Cooperative Development Foundation

The Cooperative Solution to the Caregiver Crisis: A National Strategy Analysis

The ICA Group

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Contents

Executive Summary **3**

An Industry in Crisis **5**

The Home Care Cooperative Landscape **10**

A Framework for Transforming the Home Care Industry **13**

Model Analysis **17**

Model Assessment Framework 18

Model: Peer Network 19

Model: Cooperative Association 20

Model: Purchasing Cooperative or Secondary Cooperative 21

Model: Franchise 22

Model: Cooperative Chain / National Worker Cooperative 24

The Role of Technology 25

Multi-Stakeholder (Solidarity) Cooperative 26

Business-Line Diversification 26

Recommendations **27**

National Home Care Institution: Secondary Cooperative 28

Embracing Explosive Growth: Cooperative Conversions & Acquisitions 32

Concluding Remarks **34**

About this Report:

This report is part of the Cooperative Development Foundation's Socially Disadvantaged Group Grant. The ICA Group and Margaret Lund wrote this report to assist CDF in its efforts to bring home care worker cooperatives to scale across the country and to support the scale and sustainability efforts of the numerous home care cooperatives already operating. For more information visit: www.cdf.coop or www.ica-group.org.

Executive Summary

An unprecedented increase in the nation's elderly population, paired with a cultural shift towards aging in place, is driving historical growth in the home care sector. By 2030, seniors aged 65 and over, will represent 20% of the U.S population (an estimated 71.5 million people) and nearly nine in ten seniors hope to age at home. Adjusting for turnover, millions of new home care workers will need to be hired and trained over the next few decades to meet demand. For many years, experts in the field, led by PHI, the nation's leading authority on the direct-care workforce, have warned of a coming caregiver gap. Without a material improvement in job quality, there will be an insufficient number of workers to provide home care services. For agencies across the country, including home care cooperatives, especially those that focus on Medicaid eligible clients, the caregiver gap has arrived. If steps are not taken to address this challenge, the many home care cooperatives that are at the leading edge of improving job quality and care could face dire circumstances.

The reality for home care workers is that the work is low paid, benefits are limited, hours are inconsistent, training is insufficient, career ladders are nearly non-existent, and the job is emotionally and physically taxing. With few incentives and little support, it is no surprise that even firms that put job quality at the center of their decision-making face difficulty in recruiting workers. With an improving overall economy, turnover rates within the home care industry remain incredibly high (60% nationally) and agencies small and large struggle to recruit from a limited pool of workers, which continues to decline as today's caregivers age out of the workforce.

To stabilize the home care industry and bring new workers into the field to meet growing demand, home care jobs need to be improved and the agencies that employ these workers must be stabilized. Home care cooperatives, which are owned and governed by caregivers, are uniquely positioned to accomplish this. With the right kind of supports, worker-owned cooperatives have improved working conditions and outcomes, increased recruitment and retention, and created business stability and sustainability. To expand their reach and improve job quality across the sector however, will require greater investment and support.

The Cooperative Challenge

For the past number of years, cooperative developers have employed a strategy of supporting the development of new startup home care cooperatives with a record of success, especially in the Pacific Northwest, where the Northwest Cooperative Development Center has supported the launch of three home care coops, each with a focus primarily on the private pay market. Despite these successes, the challenges facing US home care cooperatives remain significant. The findings of this report came to a rather grim conclusion – persistent public underinvestment in the home care sector has led to a caregiver crisis, and in virtually every market there are enormous barriers to success and scale. Both successful start-up home care coops and home care coops that have historically relied on Medicaid as a payor are turning to private pay as a strategy to increase margins and stabilize their businesses. In most markets, startups cannot rely on Medicaid unless they achieve a certain scale - the rates are too low to cover costs and attract workers. Medicaid and Medicare represent 72% of the home care market and as such represents the greatest opportunity for wide-scale growth and scale. Further, given Medicaid and Medicare's domination of the market,

caregiver's wages are effectively set by public pay rates at the state level. Therefore, to meaningfully increase wages across the sector requires a political solution. The wage rate for Personal Care Assistants at the **95th percentile** in 2015 was $12.50 per hour – coming close to a living wage in some markets, but without benefits, paid time off or retirement, not nearly sufficient.

Coops focused on private pay can improve efficiency and put more of the revenue into workers' pockets. A development strategy that supports the one-by-one development of home care coops can make a difference in the lives of these workers. Given that Medicaid really sets workers' wages however, it is unrealistic to expect that a linear approach to coop development will position cooperatives to improve job quality across the sector. An expansive view of transforming the industry is necessary and caregiver owned cooperatives should play a central role in making that happen.

At the same time, existing home care coop members, or workers organizing home care coops, should not be asked to wait for policy transformation, which will necessarily be long-term. Our strategy must take a holistic approach focused on three Transformative Impact Goals:

1. it must build systems to strengthen the existing cooperatives, stabilize their operations, and where possible improve job quality;
2. It must support new entrants into the field, and ensure these groups have the tools necessary to maximize their chance of success; and
3. It must create a platform to improve job quality for a significant portion of home care workers, including increasing wages, adding benefits, enhanced training, additional opportunities for advancement, and a culture that values and respects home care workers.

Supporting the Existing and Emerging Field

Because home care is not a very profitable sector, even a small reduction in a significant cost can enhance the financial stability of a home care coop. Therefore, it is well worth thinking about ways in which individual co-ops could work together to effectively diversify their income streams, share risk and enhance stability. Purchasing cooperatives or secondary cooperatives have a proven track record of stabilizing and improving margins for small businesses and whatever approach is taken should learn from these examples.

The challenge facing home care agencies, however, is that new and innovative training and recruitment systems are necessary to attract workers to the field. While enhanced training helps attract and retain workers, the savings group purchasing will bring are not enough to cover these costs. Even the most successful coops require philanthropic and government support for these systems and to expand such an approach will only increase the need for philanthropic support.

Transforming the Industry

These efforts need to go beyond simply networking or group purchasing if they are to have a lasting and significant impact. To address the third goal around transforming the sector, ultimately requires creating *something* that has achieved a certain scale. Creating high-quality jobs across the home care field is ultimately a political problem, one that requires institutions that are powerful enough to successfully push for policy changes that address systemic underinvestment. This political challenge is at the center of why coops should pursue a scaled strategy.

The Path Forward

There are many paths forward to achieve the objectives laid out above, each with their own merits and potential pitfalls. This report is designed to surface the issues facing the home care cooperatives and their supporters; provide a shared understanding of the problems facing the sector; suggest a vision for how these challenges can be overcome; and outline a framework for the best way to move forward together.

To move forward, invested parties must first agree on the overarching objectives to ensure we have a shared vision. We must also make a commitment to work together, while recognizing that this national program is one of many strategies that coops and their supporters are pursuing. Finally, to effectively coordinate this work, it is essential that those involved embrace the view that together we can grow the pie around funding to support this effort. The problem is a large one, and while immediate or intermediary steps can be taken to improve coops financial performance and improve job quality, the real solution is a long term one. Existing home care cooperatives should be at the center of this strategy and guide the work while engaging appropriate stakeholders, including cooperative developers, non-profits focused on the field, and community organizing groups and labor unions.

Based upon the ICA Group's analysis of the challenges facing the sector, we recommend that a steering committee made up of volunteer stakeholders representing both home care cooperatives and various support entities be formed to further flesh out a strategy on the best path to move forward, and develop a coordinated strategy. A simple outline of what this group should evaluate includes the following:

1. Address Recruitment: Long term policy solutions are necessary to fundamentally address the caregiver crisis, but as an intermediary step, we can learn from the experience of Cooperative Home Care Associates and PHI. Free, high quality pre-and post-employment training paired with both an employment and minimum hour guarantee have mediated the recruitment challenge for CHCA. Expanding training systems can go a long way towards solving smaller coop's recruitment challenges and the first step this national steering committee should take is to test the feasibility of launching a specialized training program for home care coops. This effort should also examine other best practices in recruitment and work towards developing tools and systems existing and startup home care coops can utilize.
2. Stabilize Coop's Finances: While the most pressing challenge for coops is recruitment, equally important are developing systems that can stabilize these firms and reduce their non-caregiver expenses. A purchasing cooperative or secondary cooperative is the most effective path forward to accomplish this and efforts should be taken to help bring this to fruition. It is important to note, however, that without more or larger agencies, the financial impact shared purchasing can bring are limited. Therefore, this entity should also work to help new home care coops enter the market quickly and help existing coops grow. These efforts will require ongoing philanthropic support and cooperation amongst coop developers and home care agencies to be successful.
3. Remain Open to Explosive Growth: Scale is necessary to amplify the voice of home care workers in the policy arena. While scale can be achieved through bringing together multiple home care coops into a secondary coop, we should remain open to a cooperative option for a large-scale home care firm. One promising strategy in this area is a coordinated conversion / acquisition effort designed to transition existing conventionally structured home care companies into worker cooperatives. The opportunity and capital needs related to such an effort are discussed in the National Home Care Transaction Report.

An Industry in Crisis

The home care sector includes both medical and non-medical care performed by personal care aides, home health aides and nursing assistants in the home, or in home-like settings (such as assisted living). It is one of the fastest growing healthcare industries in the United States. In the United States, the population of citizens age 65 and over will almost double by 2050. Driven by significant gains in healthcare and life expectancy, people turning 65 today can expect to live another two decades on

average[i]. For most, this vision does not include nursing homes or institutional care. In fact, per a 2014 survey by AARP's Public Policy Institute, fully 87 percent of adults age 65+ want to "age in place" in their current home and community, and an estimated 70 percent will need help to do so[ii].

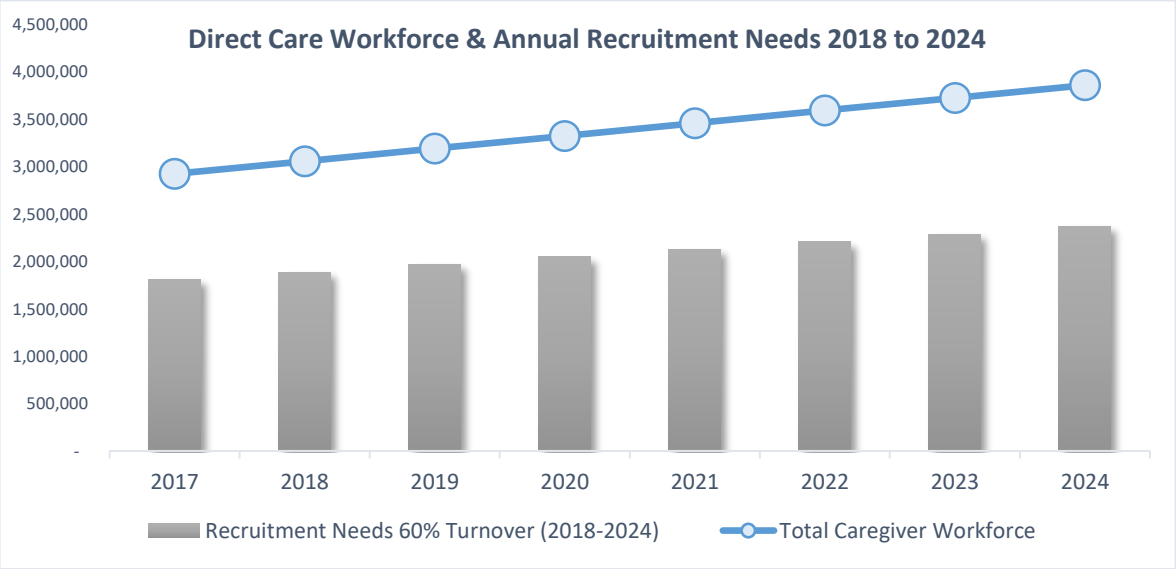
Ratio of Clients Needing Care to Caregivers:

8 to 1

To meet the increased demand for long-term, home-based care created by these significant demographic and preferential shifts, the size of the direct care workforce has increased, and will need to increase more dramatically over the coming years. Research by PHI found that the home care workforce more than doubled in size between 2005 and 2015, from 700,000 to over 1.4 million[iii]. Today, more than two million workers are employed by the home care industry in the U.S.[iv]. Despite this significant growth in workers, nationally there are eight clients who need home care for every one caregiver in the workforce.[v] Considering that client needs range from 24-hour care to occasional care, this signals a dangerous shortage that continues to increase as the Baby Boomer generation ages.

