



# The Gap Between Public Investment & the True Cost of In-Home Care For Older Adults



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As Colorado's older adult population continues to rapidly grow, understanding the true cost of non-medical in-home care is increasingly important. The true cost of care goes beyond aggregating the current market cost of care to examine what the cost of care actually is. That includes accounting for paid caregivers receiving a living wage and a robust set of benefits and ensures that providers can cover their overhead expenses. The true cost of care also accounts for the effects on unpaid caregivers including the health impacts, lost wages, and out-of-pocket costs. We have found that when accounting for all of the true costs of providing care, the price tag is just over \$9 billion annually in Colorado.

Investing in care for older adults is essential for improving health outcomes for recipients and enhancing the economic mobility and wellbeing of both paid and unpaid caregivers. Yet, current investments in caregiving for older adults falls short of meeting the true costs associated with providing care. The gap in public investment in care strains our paid caregivers with low wages, relies on unpaid caregivers to step in without adequate support, and disproportionately impacts those in rural parts of our state.

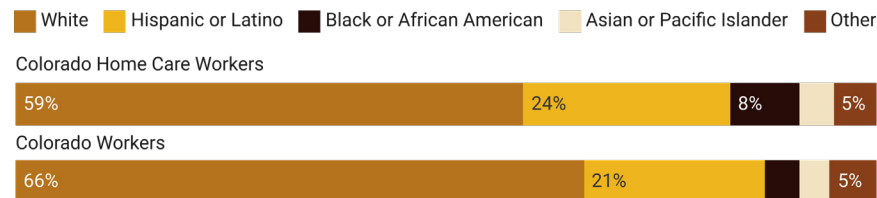
This report examines the state's current investment levels and the [Home Care Cost Model's](#) findings on the true cost of care, and highlights the disparities in public funding for older adult care across the state. By understanding the investment necessary to more adequately support in-home care, we can better advocate for and invest in comprehensive solutions that address the needs of older adults who need care and their caregivers.

# Importance of Investing in In-Home Care for Older Adults

The Bell has frequently cited the [importance of care](#) and why investing and supporting care is vital for Colorado. It is particularly important to support in-home care for older adults as Colorado is one of the [fastest aging](#) states in the country, and the [majority of older adults](#) who need care prefer to stay in their home and community. Home-based care is also a [more affordable option](#) compared to a nursing home or an assisted living facility. Importantly, supporting those who provide care also impacts gender and racial equity, increases quality of care, and spurs greater economic mobility.

In Colorado, [84 percent](#) of paid home care workers are women, and people of color are disproportionately represented. This is particularly important as paid care workers receive [low wages and few workplace benefits](#). This impacts paid caregivers' economic mobility and contributes to the [recruitment and retention](#) challenges faced by care providers. Investment in paid caregivers, with higher wages and benefits for example, [will increase retention](#) improving the continuity and quality of care for recipients as well.

## Demographics of Colorado's Home Care Workforce



Source: [PHI Workforce Data Center \(2022\)](#) and [American Community Survey \(2023\)](#)



Investing in unpaid caregiving is equally important. About [600,000 people](#) in Colorado are providing unpaid care to an older adult at least several times a month. The majority of unpaid caregivers in Colorado are [women \(60 percent\)](#). Informal, unpaid caregiving is not only more common in communities of color, but people of color are disproportionately impacted by unpaid caregiving as they are more likely to step into this role at an earlier age compared to white unpaid caregivers. Unpaid caregivers often face financial strain due to caregiving, but are providing economic value in the care they provide. It is estimated that, nationally, unpaid family caregivers are contributing up to [\\$600 billion](#) of economic value in unpaid caregiving. Based on a 2024 Bell survey of unpaid caregivers, 60 percent of unpaid caregivers are also working another job and may experience lost wages or leave the workforce altogether in order to provide care. Caregiving [not only impacts their economic well-being](#), but [impacts their mental and physical health](#) and their ability to provide quality care. Supporting and investing in unpaid caregivers [can help ease stress](#), allow caregivers to provide better care, and promote greater economic security.

