



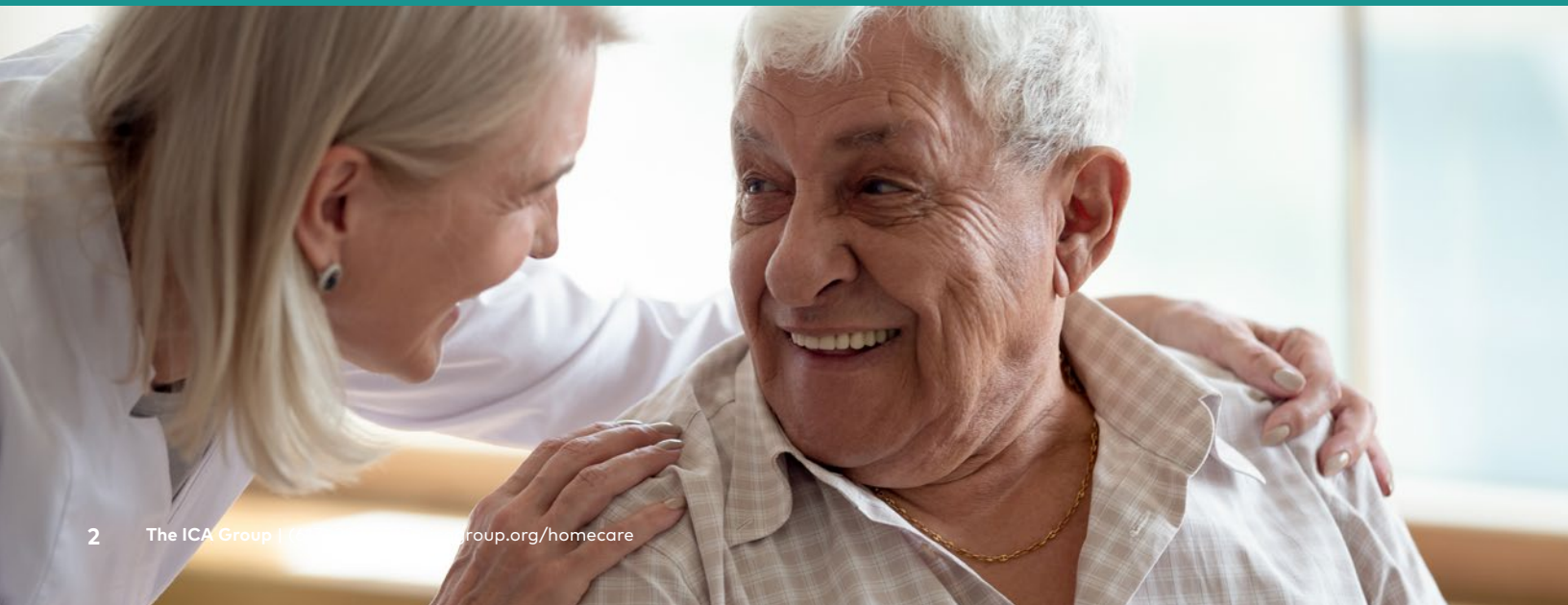
2020 Home Care Cooperative Benchmarking Report

By the Numbers: Successes and Continuing Challenges

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Cover Photo: Rachael Porter / Social media: @porterfiles
Marichu Buenaventura, Caregiver at Courage LLC, Los Angeles CA



