

Profitability, Growth, and Influence

*Elevating the Home Care Cooperative Sector
with Formalized National Collaboration*

Summary Report



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This is a summary of the full feasibility report published in January 2021 as part of the Cooperative Development Foundation's Rural Cooperative Development Grant. The ICA Group and Margaret Lund wrote this report to assist CDF in its efforts to stabilize, strengthen, and scale the home care cooperative sector in order to transform the home care industry for the benefit of workers and clients. For more information visit www.cdf.coop or www.icagroup.org.

Introduction

The home care cooperative sector in the United States has come a long way from its humble beginnings in 1985 when two visionary leaders and twelve home health care aides came together to form the first home care cooperative. Today there are fourteen home care cooperatives across nine states, employing over 2,400 caregivers, with 1,100 caregiver-owners.

While there is much to celebrate, significant work is needed to bring the cooperative vision of quality home care jobs to fruition. In 2017, the ICA Group conducted an extensive National Home Care Strategy Analysis to identify the best approach to scale the home care cooperative model and address the job quality crisis impacting home-based caregivers. ICA outlined a strategy with three impact goals:

Goal 1: Build systems to strengthen existing home care cooperatives, stabilize their operations, and whenever possible, improve job quality for caregivers.

Goal 2: Support new entrants into the home care cooperative field and ensure these groups have the necessary tools to maximize their chances of success.

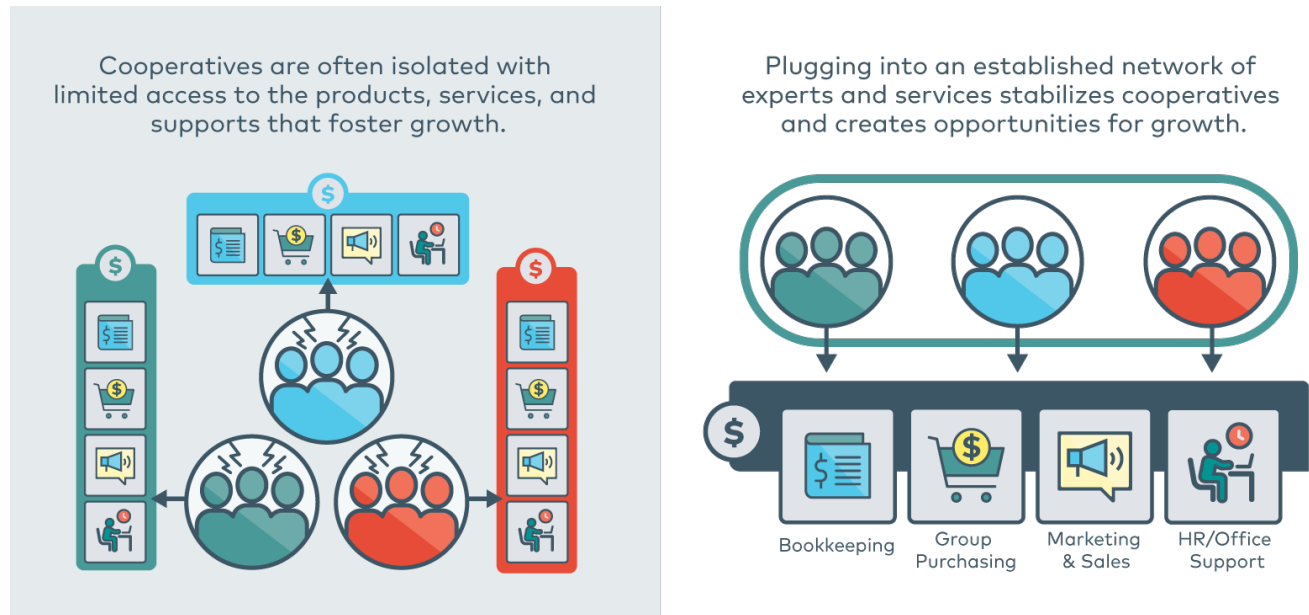
Goal 3: Create a national platform to meaningfully improve job quality (living wages and benefits, professional training, opportunities for career advancement) for a significant portion of home care workers, cooperative or otherwise, and shift the social and economic value currently assigned to home care work.

Goals 1 and 2 have guided much of the work of the Homecare Cooperative Initiative since 2017 and important gains have been made. We must now focus on the implementation of Goal 3 to scale impact. Fortunately, the Cooperative Development Foundation's deep investment in the sector has resulted in an environment of mutual respect and cooperation among home care cooperatives, providing a strong foundation for this work.

