

A Home Care Cost Model for Older Adults: The Home Care Ecosystem



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Colorado is one of the fastest aging states, and [70 percent](#) of older adults will need some form of direct care to help with activities of daily living (ADL). As such, direct care for older adults will become more and more important. However, our understanding of what it truly costs to provide in-home care has thus far been limited. This has prevented us from fully supporting caregivers and those they care for. The Bell Policy Center's [Home Care Cost Model](#) illuminates what it takes to provide sufficient, quality care to older adults by supporting paid and unpaid caregivers alike.

Direct care broadly refers to care provided to older adults and people with disabilities and can take place in various settings whether in one's home or in a facility. However, [most older adults](#) will prefer to age in their own home or community. That makes in-home caregivers, such as personal care aides and family members and friends who step in to provide care, especially important. As such, the Bell Policy Center has built a [Home Care Cost Model](#) to quantify the total cost of providing in-home, non-medical, care to older adults in the state. This brief describes the ecosystem and landscape of in-home care in Colorado, while subsequent briefs describe the cost model, the major cost drivers, and use the model for further analysis.

The Main Players in Home Care



Recipients of Care

At the heart of the home care ecosystem is the rapidly growing number of older adults, aged 65 and older, who need care. While not all older adults will need care, 70 percent will likely need care at some point. There are a variety of [factors that can help indicate a need](#) for care. Commonly cited indicators include mobility or cognitive limitations that impact an older adult's ability to run errands, such as going to the doctor or getting groceries. Additionally, living alone or being 80 years old or above are factors that suggest a higher risk and therefore a higher likelihood of needing care at some point.

Importantly, some care may be shorter term for people recovering from a surgery, while others may need longer term care for both ADLs or more complex conditions such as dementia and Alzheimer's. The amount of care that is needed also varies greatly. It may range from a couple hours a week helping with errands to full-time and overnight care. The overall ecosystem of in-home care is meant to support recipients in living as independently as possible and in their community of choice.



Caregivers

There are varying preferences in how an older adult might receive care, particularly about who is providing care. Caregivers may be paid or unpaid. Paid caregivers are typically hired through a home care agency and can care for multiple recipients of care. However, paid caregivers can also be family, friends, or simply a caregiver of the recipient's choosing through Medicaid's Consumer Directed Attendant Support Services (CDASS) program. Unpaid caregivers, on the other hand, are the friends and family members who provide care for their loved ones without receiving pay.

Paid Care

Paid caregivers, as mentioned above, are typically employed through a licensed home care agency. They are home care and personal care aides, the majority of [whom are women](#). More specifically, women of color are overrepresented in this often-underpaying job. These care workers face low wages and few workplace benefits with important implications for their economic mobility. [Fifty-two percent](#) of home care workers in Colorado rely on public assistance to help make ends meet and [39 percent](#) are below 200 percent of the federal poverty level.

Home and Personal Care Worker Wages

Employment	Median Wage (2023)	Self Sufficient Wage (2022)	Housing Wage (2024)
Home/ Personal Care Aide	\$17.37	\$33.61	\$37.47

Sources: [Median Wage, Bureau of Labor Statistics May 2023 OEWS](#). [Self Sufficient Wage for one adult with one preschooler in Arapahoe County 2022](#). [2024 NLIHC Out of Reach, CO Housing Wage](#).

Low wages and benefits have led to significant challenges in recruitment and retention of care workers and even [a worker shortage](#). To keep pace with a growing older adult population, and simply maintain the current number of direct care workers per older adult, would require a [40 percent](#) increase in the workforce.

Unpaid Care

Given the challenges in the paid caregiving space, unpaid care is an important source of care. It is not only relied upon as an alternative to paid care, but in some cases as a preference instead of paid care. Nationally, [80 percent](#) of long-term care is provided by family caregivers, most of whom are also [working full- or part-time jobs](#). In Colorado in 2020, there were an estimated [870,000 people](#) 15 years old and older providing some type of unpaid care.

