



2021 Home Care Cooperative Benchmarking Report

Strength in Members: Cooperative
Resiliency in a Time of Crisis





Strength in Members: Cover Feature

I was a single mother of two in trade school and receiving public assistance until I began working with children with disabilities. When the job ended, I found myself unemployed again. I realized how much I enjoyed the experience and wanted to continue to help people. I was talking to a friend who referred me to HCA. I began working with HCA and was supported in achieving my professional and personal best. HCA provided me the opportunity to grow and enhance my skills and knowledge. My life has changed over the years working with HCA, I am a worker owner, board member, mentor, committee member and specialty aide. As a result of my successful employment with HCA I also became a homeowner. HCA continues to hear my voice. Thank you, HCA!

—Yvette Beatty, Home Care Associates of Philadelphia

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Introduction

The fourth annual 2021 Home Care Cooperative Benchmarking Survey demonstrated that home care cooperative member-owners are dedicated to the success and sustainability of their co-ops. Throughout 2020, home care cooperatives faced a constant onslaught of challenges and barriers to providing safe care and employment in their communities. The 2021 Home Care Cooperative Benchmarking Survey Report highlights the extreme effects the first year of the COVID-19 pandemic had on cooperative financials, client hours, and caregiver retention. Each of the 13 cooperatives reported that their cooperative structure contributed to their ability to navigate the COVID-19 pandemic. From cooperative purchasing of PPE to emergency caregiver loans to virtual check-ins with beloved clients, the cooperative principles of "Cooperation Among Cooperatives" and "Concern for Community" provided a guiding light.

This report provides a retroactive analysis of 2020 for home care cooperatives and their supporters. It also provides helpful insight into industry and market trends that continue to impact home care cooperatives today. Finally, it provides a useful framework for individual cooperatives to measure their progress relative to sector and industry peers and define goals for future development and growth.

About the Report

The 2021 Home Care Cooperative Benchmarking Report provides insights into the 2020 calendar year. Because 2020 was such a tumultuous year for home care businesses around the country, we collected information on both an annual and quarterly basis.

In 2021:

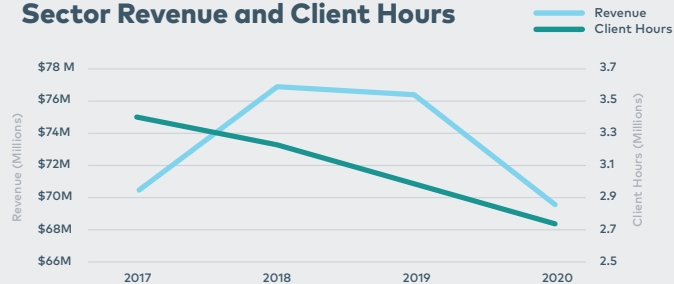
- ▶ 13 home care cooperatives responded to the survey
- ▶ 10 of the 13 reporting cooperatives served clients in 2020—informing the majority of this analysis
- ▶ 2 cooperatives that previously provided metrics paused operations in 2020 and did not submit responses to the survey
- ▶ 2 newly incorporated cooperatives were added to the network of home care cooperatives

The Home Care Cooperative Benchmarking Survey and Report are created with the continued generous support of the Cooperative Development Foundation and the United States Department of Agriculture Rural Cooperative Development Grant.



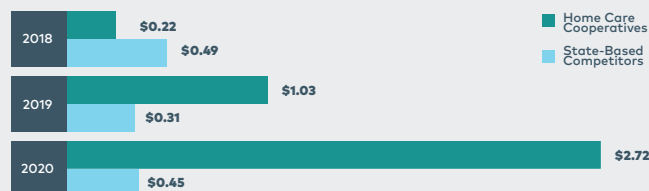
Key Findings on the Home Care Cooperative Sector in 2020

Sector Revenue and Client Hours



While client hours and revenue decreased in 2020, the home care cooperative sector was already showing signs of recovery by the end of 2020.

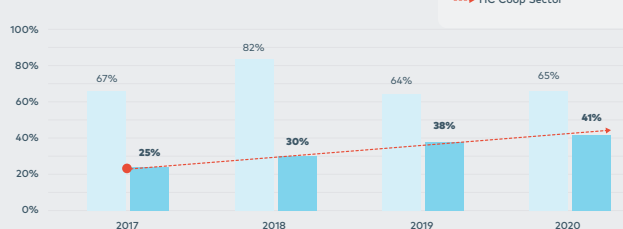
Increase in Cooperative Caregiver Wages



In 2020, home care cooperatives raised wages by an average of \$2.72 per hour compared the \$0.45 of their non-cooperative industry peers in the same states.