To elevate the home care cooperative model to its full potential and reshape the harmful power structures that undermine the industry, home care cooperatives must grow in number, size, market position, and political influence. A new national institution—a secondary cooperative, structured as a national federation of cooperative enterprises that is owned and controlled by its members—can serve as the centralized, coordinating body to manage and lead this growth. *The mission of this new secondary cooperative will be to drive the profitability, growth, and influence of home care cooperatives in order to transform the home care industry for the mutual benefit of caregivers and clients.*

At current revenue levels, home care cooperatives struggle to compete with larger, better-resourced agencies, particularly national franchises and chains, which benefit from greater market recognition and saturation, standardization and systemization of marketing, sales,

operational and financial functions, and easier access to growth capital. Without adequate revenue and profits, home care cooperatives are limited in their ability to meaningfully improve job conditions for caregivers. The secondary cooperative will address this gap by providing high-quality, in-demand products and services delivered at a national scale, while supporting and amplifying local and regional efforts.



We envision a world where the worker-owned segment of the home care industry is large enough to significantly and positively impact pay, benefits, and career opportunities across the entire sector. We envision a future where a young person who aspires to enter the profession of caregiving will be met with the same societal affirmation and respect as those seeking to enter other trained caring professions. And for every individual aspiring to become a caregiver, our vision is that there will be a worker-owned cooperative ready to welcome them.

The Home Care Industry and the Cooperative Alternative

Caregiving—as both a social and economic activity—is significantly undervalued by American society, and certainly in the American economy. The experiences of today's home care workers are rooted in the historical precedent of enslaved people and women—particularly women of color and immigrant women—performing unpaid labor. As the tides of society changed, unpaid laborers entering the job market were pigeon-holed into caregiving jobs that were viewed as distasteful and less important, and workers were denied access to more lucrative work.

Today, workers in the paid home care sector receive few opportunities and protections:

- Caregivers are excluded from overtime pay and other workers' protection laws.
- Wages are among the lowest in the economy, and wage theft is common.

- 16% of home care workers lack health insurance and over 40% of those with insurance rely on public health care coverage, primarily through Medicaid.
- Home care work lacks federal training standards, and 16 states maintain no training standards at all, leaving caregivers without access to critical job training or meaningful opportunities for career advancement.

Turnover rates within the home care sector are high, ranging from 63% to 82% in the 2017-2020 period. Industry and policy leaders have done little to proactively address the workforce neglect which fuels the caregiver crisis threatening businesses and workers. For the past four years, home care agencies rated caregiver shortages as the number one threat to their businesses.¹ The direct care workforce remains undervalued, under-resourced, and overburdened.

The home care cooperative sector offers an alternative. Home care cooperatives are structured to value, support, reward, and give decision-making power to caregivers. By redistributing ownership and power, employee ownership begins to address the historic and continuing inequities faced by caregivers. On average, worker-owned home care cooperatives pay higher wages than the industry standard, provide advanced training and mentorship, and offer ownership and leadership opportunities rarely seen in the broader home care sector. While in no way a panacea, the cooperative model delivers a foundation for significant and needed home care industry change.

Process and Methodology

In the 2017 National Home Care Cooperative Strategy Analysis, ICA identified a national home care secondary cooperative as the best institutional platform to achieve scale and transformative impact in the cooperative home care sector. To assess the feasibility and viability of this approach, ICA explored structural models, identified priority needs of cooperatives through a direct survey, researched product and service solutions and vendors, modeled financials, and examined entity and governance structure. The research methodology for this study consisted mainly of investigation of primary sources through personal interviews and surveys. Additional secondary sources were consulted for broader information about the field. Sources are described here.

Survey of cooperative leadership: To ascertain the needs, interests, and aspirations of the core group of potential secondary cooperative members, ICA staff conducted a digital survey of cooperative administrators in August 2020. Survey questions addressed the immediate, concrete needs that a purchasing or marketing cooperative might address and prompted aspirational reflections about a cooperative's ideal circumstances for success. Participants from nine home care cooperatives responded to the survey, representing a range of

¹ Home Care Pulse Benchmarking Survey 2020, 2019, 2018, 2017. www.homecarepulse.com.

enterprises in size and location (rural and urban, from six of nine states where co-ops are currently located).

Informant interviews: ICA staff also gathered important data from more than two dozen other informants. These included industry specialists, product experts, cooperative leaders, and principals of several analogous organizations including trade associations and secondary cooperatives operating in other sectors and countries. Information from these interviews influenced the financial forecasting model and thinking about governance and synergies between different lines of business.

Ongoing data gathering and assessment: The above sources complement information gathering conducted by ICA and the Cooperative Development Foundation including three years of data collected from the Annual Home Care Cooperative Benchmarking Survey, two years of bi-monthly national technical assistance and peer exchange calls, five National Home Care Cooperative Conferences, five years of direct technical assistance to home care cooperatives, and research and learning about industry trends, business challenges, and best practices emerging from the larger home care industry.