Communities of color are [more likely](#) to rely on informal, unpaid caregiving support from a family member or loved one. For example, in the [Latino communities](#), caregiving is something family members regularly do and rarely seek care from an outside source. In other cases, [older LGBTQ adults](#) fear discrimination when accessing long term care services and even experience “going back in the closet” if receiving paid in-home care. Therefore, it is [not uncommon](#) for LGBTQ older adults to be reluctant to receive in-home care from an outside source and turn to friends and family for care. However, LGBTQ older adults face additional challenges in receiving unpaid care from family. They are [more likely](#) to be estranged from biological family and more likely to not have children, and therefore rely on their chosen family and partners. [Fifty-four percent](#) of LGBTQ older adults receive care from a partner, and 24 percent from a friend.

Unpaid caregivers, the family members and friends who step in to provide care, do so with love and want their loved one to be cared for well. However, it is [well documented](#) by the Bell that providing unpaid care has an emotional, physical, and financial toll on the caregiver. The physical demands of caregiving can impact their health, their relationships, and can require the unpaid caregiver to reduce their hours of paid work to help provide care.

Care through CDASS

Finally, CDASS is a care model that integrates elements from each definition of paid and unpaid care. CDASS is a program available to those who are eligible for Medicaid's Home and Community Based Services (HCBS) waivers. It allows for the care recipient, or their authorized representative, to choose and hire the caregiver of their choice. While the caregiver receives payment through the Medicaid CDASS allocation, the caregiver can be a family member, friend, or a recruited home health aide or personal care aide. CDASS is an important option for people receiving care on Medicaid to have autonomy and control over the care they receive. It also allows for a pathway to support family caregivers with pay.

While CDASS is well-liked by its users, the recruitment of care workers, and any coverage or back-up that might be needed, is the recipient's responsibility. Also, the dollars allocated through CDASS are based on the local case management agency's assessed hours and tasks needed. The allocation formulas are similar to the Medicaid reimbursement rate calculations, and it has been noted that many allocations are not sufficient to pay the caregiver a high enough wage.

The type of caregiving a person receives rarely stays neatly within the categories set up by Medicaid. Due to a mix of workforce retention and staffing shortages mentioned above, in addition to preference, paid care alone does not fully meet the needs of care recipients. Instead, there is often a mix of paid and unpaid care being provided. According to a Bell survey of unpaid caregivers, 43 percent were also using some form of paid care every week.

Providers/ Employers

Finally, providers or employers of paid caregivers are an important piece of the puzzle. For in-home care, providers are home care

agencies licensed with Colorado and employ Home Health Aides (HHA) and/or Personal Care Aides (PCA). Both HHAs and PCAs help with activities of daily living, although HHAs can also provide a range of medical care. Home care agencies are responsible for the staffing of the recipient's caregivers. In addition to hiring caregivers, they have various other positions for administrative and supervisory purposes and care coordination. Currently in Colorado, there are [740 licensed home care agencies](#) accepting private pay and/or Medicaid that provide in-home care not only for older adults but people with disabilities as well. Some agencies may offer services in a specific region of the state while others have a span of resources and services throughout the state. However, the distribution of agencies isn't always equitable as many parts of the state, primarily rural areas, have [fewer registered agencies](#). These agencies play an important role in ensuring recipients receive sufficient and effective in-home care.

Home Care Infrastructure: Licensing, Training, and Funding

Licensing and Training

Home Care Agencies must be certified and licensed through the Colorado Department of Public Health and Environment (CDPHE). The agencies must follow regulations that include measures of safety and support that are frequently reviewed and assessed. For a home care agency to accept Medicaid, they must go through an additional certification with the Centers for Medicare & Medicaid Services.

The training and certification for Personal Care Aides varies by employer, though at least some training is required. The chart below highlights the main requirements.

State and Federal Training Requirements for Personal Care Aides

Job Title	Task	State and Federal Training Requirements
Personal Care Aides	Assists with daily living activities, light housekeeping, and companionship	Federal: no requirements. Colorado: Training requirements differ based upon how personal care services are accessed and paid for. Some workers are required to have a minimum of 20 hours of training, or pass an agency-administered skills validation test. At a minimum, all workers are required to receive agency-based orientation and training. Trainings can be developed by agencies, but must include information on several broad subjects.

