




Home Care Industry Outlook

Taking care of patients and your business



The past two years have been challenging for providers across the home care industry. After celebrating a 4.3% industrywide revenue gain in 2020¹, home care providers experienced a 2.7% revenue drop due to the pandemic stay-at-home orders and social-distancing requirements. As a result, many wonder what's next for the home care industry as the pandemic dust continues to settle. This white paper provides hospice, home health, and home care providers with a detailed overview of where the industry is now and the emerging trends fueling future industry growth.

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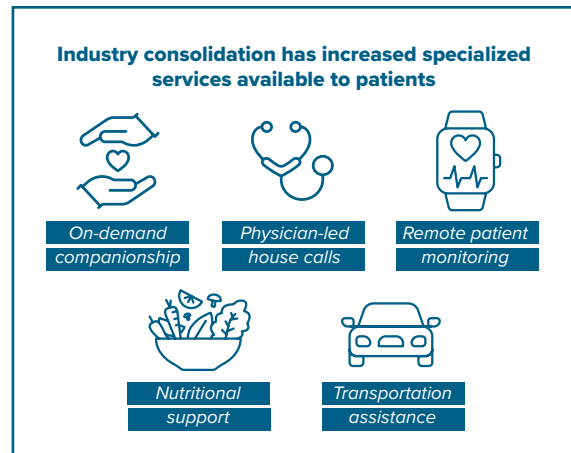
Introduction

The home care industry is one of the fastest growing in the health care world, as it saves patients, providers, and payers billions of dollars every year. Since you're already wondering, the home care industry revenue rebounded from the 2021 decline by posting a 4.1% increase¹ for 2022, allowing the industry and employees to breathe a collective sigh of relief.

More consumers choose in-home services over traditional health care models for convenience and affordability. And as more medical professionals get on the telehealth and in-home services bandwagon, the industry can expect a Capitalized Annual Growth Rate (CAGR) of 8.1% through 2030². In short, the home care industry is now a hot topic again. However, you're right if you think that consumer and medical acceptance of home care services are just some factors responsible for this unparalleled growth and demand.

Each day, another 10,000 baby boomers reach their 65th birthday and become eligible for Canadian Medicare benefits, which accounted for over 40% of home care expenditures in 2021. Unfortunately, these Medicare benefits are provided and paid for at the provincial level, so more populous areas tend to provide a broader range of home care services.

Industry consolidation has increased specialized services available to patients, including on-demand



companionship, physician-led house calls, remote patient monitoring, transportation assistance, and nutritional support. As a result, industry employment should grow at an annualized rate of 2.6% to 75,000 employees over the five years to 2026¹.

These additional services translate into more job opportunities available in the industry and more employees. In addition, as companies continue expanding their services and service areas, the growing demand for qualified home care staff will increase wages for nurses, physical therapists, and caregivers over the next five years.

Home care providers who can leverage these trends to meet the changing needs of their customers can expect to see their market share, revenue, and profits increase moving forward.

(1) CANADA INDUSTRY (NAICS) REPORT 62161CA / HEALTHCARE AND SOCIAL ASSISTANCE IN CANADA Home Care Providers in Canada Report by: Chris DellaCama, August 2021
(2) www.digitaljournal.com/pr/canada-home-healthcare-market-is-estimated-to-progress-at-a-cagr-of-8-1-during-the-forecast-till-2029

The state of the home care industry in 2022¹

Before we jump into those emerging trends, let's review where the home care industry is today. The sector utilizes three distinct service models that provide different services based on the decision-makers' input and the payers' requirements.

Home care

- Provides long-term continuous care
- Aids with daily living activities
- Provides care for people with chronic conditions

The home care decision-makers include the individual and the individual's family members. There is no requirement to be homebound or doctor's orders required to receive home care services.

Home health

- Brief and intermittent care for episodic health issues
- Medical care provided in the patient's home, such as nursing, therapy, and wound care

The home health decision-makers are the health care and medical professionals. The consumer must be homebound, with a physician's order and a treatment care plan in place to qualify for home health services.

Hospice

- End-of-life care
- Palliative care

Again, the hospice decision makers are the health care and medical professionals, and the patient must have a prognosis of six months or less to meet hospice service requirements.