Caregiver Turnover

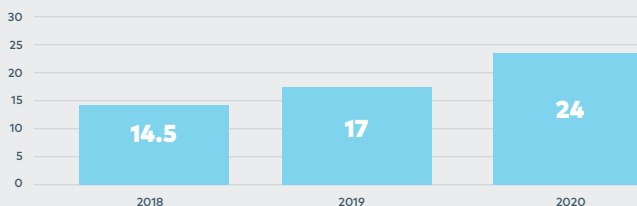
Median Caregiver Turnover



Home care cooperatives out-performed the industry in turnover with a 41% turnover rate compared to the industry's 65%.

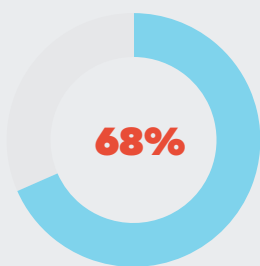
Median Caregiver Tenure

Tenure in Months



Despite an increasing caregiver turnover rate within the home care cooperative sector (see Caregiver Turnover chart), median caregiver tenure is also going up! This means that the caregivers who stay are staying longer.

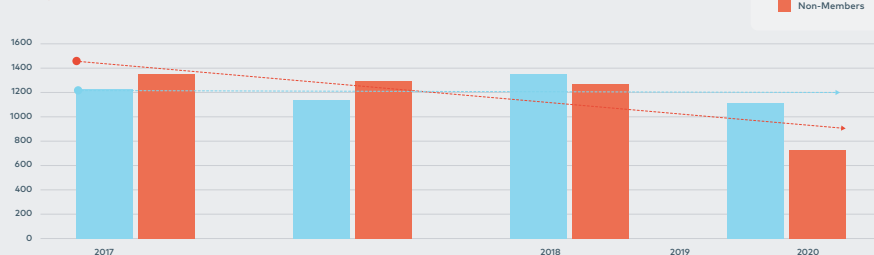
Cooperative Membership



In 2020, cooperative membership increased 10 points from 2019 (58%).

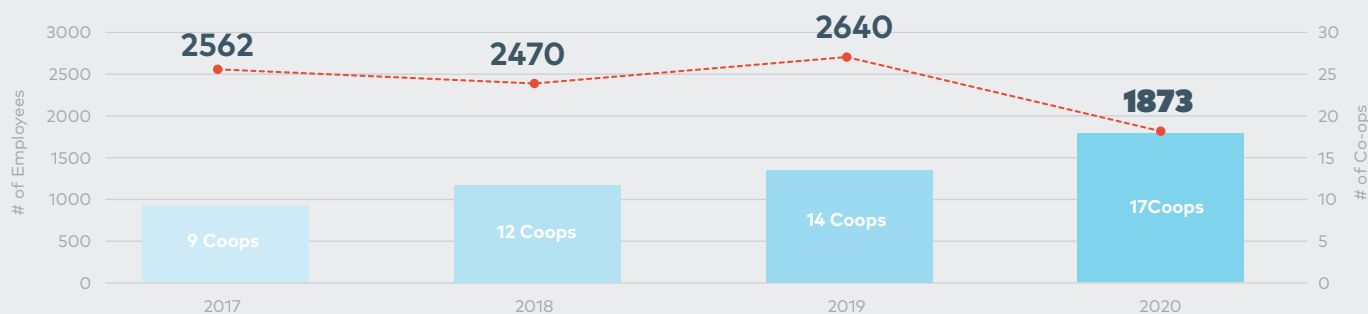
Membership Rate Over Time

Changes in Member and Non-Member Staff



In the wake of the pandemic, member-owners chose to stay at their cooperative at a higher rate than non-members.

Total Employment at Home Care Cooperatives



Impact of the pandemic on the home care industry and workforces

On March 13, 2020, the President declared a national emergency due to COVID-19 pandemic, throwing American life into chaos. A near shutdown of the U.S. economy¹ in the months following the start of the pandemic has created a national employment crisis. The home care industry was hit hard and is still actively recovering.