Turnover

Exacerbating the home care worker shortage is an unprecedented rate of worker turnover. The 2015 Homecare Benchmarking Survey published by Home Care Pulse found that the current rate of turnover at home care agencies is over 60 percent nationally and has been increasing steadily since 2009. The study found that turnover rates among home care agencies in the bottom 25th percentile exceeded 100 percent and the bottom five percent exceeded 170 percent.[vi] Combining growth in demand with the national average turnover rate, the ICA Group estimates that nationally, the home care industry will need to recruit 13 million new caregivers between 2017 and 2024 if current turnover rates persist.

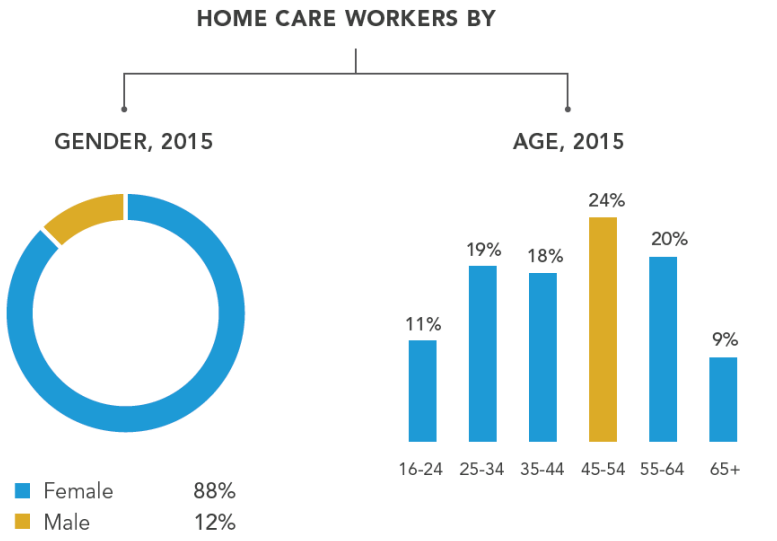


Using a conservative cost of turnover at 20 percent[vii] of annual wages and the 60 percent turnover rate, the industry wide cost of caregiver turnover is over $6.5 billion per year, a number equivalent to 10 percent of the $61.8 billion in Medicaid dollars spent on home care in 2016. Home care agencies that

can consistently maintain turnover rates lower than the industry average can translate cost savings into an enduring competitive advantage. Unsurprisingly, job quality is directly linked to lowering turnover. The most recent Homecare Pulse survey found that turnover rate is tied directly to caregivers' pay with an estimated 13 percent reduction in turnover rate for every $1 increase in hourly wages.

Workforce Demographics

The demographics of the home care workforce will create even more difficulties for worker recruitment over the coming years. The direct care workforce is 88 percent women (over 50 percent women of color and over a quarter immigrants), and the median age is 45 with 29 percent of workers over the age of 55[viii]. As these workers age out of the workforce, they will need to be replaced. Training requirements for home care workers are typically low and allow for workers with low levels of education or experience to enter the industry—at surface, a boon for the home care industry.



Graphics by PHI, U.S Home Care Workers: Key Facts

But low levels of training paired with low wages and poor benefits, inconsistent hours, inadequate staff supports and a general lack of understanding of the difficulty of the job results in higher turnover as new caregivers are not adequately prepared for the job and look elsewhere for work. Home care agencies that invest in their workers through enhanced training and other worker benefits significantly improve retention.

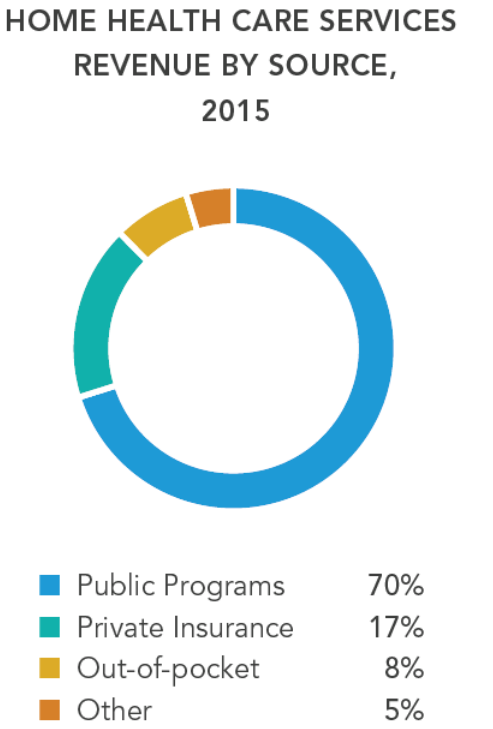
Job Quality

Across the U.S., the hourly median wage for workers in the direct care workforce is $10.49 per hour[ix], only 25 cents more than the median wage for retail and food service workers. In fact, caregivers (home care aides, personal care aides, and some nursing assistants) in eight states (California, West Virginia, Texas, New Mexico, Nevada, Virginia, Louisiana, and Alabama) have a median hourly wage that is less than the median hourly wage for retail and food service occupations. Multiple home care cooperatives reported that their biggest source of competition for workers were convenience stores and grocery stores. Further, between 2005 and 2015 caregiver's' wages, when adjusted for inflation, decreased slightly. As a result, 24 percent of home care workers live in households below the federal poverty line (compared to 9 percent of all U.S. workers), and over half of all home care workers rely on some form of public assistance[x].

To make matters worse, hours are inconsistent (two-thirds of home care workers work part-time or for part of the year, many not by choice)[xi]. Benefits are limited and, where available, hard to access. 18% of home care workers are uninsured and of those insured 40% rely on public health care coverage (primarily Medicaid)[xii]. Finally, unlike other industries where an employee might expect to begin their career at an entry level and eventually work their way up the ladder to better jobs, home care offers almost no opportunities for career advancement or pay raises.

Payment Sources & Industry Structure

70 percent of home care revenue comes from public programs[xiii], and reimbursement rates are low, driving down wages across the industry. Nationally, per-hour Medicaid reimbursement rates ranged from $13.43-$18.82 on average in 2015, barely enough to cover agencies' costs to hire, train and supervise employees, let alone offer pay raises or benefits[xiv]. The remaining 30% percent of home care revenue comes from a mix of private pay (8 percent), private pay insurance including long term care insurance (17 percent), and other payment sources (5 percent)[xv]. Competition for private pay—the most lucrative revenue source—is strong. Many of the firms focused on this market are backed by tens of millions of dollars of private equity for those testing primarily tech-based solutions to the home care crisis. But even private pay rates are low given the precedent set by public pay rates and the reality of individuals' ability to pay. In all 50 states the annual cost of home care is over 100 percent of state median wages, meaning those in the private-pay market today may very quickly find themselves in the public-pay market tomorrow[xvi].



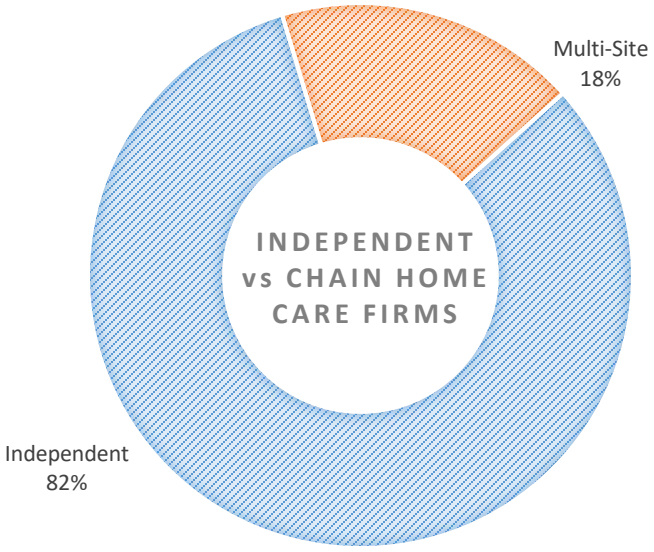
Graphic by PHI, U.S. Home Care Workers: Key Facts

The home care industry is highly fragmented and dominated primarily by small, local providers with 10 or fewer locations, which make up 82% of firms in the sector. These smaller firms have an average of only 42 employees, compared to over 2,000 for larger firms. Similarly, the revenues are drastically different. Home care firms with 10 or fewer locations have a median revenue of only $333,900 compared to over $16 million for firms with more than 10 locations. While the average small firm has revenues of over $2 million, this compares to over $60 million for larger firms.

	REVENUE		EMPLOYEES	
	Median	*Average*	*Median*	*Average*
INDEPENDENT	$333,900	$2,415,223	11	42
MULTI-SITE	$16,667,900	$60,366,012	1,042	2,070

Source: ICA analysis of the national establishment time series database

Home care relies heavily on relationships and reputation to attract clients, therefore having a local focus is a critical success factor. While local, independent providers can arguably be more responsive to consumer needs, small agencies lack economies of scale. For home care agencies, particularly small agencies, finding more money for increased salaries and benefits, training and worker supports, and investments in career advancement opportunities is extremely difficult. This is further exacerbated by the uncertain future of the Affordable Care Act. Given this environment of low wages, agencies that can offer more competitive hourly wages and consistent hours can significantly reduce turnover. But low margins make it difficult for home care agencies to increase salaries or invest in internal growth generally. Focusing on the private pay market is one strategy many smaller companies, including franchise operators and start-up home care cooperatives, are pursuing to increase margins. This a sound strategy, and in the case of home care cooperatives has resulted in positive improvements to workers lives. Given the size of the private pay market however, the private pay market is highly competitive, and scale potential is naturally limited. Furthermore, the public pay market provides a much greater opportunity for growth as demand is high and growing – for small enterprises to reach a stable level of revenue, likely requires establishing a second line of revenue, either public pay or private pay skilled home health care. Finally, with low margins, smaller companies are unable to raise the capital needed to grow and they aren't large enough to negotiate favorable rates with large payers. In sum, small companies stay small without some sort of outside boost.



