



Keep Home Care Affordable

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Purpose

There is a critical issue surrounding the affordability of home care in the United States. As an advocate for private duty home care, the National Private Duty Association highlights important ways to keep home care affordable in the United States.

Background

The National Private Duty Association (NPDA) is a national voice for organizations that provide private pay home care services. The NPDA is also an advocate for services which benefit consumers for whom they care—primarily seniors, but also children, persons with disabilities, those with chronic health conditions and anyone whose quality of life and well-being can be improved by having a care worker help them.

The majority of home care services are performed in private homes. However, for many consumers “home” may be a leased apartment, assisted living facility or nursing home. Regardless of where consumers live, the services provided maintain health, dignity and support independence.

Companies represented by the NPDA vary in the level of services they provide. Some help with everyday chores like housekeeping and errands. Others provide needed supervision or non-medical companionship services to consumers, who because of age or frail health, need assistance to care for themselves. Some NPDA member agencies provide personal care (bathing, dressing and help with mobility). Finally, some members provide skilled medical or nursing services.

All of the companies who are members of the National Private Duty Association share guiding philosophies and common values. On June 18, 2001, President George W. Bush issued the Olmstead Executive Order that seeks to “ensure all Americans have the opportunity to live close to their families and friends, to live more independently, to engage in productive employment, and to participate in community life.” The NPDA supports this Executive Order because home care services empower the elderly to remain in the community and are an extremely valuable aspect of health care and aging. The National Private Duty Association recognizes the financial and emotional burdens increasing costs will have on the accessibility of home care. It is absolutely essential to take important steps to contain the costs of home care services. The failure to keep home care affordable will cause an enormous crisis in America in the years to come.

The Problem

Americans face an uncontrolled and unprecedented inflationary period for health care costs. The dramatically rising costs of medical care, medications, healthcare premiums and hospitalizations pose an incredible challenge for the United States in the decades to come. According to Families USA, the number of Americans spending more than a quarter—25%+—of their income on medical costs climbed from 11.6 million in 2000 to 14.3 million in 2004. Society’s requirement for health care services will begin to strain both state and federal levels of government like no other time in history. This strain will be both financial and physical. There will be a limitation in funds and a limitation of people who are willing to pursue employment as a care provider.



The population of the United States is aging and living longer. There are 77 million baby boomers confronted with the increasing costs of health care. The 2004 Retirement Confidence Survey shows more than 44 percent of those over 55 report having financial savings (not counting their home equity) of less than \$100,000. Today, the elderly can expect to pay over \$20,000 for assistance by a home health aide at five visits per week (representing 5 hours per day at \$18 per hour^[1]) and that same care is projected to cost \$68,000 per year in 2030^[2]. Nursing home care, which now averages \$58,000 per year^[1] (semi-private room), will cost \$190,600 per year in 2030^[2].

[1] Met Life Market Survey of Nursing Home & Home Care Costs, 2003

[2] American Council of Life Insurers, 2000, (ACLI)

According to a 2004 study conducted by the National Alliance for Caregiving and AARP, there are 44.4 million family caregivers assisting loved ones with care needs. Family caregivers coping with the daily challenges of balancing work and personal responsibilities often search for private duty home care services to help with the demands of caregiving. These family caregivers are responding to the overwhelming desires of millions of Americans who want to remain in their own homes for as long as possible.

There is a growing demand for quality and reputable in-home assistance for the elderly. The first group of baby boomers is approaching age 65, more of them will live longer than previous generations, but most will age alone. The Administration on Aging projects that in just two decades, 15.2 million people over the age of 65 will be living by themselves and that nearly 20% will need help with at least one activity of daily living (ADL), such as bathing, dressing, incontinence care, toileting, eating, and transferring. To complicate matters, the boomer population does not have the traditional family support necessary to meet their long-term care needs. The American family has changed by becoming geographically mobile. According to a survey cosponsored by The National Council on the Aging and The Pew Charitable Trusts, 1997, approximately 7 million caregivers, are living at least an hour away from a care recipient, and are providing or managing care at a distance. Unlike prior generations, millions of adult children live away from their parents and are not available to provide daily support to assist at home.

Finally, there is a struggle among public policy makers between enacting rules that are favorable to the cause of affordable home care and rules that protect the workforce and the wages they earn.

It is the position of the National Private Duty Association that workers, the elderly, as well as federal and state governments are the beneficiaries of keeping home care affordable.

What Drives Up the Cost of Home Care?

Growing consumer demand for home care services is not the only contributing factor for increasing costs. The following issues also add to the rising costs of home care.

Imposing Obsolete Models on a New Industry

Complicated federal Medicare standards and policies developed for yesterday's elderly population are being forced onto an emerging and specialized private duty industry driven by today's exploding population. Medically focused regulatory laws, enacted for federal programs, do not foster non-medical, modern day models that address the incredible demand for in-home domestic and personal



care services. Strict licensure regulations and antiquated models restrict the ability of the elderly to receive services in their homes at affordable prices.