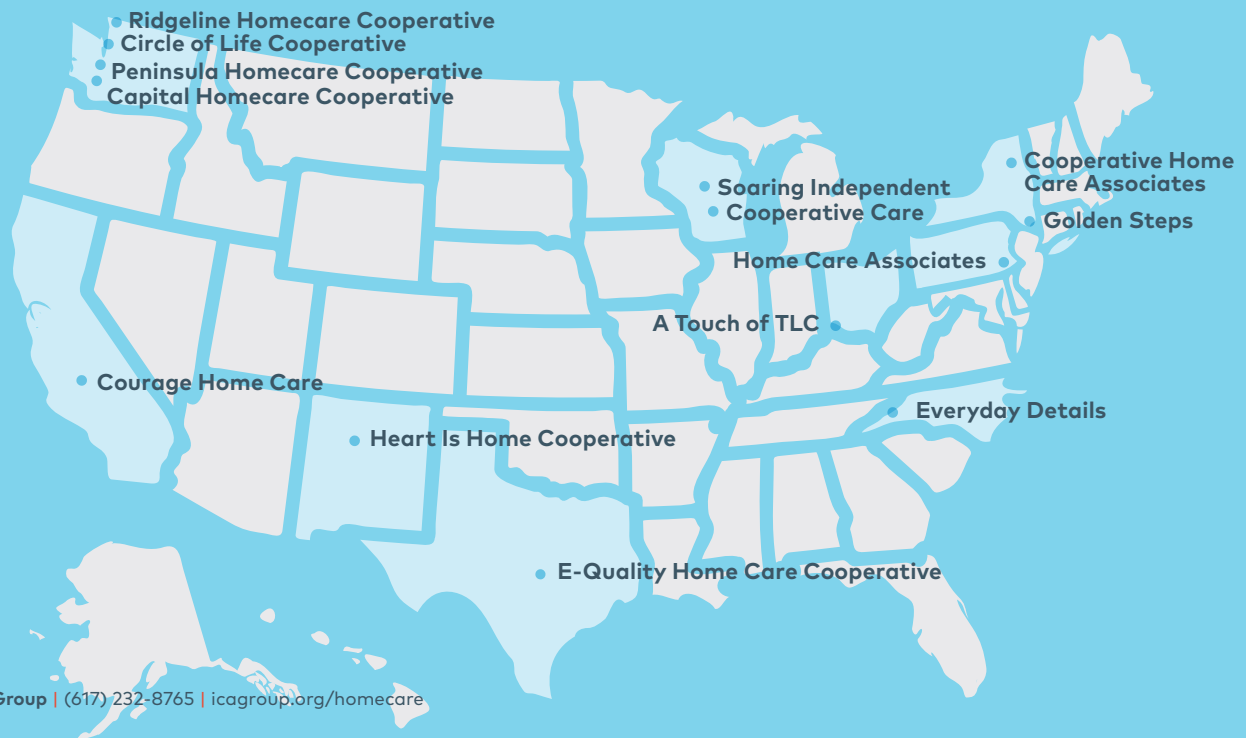
About the Report

The ICA Group, in partnership with the Cooperative Development Foundation (CDF), conducts the annual Home Care Cooperative Benchmarking Survey to gather and analyze key data metrics from home care cooperatives across the United States. The survey collects quantitative data on the business, client, and caregiver staffing metrics of cooperative home care agencies, and qualitative information on the challenges and opportunities that cooperatives experienced. This multi-layered approach provides a comprehensive analysis of this growing industry model and insights on the individual and collective experiences of home care cooperatives.

The 2020 Benchmarking Survey was sent out in July 2020 to all 14 operational home care cooperatives to collect data for Calendar Year (CY) 2019. This survey had the highest rate of participation yet, at 92%. Of the 14 home care cooperatives in the U.S., 13 responded to the survey. Ten of those 13 were fully operational in CY 2019, and those responses were analyzed for this report. New to this year's report, we gathered early-stage data from start-up cooperatives that had not yet completed a full calendar year of operations. Analyzed separately, this data provides useful insight into the start-up experience, allowing us to track start-up trends over time and enhance start-up supports.

Participating cooperatives were sorted into segments based on the total number of employees working at the cooperative. This data segmentation allows for a more refined analysis and has been developed specifically for the home care cooperative sector. As the cooperative sector grows, this segmentation will be periodically re-evaluated. The term "# of employees" includes cooperative members, non-member caregivers, and administrative and management staff.

Size	# Of Employees
Small	> 50
Medium	51-100
Large	100 <



Key Findings

Sector Business Performance

Total Revenue



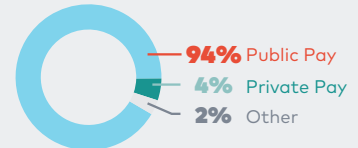
representing approximately .001% of the industry

Total Annual Client Hours Billed

2.97 Million

Personal care services account for the vast majority of client hours

Revenue Sources



3 cooperatives currently serve public pay clients

Revenue from Client Services

Total 2019 Revenue from Client Services	
Private Pay Revenue	\$2.8 Million
Public Pay Revenue	\$71.6 Million