Top Challenges Facing the Home Care Industry

- Low Public Investment, resulting in:
  - Low wages/limited benefits
  - Worker shortages
  - Insufficient training
  - High worker turnover
- Barriers to agency scaling
- Balancing local connections with the benefits of scale
- Limited private pay pool
- Low prestige, no career ladder for workers
- Complicated and quickly changing regulatory environment
- Highly fragmented industry with significant competition

The Home Care Cooperative Landscape

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

As of September 2017, there are 9 cooperative home care agencies in operation across the U.S., two coops that are set to launch in the fall of 2017 and several additional home care cooperatives under development across the nation. These 9 home care cooperatives collectively employ an estimated 2,400 workers, including both worker-owners and non-owner employees. With more than two million home care workers nationally, this represents 0.12% of the total home care workforce.

The Cooperative Advantage

A key factor in a client's perception of quality rests in the nature of the relationship between a caregiver and the client – consistent care from someone the client knows and trusts is an important contributor to quality of life for disabled individuals and seniors.[xvii] This puts job quality, recruitment and training at the center of any strategy designed to improve care. Worker cooperatives are accountable to their caregivers, not just as stakeholders as in a non-profit or even a conventional company - but as owners. This difference, from a theoretical perspective, makes the cooperative structure the most effective way to maximize job quality and quality of care. More importantly, from a real-world perspective, the actual successes cooperatives have had demonstrate this approach holds enormous promise for positively transforming the industry.

In the home care industry, there are five main factors that are consistently correlated with successful recruitment and, importantly, retention of home care workers: increased wages, access to employer-sponsored health insurance, quality training, peer mentoring, and opportunities for advancement—in short, worker-focused investments. Few home care companies are willing or able to make these investments in their workers, however, and instead resort to "quick-fix" recruitment strategies such as sign-on bonuses, gas cards, and promises of higher pay, primarily through contract-based work. Competition is fierce, particularly as home care franchises continue to mushroom and agencies fight to attract workers from an already limited and shrinking pool. Karen Kulp, President of Home Care Associates (HCA), a home care worker cooperative based in Philadelphia, notes franchise recruiters going so far as to approach workers outside of HCA's building or in the lobby.

While few of the tens of thousands of home care companies in the U.S. are willing, or able, to make deep investments in their direct care workers as a strategy to combat recruitment and retention challenges, home care worker cooperatives are a notable exception to this rule. Because the caregivers in these firms are also the owners, they put quality care and quality jobs at the center of every decision.

Cooperative Home Care Associates (CHCA), the nation's largest worker-owned cooperative, employing over 2,000 workers, presents a strong case in point. Long before New York's minimum wage increase and revision of the Fair Labor Standards Act to include "companionship workers" CHCA was offering its caregivers above average wages, overtime pay, and benefits totaling over 85 percent of CHCA's hourly contract rate. Today, CHCA continues to lead in worker-focused benefits for home care workers. CHCA offers free four-week home health aide training, financial literacy training, peer mentoring and coaching, career advancement opportunities, opportunities for company ownership, and an equal voice in the operations of the company. Caregivers who complete CHCA's four-week training program receive dual certification as a Certified Home Health Aide and Personal Care Assistant and are guaranteed employment. Notably, CHCA also offers a unique guaranteed-hours program. Under the program, CHCA provides eligible employees with 30 hours of guaranteed work, provided they meet set requirements, including a commitment to accept all assignments and to be on call every other weekend. In an industry where two-thirds of direct care workers work part-time or for part of the year, many not by choice, guaranteed hours have a stabilizing effect for both workers and clients. Together, these investments

The 9 Essential Elements of Quality Care

Individualized

1. Directed by **informed choices** made by the consumer (or, where appropriate, by family members or other representatives)

2. Offered at the **time and place most preferable** to the consumer, in a manner that is unrushed

3. Provided in a way that honors the **consumer's individuality and preferences**

Respectful

4. Compassionate--acknowledging the consumer's right to **dignity and privacy**, both physical and emotional, in all interactions

5. Supporting the ability of the consumer and direct-care workers to **relate as individuals** in mutually respectful relationships with one another in an environment of trust

6. Inclusive--maintaining the consumer's **relationships** with family members and friends, and promoting broader community engagement

Professional

7. Consistent with **progressive standards** of nursing and medical practice

8. **Holistic**—supporting health, independence, creativity, quality of life and surroundings, and well-being

9. Provided by direct-care workers who have quality jobs that allow them to provide the highest-quality services and support

Source: PHI https://phinational.org/9-essential-elements-quality-care/

have resulted in a 20 percent turnover rate, almost unheard of in the industry. CHCA has economies of scale on its side, but smaller cooperative agencies show similarly promising results.

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

The Cooperative Challenge

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

The challenges facing the nation's home care cooperatives vary widely based on years in operation, location, size, and payment sources (private or public pay). Based on interviews with key leaders at these co-ops, however, the themes common in the broader industry, low reimbursement rates (which leads to low worker investment), strong competition for limited private pay clients, worker recruitment and retention challenges, complex regulatory environments, accessing start-up or growth capital, and cash flow management -- are common. Due to their size, most existing home care cooperatives also lack operational efficiencies that come with scale. Limited assets make borrowing to address cash flow issues challenging and investment in technology that can assist a firm in achieving a more stable financial position is often too expensive to justify for small firms, who lack the volume needed to fully utilize such tools.

Home care cooperatives both small and large uniquely struggle to hire management versed in both home care management and cooperative governance, build and maintain cooperative governance structures, and in some states, navigate additional regulatory complexities as cooperative entities.[1] In an already challenging and demanding industry, without support, these additional responsibilities can become burdens rather than benefits. A real challenge coops always face is how to ensure that the social benefits at the center of the business model don't become cost centers, but rather mechanisms that drive the economic mission of the business.

[1] While cooperatives per se do not have additional regulatory requirements, in some states, having multiple owners raises question of who is the license holder, especially with state bureaucracies that are unfamiliar with cooperative structures.

Top Challenges Facing the *Cooperative* Home Care Industry

- Building and maintaining cooperative governance structures and culture
- Undeveloped Management Talent
- Fully leveraging the "cooperative difference"
- Navigating complex regulatory environments
- Access to growth capital

A Framework for Transforming the Home Care Industry

On January 1, 2011, approximately 10,000 baby boomers turned 65, a trend that will continue until 2030. This is likely the largest demographic shift the United States has ever seen and it has already begun to impact the home care sector in meaningful ways. One year later, in 2012, was the International Year of the Cooperative, a year-long effort that highlighted the benefits of cooperatives in 'building a better world.' The challenges facing US home care cooperatives and the non-profit organizations and others who support them are significant and complex. As such, the response to these challenges must take a global view. The research in this report, especially the state level opportunities for new coop development, came to a rather grim conclusion – persistent public underinvestment in the home care sector has led to a caregiver crisis, and in virtually every market there are enormous barriers to success. While small home care firms *can* eke out success in their market, they often do so on the backs of their employees. Data from the Private Duty Home Care industry indicates that long term stability in the home care sector requires firms to have revenues of $2 million or more. Nationally, only 13% of the industry achieves this level of sales[xix], and for startups this is a benchmark they may never reach.

For the past number of years, cooperative developers have employed a strategy of supporting the development of new startup home care cooperatives with a record of success, especially in the Pacific Northwest, where the Northwest Cooperative Development Center has supported the launch of three home care coops, each with a focus primarily on the private pay market. Additionally, efforts are underway in numerous other states to launch new coops, also with a focus on the private pay market. This is a wise strategy to pursue. However, the private pay market is small and therefore the impact these firms can have on the industry overall is limited. Furthermore, even in the higher rate environment of private pay, wages are still low. With an average billing rate of roughly $25 per hour[xx] it is extremely difficult for caregivers to earn more than $15 or $18, even with the leanest operating model. Further, even the most successful cooperative agencies struggle to provide steady, full-time work to caregivers given the mismatch between market rates and labor regulations, and few can offer health benefits.

Medicaid and other public payor sources represent 70% of the home care market, yet these startup efforts can't rely on Medicaid - the rates are already too low and tight state budgets could see additional downward pressure on rates. Furthermore, healthcare reform adds a level of complexity and uncertainty to the market. Regardless of what happens to the Affordable Care Act, new intermediaries such as Accountable Care Organizations (ACOs) and Managed Care Organizations (MCOs) will continue to play a larger role in the market. Effectively engaging these types of organizations requires both size,

and leadership with the experience to navigate an increasingly complex regulatory environment – experience that most startup coops lack.

Given these obstacles, it is unrealistic to expect that a linear approach to coop development will result in a large-scale impact that 'builds a better world' and paints a path forward to improve the jobs of workers across the industry. That is not to say that existing home care cooperatives are not changing the lives of those that they employ or care for in meaningful ways, or that there is not value in this approach. Rather our research has led us to the conclusion that improvements possible in today's home care market are not enough and large scale transformative change will not possible under current conditions. At the same time, existing home care coop members, or workers organizing home care coops, should not be asked to wait for policy transformation, which will necessarily be long-term. Our strategy must take a holistic approach focused on three Transformative Impact Goals:

4. it must build systems to strengthen the existing cooperatives, stabilize their operations, and where possible improve job quality;
5. It must support new entrants into the field, to ensure these groups have the tools necessary to maximize their chance of success; and
6. It must create a platform to improve job quality for a significant portion of home care workers, including increasing wages, adding benefits, enhanced training, additional opportunities for advancement, and a culture that respects workers.

Supporting the existing cooperative system

The most effective way to support the existing network of home care coops as well as the emerging startups is to formalize and improve upon the approaches that various groups have been undertaking over the last few years. While the ultimate form this formalized institution would take needs to be determined by the parties themselves (see the model analysis below), the type of things this entity could pursue include:

- ✓ Developing and delivering high quality staff training and retention products that can be deployed by both larger coops and smaller coops, especially those in rural settings.
- ✓ Supporting local boards through standardized tools such as financial reporting and model policies.
- ✓ Providing individualized advisory services to boards to help them each individually understand and act on their local market opportunities.
- ✓ Carrying out billing, payroll, contracts and other back office tasks.
- ✓ Developing a brand, materials, and strategy to support a local campaign to increase their portion of the private pay market.
- ✓ Developing or securing discounts on technology solutions such as scheduling, matching, accounting, etc.
- ✓ Providing other leadership opportunities for members through committees, board roles, etc.

While home care is not a very profitable sector, even a small reduction in a significant cost can enhance the financial stability of a home care coop. Therefore, it is well worth thinking about ways in which the individual co-ops could work together to effectively diversify their income streams and share risk and enhance stability.