# Current Public Investments in Care for Older Adults

The state of Colorado [currently funds](#) various supports for older adults, however funds specific to in-home caregiving, for paid and unpaid care, remain limited. Below, we outline the main investments made for in-home older adult care.

## Funding for Paid Care

Funding that supports paid, in-home caregiving is largely provided through Medicaid. The largest and main source of funding for older adults is the [Elderly, Blind, and Disabled \(EBD\) waiver](#). The EBD waiver provides [Home & Community Based services \(HCBS\)](#) through Medicaid. It allows those who need long-term assistance and support and who meet certain [financial requirements](#) to stay and receive care in their home. It should be noted that some of the funding and services offered through the EBD waiver include adult day care services provided outside of the home and also support those with disabilities.

Another important investment is made through the Area Agencies on Aging (AAAs). AAAs offer a wide range of services from directly providing services to older adults as well as providing support and services to their families and caregivers to help older adults in need of care remain as independent as possible. While a majority of the AAA funding supports paid care, a small portion is also used to support unpaid caregiving.

## Funding for Unpaid Caregiving

In addition to the investments in paid, in-home caregiving for older adults, and recognizing that many people provide unpaid care for a loved one, Colorado also makes investments that support unpaid caregivers.

Although relatively small, an [important public support](#) for unpaid caregivers is through respite care services. Respite care is temporary care that is provided to allow the unpaid caregiver to take a break or run their errands. The state also participates in the federally funded [National Family Caregiver Support Program \(NFCSP\)](#). NFCSP offers information about available support services, counseling, and training to support unpaid caregivers.

Finally, to help relieve the financial strain that unpaid caregivers often face due to out-of-pocket costs associated with caregiving, a tax credit exists specifically to help reimburse home modification costs (examples include installing grab bars or widening doorways to accommodate a wheelchair), the [Home Modification Tax Credit](#). To qualify for the credit, the taxpayer must have, or claim a dependent who has, an illness, impairment, or disability that necessitates the home renovation, the qualifying individual must be a permanent resident where the modification is happening, and they must be at or below the household income limit. For the 2024 tax year, the household income limit is \$182,191.

## Current Investments in Older Adult Care

Program/Support	Funding Source	Amount FY 2023-24 (rounded to the nearest thousand)
EBD Waiver	State	\$447,431,000
	Federal*	\$447,431,000
Area Agencies on Aging **	Federal (Older American Act)	\$16,848,000
	State (Older American Act)	\$4,070,000
	State (State Funding for Senior Services)	\$29,579,000
<b>Total Funding that Supports Paid Care: \$945,358,000</b>		
National Family Caregiver Support Program	Federal	\$1,608,000
	State	\$566,000
Respite Services	State	\$398,000
Tax Credit for Home Modifications	State	\$927,000***
<b>Total Funding that supports Unpaid Care: \$3,500,000</b>		

\* The funds for the EBD waiver are approximately [half from state and half from federal funds](#) based on current medicaid cost-sharing in Colorado.

\*\* A small portion of the AAA funding is used to support unpaid caregiving but is not disaggregated here.

\*\*\* The funds for the Tax Credit for Home Modifications are the [funds allocated](#), though much of this tax credit goes unused. Totals may be different due to rounding.

As shown in the table at left, much of our public investment in care is directed to paid care. This is not without reason; as mentioned above, supporting paid care is crucial for older adults and paid caregivers. Continued and even increased investment in paid care is necessary considering people across the state [do not have equal access](#) to paid care. However, it is important to acknowledge that across the state, [80 percent](#) of the care that is being provided to older adults is provided by unpaid care. While investments in paid care will likely decrease the [amount of unpaid care](#), many older adults will prefer to continue relying on care from a loved one, and therefore will also require continued investment.

## The True Costs of Care

In order to make future policy decisions about older adult care, it is important to contextualize the current public investment for older adult care within the true cost of providing care. The analysis below uses the [Home Care Cost Model](#) to estimate the cost of care when paying caregivers what they are worth, and accounting for the health impacts, out-of-pocket costs, and lost wages experienced by unpaid caregivers.