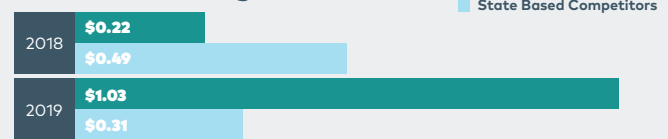
Caregiver Impact

Average Caregiver Wage Differential

+\$1.93

per hour more than non-cooperative industry peers

Increases in Wages



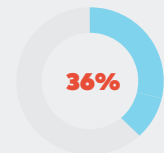
Rate of Ownership

58% of all eligible employees are worker owners

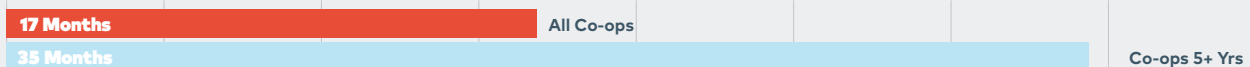


Average Annual Caregiver Turnover

versus the industry average of 64%



Median Caregiver Tenure



The median for cooperatives in operation for 5 or more years increases to 35 months

Total Employment at Home Care Cooperatives

Total Number of People Employed by Home Care Cooperatives



Home Care Industry Considerations

Reacting to Industry Trends and Demonstrating Leadership

Home care cooperatives are embedded within the larger home care industry and are trendsetters and leaders. Like other agencies, home care cooperatives must adapt to an ever-changing regulatory environment and fluctuating market conditions. Home care cooperatives must also compete with other agencies, including new entrants and larger, better-resourced agencies. Home care cooperatives are constantly working to push the ceiling on caregiver wages and benefits, workforce training and on-the-job supports, and perhaps most importantly, continuously advocating for changes in the industry that demonstrate respect and acknowledgement for the crucial work caregivers provide.

Collecting longitudinal data on the cooperative home care sector and comparing it to the broader industry allows the sector to watch trends and strategically anticipate and plan for future changes. The conditions set by the market, however, naturally limit the extent to which individual cooperatives can push the envelope on caregiver pay, benefits, and training, requiring cooperation among cooperatives and policy advocacy to achieve greater collective impact.

Increased Competition and Consolidation

An exponential increase in consumer demand has attracted private investment and brought many smaller entrants into the home care market. This has fragmented the private pay sector and consolidated the public pay sector in favor of larger agencies that can provide low-cost care to a larger volume of public pay clients. Both trends put significant pressure on home care cooperatives. To compete, cooperatives must make greater investments in agency differentiation and marketing. Additionally, agencies focused on public pay (primarily Medicaid), are being pushed to either grow or diversify to stabilize revenue through higher rates or increased volume.

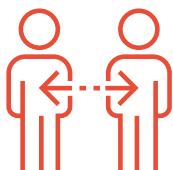
The influx of new entrants paired with an ongoing shortage of caregivers creates another level of challenge. To attract caregivers, many new entrants utilize caregiver recruitment tactics such as sign-on bonuses or a promise of higher wages. But they often fall short, unable to provide sufficient client hours to sustain a livable income, and they rarely offer benefits, adequate training, or on-the-job supports. The abundance of sub-par employment options directly contributes to high industry turnover, forcing caregivers to move between firms as they seek an agency that can deliver livable wages, benefits, and flexible schedules. While home care cooperatives pay higher wages and offer better benefits and training than non-cooperative agencies, they are not immune to the shortage of caregivers in the industry and the stiff competition for caregiver hiring.

Undervalued Work

While demand for home care services continues to skyrocket, the financial and clinical value placed on home care work continues to lag behind. The issue is two-fold. In the private pay market, there are limits to the financial resources that the majority of U.S. households can expend on out-of-pocket home care services, and long-term care insurance offerings are limited and expensive. To succeed, home care agencies focused on private pay must strike the right balance between affordability, the cost of providing services, and competitive rates. In the public pay market, passage of the Affordable Care Act (ACA), state-based Medicaid expansion, and the continued move towards managed long-term care through Managed Care Organizations (MCOs) or Managed Long Term Care Organizations (MLTCs) has increased access to home care services for previously underserved populations, including the elderly and disabled people living independently.

In response, MCOs offset the higher cost of providing care to high needs clients by reducing rates and limiting service hours to all clients. After all, these are for-profit entities. Further, federal and state Medicaid funding has simply not responded to market demand, leading to a systemic underinvestment in home care work and home care workers, the majority of whom are women, immigrants, and people of color. While home care cooperatives continuously work to improve caregiver employment conditions, they are constrained by the barriers endemic to the larger home care industry. Large-scale systemic change is needed to truly change employment conditions in this industry.