Despite being classified as essential workers, many caregivers lacked adequate personal protective equipment (PPE) during the early days of the pandemic. Training on COVID-19 safety protocols was inadequate, and each state approached the same problems in entirely unique ways, making guidance about health and safety protocols difficult to follow. While doctors, nurses, postal workers were celebrated, home care workers were overlooked, even as they made heroic efforts to provide vital caregiving services.

The result of these deficits was that caregivers left the industry. With schools closed, many caregivers chose to stay home with their children, or made the decision to stop working to prevent exposure and protect their health and the health of their families. This was a fraught decision given the immediate loss of income. While not without flaws, federal unemployment support was able to help prop up low-wage workers as industries primed themselves to provide services and goods to customers in new ways. Unemployment benefits held a mirror up to low-wage industries, demonstrating that company loyalty did not prevail over the safety and security provided by unemployment benefits.

With a skyrocketing demand for home care, and wage and benefits increases in other low-wage industries, the home care industry is now facing the worst caregiver shortage in history. The next few years have the potential to be a turning point for the industry, and will require aggressive policy change and innovative market solutions that recognize and reward the value of home care workers.

Unemployment benefits in 2020 held a mirror up to low-wage industries, including home care.

1. In April 2020, the federal unemployment rate rose 10.3 percentage points to 14.7%, equating to 23.1 million unemployed individuals. The number of unemployed persons who reported being on temporary layoff increased about ten-fold to 18.1 million in April 2020, and the number of permanent job losers increased to 2.0 million. Bureau of Labor Statistics, News Release, The Employment Situation-April 2020

Home Care Cooperative Sector Solidarity

While the home care cooperative sector faced the same challenges in 2020 as the larger home care industry, cooperatives came together to identify needs and opportunities for support. Supporting organizations translated evolving and confusing regulations, webinars shared funding opportunities, coordinated calls helped to better understand developing issues, and PPE was purchased and manufactured.

In 2020:

- ▶ \$389K in grant assistance was given to home care cooperatives
- ▶ 7 out of ten cooperatives received assistance from the Paycheck Protection Program
- ▶ 5 out of ten cooperatives received assistance from the Economic Injury Disaster Loan program
- ▶ 70% of home care cooperatives received PPE donations from their communities
- ▶ Cooperatives in other sectors pooled resources to produce, donate, or purchase PPE for home care cooperatives, exemplifying the cooperative principle of "Cooperation among Cooperatives"

The following organizations supported home care cooperatives in 2020:

- ▶ Cooperative Development Foundation
- ▶ The ICA Group
- ▶ National Domestic Workers Alliance
- ▶ University of Wisconsin Center for Cooperatives
- ▶ Northwest Cooperative Development Center
- ▶ US Department of Health and Human Services
- ▶ Isthmus Engineering Cooperative
- ▶ Pop-Up Collective
- ▶ Opportunity Threads
- ▶ Equal Exchange

In the wake of the pandemic, member-owners chose to stay at their cooperatives at a higher rate than non-member employees

Noteworthy Developments in 2020

In spite of the pandemic, and the many challenges it presented, the home care cooperative sector still experienced some interesting developments.

Increased Revenue Diversification

The home care cooperative sector saw an increase in payer diversification, with 50% of cooperatives accepting a mix of public and private payers compared to 40% last year. The five remaining cooperatives remained exclusively private pay, accepting out-of-pocket payments and private insurance (LTCL). As cooperatives continue to respond to market constraints, diversifying revenue sources fortifies them against sudden economic or policy changes, helping to ensure their existence in the market.

Sector Growth

Even with immense challenges, the cooperative sector continued to grow, with two new cooperatives incorporated as legal businesses in 2020—Ridgeline Homecare Cooperative in Washington, and Co-op Home Care in California. Each marketed and found clients and caregivers in one of the industry's most trying times. Two additional home care cooperative efforts began in 2020 but did not serve clients—Heartsong Homecare Cooperative, the fifth home care cooperative in Washington state, and Community Care Cooperative, launched by Sankofa Research Institute in Houston, Texas. Meanwhile, interest in the model continues to grow, with at least six new start-up initiatives around the country.

Strong Membership

The home care cooperative labor market demonstrated across multiple data points that home care cooperative member-owners are more likely to stay during times of crisis. While caregiver turnover increased, so did caregiver tenure and the rate of cooperative membership (ownership) for the sector. This demonstrates that the cooperative model fosters a commitment to collective problem-solving and loyalty to the cooperative, even in difficult times.