Favorable Labor Laws in Jeopardy

Certain exemptions of the Fair Labor Standards Act (FLSA) are compatible with the nature of private duty home care. However, some states restrict the use of the FLSA exemptions. And, in 2004, the Second Circuit Court of Appeals ruled in *Coke v. Long Island Care at Home LTD* that the exemption to third-party employers is invalid and unenforceable even though this regulation had been on the books for 30 years. Importantly, the U.S. Department of Labor argued in favor of upholding the companionship services exemption, citing the important public policy considerations supporting it. As illustrated below, consumer and governmental costs without the exemption could increase as high as 26%.

Regulation

Regulatory mandates add to an increase in administrative and paperwork costs. Regulation restricts the flexibility required to provide adequate services to the elderly. Agencies find themselves spending more time on paperwork than providing direct services.

Risks of Increasing Home Care Costs

Increased Risk to the Elderly

The increased use of independent contractors also places the elderly at greater risk. While legitimate home care agencies promote the use of safeguards such as proper screening, training, bonding, workers' compensation, liability insurance and supervision, no such safeguards exist with independent contractors. Due to increasing home care costs and reliance on independent contractors, come increasing risks and uncertainty for an already vulnerable population. It is common for the elderly to employ independent contractors in their homes. Deficient in accountability and standards, independent contractors can easily place the vulnerable and frail elderly at risk for abuse and financial exploitation.

Loss of State and Federal Revenues

Increasing costs drive more elderly home care recipients to employ underground workers and independent contractors. Unlike a reputable home care agency that withholds payroll taxes this responsibility falls on the consumer who contracts with an independent contractor. Due to lack of awareness or intimidation of IRS rules the elderly fail to do so. Thus, independent contractors are paid "under the table" and state and federal tax revenues are lost.

Loss of Worker's Retirement Benefits

Independent contractors who do not report income will not accrue Social Security credits. The eligibility of retirement, disability, survivor and Medicare benefits is based on the amount earned in a job and the amount of taxes paid to Social Security. Employers contribute to these benefits for employees. Many "under the table" jobs offer a temporary incentive that avoids paying into this

system. Over time an independent contractor will gradually lose the ability to regain Social Security credits, and not until retirement will the reality of decreased benefits or ineligibility become apparent.

Barriers to Gainful Employment Opportunities

The baby boomers are reinventing retirement. AARP research shows that eight out of 10 boomers plan to work into retirement. A little over a third (35%) say they will be working part-time mainly for the sake of interest and enjoyment and about one quarter (23%) say they will work part-time mainly for the income it provides. In a national survey of 5,301 non-medical senior care employees only 1% cited money as their single source of job satisfaction while 95% stated that helping others in some way was their greatest reward.

This boomer work force is emotionally engaging and socially active, while at the same time searching for the means to financially support themselves. Substantial numbers will be intrinsically motivated to choose employment with home care agencies, to fulfill their social interest and enjoyment, not only for the additional income. Elderly care recipients who receive services from more seasoned workers enjoy a stronger sense of comfort and security. It is a win-win situation but with regulation and the higher costs of home care, it will be increasingly difficult to employ this enormous workforce.

Conclusions

Whether provided in a private home, a leased apartment, assisted living facility or nursing home, it is imperative that home care is kept affordable particularly for the most vulnerable populations in society that require long periods of supervision and help in remaining independent. The number of aging Americans will reach epidemic proportions when the largest population in history reaches the age when health care needs begin to skyrocket. Home care can be kept affordable by:

- Implementing regulation that suits an emerging industry. In the past, regulation has been based on a skilled/medical care. The National Private Duty Association supports the recognition of the emerging demand for non-skilled/non-medical care without forcing skilled models on a non-skilled industry. Updating or redesigning regulatory laws will more readily invite qualified older workers into the private duty industry to provide care to the elderly.
- Recognizing the private duty non-medical industry with practical labor laws. There is “downtime” during the typical day in home care. Rest breaks, the opportunity to attend to personal needs and to sleep during overnights keep workers refreshed and efficient. Workers are still “on the job” and are available for care, based on the consumer’s needs. However, as the companionship exemption fundamentally intended, it is not fair to charge elderly care recipients more than practical fees, such as needing to pay time and a half, for care providers to sleep in their homes through the night.
- Supporting practical regulation that does not encumber the private duty industry. Practical regulations will allow private duty agencies the opportunity to develop and cultivate reputable standards and ethics, adopt best practices and set their own guidelines for care, competitive billing and training.



The issue of keeping home care affordable is a “call to action” for the National Private Duty Association as well as American society. There is a great deal at stake in meeting the needs of the growing elderly population. NPDA members are committed to working with Congress and providing education on the important issues facing the private duty industry. It is vital that NPDA members continue to be active community leaders and advocate for professional home care agencies that provide legitimate services and reputable employment standards.

For more information contact:

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Demographic Profile Older people living alone (OLA) are a large and growing segment of the elderly population. The 1990 Census showed that OLA who are 65 years of age or older numbered 9.2 million or 31 percent of the age 65 and older population. This number is expected to rise to 15.2 million by 2020. OLA ages 85 and older – the most vulnerable segment of the population – will more than double over the thirty-year period.

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