Our research suggests that there is a pressing need for resources and assistance with **marketing and sales (primarily digital), strategic and financial planning, board and member training and education, and human resources** to support caregiver recruitment and retention.

Products and Services

Because there are few areas to cut costs from a home care business, the proposed products and services are focused primarily on value-added items that either drive revenue, increase efficiencies, or improve the stakeholder experience for clients, caregivers, and administrators. The core products and services of the secondary cooperative can be organized into five main categories or issue areas: 1) Client Acquisition and Retention, 2) Caregiver Recruitment and Retention, 3) Agency Optimization and Growth, 4) Solidarity and Political Advocacy, and 5) Networking and Community. Each category is described below along with specific product and service solutions and aligned educational and training offerings.

1. Client Acquisition and Retention

According to the 2020 Home Care Pulse Benchmarking Survey, six of the top ten revenue-generating consumer marketing sources were internet-based. However, the 2019 secondary cooperative survey results show that the majority of cooperatives do not feel equipped to integrate new technology and platforms, analyze the effectiveness of marketing activities, or test messaging for different audiences. Six out of nine survey respondents indicated that

marketing activities are one of the top three tasks they would like to offload from their daily responsibilities. The secondary cooperative will offer the following product and service solutions to increase the quantity, quality, and effectiveness of client marketing and acquisition efforts for home care cooperatives:

- Industry-leading, templated websites that are centrally managed by the secondary cooperative and optimized for client acquisition and caregiver recruitment
- Client satisfaction surveying
- Marketing and sales training for cooperative leadership
- Professionally crafted printed sales collateral
- Custom content to support marketing

2. Caregiver Recruitment and Retention

For the past four years, home care agencies across the nation have rated caregiver shortages as the number one threat impacting their business.² While home care cooperatives have lower turnover rates and pay higher wages than industry averages, data shows only a very slim competitive edge. Cooperatives will need to raise professional standards to maintain this advantage. Only one out of nine cooperative survey respondents indicated feeling satisfied with the current level of training their cooperative provides. There is an opportunity and a pressing need for the secondary cooperative to fill this training gap. To increase caregiver recruitment and maintain and improve retention and member engagement, the secondary cooperative will provide:

- Member training on caregiving and cooperative topics
- Caregiver satisfaction surveying
- Caregiver recruitment tools—templated recruitment microsites, job posting optimization portals, public education, and training for cooperative leadership on recruitment best practices

3. Agency Optimization and Growth

Leaders from all cooperatives that responded to the survey acknowledged a struggle to envision the trajectory of their cooperative's future and growth. A variety of issues were cited as barriers to growth, including problems with recruitment, gaps in knowledge and skill, need for more revenue diversification, lack of a concrete growth plan, and concern about how growth might affect the collaborative nature of their cooperative. A majority of cooperatives indicated a need for help with strategic business planning, financial growth projections, and modeling business performance.

In a low-margin, human-centered business like home care, an effective back office is integral to success. Efficient and adaptive systems for onboarding and managing caregivers and

² Home Care Pulse Benchmarking Surveys: 2017, 2018, 2019, 2020 www.homecarepulse.com.

clients, collecting payments, and scheduling staff are critical. Standardization across the sector can aid in greater cost savings, enhanced technical and peer support, and collective optimization and improvement. With these considerations in mind, the secondary cooperative proposes the following products and services:

- Tracking, analysis, and communication of organizational data
- Administrative and board leadership training
- Group purchasing
- Financial products and coaching

4. Solidarity and Political Advocacy

Most of the secondary cooperative's activities are designed to support and enhance the performance of each individual member cooperative. Transforming the entire home care industry, however, will require efforts and activities that go beyond networking, group purchasing, and growing member revenues. Given that there is no trade association currently representing the diverse needs and values of the home care cooperative sector, the secondary cooperative will work to advance policy change until the sector is large enough to support its own association. Federal and state policy campaigns and a national education campaign will center better pay, better working conditions, and increased recognition and respect for workers across the industry.

5. Networking and Community

The secondary cooperative intends to take on the coordinating activities of the Homecare Cooperative Initiative and build upon the incredible foundation built by the Cooperative Development Foundation and the Initiative's steering committee. Immediate and simple activities include development of a sector contact database, listserv, and monthly newsletter. The secondary cooperative will continue the following activities currently led and funded by CDF:

- Annual National Home Care Cooperative Conference
- Bi-monthly technical assistance and peer exchange calls
- Network coordination and emergency response

While each activity is a distinct product or service, they offer an integrated and mutually supportive set. A jointly-owned and controlled secondary cooperative is the type of organization that can build upon these interdependencies to deliver the greatest value. Ultimately, it should be the aim and intention of the secondary cooperative to build a suite of products and services so valuable to member cooperatives that the benefits of joining will always clearly and consistently outweigh the costs of membership.