For the purposes of this analysis, we have made a few important assumptions about the care being provided. As discussed in a prior brief, cost model users can change these parameters by modifying the assumptions within the model. First, this analysis assumes approximately 30 percent of Coloradans 65-plus are in need of home care assistance. (See Appendix A for more detail on this assumption.) We selected a self-sufficient wage and a robust benefit package for paid caregivers as this is crucial for economic mobility and well-being of the caregiver. Importantly, the model breaks down the amount of care being provided by [paid care, the Consumer-Directed Attendant Support Services \(CDASS\) through the HCBS waivers, and unpaid care](#). Today, 80 percent of care is

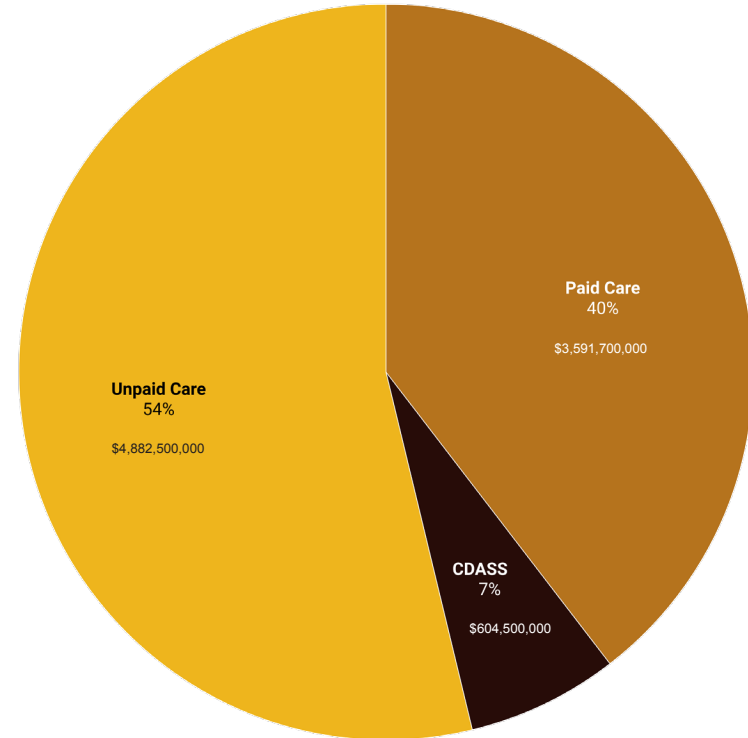
*The true cost of providing care when adequately supporting Colorado's paid caregiving workforce and accounting for the costs unpaid caregivers face, is just over \$8 billion.*

provided by unpaid care, leaving 15 percent of care to be provided by paid care and 5 percent by CDASS. However, if caregivers were to receive higher wages and more robust benefits, we expect the proportion of care provided by paid caregivers would increase. Therefore, for this analysis, we increase the amount of paid care to 25 percent, 5 percent of care provided through CDASS, and decrease the amount of unpaid care to 70 percent. There is no additional training included for this analysis.

Based on these assumptions, the true cost of providing care when adequately supporting Colorado's paid caregiving workforce and accounting for the costs unpaid caregivers face, is just over \$9 billion. About 40 percent of this is attributed to the cost of paid care, another 54 percent attributed to unpaid care, and the remaining 7 percent of the total cost is attributed to care provided through CDASS. The actual cost of care is significantly larger than the current \$900 million in public investment for paid caregiving and \$3.5 million for unpaid caregiving.