Four Pillars of the Cooperative Difference in Home Care



Caregiver Turnover & Tenure



Wages & Benefits



Training & on the Job Supports



Leadership & Career Advancement Opportunities

The Cooperative Difference in Home Care

► Cooperatives

Business Trends: Notable growth in private pay revenue and service hours, decline in public pay

Revenue

Private pay clients hire agencies directly by paying out-of-pocket or with long-term care insurance. These clients pay higher service rates for care and are often more loyal to an agency that meets their needs. The administrative labor is relatively light, allowing more of the gross margin to be reinvested into the business. Most of the administrative work is front-loaded and then managed on a semi-regular basis, making these private pay clients attractive to all home care agencies. However, competition for these clients is fierce. Consolidation of larger national home care companies and an ever-increasing number of new national franchises entering local markets adds significant competitive pressure to the marketplace.

Despite stiff competition, private pay revenues in the home care cooperative sector grew by 10% in 2019. As demonstrated in the table on the next page, home care cooperatives provided 7,000 more private pay client hours in 2019 than in 2018. At the same time, the home care cooperative sector experienced a 0.5% decline in public pay revenue. Overall, the increase in private pay revenues effectively offset losses incurred from the decrease in public pay client hours. It is worth noting that some of the increases in private pay revenue occurred at home care cooperatives where public pay revenues declined, resulting in positive growth.

2019	▲ 10% Private Pay Revenue	▼ 0.5% Public Pay Revenue
2018	▼ 20% Private Pay Revenue	▲ 7% Public Pay

Overall, the cooperative home care sector experienced a less than 0.5% decrease in total revenue from the previous year. Most of this was public pay revenue. This decrease was minor given that total sector revenue was \$76.5 million in 2018 and decreased to \$76.1 million in 2019. The growth in private pay hours created an inverse change in private and public pay revenue trends from the previous year.

	2018-2019 Change in Client Hours	2018-2019 Change in Revenue
Public Pay	- 225,00	- \$350,000
Private Pay	+ 7,000	+ \$270,000

As demonstrated in the table above, public pay revenue decreased only slightly between 2018 and 2019, and the cooperative sector was able to recover some of its private pay losses from the previous year. Most notable is the continued decline in total client hours.

Client Hours

In 2019, total client hours declined by 6% for the cooperative sector as a whole, with smaller cooperatives enduring a larger loss of 10%. Collectively, five of the ten reporting cooperatives experienced losses while the other five saw increases. For those that saw an increase, the average increase was 54%, totaling approximately 25,000 client hours. Three of the smallest cooperatives almost doubled their client hours from the year before.

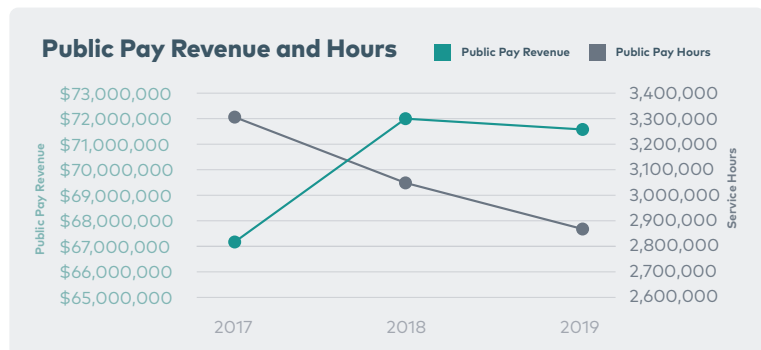
Public pay hours and revenues also declined. While a decline may appear negative, it can largely be attributed to proactive strategies of the home care co-ops to cope with the systematic challenges of operating in the public pay market.

Primary challenges experienced in CY 2019 include:

- ▶ State public programs (Medicaid and other) resisting or being unable to increase reimbursement rates to home care companies
- ▶ State public programs failing to prioritize service providers that consider both caregiver and client needs over providers who can serve more clients with less administrative demands (volume providers)

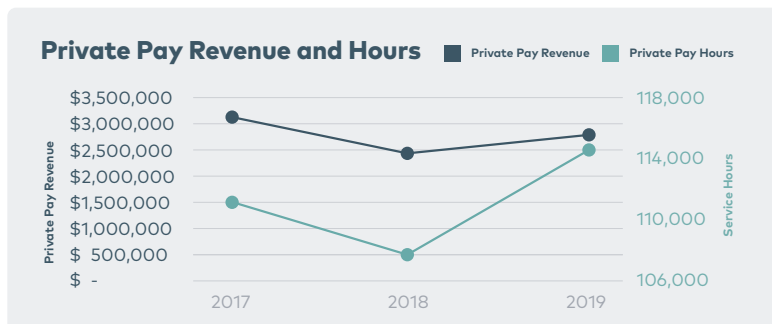
To manage these challenges, home care cooperatives made strategic decisions to:

- ▶ Be more selective in the public pay cases accepted to ensure caregiver and client alignment and profitability
- ▶ Shift or expand administrative efforts to integrate more private pay revenue streams, which have larger profit margins and have smaller administrative costs



While only three cooperatives currently operate in the public pay market, public pay represents a much greater overall percentage of the market. It is not profitable or possible to serve public pay clients on a small scale, and many cooperatives are still in early stages of growth. For private pay co-ops to add public pay revenue streams, they will need to dig into their markets, differentiate themselves from local competitors, and substantially grow their private pay business to subsidize the overhead costs that public pay requires but does not reimburse.

While it is challenging for smaller private pay cooperatives to break into the public pay market, these co-ops can change faster and react more nimbly to market influences. In the larger industry, the lean administrative operations and higher service rates of private pay home care businesses provides a wider margin for investing in marketing and sales efforts—a crucial component for any home care business in a highly competitive industry.



In 2019, private pay service hours grew by 6% from the previous year, influencing the corresponding 10% increase in revenue. Interestingly, private pay revenue has yet to reclaim its 2017 benchmark even as private pay hours surpassed the 2017 benchmark. This anomaly is difficult to understand given the limited scope of data collection in 2017, the first year of the survey. As more longitudinal data is collected, this anomaly will become less influential in private pay trends.

Finally, minor changes in the private pay market can exaggerate effects for new co-ops that haven't grown enough to withstand impact or take advantage of opportunities. As smaller cooperatives grow and continue to get a stronger toehold in their respective markets, total private pay sector revenue will be important to track on a regular, possibly quarterly basis.

► Caregivers

Caregiving Workforce: Increases in caregivers and wages continued but the struggle to attract new entrants is ongoing

Staff Growth

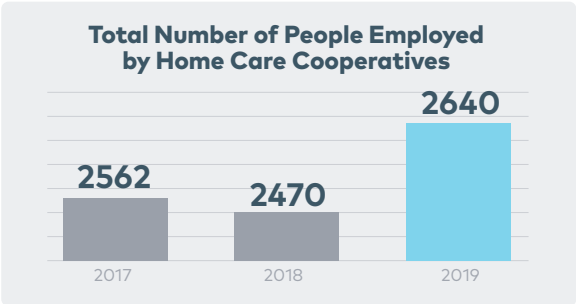
Nationally, the shortage of caregivers continued to increase, growing from a ratio of 1:7 in 2018 (one caregiver in the workforce for every seven clients needing care at home) to 1:10 in 2019.

Millions of new home care workers will need to be hired and trained over the next few decades to meet the growing demand for home-based care and to replace caregivers leaving the sector. The number of workers employed by the home care industry in the U.S. is expected to grow from 3.4 million workers¹ to 4.5 million (34% growth) over the next 10 years. Despite this unprecedented job growth, there have been few improvements to the job. Home care work is still marked by low pay, limited benefits, inconsistent hours,



[1] U.S. Bureau of Labor Statistics Occupational Outlook Handbook: Home Health and Personal Care Aides

insufficient training, limited career advancement opportunities, and a general lack of respect and recognition for the emotional and physical demands of the job. Higher-paying opportunities at companies like Amazon, fast food chains, and retail outlets with a \$15 hourly wage exacerbate the recruitment challenge. For the last three years, home care providers have rated caregiver shortages as the number one threat to their businesses.²



Despite this challenging employment market, the home care cooperative sector was able to recover some of the caregiver losses it experienced in 2018. In 2019, 2640 caregivers were employed by home care cooperatives, an increase of 170 caregivers. While a notable achievement, home care cooperatives struggled to achieve this gain, and many noted falling short of hiring needs and goals.

Many caregivers truly love the caregiving profession and desire work that is both financially and emotionally fulfilling. For those drawn to the profession, the opportunity for equity, profit sharing, and decision making remains an attractive differentiator.



Four of the ten reporting home care cooperatives reported their #1 business challenge in 2019 as caregiver recruitment, with three of those four cooperatives reporting the #2 business challenge as caregiver retention. This points to both the natural limitations on how much independent home care cooperatives can improve employment conditions within the larger industry environment, and the need to continue to deliver on the cooperative difference for caregivers.