2021 Benchmarking Survey Results

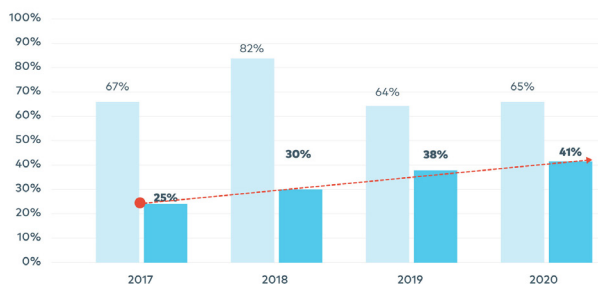
► Key Operational Benchmarks

Caregiver Turnover (Median)

Home care cooperatives once again outperformed the industry's caregiver turnover rate (median²) by over 20 percentage points. While this is a win, this lead is shrinking. Aside from 2018, when Home Care Pulse found that the nationwide turnover rate soared to 82%, the industry-wide median turnover rate has stayed relatively steady, while the home care cooperative sector's turnover rate has grown marginally, but steadily, year over year. While the industry's relatively steady turnover rate may signify a positive trend of broader job quality improvements across the industry, home care cooperatives will need to continue to raise the bar to maintain their competitive advantage.

Home Care Cooperative Caregiver Turnover

Median Caregiver Turnover

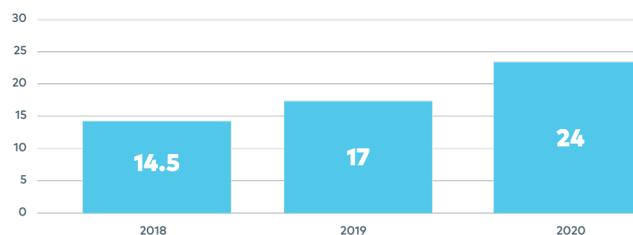


2. In 2020, the ICA Group adjusted using Average Caregiver Turnover to match Home Care Pulse's (HCP) Median Caregiver Turnover.

Caregiver Tenure (Median)

While turnover increased, home care cooperatives experienced increased caregiver tenure, in a year when the rest of the industry saw a mass exodus. Median tenure across all home care cooperatives was 24 months, while cooperatives that served clients for at least five years showed a median tenure of 31 months (2.5 years). Among cooperatives that have been in operation for 10 to 30+ years, caregiver tenure rises to 5-7.5 years. This demonstration of loyalty and commitment is often what cooperative administrators and member-owners know from experience, and caregiver tenure is just one way it is demonstrated through data.

Home Care Cooperative Median Caregiver Tenure
(Tenure in Months)

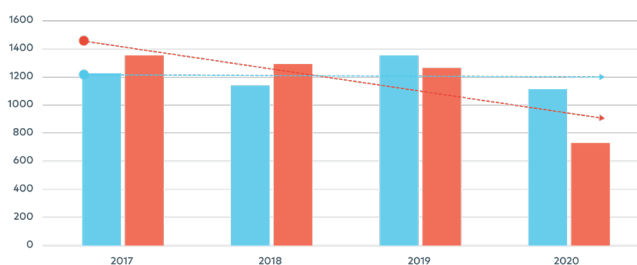


Rate of Member-Ownership

Cooperative membership increased ten percentage points to 68%, up from 58% in 2020. This increase was partially driven by a large reduction in non-member staff, which increased the concentration of member-owners. As expected, member-owners who had already experienced the tangible benefits and support of their cooperatives were more likely to stay on board even during the early, uncertain phases of the pandemic, whereas newer staff or non-members with less experience were quicker to leave.

Between 2017 and 2019, the shares of member and non-member staff remained steady. A combination of organic turnover, and non-members becoming member-owners, contributed to the natural fluctuations of the two categories. In 2020, however, the sector saw a significant drop in non-member staff, a loss of a little more than 500 non-members (-41% decrease from 2019). The change of member-owners, however, was much less, roughly 200 (-19% decrease from 2019). Overall, the combined loss represented a total loss of 41% of the home care cooperative sector's caregivers from 2019, a dramatic decline driven by non-member staff leaving larger cooperatives where cooperative culture can be harder to maintain, especially during a national crisis.