These efforts need to go beyond simply networking or group purchasing if they are to have a lasting and significant impact however. Over the past year, the ICA Group has had the opportunity to work with the Board of Directors of Cooperative Care as they transition through some major operational challenges. ICA's staff operates as something more than an advisor – the role is to help the group understand their options and the consequences of these options. ICA supports the board in making informed decisions, but the decisions are very much being made by the board, with independent deliberation and assessment of impact. Over the last year, the board's engagement around strategic decisions and their confidence in leading the business, despite some extremely challenging circumstances, has grown enormously. Every coop would benefit from such an arrangement, and a secondary coop, association or other structure could facilitate such a process.

The challenge facing the development of a secondary co-op like structure is that many of the benefits that coops need most; support in training, recruitment, advisory services, technical assistance related to startups, are all services that add cost. While savings related to back office services could justify the coops paying dues to cover the costs associated with such an endeavor, these dues would likely not make a significant dent in covering the costs associated with training or board advisory services. While Cooperative Home Care Associates has a robust training program, it is not paid for out of profits, an ongoing subsidy is required. Similarly, the support provided to Cooperative Care over the past year is only possible because of the USDA Socially Disadvantaged Group Grant that CDF received.

Until the home care coop field is large enough to realize significant efficiencies from group purchasing around things such as workers' compensation and health insurance, such an effort will require an ongoing subsidy. To grow the sector more quickly, we should combine growing the existing co-ops (that want to grow) along with an organized start-up program to ensure that new co-ops are started with the scale and focus they need to success

Scale – what is it and why is it necessary?

To address the third goal of transforming the home care sector, ultimately requires creating *something* that has achieved a certain scale. Creating high-quality jobs across the home care field is ultimately a political problem, one that requires institutions that are powerful enough to successfully push for policy changes that address systemic underinvestment. This political challenge is at the center of why coops should pursue a scaled strategy – real change for home care workers is possible, but without a vehicle to successfully push for this change, coops are likely to sit on the sidelines as reforms happens **to** the field.

Two recent examples in the sector stand out as guiding lights on the types of reforms a national or state focused effort can accomplish.

- ✓ First is the effort to overturn the companion exemption of the Fair Labor Standards Act for home care workers. While many groups played a significant role in this legal victory at the Supreme Court, much of the policy discussion that shaped the argument was the result of the years of research and experimentation by PHI; the effort was funded in large part by two national labor unions, SEIU and AFSCME which in addition to providing financial support, used their organizing and political power to highlight the challenge; and the organizing efforts of groups like the National Domestic Workers Alliance put a public face to this challenge and helped sway public opinion on the challenges home care workers face.
- ✓ The second example is the material improvement of wages and benefits that SEIU has secured for home care workers in certain cities and states. In New York City in the 1990's, 1199SEIU, New York's largest health care union was able to pass a living wage ordinance that dramatically increased the wages for Medicaid funded Personal Care Attendants, pushing them above the rates the state set for Home Health Aides. Similarly, in Washington state, SEIU Local 775 has

secured the highest wages for home care workers in the US through a statewide collective bargaining agreement covering over 40,000 workers. [xxi]

These victories not only dramatically improved the lives of thousands of workers, but helped dismantle the idea that it is markets that determine home care workers value as opposed to the real cause, political influence. The real lesson from these victories, however, is that they can only be achieved by creating a collective voice with the resources in place to be sure that voice is heard. Overturning the companion exemption would not have been possible without the effort and support of these groups. They had the staff and financial capacity to focus on big, difficult problems that required sophisticated and costly solutions. Similarly, negotiating a contract that lifts thousands of workers out of poverty could only occur because SEIU had the resources to effectively mobilize their members to organize the workers in the first place and lobby the government over a period of years.

Another area where scale can have material benefits is in the development of innovative pilot programs carried out with the state or healthcare institutions designed to improve care outcomes and job quality. While there are examples of smaller home care coops developing such programs, to systematically engage states, hospitals or other fiscal intermediaries in identifying and piloting these innovative solutions requires the firm to have staff that have the *time* to explore these options. Scale, and the specialization it brings, can facilitate this.

The Impact of Scale: SEIU Local 775

The most striking example of the impact scale can have on the lives of home care workers can be found in Washington state, where SEIU Local 775 has negotiated a statewide contract for home care workers. For union home care workers in Washington, the standards include:

- The average wage by the end of the contract will be over $16/hr.
- The most experienced caregivers will make $17.65/hour, not including differentials.
- All caregivers will get raises every 6 months for the next 3 years.
- Retirement contribution increases 50 cents per hour in July 2018.
- 1 hr. of PTO for every 25 hours worked
- 15 minutes of paid administrative time each pay period—this is a first-in-the-nation achievement for state-paid home care individual providers.
- Health insurance for workers who work at least 86 hours per month.

Finally, scale is necessary to survive the seismic shifts that are likely to occur in the industry in the next few years. From a purely financial perspective, a larger (yet still strong) balance sheet better positions firms to finance the downturns that are likely to occur, whether because the state is slow to adjust its Medicaid rates in response to minimum wage increases, or a shift to a managed care system shifts more risk onto the agency.

The Challenges of Scale: Scale is not an approach that does not come with its own downsides. One challenge with scale relates to the existing structure of the home care sector. The vast majority of firms are small and the local connections these firms have with their community are an essential part of what builds effective relationships between providers and clients. This is true for home care coops as well, therefore, a scaled approach that doesn't maintain local connections could undermine market perceptions, especially in the private pay market where consumers have significantly more influence over what provider to choose.

Another complicating factor that comes with scale is the inefficiency of middle management. As firms grow, they require managers and other administrative staff to handle the 'business' of the business. Yet these additional staff can wind up adding costs without adding efficiency, at least in comparison to other

smaller agencies. Therefore, at a certain point, the margins can actually drop as a firm grows. While the exact point this occurs varies by firm, it is a factor that must be considered in determining which approach to pursue.

For cooperatives scale can be seen to undermine worker-owner or local cooperative member control. This is in large part because the governance system of a coop made up of 10,000 home care workers spread across a large geographic area, is necessarily different than a coop with 40 members concentrated in one location. While size does not necessarily reduce the control of members, without deliberate steps taken to ensure that there is meaningful member engagement, the perceived loss of control can have a negative impact.

To transform the industry to support workers requires scale, however, what scale means, or how it is achieved is not a simple problem to address and there are many paths available to achieve these goals. We need a clear and strong collective voice. If the revenue volume necessary to start having an impact were to be $150 million, this could be accomplished with one home care coop with $150 million in sales, or 50 coops with an average of $3 million in revenues. This report is meant to be a guiding document in determining the most effective way forward.

Model Analysis

With the understanding of the opportunities and challenges facing both workers and agencies in the home care sector, and guided by the three primary goals of stabilizing and strengthening the existing home care cooperatives; supporting new entrants into the field; and working towards transformative change for workers across the industry, the ICA Group assessed five potential models to transform the home care industry for the benefit of workers, agencies and clients. Additionally, we identified three areas that warranted special attention: the use of new technology for operational efficiencies, the potential role of multi-stakeholder cooperatives as an approach, and finally, the role of business-line diversification. The five models that were examined were:

1. Peer Network
2. Cooperative Association
3. Purchasing Cooperative
4. Franchise
5. Cooperative Chain

Within each model, the ICA Group assessed the potential of each to address the three overarching *Transformative Impact Goals* outlined above as well as the *Operational Feasibility* of implementation and ongoing operations, and the *Control Characteristics* related to agency and control.

Operational Feasibility is critical because unless an approach has a sustainable business model (which does not rule out ongoing philanthropic support) it is destined to fail.

- ✓ Ease of startup is an obvious assessment – projects that can be launched easily and have a meaningful impact are easily prioritized over efforts that have a similar impact but present significant start-up challenges. While self-insuring, or establishing some other mechanism to save on workers' compensation will have a significant impact, it is a very difficult effort to start. In contrast, while launching a national training program designed to improve worker retention might require significant subsidy, the necessary partners to execute such an effort are already in place.
- ✓ Financial sustainability – A strategic approach that cannot build ongoing revenue streams and remain financially viable will fail in reaching the goals outlined in this project. Strategies that can

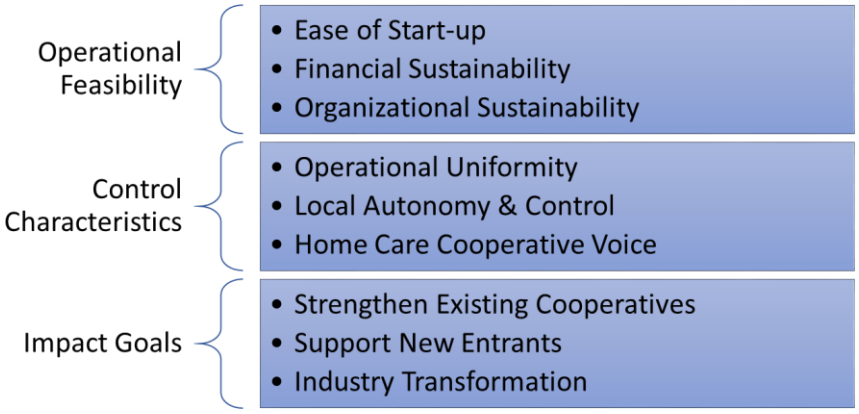
earn revenue year after year, preferably through earned revenue and not outside funders, are more likely to be financially sustainable.

- ✓ Organizational Sustainability – To achieve long-term goals, the strategic approach and type of organization chosen must also have the structure to remain a strong, impactful organization over the long-term. Typically, more formalized organizations have the structures and processes in place to maintain steady participation of members and continue ongoing operations.

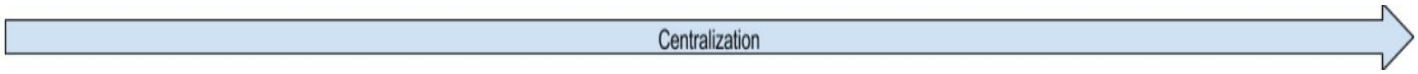
Control Characteristics of each strategy sits on a spectrum from centralized control where organizational decisions and standards are set at headquarters to a decentralized organization that leaves many decisions in the hands of local operators. Both these types of control have their benefits and costs, and it is critical to understand what level of control a strategic approach necessitates.

- ✓ Operational Uniformity – The higher the level of control the greater the expectation of operational uniformity there is for member organizations. Typically, large chains and, to a lesser extent, franchises have strict standards in business operations, branding, and product offerings.
- ✓ Local Autonomy & Control – In many ways, home care is a local business based on personal relationships and community knowledge. A sufficient evaluation of strategic approach must include an understanding of how much autonomy and control local home care cooperatives have in making important business decisions. Some approaches are weighted towards scale and impact, but these approaches must also be balanced with the knowledge and experience of local operators.
- ✓ Home Care Cooperative Voice – Given the overarching goal of supporting and scaling home care cooperatives, it is vital that the strategic approach of choice leaves space for home care cooperatives and their member owners to have their voices heard and the ability to impact organizational decision making.