⁽¹⁾ CANADA INDUSTRY (NAICS) REPORT 62161CA / HEALTHCARE AND SOCIAL ASSISTANCE IN CANADA Home Care Providers in Canada Report by: Chris DellaCamera, August 2021

Home care industry revenue¹

Category	Amount	2017-21 Growth	2022-28 Growth
Revenue	\$5.4B	5.6%	1.9%
Profit	\$912.7M	-3.1%	5.4%
Companies	4,076	6.7%	4.3%
Employees	73,392	2.9%	2.6%
Wages	\$3.1B	7.6%	2.4%

Consumer demand for home care services is expected to taper off now that the pandemic is behind us. However, as hospitalization costs continue to increase and more aging consumers get comfortable with the home health care trend, demand could quickly exceed projections.

As a result, revenue growth through 2028 will continue, but at half the rate experienced over the previous five-year time frame. At the same time, profit margin growth will nearly double now that labor and supply shortages have become a distant memory.

The number of home care companies across the country will increase by 175 through 2028. However, many of these new companies will be non-employers, following a well-established industry trend where nine out of 10 companies have no payroll expense because they operate as sole proprietorships. Even though these make up the majority of home care companies, they only generate about one-tenth of the industry's total revenue.

Over the next five years, the industry can expect to add another 1,942 employees to its ranks, nearly keeping pace with the employment growth rate of the last five years. By 2028, home care industry employees will number over 75,000. Many of these will work in the home care sector, providing daily activity support and companionship duties, the fastest-growing service segment for the home care industry.

Wages make up the most significant expense for the industry, with nearly 60% of all revenue spent on salaries. Many of the services offered rely on in-person support to provide their customers with home care, home health, and hospice services. As the number of employees increases, higher wages will be the short-term normal.

Using the data above, you can see how your home care business compares to the national averages for the industry from 2016-21 data through to 2026 industry projections.

Major players in the home care industry¹

Company	Market Share	Revenue (\$M)	Profit (\$M)	Profit Margin
Paramed Home Health	7.1%	\$387.2	\$34.0	11.2%
CBI Health Group	1.8%	\$97.4	Unavailable	Unavailable
Nurse Next Door	1.4%	\$74.4	Unavailable	Unavailable
Bayshore HealthCare	1.1%	\$61.4	Unavailable	Unavailable
Remainder	89.6%	\$4,780	\$392.46	8.5%

The home care industry remains highly fragmented, with the industry leaders generating less than \$620.4 million of the total industry revenue. Profit margins vary as widely as the services/products offered by each provider. But, just like their American counterparts, smaller independent company profits align with the major industry players.

Industry consolidation remains low since no single company controls a double-digit market share. In addition, many industry providers, 90% being sole proprietorships, only service a localized geographic region such as a city, county, or state. As a result of low startup costs for localized operations, nearly 300 new companies entered the industry over the previous five years.

(1) CANADA INDUSTRY (NAICS) REPORT 62161CA / HEALTHCARE AND SOCIAL ASSISTANCE IN CANADA Home Care Providers in Canada Report by: Chris DellaCamera, August 2021

Home care industry products/services segmentation¹

Service	Market Share
Other services	6.3%
Home therapy services	7.2%
Homemaker and personal services	5.6%
Home hospice	22.9%
Traditional home health/nursing services	58.0%

Demand for companion, personal, and therapy services will increase as more medical professionals refer their clients to the convenience of home care alternatives.

However, traditional RNs are critical for providing most hospice and home health care services. According to the Canadian Federation of Nurse Unions³, of the nearly 200,000 registered nurses working today, nearly one-third are over 50 and nearing retirement. Therefore, to avoid a short-term nursing shortage, 120,000 new RNs must be on the job by the end of 2023.

Further complicating a potential nursing shortage are the potential risks from burnout, mental well-being, and the mandatory overtime acceptance requirement for nurses working in Quebec.

Many seniors are surprised to learn that, unlike Health Canada, a nationally-funded program, Canada Medicare is funded and provides services on a provincial basis. The available medical and home care services can vary greatly for Ontario's 18.2 million residents compared to Saskatchewan's 1.74 million residents, the slowest-growing province in the country.

To help offset lower profits during the pandemic, many providers chose to consolidate services with other operators to negotiate better supplies and equipment pricing. In addition, some providers are shifting their focus to chronic disease management. This model focuses on patient self-care, combined with coordinated interventions and treatments and regular communication with other treatment team members.

(1) CANADA INDUSTRY (NAICS) REPORT 62161CA / HEALTHCARE AND SOCIAL ASSISTANCE IN CANADA Home Care Providers in Canada Report by: Chris DellaCamera, August 2021
(3) nursesunions.ca/wp-content/uploads/2022/07/nurses_shortage_media_ref_guide_comp.pdf



Beyond 2022: Home care trends to watch

Now that we've checked out all the vital signs and determined that the home care industry is not only alive but incredibly healthy, it's time to examine the trends shaping the future health of our industry.