Sources: [Our Caring Workforce: Long-Term Care, Direct Service Workers.](#)

Those who hire caregivers through CDASS are responsible for training their caregivers. This has been noted as a benefit of CDASS as it also gives the recipient autonomy to train their caregivers to their specific needs.

Importantly, there are varying preferences on the training a paid caregiver receives. While some advocate for more standardized training across caregivers, others advocate for the ability to train caregivers based specifically on the recipient's needs. A more [standardized minimum training](#), advocates say, would create a more qualified workforce across settings and job titles and offer more opportunities for career pathways and professional development. The state's Department of Health Care Policy & Financing (HCPF), with the help of American Rescue Plan Act (ARPA) dollars, has made training one of their priority workforce initiatives. In partnership

with the University of Colorado, Colorado Springs (UCCS) College of Nursing and Health Sciences, they are creating free training modules for employers and workers to use across the state. While they will not be mandatory, they offer flexibility and a wide variety of training allowing for the employer to decide what curriculum should be completed.

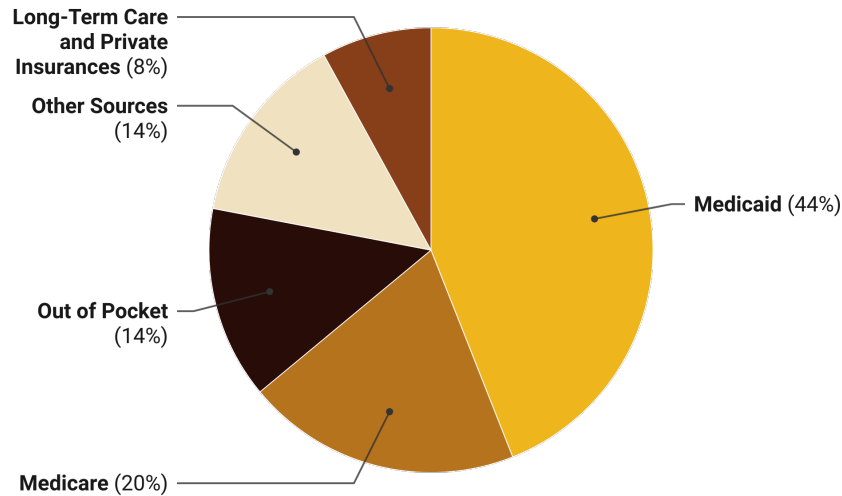
In addition to training the caregiver, it has been mentioned by CDASS users that training for the CDASS recipient could be helpful as not all CDASS recipients or authorized representatives have experience managing a team of caregivers. For example, in the Bell's survey of CDASS recipients, training on how to recruit care workers, managing employer employee relationships, and setting boundaries with your caregiver were the most frequently identified trainings that would be helpful in directing one's own care.

Finally, there is no standardized or formal pathway for unpaid caregivers to receive training or education on how to provide care for their loved one. There are free resources online, and organizations such as the [Alzheimer's Association](#), that provide education materials to support unpaid caregivers in providing quality care. In the Bell survey of unpaid caregivers, 44 percent noted that training on how to properly lift someone would be helpful. Fifty-one percent said they would prefer training on how to manage conflict, and 56 percent would want training on caring for their own needs while caring for someone else.

Funding Sources

Receiving care can be [costly](#). According to the [2023 Genworth Cost of Care study](#), for 20 hours of home care a week, the annual cost is over \$36,000. The main source of public assistance, and the largest payer for in-home care is through the Medicaid Home and Community Based Services (HCBS) waivers. Other funding sources include long-term care insurance or out of pocket.