Home Care Cooperative Membership Rate Over Time
Changes in Member and Non-Member Staff



Unsurprisingly, smaller cooperatives in the sector typically maintain higher membership rates. We can assume this is because smaller cooperatives facilitate more direct communication and relationship building between administrators, caregivers, and caregiver-members. The relative flexibility of smaller cooperatives allows them to be more responsive to caregiver concerns, resulting in caregivers directly feeling the positive effects of membership. The key for growing cooperatives is to identify and distill the components of the cooperative difference that caregivers most value and to engage caregivers in long-term commitments like board positions, committee roles, or administrative support to foster and maintain a sense of ownership.

Wages

Using wage data to paint a picture of home care in 2020 is incredibly difficult because it was a highly volatile year, particularly with regards to wages. Two key factors impacted wage data in 2020:

1. **Employers across the board responded to the severe caregiver shortage with hourly wage increases and incentive programs to recruit caregivers.**
2. **The Paycheck Protection Program (PPP), established to encourage employers to keep staff employed, increased what businesses spent on caregiver wages. In many cases, small businesses received more than they could spend due to the shortage of available workers, and utilized overtime to fill client hours, making the average caregiver expense higher.**

Home care cooperatives paid caregivers between \$12-\$17 per hour in 2020. Using a weighted average that accounts for the size of each cooperative and its influence on the sector, the weighted hourly average wage for cooperative caregivers in 2020 was \$16.61. This number increased substantially due to the influence of grant and loan programs on total caregiver expenses.

Increase in Cooperative Caregiver Wages

Increase Relative to Previous Year



Because these figures were so greatly impacted by the pandemic and external programs, the ICA Group cautions against using aggregate wage data to demonstrate the cooperative difference in home care. Rather, we encourage use of state-specific data for comparative purposes—see *wage table in Appendix A*.

Client Hours

Both the home care cooperative sector's client hours and total revenue decreased by 9% in 2020. This equates to about \$6.5 million dollars in lost revenue, and roughly 230,000 lost client hours. Every cooperative that served clients in 2019, except for two, experienced a loss in revenue and client hours in 2020. The two that did not are in unique markets where they have the advantage of being one of the few quality home care providers in their area.

Home Care Cooperative Sector Revenue and Client Hours

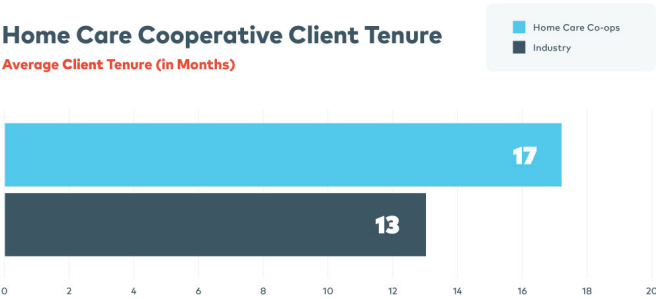


Since 2020, the industry has continued to struggle with meeting the continuously growing demand for home care services. Caregiver recruitment and retention continues to be the #1 challenge for home care business owners. The biggest challenge cooperatives will face over the next few years is how to harness the loyalty and commitment of existing caregivers and attract new caregivers to the industry to meet the demand for services and recover lost hours and revenue.

Client Tenure

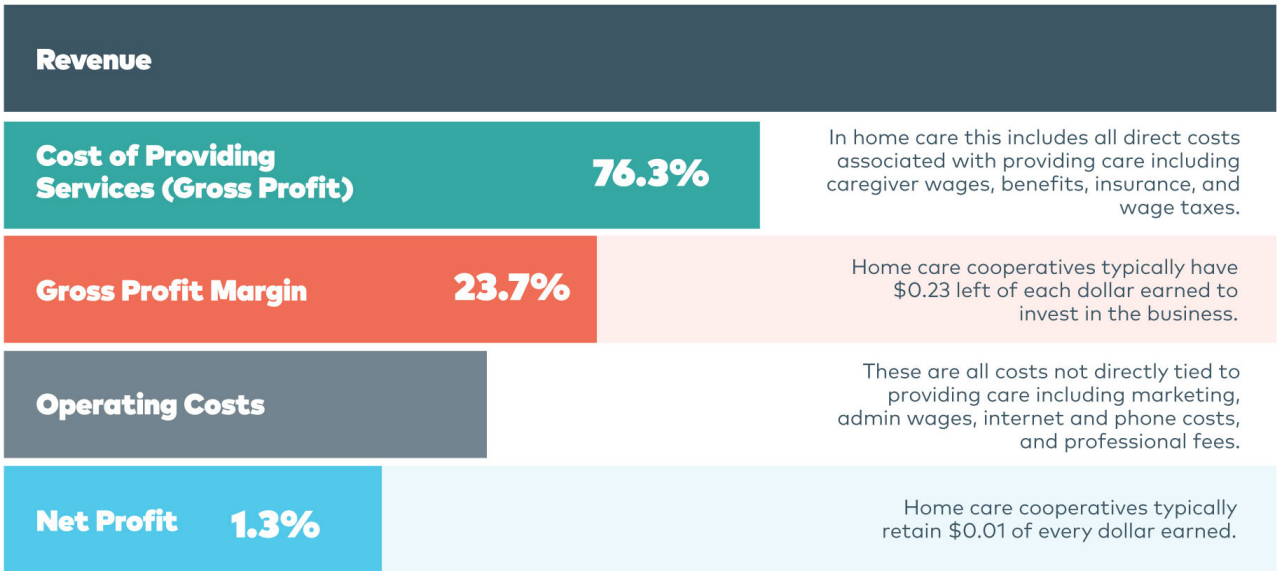
For yet another year, cooperatives have outperformed the industry in client tenure. On average, clients who receive services from home care cooperatives stay four months longer than the industry average of 13 months.