Part of the funding gap between current public investments in the EBD waiver and the true cost of care comes from the fact that everyone in need of in-home care does not use, or qualify for, public programs. Even so, the model shows that we are underinvesting in our public supports. For example, we

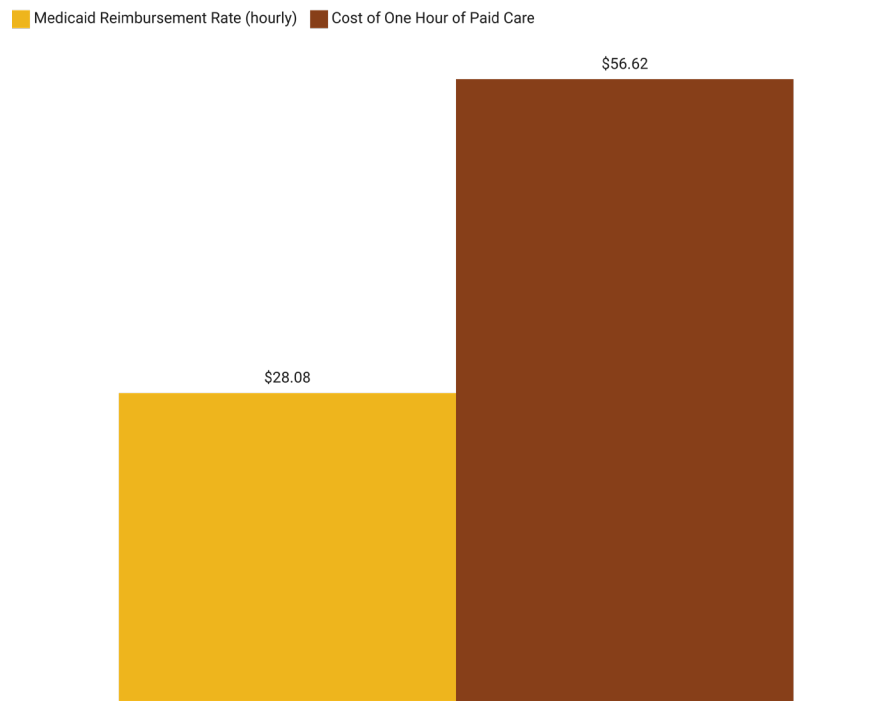
**Total Cost to Provide Care is \$9,078,600,000**



Source: [Home Care Cost Model](#)

calculated the true cost of paid care per hour to be \$56.62. The hourly cost remains much higher than the hourly EBD Medicaid reimbursement rate of [\\$28.08](#) for personal care services outside of Denver County. To pay caregivers a living wage and ensure that providers can meet their overhead expenses through Medicaid would require, on average, \$28.54 more per hour. Instead, care is being provided that is not adequately compensated and relies on the good will of unpaid caregivers, and assumes paid caregivers will accept low wages and poor benefits.

## Medicaid Reimbursement Rate vs. Cost of One Hour of Paid Care



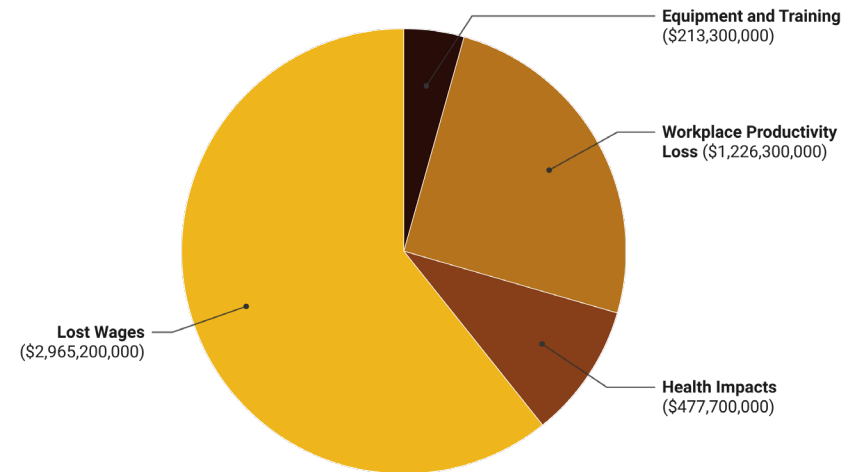
**Source:** HCBS Reimbursement Schedule for Personal Care Services outside of Denver County and the [Home Care Cost Model](#)

The disparity in funding between the EBD waiver and the true cost of paid care is not a surprise. Investments in [Medicaid reimbursement rates](#) have long been cited by providers as being too low to adequately cover costs, and has in part driven the [low wages](#) of paid caregivers. While investments in HCBS waivers have [increased](#) reimbursement rates in recent years, Colorado still has a long way to go in adequately supporting this workforce. Increasing the Medicaid reimbursement rate by an average of \$28.54 would facilitate agencies' ability to provide higher pay to caregivers.