Model Assessment Framework



Using the framework discussed above we analyzed the opportunities and limitations of each potential model across the three categories of *Transformative Impact Goals*, *Operational Feasibility*, and *Control Characteristics* from Neutral to High. While this framework is presented with results to guide the reader, the process of assessing each model across these core categories is crucial in developing a strategy for transforming the home care industry.



Model Assessment Framework	Peer Network	Cooperative Association	Purchasing Cooperative	Franchise	Chain
Transformative Impact Goals:					
Strengthen Existing Coops	moderate-low	Moderate	high	low	low
Support New Entrants	moderate-low	Moderate	moderate	high	high
Industry Transformation	low	Low	moderate-high	moderate-high	high
Operational Feasibility:					
Ease of Startup (high=easy)	high	moderate-high	moderate	low	moderate
Financial Sustainability	neutral	Moderate	high	high	high
Organizational Stability	low	Moderate	moderate-high	moderate-high	high
Control Characteristics:					
Operational Uniformity	low	Moderate	moderate-high	high	high
Local Autonomy & Control	High	High	high	moderate-high	moderate-low
Home Care Cooperative Voice	moderate	High	high	moderate	moderate

Across all models there are important similarities and differences, and nuances that warrant explanation and consideration. The two models that stand out as having the highest level of "high" and "moderate-high" results are the Purchasing Cooperative (or secondary cooperative) and the cooperative chain. All models offer benefits and elements worth considering however. Below is a detailed narrative explaining the basic elements of each model, the key benefits and opportunities, obstacles and limitations, and key takeaways to keep in mind as we move to our specific recommendations on models and implementation plan.

Model: Peer Network

Peer networks are organized groups of individuals and organizations that come together to leverage individual resources including intellectual capital and relationships, towards a collective good. While organized, peer networks are informal (often with no formal legal structure, although if they do, they would generally form as a 501c(3) charitable organization) and voluntary. Typically, peer networks are organized and facilitated by one or more peer network members, and often there are no or very low fees or dues. Peer networks are typically focused within specific industry sectors or job types. Within the home care sector, the Home Care Cooperative Steering Committee currently operates as a peer network for cooperative developers focused within this sector. One of the possible outcomes of the Home Care Cooperative National Conference organized by the Cooperative Development Foundation could be to institute a peer network for the home care coops.

Benefits & Opportunities

The primary benefit of the peer network model is that working together, the peer network can advance goals and generate impact more quickly than any one individual or organization working alone. As evidenced by the Home Care Cooperative Steering Committee, the peer network is very effective at

identifying needs and conceptualizing and facilitating the development of more formal structures for change. Peer Networks operate successfully in the social enterprise space, notably the Alternative Staffing Alliance and Catalyst Kitchens provide peer support and limited group purchasing options for their non-profit social enterprise members, although each of these is subsidized with philanthropic support.

Obstacles & Limitations

While peer networks provide an important foundation for change, the informal nature of a peer network naturally limits its ability to directly drive transformative industry change. Revenue, staff, and other dedicated resources will be necessary to fully support and grow the home care cooperative movement. While creation of a peer network of home care cooperative owners could be positive for peer support and information and best practice sharing, this alone would not be enough.

Key Takeaways

A facilitated network of home care cooperatives to share learning and best practices could be very powerful. Formal institutions will need to be created to raise revenue, provide direct services, and advocate for policy change, however. A peer network could fill an important role, particularly in the exchange of intellectual capital and developing and incubating innovative ideas, and should remain part of a larger strategy, possibly as a first step towards more coordination among home care coops, especially if there is a hesitancy to create a more formal institution.

Model: Cooperative Association

An association is a group of independent organizations that join together around a common interest(s) to form a larger organization. Typically, they are organized around the principals of "local accountability, central efficiency". Unlike a peer network, a cooperative association is a formal, legal entity, which typically collects dues in exchange for services, as well as raising funds from grants, contracts and individual contributions. Associations are typically organized as 501c4 and 501c6 not-for-profit entities. Unlike 501c3 not-for-profit entities, donations made to 501c4 and 501c6 organizations are not tax-deductible. Both 501c4 and 501c6 organizations can engage in unlimited lobbying activity. Neither 501c4 nor 501c6 organizations can cycle profit to members, however.

Generally, associations provide education, advocacy, technical support and networking. Associations may also provide access to discounted products and services, including insurance. Associations are typically open to a variety of member types including individuals, businesses, and supportive organizations and differentiate membership dues and benefits accordingly. Cooperative associations can represent single or multiple industry sectors. An example of a cooperative association is the United States Federation of Worker Cooperatives (USFWC).

Benefits & Opportunities

The association model is very flexible and allows for a diversity of stakeholders, linked by a common interest, to come together to leverage and share resources, access supports and more. The formal, legal nature of the association allows for a greater level of control and influence in the home care ecosystem than a peer network, however, an association generally has limited or no control rights and critically, the association rarely owns any collective assets. Unlike a 501c3 non-profit, the 501c4 or 501c6 structure allows for unlimited lobbying. The ability to collect revenue from diversified sources—membership fees/ dues, grants, contracting or other sources—provides a sustainable funding stream to support the services provided by the association. Importantly, members of the association remain fully independent,

maintaining local control over their operations and governance, unless they elect to forgo control over one or all elements under a voluntary program.

Obstacles & Limitations

While the independence that can be maintained by local operators in a cooperative association is often seen as a benefit, there are also drawbacks to a less prescribed/centrally controlled organization. Given that member organizations can choose their level of involvement, there is a risk that many members may chose not to participate fully or only utilize some of the services of the association. If enough members make this choice the association will lose many of the benefits that come from sharing resources. Additionally, low levels of participation may leave only a small group of members to influence the organization, which can limit knowledge sharing, concentrate control of the association in the hands of only a few cooperatives, and constrain operations as member investments are decreased. Historical examples have shown associations to enjoy significant support in their founding years but then as they become larger and more institutionalized/administrative, enthusiasm wanes, criticism grows and support decreases. Additionally, because associations are usually structured as non-profits, profits cannot directly benefit individual members in the form of distributed dividends.

Key Takeaways

The flexibility of the cooperative association model provides great promise as a tool to meet the varied needs of home care cooperatives and the varied goals of stabilizing, strengthening, scaling and advocating for the home care cooperative movement. Services could easily range from start-up technical assistance to access to growth capital for scale efforts. Under the association model, the benefits of multi-stakeholder engagement could be leveraged to benefit all parties as well as support the financial sustainability and market relevance of the entity itself. As a lobbying enabled organization, the cooperative association model is arguably the most promising in regards to impacting public policy on a large scale. As typically large, formalized institutions however, care must be made to ensure that the cooperative association remains current, nimble and responsive to member needs and the quickly changing field of home care. Finally, because all revenue that enters the association remains in the association, trust is a critical factor in maintaining the success of the organization as members must feel that their contributions are being fairly distributed in non-monetary benefits.

Model: Purchasing Cooperative or Secondary Cooperative

A purchasing cooperative is a coop-owned and democratically-controlled organization that serves its members (who may or may not be cooperatives) through cooperative purchasing, distribution, contracting and negotiation, marketing and other related supports. Successful purchasing cooperatives include Ace Hardware, True Value and CCA Global.

The primary purpose of a purchasing cooperative is to aggregate individual resources in pursuit of increased profit for all members of the collective group. Unlike cooperative associations, purchasing cooperatives are always focused on a single sector, and typically only aggregate standalone stakeholder groups (retailers or service providers), as opposed to diverse stakeholder groups. Generally, standards are established and required of all members to facilitate group activities such as advertising, contracting, processing and sale, but are also flexible enough to allow some level of localization to respond to variations in markets. Under the purchasing cooperative model, operating revenue is typically sourced from up-front, one-time investments, annual dues or a percentage of revenue, often tied directly to purchasing activities. Profits can also be generated from contracts and other fee-for-service sources.

Under the purchasing cooperative model patronage dividends are part of the legal cooperative structure, allowing for redistribution of profits.

Benefits & Opportunities

The purchasing cooperative model offers most of the same opportunities as the cooperative association model, but its sole focus on one specific industry (home care cooperatives) and one specific stakeholder group (home care cooperative agencies) as well as its specific focus on increasing the profitability of member organizations, in part through dividend distributions, are key differentiating factors. Given their emphasis on profit generation, purchasing cooperatives can be structured as lean organizations with smaller overhead, a necessity in the low margin home care sector. If fully leveraged, the standardization and shared branding typical of purchasing cooperatives could serve as an important platform for scale through joint ventures and large scale contracting with healthcare systems. When considering political influence, a shared brand identity also carries the weight that comes with familiarity when engaging directly with politicians.

Obstacles & Limitations

Beyond insurance and payroll services, home care cooperatives have limited purchasing needs, making the purchasing model an imperfect fit. In the early stages revenue from existing cooperative business members would be limited, requiring outside support. Given the for-profit structure of the purchasing cooperative however, creative funding mechanisms would need to be established (such as a not-for-profit affiliate) to support organizational functions. In many cases, purchasing cooperatives are organized under a central brand and a standard set of operating procedures. While standardization and/or consolidation would bring many benefits, consolidation can limit independence, which is valued by many independent cooperative agencies. Finally, while the purchasing cooperative is a strong structure to strengthen and stabilize home care cooperatives, the purchasing cooperative model alone is unlikely to drive significant growth and scale in the industry, at least in the immediate term.

Key Takeaways

Home care would be a new and innovative use of the purchasing cooperative structure for a service oriented industry, but holds significant promise to achieve the goals of stabilizing and strengthening home care cooperatives nationally. Under the right circumstances this model could also move the needle on national scale, though likely additional activities would be needed to pursue large scale growth. As a for-profit entity, the purchasing cooperative or secondary cooperative model has the benefit of both being able to lobby and to distribute dividends. Historically, purchasing cooperatives have been viewed as nimbler and have experienced greater growth. To realize the full benefits of the purchasing cooperative model however, shared branding and other forms of consolidation and streamlining would likely be required, which could have the effect of limiting local control.

A key question related to the purchasing cooperative model is who the members of the cooperative will be. While there is no requirement that the secondary/purchasing coop would be limited to worker cooperatives, if the secondary coop is to play a key role in supporting democratic governance practices, it is logical that membership would only be open to firms that are structured democratically. Determining membership eligibility is a critical task and the consequences could be long lasting.

Model: Franchise

The federal definition of a franchise includes a business relationship that has three elements: 1) The use of a common trademark; 2) The provision of operational support or assistance, training, or the exercise

of significant operating control; and 3) The payment of a fee of over $500 in the first six months of operation. This definition includes initial fees, royalties, advertising fees, training fees or fees for equipment. The lone exception is for goods sold to the franchisee at a bona fide wholesale price for resale to their customers.

Driven by growth in demand for home care services and backed by significant outside investment, franchises are the fastest growing scale model in the home care industry. Today, there are over 60 home care franchises, and this number continues to grow. Some franchisors will choose to own and operate the best locations/markets while franchising secondary and tertiary markets. Others will choose to develop a company-owned presence in their core marketplace and franchise in more distant markets. Some choose to treat company growth and franchise growth opportunistically. Almost all franchises focus on the private pay market, as there is little profit in the public pay market, and franchises typically sell the opportunity for quick growth and profit generation as their primary benefits. Only three franchises: Brightstar, Interim Home Care and QualiCare appear to take both private pay and Medicaid. Home Instead Senior Care is the leader in the franchise space with 1.9% market share, meaning the franchise model while popular, is highly fragmented.