In 2019, home care cooperatives cited their top recruitment methods as caregiver referrals and social media. This highlights the importance of engaging and supporting cooperative caregivers as recruiters and actualizing the cooperative difference for caregivers to ensure long-term retention.

Wage Increases

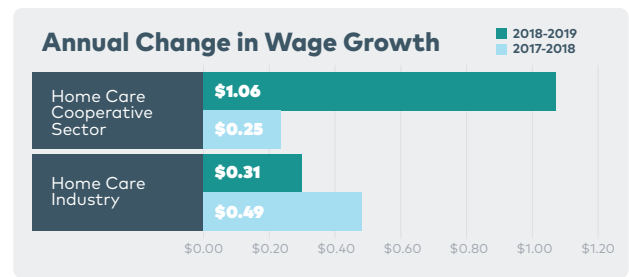
In 2019, caregiver wages at home care cooperatives far exceeded the wages paid by their non-cooperative state competitors. In 2019, home care cooperatives paid \$1.93 more per hour than their state based non-cooperative counterparts. This is a substantial differentiator. In 2018, home care co-ops led by only \$0.52 more per hour. Some of this growth was driven by state-mandated minimum wage increases, specifically in California and New York,³ while cooperatives in other states either continued to offer an industry-leading wage or increased their wages in response to caregiver recruitment challenges.

In 2019, home care cooperatives paid \$1.93 more per hour than their state based non-cooperative counterparts.

[2] Home Care Pulse 2019 Benchmark

[3] California and New York instituted a \$15.00 minimum wage but allowed employers to gradually raise their wages over time, requiring certain minimums at the end of each year.

Of the ten cooperatives operating within seven states, six co-ops increased the average hourly wage for caregivers from the previous year, one was a new entrant to the sector, and three maintained the average cooperative hourly caregiver wage from the previous year. Caregiver hourly wages ranged from \$10.50 to \$17.00 per hour, excluding patronage dividends or other bonuses.



In 2019, wage data from home care co-ops was analyzed using the same method developed the previous year—a weighted average calculation using the total number of individuals in a job (HHA, PCA) and the average wage of that job.⁴ That same method was used to calculate average wages for the same jobs in each state, providing a comparative figure to ensure apples are being compared to apples.

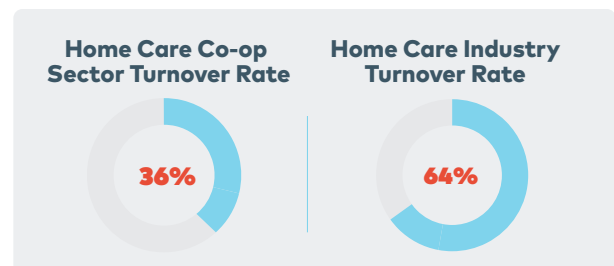
Home care cooperatives collectively grew their wages by an average of \$1.06 per hour from the previous year—a substantial improvement from the 2017-2018 average increase of \$0.25 per hour. However, wages within the larger home care sector also grew. While industry-wide wage increases are not as substantial as in the home care cooperative sector, they have continued a steady incline—up \$0.49 per hour from 2017 to 2018, and then up \$0.31 per hour from 2018 to 2019. Home care cooperatives will need to continue to differentiate and innovate to maintain their lead.

► Clients

A Commitment to Caring: Turnover & Tenure

For clients, high caregiver turnover is disruptive and can result in inconsistency of care, worsened care experiences, or a discontinuation of services. For home care agencies, caregiver turnover can jeopardize an agency's reputation and creates significant administrative and financial burdens. The estimated cost of turnover is \$2,600 per caregiver lost,⁵ equating to thousands of dollars lost each year in administrative costs incurred from replacing caregivers, loss of business from an insufficient supply of caregivers, and the costs of hiring and onboarding new caregivers. Lower caregiver turnover provides a significant market advantage to the home care cooperative sector with quality, consistent care for clients and financial stability for cooperative agencies.

In 2019, the industry-wide caregiver turnover rate reached a three-year low at 64%. **While a significant improvement over the 82% turnover rate reported in 2018, the home care cooperative sector delivered a 36% turnover rate.** The 2019 home care cooperative turnover rate is not only lower than the sector's 2018 rate of 38%, but it also demonstrates the overall sector's resilience during a year in which three cooperatives experienced uncharacteristic spikes in turnover. Year over year, the home care cooperative sector has consistently demonstrated its competitive edge in caregiver turnover maintaining a lead of at least 20 percentage points compared to the larger industry average.



