




# 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% industry-wide revenue gain in 2020<sup>1</sup>, home care providers experienced a 2.7% revenue drop due to the pandemic stay-at-home orders and social-distancing requirements. 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 today and the emerging trends fueling future industry growth.

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## Introduction

The home care industry is one of the fastest-growing segments of health care as it saves patients and providers billions of dollars every year. Home care industry revenue rebounded from the 2021 decline by posting a 4.1% increase<sup>1</sup> for 2022, allowing the industry to breathe a collective sigh of relief.

More consumers choose in-home services over traditional health care models for convenience and affordability. As more medical professionals join the telehealth and in-home services bandwagon, the industry can expect a Capitalized Annual Growth Rate (CAGR) of 7.49% through 2030<sup>2</sup>. This rate is close to double the growth rate of 2022, signaling that the home care industry is moving in the right direction.

Consumer and medical acceptance of home care services are not the only reasons for this unparalleled growth and demand. An aging population is fueling growth, too.

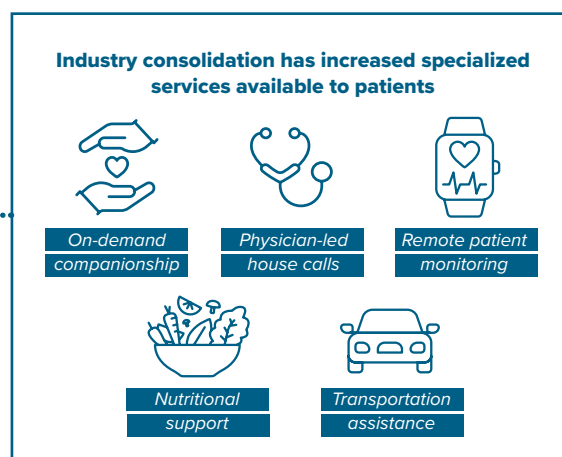
Each day, another 10,000 baby boomers reach their 65th birthday and become eligible for Medicare benefits, which accounted for over 40% of home care expenditures in 2021. Due to the Affordable Care Act (ACA) changes in 2017, many seniors retire without recent health insurance coverage and a list of untreated conditions and chronic pain/illness.

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 is predicted to grow at an annualized rate of 5.5% to 2.6 million employees over the next five years<sup>1</sup>.

These additional services translate into more job opportunities available in the industry and will eventually lead to an expanded labor pool for employers. 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—a win-win for all involved.

Health care reform legislation has provided numerous benefits and drawbacks for the home care industry. While the original version of the Affordable Care Act (ACA) required everyone to maintain a current, active health insurance policy, the 2017 ACA update made health insurance optional. The industry must strive to serve younger, lower-income patients who cannot afford insurance even at discounted rates under the act<sup>7</sup>.

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) US INDUSTRY (NAICS) REPORT 62161 / HEALTHCARE AND SOCIAL ASSISTANCE Home Care Providers in the US Report by: Dmitry Diment, June 2022

(2) [www.grandviewresearch.com/industry-analysis/us-home-healthcare-market-report](http://www.grandviewresearch.com/industry-analysis/us-home-healthcare-market-report)

(3) [policyadvice.net/insurance/insights/affordable-care-act-statistics/](http://policyadvice.net/insurance/insights/affordable-care-act-statistics/)



## The state of the home care industry in 2022<sup>1</sup>

Before we jump into emerging home care trends, let's review where the home care industry is today. The sector uses 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 patient 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.



<sup>(1)</sup> US INDUSTRY (NAICS) REPORT 62161 / HEALTHCARE AND SOCIAL ASSISTANCE Home Care Providers in the US Report by: Dmitry Diment, June 2022

### Home care industry revenue<sup>1</sup>

Category	Amount	2017-22 Growth	2022-28 Growth
Revenue	\$120.0B	3.1%	6.0%
Profit	\$9.0B	7.5%	5.4%
Companies	451,000	4.8%	5.6%
Employees	2.0M	3.0%	5.5%
Wages	\$61.9B	4.5%	6.2%

As hospitalization costs have skyrocketed and more aging consumers get comfortable with the home health care trend, consumer demand for home care services continues to rise. As a result, the revenue growth through 2028 will be nearly double the rate experienced over the previous five-year timeframe. At the same time, profit margin growth will slow slightly to compensate for higher wages to retain or hire key staff and supervisory positions.

The number of home care companies across the country will increase by 25,000 through 2028. However, many of these new companies will be non-employers, following a well-established industry trend where nine out of ten companies have no payroll expense because they operate as sole proprietorships<sup>1</sup>. 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 110,000 employees to its ranks, almost doubling the employment growth rate of the last five years. By 2028, home care industry employees will number over 2.6 million<sup>1</sup>. 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 over 50% of all revenue spent on salaries<sup>1</sup>. 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 (and a slight dip in profit margins) will be the short-term normal.

Using the data below, you can see how your home care business compares to the national averages for the industry from 2017-22 data through to 2028 industry projections.

### Major players in the home care industry<sup>1</sup>

Company	Market Share	Revenue (\$M)	Profit (\$M)	Profit Margin
Kindred Healthcare, Inc	2.67%	\$2,960.5	\$284.2	10.4%
Lincare Holdings, Inc	2.4%	\$2,741.2	\$813.1	3.37%
Amedisys, Inc	1.98%	\$1,192.9	\$245.9	4.87%
Interim HealthCare, Inc	1.95%	\$2,337.9	\$133.3	17.57%
Remainder	91%	\$110,767.5	\$7,523.5	14.72%

The home care industry remains highly fragmented, with the industry leaders generating less than \$11 billion of the total industry revenue. Profit margins vary as widely as the services/products offered by each provider.