Legal Structure and Governance

The legal structure proposed is a secondary cooperative—a federation of cooperatively-owned enterprises that is owned and controlled by the member cooperatives. This is a common structure in advanced cooperative systems, although rarer within the larger economy. Each cooperative member is its own independent business, responding to local needs and desires of its own members. This differentiates the secondary cooperative from a chain of franchises where control, if not ownership, is centralized.

Every cooperative with a diverse membership base faces the issue of balancing interests of members within the board structure and composition. Geographic diversity is common in the board composition of national secondary cooperatives and trade federations. Entity size or the size of purchases is also a frequent consideration for the allocation of governance rights or board seats. Other important considerations include the role of any state associations or affiliates, whether staff or board members of member cooperatives are recruited as board representatives, and the inclusion of allied organizations in the cooperative membership. At this time, we envision a dynamic board structure that is representative of the diversity of cooperative membership in the broadest sense (geography, market, size, role in the cooperative), is supportive of a comprehensive social mission, and where influential positions are reserved for those entities with a clear and compelling stake in the success of the secondary co-op.

Initially, it will be reasonable and strategic to allocate specific board seats for representatives of cooperatives whose business will significantly impact the financial performance of the secondary cooperative in its early years, with additional board seats available for members of smaller cooperatives. Serious consideration should also be given to the allowance of a limited number of allied memberships, both to raise equity and to bring additional perspectives to the board. It is not clear which specific products will generate a surplus, and thus it is not currently beneficial to allocate governance rights based upon patronage.

Financial Model

The secondary cooperative's financial structure is inherently dynamic. Revenues and expenses will be in a constant state of change as new members join and leave, existing members reach new revenue brackets, new products and services are introduced and ineffective ones are discontinued, and cost savings are reached. New revenue-generating products and services and product and service discounts will be continuously vetted with research and ROI analysis for the benefit of both the member cooperatives and the secondary cooperative.

For home care cooperatives, the primary benefit of membership in the secondary cooperative is the opportunity to access value-added products and services that generate revenue and

profit growth. The secondary cooperative plans to deliver this value by requiring initial equity investments, charging reasonable monthly membership dues, and offering à la carte products and services. The secondary cooperative will also continuously work to identify new and creative ways to raise additional revenue through service contracts, event fees, sponsorship, and grants.

The key revenue drivers for the secondary cooperative are imagined as:

- Equity contributions
- Membership dues
- Product and service income
- Grants, training fees, fee-for-service work, sponsorship, and vendor fees

Given the modest number of home care cooperatives in existence today, the secondary cooperative will need to pursue income outside of cooperative membership dues in order to be financially sustainable. This includes expanding its member base to 25 or more home care cooperatives and offering products and services to values-aligned employers. This can be done by assisting new cooperative start-ups, converting existing home care companies to cooperative ownership, and by identifying criteria for aligned home care agencies while maintaining the cooperative advantage. The secondary cooperative will need to leverage grants, loans, or other forms of financial support to bolster its operations while it grows to a sustainable size.

Pilot and Launch

The Pilot Phase will be a critical time to engage additional stakeholders in the development of the secondary cooperative and determine which products and services are financially accessible and add value to cooperatives' operations and financial outcomes. During the pilot phase ICA will:

- Identify an advisory committee of home care cooperative leaders and aligned supporters and a board of directors to advance the development of products and services, build ownership and leadership, and support launch
- Test initial product and service offerings with a small group of cooperatives to enhance collaboration and test effectiveness and ROI
- Develop the secondary cooperative name and brand
- Begin broad stakeholder education and engagement
- Fundraise for launch

ICA anticipates moving into the pilot phase in Spring 2021 and incorporating and launching in early 2022.

Conclusion

As a movement, the home care cooperative sector has articulated a vision for a day when co-ops are a significant presence in the home care industry with a significant market share, all co-ops pay good, industry-leading wages, and cooperatives provide career advancement opportunities for caregivers.

These are audacious goals in today's home care landscape.

We can make this vision a reality with the creation of a secondary cooperative. Significant and numerous challenges include low industry profit margins, an often-hostile public policy environment, and a limited base of co-ops with which to form initial membership. But we have also identified core opportunities for growth and improvement. With the help of strong and creative partners, meaningful changes can be implemented at an affordable cost and on a reasonable timeline. We believe this work is worth doing. This initiative has the potential to yield profound results. This is a chance worth taking.

The work that fills these pages outlines the beginning phases of a path forward for businesses and brave caregivers. With every passing day, a devoted and focused co-op membership will learn more, push the envelope further, make new connections, and expand possibilities for the entire sector. We look forward to sharing the results of this work with the many individuals central to this sector—including the dozens of individuals who directly contributed their time, experience, and insights to this work. We look forward to making this vision a reality.