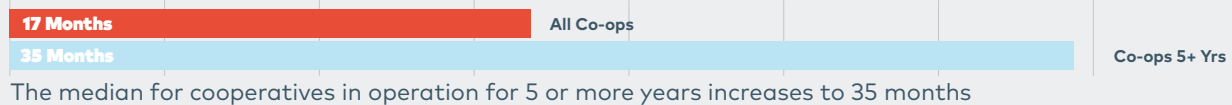
[4] In 2019, the Bureau of Labor and Statistics discontinued separating Home Health Aide (HHA) and Personal Care Aide (PCA) in their data collection. They currently group the two roles together.

[5] 2017 Home Care Pulse Benchmarking Study

50% of Home Care Cooperatives reported Client Acquisition as one of their top two business challenges in 2019

While Home Care Pulse, the cooperative sector's main comparative data source, discontinued measuring median tenure for caregivers, the home care cooperative sector continues to measure median tenure as a key differentiator. **In 2019, the median caregiver tenure for home care cooperatives increased from 16 to 17 months.** As younger cooperatives continue to establish themselves and carve out space in the market, tenure will continue to increase. **For established home care cooperatives, co-ops that have been serving clients for five or more years, tenure increases to an impressive 35 months, with leaders in the 65+ month range.**

Median Caregiver Tenure



► Support

As worker-led businesses, home care cooperatives prioritize improved working conditions and on-the-job supports. The 2019 benchmarking survey found that **nine of ten operational home care cooperatives:**

- Provide training that exceeds the state minimum requirement, with seven cooperatives providing paid training
- Offer opportunities to participate in administrative work to become familiarized with the business, round out work hours, and support the business
- Organize team building and social events to reduce caregiver isolation and facilitate the natural development of peer supports

Further,

- Seven of ten home care cooperatives provide training for board members including financial literacy, equipping caregivers with valuable and transferable leadership skills
- Seven of ten provide caregiver coaching or peer mentorship
- Seven of ten offer opportunities for speaking engagements, policy advocacy, or committee work
- Five of ten provide short-term financial supports for caregivers experiencing personal financial emergencies

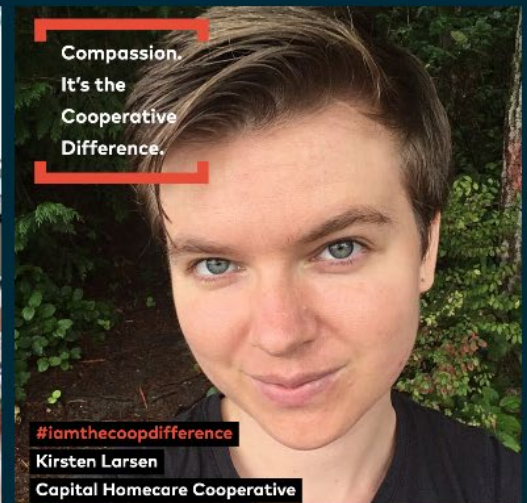
These additional opportunities and supports create a unique environment that encourages caregivers to stay.

Key Takeaways

Interest in the cooperative model in home care continues to grow. CY 2019 saw the incorporation of two new cooperatives, the addition of 170 new cooperative employees and a 10% increase in the average rate of caregiver-ownership. Home care cooperatives maintained their competitive advantage in terms of caregiver turnover, hourly wages and wage increase differentials, and through their structure continued to offer opportunities for leadership development and professional advancement that positively impact caregiver satisfaction and retention.

On the other hand, the conditions of the larger home care industry, including a severe shortage in caregivers, significant growth in new entrants, and a continued underinvestment in home care work prevented most cooperatives from fully actualizing and capitalizing on the cooperative difference in home care. Growth in client and caregiver census was mixed, and most cooperatives struggled to recruit enough caregivers, acquire enough clients, or both. This is particularly evident in the client hours and revenue statistics. While cooperatives are more resilient, they are not immune from the larger industry forces.

Behind the statistics however, are individual stories of resilience, innovation, growth and change. Pioneering industry change is no small task, and with each survey year we gain new insight and learn and grow as a sector. There is much to celebrate in CY 2019 and increased clarity on the pathways to success.