Benefits & Opportunities

Typically, companies turn to franchising for four reasons: capital, motivated management, speed of growth and reduced risk. For the franchisor, franchising allows the company to grow rapidly through no-risk franchisee capital, as opposed to using internal capital or investors or lenders at the company's own risk. With capital on the line, franchisees are typically motivated to open quickly and succeed in their new business. As a result, franchising allows for much faster growth. As franchises grow, both franchisors and franchisees benefit from enhanced brand recognition. Finally, while there are varying levels of control within the franchise model (companies like McDonald's for example maintain a very high level of control), generally, franchises allow flexibility for localization. In the case of home care, which relies heavily on relationships and reputation, localization is an important factor. Franchises could be grown out of existing home care cooperatives or launched out of a new national home care cooperative institution. Development of a home care cooperative "franchise" package could serve as a method to deliver tested tools, resources and best practices to motivated caregivers/cooperative developers on the ground avoiding the need for each cooperative to "reinvent the wheel" wasting limited time and resources.

Obstacles & Limitations

Franchising offers many attractive benefits when considering national scale of the home care cooperative model. Several key factors of franchises however, make franchising a riskier and more limited model to pursue. First, while franchising allows for faster unit (location) growth, the per-unit return is lower than with company-owned chains. This is important when considering impact on home care worker wages and other benefits. Second, while franchisors can maintain a high level of control over marketing, branding, product offerings and the like, they have very little direct control over individual owners and managers. Actions by any one franchisee and its employees can negatively impact the entire franchise. Thus, legal issues in franchises are common and franchise law is complex. Despite being part of a larger company, franchises do not benefit from all the same economies of scale typical of larger chain companies. For example, while branding, marketing and product development are generally centralized, training, payroll, contracting, etc. are typically localized in home care franchises. As such, partnerships and joint-ventures are uncommon with home care franchises, as there is little guarantee of consistent quality or service. Within traditional home care franchises, worker outcomes appear low. While pay is higher in some cases due to the almost exclusive focus on the

private pay market, in one notable case, a franchisor, Griswold International was sued for illegally structuring a franchise to avoid employment taxes, an indication that the franchise model does not appear to result in strong outcomes for workers.[xxii] Further, franchising places the financial risk of start-up on the owners of the franchise, which in this case would be home care worker-owners. Finally, while franchising would address the desire for growth and scale of the home care cooperative movement generally, it would provide little to no benefit to existing cooperatives as a standalone option.

Key Takeaways

Franchises offer little by way of stabilizing and strengthening existing home care companies, and as such would not suffice as a standalone model. Franchises do offer a highly attractive model for quick scale of home care cooperatives. However, issues of quality control under a single cooperative brand, paired with the complications inherent in franchise law present significant barriers to scaling under this model. Like other models discussed in this analysis, elements of the franchise model could be strategically deployed to achieve similar gains without the high level of risk. The operational support, consistency around systems, and a unified brand identity all offer up potential value. The reality, however, is that most of these systems can be effectively applied in other models, most notably the purchasing cooperative / secondary cooperative model.

Model: Cooperative Chain / National Worker Cooperative

Home care chains are companies that pursue growth through organic expansion or firm acquisition in new markets. Within chains, control is centralized, typically at a national headquarters. At the branch level, hired managers run the day to day operations, reporting to national leadership. Typically, all back-office functions--payroll, billing, HR, marketing, IT and other administrative tasks are centralized. Branding, training, systems and more are standardized across the company. Chain growth is typically regional, and acquisition and/or opening of new branches aligns with chain strategy. This contrasts with franchises, which typically open where there are entrepreneur franchisees. The largest home care chain operating in the country is Kindred Healthcare, a highly-diversified home health services company. The members of the cooperative would be individual workers, likely with intermediary bodies or committees designed to foster engagement and member input into strategy.

Benefits/Opportunities

Home care chains typically enjoy the greatest economies of scale given their size and the centralization of all business administration functions, reducing overhead costs. While the gross margin of large home care chains is generally lower than those of a small private duty home care agencies, due to their scale, they can operate effectively with lower margins. Critically important, however, scaled firms are better positioned to address the political challenges the home care sector faces. A purchasing cooperative or secondary coop can also effectively engage governmental entities around the broad challenges facing home care workers.

A national cooperative or chain offers a much higher level of control over operations and management than the franchise model, which is important for quality control. Given this higher level of control and the real or perceived guarantee of standardized quality and service across agencies, partnerships and joint-ventures are possible, an increasingly important growth strategy in today's quality/continuity of care focused health care market. As large, known entities, chains can typically secure capital more easily than home care franchises (unless they are well established).

Obstacles/Limitations

Like franchises, chains do not offer much benefit to existing home care cooperatives, and therefore do not suffice as a standalone model. As a scale strategy, chain growth is slower and more regional than franchise growth. Chain growth also requires more internal capital. Chain growth requires a strong initial company, existing or start-up, willing and interested in national growth. As a centralized chain, local cooperative branches lose local governance control, and may therefore be less invested in the cooperative entity. Further, as a business based in large part on relationships, chains can be perceived as less invested in local communities. Finally, while chains have typically seen higher returns, returns to scale haven't always been realized by chains as they typically must add a layer of management, which can reduce or cancel out savings in some cases.

Key Takeaways

Compared to franchises, chains tend to focus on organic growth and typically focus on a specific region. The large and centralized nature of a national chain means that local and individual member control is limited, which diminishes some of the benefits of cooperative governance and ownership. Care would need to be taken to address governance issues as the chain grows. However, the centralized and more controlled nature of a home care chain means that it is better positioned to engage in partnerships and contracts with health care institutions, which is a primary strategy being pursued by successful for-profit home care chains as health-care continues a transition towards greater quality and continuity of care focus. Launching a chain would require buy-in from an existing entity, or start-up of a new entity with the goal of chain growth. Internal capital and assets would need to be leveraged. Finally, the chain model does not address the needs of existing home care companies broadly, and therefore it would need to be paired with a complimentary, supportive model.

The Role of Technology

While private equity firms are investing millions of dollars into “Uber-like” technology solutions to the nation’s home care crisis, ICA’s analysis of these efforts has shown limited transformative potential as a stand-alone solution. Nearly all tech-based home care companies are located in urban areas with large populations of private pay customers and focus on “luxury-style” service and care. Only one company, Home Team, headquartered in New York City, has begun piloting Medicaid payment. The model employed by most tech-based home care companies is proprietary tech-based client-caregiver matching systems and modern-aged communication platforms and portals for client-caregiver and caregiver-parent/guardian communications. Initially, many tech-based companies engaged 1099 contractor employees, taking advantage of low overhead to drive profits. A series of legal rulings has made this model largely obsolete.

While ICA does not see technology as the lead model for transformative change, sophisticated technology unquestionably plays an important role in achieving stabilization, strengthening, scale and transformation of the home care industry. Most home care agencies already employ a variety of technology programs to manage scheduling, payroll and billing. A tailored technology solution designed for home care cooperatives could provide a strategic advantage if properly developed, and should remain a core topic in strategy development conversations. A technology solution could be implemented in any one of the major approaches examined.

Multi-Stakeholder (Solidarity) Cooperative

Multi-stakeholder cooperatives are cooperatives that allow for ownership and governance by representatives of two or more "stakeholder" groups within the same organization; pooling diverse resources and perspectives towards a common goal. In the case of multi-stakeholder home care cooperatives, stakeholder groups include: workers, users (clients/consumers), and supporters (such as community aging and disability supports or workforce development organizations)[xxiii]. There is currently one non-profit, multi-stakeholder home care cooperative operational in the United States, Partners in Personal Assistance based in Ann Arbor, Michigan. The multi-stakeholder cooperative home care model is also very popular in the province of Quebec, Canada and across Europe.

An analysis of Partners in Personal Assistance, and Quebec multi-stakeholder home care cooperative agencies, highlighted several benefits to the multi-stakeholder model. These include: greater transparency between clients and caregivers[xxiv], the strength of the model to build important partnerships and community stake in the cooperative movement, and use of the model to create stable employment for workers and stable care for clients in rural areas.[xxv] The model has been very successful in Quebec and across Europe and has scaled successfully given broad based support across constituents.

The multi-stakeholder (solidarity) cooperative model alone is not the right structure to achieve transformative change in the home care industry. Conceptual elements of the model are strong however, and particularly relevant in the case of home care, which deeply impacts a large and diverse number of stakeholders especially workers and clients. Special consideration should be given to this model with regard to independent provider initiatives, which are common in many state Medicaid programs. In these programs, the client or consumer is the joint employer of the home care worker, either with a state agency or a private entity referred to as an Agency with Choice. This joint employer relationship holds interesting promise to engage stakeholders and while this approach is not relevant for home care agencies, one strategy the coops could pursue is to establish themselves as Agency with Choice providers, especially in states that have numerous AwC providers such as Texas.

Business-Line Diversification

Across the health care sector broadly, many service providers are scrambling to diversify business lines to fully leverage shifts towards continuity of care focused policies and increase revenue. Hospital systems are adding home care lines, home health companies are adding non-medical home care and telehealth lines, and so on. Among home care cooperatives specifically, some agencies look to diversification as a strategy to stabilize work flow and offer more consistent hours for workers, an important benefit and coop differentiator. Others have added higher trained workers to seize on opportunities that arise from partner referrals, and/or as a strategy to strengthen important referral partnerships.

Most home care cooperatives focus on non-medical home care. Expansion into medical home health is a diversification strategy worth considering. However, the additional costs of employing and training home health aides and a registered nurse to oversee home health aide services is only practical for agencies that have reached a minimum revenue threshold of approximately $1.5 million, and can successfully absorb the increased administrative costs. As such, business line diversification is one of many logical growth strategies for stable and large agencies to consider. In many cases, agencies can identify needs currently unmet in their geographic locations, or consider services that draw clients away to competitors that could be offered in-house. For smaller agencies, diversification costs and benefits must be carefully weighed. In many cases focusing investment on partnership development, marketing,

and training in current business lines yields higher results, as cooperatives already have expertise in these areas. ICA's analysis of diversification as a strategy for growth across all home care cooperatives did not reveal a nationally applicable model. That said, diversification into home health or other locally specific areas of unmet need is a good strategy for any financially stable business, ready for growth, to consider. Careful consideration must always be given to the added costs of enhanced training, recruitment, marketing, billing, and other administrative costs that come with business-line expansion.