Average client tenure at reporting cooperatives spanned 6 to 38 months, demonstrating that there are still hurdles for cooperatives to overcome in order to attract and retain clients. Depending on a home care cooperative's business model a short client tenure may be the standard, so it is important to contextualize this data point. For example, if a cooperative's client base is primarily made up of high-acuity 24-hour patients, client tenure will likely be shorter than a cooperative that primarily provides personal care services to long-term disabled clients. Cooperatives must understand their target client tenure based on their business model, and to then measure against that goal at regular intervals.



Key Financial Benchmarks

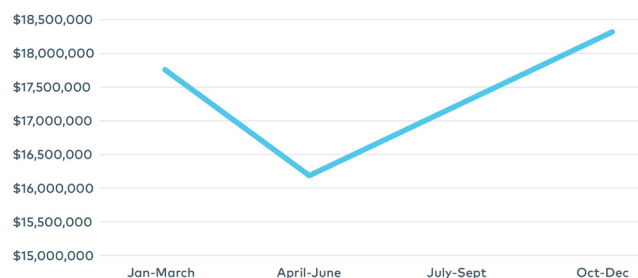
The Home Care Cooperative Business Model Demonstrated by Margins



Sector Revenue by Quarter

As previously outlined, overall sector revenue decreased, and many cooperatives had lower revenue in 2020 than in 2019. However, quarterly revenue figures for 2020 illustrate a recovery trend in action. The majority of losses were seen in quarter 2 of 2020 (April-June). By Q3 and Q4, each cooperative showed signs of recovery. Not all were able to recover to Q1 revenue levels, but the positive trajectory was visible in the figures provided by the cooperatives.

Sector Revenue By Quarter CY 2020



Broader Home Care Industry Expense Benchmarks

	\$0-\$799K	\$880K-\$1.599M	\$1.6M-\$2.799M	\$2.8M-\$4.99M	\$5M+
Cost of Providing Services	65.2%	64.2%	64.1%	60.7%	68.4%
Gross Profit Margin	34.8%	35.8%	35.9%	39.3%	31.6%
Caregiver Recruitment and Retention Expenses	5.2%	3.6%	3.2%	2.4%	1.9%
Sales and Marketing Expenses	8.7%	4.9%	5.1%	3.6%	2.9%
Operating Expenses	39.8%	25.3%	21.8%	21.5%	20.5%
Office Support Wages	13.9%	8.1%	7.7%	7.6%	7.3%
Profit Margin	-18.9%	2.0%	5.8%	11.8%	6.3%

Home Care Pulse polled 646 home care providers in 1,047 different locations across the US to produce the table above. 43.5% of the sample are independently owned and operated agencies, and 51.1% are franchise locations that are independently owned and operated. Interestingly, home care businesses that made \$100K in revenue or less comprise 16.7% of respondents, while the largest subset of businesses (40.6%) are agencies that make \$500K or more.

Using this table, home care cooperatives can benchmark their financial figures to gauge their success in comparison to their non-cooperative counterparts. What is most compelling about this table is that caregiver recruitment and retention expenses, sales and marketing expenses, operating wages, and office support wages decrease as revenues in the business increase, demonstrating economies of scale that increase the profit margins.