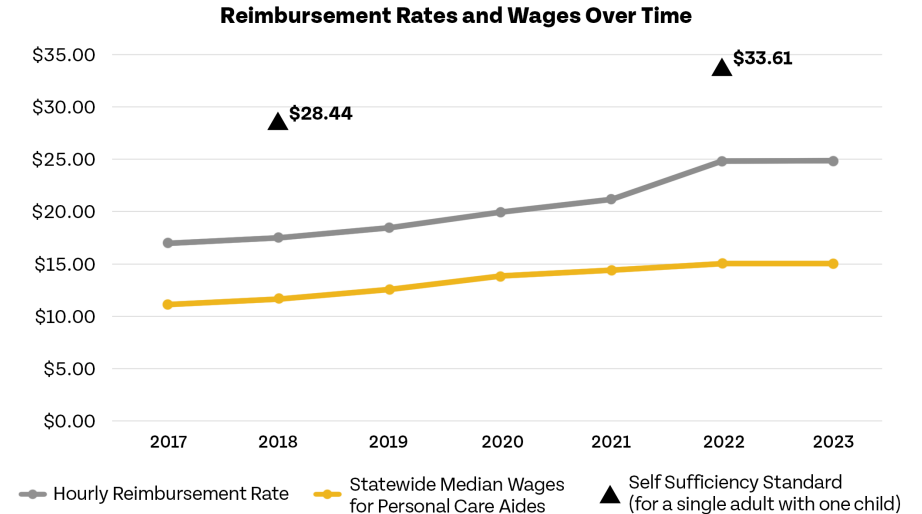
2021 Long-Term Services and Supports Spending by Payer



Note that these numbers are for all longterm support services, not just in home care services. It is also important to note that included in the "Other Sources" were additional COVID-19 funds.

Source: 2021 [IF10343 \(congress.gov\)](#).

For in-home care providers who accept Medicaid, the [reimbursement rates](#) are meant to cover their overhead and administrative costs in addition to wages and benefits for their care workers. However, the reimbursement rates are frequently cited as too low to adequately cover these costs, with worker wages often suffering as a result. This is detailed in the graph below.



Source: Bell analysis of [Colorado Department of Health Care Policy & Financing Data](#) for the Elderly, Blind, and Disabled Waiver; and Bureau of Labor Statistics data; and the University of Washington's [Self-Sufficiency Standard](#): Colorado for a single adult with one preschool-aged child living in Arapahoe County. * Note that reimbursement rates for 2021 and 2022 were subject to multiple changes during the COVID-19 Pandemic, and these numbers reflect initial COVID-enhanced rates. Additionally, the median wages for 2022 and 2023 reflect the temporary increase to a [\\$15 base wage](#) with ARPA funding.

While Medicaid is a main public funding source, with a strict income eligibility, the HCBS waiver is accessed by only the lowest-income older adults.

For those who don't qualify for Medicaid, long-term care insurance is an option. However, [affordable long-term care insurance](#) is hard to come by. The cost is high to the individual and it is [difficult to qualify](#) if you have a "high risk" of needing care. Finally, another option is to pay out of pocket. But the out-of-pocket costs for long-term care, as previously stated, are burdensome. If you cannot rely on a friend or family member to provide unpaid care and must pay for care out of pocket, care is either delayed, or the cost of care drains your resources and assets [until you qualify for Medicaid](#).

Colorado has limited funds to help Coloradans access long term care, but the state is able to direct some state and federal dollars to those in need via the state's regional Area Agencies on Aging (AAA). AAAs provide important support through in-home assistance, caregiver support, and direct support services like transportation and nutrition assistance for free or at low cost to older adults. However, despite a recent increase in funding during the 2024 legislative session, these agencies also have faced funding challenges and [AAAs are unable to serve all who need support](#).

Colorado's constrained budget plays a role in the low Medicaid reimbursement rates and the insufficient funds for AAAs. Limited funding restricts our ability to fully support both older adults receiving care and their caregivers.





The Current Ecosystem Isn't Working

The caring ecosystem as it stands faces challenges that impact peoples' access to care across the state and makes it challenging to support caregivers and recipients. In 2022, home care positions in the US had a [77 percent](#) turnover rate. In addition to the overall shortage of workers, peoples' ability to [access needed care](#) is limited because there simply isn't enough. Low wages for workers, which are closely tied to Medicaid reimbursement rates, is one reason for the high turnover in the industry. As previously stated, the state's limited available funds to increase reimbursement rates, in addition to a lack of clarity on what it actually costs to provide care, makes it difficult to meaningfully increase wages and more comprehensively support care workers.

