			x						2
Door	x					x				2
Douglas		x								1
Dunn				x						1
Eau Claire				x						1
Florence									x	1
Fond du Lac			x			x				2
Forest									x	1
Grant				x						1
Green				x						1
Green Lake	x			x						2
Iowa				x						1
Iron		x								1
Jackson	x							x		2
Jefferson	x			x						2
Juneau				x						1
Kenosha			x		x		x			3
Kewaunee	x					x				2
La Crosse	x							x		2
Lafayette				x						1
Langlade		x								1
Lincoln		x								1
Manitowoc			x			x				2
Marathon		x								1

Marinette	x					x				2
Marquette	x			x						2
Menominee	x					x				2
Milwaukee			x		x		x			3
Monroe	x							x		2
Oconto	x					x				2
Oneida									x	1
Outagamie			x			x				2
Ozaukee	x		x				x			3
Pepin	x							x		2
Pierce				x						1
Polk		x								1
Portage		x								1
Price		x								1
Racine			x		x		x			3
Richland				x						1
Rock									x	1
Rusk		x								1
Sauk				x						1
Sawyer		x								1
Shawano	x					x				2
Sheboygan	x		x				x			3
St. Croix				x						1
Taylor									x	1
Trempealeau	x							x		2
Vernon	x							x		2
Vilas									x	1
Walworth	x		x				x			3
Washburn		x								1
Washington	x		x	x			x			4
Waukesha	x		x	x			x			4
Waupaca			x			x				2
Waushara	x			x						2
Winnebago			x			x				2
Wood		x								1
Totals	26	16	14	21	3	13	8	8	8	72