Operating Expenses

The data in the table on the previous page provides a reference point for understanding how certain expenses are compressed with scale. For example, when a company is making less than \$799K, office support wages make up 14% of their total operating expenses. Larger companies are able to bring the cost down to 7-8% because the same administrators are able to work to full capacity, take on specialty roles, or integrate process efficiencies. Caregiver recruitment and retention expenses and sales and marketing expenses demonstrate a similar trend. This is an important cost to consider as cooperatives consider the pros and cons of growth and the right scale to achieve their goals.

Gross Profit Margin

Gross profit margin is a metric business operators use to identify how efficiently they are providing goods or services. The higher the gross margin the better. A gross margin is typically presented as a percentage (23% for example), but when presented as a decimal (0.23), it demonstrates how much of every dollar earned is left over after providing services.

Gross Profit Margin Equation

$$\frac{(\text{Revenue} - \text{Costs of Providing Services})}{\text{Revenue}}$$

Revenue

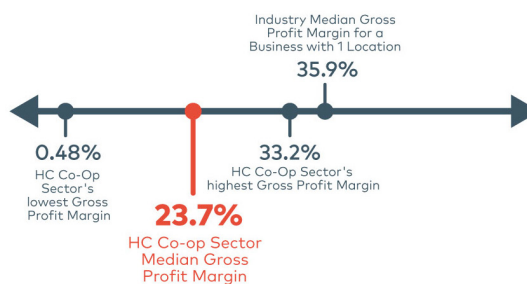
Example: 23.7% Gross Profit Margin = .237

In practice, this means that about \$0.24 of every \$1.00 earned is left to fund activities that do not directly produce revenue.

By creating efficiencies in covering direct costs (by getting a better group health insurance rate, for example), cooperatives retain more funds for distributions to caregivers or investments in the business. This money can fund things like additional admin staff, increased marketing, a new technology, or dividend distribution to member-owners.

The home care cooperative sector has a median gross profit margin of 23.7%, with the highest gross profit margin for an individual cooperative being 33.2%. These figures still underperform compared to the industry median of 35.9% for a home care business with one location. Because home care cooperatives typically pay higher wages than standard home care businesses, and invest in providing quality care, a home care cooperative's gross profit margin is expected to be lower.

Home Care Cooperative Gross Profit Margin



Net Profit Margin

Similar to gross profit margin, bigger is better when it comes to the net profit margin. Conventional businesses are driven to increase net profit to optimize shareholder value. In worker-owned cooperatives, a larger bottom line means more funds are available to invest in caregivers, provide training, or distribute as dividends.

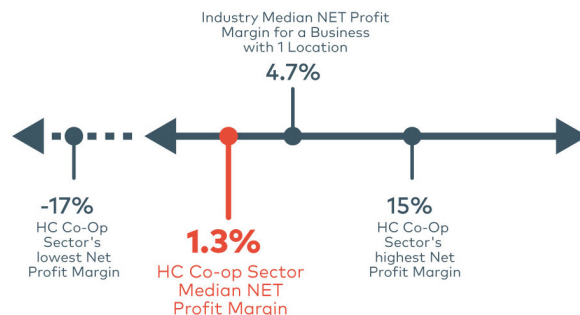
The home care cooperative sector has a very low profit margin when compared to the industry as a whole. In 2020, the industry-wide median net profit margin for businesses with one location was 4.7%. Meaning that for every dollar businesses earned, about \$0.95 was spent covering operating expenses and \$0.05 was left over for investments or distributions. In 2020, home care cooperatives had a median net profit margin of only 1.3%. The net profit margin for home care cooperatives ranged widely from -17% to 13%, demonstrating the span of differing financial realities, including payer rates, client income levels, and cost of providing services (travel costs, etc.).

Net Profit Margin Equation

$$\frac{(\text{Total Revenue} - \text{Total Costs})}{\text{Total Revenue}}$$

Total Revenue

Home Care Cooperative Sector Net Profit Margin



The Cooperative Difference

The cooperative difference in home care has been illustrated throughout this report in increased wages, increased tenure, and lower turnover rates. Behind these statistics is a shared common value of respect for caregivers, a recognition of the value of caregiving work in our society and economy, and a commitment to improving job quality for the individuals that do this critical, life-sustaining work. The unbalanced economics of the home care market make it very difficult for home care agencies, cooperative or otherwise, to make the investments they know are needed and deserved.