Industry consolidation remains low since no single company controls a double-digit market share. In addition, because 90% of industry providers are sole proprietorships, they only service a localized geographic region such as a city, county, or state. Due to low start-up costs for localized operations, nearly 35,000 new companies entered the industry over the previous five years.

(1) US INDUSTRY (NAICS) REPORT 62161 / HEALTHCARE AND SOCIAL ASSISTANCE Home Care Providers in the US Report by: Dmitry Diment, June 2022

### Home care industry products/services segmentation<sup>1</sup>

Service	Market Share
Other services	6.1%
Home therapy services	3.1%
Homemaker and personal services	6.4%
Home hospice	29.2%
Traditional home health/nursing services	55.2%

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 UCSF Nursing School<sup>3</sup>, of the 4.3 million registered nurses working today, nearly 500,000 are expected to retire by year's end. Therefore, to avoid a short-term nursing shortage, 1.1 million new RNs must be on the job by the end of 2023.

Further complicating a potential nursing shortage is the RN turnover rate, which can reach 37%, depending on specialty and geographic location.

### Market segmentation<sup>1</sup>

Segment	Market Share
Medicare	37.6%
Medicaid	36.1%
Private insurance	12.5%
Out-of-pocket	10.4%
Other	3.4%



Over 75% of home care expenses are paid for by either Medicare (age/disability-based) or Medicaid (income-based) insurance programs. Unfortunately, despite increased federal funding during the pandemic, reimbursements to home care agencies decreased during this time frame.

One facet of the lower reimbursement rate is access to insurance. Many recent health care reform measures aimed to increase access for much of the population. But many states elected not to expand access to federal health care programs.

To help offset lower profits, many providers have chosen 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) US INDUSTRY (NAICS) REPORT 62161 / HEALTHCARE AND SOCIAL ASSISTANCE Home Care Providers in the US Report by: Dmitry Diment, June 2022  
 (3) nursing.ucsf.edu/news/nursing-shortage-national-problem-how-we-can-solve-it



## 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 the industry.

### The baby boomer boom<sup>4</sup>

Seniors (65+) are the fastest-growing segment of the population because the baby boomers (born 1946-64) are ready to retire. In 2018, the number of seniors totaled 52 million, or 16% of the population. Projections through 2060 show that number nearly doubling to 95 million, or 23% of the population.

Over the baby boomers' lifetimes, the life expectancy increased from 68 years in 1950 to 78.6 years. And they're working longer, too. By 2026, seniors in the workforce will total 26% of the men and 18% of the women employed in the country. The downside is that currently, 5.8 million have Alzheimer's disease, which could reach almost 14 million by 2050, driving demand for elder care services to new levels.

### Industry consolidation and innovation<sup>1</sup>

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 video-conferencing platform that moves fast. The biggest technology challenge for most providers involves maintaining the Health Insurance Portability and Accounting Act of 1996

(HIPAA) standards regarding patient confidentiality and privacy 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, further 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. There are over 256 mobile apps<sup>5</sup> or devices with FDA (Food and Drug Administration) or CE approval (European Union) 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) US INDUSTRY (NAICS) REPORT 62161 / HEALTHCARE AND SOCIAL ASSISTANCE Home Care Providers in the US Report by: Dmitry Diment, June 2022

(4) [www.prb.org/resources/fact-sheet-aging-in-the-united-states/](http://www.prb.org/resources/fact-sheet-aging-in-the-united-states/)

(5) [www.healthskouts.com/certified-apps/](http://www.healthskouts.com/certified-apps/)

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, wages for nurses and physical therapists will continue to rise.

Kaufman Hall<sup>6</sup> recently reported that contract nurses negotiated substantially higher wages from hospitals as demand for nursing services increased during the pandemic. As a result, the median hourly nursing wage rates increased slightly during the pandemic's first year, from \$64 in 2019 to \$71 in 2020. In 2021, wages jumped to \$103 per hour and again in 2022 to \$132 per hour.

### Confusing health care reforms

Health care reform legislation has changed dramatically over the years. For example, health insurance has gone from optional (2009) to a mandatory requirement (2010) and back to an option again in 2017. Yet, despite the name of the Affordable Care Act, many employees still can't afford health insurance premiums for themselves or their family members.

And while Medicare is 100% federally funded, Medicaid uses federal and state funds to pay for services. Each state sets its guidelines for covered services, deductibles, and billing requirements, and

the state and federal guidelines rarely match each other. This common scenario leaves consumers and providers at risk of not receiving their services or reimbursements.

The Home Care Association of America<sup>7</sup> (HCAOA) recently suggested several steps in their state of the home care industry report that the federal and state 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, no matter their age

With 10,000 potential new customers daily and rising demand for home care services, the industry can expect steady growth and higher revenue through 2028.

(6) [www.kaufmanhall.com/sites/default/files/2022-04/April-2022-National-Hospital-Flash-Report-2.pdf](http://www.kaufmanhall.com/sites/default/files/2022-04/April-2022-National-Hospital-Flash-Report-2.pdf)  
(7) [policyadvice.net/insurance/insights/affordable-care-act-statistics/](http://policyadvice.net/insurance/insights/affordable-care-act-statistics/)



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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.



**THE SIGN OF A  
BETTER  
BUSINESS<sup>SM</sup>**

## What business owners like about BBB

- 1 Accredited Business **status on BBB.org**
- 2 Use of the **Accredited Business Seal**
- 3 BBB **Customer Reviews**
- 4 BBB **Dispute Resolution**



# The Sign of a Better Business<sup>SM</sup>

## Be a top business in your industry

We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers



## THE SIGN OF A BETTER BUSINESS<sup>SM</sup>

Business owners also said the BBB Accredited Business Seal shows they are...

- **reputable**
- **trustworthy**
- **honest**

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