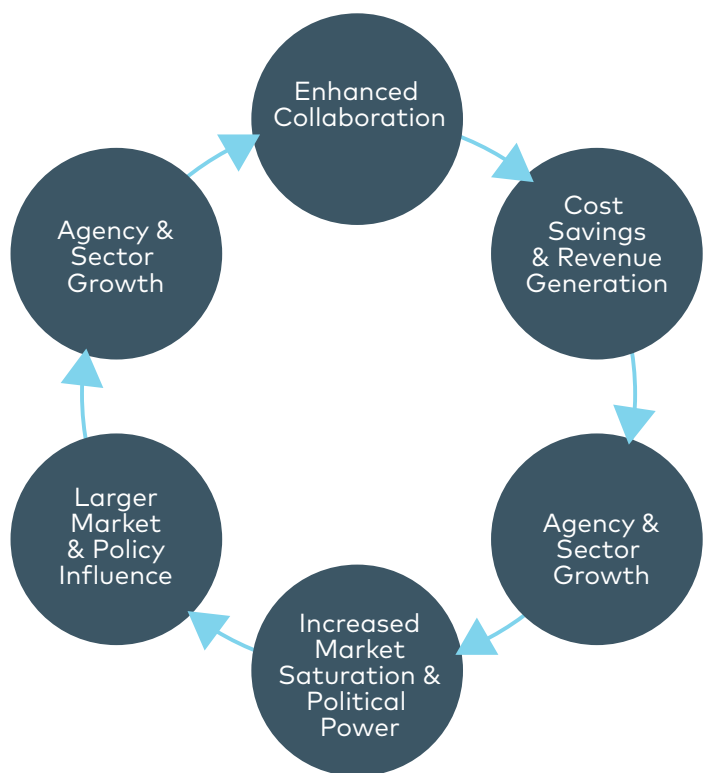
Looking Ahead

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

- ▶ Work together to amplify the voices of caregivers and advocate for pro-caregiver regulations and increased state and federal funding for home care services
- ▶ Pool financial resources to compete with well-funded national chains, franchises, and private equity firms—particularly on marketing, sales, and caregiver benefits
- ▶ Continue to solidify the “cooperative difference in home care” through standardized training and care quality standards
- ▶ Establish new and diversified revenue streams and build new and stronger referral partnerships
- ▶ Pursue sector growth through efficient start-up, agency acquisitions, and conversions of existing agencies to worker ownership

With growing interest in the home care cooperative sector from cooperative developers, caregivers, clients, government leaders, and funders, these advances are possible. Home care cooperatives and their supporters are already regularly connecting, collaborating, and sharing best practices and emerging trends.

Additionally, a new national secondary cooperative of home care cooperatives is in development to facilitate all if not most of these goals through cooperative governance, enhanced training, and collective purchasing of key products and services that will foster growth of home care businesses and the sector at large.



Conclusion

Home care cooperatives are growing as a viable alternative to an industry which has long undervalued the work of home-based caregivers and overlooked the incredible potential of this group to contribute meaningfully to the field.

This growth has been achieved by centering caregiver needs and engaging cooperative member-owners in the operations of the business. As is true of any profession, workers that are valued, supported, and engaged produce higher quality outputs, and are more committed to their workplaces, creating an optimal environment for caregivers, clients, client families, agencies, and the health care industry to thrive.

These gains are hard fought. Investing in caregivers, in an industry that systematically undervalues caregivers and caregiving, is not easy. Nor is it easy to exercise workplace democracy in a field where caregivers work independently in client homes and where caregivers are unaccustomed to having voice and power in the workplace. Running a successful home care agency is difficult. Running a successful home care cooperative is even more difficult. It requires commitment, passion, dedication, and a desire for social change.

But home care cooperatives have each other. The cooperative principles of cooperation among cooperatives and concern for community run deep in the home care cooperative sector where peer exchange, cross-cooperative collaboration, and support in times of need are the norm. This extends into the larger cooperative sector, where cooperatives from other industries commonly support each other with cross-promotion, financial lending, sharing of best practices, and more. This is a significant part of the cooperative difference, and it matters.

Home care cooperatives will continue to be challenged to maintain their edge, to push the boundaries on what it means to provide quality jobs and quality care, and they will succeed by doing this work together.

“We have always intuitively known that home care cooperatives provide better jobs and better care, but we were never able to prove it. Now, with three years of sector data we can clearly demonstrate where we are leading, but also where we are falling short. Guided by the principles of cooperation, we know that we are stronger together. The future is bright for this growing sector of pioneers and change-makers.”

— Katrina Kazda, Director, ICA Home Care