The baby boomer boom

The baby boomers born from 1946-64 are ready to retire. It's creating a retirement tidal wave in the process. According to The Royal Bank of Canada⁴ nearly 5,000 baby boomers retire each week, a jump of 52% from 2002. Those numbers equal the entire province of Saskatoon leaving the workforce each year.

In 2018, the number of seniors totaled 5.28 million, or 17.2% of the population. According to The Fraser Institute⁵, that number has grown to 19.0%, or 7.39 million of Canada's population. Over the baby boomers' lifetimes, the life expectancy increased from 68 years in 1950 to 78.6 years. The downside is that an aged population commonly deals with Alzheimer's disease, potentially driving demand for elder care services to new levels.

Industry consolidation and innovation¹

Industry consolidation and improved technology have increased the number of treatment services available from the comfort of the patient's home. Some industry providers have consolidated to help lower operating costs, while others team up to provide complementary and adjacent services that benefit the patient's overall physical or mental health.

Telehealth is nothing new; it started back in the days of the telegraph. But thanks to the Work From Home Movement and the Great Resignation, everyone is familiar with the videoconferencing platform that moves fast. The biggest technology challenge

for most providers involves maintaining patient confidentiality and privacy standards while using the internet.

Technology from other industries is at work in the home care industry, resulting in more portable testing, monitoring, and exercise equipment, expanding the range of home care service offerings to their patients. In addition, smartphones now play a crucial role in the telehealth, self-health, and home care industries.

Despite their compact size, a smartphone is essentially a handheld computer, and developers have already created a wide range of apps and plug-in accessories. Hundreds of mobile apps or devices are approved by Health Canada for use by doctors, specialists, care providers, and even consumers. Activity sensors are used with dementia/Alzheimer's patients to detect changes in their movement, vital signs, or behavior and then notify staff or family members. Glucose monitors are popular with diabetics, as they eliminate finger-pricks and provide instant results.

Higher wages for nurses and therapists

These skilled and licensed roles are critical to the home care industry, generating more than 50% of the industry's revenue, which includes the following.

- Providing homemaker and companion services
- Administering in-home physical therapy
- Providing in-home hospice care
- Providing 24-hour home care
- Administering in-home occupational and vocational therapy
- Providing in-home dietary and nutritional services
- Administering speech therapy
- Providing in-home medical care

(1) CANADA INDUSTRY (NAICS) REPORT 62161CA / HEALTHCARE AND SOCIAL ASSISTANCE IN CANADA Home Care Providers in Canada Report by: Chris DellaCamera, August 2021

(4) thoughtleadership.rbc.com/from-a-baby-boom-to-a-retirement-explosion/

(5) www.fraserinstitute.org/studies/understanding-the-changing-ratio-of-working-age-canadians-to-seniors-and-its-consequences

Almost every activity, except homemaker and companion services, requires a nurse or therapist. With a nurse shortage looming on the horizon and increased consumer demand on the way, wages for nurses and physical therapists will continue to rise.

The Home Care Association of America⁶ (HCAOA) recently suggested several steps in their 2022 state of the home care industry report that the federal and provincial governments should take to minimize confusion and eliminate coverage gaps.

- Establish a national standard of care to eliminate coverage gaps.
- Collect, evaluate, and utilize data to validate home care value in the medical and mental health treatment models.

- Embed home care into the health care ecosystem across state and federal systems.
- Support caregivers with Recruitment, Training, and Career paths to increase longevity and diminish burnout.
- Finance care in an era of rising longevity, so everyone has access to coverage and services, regardless of age.

With thousands of potential new customers daily and rising demand for home care services, the industry can expect steady growth and higher revenue through 2028.

(6) www.hcaoa.org/newsletters/hcaoa-releases-new-nationwide-report-outlining-policy-priorities



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How to build a loyal customer base

Create a customer-first mentality

Home care workers often communicate with the loved ones of the person receiving care. It's important to make time for them by maintaining transparency, communicating consistently, and answering questions.



Personalize your communication

A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic, personalized experience.



Start a community

With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content, such as final product photos taken and shared by customers.



Respond to reviews and complaints

Whether it's a one-star rant or a five-star cheer, it's up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.



Honor promises

Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. By honoring promises and operating with transparency, you're building trust.



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BETTER
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- 4 Accreditation increases my **visibility** as a reputable business
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THE SIGN OF A BETTER BUSINESS*

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