For newer and smaller home care cooperatives, the cooperative difference often is qualitative—more flexible schedules, respectful communication from administrators and supervisors, connection to peers, and the opportunity to voice your opinion and take part in company governance. For larger or more established cooperatives, the cooperative difference often takes on new meaning in the form of enhanced training programs, health benefits, and opportunities for policy advocacy. In all cases, cooperatives put the caregiver at the center, striving to create the best possible quality job.

Some unique but common practices that exist across cooperatives include open communication about business operations and finances to give caregivers and board members the opportunities to learn, ask questions, and provide input. For caregivers looking to expand their skills outside of caregiving, administrative opportunities to help in the office and become familiar with the business can round out hours and support the cooperative's success. And finally, to build a strong culture, team building and social events that reduce feelings of isolation and facilitate the natural development of peer supports helps foster loyalty and buy-in to the cooperative's success.

All home care cooperatives envision a future where caregivers are paid living wages, have access to high-quality entry-level and advanced skills training, have health insurance and retirement savings, and have opportunities for career advancement. With each passing year, cooperatives are making strides towards this vision, and the sector will hopefully start to experience greater gains.



Conclusion

2020 introduced a myriad of new challenges for the U.S economy. In home care, agencies experienced steep declines in business and employment. They later experienced an unprecedented increase in demand while caregiver employment simultaneously hit an all-time low. Sourcing adequate and affordable personal protective equipment became a new full-time responsibility for caregivers. For many agency owners, the unpredictability and never-ending challenges were too much, and they closed their doors or sold their businesses. At the same time, new entrants responding to the high demand for care entered the market, putting more pressure on an already tight labor market. The pandemic shone a spotlight on the importance of home care, and the many challenges undermining the industry's growth and success.

Amidst this turmoil, home care cooperatives remained a steady and growing presence in the industry, gaining national recognition and adding two new cooperatives to the national network. 2020 demonstrated strong gains for the cooperative sector, with important increases in caregiver membership, tenure, and wages. Cooperatives also maintained their lead in caregiver tenure, but the differential between cooperatives and non-cooperative agencies decreased. By collectively navigating new challenges and uplifting the passion and resilience of home care workers, home care cooperatives continued to demonstrate the cooperative difference in home care. But as demonstrated by the growing turnover rate, cooperatives must not take this difference for granted.

The role of the home care cooperative is not just to set the floor, but to continually raise the ceiling for home-based caregivers. Cooperatives must always be asking: What do our caregivers need to be successful? What can we do to improve job quality when margins are so low? How can our cooperative be people-centered and market competitive? These are not easy questions to answer. Cooperatives must work smarter, not harder. Cooperatives can leverage the guiding principles of cooperation among cooperatives and concern for community, and draw on the wisdom, skills, and common desires of member-owners. Cooperative home care agencies have an intrinsic advantage that can propel the sector toward greater growth and success.

As the industry navigates the next phase of the COVID-19 pandemic, home care cooperatives have an opportunity to demonstrate a new way of working. Cooperatives can show the industry that high-quality jobs, high-quality care, and business success go hand in hand. 2021 was another challenging year, but we look forward to seeing and celebrating the many ways cooperatives excelled during these difficult times, and the many ways they will innovate and adjust to ensure the best possible jobs and quality of care.

“Caregiver-owned cooperatives transform the relationship between a client and caregiver into a relationship between a client and an owner—a process that centers care as the key business driver. While caregiver co-ops provide better jobs and better care, the industry must also be transformed to truly create home care jobs worth owning. ICA is proud to help home care co-ops launch Elevate, a co-op of co-ops, where member firms work together to make meaningful change at the operational level, and to establish a platform for coordinated public action geared towards long-term change.”

—David Hammer, Executive Director, the ICA Group

Appendix A

2019-2021 Bureau of Labor Statistics median wages for home health and personal care aides in states where home care cooperatives are located. Home care cooperatives can use this data to understand how their wages compare within their state market.

States	May 2019 Median HHA/PCA Hourly Wage	May 2020 Median HHA/PCA Hourly Wage	May 2021 Median HHA/PCA Hourly Wage
California	\$12.58	\$14.05	\$14.27
New Mexico	\$10.39	\$10.52	\$11.04
New York	\$13.42	\$14.86	\$14.57
Pennsylvania	\$11.99	\$12.40	\$13.65
Texas	\$9.68	\$10.11	\$10.82
Washington	\$14.14	\$15.14	\$17.45
Wisconsin	\$11.80	\$12.32	\$13.65