Recommendations

To move forward, the parties involved in working together to change the home care landscape, must first agree on the overarching objectives to ensure we have a shared vision. We must also make a commitment to work together, while recognizing that this national program is one of many strategies that coops and their supporters are pursuing. Finally, to effectively coordinate this work, it is essential that those involved embrace the view that together we can grow the pie around funding to support this effort. The problem is a large one, and while immediate or intermediary steps can be taken to improve coops financial performance and improve job quality, the real solution is a long term one. The home care cooperatives should be at the center of this strategy and guide the work while engaging appropriate stakeholders, including cooperative developers, non-profits focused on the field, and community organizing groups and labor unions.

Based upon the ICA Group's analysis of the challenges facing the sector, we recommend that a steering committee made up of volunteer stakeholders representing both home care cooperatives and various support entities be formed to further flesh out a strategy on the best path to move forward with a coordinated strategy. Steering Committee stakeholders should include:

- Representatives of home care cooperatives both small and large and those that accept private and public pay
- Home care training specialists
- Home care business development specialists
- Home care cooperative conveners

A simple outline of what this group should evaluate includes the following:

1. Address recruitment: Long term policy solutions are necessary to fundamentally address the caregiver crisis, but as an intermediary step, we can learn from the experience of Cooperative Home Care Associates and PHI. Free, high quality pre-and post-employment training paired with both an employment and minimum hour guarantee have mediated the recruitment challenge for CHCA. Expanding training systems can go a long way towards solving smaller coop's recruitment challenges and the first step this national steering committee should take is to test the feasibility of launching a specialized training program, based on core competencies, for home care coops. This effort should also examine other best practices in recruitment and work towards developing tools and systems existing and startup home care coops can utilize.
2. Stabilize Coop's Finances: While the most pressing challenge for coops is recruitment, equally important are developing systems that can stabilize these firms and reduce their non-caregiver expenses. Strategies include reducing non-worker related expenses and strengthening and empowering cooperative governance systems. A purchasing cooperative or secondary cooperative is the most effective path forward to reducing expenses through economy of scale

efficiencies, and efforts should be taken to help bring this to fruition. It is important to note, however, that without more or larger agencies, the financial impact shared purchasing can bring are limited. Therefore, this entity should also work to help new home care coops enter the market quickly and help existing coops grow. These efforts will require ongoing philanthropic support and cooperation amongst coop developers and home care agencies to be successful. Similarly, cooperative governance support is, at least in the immediate and medium term, a service that will require philanthropic support.

3. Remain Open to Explosive Growth: Scale is necessary to amplify the voice to home care workers in the policy arena. While scale can be achieved through bringing together multiple home care coops into a secondary coop, we should remain open to a cooperative option for a large-scale home care firm. One path forward for such a strategy includes the coordinated conversion and/or rollup of conventionally owned firms to worker cooperatives. ICA has assisted 60 companies in the transition to employee ownership.

National Home Care Institution: Secondary Cooperative

ICA Group envisions that the national home care secondary cooperative would offer a host of services that centralize common needs to create economies of scale, beginning with needs that are both immediate and easy to implement, and expanding to more involved but also more impactful supports. Initially, we envision that the secondary cooperative members be worker-owned home care cooperatives although it is possible that membership be opened to other types of agencies, including non-profit with a solid record of positive worker supports or for-profit agencies that have committed to selling their agency to their employees. While membership in the secondary cooperative could be opened to any agency, this presents challenges with regard to worker treatment and distribution of profits.

Group purchasing of existing services for home care coops can have a limited positive impact on a coops bottom line, but the opportunities for group purchasing are better looked at as creating an opportunity to buy something that they would otherwise be unable to such as training, business advisory services or even health insurance. Given this reality, this organization will have to be a hybrid of sorts. A non-profit arm will be necessary to receive philanthropic funding and especially around training materials, who will own the intellectual property is an issue that must be addressed.

The limits of Group Purchasing in Home Care

Wages for direct care workers are the largest cost center in a home care agency, representing 65% to 75% of expenses. These are not expenses that can be reduced and in fact, raising wages is a key objective of home care coops. For a typical private duty home care agency, workers' compensation costs, other direct care costs such as gloves and other materials, advertising costs, and scheduling software accounts for only 4.35% of total expenses. A 15% reduction in these costs (which is a sizable impact) would add 0.66% to an agency's net margin. For a firm with $1.5 million in revenue this would translate into annual savings of between $7,500 and $10,000, depending upon their existing cost structure. If the 'cost' of negotiating these benefits were $120,000 and 25% of the savings went to the coop, it would require 61 home care agencies with this level of revenue to break even – if half of the savings went back to the coop, it would require 30 member coops. In short, for such an effort to be self-sustaining, the number of home care coops would have to more than triple from their numbers today.

The following narrative outlines a staged rollout of core recommended supports balancing needs expressed by interviewed home care cooperatives and related stakeholders and ease of implementation. Service offerings are broken up into two categories: non-profit and secondary coop. Non-profit service offering are those that require an initial and likely ongoing subsidy, secondary coop service offerings are those that can be expected to be paid for through member dues.

Immediate Term: focus on easy to implement supports including centralization and streamlining of home care cooperative specific tools and resources, and shared purchasing. Core elements include:

Non-Profit

- Development of a national home care worker training program
    - What: A nationally relevant home care worker training program based on core competencies and drawing from CHCA's award winning training program developed by PHI. Training would include both online and in-person (train the trainer) components, and would provide training for new and existing home care workers. Ultimately, training would be expanded to include specialty training (disease management, cultural competencies), home care business management training, advanced caregiver/coordinator roles, medical billing and other advanced career opportunities to provide career ladders to workers and provide training to support internal growth and strengthening of home care agencies. Due to significant variations in state training requirements, development of a national home care worker training program that results in personal care aide or home health aide certification is not possible or practical at this time. This is a worthy goal to work towards over the long term however. In the interim, core competency training that can be supplemented by locally specific training on the ground would go a long way towards ensuring a standardized level of quality training among home care cooperative workers, while also relieving some of the local agency training burden.
    - Why: Today, the vast majority of home care cooperatives develop and administer worker training in-house. This is highly inefficient and presents both a significant barrier to new start-up agencies and a missed opportunity for quality enhancement. Training would be better developed centrally, allowing for training to be developed by industry specialists, and saving time and money for operators. Additionally, few agencies have the knowledge or capacity necessary to offer ongoing skills training or training for advanced roles. Centralizing training, and providing training on core competencies across agencies would begin to establish a national standard of training for home care cooperatives, which could be leveraged as a key "cooperative difference" in marketing and sales and in fostering of local and regional

partnerships. Longer term, special skills and advanced training would provide career ladder opportunities for home care workers.

- Cooperative governance tools and training:
  - What: model by-laws, legal incorporation documents, cooperative governance training and best practices, designed for the home care industry.
  - Why: Today, home care cooperative start-ups are developing documents, programs and processes from scratch, devoting limited bandwidth to activities that could easily be centralized, improving outcomes and saving limited time and resources. Further, many home care cooperative boards are comprised of individuals new to worker ownership, or are supported by cooperative developers new to home care. While many of these tools have already been developed, they should be retooled to ensure that they are geared towards empowering the Boards of member home care coops. This could also take the form of educational training documents for non-owner board members. Many coops have successfully leveraged outside help on their board and the secondary coop could provide a pool of qualified, interested candidates focused on the specific needs a coop is facing at different times in its development.

- Specially developed interventions to support informed worker governance in a complex industry:
  - What: The traditional governance supports of model documents and coaching on proper decision-making are necessary, but not sufficient. ICA has developed a model of active problem-solving interventions, whereby a trained business consultant works with a cooperative board to help board members understand their options, draw upon their own knowledge and experience, and make informed decisions in the best interest of their organizations.
  - Why: Home care is a complex and regulated industry, where many forces act upon a co-op that are outside of traditional market mechanisms. This makes worker governance more challenging than ever, as board members often lack key business insights, data, or decision-making tools to deal with the issues confronting them. These information and experience gaps can be addressed to some degree with appropriate outside board members, but that strategy alone does little to empower caregivers. Instead (or in addition) by having a business consultant work directly with the board in a thoughtful, supportive and coaching role, we have seen worker-members develop into confident business owners, able to integrate outside information and draw upon their own life experiences to make sound decisions for the co-op.

- Business Management & Development Support
  - What: Business management and development resources and hands-on consulting support for agencies needing assistance to stabilize and strengthen or looking to diversify or scale.
  - Why: In many cases, home care cooperatives are run by previously marginalized caregivers that are also new to home care business management and development. While fully capable, they lack the experience and confidence to fully navigate the complexities of running a cooperative home care agency. Through hands-on, in-depth support and guidance, worker-owner caregivers can be empowered to assess and act upon critical business decisions on their own.
  - Why: Strong and stable agencies ready to grow need business development support to assess diversification and scale opportunities within their target markets, develop strategic and sustainable business plans, and access available financing streams. Few agencies possess all of these skills in house, or have the time to devote to such efforts, and many cannot afford to engage outside consultants to assist. To further strengthen and scale the home care

cooperative industry, industry specific support will need to be provided to support these efforts. This can be best accomplished by a centralized entity with a specialized emphasis on the home care and home care cooperative sectors, that can also collect and build upon learning and best practices across agencies. We envision that this would look like the support ICA has been able to offer coops under the grant from CDF.

- Home care coop specific marketing, recruitment and sales tools
    - **What:** Professionally designed recruitment and sales tools that draw on best practices from across the industry and home care cooperatives specifically, that leverage the "cooperative difference" to attract both workers and clients.
    - **Why:** Agencies, particularly small agencies with limited resources struggle to develop professional marketing materials that rival larger competitors and effectively sell the "cooperative difference" to both potential caregivers and clients. This is a missed opportunity. Given the core shared values across agencies, best practices and resources could easily be pooled to develop shared marketing tools across agencies. This has already begun with the CDF led worker recruitment tools effort, and should be continued. Further, a shared "image", if not overarching brand, could help raise the profile of individual agencies.

Secondary Coop

- Shared Purchasing Discounts
    - **What:** Discounts on gloves, uniforms, software platforms, payroll, etc.
    - **Why:** While durable goods and business support systems are not a significant budget line item as compared to labor, in such a low wage industry, every dollar counts. Savings from group purchasing could be pumped back into agencies in the form of greater training investments, salary increases or other business improvement or worker focused benefits. Additionally, shared purchasing discounts provides an immediate incentive for agencies to join and get engaged in a national supportive platform, which will open the door for other more impactful benefits.

Medium Term: focus on highly centralized systems that can fully streamline and leverage economies of scale, and push for both national scale of home care cooperatives and policy change to drive industry transformation. Core elements include:

Non-Profit

- State specific policy guidelines (on Medicaid and Training)
    - **What:** Detailed, yet accessible, and regularly updated guidance on state regulatory environments including Medicaid conditions, licensing regulations, and training in each state.
    - **Why:** Home care regulations in each state are extremely complex and difficult for agencies of all sizes to navigate and understand. Dedicating staff at the national level to monitor and report on Medicaid conditions, licensing regulations and training requirements would be extremely helpful to home care cooperatives and would help agencies position for growth as Medicaid is the primary opportunity for scale. Today, many cooperative agencies focus solely on the private pay market as public pay is too complex and financially unviable to enter. However, avoiding the Medicaid market will present significant scale barriers for the home care cooperative industry, and avoiding public pay necessarily means that home care coops would only serve higher income populations, creating service inequity.