The challenges in accessing care are not felt equally across the state. Additional data is needed to better understand the gaps in care, however, there are more acute challenges in accessing care for different communities in Colorado. Many parts of Colorado, particularly more rural areas, have [little to no registered in-home care providers](#) due to staffing issues, among other challenges.

In [rural areas](#) like southwest Colorado, transportation, a more dispersed population, and the greater distances between those who need care and resources, all play an additional role in creating barriers to care.

Communities of color have also historically [faced systemic barriers](#) to accessing health care more broadly, and face bias or discrimination when they do access care. Home care is not immune to this trend. Access to Medicaid HCBS waivers, for example, is inequitable. HCBS waivers are [more likely](#) to be accessed and used by white and English-speaking people compared to not only the overall population, but the Medicaid population as well.

Importantly, communities of color are also more likely to rely on informal or unpaid caregiving. As a result, we see a higher percentage of [unpaid caregivers of color](#). There is a disproportionate impact on informal caregivers of color when considering the impacts of lost wages, health impacts, and the lack of formal support for unpaid caregivers in the state. Nationally, the unpaid caregiving workforce was estimated to be providing a value of up to [\\$600 billion](#) in unpaid care in 2021. Unpaid caregivers should be supported with better access to respite care and opportunities for training and education on providing care for a loved one.

These challenges will become even more apparent as the older adult population continues to grow and become more diverse. It is crucial to comprehensively support paid caregivers with better wages and benefits while supporting and valuing the unpaid care that is taking place for older adults across the state. Understanding the true cost of providing care for older adults will help us do so.

What the State of Colorado is Doing to Improve the Ecosystem

Despite the existing challenges in providing in-home care for older Coloradans, the state has taken important steps in improving the larger caring ecosystem for older adults.

- **The Direct Care Workforce Stabilization Board:** During the 2023 legislative session, Colorado lawmakers aimed to address the direct care workforce turnover challenges through the creation of this board. The stabilization board will not only work to inform direct care workers of their rights but will engage workers and employers to assess and make recommendations to the legislature regarding wages, workplace standards, and more. The board's first set of recommendations is set to come out in September, 2024.
- **Increased Provider Rates:** The fiscal year 2024-2025 budget included a 2 percent provider rate increase, which translates to a Medicaid reimbursement rate increase. In addition, Colorado increased the minimum wage for direct care workers to [\\$17 per hour \(\\$18.29 per hour in Denver\)](#). This increased support and pay for direct care workers will likely have a positive impact on workforce retention.
- **Increased funding for AAAs:** During the 2024 legislative session, lawmakers appropriated an additional \$5 million toward state funding for senior services (or the Area Agencies on Aging) to help meet the need for these services and alleviate the waitlists many of the AAAs are facing across the state.
- **Care Worker Tax Credit:** Also during the 2024 legislative session, Colorado passed a Care Worker Tax Credit that provides \$1,200 to eligible care workers including Home Health Aides and Personal Care Aides. This tax credit will help stabilize the workforce by supporting care workers' financial well-being.



The Purpose and Importance of a Cost Model

The Bell Policy Center, in collaboration with partners, has developed a [Home Care Cost Model](#) for older adults. The model, described in more detail in [the following brief](#), assesses the various inputs (the need for in-home care, wages for workers, geography, etc.) and how this impacts the cost of providing non-medical, in-home care to older adults.

In addition, the value unpaid caregivers bring is often invisible in the larger conversation. The Home Care Cost Model will bring a more comprehensive and holistic approach to the total cost of providing care in the state of Colorado by including the costs family and friends face in caring for a loved one.

The Home Care Cost Model will also be an important tool for researchers, advocates, and decision makers, as they strive to understand the implications of policy choices on the care economy, its workers, and the older Coloradans who rely upon it.