Higher Medicaid reimbursement rates will also play a critical role in addressing the recruitment and retention challenges and the economic mobility of paid caregivers who help our older loved ones age in their own homes and community of choice.

Not surprisingly, the gap in current public investment for unpaid caregivers and the total cost of unpaid care is even larger than the gap for paid care. With a small investment in respite services and a tax credit to help cover some out of pocket costs for home modifications, public investments are far from acknowledging the necessary support of unpaid caregivers. Importantly, the current public investments do not address some of the major costs faced by unpaid caregivers.

## The Breakdown of Unpaid Care Costs



**Source:** [Home Care Cost Model](#)



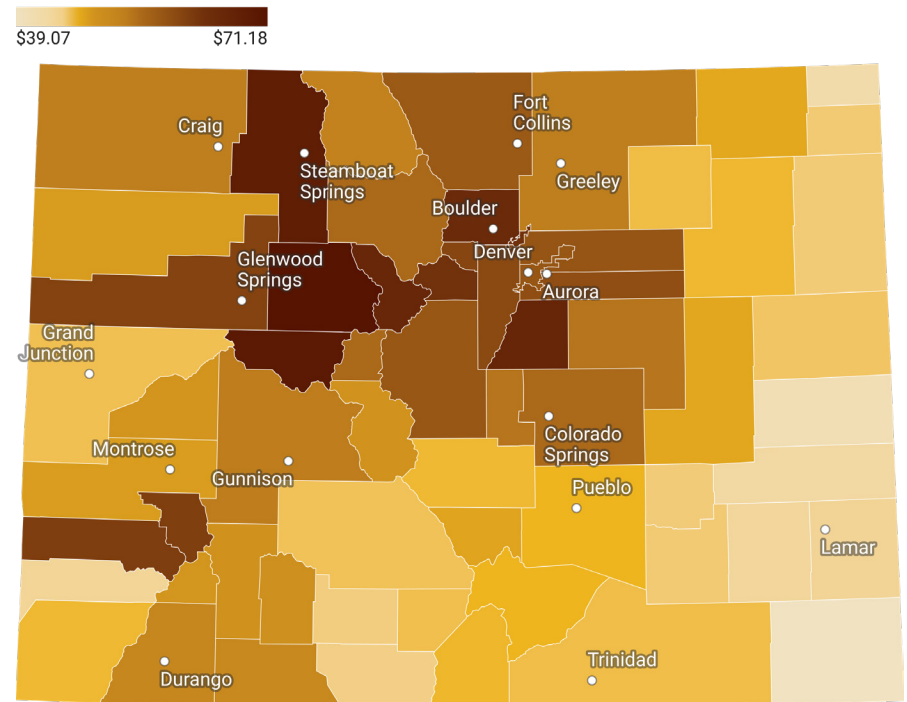
Of the total cost of unpaid care, 4 percent is attributable to equipment, 25 percent to lost workplace productivity, and 10 percent to health impacts. The lost wages for those who are in the workforce and have reduced hours or left the workforce entirely accounts for 61 percent of the costs related to unpaid care. Unpaid caregivers are providing significant and important quality care to older adults across the state, but are largely left to their own devices to do so. As a result, unpaid caregivers are left to carry the weight, both financially and in some cases mentally and physically, of the insufficient public funding for caregiving.

## Addressing Rural and Frontier Care Needs

Across the board, it is clear that increased investment in both paid and unpaid care is necessary. But investments should be made with particular attention to geographic differences, especially as [larger proportions](#) of the rural population are 65 years old and older (21 percent) compared to 15 percent of the urban population. Particularly, the cost of care and the type of care being used are different for urban and rural or frontier counties.