Secondary Coop

- Group Insurance Purchasing
    - **What:** Workers compensation, liability, health and dental insurance
    - **Why:** Workers compensation and liability insurance are significant line items for home care agencies, representing approximately 2%+ of sales annually. Small agencies lack buying power to secure the most favorable rates. Consolidating buying power would secure more favorable rates for agencies, saving money that could be better used on worker-focused benefits or business growth. Perhaps more importantly, few agencies can afford health benefits for workers, and this is a significant stressor/barrier for workers to enter and stay in the field. Offering health benefits at home care cooperatives would provide a significant advantage to cooperative agencies in recruiting and retaining workers, but few can afford to offer benefits as small standalone agencies. By group purchasing insurances, agencies could access benefits at more affordable rates, making the likelihood of benefits greater for workers.

- Development of a proprietary technology system
    - **What:** Comprehensive, cutting-edge, home care management software that manages scheduling, billing, tax reporting, client profiles, client-caregiver communication, payroll and other features as informed by home care cooperative operators and industry experts.
    - **Why:** Smart technology is critical to effectively running a home care business. Scheduling in particular, is very complex in home care, and continues to increase in complexity with new overtime laws in effect and changes in allowable hours for clients (under Medicaid). Combining the best and most cutting-edge technology from the field with on the ground feedback from worker-owners would result in a strong technology solution that is effective and responsive. Use of the technology could become a strategic advantage and/or could be sold to outside agencies to generate income for the cooperative institution.

- Policy advocacy
    - **What:** State and national level advocacy for increased public funding, national caregiver training standards, worker rights and respect
    - **Why:** To truly transform the home care industry to provide better jobs for workers and better care for clients, public opinion on the role of home care workers and public investment in home care work must increase. Further standardization of training and other requirements across states would reduce complexity and raise standards. Once established, the supportive institution could elevate the voice of national home care cooperatives in Washington D.C, providing a much-needed voice for this industry.

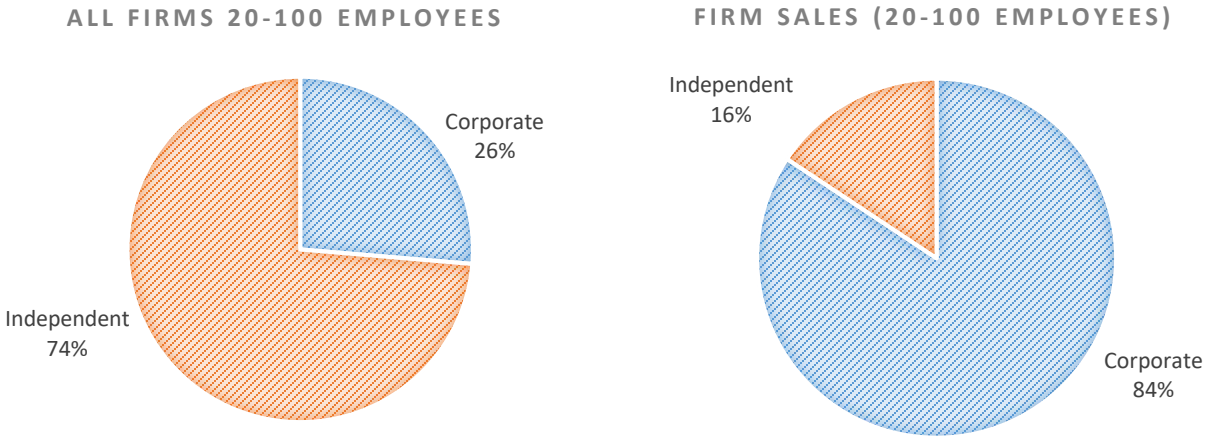
The core elements detailed above are not exhaustive, but are reflective of needs conveyed by operators and experts on the ground as well as research into the challenges and opportunities facing the national industry broadly. If created, the national home care cooperative association or secondary cooperative should provide multiple avenues for engagement with home care cooperatives and give voice to direct the development of services that address the immediate and long term needs of home care cooperative agencies nationally.

Embracing Explosive Growth: Cooperative Conversions & Acquisitions

There is significant investment and merger & acquisition activity in the home care sector, focused primarily on independent contractor focused technology solutions, franchises, and non-home care related health care organizations looking to expand their continuum of care through the strategic

acquisitions of home care agencies. Given the highly-fragmented nature of the home care industry, private equity has seen returns in consolidation of home care companies, and efficiencies through technology and analytics. Historically, financial returns from wide-ranging geographic expansion have been limited, and larger home care providers are now pursuing more geographically consolidated acquisitions.

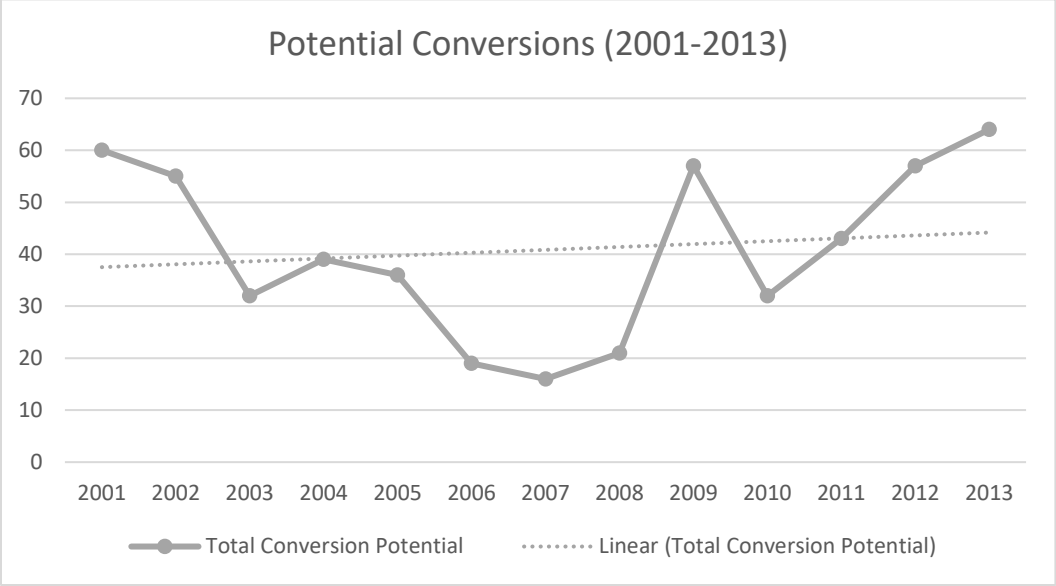
Of all firms with 20 to 100 employees, 74% are independently owned and operated. Within that same category, however, independent firms only account for 16% of firms sold since 2000. Simply put, investors ignore the home care companies that would likely make the best candidates to transition to home care worker cooperatives in favor of corporately owned home care companies.



With the right kind of supports – exactly the kind that the national secondary coop is positioned to provide, conventionally structured firms can successfully transition to worker ownership. In the last 30 years, ICA has assisted over 60 firms in making such a transition, although none of these have been home care agencies. In some cases, acquiring a firm is not the most effective way to enter a market, especially if there are no Certificate of Need regulations that limit new firms from entering a market – in these cases opening a branch or starting up a new coop may make the most sense. In many markets, however, acquiring a company may be the most effective recruitment strategy and if handled properly, the customer relationships an agency has can be transitioned.

Business closures related to owners retiring also offer up an opportunity to retain jobs for workers. Since the end of the Great Recession in 2009, there has been a significant uptick in the rate of business closures, especially for mid-sized, independent, and older businesses. On average, mid-sized independent businesses with 20-100 employees have closed at a rate of about 400 a year from 2010 to 2014. Prior to the Recession from 2000 to 2007, these businesses closed at a rate of about 300 a year, or about 25% fewer. Additionally, for mid-sized businesses that are 25+ years old, the average annual closures have grown to 29 per year since 2010, an increase of 51% over the average of 12 per year from 2000 to 2007. Firms in operation for more than 25 years are much more likely to have owners approaching retirement, and thus are likely to require exit and succession options for their owners at a higher rate than the general population of home care companies.[xxvi]

ICA's analysis of longitudinal enterprise data show that since 2000, over 40 mid-sized independent firms that have sold or closed due to retirement annually, representing a total potential pool of 24,463 worker owners, or an average of about 1,800 a year.



A conversion strategy requires ongoing technical assistance and support to ensure the business is successful after the transition. While the secondary coop could play this role, another approach would be to take a regional 'roll up' strategy, incorporating converted businesses into a regional chain that might itself be a member of the secondary cooperative. To achieve scale on a quick timeline, a coordinated conversion initiative should be considered as part of the national strategy. **To double the number of worker-owners in the home care industry today, from 2,400 to 4,800, $25.5 million dollars in capital would be required to complete approximately 50 transactions.**

Concluding Remarks

Demand for home care will continue to increase at a rapid pace over the coming decades. Tens of million or more workers will need to be recruited to the field to meet demand. Without intervention, these will be low-paying, poor quality jobs, that maintain structures of systemic inequality in our society. Turnover rates will remain high or possibly increase, lowering the quality of care provided, and putting millions of seniors and people with disabilities at risk. Billions of dollars in home care revenue will be wasted on recruiting and training workers that quickly cycle through the field, that could be put to better use. With strategic investment and support, home care cooperatives have the potential to change this bleak course, improving the quality of home care jobs and the quality of care provided.

A strategy of stabilizing and strengthening existing and start-up home care cooperatives through a centralized national home care cooperative association combined with scaling the home care cooperative industry through chain growth (mergers, acquisitions, conversions or branch start-up) will create the scale and conditions needed to push for change at the policy level; and policy change is necessary to transform the home care industry. While industry transformation is unquestionably an aggressive goal, those committed to quality home care and home care jobs must recognize the necessity

of this pursuit. Until home care workers and home care clients have true agency over their jobs and care, we will not have succeeded.

Given the extent, and importance of the job ahead, solidarity and collaboration between cooperative developers, worker-owners, funders, and other stakeholders is critical. As a first step, a volunteer steering committee representing all critical parties should be formed in the near term to use the information in this report to further flesh out a strategy on the best path to move forward with a coordinated strategy. Funds will then need to be raised to support implementation, and partners engaged to do the hard work.

Industry transformation takes time. With nearly thirty years of learning, growth and success behind us, paired with an in-depth understanding of market needs and opportunities, the home care cooperative industry is positioned to lead this change. We know what it takes to run a successful home care agency, that values workers and provides quality care. What we need now is investment to build-upon, grow, and scale what we know works.

Endnotes

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[xxvi] Using the U.S. Census Bureau's Public Use Microdata Survey of Small Business Owners (PUMS 2007), we found that there is a statistically significant relationship between the age of the primary owner and the year in which the company was established. PUMS 2007 data showed that 34.3% of businesses established before 1980 had owners that were 65 years old or older, and 70.1% of owners were 55 years old or older.