### Cost of One Hour of Paid Care in Colorado

(paying self sufficiency wages)



Source: [Home Care Cost Model](#)





Wages are one of the main cost drivers for paid care. Notably, when paying self sufficiency wages, what really drives up the cost of care is the cost of living. For example, the self-sufficiency wage is highest in places like Eagle and Pitkin Counties. The impact of these higher wages is reflected in the above map, where costs are highest in the above-mentioned counties.

In order to better understand the impact of cost-drivers not related to wages, we compare the cost of care for Mesa and Custer counties. Notably, though one is urban and the other is a frontier county, their costs of living are relatively similar. When comparing an urban county such as Mesa County to a frontier county such as Custer County, the total cost is higher for Mesa County. However, when looking at costs per recipient of care given the population size differences, the cost of care is actually higher for Custer County. In Mesa County the annual cost of care per recipient is \$33,700 while in Custer County, the cost of care is \$26,300 per recipient. It is about \$500 more expensive to provide care per recipient in Custer County than Mesa County. The cost of paid care is higher in Custer County largely due to higher transportation costs. Notably, these transportation costs are not accounted for when the state calculates Medicaid reimbursement rates. As a result of this discrepancy between the actual cost of care and what is reimbursed, paid caregivers in rural areas are providing care that does not fully compensate them, or providers are choosing to not provide care in these areas because it [does not make economic sense](#).

[Rural areas](#) across the country face even more challenges to accessing paid in-home care compared to more urban areas, [partially as a result](#) of the differences in cost associated with providing paid care in rural areas. Colorado is not immune to this trend, which was confirmed throughout multiple focus groups conducted for the development of the Home Care Cost Model. Therefore, it is likely that higher rates of care are being provided by

unpaid caregivers in Custer County than Mesa County. Adjusting the assumptions accordingly in the cost model, with 90 percent of care being provided by unpaid care in Custer County, 5 percent through CDASS, and 5 percent through paid care, the total cost decreases to \$30,000 per recipient (or \$4,000 less) because unpaid care is less expensive. Although this change results in a decreased cost of care overall, unpaid caregivers are left shouldering the weight of limited access to paid care. The lack of investment in accessible paid care across the state and the little investment for supporting unpaid caregivers disproportionately impacts people in rural areas and highlights the need for greater investment in both paid and unpaid care with a specific focus on rural and frontier regions.

Additionally, although not accounted for in the model, there is another cost in rural and frontier areas as some people may forgo care completely. It was noted in focus groups that particularly in rural and frontier counties where there are little to no in-home care providers and people may not have family and friends nearby to help, people will in some cases choose to forgo care. Although the proportion of people who are forgoing care is unknown, it was noted by focus group participants that these instances of forgone home care often resulted in more severe health outcomes in the long term. This likely represents an increased cost in care down the line.

## Conclusion

As Colorado's aging population continues to grow, investing in non-medical home care for older adults is vital. Current public funding levels fall significantly short in adequately supporting caregivers. The low investment in EBD waivers creates a scenario where care is inadequately compensated and unpaid caregivers are providing care without adequate resources resulting in negative consequences for their financial security and well-being. These

impacts are disproportionately felt by rural Coloradans who have constrained access to paid caregiving and a higher reliance on unpaid care. Investing in both paid and unpaid care will support older adults in need of care and support those who dedicate themselves to caregiving, creating a more sustainable and effective care ecosystem.

## Appendix A – Percent in Need of Care

Research and definitions of older adults who need care [varies widely](#) and makes pinpointing this population difficult. Not all those who are 65 years old and older will need care. Rather, the indicators of care are more often functional or cognitive limitations that make it difficult for a person to perform Activities of Daily Living (ADLs) such as bathing, dressing, and eating (also known as self-care limitations) or Instrumental Activities of Daily Living (IADLs) such as laundry, homemaking, and grocery shopping. Older adults who need help with an ADL, as opposed to an IADL, will have a [higher need for assistance](#). If we were to assume that only those who need assistance with an ADL are in need of in-home care, this would result in a much smaller population estimate compared to estimates that include those who struggle with IADLs. Research shows that in 2011, [nearly 30 percent](#) of older adults were in need of assistance with either an ADL or an IADL.